

ESPON project 3.4.1. Europe in the World (Volume 1)



ESPON 3.4.1

Europe in the World

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1 Executive Summary

1.1 Introduction to the report

This report is the second interim report of the project ESPON 3.4.1. "Europe in the World". It presents the progress made in the field of tools and concepts. It also gives a glimpse of the work in progress in the data collection and thematic analysis.

The main objectives to the project are to identify relations and linkages between Europe and other parts of the World; to elaborate structural comparison with comparable "regions" of the World; to embed of Europe into its geographical neighbourhood. This second interim report aim to fit these objectives.

It is impossible to propose any objective definition of the limits of Europe from scientific point of view. All definitions of Europe are necessarily political and ideological and depends on the choice of criteria which are selected to define a so-called "European" identity (See Dictionary of concepts, Key Question n°1 and Case study n°4). This remark can be applied also to any World region. This is why we had clearly chosen to propose a new vision of the World based on new territorial divisions organised in a hierarchical way: the WUTS (World Unified Territorial System) ranking from WUTS0 (the global World) to WUTS5 (the 168 states which are the basic territorial units for World description). With this WUTS classification (see Dictionary of tools) we can provide new representations of the World which fits better to actual situation of Europe in the World and which provide a better homogeneity of the results obtained for example on trade (Key question n°4) or migrations (Key question n°3.b). As the next challenge to complete the Final Report is to integrate the results obtained by each team in a common framework in order to produce synthetic results useful for European policy makers on the situation of Europe in the World and the World in Europe.

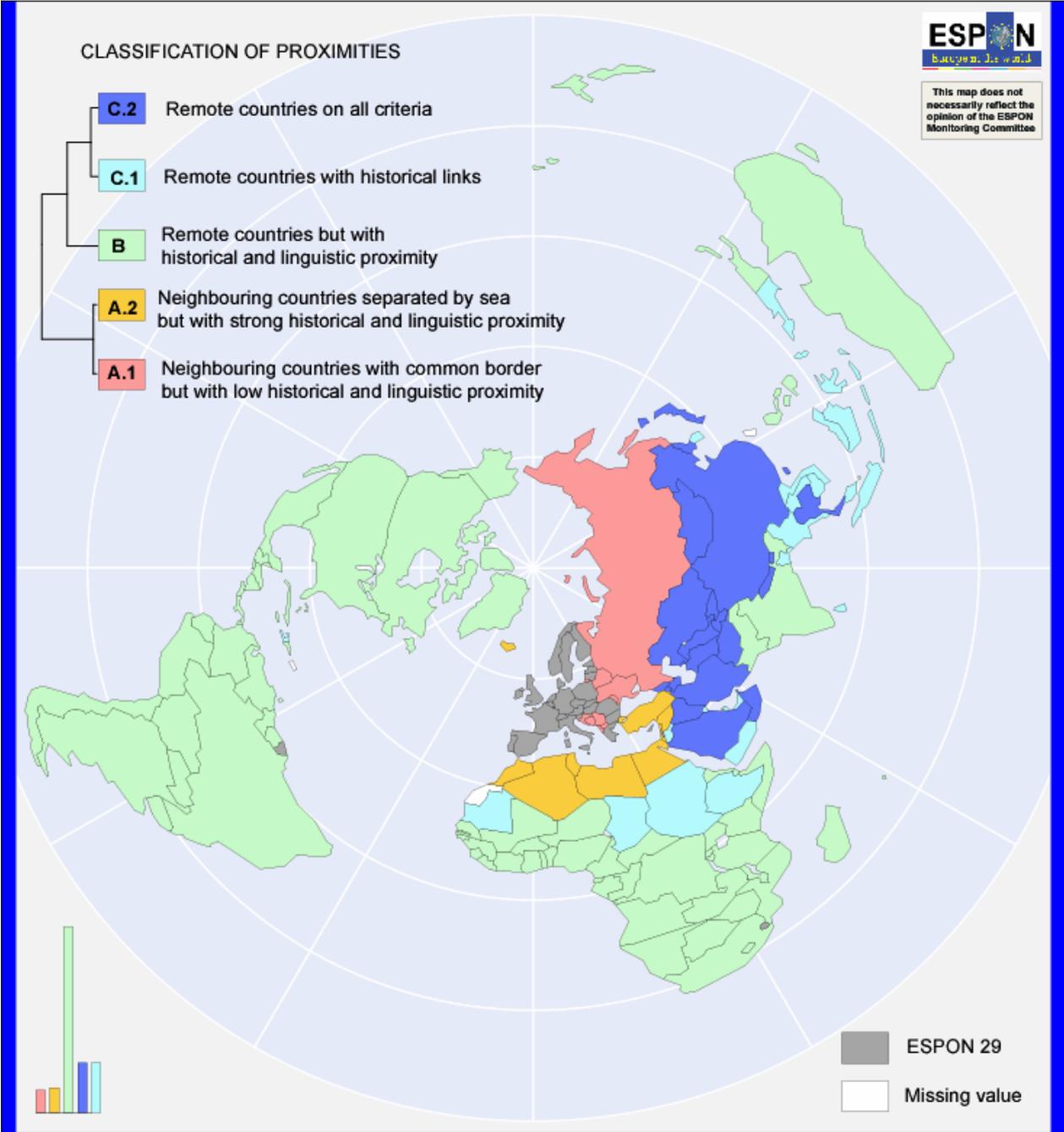
1.2 ESPON Influence area

As an example of what will be further accomplished a synthetic study on the delimitation of an ESPON Influence Area is presented here. It is based on a first group of "proximity" indicators and tries to identify the factors which can make easier the relations between the countries of the World and the 29 countries of the ESPON. We focus here on "hard" facts which are not likely to change in a near future and which are strategic realities for long term political decisions. The most obvious one is the physical distance between each country of the World and ESPON 29. Here, it is measured by an estimation of distance between main urban centres of each couple of states, weighted by their population (CEPII database). To obtain a measure of distance to ESPON29, we have computed for each state of the World the mean of its 29 distance to the ESPON members. Common borders are also strong material and symbolic realities which can not be confused with distance, even if it is partly correlated. However, it is difficult to measure because different solutions are possible. The concept of terrestrial contiguity proposed has been extended to the case of states separated by a short maritime distance which can be easily crossed by official or non-official flows. Colonial relations and historical proximity with ESPON 29 can also be considered as a hard fact useful to define the distance. Whatever the criteria of interaction between countries (migration, trade, culture...) a common language is a very precious advantage in international competition or, simply for the development of partnerships and better understanding. The sum of the scores obtained on the various criteria of proximity can define a very preliminary index of proximity to ESPON which ranks from 0 to 10, according to the number of conditions which are fulfilled.

However, the final ranking of proximities is based on implicit equal weights which are not necessarily relevant. We have indeed no guarantee that language, colonial relations, contiguity or distance play exactly the same role when considering different type of flows like air connexion, trade, aid or migration. Moreover, the building of synthetic indexes based on arithmetic means open the door for all types of statistical manipulations in a political context characterised by doubts on further enlargement of Europe. A better solution is therefore the use of multivariate analysis in order to reveal quantitative but also qualitative differences in the proximities of World states to ESPON 29. This analysis reveals two main dimensions. The first one is clearly related to an

opposition between the physical (distance, contiguity) and cultural (language, history) criteria of proximity. The second component (20%) is related to global proximity on all criteria. A cluster analysis realised on the position of states on these two dimension produce a clear division of World states in 3 groups (A, B, C) which can be further divided in 5 clusters of second level (A.1, A.2, B, C.1, C.2).

Map 1 Classification of proximities



Does proximity remain an important factor for the development of exchange in a globalized World? In other words, does it make sense for

ESPON to develop specific strategies for the development of relations with states located in its direct neighbourhood (type A) or with states which are physically distant but relatively close from cultural point of view (type B) rather than with states which are clearly remote on all criteria (type C)?

Geographical areas which are located in the immediate neighbourhood of ESPON are clearly polarised by it but does not represent the majority of ESPON exchanges with the rest of the World. On the contrary, very remote areas on all criteria - like eastern and central Asia or Persian Gulf - are actually of growing importance for ESPON countries but the asymmetry of relation is reversed and is generally not in favour of ESPON countries. Between these two extremes situations, a large part of the World (Northern and Southern Americas, Africa, India, Australia) can be considered as the most challenging one as its proximity with ESPON remains important but is subject to important evolutions in terms of flows. For example, southern and northern America are actually building economic integration zones (NAFTA & MERCOSUR) which could dramatically limit the traditional relations developed with European countries if each of them develops independent national policy without a global strategy at European level. Even in the case of Africa, where European influence is traditionally high, the lack of global strategy can hamper further relations at the moment where other World economic actors, especially China, Japan and USA develop a voluntary policy of development with African countries, and not only for energetic reasons.

The actual focus of European political debate on the research of mysterious "final limits" of Europe appears very strange at a moment where it is precisely a multiscalar political strategy which would be requested at World scale. The answer to actual challenges for Europe is certainly not to close its borders to immigration and open its market to the rest of the World. The solution is rather to establish a strong integration zone with neighbouring countries, eastern and western, and to develop a global strategy of negotiation with other World regions, especially with the intermediate area (Southern America, India and Southern Africa) which are not actually under the influence of other major World players.

1.3 Key questions

1.3.1 World divisions: mental maps

International Organisations, Countries, Non Governmental Organisations and global private firms are the main actors at the global level. They

divide the World in order to administrate it, to locate their activities and to organize their relations with other countries / groups of countries: in other words, to exert their power practically or symbolically. Those divisions of the World are often available on the different tools used by global actors for their communication. All maps have been collected approximately within the same period of time running from summer to fall 2005. The four main trends found in the regionalisation of the World from global actors are presented here.

The division of the World proposed by the different actors shows a strong tendency to use the traditional continents figure as a support for the drawing of the regions. That makes the divisions more consensual, more legitimate in the public opinion as it is not based on contestable criteria but on the so-called "real facts" taught by geography. However the supposed neutral continental division of the World that are proposed are still representations and interpretation of other phenomena which is clearly enlighten by the recurrent aggregation of Europe and Northern America. Among the other criteria, the first that seem to be used in the drawing of World regions are those related to cultural facts and mainly religious ones that lead to identify a North Africa-Middle East Region, or to put Mexico in a South American region despite the trade agreements with North America. Perceptions on development are also among the criteria used leading to the proposition of strange divisions of the World mixing geographical criteria and development ones. Industrialised and developed countries are gathered in one group without any attention paid to their geographical location. Developing countries or emerging economies are grouped according to their geographical location and the divisions seem to be made according physical criteria (the Pacific) or cultural ones (Arab States). Finally the majority of mental maps shows a strong tendency to a Europecentric view of the World.

1.3.2 Europe in its network

Europe in its networks focuses on the analysis of networks and cities that connect Europe to the rest of the World. It is a trans-scale approach which does not introduce an assumption of contiguity (continuous territoriality) but an assumption of connexity (discontinuous territoriality). A strong hypothesis is made on the fact that many human activities are not present in all points of a territory but are concentrated in several specific areas strongly connected to each other. We do believe, for example, that the new "frontier" of EU is several international gateways cities and not only

some external borders of the EU territory either at its Eastern limits or at its Southern ones. We also accept the common idea that the World metropolitan archipelago is not necessarily connected to the states, regions or macro-regions where the metropolitan areas are located.

This key question gives a huge avenue to the way the World and the European space is organized vis-à-vis the international air flows. Thanks to their relative fast capacity to adjust with supply and demand, the air network are very relevant indicators of globalization and is one of the best synthetic indicator of contemporary societal trends. As such, air flows highlight the way in which current integration processes shape the relations of society to space and reorganise the territorial structures at different scales.

This key question gives a detailed attention to the interurban linkages. While repositioning the questionings on Europe in its networks in terms of inter-cities relations, this key question differs from the majority of the analysis that are undertaken in this project. Of course, the example of intercity air flows doesn't give a representative picture of how World's networks are globally organized. This approach is proposed to provide a necessary counterweight to the dominant visions and perceptions of the researches on the World networks and World cities dynamics. By focusing on flows and networking issues, this study aims to go beyond the too static images of the World that reduces it to a hierarchy of poles where the only wealth production processes are taken into account. It will help going beyond several representations of World space that give a huge importance to the way several regional blocs are emerging and are organising, giving too much importance to the concepts of areas of influence, borders and blocs and to their territorial effects.

1.3.3 Europe in its neighbourhood

From a geographical point of view, the World economy is going three territorial paths that are certainly intermingled.

- the well-known *Triad*, based on the long run dominance of Europe and then Northern America, caught up by Japan and more recently by the Asian Tigers, emphasizes the gap between the North and the South.

- the *Globalisation* view, driven by the revolution of transports and communication and the general surrender of tariffs emphasizes the actual or potential connection of emerging countries in the South.
- the *Regionalisation*, view focuses on the need for re-regulate, at the regional scale, a World economy that has been developing during the two last decades through a huge deregulation pattern. The “North-South regionalism” notion means complementarity between rich countries with a great deal of capital, technology and know-how on the one hand and on the other hand developing countries with large – and more and more educated – labour forces (which are dramatically lacking in Japan or Europe for instance) and rapidly growing markets. Its path is the less known but the surging one.

This key question uses a definition of Europe from a functional point of view, even if it is unclear compare to the political one. The main question is to know European Union economically and socially integrate its neighbourhoods more and more, or on the contrary is it experiencing a increasing divide? The first results on economic trends show West-East integration and at the same time a North-South increasing divide.

Concerning the regional policies this key question underlines that, despite the aim to unify the various existing policies that exist for the neighbourhood, the partnerships often fail and political issue can be raised, like the one raised with Russia after the call for European Membership of Ukraine in 2004.

1.3.4 Europe in its neighbourhood – net migration patterns

Increased mobility – e.g. labour force or residential migration – is generally a sign of increased integration, especially if it is not a one-way process. Increased symmetric migration patterns in combination with convergence in income and wealth provide indications on a well-functioning integration process without abrupt discontinuities. Increased one-way migration in combination with divergence in incomes is instead a sign of an integrative process that is likely to result in spatial polarisation. Decreased one-way migration in combination with convergence in incomes may be an indication of increased cross-border barriers but it can also be an effect of the integrative process. Asymmetric migration patterns are often a consequence of differences in incomes and job opportunities. Convergence in income and wealth hampers the push and pull factors and in turn, one-way migration.

Over the last few decades, four major areas of immigration have emerged: North America, Australia, Western Europe and the Arab oil countries. The last one is a direct competitor of Europe for the attraction of migrants in the Euromed area.

European immigration flows head for the “pentagon” London-Paris-Milan-Munich-Hamburg-London, while peripheral parts of the European Union face population decline and depopulation (ESPON 1.1.4, 2005). Many of the European Union new member countries are considered to be potential senders of labour: the effects of ageing are so marked in these countries that a majority of the immigration to the European Union must be directed to the new member countries (Gaspar et al. 2005). Two areas that develop in the opposite direction, and which have population growth, are Western Asia and Northern Africa. The immigration from Western Asia has not been insignificant, and western countries could take advantage of the migration flows that have already come from this region. North Africa has already established migration flows to, mainly, France, Spain and Italy. If these countries do not want to accept any more immigrants from Northern Africa, it ought to be possible for other western countries to attract them (Rauhut 2004).

Considering the development in the Neighbourhoods is at least three things must be considered. The first is the special migration pattern of the Maghreb-countries (W1211) with its strong connection to Southern Europe and the especially to France. The second is the turbulence in the Machrek-area (W1212) with wars, upheavals and²² chaos and despite of this a huge immigration to Israel and Jordan. On the other hand, the continual militaristic and warlike situation seems also to have stimulated emigration from at least some of the countries as Palestine and Lebanon. The third – and perhaps the most important – thing outside Europe (W1111-W1122) is the break down and the following break up of the Soviet Bloc.

1.3.5 Differentiation of European territory

The internal differentiation of Europe (between countries and regions) and the existing relations between Europe and the rest of the World do not seem at first sight to be linked. The aim of this key question is nevertheless to describe, reveal and understand the complex links that may exist between these two fields. To do that an economic approach has

been chosen that aim to understand how European countries and regions have various positions and reactions towards the globalisation and economic integration processes. The influence of the increasing economic integration of the World on the differentiation of European territory is studied here. It is also tried to analyse the reactions of the European regions face to a more and more difficult competition in an increasing number of economic sectors.

The geography of the European territories in relation with the globalisation process is drawn through an approach from the more general scale to the regional one. The first part, the report will emphasize the position of Europe in the World regarding to some basic indicators. Then, it introduces a differentiation between European countries, with regard to their relation to the rest of the World. It then tries to establish the influence of the globalisation on the differentiation of European regions.

First proposal for policy options are also presented in this second Interim report.

A volume two present the case studies, (some of them still being in their ongoing process) that aim to serve as input to the key questions for the Final Report.

2 Introduction: Preliminary Results On European Influence Area

2.1 Toward a new vision of the world

"To know someone with whom you can feel there is understanding in spite of distances or thoughts unexpressed ... that can make this life a garden."

Johann Wolfgang von Goethe, 1749-1832

It is impossible to propose any objective definition of the limits of Europe from a scientific point of view. All definitions of Europe are necessarily political and ideological and depend on the choice of criteria which are selected to define a so-called "European" identity. Limits of Europe are related to historical tradition, education received at school, mental maps... which are not necessarily the same inside Europe and outside Europe.

The survey which has been realised on the mental maps of the ESPON community (case study n°6) reveals interesting variation in the perception of European's limit according to national origin, gender, age, and number of travel trips inside or outside Europe. Of course, it is possible to find a common intersection to this various mental maps, which would appear to something like ESPON29 plus Balkan countries and some former republic of the Soviet Union (Ukraine, Belarus, ...) but the survey did not reveal perfect clear-cut and many margins can be identified which are associated to Europe by at least a minority of people (Turkey, Northern Africa, western part of Russia, Caucasian countries...). If we compare these results with that of the case study on the division of the world realised by international organizations, private firms or national bodies (Key question n°1), we can observe that the idea of "*continent*" remains very strong in the mental perception of the division of the world and the identification of a so-called European continent in particular. Continents are typically an ideological representation of the world, established by Europeans in the last century, when they dominated the world. So, does it really make sense to keep this traditional representation in a globalized World where Europe remains an important actor but no more the major one?

The ESPON project Europe in the World has clearly been chosen to propose a new vision of the world based on new territorial divisions organized in a hierarchical way. The preliminary delimitation of World regions which has been proposed in ESPON

project 3.1 has been completed and revised according to new information collected in the projects on flows and structures of the world. It has been transformed into a hierarchical system of divisions called WUTS (World Unified Territorial System) ranking from WUTS0 (the global world) to WUTS5 (the 168 states which are the basic territorial units for world description). With this WUTS classification (see. Chap. World Unified Territorial System) we can provide new representations of the world which fit better to actual situation of Europe in the world and give a higher homogeneity to the results obtained for example on trade (see. key question 3.a) or migrations (key question 3.b).

The new divisions of the world called WUTS are certainly an interesting tool for a better vision of the situation of Europe in the World but, as a continent, they should not be used in a systematic and normative way. They are indeed based on a hierarchical method of territorial division which does not necessary fit with the real complexity of the actual world. Typically, the organisation of air flows (see. Key question 2) can not be described by a system of territorial division as it is based on nodes and networks which take place in a discontinuous geometry. Moreover, the limits or margins of the European territory can not be considered as simple borders but rather as gate or interface between territories connected by a wide diversity of networks, as it is clearly proved by the key question on European Neighbourhood (see. Key question 3.a & 3.b) and by the various case studies.

With this Second Interim Report, we have managed to establish the conceptual, statistical and cartographic basis of the research on Europe in the World and we have deepened the analysis of each important thematic field (economy, demography, network...). But the next challenge that we have to face is how to integrate these results in a common framework in order to produce synthetic results useful for European policy makers on the situation of Europe in the world and the world in Europe? To give an idea of the way we propose to follow to achieve this final goal, and in order to gain feed backs from the ESPON community, we present here briefly a short example of synthetic study on the measure of proximity between ESPON and the rest of the world.

The attempt to delimitate a so-called "ESPO Influence Area" can be based on a first group of indicators which are related to the general concept of "proximity". What we try to identify here is not the actual flows but the various factors which can make easier the relations between the countries of the World and the 29 countries of the ESPON. In other words, we focus on *potentialities of relations* based on "hard facts" which are not likely to change in a near future and which are strategic realities for long term political decisions.

Distance proximity to ESPON 29

The most obvious reality is the physical distance between each country of the World and ESPON 29. Whatever the mode of transportation, physical distance is necessarily related to a time or a cost which limits the interactions and the flows. Of course, the correlation is never perfect and it can happen that the cost or time for a travel at 6.000 km is lower than the cost or time for a travel at 2.000 km, but the technical and economic conditions can change and, on the long term, physical distance remains always strongly correlated with functional distances. Furthermore, many crucial phenomena are really related to physical distance and not to network distance: it is sufficient to keep in mind the accident of Chernobyl or the actual diffusion of new virus of H5N1 bird's flu to be convinced that many diffusion process are directly related to "bird fly distance" and not to networks . Last but not least, we can notice that physical distance is not only a material reality but also a mental one, as it is associated to visual proximity on the maps which are observed and learned by students all around the world.

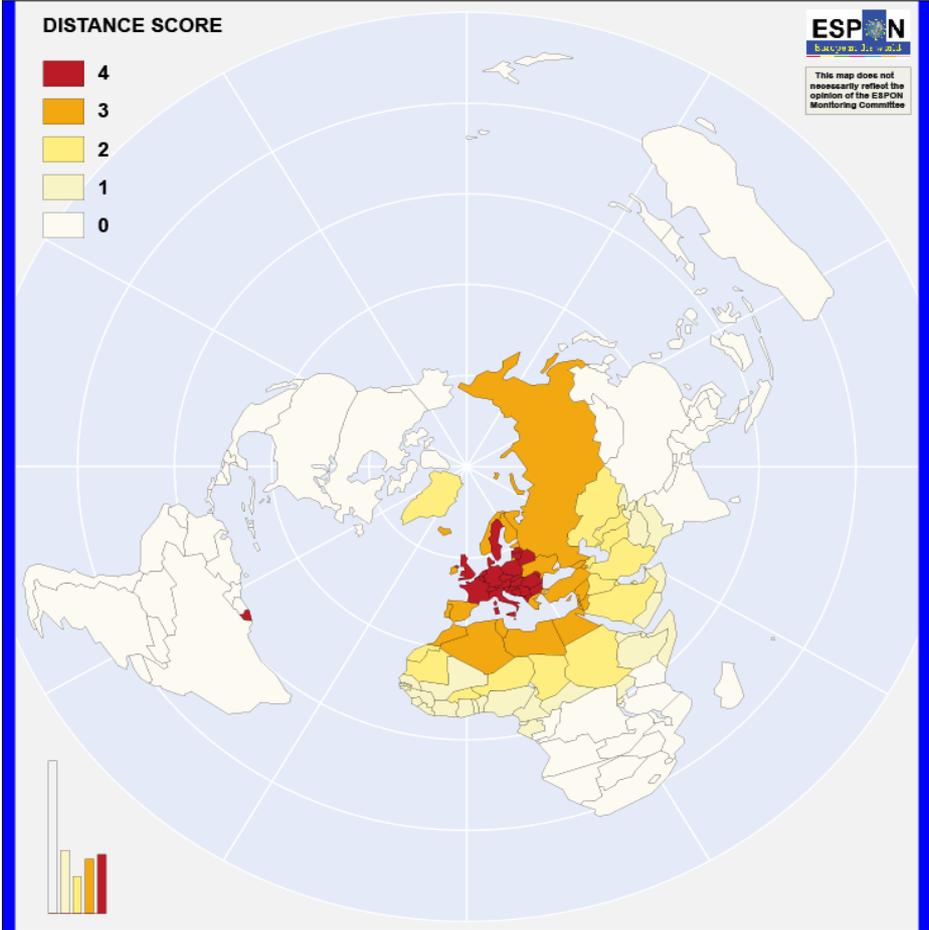
The measure of physical distance between states is based on the database of CEPII¹ which propose an estimation of distance between main urban centres of each couple of states, weighted by their population. This measure is much more precise than the usual distance between capitals or conventional centroids of territories and can be considered as a good approximation or mean distance between inhabitants of different states. Notice that this distance is not equal to 0 inside a state but is a measure of mean internal distance between inhabitants of the country.

To obtain a measure of distance to ESPON29, we have computed for each state of the world the mean of its 29 distance to the ESPON members. We did not weight results (by population or GDP of the ESPON countries) as we had no reason to choose a particular criterion. Among the 168 countries of our database, the largest distance to ESPON29 are obtained by New Zealand (18.000 km), Fiji (16.200 km) and Australia (15.700km) and the minimal distance by Czech Republic (990 km), Austria (1.010 km) and Germany (1.030 km). It is interesting to notice that this distance can be higher for ESPON countries like Portugal (2.260 km) or Cyprus (2.400 km) than for non ESPON countries like Turkey (2.020 km), Moldova (1.490 km) or Tunisia (1.800 km).

¹ <http://www.cepii.fr/anglaisgraph/bdd/distances.htm>

As our purpose is to combined various criteria of proximity which are both qualitative and quantitative, it is necessary to transform all of them in dummy variables (0/1) which can be further associated in an homogeneous table for statistical synthesis. In the case of distance, we decided therefore to establish four dummy variables indicating if the mean distance to ESPON 29 is lower than 1.500, 3.000, 4.500 and 6.000 km. We obtain therefore an implicit distance score which is ranking from 4 (for states located at less than 1.500 km from ESPON 29) to 0 (for states locate at more than 6.000 km from ESPON29).

Map 2 Distance score



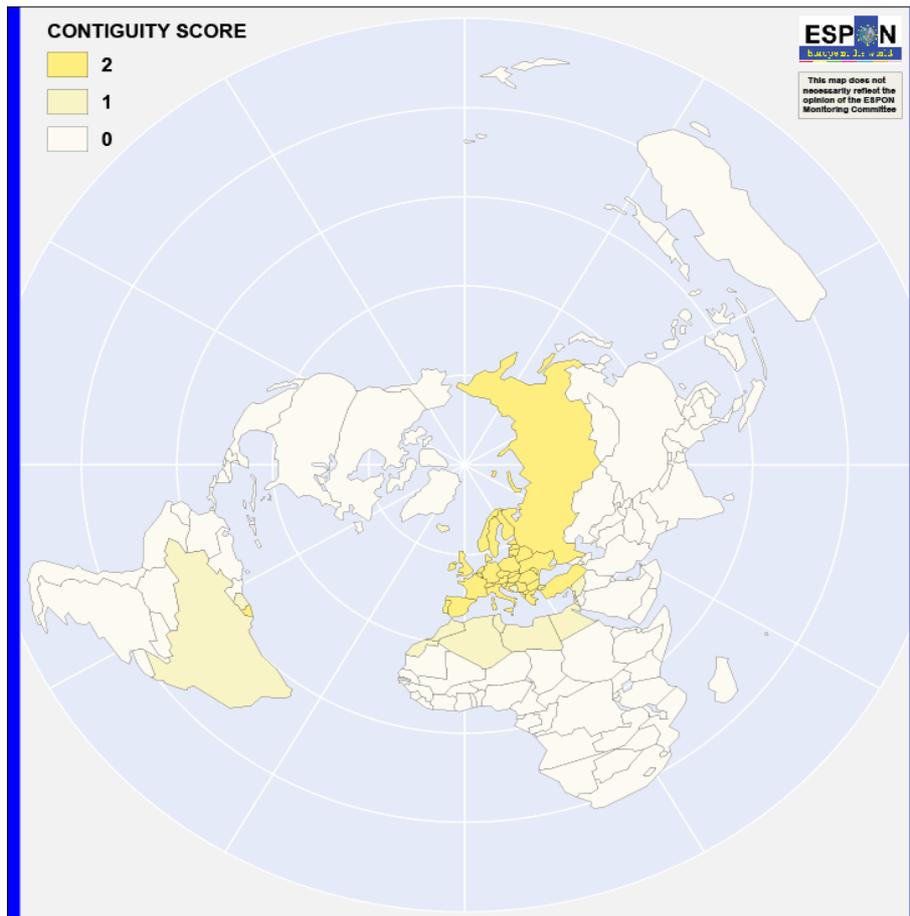
The statistical breakdowns have been chosen in order to fit as much as possible with concrete facts. We can see on Map 2 that the maximum distance score defines the geographical core of ESPON29 area, excluding only most peripheral ESPON countries (Ireland, Spain, Portugal, Greece, ...) but including some non ESPON members (Balkans, Moldavia, Belarus). The distance score 3 defines clearly the European Neighbourhood, including both eastern and western peripheries of ESPON area. Lower distance scores (1 and 2) are associated to most remote regions of Sahara

and Central Asia which are clearly located on the margins of the ESPON space but can nevertheless remain important for political action on many subjects (migrations, security...). We considered as not necessary to distinguish further classes of distance after 6.000 km and we can notice that this threshold of distance is often related to major barriers like Atlantic Ocean or Himalaya mountains.

Common borders and maritime neighbourhood with ESPON 29

The countries which are located at a short distance from ESPON can be differentiated according to the fact that they share or do not share a common terrestrial or maritime border with ESPON countries. For example, Bosnia and Herzegovina is very near from all ESPON countries according to distance (1.190 km) but do not have any common terrestrial border with ESPON member states. On the contrary, Brazil is located in average at a very long distance from ESPON countries (9.500 km) but shares a long terrestrial common border with French Guyana which is a piece of France and therefore of European Union and ESPON. Common borders are strong material and symbolic realities which can not be confused with distance, even if it is partly correlated. The problem with this criterion of contiguity is the difficulty to measure it because different solutions are possible. Concerning the existence of terrestrial borders, the database from CEPII which has been used here does not mention some borders like the very symbolic one between Morocco and Spain around Ceuta and Melilla. This omission could probably be explained by the small length of this terrestrial border, but it is a full reality from juridical point of view. The poor migrants who risk their life to cross this golden curtain are perfectly aware of the fact that it is a limit of European Union which provides rights to the happy few which succeed in their attempt. The borders of ESPON should be considered as *potential or active political interface* and not only as *barriers dedicated to the control of external flows*. That is the reason why we decided to extend the concept of terrestrial contiguity proposed by the CEPII to the case of states separated by a short maritime distance which can be easily crossed by official or non-official flows. We obtain therefore a differentiated score of contiguity equal to 2 for common terrestrial borders and to 1 for short maritime distance borders (Map 3).

Map 3 Contiguity score

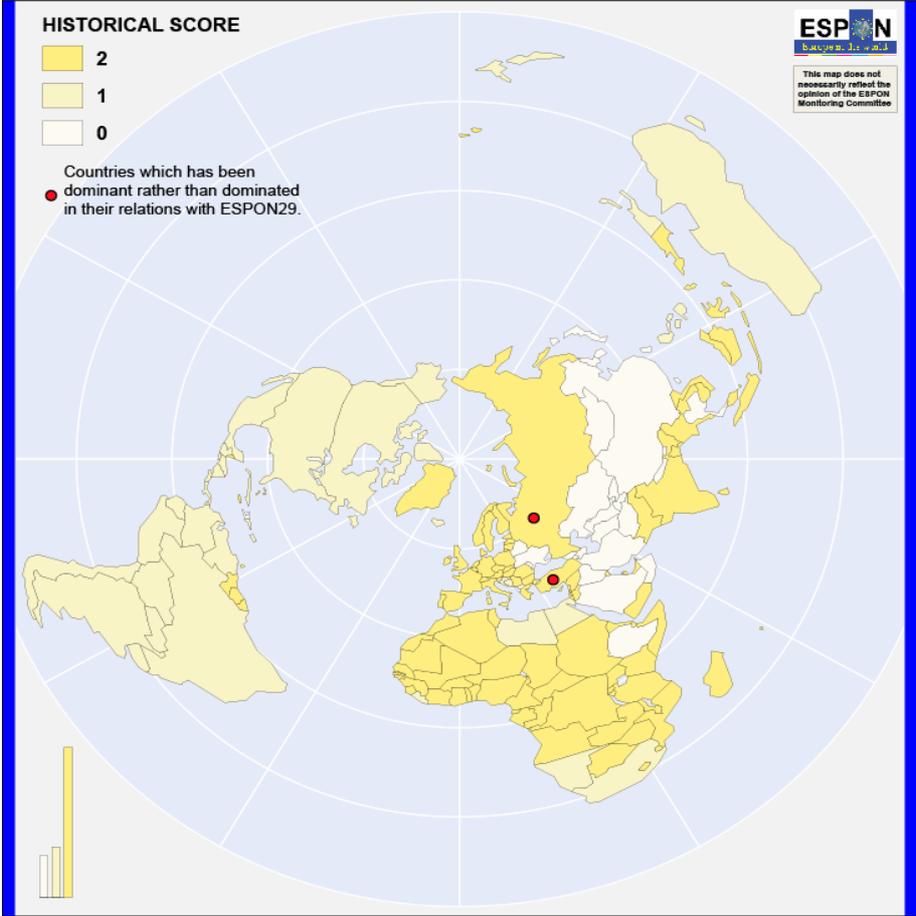


Colonial relations as factor of proximity with ESPON 29

The analysis of borders completes nicely the measure of proximity based on distance. But it has to be completed by an historical dimension because borders are changing through time. In the case of Europe, it is especially important to take into account this historical dimension as European people has dominated, at less for a while, most part of the World during the period of great expansion of the 15th-19th centuries. Thanks to the CEPII database, it is possible to measure for each couple of states in the world if they have been in historical relationships (mainly colonial) during the last 4 centuries and/or if they were always in colonial relationship in the more recent period (1945). An aggregation of the matrix of colonial relationships of the CEPII has been realised in order to measure for each state of the world if they have been in colonial relationships with at less one of the 29 states of ESPON, both in the long term and in the recent period. We obtain therefore a score of colonial proximity which can reach the values 0, 1 or 2 according to the fact that: the state was never in colonial relation with Europe (0); the state has been in colonial relation with Europe in the past but obtained its independency before 1945 (1);

the state was still in colonial relation with Europe in 1945 (2). Note that colonial relations are not always directed from ESPON states to the rest of the world and that, in the case of Russia and Turkey, it is precisely the reverse situation which explains their high scores of historical proximity. The resulting map 4 indicates clearly that this historical factor remains an important factor of ESPON influence in the world, even if – according to CEPII – we can observe an important group of states located on a diagonal from Ethiopia and Arabia to China and Japan which has never been colonial relation with ESPON countries. This result should be considered as preliminary and probably questionable as colonial relations are not the only modality of historical contact between countries. We can for example be surprised that the CEPII database does not mention any relations between Belarus and Ukraine on the one hand, and Poland or Lithuania on the other hand as they belong to common political construction in modern age. We can more generally consider that the focus on colonial relations is not sufficient to provide a perfect picture of relations between states in the past. If we have considered former commercial relation like “Silk road” we would probably not have obtained such lack of relations between Europe and central and eastern Asia.

Map 4 Colonial score



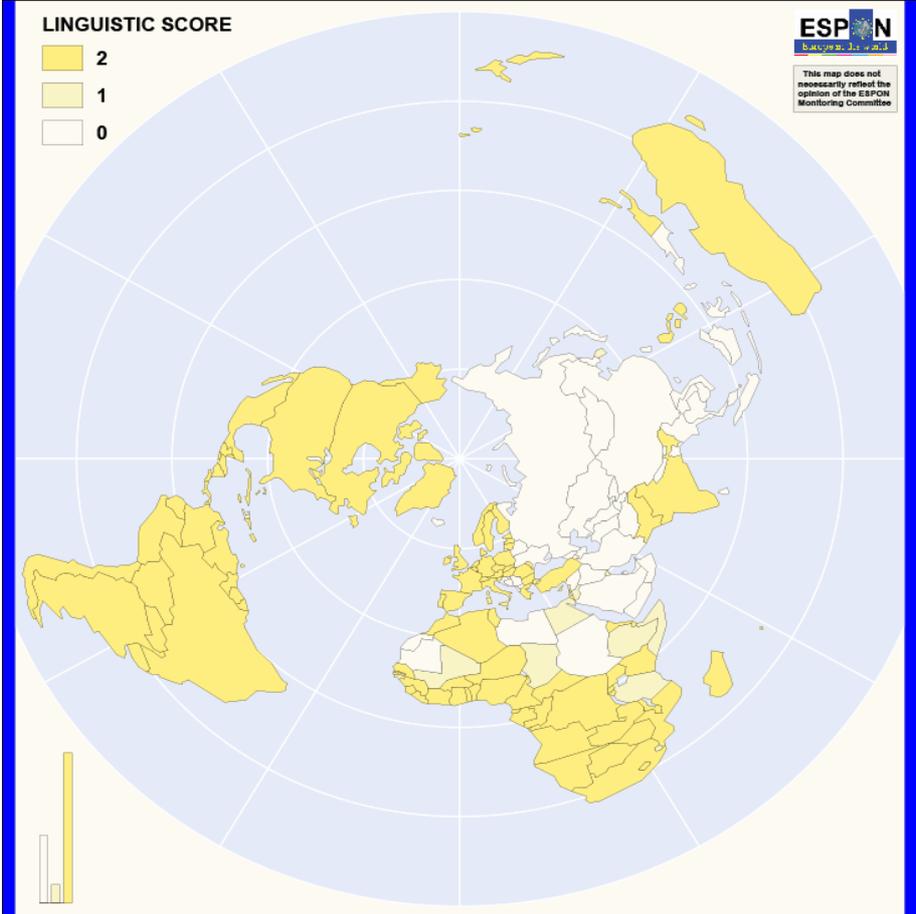
Common language as factor of potential interactions with ESPON

29

One major output of colonial relations developed between European countries and the rest of the world has been the diffusion of European languages, especially English, French, Spanish and Portuguese, in many other countries of the world where these languages can be the official ones or, at least, can remain spoken by an important part of the population. Whatever the criteria of interaction between states (migration, trade, culture...) is, a common language is a very precious advantage in international competition or, simply, for the development of partnerships and better understanding. Thanks one more time to the CEPII database which has established two matrixes of linguistic proximity between states of the world. The first one is based on the existence of *a common official language* which can produce multiple links as some states has several official language. For example, Cameroon has two official languages (French and English) which means potential connexions with 7 ESPON states which are officially speaking French (France, Belgium, Luxembourg, Switzerland) or English (UK, Ireland, Malta). The second criterion is based on *common communication languages*, official or not, which are identified by CEPII on the criteria to be spoken by at less 20% of the population. The CEPII consider here that two countries are potentially able to interact as long as they share at least one communication language. By aggregating the CEPII matrix, we have established a matrix of linguistic proximity between all countries of the world and ESPON members, following the same principle as for historical relations and ranking from 0 (no common language, official or not, with ESPON countries) to 2 (existence of at least one common official language and one communication language with ESPON countries). The resulting map is interesting as it reveals a large diffusion of European language all above the world except in Asia and Middle-East. But one more time, the results should be cautiously interpreted and some limits of the database should be pointed. For example, the language identified in Belarus and Ukraine are considered as different from language spoken in other ESPON countries but this result underestimate the great proximity between slave language and the fact that people from Poland or Slovakia can generally easily understand the dialects spoken in western parts of Belarus or Ukraine. We can also ask – despite the fact that it is not a politically correct question – if Russian language is really not spoken by minimum 20% of population in some new member states, especially Baltic countries. We could also consider that the aggregation of China, Hong-Kong and Macau in the same political units lead to a false conclusion

concerning the lack of common language with Europe. It is certainly true that less than 20% of Chinese are speaking English. But it is certainly also true that more than 50% are speaking English in Hong-Kong or Macau and that this language is commonly used in western cities like Chang-Hai.

Map 5 Linguistic score



Quantitative Synthesis of proximities

The sum of the scores obtained on the various criteria of proximity can define a very preliminary index of proximity to ESPON which ranks from 0 to 10, according to the number of conditions which are fulfilled. The majority of ESPON states obtains a rank equal to 9 or 10 on the synthetic proximity index but some exceptions can be pointed out such as Cyprus (7) and Malta (8) because of their peripheral situation and their lack of common terrestrial border with the rest of ESPON territory. If we limit the analysis to non-ESPON states, we obtain synthetic scores of proximities ranking from 0 to 9 which are presented on the Map 6 and the table 1.

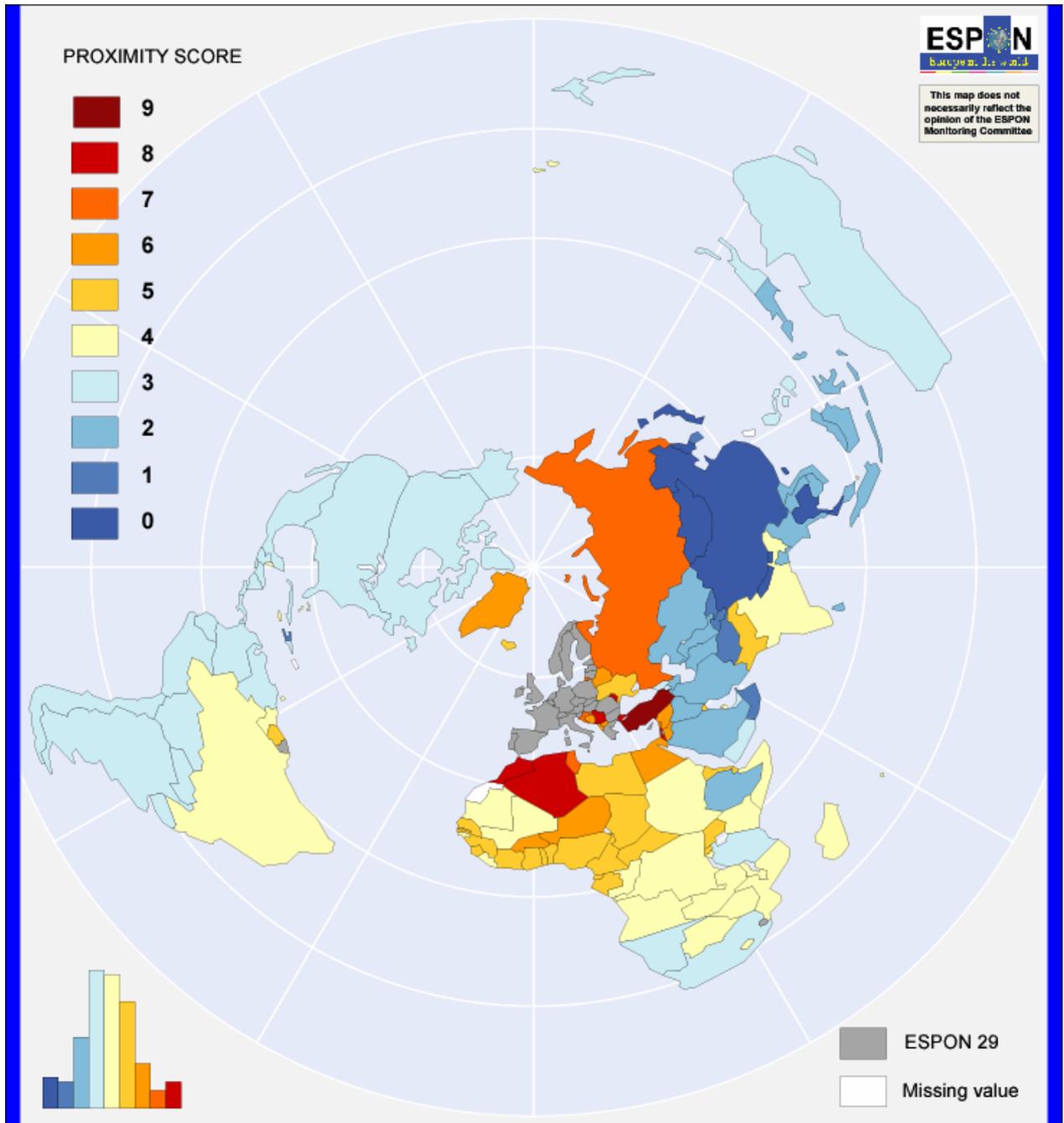
Table 1 Most important scores of proximity to ESPON 29

Score	States
9	Turkey
8	<i>Serbia/Montenegro, Moldova, Algeria, Morocco, Israel</i>
7	<i>Croatia, Russian Federation, Tunisia, Lebanon</i>
6	<i>Greenland, Albania, Macedonia (TFYR), Bosnia and Herzegovina, Belarus, Egypt, Jordan, Syrian Arab Republic, Burkina Faso, Niger</i>
5	<i>Iceland, Ukraine, Libyan Arab Jamahiriya, Kuwait, Central African Republic, Cameroon, Gabon, Equatorial Guinea, Chad, Djibouti, Eritrea, Rwanda, Uganda, Nigeria, Benin, Côte d'Ivoire, Ghana, Guinea, Gambia, Senegal, Sierra Leone, Togo, Suriname, Pakistan</i>
4	<i>Bahrain, Qatar, Congo, Dem. Rep. of the Congo, Burundi, Kenya, Sudan, Somalia, Madagascar, Mauritius, Guinea-Bissau, Liberia, Mali, Mauritania, Angola, Botswana, Lesotho, Mozambique, Malawi, Zambia, Zimbabwe, Bahamas, Belize, Jamaica, Trinidad and Tobago, Guyana, Brazil, India, Singapore, Fiji</i>

A global view of the map indicates that the synthetic score of proximity to ESPON is not purely a function of physical proximity (distance, common borders). Important differences are further introduced by historical and cultural factors. For example, Turkey obtains the best ranking on the index (9) as it fulfils all criteria with the exception of mean distance lower than 1.500 km. On the contrary, the score of Ukraine is just a medium one (5) and is mainly based on physical criteria and not on colonial links or common language. The score of Russia is theoretically better (7) because of its historical colonial link with many ESPON countries, even if this is an ambiguous relationship as the countries which has been under the control of Russia (Poland) or Soviet Union (Baltic countries) are not necessarily considering the renewal of these links as a priority ...

Of particular interest are the case of great emerging countries like India and Brazil which are relatively "near" from ESPON29 and where the score of proximity (4) is mainly explained by historical or linguistic links – and common border in the case of Brazil. The same is true, to a lesser extent, for countries which are located at long distance in physical terms but are likely to interact with ESPON due to linguistic and historical proximity: all countries of Northern and Southern America, Southern Africa and Oceania. But what is probably the major output of the analysis is the very important weakness of proximities with countries located on a great diagonal going from Ethiopia and Arabic peninsula to Central and Eastern Asia. In all this area of crucial strategic importance (because of location of energetic resources and dynamic markets), the proximity to ESPON area is very low on all criteria of proximity, with a symbolic score of 0 in the case of Japan and China.

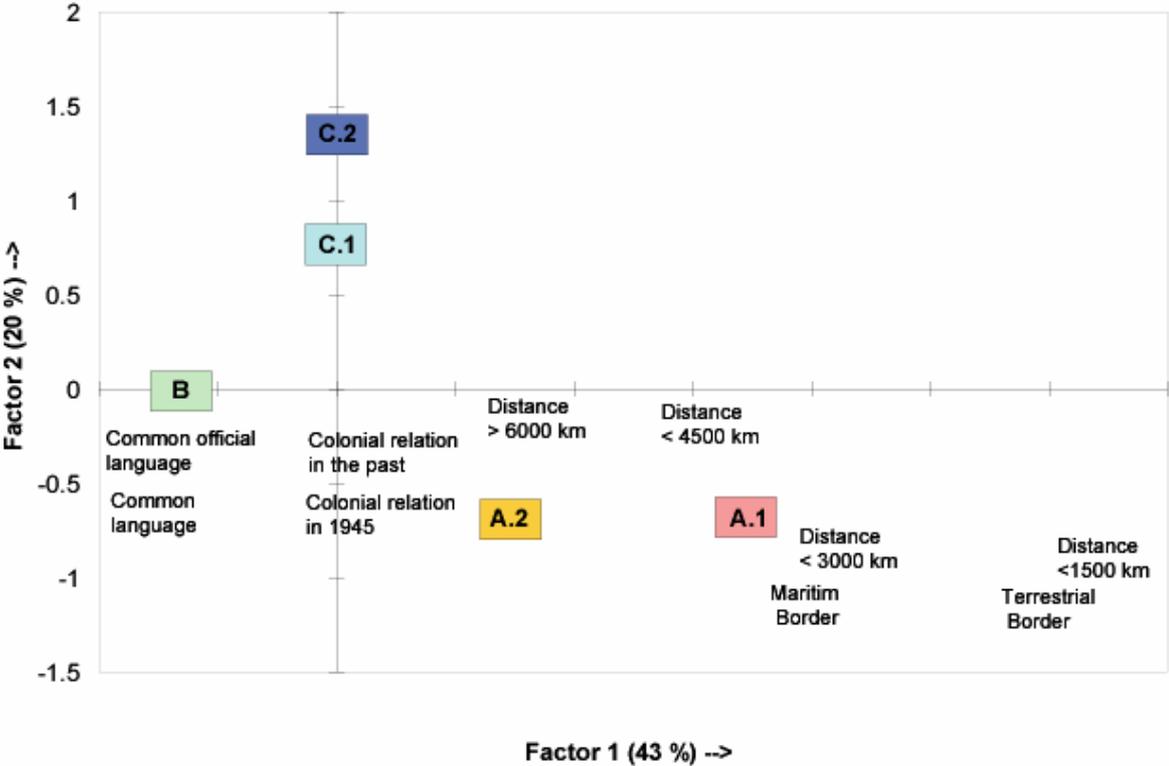
Map 6 Synthetic level of proximity with ESPON29



Qualitative Typology of proximities

The problem with the previous quantitative analysis is that the final ranking of proximities is based on implicit equal weights which are not necessary relevant and could be probably modified according to the results of spatial interaction models. We have indeed no guarantee that language, colonial relations, contiguity or distance play exactly the same role when considering different types of flows such as air connexion, trade, aid or migration. Moreover, the building of synthetic indexes based on arithmetic means opens the door for all types of statistical manipulations in a political context characterized by doubts on further enlargement of Europe. A better solution is therefore the use of multivariate analysis adapted to dummy variables in order to make an in depth exploration of the structure of correlation between criteria of proximity (*multiple correspondence analysis*) and to propose clusters (*chi-square distance*) which can reveal quantitative but also qualitative differences in the proximities of world states to ESPON29.

Figure 1 Multiple Correspondence Analysis of proximities to ESPON29



The results of correspondance analysis reveal two main dimensions, accounting for 63% of the global information on proximities. The first dimension (43%) is clearly related to an opposition between the physical (distance, contiguity) and cultural (language, history) criteria of proximity to ESPON when the second component (20%) is related to global proximity on all criteria. A cluster analysis realised on the position of states on these two dimensions produces a clear division of world states in 3 groups (A, B, C) which can be further divided in 5 clusters of second level (A.1, A.2, B, C.1, C.2).

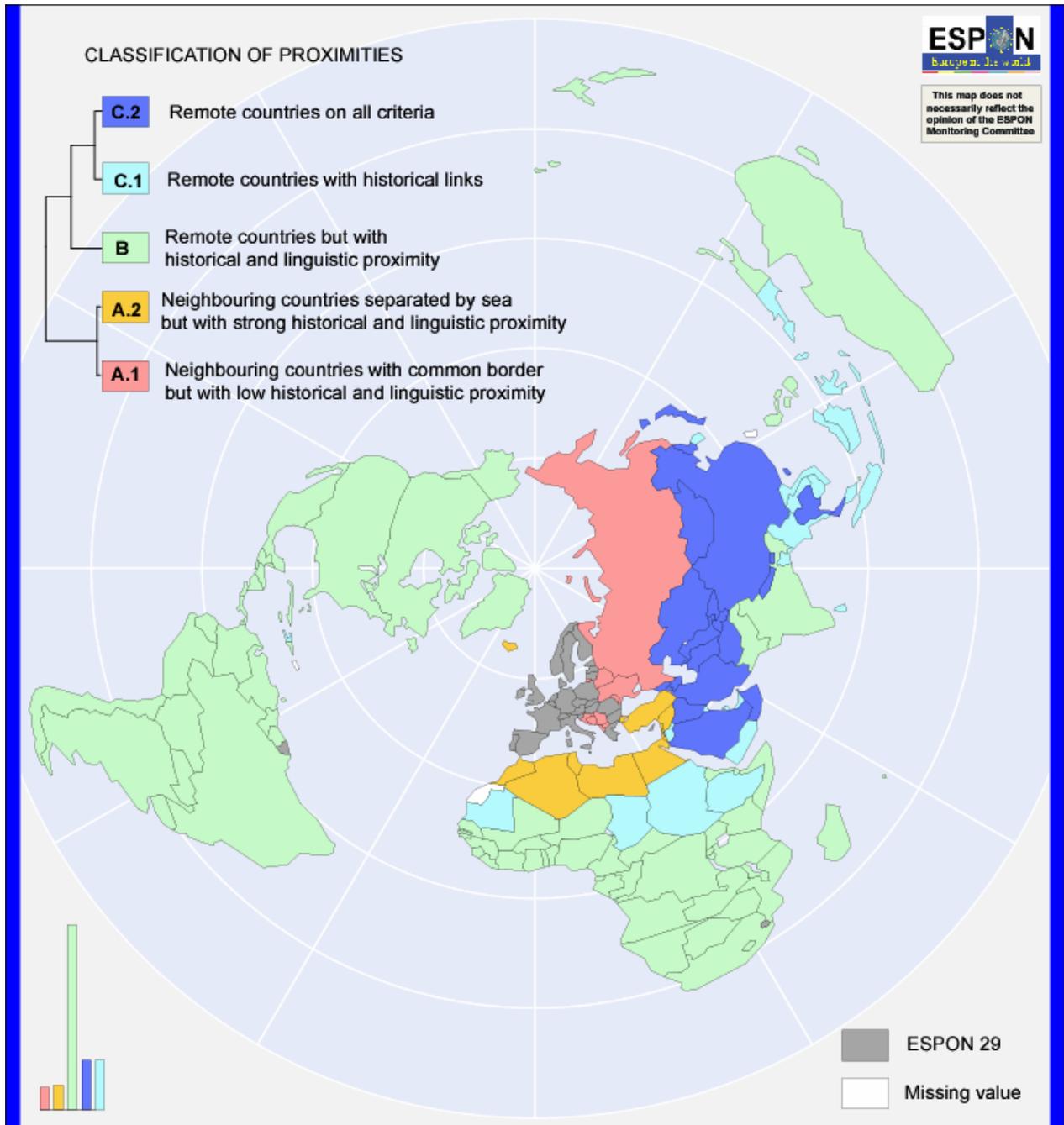
Proximity and influence : the example of air and trade flows

Does proximity remain an important factor for the development of exchange in a globalized World ? In other words, does it make sense for ESPON to develop specific strategies for the development of relations with states located in its direct neighbourhood (type A) or with states which are physically distant but relatively close from a cultural point of view (type B) rather than with states which are clearly remote on all criteria (type C) ? As a very preliminary answer to this strategic question, we have computed the share of trade (1996-2000) or air flows which are directed to ESPON by non-ESPON states according to their type of proximity. And we have reversely computed the share of ESPON air of trade flows which are directed to the different countries of the world according to their type of proximity.

Table 2 Influence of proximity on air and trade flows

Type	Air flows (2000)		Trade flows (1996-2000)	
	Influence of ESPON	Importance for ESPON	Influence of ESPON	importance for ESPON
A.1	87%	5%	48%	7%
A.2	83%	24%	59%	10%
B	31%	55%	20%	50%
C.1	14%	6%	16%	8%
C.2	13%	10%	18%	26%
Total	30%	100%	21%	100%

Map 7 Synthetic typology of proximities with ESPON29



Type A is characterised by a dominant attraction toward ESPON for both air and trade flows but with some differences between eastern and southern states. In eastern periphery of ESPON (**A.1**), 87% of air flows are directed to ESPON countries but only 48% of trade flows, because Russia remains a relatively independent actor at world scale and organizes a specific trade region with neighbouring countries. In the southern periphery (A.2), only 83% of air flows are directed to ESPON because of some competition with Persian Gulf countries, but 59% of trade flows are directed to ESPON countries which reveal a very strong economic integration of southern and eastern Mediterranean countries. But these relations between ESPON and states from type A are very asymmetric: only 29% of air flows and 17 % of trade flows between ESPON and the rest of the world are indeed directed toward the countries of eastern and southern neighbourhood.

Type B is characterised by a mean level of relation with ESPON which is equal to 30% for air flows and 20% for trade flows. What is more important to notice is that states from type B account for 55% of air flows and 50% of trade flows between ESPON and the rest of the World. The majority of external relations of ESPON is therefore established with states which are physically remote but culturally close but this high score is of course related to the presence of United States of America in this group (USA represents 32% of air flows and 28% of trade flows between ESPON and the rest of the World). .

Type C is characterised by a very low level of air relations with ESPON (13-14%) but a relatively high level of trade flows (16-18%), which is not very different from that of type B states. These countries account for only 15% of ESPON air traffic with the rest of the world but represent 33% of its external trade.

An alternative approach of the problem can be based on the analysis of correlation between the synthetic index of proximity to ESPON and the % of trade or air flows which are directed to ESPON from all countries of the World. In both case, we can observe a significant relation between the intensity of relations and the proximity to ESPON, but the model is not perfect and many residuals can be observed, related to states which exchange more or less than expected according to their synthetic level of proximity. The fit of such a model is only 28% in the case of air flows (Figure 2) and 45% in the case of trade flows (Figure 3).

Figure 2 Intensity of air flows according to proximity to ESPON

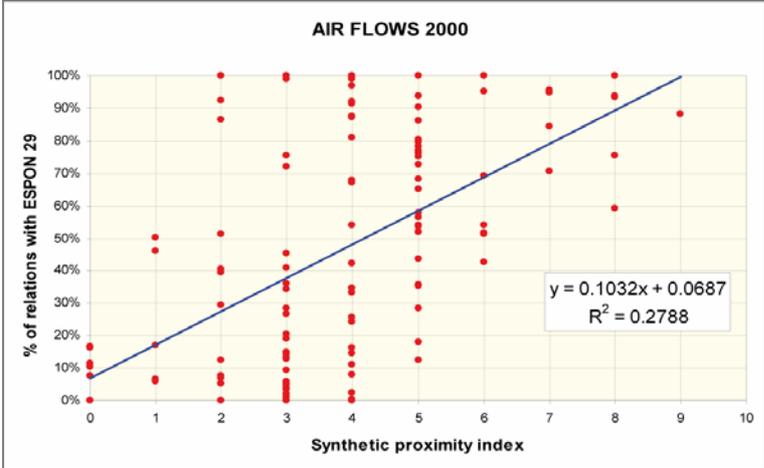
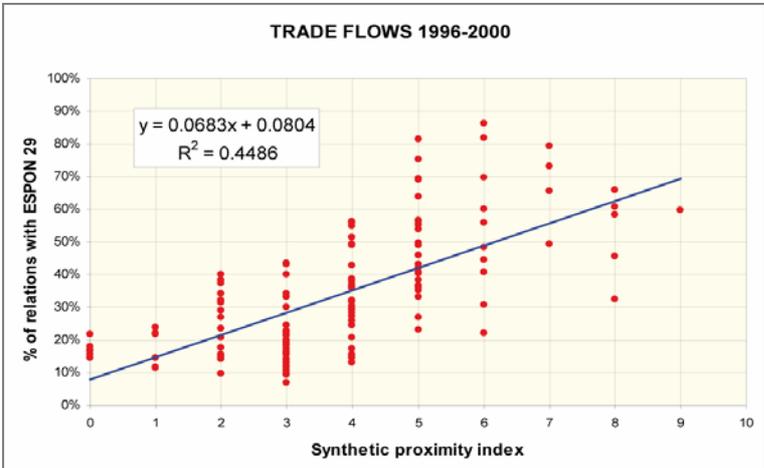


Figure 3 Intensity of trade flows according to proximity to ESPON



A brief geopolitical comment

This preliminary approach of the limits of ESPON influence area in the world was based only of criteria of proximity without considering directly results obtained on flows and structure which are presented in this second interim report. As we have seen in previous section, the geographical areas which are located in the immediate neighbourhood of ESPON are clearly polarised by it but does not represent the majority of ESPON exchange with the rest of the world. On the contrary, very remote areas on all criteria – such as Eastern and Central Asia or Persian Gulf – are actually of growing importance for ESPON countries but the asymmetry of relation is reversed and is generally not in favour of ESPON countries. Between these two extremes situation, a large part of the world (Northern and Southern Americas, Africa, India, Australia) can be considered as the most challenging one as its proximity with ESPON remains important but

is subject to important evolutions in terms of flows. For example, Southern and Northern America are actually building economic integration zones (NAFTA & MERCOSUR) which could dramatically limit the traditional relations developed with European countries if each of them develop independent national policy without a global strategy at European level. Even in the case of Africa, where European influence is traditionally high, the lack of global strategy can hamper further relations at the moment when other world economic actors, especially China², Japan and USA, develop a voluntary policy of development with African countries, and not only for energetic reasons.

The actual focus of European political debate on the research of mysterious "final limits" of Europe appears very strange at a moment where it is precisely a **multiscalar political strategy** which should be requested at world scale. The response to actual challenges for Europe is certainly not to close its borders to immigration and open its market to the rest of the world. The solution is rather to establish a strong integration zone with neighbouring countries, eastern and western, and to develop a global strategy of negotiation with other world regions, especially with the intermediate area (Southern America, India and Southern Africa) which are not actually under the influence of other major world players.

² **Drew Thomson**, « Economic growth and soft power : China's Africa strategy », *China Brief*, Université de Pensylvanie, 7 décembre 2004
Servant J.C., "La Chine à l'assaut du marché aricain", *Le Monde Diplomatique*, Mai 2005, pp. 6-7

3 World Unified Territorial System (WUTS)

3.1 Introduction: from NUTS to WUTS ...

The analysis of the situation of Europe in the World is realised through the compilation of statistics elaborated at state level. But the definition of state is not quite clear and one of the most challenge that ESPON project had to face in the FIR was the elaboration of a precise list of 168 states which represent a minimum of 1/10 000 of the population, GDP or area of the world. This list of 168 states provides now a clear basis for data collection in an harmonised way, all states being identified by their 3-digits ISO code (like *HUN* for Hungary or *NZL* for New Zealand).

Having secured the collection of data in an harmonised way, we have then started to build a more ambitious tool which is the elaboration of an harmonised hierarchical system of world division called **WUTS** (*World Unified Territorial System*) which is directly inspired from the **NUTS** (*Nomenclature of Territorial Units for Statistics*) created by Eurostat³ more than 25 years ago in order to provide a single uniform breakdown of territorial units for the production of regional statistics for the European Union.

Many divisions of the world in "regions" (cluster of states) are actually used by international organisation, either private (transnational firms) or public (UN agencies) but the case study that we have develop on this topic demonstrate clearly the great variety of solutions which are actually proposed, making impossible to use any of them as reference for ESPON work. Moreover, it is very clear that each proposal of division of the World into regions implies the elaboration of a "*Weltanschauung*" (*vision of the world*) which is not neutral and has a strong influence on political decision. The contradiction that we have actually to face is that

- (i) The elaboration of relevant divisions of the world is a major topic of project 3.4.1. (key-question 1) for which we will not have definitive conclusion before the final report in may 2006.
- (ii) Provisional divisions of the world at different levels are necessary for the statistical and cartographical harmonisation of results of all other parts of the project.

³ http://europa.eu.int/comm/eurostat/ramon/nuts/introduction_regions_en.html

Taking benefit from the fact that a preliminary elaboration of world region had been proposed in project ESPON 3.1 Integrated Tools and that preliminary results of the project 3.4.1 are now available, we have decided to elaborate immediately a proposal of WUTS organised in 5 hierarchical levels, from the level of States (WUTS5) to the level of the World (WUTS0). This proposal has been submitted to all project partners of ESPON 3.4.1. in order to gain feed-backs and expert advices on the choice of most relevant territorial divisions in order to provide an harmonised vision of the World elaborated from European point of view.

3.2 The World in 3 Global Regions (WUTS1)

The level WUTS1 (Map 8) proposes a division of the World in three "Global Regions" which are clearly based on the economic model of the Triad. At this level, we assume a vision of the world which is based on the classical model "Centre-Periphery" and where the delimitations are based mainly on economic criteria like trade flows or Foreign Direct Investments.

- **EurAfrica (W1)** is the part of the world which is mainly polarised by Western Europe in economic terms and also in terms of accessibility. The preliminary results of project EIW established in ESPON 3.1. demonstrated clearly that in terms of trade flows (1996-2000) as in terms of air flows (2000), we can consider that the influence area of Europe cover a wide area from Vladivostok (Russia) to Capetown (Southern Africa).
- **Americas (W2)** is the part of the world which is economically and politically dominated by the influence of United States or which, at least, is considered as such by United States since the end of the XIXth century with the "doctrine of Monroe".
- **AsiaPacifica (W3)** is the remaining part of the world which can not be considered as polarised by one centre but rather by an oligopoly of developed (Japan, Australia, Southern Korea) and developing (China, India) countries. This area fit with the new delimitation of ASEAN which is actually enlarging toward India.

Table 3 Size of the 3 World global regions (WUTS1)

Code	Name	3.2.1	SUPTO	SUPAG	POPTO	POPUR	GDPPS	CARBO
W1	EurAfrica	113	47.8	41.1	30.3	35.7	34.3	35.9
W2	Americas	29	29.9	26.1	13.7	22.1	32.1	32.0
W3	AsiaPacifica	26	22.3	32.8	56.0	42.2	33.6	32.1
W	World	168	100	100	100	100	100	100

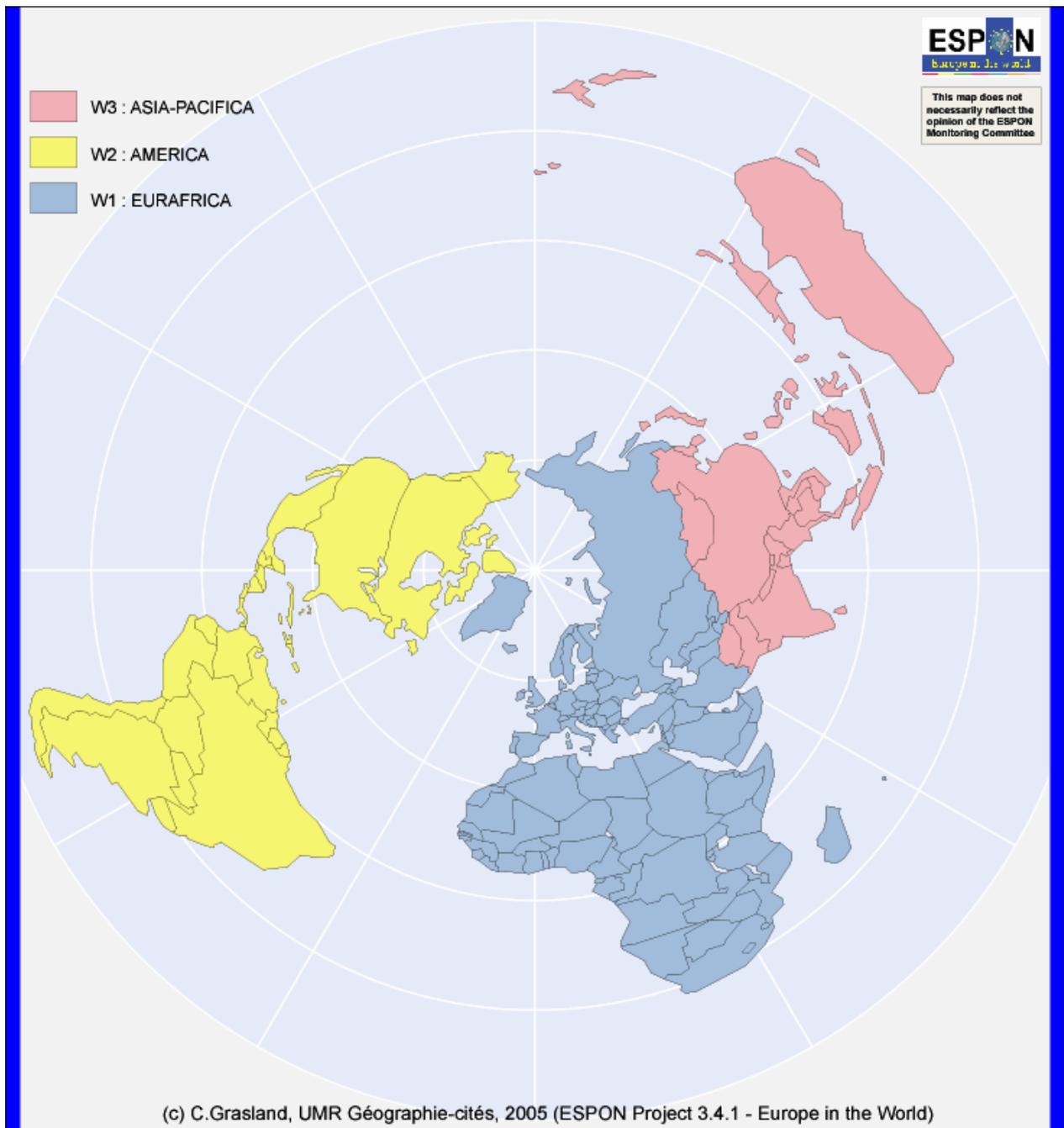
3.2.2 Legend

Nb state Number of states of the ESPON database
SUPTO Surface area (sq km), 1999, (AG.SRF.TOTL.K2)
SUPAG Land use, arable land (sq km), 1999, (AG.LND.ARBL.HA)
POPTO Population, total (inh.), 1999, (SP.POP.TOTL)
POPUR Population, urban (inh.), 1999, (SP.URB.TOTL)
GDPPS GDP, PPP (current international \$), 1999, (NY.GDP.MKTP.PP.CD)
CARBO CO2 emissions (t), 1999, (EN.ATM.CO2E.KT)

Source: World Development Indicator 2002, 2003, + Estimations of Project ESPON 3.4.1.

This division of the world in global region is certainly not perfect and can be further improved. But it has the great statistical advantage to propose a simple view of the world in three main area of equivalent economic size, each of them representing more or less one third of the world GDP and the world emissions of Carbon Dioxide at the beginning of the XXIth century. Differences are more important in geographical terms (larger area of Eurasia) or in demographic terms (larger population of AsiaPacifica) but it is certainly the best compromise that can be achieved at this scale (Table 3). An interesting characteristic of EurAfrica is its strong political divisions (113 states) as compared to Americas (29 states) and AsiaPacifica (26 states).

Map 8 The World in 3 global regions (WUTS1)



3.3 The World in 7 Macro Regions (WUTS2)

The level WUTS2 (Map 9) proposes a division of the world in 7 macro regions which displays more homogeneous areas inside each of the previous global regions. The level of economic development is a major criteria for this second level of division (division of AsiaPacifica in two parts) but other criteria are taken into account like language (Latin America), common history (Europe and Northern Asia, Southern Mediterranean and Eastern Asia) or integration zone (Northern America). As it is impossible to combine all criteria without producing a multiplication of regions, the results is necessarily a compromise where many choices could be further discussed by ESPON Monitoring Committee and improved by final results of Project ESPON 3.4.1.

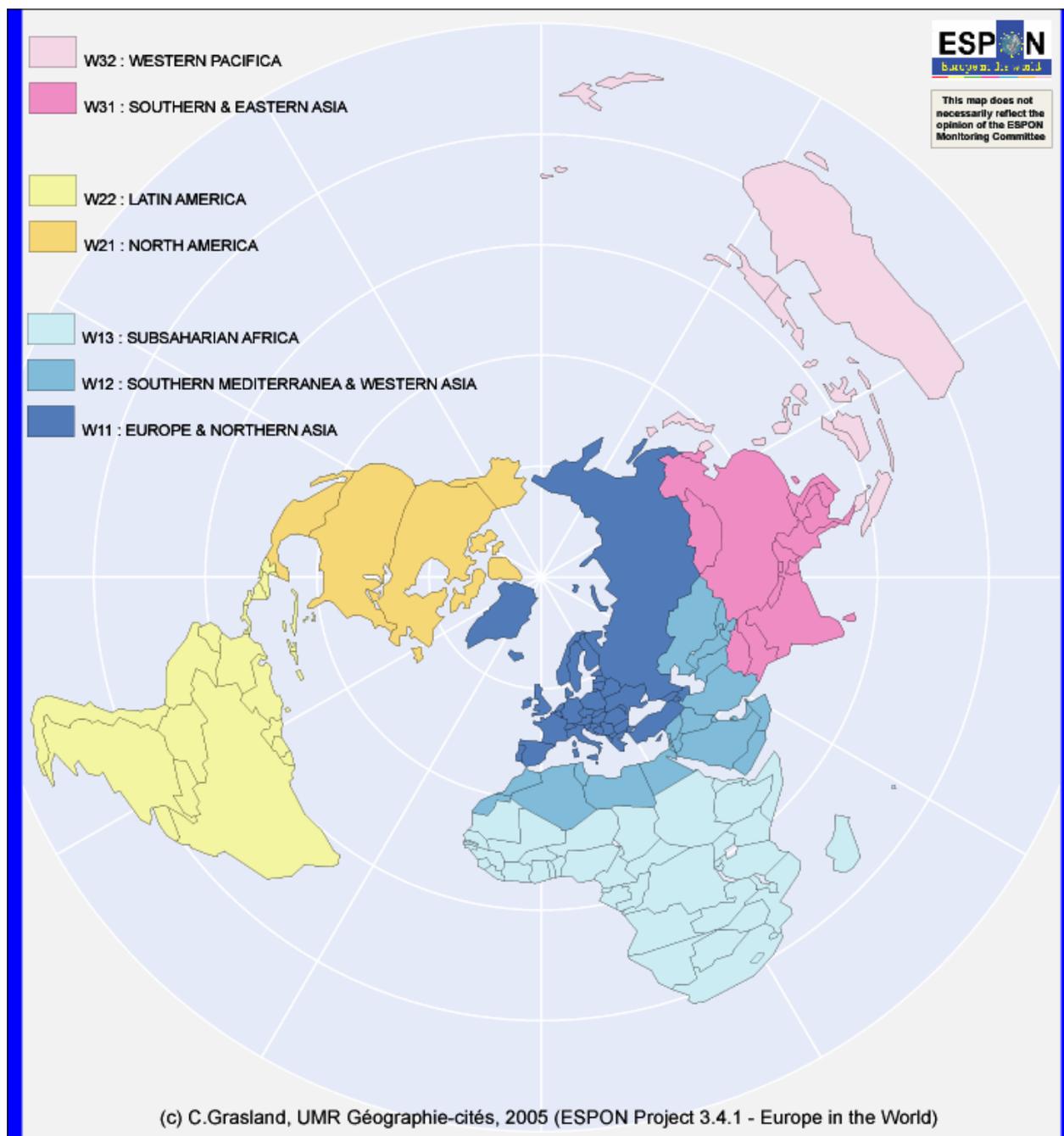
Concerning the division of the global region of EurAfrica (W1) into 3 macro regions, we took into account the results of the survey on the "Weltanschauung of the ESPON community" when we established the limits of "Europe and Northern Asia" (W11) which is what is commonly accepted by the majority of ESPON members in their subjective delimitation of Europe. Russia and Turkey was involved in this macro region because they have been historically strongly linked with the dynamic of European development since the Middle Age. The elaboration of a specific area for Sub-Saharan Africa (W13) appears obvious according to all demographic, social and economic criteria. And the creation of a specific area for Western Asia & Northern Africa (W12) appeared rather as a default choice than an attempt to isolate a so-called cultural area based on religious criteria like the "Great Middle East" of United States. In our opinion, the identity of this area is not only cultural but also demographic, economic and social with intermediate levels between Europe and Sub-Saharan Africa. In terms of size at world scale (Table 4), the 7 macro regions are relatively equal in terms of surface area (more or less 10-20% of the World for each) which is interesting for cartography. But they are very different for all other economic and demographic criteria. One more time, we can notice the extraordinary political fragmentation of the macro regions located in Europe and its neighbourhood as compare to the rest of the world

Table 4 Size of the 7 World macro regions (WUTS2)

Code	Name	Nbstate	SUPTO	SUPAG	POPTO	POPUR	GDPPS	CARBO
W11	Europe & Northern Asia	44	18.1	23.4	13.6	20.9	27.3	26.7
W12	Western Asia & Northern Africa	25	11.6	6.3	6.0	7.1	4.2	7.0
W13	Subsaharian Africa	44	18.1	11.4	10.8	7.7	2.7	2.2
W21	Northern America	3	16.1	18.1	6.8	11.1	25.5	28.0
W22	Latin America	26	13.8	8.0	6.9	11.0	6.6	4.0
W31	Southern and Eastern Asia	15	13.7	26.3	47.2	30.9	19.7	20.4
W32	Western Pacifica	11	8.6	6.6	8.9	11.2	13.9	11.7
W	World	168	100	100	100	100	100	100

Legende : see.
Source : World Development Indicator 2002, 2003, + Estimations of Project ESPON 3.4.1.

Map 9 The World in 7 macro regions (WUTS2)



3.4 The World in 17 Meso Regions (WUTS3)

The level WUTS3 (Map 10) proposes a division of the world in 17 meso regions which are very similar to the one which has been elaborated in the preliminary study on EIW developed by project ESPON 3.1. but which has been partly modified in order to take into account the constraints of hierarchy (compatibility with WUTS1 and WUTS2) and according to the advice of experts of the project ESPON 3.4.1. This level of meso-regions is crucial for statistical and cartographic analysis, especially in the case of flows where previous levels WUTS1 and WUTS2 are too general and where national level (WUTS5) is not relevant because of the heterogeneity of economic and demographic sizes of states. We started typically from the largest states of the World (USA, China, India...) in order to build equivalent aggregate based on groups of states which are strongly related (European Union) or which are sufficiently homogeneous in order to keep the maximum of aggregation in the aggregation procedure.

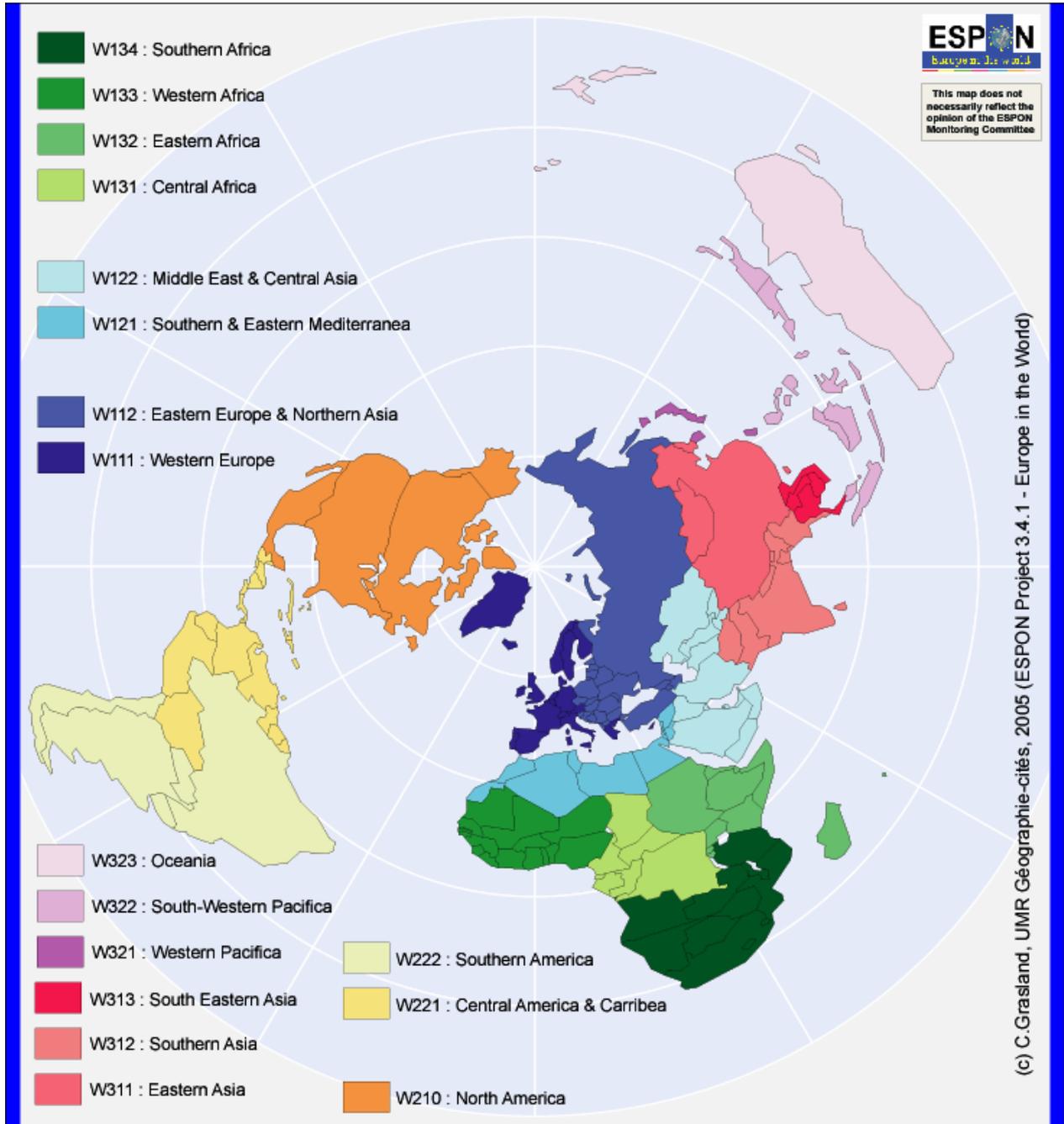
An important criterion for the elaboration of these 17 meso regions was the choice of aggregates which could be relevant for the elaboration of European policy recommendations or for the development of strategic plans. Southern and Eastern Mediterranean (W121) is typically a region which make sense from European point of view as it is related to Barcelona process. Concerning central-eastern Europe and Balkan, a difficult choice was related to the decision to split or not this area at this level or to wait for the next level (WUTS4). We decided finally to let this aggregate as a whole at WUTS3 level in order to make easier comparisons with Western Europe and SE Mediterranean (Table 5).

Table 5 Size of the 17 World meso regions (WUTS3)

Code	Name	Nbstate	SUPTO	SUPAG	POPTO	POPUR	GDPPS	CARBO
W111	Western Europe	21	3.0	5.6	6.5	11.0	21.1	13.9
W112	Eastern Europe & Northern Asia	23	15.1	17.8	7.1	9.9	6.2	12.8
W121	SE Mediterranean	11	4.7	2.2	2.8	3.3	1.9	2.0
W122	Middle East & Central Asia	14	6.9	4.2	3.1	3.8	2.4	5.0
W131	Central Africa	7	4.0	1.4	1.3	1.0	0.2	0.1
W132	Eastern Africa	11	4.4	3.1	3.1	1.5	0.5	0.1
W133	Western Africa	15	4.6	4.2	3.9	3.2	0.6	0.3
W134	Southern Africa	11	5.2	2.8	2.4	2.0	1.4	1.7
W210	Northern America	3	16.1	18.1	6.8	11.1	25.5	28.0
W221	Central America & Carraibian	21	4.4	1.8	3.1	4.4	2.3	1.8
W222	Southern America	5	9.5	6.1	3.8	6.7	4.3	2.3
W311	Eastern Asia	3	8.4	8.8	21.5	16.4	10.8	13.7
W312	Southern Asia	8	4.3	15.6	23.1	13.4	7.7	5.6
W313	South-East Asia	4	0.9	1.8	2.6	1.2	1.3	1.1
W321	Western Pacifica	3	0.4	0.9	3.3	5.4	9.9	7.9
W322	South-Western Pacifica	5	2.2	2.0	5.2	5.1	2.7	2.2
W323	Oceania	3	6.0	3.6	0.4	0.7	1.3	1.7
W	World	168	100	100	100	100	100	100

Legende
Source : World Development Indicator 2002, 2003, + Estimations of Project ESPON 3.4.1.

Map 10 The World in 17 meso regions (WUTS3)



3.5 The European Neighbourhood in 12 Micro Regions (WUTS4)

The level WUTS4 (Map 11) has been elaborated only for the purpose of analysing in more detail the European Neighbourhood and more generally the global region of EurAfrica (W1). In the other part of the World, this level is not interesting because it is smaller than the size of biggest states and could not be properly realised without desegregation of biggest countries (USA, China, India, Brazil...) which is actually impossible or at least very expensive and of low interest for the ESPON Program.

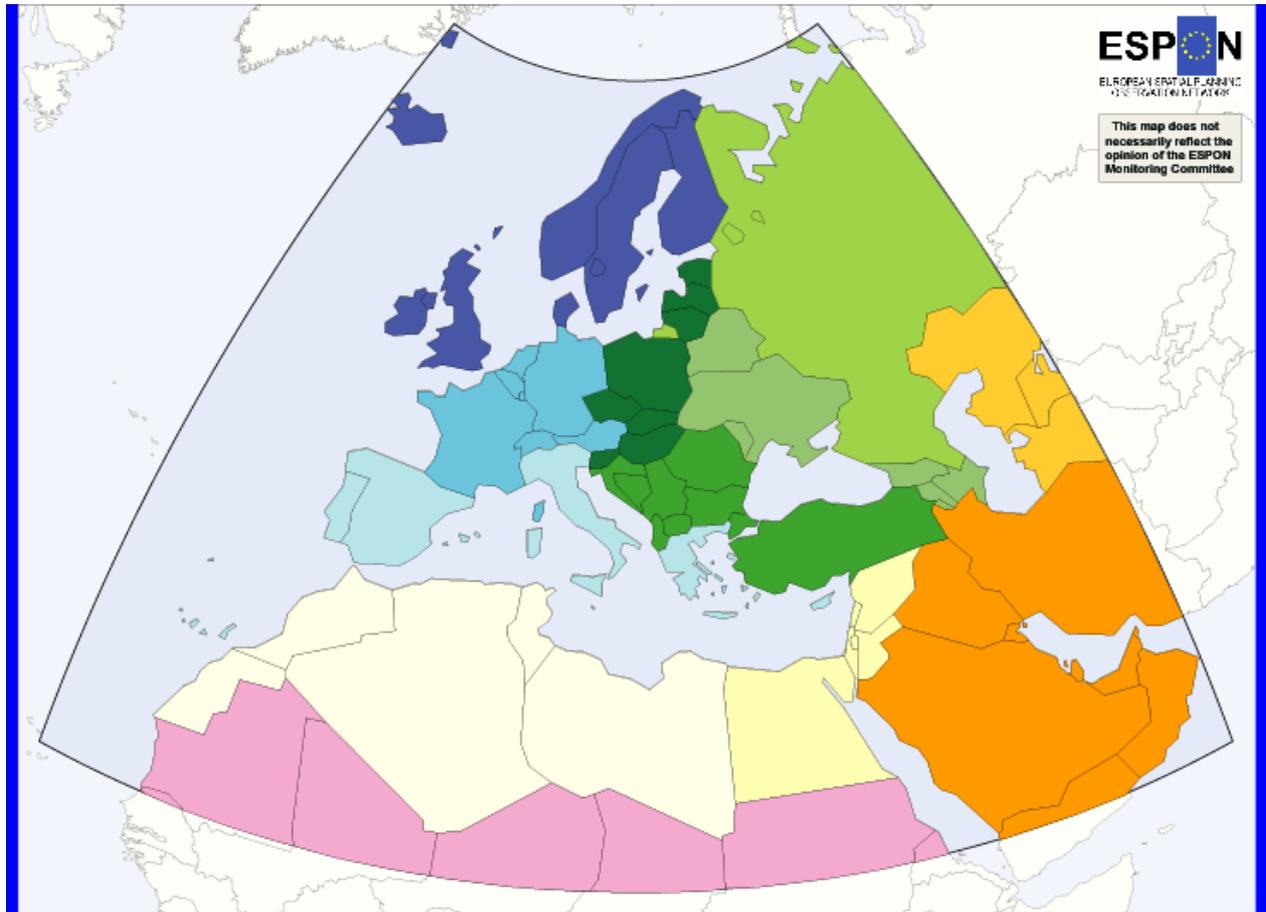
Micro-regions are particularly useful for the analysis of European neighbourhood because they introduce internal divisions both in the ESPON area and in its northern and southern peripheries. In terms of migrations, for example, it is interesting to distinguish both the various origins (Maghreb, Mashreq, Balkans, Central Asia...) and the various destinations (Northern Europe, West Central Europe, Southern Europe) and to establish matrixes at this level which is more homogeneous than the level of states. More generally, it is interesting to produce statistical tables where the reference is not the World but the European neighbourhood or the wider area of influence of Europe, defined at level WUTS1 by the region of EurAfrica (W1).

If we consider for example the Table 6 we can notice very important difference of size of each micro-regions for the different criteria. In geographical terms (superficy area) the more important regions are typically the peripheral areas of Russia (27%) and Sub-Saharan Africa (38%). In demographical terms, each micro-region has more or less the same size (5-10%) with the exception of Sub-Saharan Africa which accounts for one third (36%) but has not been divided in micro-regions. In economic terms, there is a clear concentration in West Central Europe (30%), southern Europe (17%) and northern Europe (14%) but it is interesting to observe that many other regions are important when they are considered as a whole and are not spited into states. Finally, the table underline that the repartition of Carbon Dioxide emission is very different from the distribution of economic or demographic sizes, especially in the case of Russia which produce as much as West Central Europe (18%).

Table 6 Size of the 11 micro regions of European Neighbourhood in EurAfrica (WUTS4)

Code	Name	Nbstate	SUPTO	SUPAG	POPTO	POPUR	GDPPS	CARBO
W1111	Northern Europe	8	3.0	2.7	4.8	7.3	14.2	9.6
W1112	West Central Europe	7	1.7	6.0	10.1	15.1	30.5	18.6
W1113	Southern Europe	6	1.6	4.8	6.6	8.3	17.1	10.5
W1121	East Central Europe	8	1.2	5.3	4.1	4.7	5.1	7.0
W1122	Balkans & Turkey	8	2.2	8.0	6.7	7.2	4.5	4.9
W1123	Caucase & Dniepr	6	1.6	7.8	4.5	5.2	2.1	5.9
W1124	Russia	1	26.6	22.3	8.1	10.7	6.3	17.8
W1211	Maghreb	5	7.8	3.8	4.0	4.3	2.5	2.3
W1212	Mashreq	6	2.0	1.5	5.3	4.9	2.9	3.3
W1221	Northern Middle East	5	6.2	5.4	3.1	2.3	1.1	3.4
W1222	Southern Middle East	9	8.1	4.8	7.2	8.4	5.8	10.6
W13	Subsaharian Africa	44	37.9	27.7	35.5	21.5	7.9	6.0
W1	EurAfrica	168	100	100	100	100	100	100
Legende								
Source : World Development Indicator 2002, 2003, + Estimations of Project ESPON 3.4.1.								

Map 11 The European Neighbourhood in 12 micro regions (WUTS4)



- | | |
|---|---|
|  W1113 : Southern Europe |  W1212 : Machrek |
|  W1112 : West Central Europe |  W1211 : Maghreb |
|  W1111 : Northern Europe | |
|  W1124 : Russia |  W1222 : Arabia & Persian Gulf |
|  W1123 : Caucase & Dniepr |  W1221 : Central Asia |
|  W1122 : Balkans & Turkey | |
|  W1121 : East Central Europe |  W13 : SUBSAHARIAN AFRICA |

(c) C.Grasland, UMR Géographie-cités, 2005 (ESPON Project 3.4.1 - Europe in the World)

3.6 Conclusion: Further development and usefulness of WUTS

The major interest of WUTS for the ESPON project is to make more easy the multiscale analysis of the situation of Europe in the World at various scales of analysis and with harmonised territorial units which have been specifically elaborated in order to fit to European questions (which is not necessary the case with regions of the world elaborated by UN agencies). To illustrate this point, we propose some small examples.

3.6.1 The distribution of Human Development Index in the World in 2002

The combination of the WUTS levels 0 to 3 can be used in order to produce synthetic tables which can easily be presented on a single page. As an example, we propose to analyse the world distribution of Human Development Index in 2002 (Table 7).

- **At the level of Global Regions (WUTS1)**, it appears that EurAfrica is the less developed part of the world with an HDI equal to 0.67 which is below the world mean (0.70), comparable to AsiaPacifica (0.68) but much lower than Americas (0.84). The detailed analysis of the three components indicates that the low level of EurAfrica is mainly related to low life expectancy (0.63) as compared to world level (0.70). For education and GDP, the situation of EurAfrica is more or less equal to the world mean.
- **At the level of Macro Regions (WUTS2)**, it appears a strong differentiation between the different parts of EurAfrica, with a clear North-South gradient. Indeed, the HDI level is equal to 0.86 in Europe & Northern Asia (W11), 0.69 in Western Asia and Northern Africa (W12) and 0.44 in Sub-Saharan Africa (W13). It means that the global region of EurAfrica is characterised by the maximum level of heterogeneity at world scale, which is not the case for Americas or AsiaPacifica where internal differences are not so huge.
- **At the level of Meso Regions (WUTS3)** we observe further spatial differentiation inside W11 between Western and Eastern Europe which has different levels of HDI (0.93 and 0.79) which are related to differences in life expectancy (0.89 and 0.75) and economic development (0.93 and 0.71) but are limited for education level (0.96 and 0.91). But we do not observe important

differentiations inside the macro regions of Western Asia & Northern Africa (W12), neither inside Sub-Saharan Africa (W13) where the economic level is better in southern Africa but where AIDS produce also a strong reduction of life expectancy.

What is important with such table combining different WUTS level is the opportunity to combine analysis at different levels, and to introduce various contexts in the evaluation of the situations. Completed by a map at state level (WUTS5), this table provide a perfect synthesis of the phenomena of interest for European policy makers (and researchers ...).

Table 7 Distribution of Human Development Index at WUTS0, WUTS1, WUTS2 and WUTS3

World Unified Territorial System		Size		Human Development Index			
Code	Name	States	Pop	Life	Educ	GDP	TOT
W	WORLD	168	6236	0.70	0.75	0.64	0.70
W1	EURAFRICA	113	1882	0.63	0.75	0.63	0.67
W11	Europe & Northern Asia	44	814	0.82	0.94	0.82	0.86
W111	Western Europe	21	392	0.89	0.96	0.93	0.93
W112	Eastern Europe & Northern Asia	23	422	0.75	0.91	0.71	0.79
W12	Western Asia & Northern Africa	25	385	0.73	0.70	0.64	0.69
W121	SE Mediterranean	11	183	0.75	0.67	0.64	0.69
W122	Middle East & Central Asia	14	202	0.71	0.73	0.64	0.70
W13	Subsaharian Africa	44	683	0.36	0.55	0.41	0.44
W131	Central Africa	7	84	0.30	0.53	0.37	0.40
W132	Eastern Africa	11	206	0.38	0.53	0.39	0.43
W133	Western Africa	15	238	0.42	0.50	0.39	0.44
W134	Southern Africa	11	155	0.28	0.67	0.50	0.48
W2	AMERICAS	29	856	0.80	0.90	0.81	0.84
W21	Northern America	3	424	0.86	0.94	0.92	0.91
W210	Northern America	3	424	0.86	0.94	0.92	0.91
W22	Latin America	26	431	0.75	0.86	0.70	0.77
W221	Central America & Carraibian	21	192	0.75	0.82	0.65	0.74
W222	Southern America	5	239	0.75	0.89	0.74	0.79
W3	ASIAPACIFICA	26	3499	0.70	0.72	0.60	0.68
W31	Southern and Eastern Asia	15	2948	0.69	0.70	0.58	0.66
W311	Eastern Asia	3	1320	0.76	0.83	0.64	0.74
W312	Southern Asia	8	1466	0.62	0.56	0.53	0.57
W313	South-East Asia	4	162	0.71	0.82	0.59	0.70
W32	Western Pacifica	11	551	0.79	0.87	0.73	0.80
W321	Western Pacifica	3	197	0.91	0.95	0.91	0.92
W322	South-Western Pacifica	5	330	0.71	0.82	0.61	0.71
W323	Oceania	3	24	0.89	0.99	0.92	0.94
Legende							
WUTS Code of WUTS units							
Name Name of WUTS units							
States Number of states							
Pop Population in 2002 (thousands)							
Life Life component of Human Development Index in 2002							
Educ Education component of Human Development Index in 2002							
GDP Economic Component of Human Development Index in 2002							
TOT Human Development Index in 2002							
Source : Human Development Report 2004; Missing values estimated by ESPON 3.4.1							

3.6.2 Share of the Wealth of the World; The double perspective at different WUTS levels

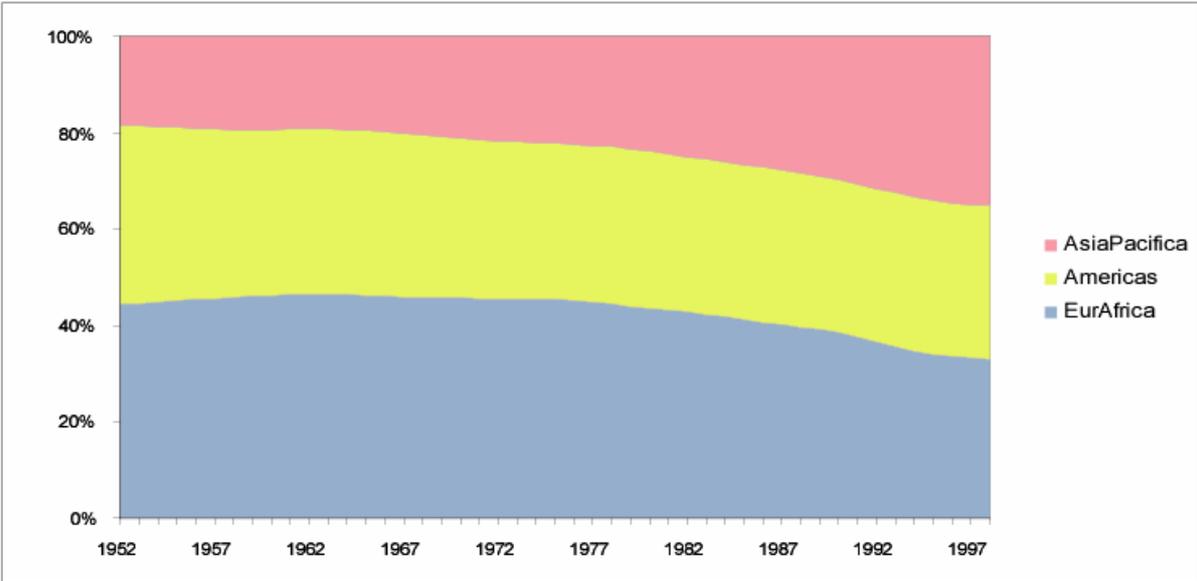
The combined use of the WUTS levels can be also fruitfully used to produce graphs in a multiscale perspective. As an example, we present here the analysis of the combined evolution of the GDP share of the WUTS0 (World) and WUTS1 (global region) level for the EurAfrica meso region.

The figure 4 presents first, the evolution of the share of the World GDP of each WUTS1 region (Asia-Pacific, America and EurAfrica). Focusing on EurAfrica region, one can notice that its share of the World wealth was the largest one in the fifties and that, after a short increase, it still decreasing since the sixties. At the end of the 20th century each global region has approximately one third of the share of the World GDP.

The analysis the evolution of the share of the wealth of meso regions can be done with different level of reference: the World and the global regions ones. Those two approaches provide complementary information. The figure 5 shows the evolution of the wealth but taking the reference of the global region. That allows to determine the evolution of the relative importance of each EurAfrican meso region. Indeed, one can notice that Western Europe, after a long declining episode has the greatest share of GDP since the fifties. It can be argued that it is partly due to the collapse of the Eastern Europe economy after the end of Soviet Union and the liberalisation of its economy. Other dynamic regions are Southern & Eastern Mediterranean and Middle East & Central Asia. The position of Eastern Europe and Northern Asia is dramatically declining whereas the Africa meso regions remain globally stable.

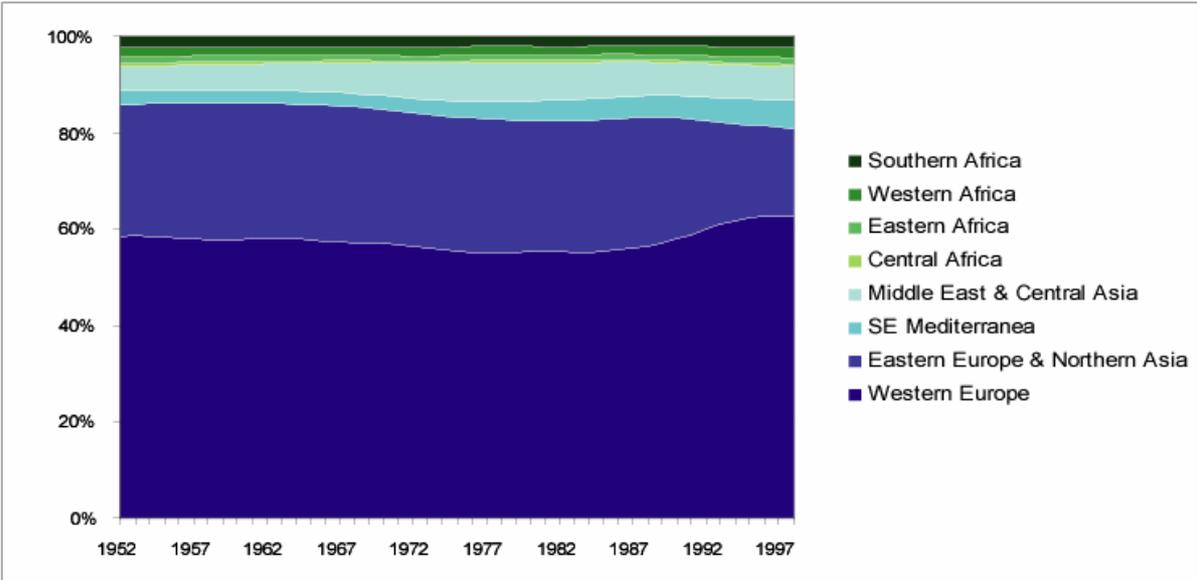
Keeping in mind that the economic polarisation of each global region has been taken into account in their definition, this double perspective allows to stress at the same time on the different dynamics at the World and global region level. That can be a great help in the elaboration of policy recommendations that try to combine the competitiveness of Europe in the World perspective and the orientation of aid flows in the neighbourhood policy context.

Figure 4 evolution of the share of the World GDP in global region



Origin of the data: Angus Maddison’s website (2005). <<http://www.ggd.net/Maddison/>>

Figure 5 evolution of the share of global region GDP in EurAfrican meso region



Origin of the data: Angus Maddison’s website (2005). <<http://www.ggd.net/Maddison/>>

4 Dictionary of concepts

4.1 Integration Zones

The geographical integration is a process by which places become clearly linked with other ones and eventually become interdependent. They can constitute a new space or a new territory. The integration can involve either equally or unequally developed territories. The places constituting that new territory become then distinct from other places, with which they constituted before that another geographical unit. One has to distinguish between spatial integration and territorial integration and take into account the different levels at which the process occurs.

In the case of spatial integration, places are connected by functional economical, demographical, informational, cultural links eventually without any institutional support. This kind of integration involves contiguous portions of space belonging to different countries. What P. Mehlbye (2000) defined as European Global Integration Zones (GIZs) can be included in this first definition. The GIZs are clusters of metropolitan urban areas linked by strategic cooperation programs. This kind of zone offers "high quality global economic functions and services, which enable a high-income level and a well-developed infrastructure". The core area is characterized by "a more dense and dynamic territorial structure both in term of its node (metropolitan regions, cities and towns) and links (external and internal communication network)". Nevertheless, the process of integration is not necessarily based on voluntary programs of cooperation in such domains as policy, spatial planning, regional development, economics, etc...

The territorial integration implies several countries in a project set up in order to face up to the process of globalisation. This process can be understood as the gradual integration of all societies in the highest geographical level: the World. In order to face up to globalization which is more or less perceived as a constraint, the necessity to reach the relevant size (that of United States or China) encourages numerous countries to be part of regional integration zones. This project can be based on an institutional basis for which European Union is seen as a model. In such case, the idea of a common belonging or future is promoted. However, EU integration zone, in which the different member states become step by step economically interdependent, remains an exception. The process of integration can also be based on lighter ties and narrower cooperation programs, involving only a few domains, economic and financial for instance, like trade agreements or customs unions (Viner, 1950).

There are also connexions between the general concept of integration zone and that of optimal monetary or commercial zone, first defined by economists among which Mundel (1969). Optimal monetary zones are large, and eventually multinational, groupings of territories. They are homogeneous enough to allow the mobility of the factors of production at a reasonable cost (money and labour force for instance), economies of scale, implementation of well balanced public policies and finally good governance.

The process of integration which gives way to the emergence of integration zones has evident connexions with the process of regionalisation because each integration zone, spontaneous or politically planned, whatever its size is, is always a subset of a wider ensemble.

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4.2 Centre / Periphery

The geometrical metaphor of the centre and the periphery is often used in order to describe the opposition between two basic types of places in a spatial system in the frame of hierarchical and dissymmetrical relations. In this spatial system, the centre benefits from it and controls it; the peripheries are subjected to the centre. This conceptual couple has been lasting since at least Werner Sombart (1909), if not since Marx, and has been used by the theoreticians of the imperialism (Luxemburg, 1972; Boukharine, 1977). The economists who work on the development disparities gave it its current meaning (Samin Amin, 1973). Alain Reynaud (1988) extended the use of the notion to the field of geography. According to him, the centre is a place of concentration of population, wealth, information, innovation capacity and decision power and the periphery is the contrary.

The concept can be applied to all geographical levels (village, town and region). However it has been mainly used at the global level as an equivalent to developed/developing worlds or North/South. The couple centre/periphery allows to describe the opposition between two spaces but above all it suggests an explanation of this differentiation: the periphery is dominated because the centre dominates. As a consequence, this concept

has been mainly used in third-worldism thoughts more or less as a way to give bad conscience to the people of western countries. This usage is very restrictive and the concept is more efficient. Indeed asymmetric relations do not necessarily mean that the centre exploits the periphery. To think about centre and peripheries makes possible thoughts about the interaction between places in the World: mutual dependence links in which the disparities are the norm.

Without relation between those two kinds of spaces, and therefore flows (of people, goods, capitals, information, decisions) the couple has no meaning. But more, the relations have to be asymmetric (unbalanced flows, power relations hierarchy). The centre is central only because it benefits from this difference and peripheries undergo a deficit that maintains its dominated situation. This system is thus self-regulated: the centre reproduces the conditions for its centrality. Because it is based on unbalanced exchanges, the system is dynamic. If some peripheries can become blind spots (they are then so called neglected) others can benefit from their situation: interface with places located outside the spatial system, final comparative advantages that are in line with the principle of international division of labour. That can lead to polarity inversion within the same scheme or to changes of system. The possibilities for action toward changing the position of peripheries involve work of continuous positioning inside different networks and creation of new networks (Castells, 2001).

The centre/periphery model has therefore a strong heuristic capacity if it is not too much simplified. The model is not obviously dual: in theoretical level the semi-periphery has already existed, but in the empirical research some other categories can appear: core area, dynamic side, inner periphery and external periphery. To overpass the schematic representation of domination of peripheries by centres it can be useful to introduce the concept of urban or metropolitan archipelago (Veltz, 2005).

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4.3 Regionalisation

A region is a subset of a geographical entity whatever its scale is. Using the word "region" is always done with a scalar perspective: the upper level is implied. For classical geography as for French administrative terminology a region is the first level of subdivision of the national territory (as the *Länder* in Germany). Today the word "region" is frequently used to refer to parts of the World grouping together several countries.

The regionalisation is therefore the subdivision, spontaneous or intentional, of a geographical entity. Part of the debate on the impacts of Europeanization uses the term "regionalisation" in reference to processes of subdivision of the national state into regional sub-authorities. These processes manifest themselves into the (partial) decentralisation of national governments functions to the regions and to the increasing demand for more regional autonomy of self-government. In European states where the regional level (institutional, geographical or cultural) was not defined, we are assisting to an arbitrary definition of "paper regions" which are often an artificial set up for the purpose of finding a suitable institutional level for the targeting of EU structural aids. The latter phenomenon is particularly evident in the new member states (Poland, Slovenia) and in some older ones as well (Portugal). The implication of this subdivision is the "coming to life" of new actors and therefore of new powers in the decisional and implementation networks of important European policies, a structural change whose implications are still undefined.

The economic literature uses the word "regionalisation" in an original meaning referring more to grouping than to division. It was already the

case in the French political vocabulary, where “regionalisation” referred to the grouping of departments in a wider set that could remind the former *provinces*. Nowadays, “regionalisation” refers to the voluntary construction of a supranational and sub-global entity by contiguous countries. The European Union construction is the archetype of this process. The subdivision of the World justifies the use of this word. However that should not hide the fact that a non negligible number of World countries are not concerned by any regionalisation or are very weakly involved. That makes any thought on world “region” difficult. If some subset can be clearly identified (for example large States and their peripheries like USA or China, or advanced regionalisation construction like European Union), for the rest of the World every thing is confusing. According this viewpoint, it is not that obvious to consider the regionalisation as a functional subset of the globalisation process. *That would imply that the world system needs large subdivision and not an anomy of isolated countries nor the coexistence of large and small groups and nor badly structured places.* With such a viewpoint the regionalisation of some part of the world appears as an effort of construction of concurrent poles, even if their hierarchy is strong, in a polycentric world where a large part of the humankind is still in the periphery.

4.4 Polycentrism

“Polycentricity” is used as a self-explanatory concept, characterising something that is opposite to monocentricity on the one hand and dispersal and sprawl on the other. It is supposed to contribute to *balanced* regional development, European *competitiveness* and *sustainable* development, and to facilitate new urban-rural *partnerships*.

Two structural aspects are of particular relevance to polycentricity.

First, the morphological aspect. The urban pattern may be either strongly or weakly hierarchical. Two extreme patterns can be identified: *Mono-nuclear pattern* where dominant city and several peripheral/dependant cities or *poly-nuclear pattern* where cities are quite similar in size and where there is no dominant city.

Then the relational aspect. Polycentricity is based on the networks of flows and co-operation between urban areas at different scales that may be oriented in different ways between centres. Two extreme patterns can be identified. *Mono-oriented* relations are preferentially oriented towards one centre whereas *multi-directional* relations have no obvious orientation.

The development of synergies of cities implies the development of significant mutual connections between cities, and not just linking up with a main node. Accordingly, a mono-oriented relational pattern is therefore incompatible with polycentricity. Thus, in general it is supposed that polycentric urban relations are most likely to develop in systems of even-sized cities that could see an opportunity in achieving the advantages of one larger "city" by establishing binding political relations and co-operation across complementary urban functions. However, urban relations based on urban specialisation might also occur between cities of different size. Polycentricity is facilitated by a poly-nuclear pattern, but polycentric policies may still be successfully implemented within a hierarchical spatial configuration without necessarily remodelling the balance between the concerned nodes.

Urban relations of polycentric systems may be identified as follows:

Institutional, based on voluntary co-operation; Institutional or political polycentricity relies on co-constructions, co-operation, and on the willingness of territorial agencies to work together on joint projects and strategies. The cities may, or may not, be complementary with regard to urban functions. The functional complementarity is not a pre-condition for cooperation. What is important here is that two or more cities develop common projects in order to build thematic and joint projects, actions and strategies, to exchange knowledge, best practices etc. and to share equipment and upgrade infrastructure (cultural, social, transport, etc.).

Structural, resulting from "spontaneous" spatial development. Structural polycentricity is related to the organisation of a territory via spatial patterns of economic or functional relations and flows. Structural relations and flows are not necessarily nested in urban strategies. Rather, they are "spontaneous" products of overlapping housing or labour markets, of specialised networking between urban located actors or simply historically established cultural, economic or social relations. Thus, structural polycentricity may be identified as road, rail and air traffic, financial flows, information flows, etc.

Different kinds of polycentricity are related to different spatial levels. Distant urban areas may be connected through various types of relations such as market-based flows or exchanges, or co-operation directed towards the sharing of experiences, methods, or information, or by participating in a development project, etc. These relations are characterised by connectivity rather than proximity.

Spatial proximity between urban areas potentially allows other forms of co-operation and integration: economies of scale through shared infrastructure, such as universities and hospitals; common strategies to manage flows and exchanges generated by commuters, telephone calls, etc... The most frequently used indicator for economic integration is travel-to-work intensity between cities. A situation with intense commuter flows in both directions would be a sign of integration and of polycentricity. Examples of institutional polycentricity are co-operation in spatial planning, common visions, shared functions etc. The EU has encouraged cooperation in cross-border regions through Interreg IIIA programmes.

4.5 Gateway (cities)

ESPON 1.1.1 definition of Gateway city

Basic definition

The geographical concept of *gateway*, in the current framework of economic globalization, refers to the capability of some territories to attract flows and to built up relations with actors operating at different geographical scales. Basically, gateway territories represent *transversal* geographical entities operating at different scales in the local-global dialectic (Conti, 1997).

In case of cities, gateways are poles in a system of relationships of which the distinctive feature is that all flows pass through them. On the one side, they attract flows of all kinds – material or informational – from abroad, re-disseminating flows on the continent. On the other side, gateway cities are nested in local network spaces, connecting low-level local cities that have not direct access to supra-level networks, assuming the function, in this sense, of connecting regional economies to the global space (Camagni, 2002). Moreover, this “gate”-like function is in favour of both the development of interface activities, which, in a highly competitive environment, must challenge a greater free flow, and the development of activities enhancing those flows.

Nevertheless, the concept of gateway may be applied at larger geographical scales, for example the national ones. In some cases, many peripheral regions or states have not the capability to fully interact with global flows, and therefore they relate to other transversal regions acting as gateways: this is the case of many peripheral territories whose

economic activities are linked to relations with semi-peripheral states, according to Wallerstein's terminology: this is the case of some African countries, leaning on Northern African countries in order to built up economic flows with Europe (*Società Geografica Italiana*, 2005). Even more important, the concept should not be considered in a strictly hierarchical way (central regions connecting peripheral ones), and it has to be considered how spatial proximity still plays a fundamental role in shaping economic flows, favouring or hampering the penetration of products, investments, commercial flows, the movement of workers, etc.(see Dunning, 1993; Shatz and Venables, 2000). In this sense, for example, Mexico (and particularly the territories next to the US border) constitutes an important *gateway* for European and Asian multinational enterprise willing to penetrate the US market (without paying the high costs of an US location; de la Martínez and Ramírez, 2002). In a different sense, Japanese enterprises historically developed some export functions in semi-peripheral Asian newly industrialized countries, in order to use these regions as cheap gateways for the exportation of goods in the Pacific area (Le Heron and Park, 1995).

Links with other concepts

The presence of gateway territories is strictly connected to the construction of a more *polycentric* space: not every territory has the possibility to interact with every geographical level, and the presence of gateways allows an ampler participation of the regions in the global economic dynamics. Obviously, the presence of gateways does not imply, per se, the presence of a more balanced territorial structure, since every gateway is basically *selective* in its connection, reflecting different spatial structures of power, connecting some territories and not others. For example, the situation of a country strongly polarized by the national capital (acting as a gateway) is quite different from that of a more balanced territorial system.

At urban level, gateway-cities enjoy the most favourable situations for the formation of poles of development. It is assumed that as regards the expansion of such poles, the diversification and the increasing complexity of their functions have everything to gain from the reinforcement of this inter- and intra-continental polarisation.

Territorial impact

Harbour-cities, so as some border cities, have often been great gateways of national and continental territories. Following the development of air transport and the fast and massive flow of non-material commodities on

the new networks, the models of gateway-cities have diversified and now new continentally based locations can fulfil this traditional role. These indisputable advantages for the development of a greater territorial polycentricity are not definitely secured. With the improvement of the speed of circulation, the extension of the distances of commerce, the gradual elimination of national borders, these gateway functions have become extremely competitive. The towns concerned – or liable to become concerned – must attempt to diversify these functions and gain other activities that, in a very unstable context, can position them in a favourably competitive situation. These particularly demanding conditions appear to be more in favour of the development of large metropolises, which themselves enjoy a relatively more advantageous position.

Development strategies

The attention given by the SDEC to the European “gateway-cities” is related to their potential development. In a polycentric territorial system, the Hubs, multi-modal platforms are among many of the assets inevitably associated with the development of real gateway-cities. However, they (the hubs and multi-modal platforms) do not guarantee the development of gateway-cities. This development requests that the advantages offered by the new gateway-cities be enhanced further than those strictly resulting from well-organised transport infrastructures, for example by furnishing competitive functions, high-skilled and knowledge intensive services; in this sense, Malecki (2002) ironically assessed that “both *clicks* and *bricks* are required”, emphasizing the importance of traditional material infrastructures and “new” economic functions.

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4.6 Area of influence

The expression "area of influence" supposes a centre which polarises a portion of space. This concept can be implemented at different levels. It was first defined in urban geography and referred thus to cities whose areas of influence are more or less wide according to their level in the urban hierarchy (W. Christaller; G. Chabot, 1952). To make an evaluation of their influence, geographers use various criteria such as the commercial attraction, the number and the frequency of flows of commuters working in the centre, flows of persons seeking services not available in their towns of residence and provided only by the centre. The areas of influence vanish progressively with the distance from the centre. The concept of area of influence has thus much to do with the couple centre / periphery, the latter being to a certain extent subjected to the former.

The expression "area of influence" has also a (geo)political meaning. It refers to the capacity of a country to exert its authority by the means of a more or less strong pressure on other countries. These "influenced countries", whether they are contiguous or not, form the area of influence. In that sense, it was commonplace to talk about the area of influence of the United States and of USSR during the cold war. The influence of a country is based on asymmetric relations and can be exerted through various means: the force of the arms, the economic power (for instance the production of oil, gas and rare natural products), the official development aid, the food aid and agricultural exports... The influence can

also be based on a soft power which designates the capacity of a country, or a group of countries, to convince other countries without the usage of any direct explicit constraint.

But the word influence must be used with precautions. On the one hand, its meaning in the organization of geographical space is quite vague. The limits of an area of influence are generally fuzzy. They may be overlapped by other areas of influence. And areas of influence often happen to be constituted by not contiguous countries. On the other hand, the word influence is relevant to the action of a person on another person. Is it then possible to extend its meaning to cities, to states or groups of states?

When one tries to apply this concept to EU, it becomes even more confusing and tricky. The area of influence of EU would be constituted either by a set of countries located in its neighbourhood or by all the countries functionally linked to it through trade or investment flows and official aid. This first definition is very problematic because the word "neighbourhood" can be defined in several ways: geographical proximity, functional integration, connectivity?

The area of influence of EU would be composed by countries economically dependent to it. It would be thus more efficient to use the expression "attraction area" than "area of influence". Which criteria can be used to estimate the level of economic influence or the economic power exerted by EU?

What about the political influence of EU? Some countries belonging to EU have a real political influence but EU as a whole do not have any, excepted on the official or unofficial candidate countries such as Rumania, Bulgaria, Turkey, Croatia, FYROM, eventually Ukraine... in so far as these countries are or will be soon obliged to implement various reform to enter EU. As a consequence, the economic influence of EU spreads over a much wider part of space than its political one. According to the domain concerned (migrations, trade, investments, remittances...), the influence area of EU is more or less wide and its shape is different. Consequently, its limits can not be clearly determined.

The cultural influence of EU at last is even more uneasy to define and to determine in space. Every one knows the cultural influence of the United States. But even in this case, one can wonder if there is a area of US

cultural influence. As far as Europe and EU are concerned, they are culturally so fragmented that it would be more relevant to seek the cultural influence of its members (Great Britain, France, Spain, Germany...). In the case of France, the limits of the "francophonie", that is to say the countries where French has the status of official language are a kind of cultural influence. In the case of Great Britain, is it still possible to take the English language as a mean of cultural influence? This language is now associated to the cultural leadership of the USA.

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4.7 Barrier Effect

The border effect is a methodology, initiated by McCallum (1995), in order to estimate the negative impact of crossing a border on trade flows. It allows to measure the degree of economic integration among several countries or the degree of fragmentation of great markets such as NAFTA or EU. To measure the border effect between two territories, it is necessary to use a gravity model. The gravity model predicts that the exportations from a country (or a region) i to two other countries j and k , characterized by the same population and located at the same distance from the country i , should be equivalent. When the exportations are lower than the predictions of the gravity model, there is a border effect.

The conclusions of all the studies dedicated to this effect are the same. Notwithstanding the formation of multinational regions in the context of the globalization, the political borders still have an impact on the international flows.

In spite of all the agreements signed and implemented by EU and the neighbour countries, the border effect can be a way to measure the level of integration or fragmentation inside the great Euro-Mediterranean region.

The border effect may not reach the same intensity at every level. An international border can hamper the increase of goods and commuters flows for instance at the local level, and the local cross border cooperation maybe unsuccessful, while trade and migration flows can increase rapidly at the national or macro regional level (country to country level).

This concept, which can be used in various domains such as migratory flows, trade flows, investments flows, is weak and should be used only in a heuristic way. It is not able to make any distinction between two things:

What is relevant to the level of interaction between two territories separated by a border (international border, external border of a custom union, free trade agreement zone or common market)...

What is relevant to the preference of social and economic agents for exchanges with other agents in the same territory (Community preference in the EU).

The concept of barrier effect can be used in other contexts. It is relevant as far as cross border and transnational cooperations are concerned. In many border regions, the implementation of genuine joint project of local development is hampered by administrative, economic or cultural differences. In that case, the barrier or border effect can not be estimated by statistics methods any more. It is only a fact that can be overtaken by administrative of economic reforms.

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4.8 Neighbourhood

The concept of neighbourhood is quite vague. In a current and empirical meaning, the word designates a localised group of persons living near one's own place of residence. For example, the persons that are living in the same building. But even at this very simple level, one has to face up

with confusion. Where does the neighbourhood start? Where does it end? Is it limited to the persons living only on the same floor of one's building? Or does it encompass the totality of the residents of the building whatever its size is? One can also wonder if the people living in the building located on the opposite side of the street are also neighbours. The confusion can also come from the context in which the word is used: urban or rural context for example. In a rural area featured by low densities of population and scattered human settlements, the distances between neighbours may cover several kilometres. This idea is well illustrated by an aerial photography of the agricultural Middle West in the United States or in Canada, where each farm is isolated.

On a philosophical or cultural point of view, the notion of neighbourhood is also vague:

It presupposes the existence of a parting and a difference between two entities. My neighbour is not me. And if I am his neighbour, I am not him. This first meaning is based on the idea of an otherness between two things, two persons, to countries, to cultural areas etc...

It can also presuppose the idea of proximity. Not only a geographical proximity. It can also be a functional proximity, on condition that both neighbouring entities are not too remote in space. In that sense, neighbour refers to the idea of interaction.

At last, neighbourhood refers also to the idea of resemblance or similarity between entities looking like to each other: A is a neighbour of B because they are similar. The word neighbourhood is then used as an image.

In spatial analysis, the word neighbourhood is used as a real concept firmly defined. It designates places which are next to each other and eventually form a contiguous ensemble. One can consider that two places are neighbours when they are adjoining. They can be considered also as neighbours when they are close to each other, but not necessarily adjoining, if interactions exist between them. In that sense, the neighbourhood of a place (a country, a town, an ensemble such as EU) involves more or less wide a portion of space which interacts with that place. The neighbourhood ends when one reaches a certain distance (a threshold or limit). Between the place and the limits of its neighbourhood, the interactions between them progressively decrease and then vanish. This decrease of interaction with the distance is a gradient. In another way, the limit of the neighbourhood can correspond with a discontinuity which is a rapid variation of one or several statistic indicators.

As far as Europe and EU are concerned, and taking into account all that is said above, it is not so easy to define the European neighbourhood. In the communications released by the European Commission, the neighbourhood is composed by neighbouring countries that is to say all the countries which share common border with EU. These countries will take benefit from the neighbourhood policy from 2007 onward. But it is no so simple:

- Candidate countries such as Croatia and Turkey have common borders with EU and they are not considered as neighbour countries. That means that a contiguous country is no more a neighbour as soon as it becomes a candidate.
- Russia will take benefit from the ENP but partially because the relation between Russia and EU are based on the implementation of the four common spaces.
- Azerbaijan does share any common border with EU but it has been involved in the list of EU's neighbour countries.

Notwithstanding these small facts, the concept of neighbourhood is largely based on the principle of geographical proximity.

One can wonder if this definition is large enough and even relevant. As we said above, we can consider that EU's neighbourhood also involve all the countries located near it, but not necessarily contiguous, upon condition that they interact with it. This statement supposes the existence of a neighbourhood not only spatial but also functional. In addition, one can wonder if the width of the neighbour is always the same according to the topic taken into consideration. When one considers migration flows that converge to EU, the neighbourhood is certainly not the same as for trade relations, investments flows, security and military issues, etc... Besides, in some cases, it may be more relevant to consider as a neighbour a region as a whole (CIS, North Africa, Central Asia, near East) that a unique country).

Isn't it then more relevant to define the neighbourhood in a very general way by saying that the neighbourhood of EU can be defined as spaces featured by a certain characteristics and not necessarily all of them in the same time in condition that they are not located to far from EU:

Strategic and political importance: risk of politic and social instability, important flows of migrants transiting or departing from a country or a group of countries, presence of highly strategic natural resources...

Strategic geographical location in the point of view of EU: Ukraine is a well known example of that because the major part of Russian gas exports transit through territory before entering EU. Russia is also concerned by that fact because EU's import from central Asia transit through its territory.

Existence of interactions with EU: massive trade flows, investment flows, flows of remittances...

The existence of public aid programmes.

The list is not complete. We just want to underline the fact that the definition of neighbourhood should be more flexible in order to be in line with a wide range of political, social, economical... context and with a wide range of issues.

4.9 Territorial cooperation/competition

For the dictionary of concepts, the expression "territorial competition" is not relevant because it refers to explicitly to animal behaviour. Competition can not be compared to animals or individuals struggling to conquer and dominate a single territory so that they can ensure their preservation. It is much better to talk about "competition of territories". This expression refers to different territories which are competing in order to attract investments, eventually foreign investments, and other economic factors (firms, high skilled labour force, etc...).

There is already a huge amount of economic literature dedicated to the topics such as competitiveness, process of agglomeration of economic activities and so on. But the question of the competition has been largely neglected either by economists, geographers or spatial planners. This conceptual black hole is due to several causes:

- Policy makers have been really aware only recently of the heterogeneity of territories.
- In the seventies, policy makers and scientists became aware of the fact that a territory might be attractive for a firm, not only because of its geographical and physical features but thanks to the social, economic and legal environment it is able to offer to economic agents.
- The clear conscience of this economic phenomenon was later fostered by the implementation of the European regional policy, through the process of allocation of structural funds. This allocation has always been achieved

on a regional basis, in order to reach socio economic convergence between the eligible territorial units.

- Later, anyone who was involved in the regional policy could notice that the process of convergence was moving on more rapidly at the national level and more slowly at the regional level with regional disparities rapidly increasing inside each country.

- Last, because of the decentralization which is now moving forward in many European states, local authorities are trying to set up incentives in order to attract firms and investments. They are trying not only to be more competitive than before but also more competitive than other regions. To remain attractive, the territories are condemned to underline their differences. These differences can be classical comparative advantages, but it is no more enough.

The word "competition" is confusing:

- can we speak of a competition of territories and compare them to firms which are competing to dominate a market?

- does it simply deal with territories which compete to attract more investments and value producers than others, by offering what the others do not offer?

- the term supposes that these territories are no more some passive pieces of the Earth surface which offers comparative advantages such as natural resources, good geographical locations or cheap labour force and so on. The territories have become real actors having into their hands the factors of their own development. They must send to firms and investors explicit signs that they are ready go along with them in a mutually advantaging association for long periods. They must show that they are able to offer them a high quality environment based on elements which are not delivered anywhere else.

The word "territory" is also confusing:

- does it refer to the states? We know that in the context of commercial and financial globalization, the states are engaged in a competition for the attraction of investments made by firms. This competition is now more visible through the process of relocation of industrial activities and services.

- does it refer to the institutional regions? Because of the decentralisation, which has gone very far in many countries, regions are progressively becoming economic agents.
- does it refer to smaller territorial units and local productive systems, such as industrial districts which are based on networks of small and medium size firms and networks of social relations, without any institutional basis?

In order to overrun these conceptual difficulties, we can propose a large definition of the word territories which does not refer to only one type of territorial unit:

- A territory is a piece of space organized and handled by political, economical and social actors who are able to set out non explicit or explicit rules, legally based or not, in order to support their relations. That means that a territory does not have only a geographical base. It can be defined as a mixture of certain kinds of relations between actors.
- Each territory is based on widely shared rules and on its own rules. These rules may be totally different in different territories.
- These rules are a subject of competition between territories in order to attract economic actors in order to reach a status as high as possible in the value chains and to guarantee to their inhabitants a high level of well being.

Many authors have recently reminded that we do not have a clear representation of all the pull factors taken into account by firms and investors when they make decision for the location of their activities (Veltz). There is no absolute factor, which would be efficient every where and every time. It depends a lot on the type of activity and on the size of the firms concerned. The word « competition » must not let us think that every thing is politically planned by these territories. As we said above, some of these territories are not institutionally based. And even in the case of real political regions, many pull factors are not explicitly related to institutions. The problem is that non institutional factors are quite uneasy to identify and eventually to implement. Moreover, one factor may be efficient only for a certain period of time but not for ever. And the economy is less and less based on the territorial frames such as regions and States. Economical relations are more and more unstable and flexible, whereas regions and states are necessarily engaged in long run processes. To be efficient, every political or institutional response proposed by

territories must be based on "Taylor-made adjustments". It is a necessary condition to make local conditions and global economy meet.

What kinds of advantages are researched by firms and all economic actors?

- A large consumption market as close as possible which is a kind of insurance against the variations of the consumption levels and economic contingence.
- Low costs of production.
- High quality of infrastructures and presence of many externalities.
- High quality of environment (that is to say high standards and quality of life for inhabitants) and possibility of a high level of well being for the labour force (with high employment rates).
- High quality of local social relations, well adapted to the flexibility of modern economy.
- Institutional partners which are able to offer them a long term beneficial association. The firms need to receive insurances that the territories (that is to say local institutions) where they decide to settle down show a firm commitment in a process of exchanges in various domains, for long periods of time: training of labour force, exchange of useful information.

The firms need to feel that that can rely on a territory which can eventually become an insurance against possible commercial and economic risks.

And the economy is less and less based on the territorial frames such as regions and States. Economical relations are more and more unstable and flexible, whereas regions and states are necessarily engaged in long run processes. To be efficient, every political or institutional response proposed by territories must be based on "Taylor-made adjustments". It is a necessary condition to make local conditions and global economy meet.

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4.10 Territorial Cohesion

Territorial cohesion is more a political agenda than a scientific concept. Recently, it has been used frequently in the European spatial policies debate and the definition given here will be mainly based on the European institutions approach.

Classically the term "cohesion" was used concerning the "economic and social cohesion" that is to say the aim of a balanced development throughout the EU. It refers both to the idea of balanced growth and the idea of supplying a minimum of essential services to every inhabitant of the European territory.

According to the history of the concept, (ESPON 3.2 Report), the idea appears for the first time in the Single European Act (1986) with the idea of reducing disparities of development of the various regions. However, at this moment the disparities were measured only in terms of economic level (GDP/inh). Later, the concept "territorial cohesion" appears in the Amsterdam Treaty (1997) related to the services of general economic interest. Recently, the territorial cohesion is integrated more clearly to the political objectives of the European Union, notably in the Treaty establishing a Constitution for Europe (2004): "The Union shall promote economic, social and territorial cohesion, and solidarity among Member States" and its meaning is more detailed in the Third Report on Cohesion.

As the "Third Cohesion Report expresses: "The concept of territorial cohesion extends beyond the notion of economic and social cohesion by both adding to this and reinforcing it". In policy terms, the additional objectives are to make more coherent sectional policies (which have spatial impacts) and regional policies. The concern is also to improve territorial integration and encourage cooperation between regions.

According to the European orientations, the territorial cohesion is multi-dimensional taking into account the reduction of economic disparities, the cohesion between regions and the social and environmental perspectives. A central idea is that citizens must have access to any essential services and basic facilities, wherever they live in the European Union. The article 16 of the Treaty "recognises that citizens should have access to essential services, basic infrastructure and knowledge by highlighting the significance of services of general economic interest for promoting social and territorial cohesion."

Another pattern of the concept is the multi-scale approach: problems are seen firstly at the European level with the disparities between European regions, then at each national scale, with the differences between metropolitan areas and the less favoured regions, until the local scale with the question of intra-urban discontinuities and the ghetto issues.

Adding the "territorial cohesion" objective is crucial to take into account all the problems that might concern Europe in terms of spatial planning. Promoting this objective implies to measure it. The classical economic aspect of the cohesion is easy to measure with indexes of distribution (Gini index). But the data concerning environmental and social perspectives do not exist for the moment (ESPON 3.2).

4.11 International Division of Labour

Definition

The international division of labour (IDL) means that countries specialise in certain productions and exchange these productions. This concept can be seen as the implementation of the idea of division of labour but at the scale of the international economic relations. The idea of social division of labour, notably developed by Adam Smith in economics, is based on the interest of individuals of specialising and exchange the output of their work, in particular on the level of the productivity.

The concept of spatial division of work also exists. It is a more general concept and refers to the fact that the generalisation of trade has developed a spatial division of labour, in the form of relative or absolute specialisations of places and regions. In this sense, international division of labour is one form of the spatial division of labour which includes it.

Theoretic base and stakes

The IDL has direct links with the Ricardo theory of comparative advantage which explains that a country must specialise in the production (and exportation) of goods for which its comparative advantage (the production cost relative to others products) is the best relatively to the other countries. This theory pushes countries to specialise in certain productions, stimulate international trade and IDL, because, according to this theory, it is necessary beneficial for any countries to specialise and participating to the international trade.

However some economists explain that the way the IDL is distributed has very significant implications. In theory, this distribution is based on the comparative advantages of the various countries: the country equipped well in factor work will produce goods containing much of this factor, while the country having capital and engineers will produce goods of high technology. However these various choices will not lead in the long term to the same advantages, in particular because the world demand does not grow in the same way for all the products. The developing countries which export especially one or two basic commodities will clearly be the losers of the IDL which marginalise them rather than integrate them. The Marxist economists claim that, by the existing IDL, the capitalist countries do exploit the developing countries in an "unequal exchange". The theory of comparative advantages has been questioned by P. Krugman.

When discussing the international division of labour there are two key concepts: the principle of comparative advantage (absolute or relative) and specialisation. To understand the principle of comparative advantage it can be useful to look at the simpler principle of absolute advantage.

A country (or region or individual) has an *absolute advantage* in the production of goods or services if it can produce those goods or services with fewer resources than other countries (or regions or individuals. The opportunity cost is the alternative foregone. If two individuals (or regions or countries) have different opportunity costs of producing goods and services, the individual (or region or country) with the lower opportunity cost has the *comparative advantage* in that good or service. The country (or region or individual) will *specialise* in the production of the good or service in which they have the comparative advantage. A specialisation means that productivity will increase, but a specialisation requires exchange i.e. trade. If this system is going to be profitable for all countries (or regions or individuals) specialisation and trade are needed.

The historic mutation of the IDL

The IDL is not fixed at all and has changed considerably since the 1970's.

A classical type of IDL, arisen from the colonial period, has prevailed for a long time: the one in which poor countries export their raw materials in exchange of manufactured goods coming from Northern countries. This distribution of work between countries can be regarded as being an IDL of complementarity since the exchanged goods are not of the same nature. This is what we call an "inter-branch" trade.

Thereafter, there was a change in this traditional IDL. Firstly, an IDL of competition appeared between industrialized countries, with a great growth of the "intra-branch" trade; in addition, some developing countries, mainly from the Southeast Asia, having become new industrialized countries entered the market of the manufactured goods, first of all basic goods, then technological goods also.

For measuring the international division of labour, one has to study the trade structure of countries or zones. An analysis of the trade between European countries shows for example a very intra-branch pattern, which comes notably from the differences of taste of the consumers.

However there is another type of intra-branch trade which exist between countries having great different levels of development and which is organised by transnational firms in their production process. One product is made by processes taking place in different countries. A great part of the actual trade of manufactured goods is now organised by transnational firms which split their production spatially according to each implantation's advantages. That explains why the trade of intermediary goods reaches roughly 40% of the value of total international trade. There is obviously a direct link to the concept of value chain since more and more, the different stage of the production processes are split between different countries. Consequently that kind of strategy implemented by transnational firms it's a powerful factor of regional integration.

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4.12 Territorial / Spatial differentiation

The concept of spatial differentiation is the central object of geography, which aims to understand any form of spatial inequality.

Space has a complex and dialectical relation with the social reality as a whole. On the one hand, space is always building on the existing space, and emerging social systems remodel permanently the spatial "material" on which they act. On the other hand, the space itself plays a major role in the social novelty and in the emergence of new social systems, since they always appear in a more or less definite territory, diffuse and rebuilds as they advance.

The emergence of the nation-state gives a perfect illustration of this dialectical relation between the social and spatial reality. The modern state has shaped in a given space, with specific historical paths but which all end up at the correspondence between nation and territory with a political entity: this political construction is thus eminently spatial. In return, the political delimitation of the territory, or territorial delimitation of the politics, will produce spectacular homogenizing effects on the space: cultural homogenization by the mean of education or mass media, socio-economic homogenization by the mean of social transfers, political and ideological standardization. These effects are so powerful that actual boundaries often correspond to clear spatial splits about politics, languages or landscape, including inside the European space.

This dialectical relation has also to be found in the field of social and spatial inequalities. As it is argued in the "Words of geography": "the fact of being here or elsewhere is a creator of social difference, taking into account the geographical oppositions of systems, of accessibility; membership of class involves differentiations in the settlement, the choice and the frequentation of the places, and in the end true segregations"

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4.13 Bonus: trying to define Europe

As any other world region, Europe can be defined in many ways. There are at least five dimensions to take into consideration: geographical, economical, cultural and political dimensions. But all those dimensions will not necessarily be used. Maybe a solution to find the most relevant criteria is to ask the following question: what is the purpose of such a definition? Do we aim at finding an "objective" definition to determine whether a country belongs to European Union or not? The question would be then to define the limits of the European Union. Do we aim at finding the purpose of the European Union, for European people or other people of the World? In that case, the policy orientations are at stake: should Europe be an economical or a social project, for example? Do we aim at catching what European people think about Europe and about the definition of their European identity?

A. *A geographical dimension.* This dimension seems the simplest one. The border of Europe is defined by the Ural Mountains in the East, by the Black Sea and by the Bosphorus in the South-East and by the Mediterranean Sea in the South. This is the definition of Europe found on most maps. But is it so simple? The existence of Europe as a continent is a mirage. From a geographical point of view Europe is no more than a small peninsula at the very western end of the Asian continent. The limit of the Ural Mountains frontier is an idea promoted by the Russian imperial court in order to legitimize the growing involvement of the Russian Empire in the European political affairs. In addition, the Eastern frontier is hard to define even on a natural basis. There is no indisputable natural frontier between the Ural and the Black Sea to separate Europe from Asia. And some of the

Urals are so flat and so low that one could cross them without realising that it is a range of mountains. At last, this definition is quite problematic and ideologically laden. It is based on the idea that there are natural borders. But a border is necessarily artificial. It is nothing more than a political achievement resulting from a country decision (decolonisation for instance) or from international relations (wars, peace treaties...). If a border happens to follow a river or a mountain range, it is nothing but a political product which can undergo further changes.

B. *An economic dimension.* This definition is based on the trade patterns between European and non European countries. In this sense, the limits of Europe depend on the volume and magnitude of trade, of investment flows and financial activities. Old colonial ties between European and non European countries (in a geographical point of view with all the problems that rise as shown above) are included in this dimension. This dimension has also shows serious shortcomings.

The first problem is that the economic criterion does not give way to a clear geographical representation of Europe for at least three reasons. First, it is not so easy to know where European's influence starts and where it ends. Second, many countries with which European countries have strong functional links are located far from Europe. Therefore, there is no geographical contiguity between them and Europe. Finally, a majority of European countries never possessed colonies in the past. Is it then possible to make it the main explanations for strong functional ties?

The second problem is a more sensible one, on a political point of view. The question could be addressed in those terms: when one tells that this dimension should be taken into account in the definition of Europe, should that mean that if the volume of flows between India and United Kingdom is very important, India should be considered as a European country? But why United Kingdom should not therefore be considered as a South Asian country? The point is that during colonial times, European countries considered themselves as the centre of the world (in terms of economic power and would-be cultural superiority). Maybe it is hard for European people nowadays to accept they are no longer the centre of the world. Maybe this "functional" definition of Europe based on trade relation patterns is an attempt not to face up with the fact that Europe is no more the centre of the World. Thence, the economic dimension should be used to determine the influence area of Europe, as a legacy of its former political influence.

C. *A cultural dimension.* Samuel P. Huntington has made an attempt to divide the world into "cultural spheres", which has been much debated. In the case of Europe, there is a west-European "cultural sphere" (including Catholic and Protestant countries) and an east-European "cultural sphere" (including Orthodox countries). Muslim countries do not belong to "Europe" according to this definition (leaving e.g. Bosnia and Turkey outside Europe). That means that, according to him, language, religion and history are key aspects of the cultural dimension. However, the would-be cultural unity of Europe raises problems. For example, in past Catholicism and Protestantism were perceived as so different that they were at the origin of international and civil wars. Now we speak of Christian Europe and even the Orthodox Church is perceived as belonging to European culture. So the cultural, or civilisation, aspect is part of a moving process. And, why not, in 200 or 300 years, Muslim countries could finally happen to be perceived as closed to Christians ones.

D. *A political dimension.* Any country (or region) can be included or excluded, if this definition of "Europe" is used, as long as it is politically gainful for Europe to do so. However, from a political point of view, European Union can be understood as a kind a club. And only the members of the club are entitled to decide who can join them or not (Copenhagen preconditions) and to define what is gainful for Europe or not. Moreover, as European Union is enlarging itself, each new country brings its own definition of Europe and therefore its own idea of what is gainful for Europe or not. For example, new members from Central and Eastern Europe such as Poland explicitly support the enlargement process towards Ukraine... This is a way to ensure their political security by pushing the Russian influence as far as possible eastward and avoiding being in charge of the European frontier. Europe is also sometimes perceived as a kind of a club gathering the European wealthiest countries. Joining this club can mean going to happier times for a poorest country. Spain and Portugal are good examples of an economical "success story" within Europe. But this perception of belonging to a club can lead to very egoist perspectives. According to parts of the public opinions, candidate countries would like to belong to EU only to benefit from the European funds. The desire not to share these funds with others can lead to a vigorous opposition against any further enlargement.

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5 Key Question n°1. Mental maps : Firms, Countries, International Organisations and NGOs's World regionalisation

Clarisse Didelon - UMS-RIATE

5.1 Introduction

International Organisations, Countries, Non Governmental Organisations and global private firms are the main actors at the global level. They divide the World in order to administrate it, to locate their activities and to organize their relations with other countries / groups of countries: in other words, to exert their power practically or symbolically⁴.

Those divisions of the World are often available on the different tools used by global actors for their communication. Those tools can be either reports (for example the "World Development Report" from the World Bank), or electronic supports like CD-Rom, or websites. In this study the maps and divisions of the World mainly come from the websites. All maps have been collected approximately within the same period of time running from summer to fall 2005.

One should keep in mind that the representations of the World that are published on websites are not necessary operational division of the World used by the World actors. However, as they are exposed before public opinion, it has been assumed that those maps have necessarily some meaning for the actors and are at less the sign or the symbol of their power at the World scale.

The main questions that we will try to answer in this part are the following ones: Do all actors divide the World in the same way? Which criteria are they explicitly or implicitly using? What can we learn from their maps concerning their vision of the World?

⁴ As explained by C. Raffestin, the fact to establish territorial division is always the sign of a power. States have the monopole of official internal division inside their borders. Global actors do the same at World Scale but nobody has a monopole of an official division of the World.

The methodology for the building of the databases and their computation will be presented in a first step. Then, the criteria that seem to have been used by the actors will be presented.

5.2 Methodology

The analysis of the divisions of the World by global actors is quite different from that displayed in the survey on ESPON community (Cf. Case Study: Europe and the World, The ESPON community's point of view), although it is based on the same principles. The reason is that, contrary to the survey, there is no "normalised" way for the firms to let one know what their divisions of the World are. The sources are quite different and may raise problem for the interpretations of the results because there is generally no information available about the criteria used to divide the World.

The same methodology has been used to build the databases for International Organisations, Countries, Non Governmental Organisations and private firms. That allows us to make comparisons between the different kinds of World divisions produced by those global actors. In a first step, the strategy used to build the database will be presented and then the methodology used to formalize and interpret the results.

5.3 How we build the data base

The choice of the sample of actors

International public Organisation. International organisations are many and some of them have mainly a regional orientation, for example the European Union and North American Free Trade Agreement (NAFTA). To know which International Organisation exists, a list available on a Canadian website has been used: < www.collectionscanada.ca >. All those organisations websites have been checked and 19 maps or lists of divisions of the World have been collected. Some of them present the subdivisions of an upper level regionalisation. It is the case for example for United Nations which provides three different divisions of the World. The International Organisations included in the survey are the following

ones : United Nations, World Bank, United Nations Educational, Scientific and Cultural Organization (UNESCO), World Tourism Organisation (WTO), United Nation Children's Fund (UNICEF), United Nation Refugees Agency (UNHCR), International Labour Organisation (ILO), World Meteorological Organisation (WMO), Universal Post Union (UPU), World Health Organisation (WHO), International Telecommunication Union (ITU), World Trade Organisation (WTO), International Monetary Fund (IMF) and finally Food and Agriculture Organisation (FAO). It is interesting to observe that despite the fact that all these organisations belongs to the UN system, they do not use any common framework which means that UN is rather an umbrella than a real power at World scale. The context of the proposed divisions is quite different from one website to another. It could be the list of the member States of the International Organisation. That means that the list is not exhaustive as not all countries are members of all the organisations. So far, 32 countries from our list of 168 countries are not members of the OMT "Organisation Mondiale du Tourisme".

Countries. As it was not possible, actually, to collect all the maps and regions produced by all the countries of the World, it has been decided to take into account only the documents produced by the countries that are commonly recognised as the main actors of the World, i.e. the countries that are susceptible to have a great influence at the World level. It has been decided to take into account the five permanent members of the security council of the United Nation (China, United-States, Russia Federation, France, United Kingdom) and the countries which belong to the informal but powerful G8 (the same as the previous ones excepting China, together with Germany, Canada, Italy and Japan)⁵. Maps have been collected for all those countries on the Foreign Policy or Foreign Affairs ministries websites, except for Russian Federation whose website is unusable for a non Russian speaker.

Non Governmental organisations. It was especially difficult to select main NGOs (Non Governmental Organisations) of the World and to check their divisions of the World. Moreover, a large number of them are very small ones. They act locally and they do not need to produce divisions of the World. The research has concentrated on NGOs having global ambitions. We have first tried to identify global NGOs by searching "Transnational NGOs", "Global NGOs", "International NGOs" (and the equivalent expressions in French) on the Google website. Then we used

⁵ Alternative approach could be based one the World share of population of GDP and/or population including therefore other countries like India, Brazil or Indonesia.

two main lists of global NGOs (one in French, one in English). The first one is published on <<http://www.toile.org/psi/ong/html>> and the second one is available on <<http://billie.lib.duke.edu/pubdocs/ngo/transnational.asp>>. The main problem with this group of actors is that the lists by World regions provided by them are generally lists of countries associated with types of actions. Therefore, those lists are too much incomplete to be used as a support in the study of World divisions. Only eleven maps and divisions of the World have been collected from the NGOs list (Table 8).

Private firms. The number of private firms in the World is high, even when taking into account only firms having a global orientation. It was not possible to collect the division of the World for all of them. Moreover, the firms had to be large enough to have a worldwide presence. In a first step, it has been decided to study only European firms and then to shorten the list to collect only maps displayed by the firms included in the stock market index of their countries. The three main financial markets of Europe have then been selected and finally only the firms from the CAC 40 (40 firms), FTSE 100 (102 firms) and DAX (30 firms) indexes have been studied. All the private companies included in those indexes are generally (but not always) oriented towards the global market, but they do not necessarily provide their websites with their divisions of the World.

Table 8 list of NGOs

Amnesty International - Large regions
Amnesty International - Sub regions
Derechos Human Rights
Directory of Development Organisations
Human rights watch
OXFAM
World Conservation Union
Médecins sans frontière
Reporter sans frontière
Red Cross
Red Crescent

Different kinds of maps: a first vision of the World

The raw material (i.e. maps published on the websites) already provides precious information on how the firms or other actors perceive the World, or on the way they want to show to the public their perception of the World. Three major kinds of maps available on websites can be roughly identified. The first one, Pernod-Ricard, presents a clear division of the World in form of territorial partition⁶ (figure 6.). The Cadbury-Schweppes one shows the will to consider the World as a whole and is based on a list of regions whose countries lists are published on another part of the website (figure 7.). The Siemens map presents an intermediate situation between the two previous ones. The net surfer first faces a moving picture of the globe without any division. If he wants to get more information about both the delimitation of regions and their composition, he has to click on the globe which then stops to turn. A region is then highlighted in yellow colour and details about the chosen region appear on the right side of the globe (figure 8.). This kind of presentation is not specific to some type of firms and it is neither related to their nationality. But it is interesting to note that, apparently, some firms do not want to let one know immediately how they divide the World on a pictorial medium. Maybe it is a well-thought-out decision of a firm that does not consider that showing divisions of the World is "politically correct". It can also be a spontaneous representation that could reveal that the firms have a hegemonic vision of the World. The Cadbury-Schweppes map, for example, could mean that wherever you are in the World, maybe excepted in Siberia or Sahara, you can find Cadbury products... There is therefore no more division of the World for Cadbury, as it is united by the worldwide consumption of their products. Indeed, from a market's point of view, a division of the World by a firm could be based on the following criteria: countries where our products are available, countries where they are not...

Harmonisation maps collection

The raw material used to achieve this study has been the maps published on the global actor's websites. Some problems have to be underlined concerning maps and divisions of the World collections. The first one, and the main one, is the use of different World divisions on different web pages on a firm's website.

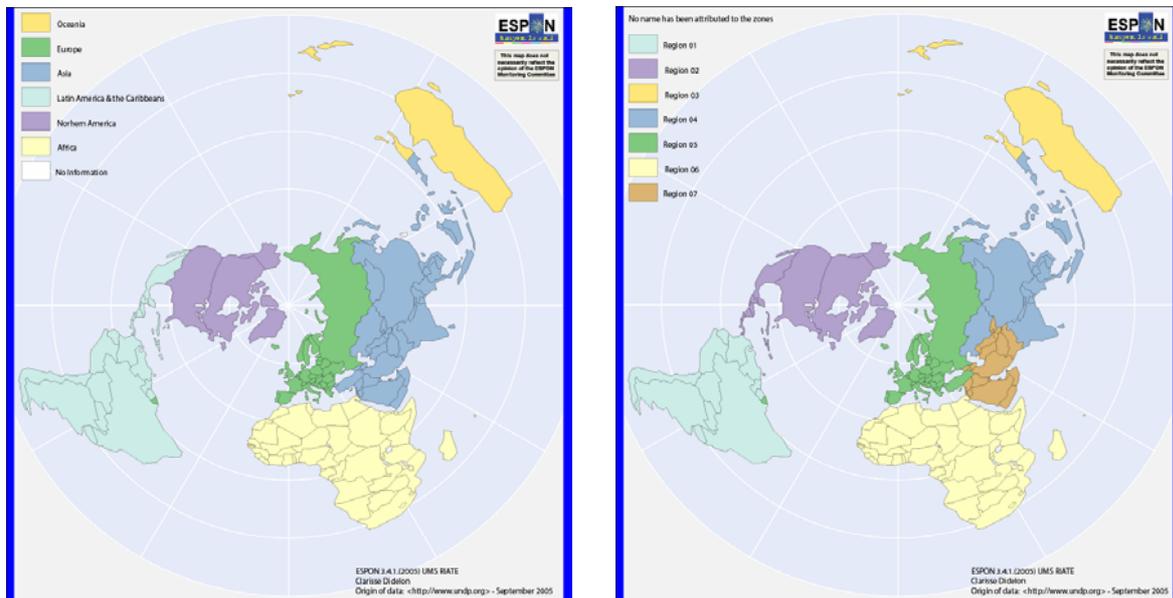
⁶ Different subset with null intersection and complete coverage of the World

- More than one division of the World proposed in the same website. It is possible that firms, international organisations or other actors do not have a clear vision of the World regions. They can provide websites with different World divisions on different web pages. One example is the ALCATEL French firm. It is a communication firm that claims to be present in 130 countries in the World. In its website, one can find at least three divisions of the World. First, the firm proposes a list of the local branch companies' websites <<http://www.alcatel.com/comps/localsites/>>. On this web page, three World regions are proposed: Americas, Asia / Pacific and Europe / Middle East / Africa. Then comes a presentation of the geographical distribution of sales of the firm (in a web page called "About Alcatel") on the English version website, where five zones are proposed: Western Europe, Other Europe, USA, Asia, rest of the World. <<http://www.alcatel.com/apropos/inbrief/index.htm>>. Last, a division of the World is proposed in the corporate documentation presenting the repartition of the firm's employees in the World. This map shows a quite unusual division of the World <http://www.alcatel.com/apropos/Company_Presentation.pdf> where France is included in the same region as Africa, Arabic Peninsula and South Asia, whereas Spain is included in the same region as South and Central America, Southern Europe with Israel and Georgia... (Figure 9). When two divisions were proposed and when the choice was to be made between a map and a list, the map was preferred because of its higher symbolic impact, because one is not likely to remember in detail the division of the World from a list. It was the case for ALCATEL. When the conflict was between two maps, and when the two maps were in line with the purpose of a World division in regions, both maps were used. It was the case for the United National Population division. Its cartographic department proposes regions of the World that are different from the regions generally proposed in the reports (Figure 10).

Figure 9 One of the Alcatel divisions of the World



Figure 10 Figure 5.3.5.: two different divisions of the World proposed by the United Nations



- Difference between the map and the text. Even when only one division of the World is proposed, it can happen that a map and a list are presented together. And, in some cases, it could happen that there is a difference between the maps showing a division of the World and the list, even if the list is often placed in front of the map. For example, here are two maps provided on the AXA Group website (figure 11.)

<<http://www.axa.com/en/group/World/>> quoting the presence of the firm in different countries, illustrated by maps showing the region. The main problem here is that Turkey appears in the list as belonging to Europe. But, on the map, Turkey is included in the Middle East region. We chose to follow the text each time the problem will appear. This method seems more reliable because people who make the websites are probably not cartographers.

Figure 11 The presence list version / map version problem (AXA website)



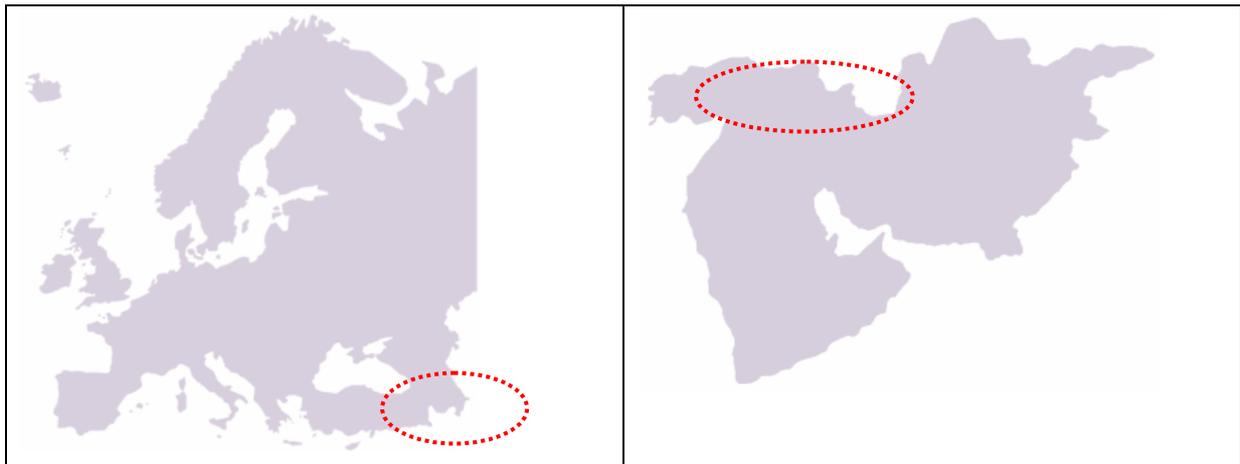
Presence : Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Monaco, Portugal, Spain, Switzerland, The Netherlands, Turkey, United Kingdom

Presence : Lebanon, The emirates

The double belonging problem is the same kind of problem. It can happen that a country is shown on two maps showing different World divisions. This is the case for the French firm Peugeot website (Figure 12.). Turkey appears on a map as belonging to Europe and on another one as belonging to Middle-East Central Asia region. In that case, if a text is available, the only solution is to rely on it.

Limit of Stock Market Firms. The main problem raised by choosing firms that are in the stock market index is that those large firms are often not composed by only ONE enterprise but a group of enterprises. As a consequence, it can happen that all the enterprises from one group do not propose the same divisions of the World. Consequently, the divisions provided on the firm's website do not match that of the branch office. In this study, we focus only on the head firm's division of the World.

Figure 12 The double belonging (Peugeot website)



Limits from the sample of map collection

The problem with NGOs is that many of them have a global action and wish to promote the idea of a united World. Therefore they do not propose any division of the World on their websites⁷.

Another particular problem can be raised concerning the NGOs division of the World. When one makes a synthetic analysis, the visions of the World which are collected have very different origins and they share few common features. The problem is that it is difficult to analyse such a result: NGOs are from different countries and they belong to different sectors of activity. It is most likely that NGOs which deal with HIV epidemic do not have the same vision of the World than those dealing with the animal protection. In the previous analysis, the actors had something in common and they were grouped on this base. For example the firms that have been studied belong to the same country (i.e. we studied British, German and French firms). In the case of the study about country's division of the World the common point was the origin of the data: all the divisions of the World came from the website of the different Foreign Offices. For all those reasons, the comments of the divisions of the World displayed by the NGOs websites have to be used cautiously.

⁷ The analysis of global actors which refuse to divide the World would demand a specific analysis.

Table 9 First step of building the matrix. To which zone belongs a country?

	Quest. n°1	Quest. n°2	(...)
Afghanistan	Asia	Wider Asian Area	(...)
Albania	Europe	Europe	(...)
Algeria	Africa	Mediterranean Africa	(...)
Angola	Africa	Sub Equatorial Africa	(...)
Argentina	South America	Latin America	(...)
Armenia	Asia	Wider Asian Area	(...)
Australia	Australia	Pacific area	(...)
Austria	Europe	Europe	(...)
Azerbaijan	Asia	Wider Asian Area	(...)
Bahamas	South America	Latin America	(...)
Bahrain	Asia	Mediterranean Africa	(...)
Bangladesh	Asia	Wider Asian Area	(...)
Belarus	Europe	Europe	(...)
Belgium	Europe	Europe	(...)
Belize	South America	Latin America	(...)
(...)	(...)	(...)	(...)

Table 10 second step of building the matrix. For each questionnaire a matrix has been built

		Afghanistan	Albania	Algeria	(...)
	Quest. n°1	Asia	Europe	Africa	(...)
Afghanistan	Asia	1	0	0	(...)
Albania	Europe	0	1	0	(...)
Algeria	Africa	0	0	1	(...)
Angola	Africa	0	0	1	(...)
Argentina	South America	0	0	0	(...)
Armenia	Asia	1	0	0	(...)
Australia	Australia	0	0	0	(...)
Austria	Europe	0	1	0	(...)
Azerbaijan	Asia	1	0	0	(...)
Bahamas	South America	0	0	0	(...)
Bahrain	Asia	1	0	0	(...)
Bangladesh	Asia	1	0	0	(...)
Belarus	Europe	0	1	0	(...)
Belgium	Europe	0	1	0	(...)
Belize	South America	0	0	0	(...)
(...)	(...)	(...)	(...)	(...)	(...)

Table 11 Third step of building the matrix. Sum of all individual matrixes

	Afghanistan	Albania	Algeria	Angola	Argentina	Armenia	(...)
Afghanistan	110	0	14	7	6	59	(...)
Albania	0	110	9	1	2	19	(...)
Algeria	14	9	110	49	3	19	(...)
Angola	7	1	49	110	4	5	(...)
Argentina	6	2	3	4	110	4	(...)
Armenia	59	19	19	5	4	110	(...)
(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)

5.4 How we get the results

Data modelling

One table and two different matrixes need to be built to make the analysis. In a first step, a simple table has been built that indicates to which region each country belongs in each questionnaire (for the survey of the case study) or in each website (for this Key Question) (table 9.). For example, for the questionnaire n°1, Afghanistan belongs to Asia.

Then, an elementary matrix is issued from each column of the previous table. For each questionnaire, one matrix is built, checking the common belonging of two countries to the same region (table 10.). The box is filled up with a "1" when two countries belong to the same region and a "0" otherwise. For example, in the table 10., Armenia and Afghanistan have been included in the same "Asia" region: the box is filled with "1".

The synthetic matrix is the sum of all the elementary matrixes (table 11.). The number in a particular box shows how many times two countries have been included in the same zone by the considered sample of actors or by the ESPON seminar participants. For example, Armenia and Afghanistan belong to the same zone for 59 questionnaires obtained from the ESPON community in Luxembourg in May 2005.

Methodology for analysis

The aim of the analysis was to propose clusters of countries that were: Always or often included together in the same region and generally associated with the same countries.

To build the clusters, we have to chose a similarity index as explained in the Europe in the World project's first interim report (part C.3: Methodological framework for the analysis of flows and structures). A hierarchical ascendant analysis can then be used in order to build clusters by joining at each step the two most similar elements or clusters. In the final step, all the elements (i.e. countries) are gathered in the same cluster.

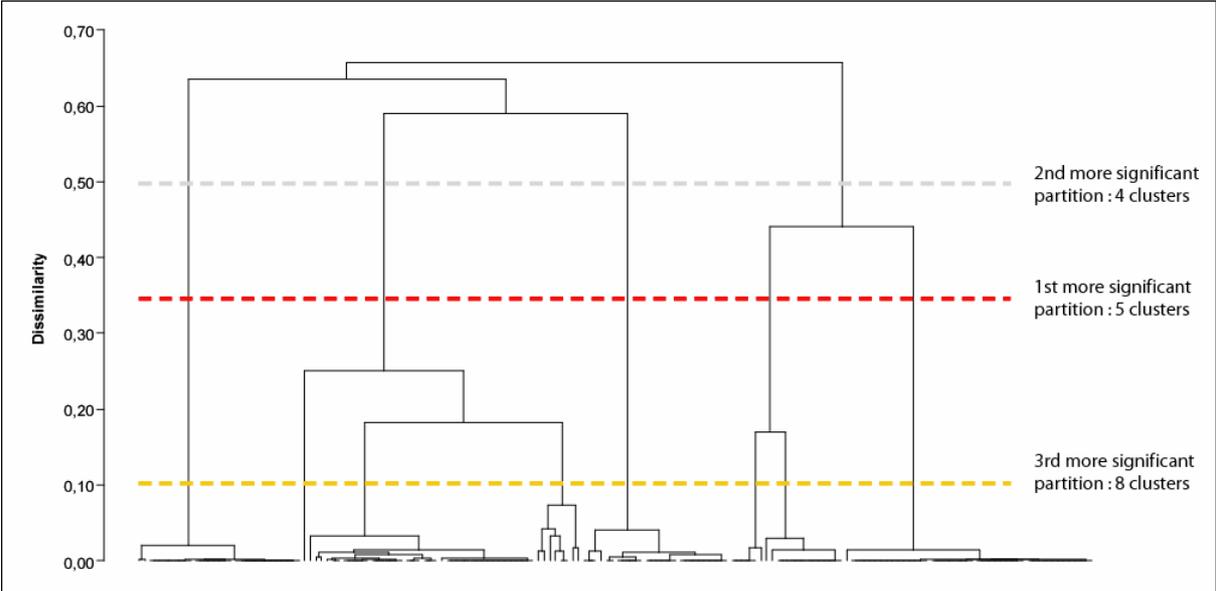
The problem is that the results depend heavily on the choice of the dissimilarity/similarity index and that many mathematical solutions are

available, underlying different conceptual assumption. We wanted to join states which are not only present in the same regions but also excluded from the same ones which means that the synthetic matrix was not sufficient as it focus only on common belonging and do not take into common excluding. Consequently, the solution was to use a correlation index. One well knows coefficient index, Pearson index, can be used in similarity computation. It is a measure of the strength of the associations between two variables. This method have been used on all the matrixes that have be built to study the divisions of the World proposed by firms, NGOs, International Organisation or Countries.

Maps of Synthesis of the divisions

To choose the number of region to represent on the synthetic maps of the division of the World of firms, International Organisation and NGOs we rely on the hierarchical tree of the hierarchical ascendant analysis and on the related indexes. The following figure (13) presents the hierarchical tree for NGOs. Mathematical criteria suggest that the 1st more significant level of partition is in five clusters. The second one is in four clusters but we did not take it into account as is make less regions that previously while what it is interesting is to find sublevels. So we used the 3rd more significant level of partition that produces a regionalisation in 8 zones.

Figure 13 hierarchical tree for NGOs



One exception has been made for the synthetic maps 12 to 13) of firms, because here the aim was to make easier the comparison between the different countries of origin of firms. We tried to use the more significant partition that would apply to the three maps and that would allow to observe enough sub levels.

We choose not to name ourselves the regions produced by the synthetic analysis of the division of the World by firms, NGOs and International Organisations. Indeed that would induce to use pseudo "neutral" names, i.e. names linked to the geography and the traditional division in continents, while we precisely think that the division are not neutral. More, name them would influence the reader by imposing him our point of view on the composition of the regions. That is why all synthetic maps identified the regions anonymously.

Map of the limits of regions

This map 17 was obtained by adding the limits proposed by the International Organisations. When an International organisation proposed more than one division of the World (UNDP or World Bank for example), we used only one of them for the building of this map. When large and small divisions were proposed, we used the larger one because the number of zones were closer to the average number of zones proposed by other organisations. For example, The United Nation Refugee Agency proposed large regions and sub regions. Only the large regions have been used to build this map. When zones have been based on other criteria than geographical ones (indebtness, wealth, development), we used only the geographical criteria.

5.5 Results

5.5.1 Continentalisation

The division of the World proposed by the different actors shows a strong tendency to use the traditional continents figure as a support for the drawing of the regions. This trend can be first noticed in the average number of zones drawn and then in the limits used.

Number of regions

The average number of zones, identified by the different actors, ranges between 5.6 (for British firms) and 7.2 (for International organisation) (table 12). That reminds clearly the traditional number of continents that are generally presented as being 5, but often 6 when two Americas are distinguished (Cf. First Interim Report, ESPON 3.4.1. *Europe in the World*).

Table 12 number of regions

	British Firms	German Firms	French Firms	Countries	International Organisation	NGOs
Minimum	3	2	4	6	5	4
Average	5,6	6,9	6,6	6,7	7,2	6,6
Maximum	14	9	9	9	10	11
1st cluster level	3	4	4	X	4	5
2nd cluster level	4	2	5	X	6	4

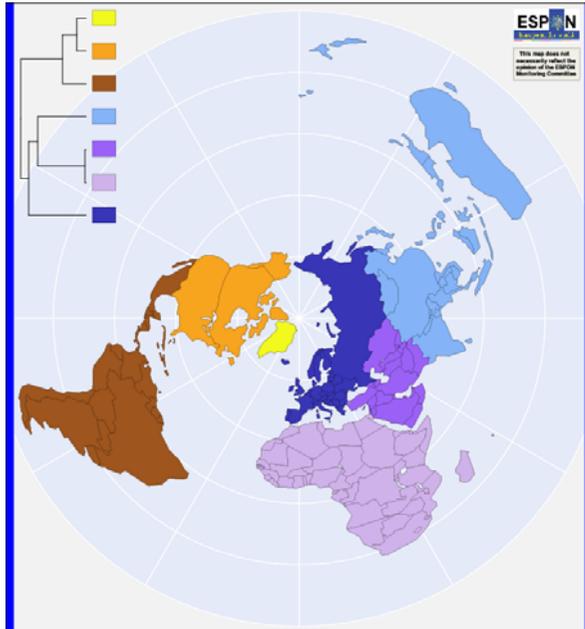
This is particularly true on the countries' Foreign Office websites (Map 15). The divisions in regions show a division of the World into 6 to 9 zones. The four European countries included in the analysis, i.e. France, Germany, Italy and United-Kingdom show a division in six parts. Northern America countries (U.S.A. and Canada) propose a division in seven parts. Asiatic countries show a division in 7 (Japan) and 9 parts (China). But Germany and Italy follow strictly the traditional division in continents established in the 20th century. The only difference between them is the limit between North and South America. The small countries of Central America are included in North America according Germany but in South America according Italy.

Localisation of limits

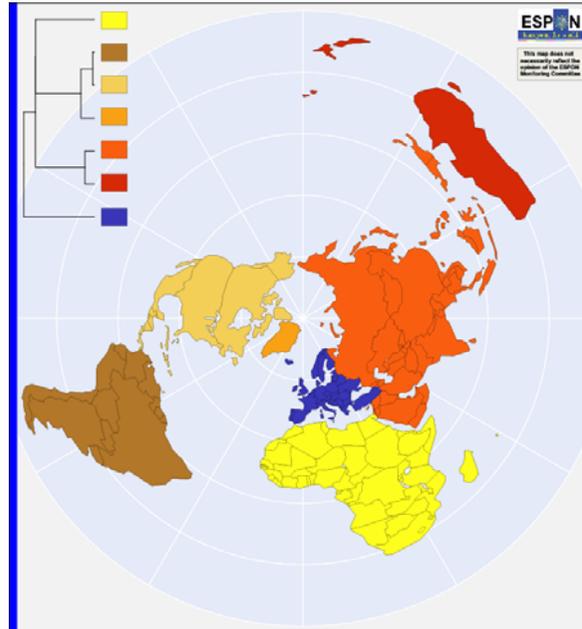
Additionally, the synthesis of limits proposed by International Organisation (Map 16) clearly shows that continental bodies are privileged in the drawing of zones. Stronger limits are located between two continents, in the sea or ocean. That is the case for the limit crossing Atlantic, Indian and Pacific oceans from North to South. But it is also the case for the far less large Mediterranean Sea between Europe and Africa and even for the Red Sea between Africa and Arabic peninsula.

Terrestrial limits are always thinner than maritime ones because it is apparently more sensible, from a political point of view, to draw a line dividing lands and people than crossing a neutral aquatic surface. The exceptions are the limits drawn between Russian Federation and the Chinese World, i.e. Mongolia and China, and between North America, on the one hand, and Mexico and South America, on the other hand. Those two exceptions will be detailed later.

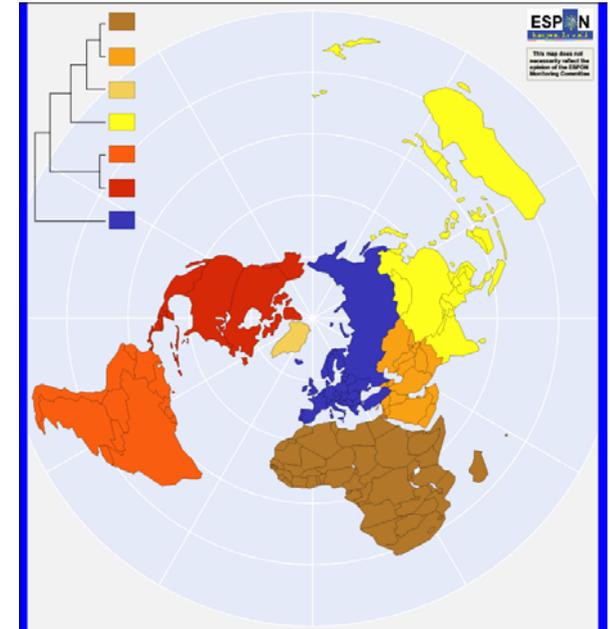
Map 12 French firms dividing the World



Map 13 German firms dividing the World



Map 14 British firms dividing the World

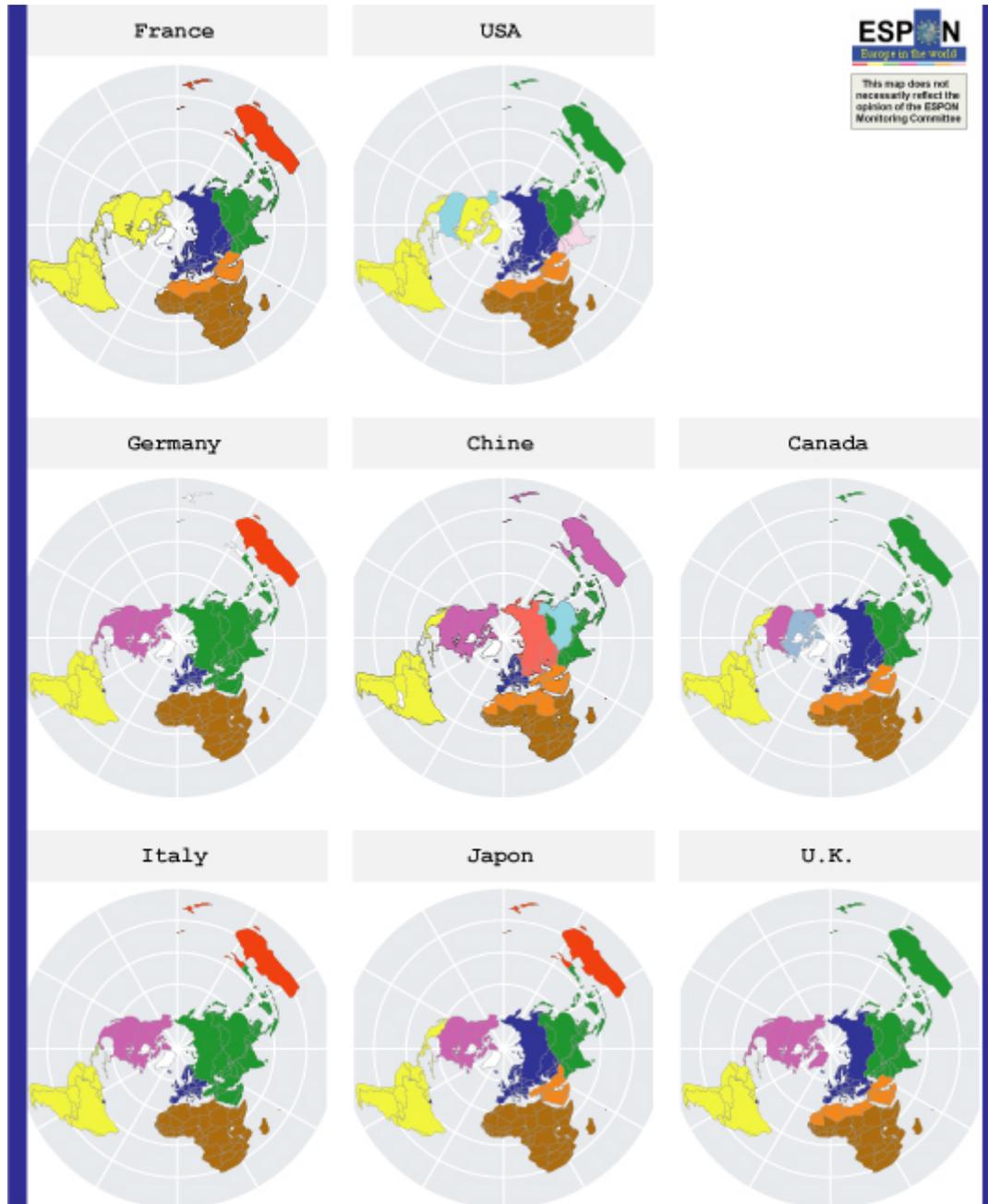


5.5.2 Other “Geographical” factors for subdivisions?

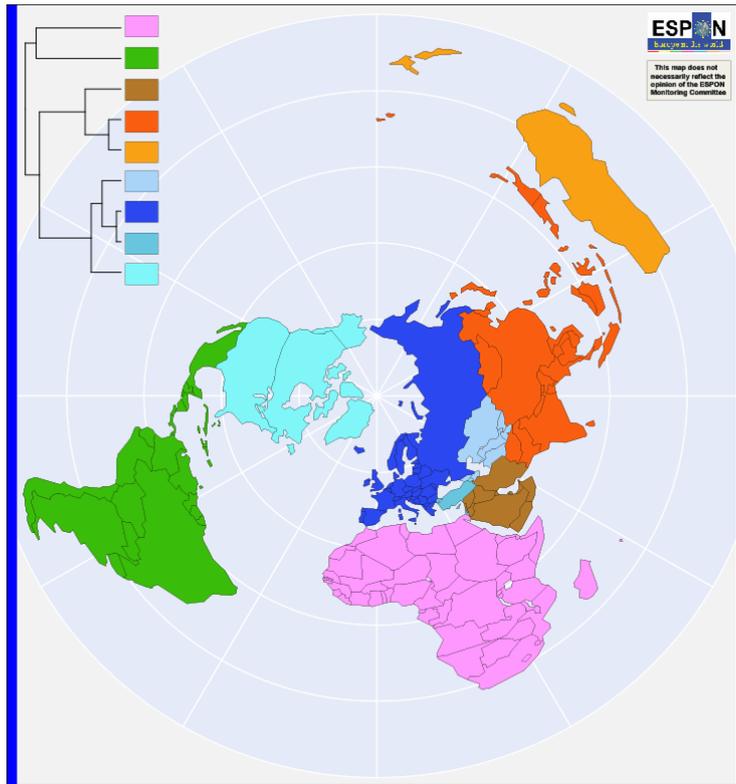
As International organisations are more likely to build additional subdivisions, is it possible to find if further geophysical characteristics of a group of countries can contribute to identify them as a sub-level? Observing the [maps 17.] it seems to be the case for the Caribbean and the Melanesian regions. Those regions are defined by the fact that the countries which constitute them are Islands. But, if so, what are the common geographical characters between Kazakhstan and Japan that could justify they are put in the same region?

Other factors that could explain the shape of some regions and the position of some limits are the localisation of natural obstacles like deserts and mountains that are very low populated area. Indeed, the Sahara often appear like a limit when global actors identified a North African region and Himalaya too when India and China are placed in two different regions. However it is difficult to know if those natural obstacles seem significant in the drawing of the region because people identified them as such; or if they appear because they had a great role in the cultural differentiation of population located on each side of the obstacle and that this is this cultural difference that is used as a criteria to compose the zones.

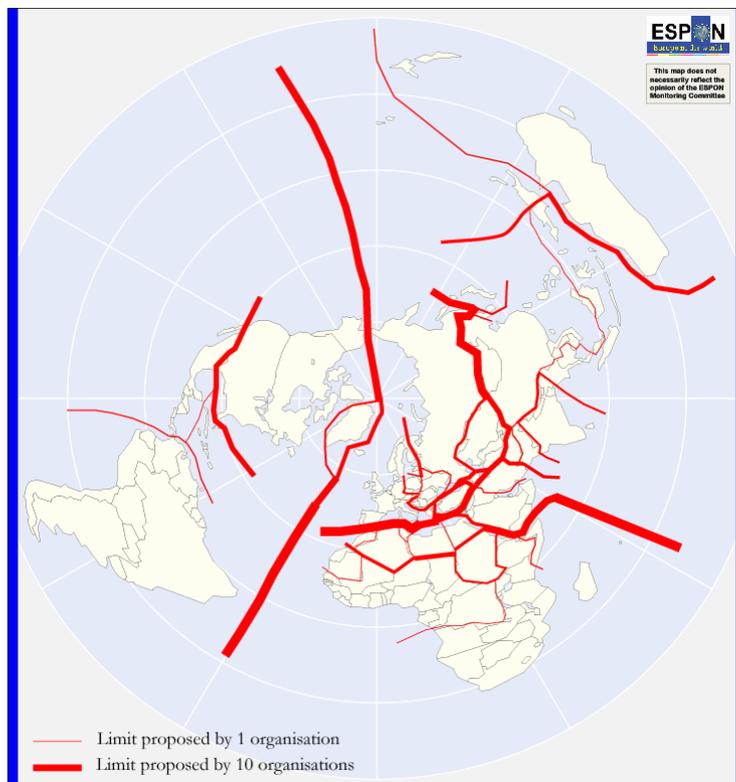
Map 15 Countries dividing the World



Map 16 International Organisations dividing the World



Map 17 the limits of zones by International Organisation



Moving composition of “continents”

When using the clustering method to produce a synthesis of the regions proposed, one has to notice that the first more significant step produces cluster in 3 to 5 regions; but more often 4 regions. For example, the synthesis of the division of the World from the International Organisation point of view is done in four regions. The two first ones to be identified are two zones that have a coherent shape from on continental point of view. In the pink colour comes first Africa, as a whole, without any distinction between northern Africa countries and sub-Saharan ones. In the green colour, International organisations identify South America countries, including Mexico, Central America and Caribbean countries. Those two regions seem to have such an internal coherence that they are identified in the first step and are no more divided till the end of the analysis. The other regions to be identified are Asia, on the one hand, and the Europe-North America on another hand. These regions will be then facing more divisions. But those fourth first steps seem to underline the use of a continental base to draw the regions, plus another criterion that could be either economical or cultural in the case of the Europe-North America region.

The following table 13 tries to summarize the composition of the regions that are formed. Even with so few regions, their composition is quite different according to various actors. That shows that the concept of continent is a moving one.

Table 13 composition of regions formed by the most significant partition

	More significant partitions
British Firms	(3 regions) Europe – Americas – Rest of the World
German Firms	Europe – Asia – Africa – Americas
French Firms	Europe – Africa & Middle East & Central Asia – Asia – Americas
International Organisations	Africa - South America – Asia – Europe and North America
NGOs	(5 regions) Americas – Europe – Asia – Sub Saharan Africa – North Africa and Middle East.

Conclusion on continent

Following so clearly continental bodies and avoiding drawing terrestrial limits on the one hand, and using more often average number of 5.6 to

7.2 regions shows the will of the different actors studied here to promote the idea that they use all at some degree the continents to draw their regions. That makes the divisions more consensual, more legitimate in the public opinion as it is not based on contestable criteria but on the so-called "real facts" taught by geography. The question is therefore the following one: is it impossible, in a politically correct way, to divide the World in less than 5 zones, or in more than 7 or eight?

The previous paragraph dedicated to the moving composition of the continents shows that, in fact, geography is not a "hard fact". The supposed neutral continental division of the World that are proposed are still representations and interpretation of other phenomena which is clearly enlighten by the recurrent aggregation of Europe and Northern America. The following parts will be an attempt to show which criteria are often used in the drawing of World regions.

5.5.3 Cultural factors

Among the other criteria, the first that seem to be used in the drawing of World regions are those related to cultural facts.

An Arab-Muslim region

The economic and more probably the so called "cultural"⁸ differences are certainly at the origin of the division (map 17) between North African Countries and Sub-Saharan ones. The rest of Africa is nearly not divided except for Sudan that is sometimes placed together with sub-Saharan countries, sometimes with North African ones because to the main religion of the country is Islam.

The use of the "cultural" factor is particularly striking when one observes the maps that make a synthesis of the World regions proposed by NGOs (maps 18 & 19). The most significant partition, when studying the division of the World from NGOs point of view, is a partition in 5 regions. If this number matches the traditional number of the continents, this division in 5 zones is far less neutral that it is in the case of the other actors. In fact, the regions proposed include a "North African – Middle east" region that is

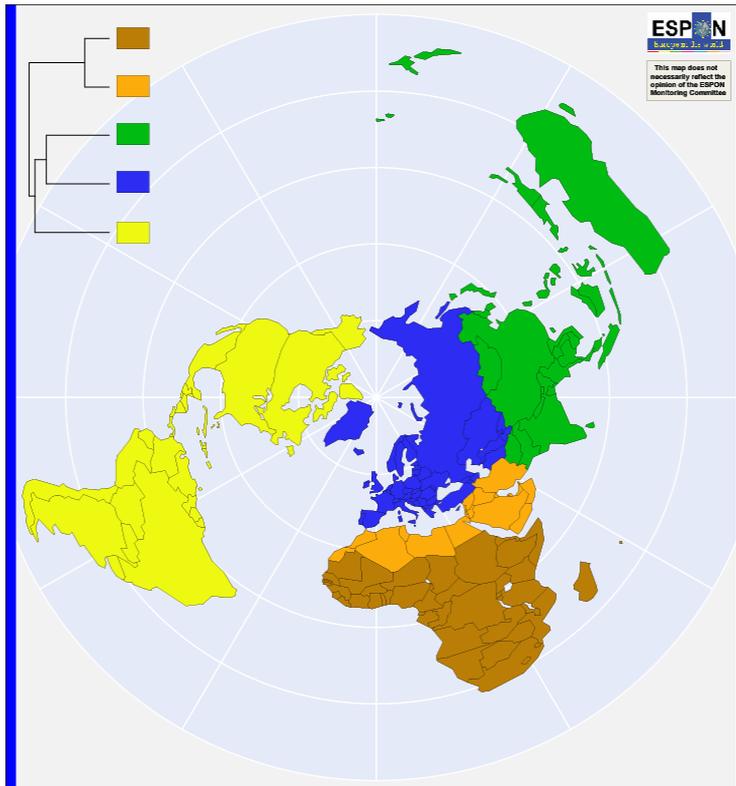
⁸ This fuzzy term is employed here as the conglomerate of linguistic, sociologic, historical, religious etc. criteria which are generally difficult to measure and to combine on an objective basis.

mainly based on civilisation criteria, from Huntington's definition of civilisation, i.e. mainly religion. Neither firms, nor international public organisation dare do so, even in nine regions. Only countries propose a "Muslim region".

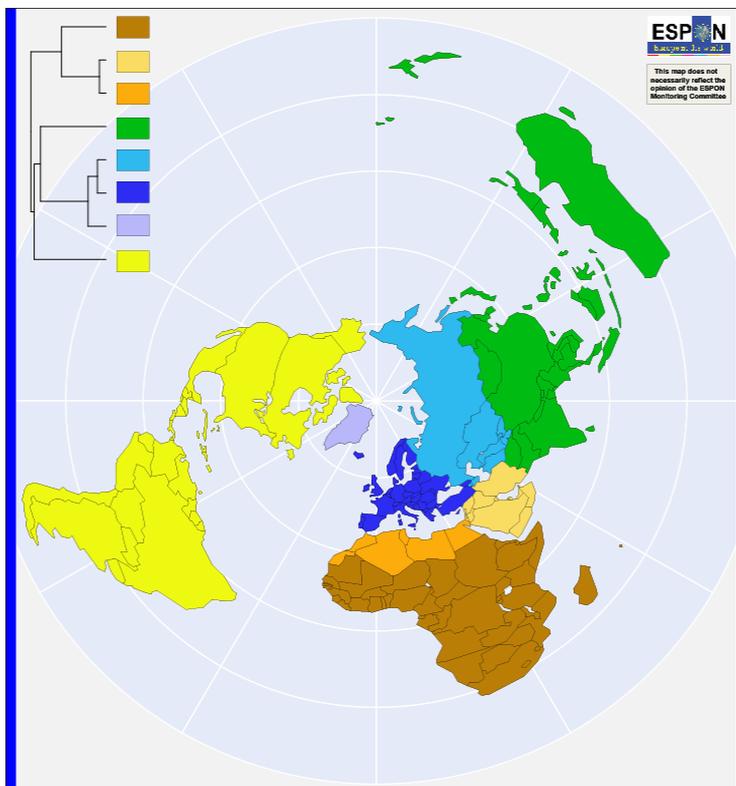
Two interpretations can be given to this Muslim region. Either, the NGOs are mainly of western origins and adopt their countries point of view. Or the civilisation aspect is very important for NGOs and they act in different countries with social workers and the population. In consequence, the religion and language of North African and Middle East countries may be an essential parameter to be taken into account, if the action of the NGOs is to work with woman or child concerns. But therefore, there should be more distinctions inside Asia, because Indonesia is the first Muslim country of the World. The religion is not the only criteria. The linguistic and "ethnic" ones are implicitly used to and we have here an Arab-Muslim region.

Concerning the countries, actually only two of them do not propose such a region: Germany and Italy follow a very consensual division of the World that is the division in continents. Among the others, the size of the Arab-Muslim region varies very much: Japan proposes a very small zone concentrated on Persian Gulf that is maybe more related to energetic supplying than to religious criteria. Another remark concerning this region is the place of Turkey. For Asiatic countries (Japan and China), Turkey belongs to the Arabic-Muslim Region. For European countries which draw this zone and North-American ones, Turkey clearly belongs to Europe.

Map 18 NGOs dividing the World in 5 regions



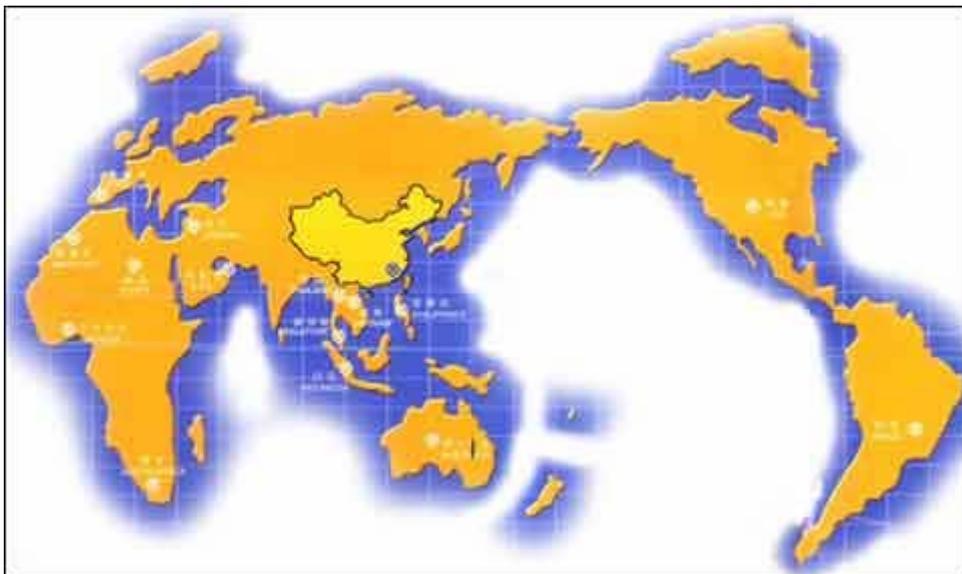
Map 19 NGOs dividing the World in 8 regions



Australia, a part of Asia?

The position of Australia is another phenomenon that can be studied in the light of cultural considerations. Australia is sometimes considered as a part of Asia, sometimes as a specific region that is called Oceania. From the continental point of view, Australia is perceived as the fifth continent and its history links it with the Western civilisation. Australia has been populated from Great Britain and it is still part of the Commonwealth. This suggests that Great Britain, European and North American countries considered it as something apart and therefore not to be included in an Asian region. In fact, when observing the maps, one could see that, on the contrary, only British firms, NGOs and Anglophone countries consider it as a part of Asia. Maybe only the English speaking World agrees with the claim of Australia to belong to Asia, at least from an economical and functional point of view. Other countries consider it as a part of Oceania, except for China that puts it in the same region as North America (i.e. Canada and United States), in a region that could be defined as a non-European western civilization region. It is related to the way that China produces World map (Figure 14.). This western presence on the two shores of the Pacific Ocean can be of great strategic importance from a Chinese point of view.

Figure 14 Example of Chinese World map.



Source: China Radio International <<http://www.chinabroadcast.cn/>>

Struggle for influence

The question of cultural region is raised particularly when observing the spaces that are sometimes included in a region and sometimes in another one. More generally, the map 17 allows to notice that when a country or a small group of countries are circled by a limit, those places are zones of conflicts or, at least, zones of political tension. The tension can come from the challenge between different geopolitical entities in their attempts to control this space, either politically or economically speaking.

That is the case for example for the countries of Central Asia, where Russian Federation tries to keep its historical dominant position, but where other political actors try to play an important role because of their strategic position in an oil supplying perspective. European Union and U.S.A. try to control the region, but also other new coming regional actors such as India and China, for which those countries are of great importance. Moreover, those countries are mainly Muslim ones that make them closer, from a cultural point of view to Iran Republic and Turkey. However the stronger limit is in the south of the Central Asian countries. That may mean that the influence of the Russian Federation is still perceived as the most important one in the region. More, only China draws a specific Russian region that includes Ukraine, Belarus, Caucasian countries and Central Asian countries. Maybe from political and strategic point of view, China prefers to have the former Soviet Empire to its side, unless it is one more time something like a civilization point of view.

The other countries that are rather isolated between two (or more) different political and economical influences are Turkey, Greenland and the three small Caucasian countries. Turkey is isolated between two large limits, between its claiming to be a part of the European Union, its historical links with it and its cultural origins that are Central Asian and Muslim ones, even if Mustapha Kemal tried to make people forget their cultural belonging and to make them feel European. Greenland is split between its institutional belonging to Denmark and its cultural and geographical proximity to North America and more precisely Canada. Georgia and even more Armenia and Azerbaijan (which was formerly a Persian province), are divided between their former belonging to Soviet Union and their cultural belonging to Central Asian Muslim region. The synthetic maps of regions show therefore that they are sometimes included into Asia, sometimes into Europe, at least in the periphery of Europe. One other strong hesitation is that between North America, on the

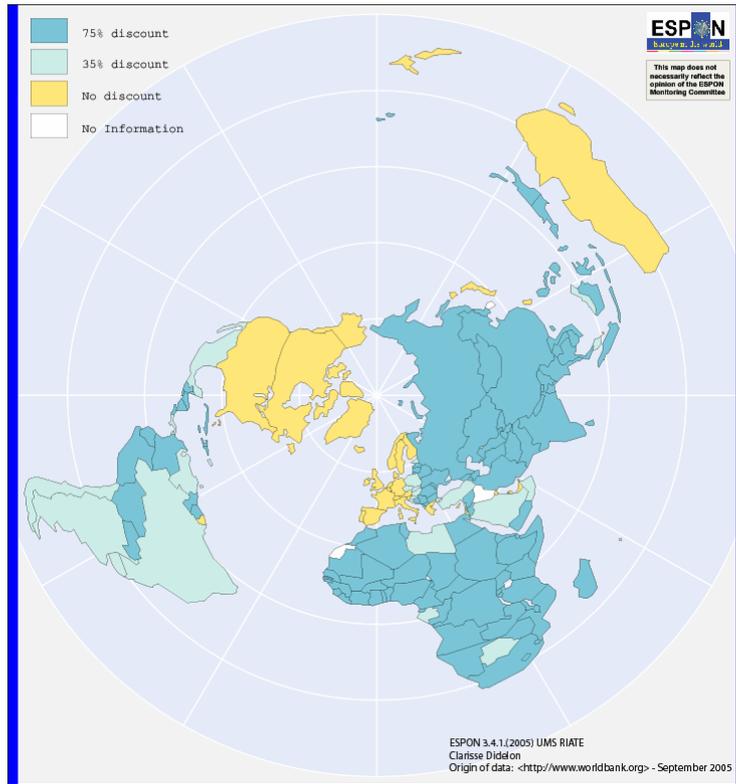
one hand, and Mexico and South America, on the other hand. This limit, from the international organisations' point of view, can be drawn by taking the level of development and the language and other cultural feature into consideration. No matter the trade agreement between North America and Mexico, Mexico is closer from a cultural point of view to the rest of South America. The hesitation is quite visible on all maps, but it is maybe more based on development facts than on cultural ones.

5.5.4 Development Perceptions

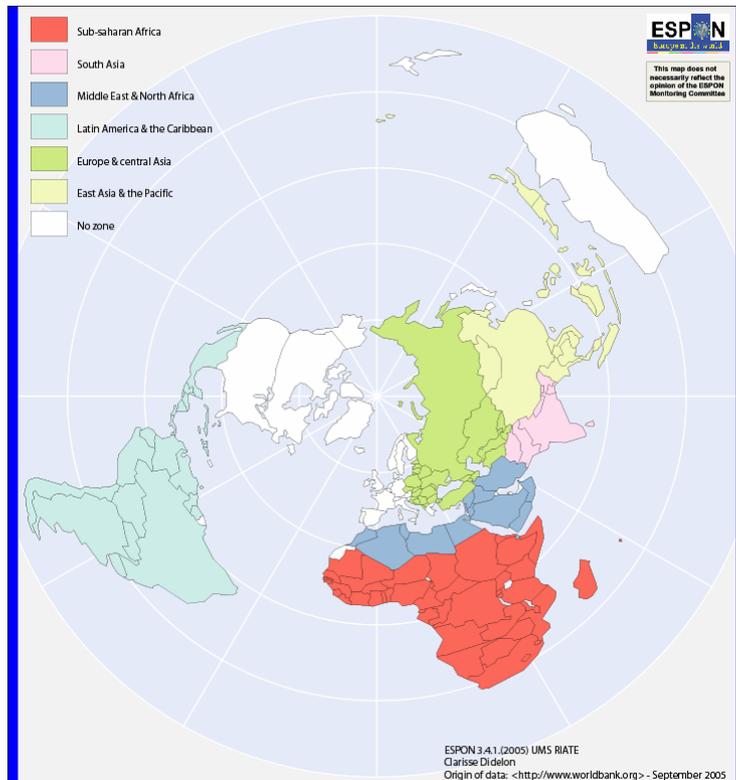
Sometime, when exploring a website of an international organisation, one can find other interesting divisions. For example, the discounts allowed for individuals from some specific countries in the purchasing of the data produced by the organisation are mapped. They can be seen as a way to divide the World. It is the case of the World Bank (Maps 20 & 21). People or administration of some developing countries can get a 75% discount. Others from more developed countries 35% discount. At last, people from developed countries can't get any discount. Those divisions are not official ones, but they are effective ones based on some concrete criteria. In consequence it is interesting to integrate them in the study, at least to help interpreting the result of the analysis. Strange divisions of the World are often proposed, mixing geographical criteria and development ones. Industrialised and developed countries are gathered in one group without any attention paid to their geographical location. Developing countries or emerging economies are grouped according to their geographical location and the divisions seem to be made according physical criteria (the Pacific) or cultural ones (Arab States). It is particularly obvious for the following map built with the data provided on the World Bank (Map 21) website in a category that is called "geographical areas". It is strange to observe that developed countries "do not need" to be distinguished according cultural or physical criteria and are not even affected to a specific zone.

But this kind of division is also made by the Food & Agricultural Organization which proposes a division of the World mixing the development level and the geography (Map 22). As a consequence, the developed zone is divided into "industrialised developed country" and "transition developed country", while developing countries are classified according to their geographical location (South America & the Caribbean, South Asia, etc...).

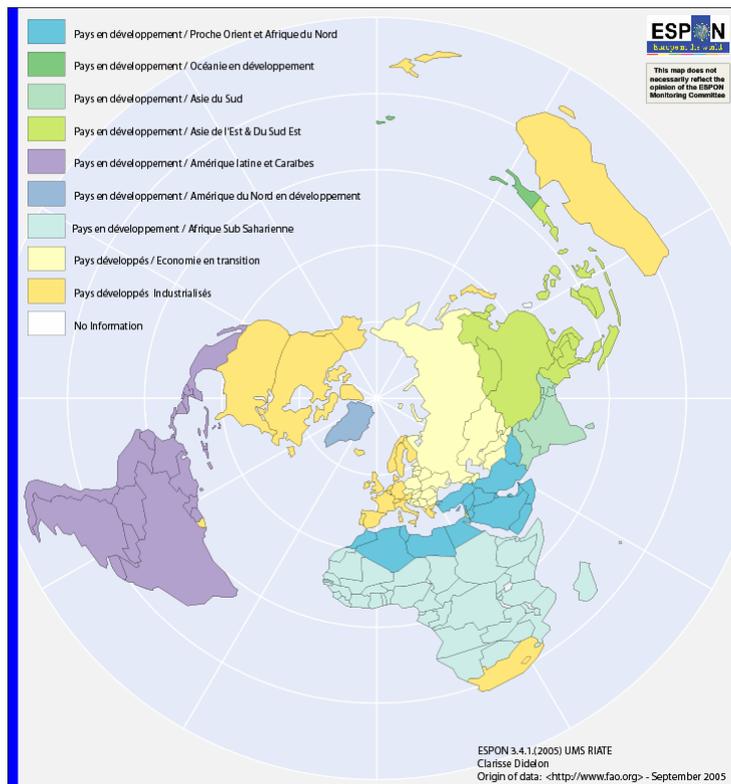
Map 20 Division of the World according to the World Bank - Geographical discount



Map 21 Map n°5.3.10: Division of the World according to the World Bank - Geographical areas



Map 22 Map n°5.3.11: Division of the World according to the Food & Agricultural Organisation – Development, sub-level



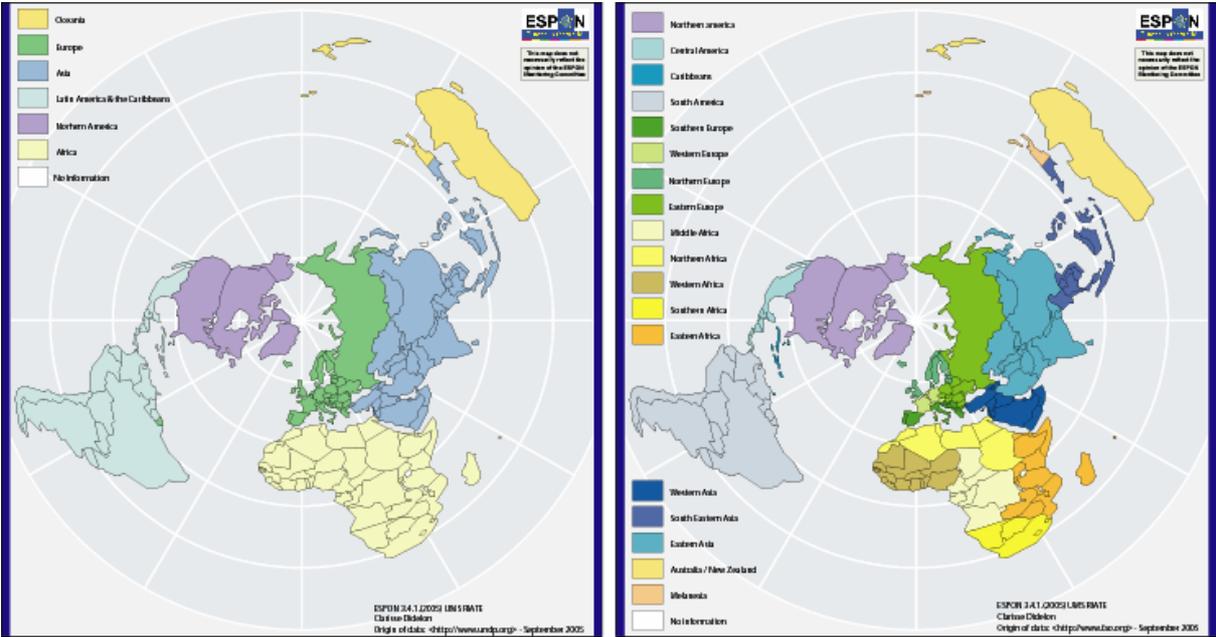
5.5.5 Europecentric view of the World

Last but not least, it seems that all the actors, even countries, adopt more or less a Europecentric view of the World. This European point of view of the World is clear when considering the maps that make the synthesis of British, German and French firms division of the World (maps 12 to 14). The first observation is that there is a great difference between the division of the World of French firms, on the one hand, and British and German firms, on the other hand. The latter have distinguished Europe from the rest of the World in the first step of the analysis. Concerning French firms, they rather make a distinction between an “old World” (i.e. Eurasia and Africa) and a “new World” (America).

It can be noticed too on the International organisation map (5.3.5). For some international organisation many divisions of the World exist. In most cases, there is one upper level division of the World and one lower level. (Map 23). What is striking is that for the general level, the word “region” is used in the subtitle as if they were objective ones. For the subdivisions, they are presented as “development” sub-levels as if the division were

based on economic criteria. However, one can notice that the names of the zones are geographical ones and the cardinal points are used to name them (Western, Southern, Northern and Eastern Europe for example). One can also notice the great differences between their sizes. For example, Western Europe counts 7 countries and a very small share of World surface and population. Nineteen countries belong to Eastern Asia sub-region. Some of them are very large (China, India, Kazakhstan, Mongolia and Iran) in term of surface and two of them are the most populated countries of the World: China and India, each one gathering more than 1/6th of the humankind. So what are the justifications for such unequal divisions of the World? Is the European region divided in 4 sub-level of small size because slight differences of economic orientation, development level or cultural facts between the countries are well-known by the people working in the United Nation office? Does that mean that Asia, from Iran to Japan, is not known as well as Europe? Or does it mean that a Europecentric perception of the World dominates in the United Nations Offices?

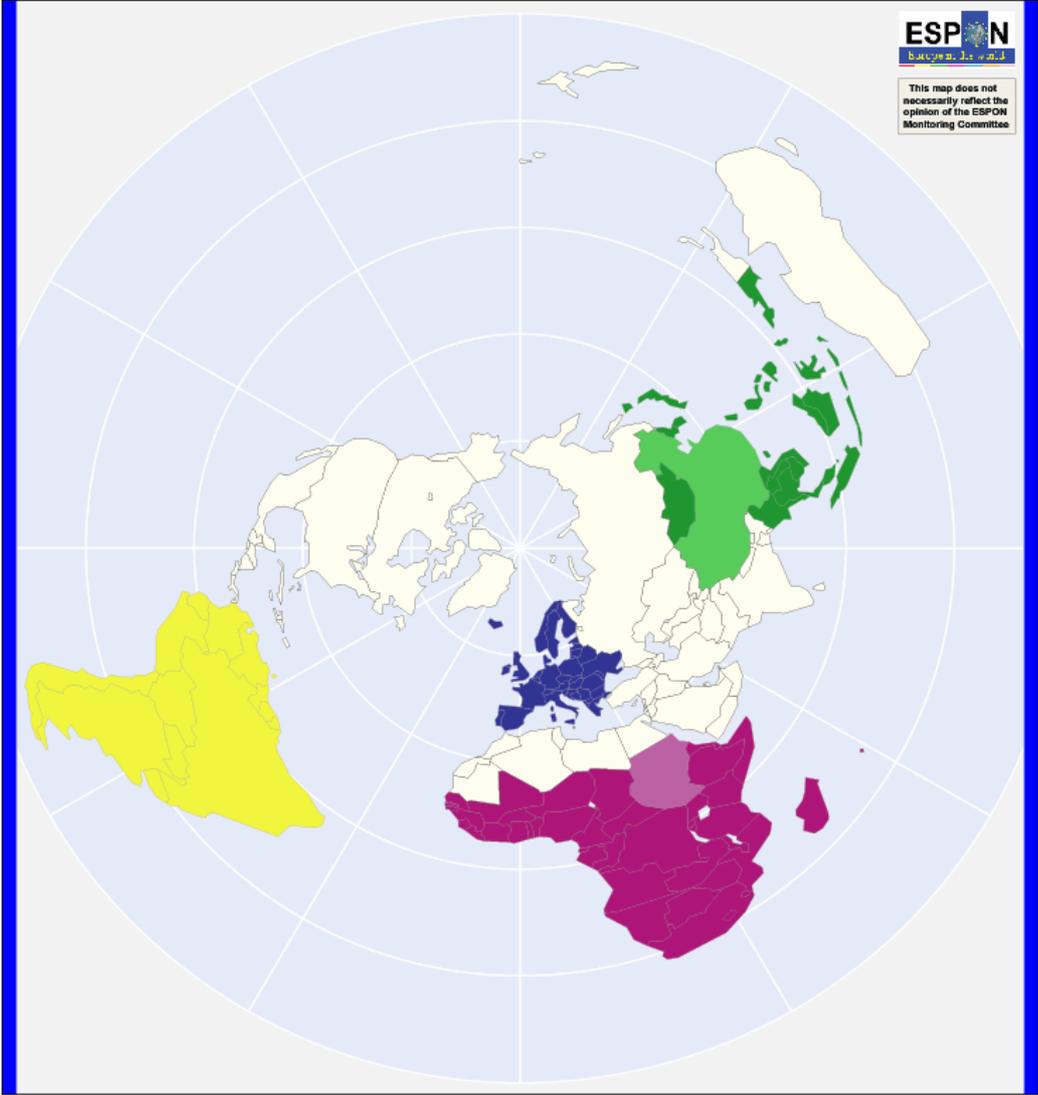
Map 23 Division of the World according to the United Nation Population Division. Regions, general level & Development, sub-level.



The other point that has to be noticed is the extension of Europe in the NGOs point of view. It includes the Russian Federation and the former Soviet countries of Eastern Europe, Central Asia and Caucasus, and also Turkey and Greenland. But then, one more time, the European region is further divided, showing a Western European perception of the World, with, on the one hand, Western European countries and, on the other

hand, European peripheral countries. The only other region to be further divided is the North African & Middle East one. It can be due to a good knowledge of those countries by NGOs, maybe because the programmes implemented in those two spaces are of different kinds.

Map 24 smallest common denominator of regions



ESPON 3.4.1.(2005) UMS RIATE
Clarisse Didelon
Origin of data: Website of foreign offices of France, USA, Germany, China, Canada, Italy, Japan, UK - Nov 2005

The previous map (24) shows the lowest common denominator of the regions from the countries map collection. Only four regions are identified. In green are the countries always included in Asia, in purple the countries belonging to Africa, in blue European countries and finally in yellow southern America countries. The lighter colours are for the countries that have been isolated (China) or place in another region (Sudan) only one. All regions are contiguous, except the Asiatic one because of China that

distinguishes itself in its presentation of World regions. The countries in light cream-colour are those which are at least once included in another region than that it is commonly known to belong to. From a European point of view (half of the eight countries studied are European ones, two are of European origin), this division could evoke first a definition of Europe that is very different / far from Europe. The cream-colour countries could be then those that are in an intermediate position between what those defined by us as European and those defined by an absolute otherness. Does it mean that the countries that rule the World have a European centrist perception of the World, even Japan? From a functional point of view, one could identify three peripheral areas and one of the poles of the triad (Europe). However, some countries belonging to the Asiatic zone can be considered as belonging to the triad to, such as Japan and some other south-eastern countries (South Korea, Taiwan...).

6 Key Question n°2. Europe in its networks

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6.1 Background

6.1.1 The Context

Europe in its networks will focus on the analysis of networks and cities that connect Europe to the rest of the world. It is a trans-scale approach which does not introduce an assumption of contiguity (continuous territoriality) but an assumption of connexity (discontinuous territoriality). A strong hypothesis is made on the fact that many human activities are not present in all points of a territory but are concentrated in several specific areas strongly connected to each other. We do believe, for example, that the new "frontier" of EU is several international gateways cities and not only some external borders of the EU territory either at its Eastern limits or at its Southern ones. We also accept the common idea that the World metropolitan archipelago is not necessarily connected to the states, regions or macro-regions where the metropolitan areas are located.

This key question will give a huge avenue to the way the world and the European space is organized vis-à-vis the international air flows. Thanks to their relative fast capacity to adjust with supply and demand, the air network are very relevant indicators of globalization and is one of the best synthetic indicator of contemporary societal trends. As such, air flows highlight the way in which current integration processes shape the relations of society to space and reorganise the territorial structures at different scales.

This key question will give a detailed attention to the interurban linkages. While repositioning the questionings on Europe in its networks in terms of inter-cities relations, this key question differ from the majority of the analysis that are undertaken in this project. Of course, the example of intercity air flows doesn't give a representative picture of how world's networks are globally organized. This approach is proposed to provide a

necessary counterweight to the dominant visions and perceptions of the researches on the world networks and world cities dynamics. Indeed, from the one hand, the description of world flows leads many researchers to define, between countries or between several regional blocs, the main roads of the international exchange. From the other hand, the great majority of existing researches in this area seeks to produce knowledge on the cities themselves, to evaluate their strengths and weaknesses, and to estimate their growth rates. Consequently, this means that a large majority of studies constantly produced and reproduced urban typologies. Peter Taylor (2002) denounce the paradox of researches on the world cities in the following way : whereas the essence of world cities is their relations to each other, studies continue focusing on case studies and comparative studies evaluating patterns within cities and neglecting ipso facto intercity relations. By focusing on flows and networking issues, this study aims to go beyond these too static images of the world that reduces it to a hierarchy of poles where the only wealth production processes are taken into account. It will help going beyond several representations of world space that give a huge importance to the way several regional blocs are emerging and are organising,, giving too much importance to the concepts of areas of influence, borders and blocs and to their territorial effects.

6.1.2 The Main Objectives

To analyse the networking of the world through inter-city air traffic is to highlight the organization of world and European spatial structures.

Consequently, this work will contribute answering for example the following questions:

- Concerning the major issue of the territorial integration and cohesion in Europe questions are:
 - What are the main privileged linkages at the World, European, and meso-regional levels?
 - How several territorial inequalities within the European space are related to the flows that link Europe to the rest of the world?

- Concerning the more specific issue on "Global cities, World Networks", this work will try answering the following questions:

- What are the main European gateways for air traffic?
- How could we define the "world metropolitan archipelago"?
- How European cities contribute to this global city network?

All these questions should enable us to answer the way Europe perform in the World system of air exchanges mainly whether the world air networking processes draw a polycentric image of the world networking system and how EU play a major role.

This key question will include of course several qualitative commentaries on sustainable development issue noting that the fastest increase in emissions in Europe is now from the transport sector, and that environmental organisations are calling for Emission Trading Systems to be applied to aviation. This work must also mention the problem of the exhaustion of the oil resources which questions the future of our "modern" civilization.

6.2 Database collection and problems

This key question takes into account world inter-city air flows database. While air flows are among the worldwide data that are the easiest to obtain, the different sources are not compatible the ones with the others and it is not evident to harmonize them. In addition, one should, from the beginning, be aware that a database containing data on flows between airports/cities gives results that differ from a database containing data on traffic of each airport/city. This difference comes, in particular, from the through traffic.

Working on air flows for more than ten years, and having tested data from different international institutes and organizations, we have chosen for this project to use one major database: from the Institute of Air Transport (ITA). This non-governmental organization has been created in Paris in 1945 as an international research centre on civil air transport. Several reasons can explain this choice. In particular: ITA database is for several international linkages and in particular those between Europe and the neighbouring countries very accurate and constitute consequently a very relevant source of information.

The other main database difficulty of this key question relates to the air freight figures. While main analysis and conclusions will be drawn from the number of air passengers that travel all over the world, one cannot avoid taking into account the tons of freight that are carried between the cities. Indeed, for the last ten years, the air cargo recorded considerable increases taking into account the fall in the costs in air transports. But at that stage the collection of such data is not guaranteed partly because of the reliability of the sources.

6.3 Methodological issues while analysing flows

Analysing and mapping flows with a view to understand how Europe is connected to the rest of the world raises several methodological and conceptual questions.

Characteristics of the ITA database

Three main characteristics of the database must be mentioned:

Two advantages

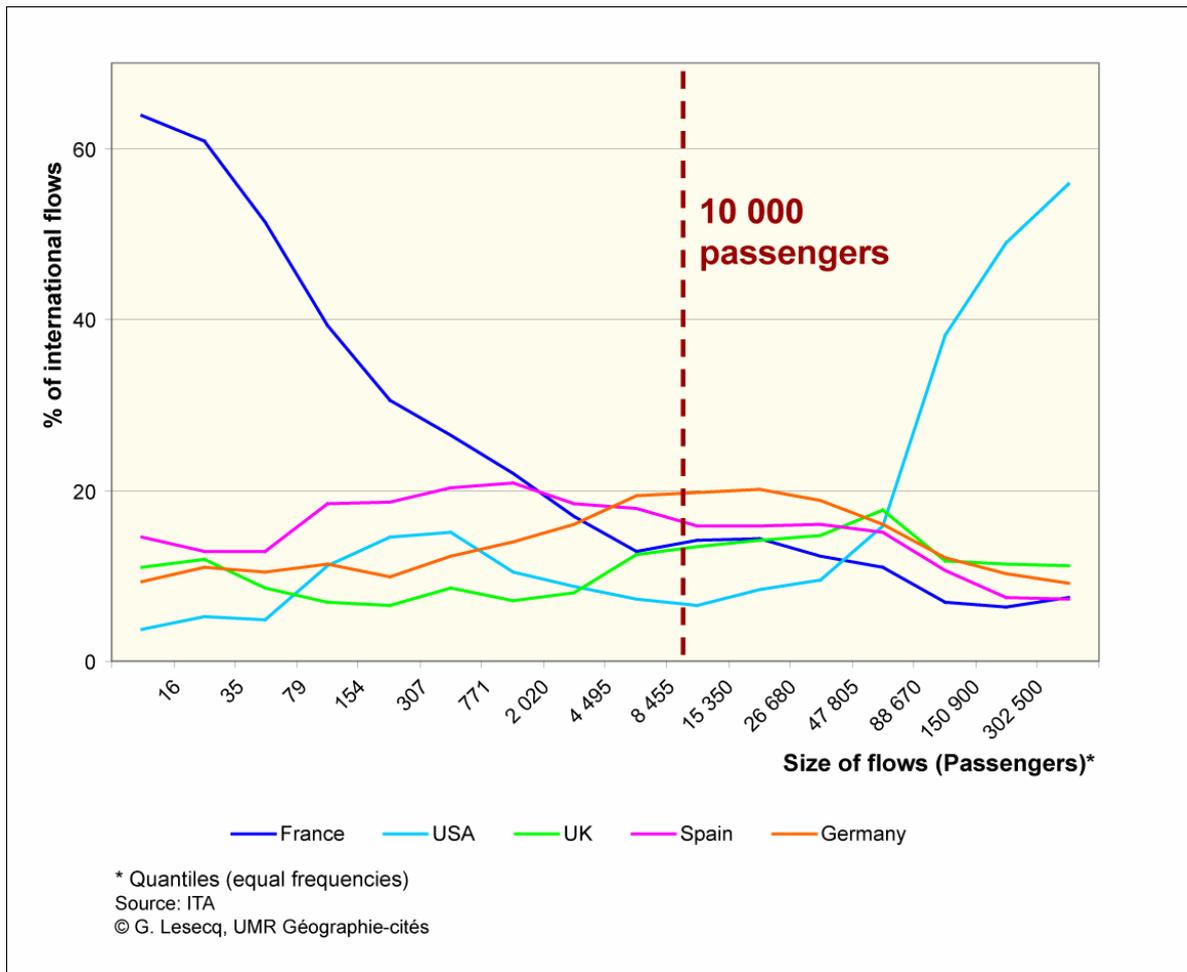
National traffics are included in the database.

Outward and return flows are counted together. Several studies have already demonstrated that air passenger flows between two cities are symmetrical over one year.

One difficulty

The heterogeneity of the database for smaller cities: Indeed, the database contains flows to and from all French airports whereas only main airports in the rest of Europe, Africa, America and the Far East are present. However, this overrepresentation of France airports and traffics for small flows and small cities, concerns mainly the linkages that concentrate less than five thousand passengers flows, visible on the frequency diagram below (Figure 15). Consequently, the level of our analysis, dealing with more than 10 000 passengers, allows us to eliminate this problem, and to solve the question of the overrepresentation of French airports.

Figure 15 Frequency diagram of Air flows



The various aspects of a flows matrix

The database makes it possible to analyse all the scales of relations developed by a city: i.e. relations between two cities of the same country, two European cities, a European city and another city, between two cities outside Europe. This can be summarized in an origin-destination matrix (figure 16).

Figure 16 Origin-destination matrix

	European cities			Other cities		
European cities						
Other cities						

In this project, it has been decided to analyse the integration of Europe in the world networks by focusing on the exchanges of European cities with the rest of the world (figure 17).

Figure 17 Exchanges studied

	Europe	Rest of the world
Europe		●
Rest of the world	●	

However, in this key question, facing the very promising issues that one could expect from the database, a decision has been taken to explore several other parts of the origin-destination matrix instead of excluding from the very beginning an interesting material.

Consequently, beside the two previous levels of analysis, two others will be taken into account. For example, in the one hand several analysis will not take into account intra-national flows (figure 18) in the other hand and very often this work will look at Europe as one entity (figure 19). Keeping these various figures of the inter-cities relations is very relevant as it informs on the various geographical levels of territorial networking.

Figure 18 Exchanges studied

	European cities			Other cities		
European cities	Light Green	Green	Green	Green	Green	Green
	Green	Light Green	Green	Green	Green	Green
	Green	Green	Light Green	Green	Green	Green
Other cities	Green	Green	Green	Light Green	Green	Green
	Green	Green	Green	Green	Light Green	Green
	Green	Green	Green	Green	Green	Light Green

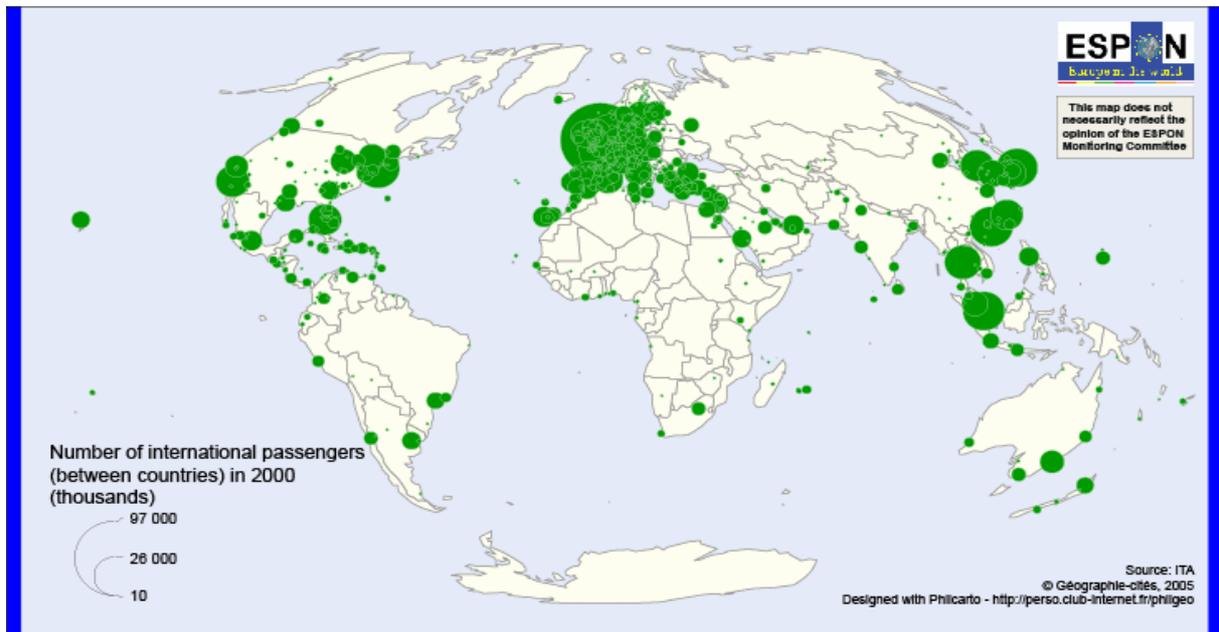
Figure 19 Exchanges studied

	European cities			Other cities		
European cities	Light Green	Light Green	Light Green	Green	Green	Green
	Light Green	Light Green	Light Green	Green	Green	Green
	Light Green	Light Green	Light Green	Green	Green	Green
Other cities	Green	Green	Green	Light Green	Green	Green
	Green	Green	Green	Green	Light Green	Green
	Green	Green	Green	Green	Green	Light Green

To illustrate the importance of the previous questions and the necessity to be very attentive with the data taken into account in the analyses, the two following maps on the international inter-cities air traffic are very expressive. Evaluating international air traffic is often seen as a very simple issue. But we should point out here the following question: what underlies, in our common understanding, the interpretation of the word “international”?

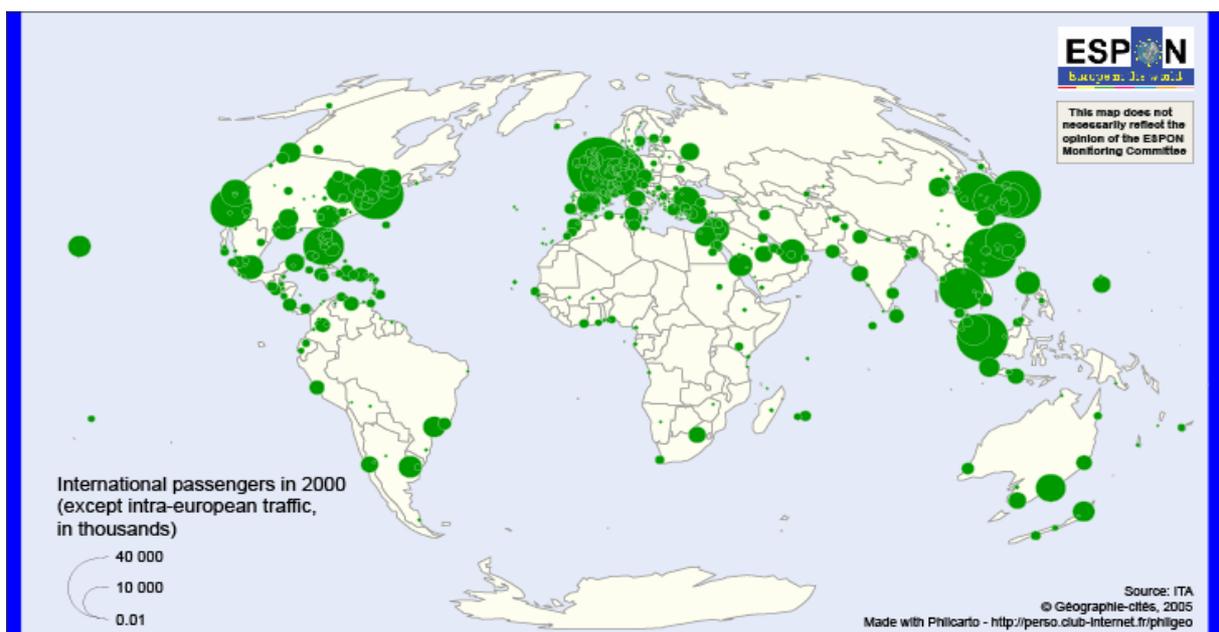
The first intuitive answer results in saying that traffic is considered as international if it is exchanged by two cities of two different countries. Following this definition, (map 25) gives an image of the main nodes of international traffic and indicates the European cities as the main supports of this internationalization. In this image, it’s as if, air traffic drew a world rather monocentric concentrated on Europe. The main reason of this result is of course that intra-EU traffic is taken into account whether intra-US traffic, considered as a national traffic, is not. To what extent could we continue to consider that intra-EU traffic is an international traffic? Definitions of world cities and of gateways rely very much on the assumption that will be taken.

Map 25 International air traffic



Consequently, map 26 reproduces international traffic excluding intra-EU traffic. The image is more equilibrated i.e. providing a rather polycentric representation of the world through air traffic networks. The three classical poles of internationalisation (EU, USA, Japan-South Asia) appear very clearly. One could question here the weight of the JSA area: indeed if we consider for example the ASEAN countries as one entity like we have already done for Europe what could be the resulting image?

Map 26 International air traffic (UE traffic excluded)



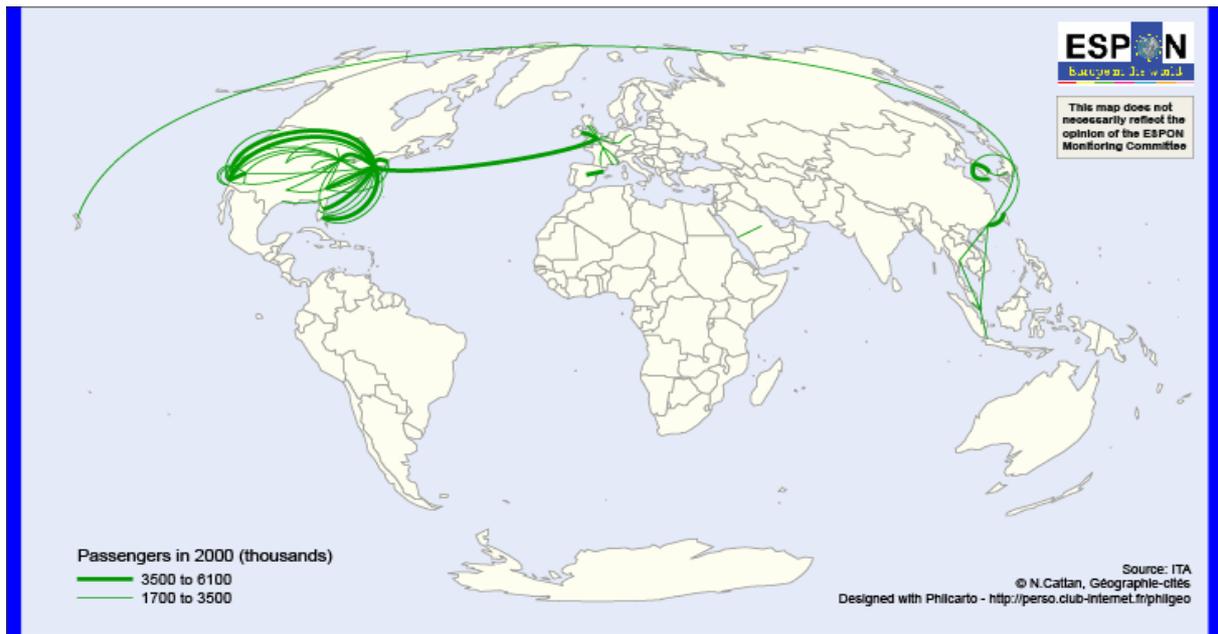
By focusing on flows issues in a relational approach of territories following the concept of Manuel Castells "space of flows" rather than "space of places", next section will try to go further showing how the first analyses provide some answers to our theoretical and empirical input questions on how Europe performs in the world system.

6.4 PROVISIONAL RESULTS on the way Europe is integrated to the rest of the world through air traffic

The first level of air cities networking is the national level

Main flows figure shows that the national level is the first level of interconnection and of territorial integration by the air exchanges (map 27). Indeed no flow over 1 million 7 hundred thousands passengers binds two towns of two different European countries for example. While comparing the US situation to the EU situation, this first result raises the question of the mobility level in the EU and in the US territory linked to air transportation modes. The first hypothesis one could carry out to explain this difference is related to the competition between the different transports modes in Europe: in Europe, transport by train and by bus between the cities is very much in used whereas in the US air transport reaches higher rates. The question is at this stage opened. But the fact that the relation between Paris-Marseilles reaches this threshold (1M700) whereas TGV opportunities do exist led to be very careful in interpreting these results and makes us think that a complementary investigation is necessary to understand the weakness of the intra-European connexions.

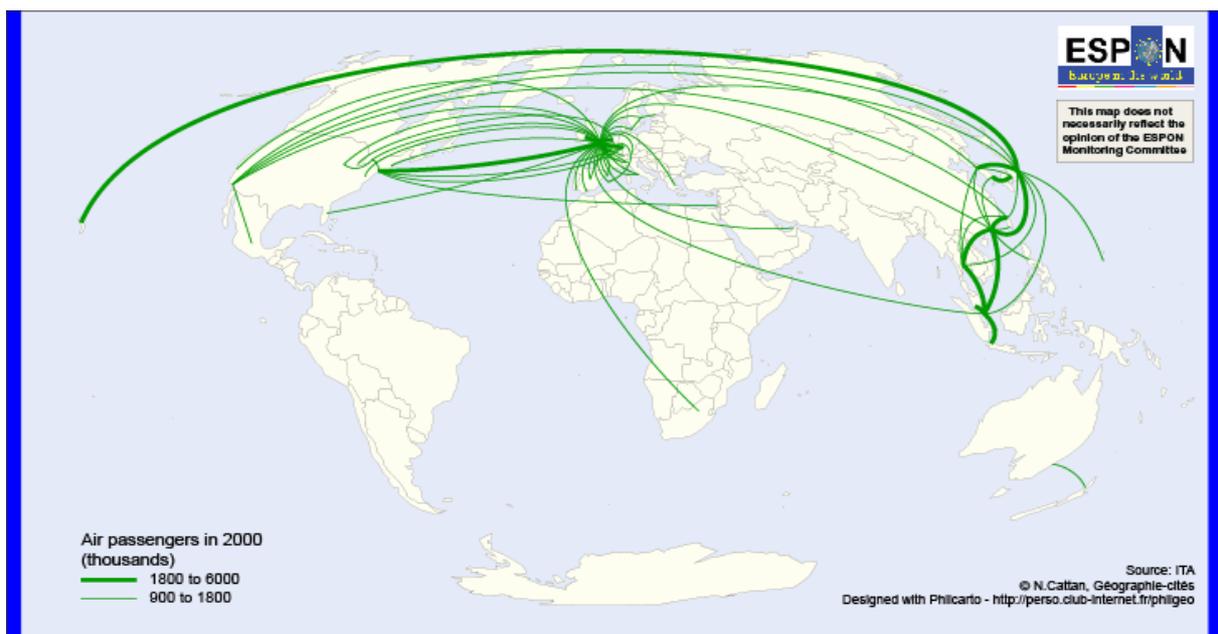
Map 27 Major air flows in the world (intra-national flows excluded)



EU is the major contributor to the internationalisation of air flows

Consequently and whatever the answer is, it's only by removing the intra-national flows, that we can highlight, the other levels of territorial interconnection by the air exchanges, namely, EU inter-cities connexions, South-eastern Asia connexions, EU-US transatlantic city linkages, transpacific city links (map 28).

Map 28 Major air flows in the world (intra-UE flows included)

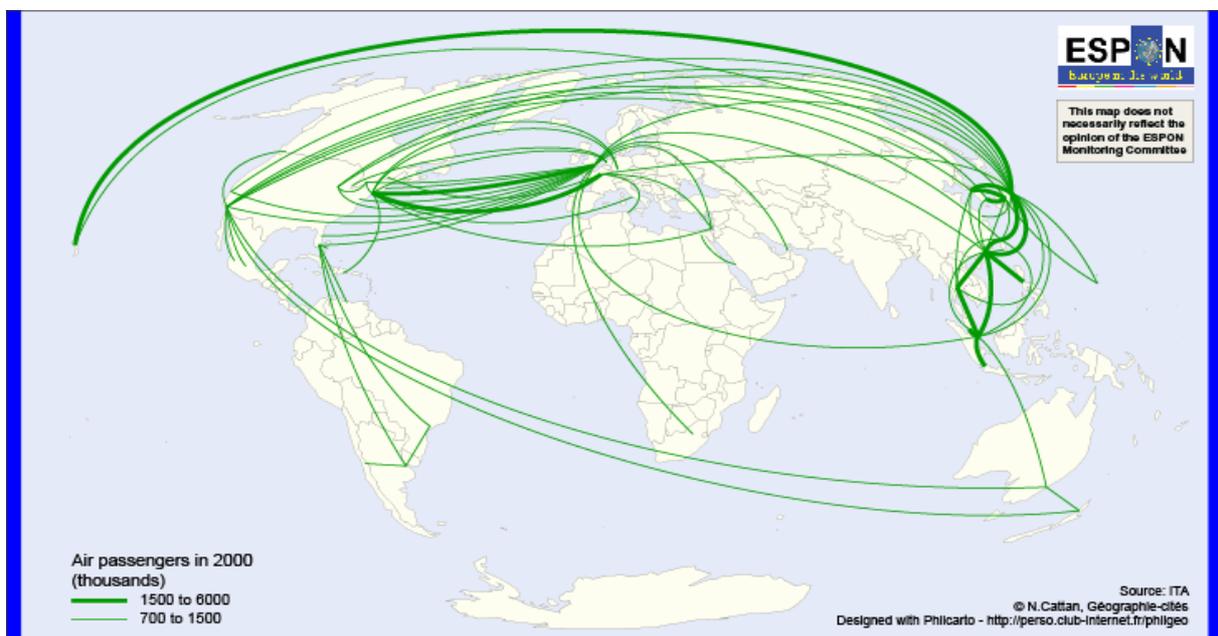


Some other regional patterns of globalisation

As stated in the methodological part of this key question, the work is focused on the connexions between Europe and the rest of the world.

Consequently, going further and considering EU as one entity (i.e. excluding intra-EU traffic) one can also point out that several regional connections emerge, as for example between Buenos Aires and Santiago and Sao Paulo from the one hand and between Mexican cities and LA from the other hand (map 29).

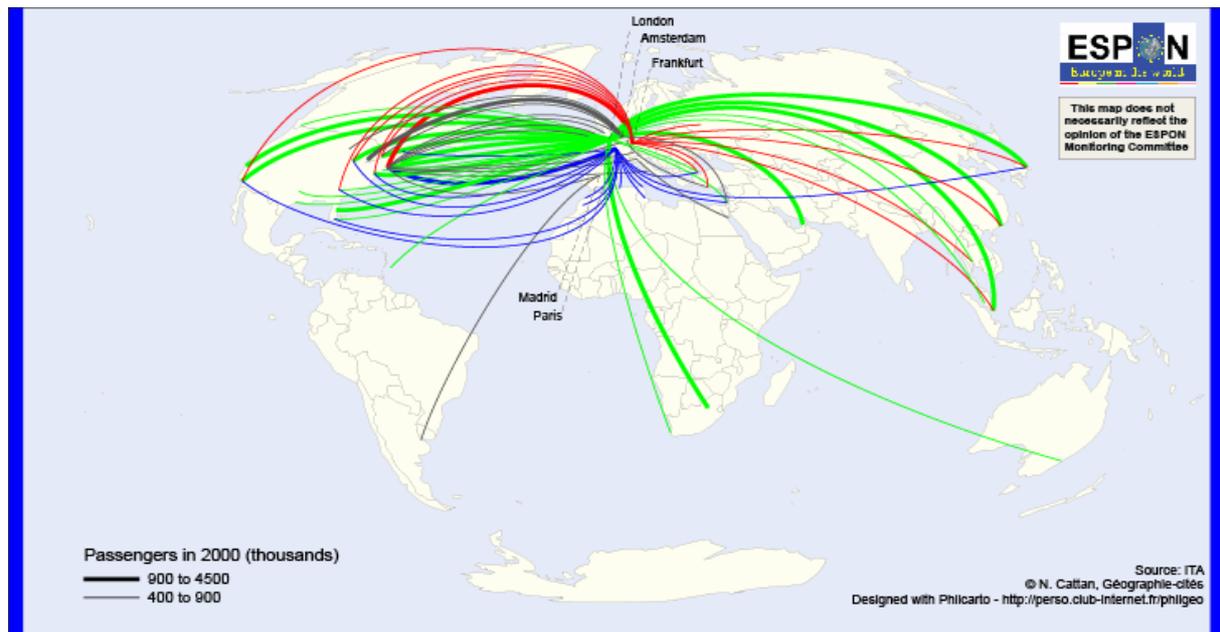
Map 29 Major air flows in the world (intra-UE flows excluded)



London as the major nodes connecting Europe to the rest of the world

The major flows link European cities to Northern American and South Eastern Asian cities (map 30). The position of London as the most important gateway between Europe and the rest of the world is manifest. London concentrates more than half of the 20 most significant flows that link Europe to the rest of the world. However, two other important gateways can be at that stage identified, namely Paris and Frankfurt. One should also note that Madrid plays a significant role here also, as the only European hub that can exhibit significant links with “southern” cities such as Havana and Buenos Aires. This is due to historical, cultural and linguistic factors, and thus qualifies Madrid as an alternative European gateway.

Map 30 Air flows between Europe and the rest of the world



Six major gateways cities for Europe

The calculation of an opening index evaluating the ratio of international extra European traffic (map 31) allows to define a broader range of gateway cities by taking into account the whole traffic of a city and not only by focusing on the major international flows. Six cities appear to concentrate a large proportion of extra European passengers in their whole traffic: London, Frankfurt, Paris, Amsterdam, Madrid and Zurich.

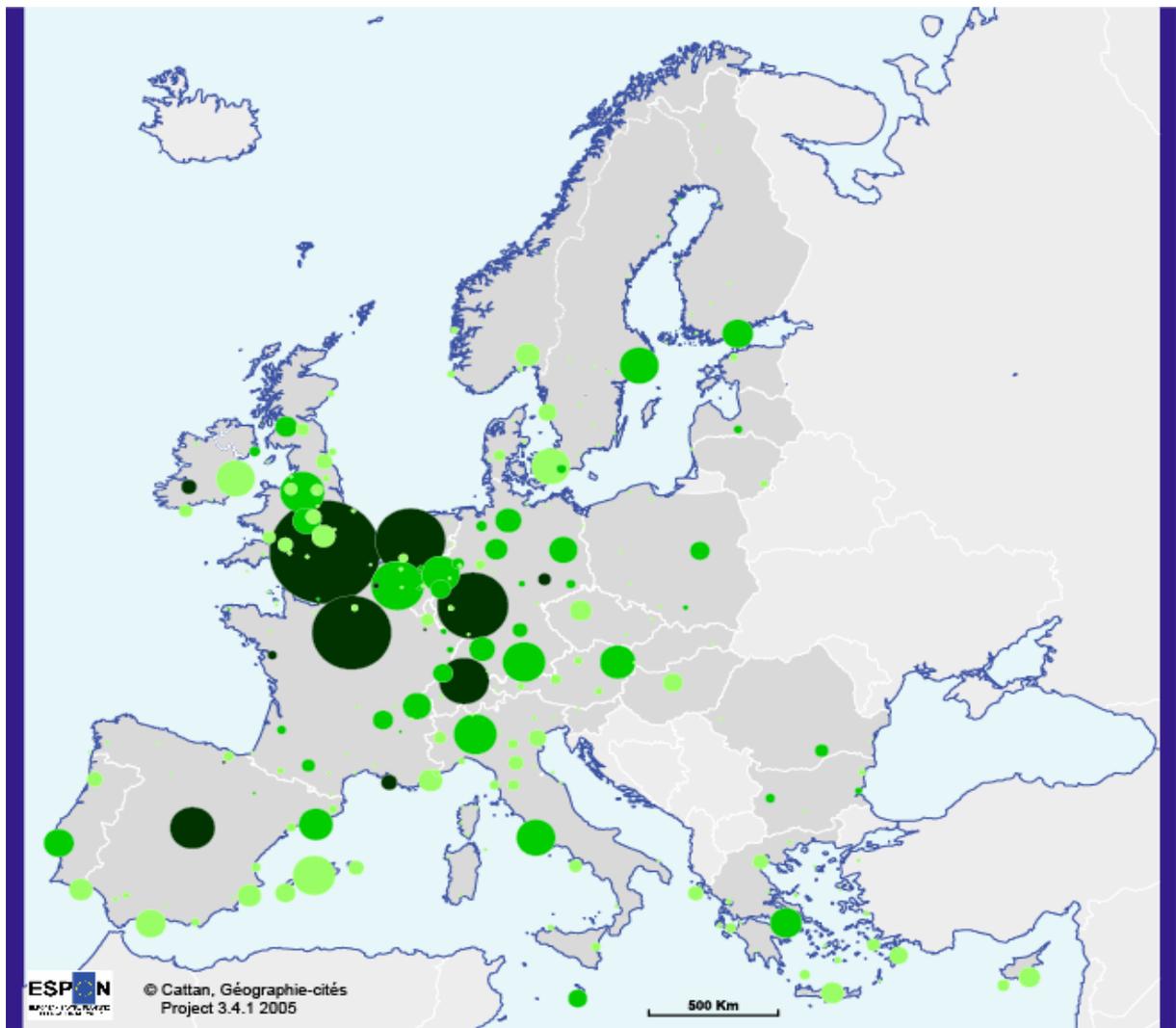
In a relational approach of territories, the comments must be much more focused on the main orientation and the main direction of flows of these cities instead of only identifying the major nodes. Indeed this information would help defining the preferential networks of each city.

Madrid and Paris the hope of the cities of the South

The major flows between these gateways and the rest of the world (map 32) show that:

- Paris and Frankfurt share with London several common connexions with US cities
- Frankfurt and London can be qualified as the two gateways cities of the southeast Asia
- While Paris is the only gateway for several North Africa cities and Madrid for Latin and South American cities

Map 31 International traffic in European airports



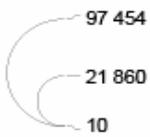
ESPON

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Project 3.4.1 2005

© EuroGeographics Association for the administrative boundaries

Origin of data: ITA

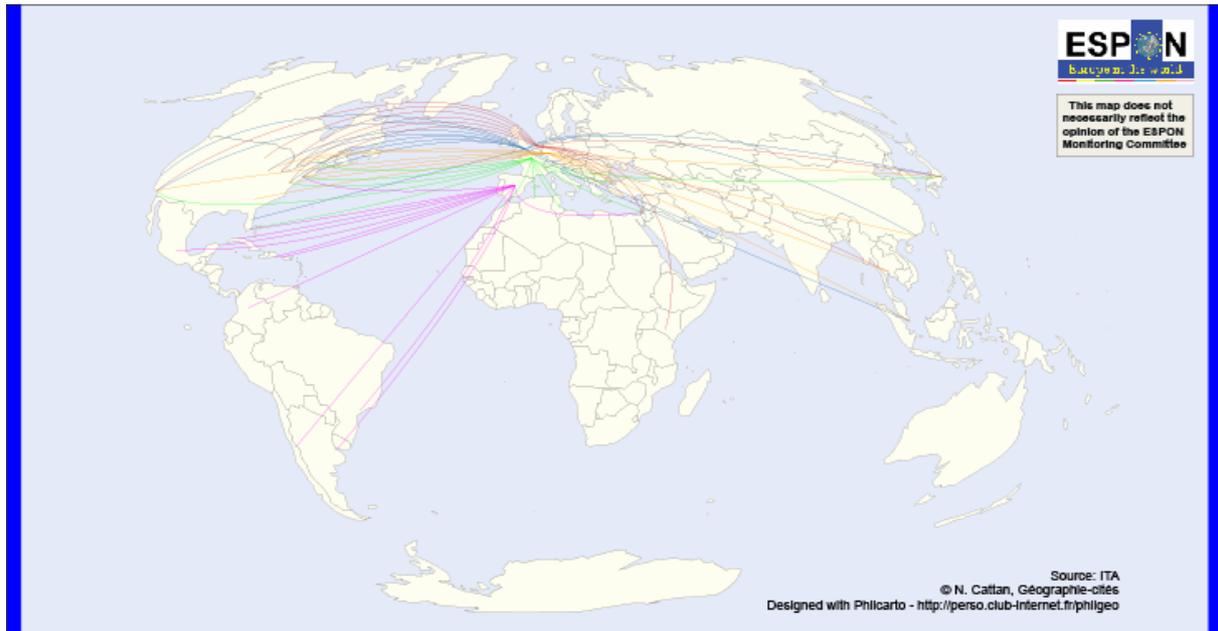
**International passengers
2000 (thousands, return trips)**



**Ratio of extra-european
passengers (%)**



Map 32 Extra-European main networks of the major European air gateway cities



Inputs from case studies

This key question is linked in particular to the case study on a selected set of *European Gateway cities* where the analyses will provide information on the way socio-economic characteristics of each city (such as concentration of headquarters, university, administration, cultural and tourist opportunities ...) interact with the flows distribution among the network of exchanges.

As cities are the points at which the internationalization processes of a territory begin and materialize, this case study will give relevant indications on the way a Gateway emerges and on the condition that could help the consolidation of a polycentric development.

This key question will also benefit from the relevant inputs coming from the case study on the *internationalization of Italian enterprises*. This work provides both quantitative and qualitative complement to the way Italian regions and cities connect to the rest of the world and in particular to other European countries and regions and to the neighbouring countries outside EU.

7 Key Question n°3-a, Neighbourhoods

Pierre Beckouche – Ladyss
Yann Richard - Ladyss

7.1 The Neighbourhoods question in the EIW programme

7.1.1 Triad, Globalisation, Regionalisation

How is the Neighbourhoods question related to the Europe-In-The-World concern? In order to make it clear (even if a little too simple maybe), we can assume that, from a geographical point of view, the world economy is going three territorial paths. The first one is the well-known *Triad*, which is ongoing for numerous decades. It is based on the long run dominance of Europe and then Northern America, caught up by Japan and more recently by the Asian Tigers. This view focuses on the leading transnational corporates and especially TNC of the northern leading countries, linked by a mix of both competition and cooperation. This view emphasizes the gap between the North and the South – except a few Tigers.

The second one is the *Globalisation* view, driven by the revolution of transports and communication and the general surrender of tariffs. In this high accessible world, the key-word is networks, the main territories are gateway cities. This view emphasizes the actual or potential connection of emerging countries in the South.

The third one is *Regionalisation*, due to the advantages of proximity (especially since the rise of oil price and – maybe – the end of decreasing travel costs trend). This view focuses on the need for re-regulate a world economy that has been developing during the two last decades through a huge deregulation pattern. Of course some rules have been implemented at the global scale such as rules on trade (OMC); but the failure of the Kyoto's agenda, the lack of common global legislation about labour or public health show how difficult it is to regulate the wide world. The regional scale (i.e. Europe, Northern America, Latin America, South Asia, Eastern Asia etc) could be a relevant scale for new public policies, due to complementarities of concerned national economies, common environmental stakes (pollution of rivers, seas and air...), shared cultural values – or at least respectively understandable cultural values, historical

links, migratory links, and any other assets for win-win co-development. In several of these Regional cases, a leading economy pulls the developing countries of its neighbourhoods. The “North-South regionalism” notion means complementarity between rich countries with a great deal of capital, technology and know how on the one hand, and on the other hand developing countries with large – and more and more educated – labour forces (which are dramatically lacking in Japan or Europe for instance) and rapidly growing markets.

Of course these three paths are relevant, and certainly intermingled. The goal of this paper is to show that the third one – Regionalisation and Neighbourhoods – is certainly the less known but the surging one.

Table 14 The three territorial paths of the world economy

	Triad	Globalisation	Regionalisation
time	long run chronology (2 centuries)	modern background (1/2 century)	rising question (1 decade)
driving idea	Power	openness, accessibility	Need for re-regulation of the world economy. The new (possible) scale of public policies
driving forces	leadership succession in time: Europe / USA / Eastern Asia	-revolution of mobility and transports ; ‘synchronisation’ of world economy -diffusion of development ; growing emerging countries	valorisation of proximity for both economic development and policy making
principles of organisation	leadership of firms ; mix of competition and cooperation	Networks	Polycentrism
relevant territories	North integration vs. South marginalisation ; ‘blocs’	gateway cities	Neighbourhoods, North-South regionalism

7.1.2 Assessing regionalisation

The table (15) below shows the way one can assess Regionalisation. One can use economic, cultural, environmental and political index. These index either show:

- The convergence or divergence of structures (for instance does the level of economic development of the Northern and the Southern shore of the Mediterranean, converge / or diverge?)
- The links between the countries that make up a Region. Here the question is: do exchanges within the Region grow quicker or more slowly than exchanges between this Region and the rest of the world?

Table 15 The index of regionalisation

	STRUCTURES	FLOWS
economy	<ul style="list-style-type: none"> . Level of development: continuity rather than discontinuity . Evolution of development : convergence rather than Divergence . Complementarity rather than competition 	<ul style="list-style-type: none"> . Quicker increase of economic regional exchanges (intra-zone) than at global scale (inter-zones) . Important intra-industrial exchanges, rather than international division of labour (inter-industrial exchanges) . "North-South regionalism": South = increasing labour forces & markets, lack of capital and technology; North = shortage in labour forces and markets, lot of capital and technology
culture	<ul style="list-style-type: none"> . Presence of regional foreign people of the Region among local population 	<ul style="list-style-type: none"> . Workers; students ; tourism ; retirements : Regional migrations bigger than global migrations . Diffusion of press and TV programs
environment	<ul style="list-style-type: none"> . Common threats 	<ul style="list-style-type: none"> . Interaction of pollutions
policies	<ul style="list-style-type: none"> . Common values . General agreements (e.g. Free Trade Areas) . Common architecture of education & diplomas mutual recognition (e.g. "LMD"-Bologna process) . Common policies (e.g. funding of research programs) . Common institutions and common representation in the global organisms (e.g. UN), etc. 	<p>Coordinated management of Regional public goods :</p> <ul style="list-style-type: none"> . justice and security . transports and planning . education exchanges . gestion of environmental crisis, etc.

7.1.3 Our approach of the case of Europe

What about Regionalisation and neighbourhoods in the case of Europe? The first thing to tell is that it is of utmost importance to distinguish between to different notions of "Europe": The first notion is the *institutional* one: "Europe" means EU. Its borders are established, not necessarily for ever (Romania, Bulgaria and Croatia should enter in 2007, perhaps Turkey later on), but at any time they are precisely drawn. The second one is the *functional* one: "Europe" means the European region, or

the social-economic region in which Europe is embedded. Its geography is unclear, its borders vary with the index one uses (very large when it comes to commercial trade, much closer when it comes to sea pollution). But in any case its dimension is broader than the institutional definition of "Europe". The geographical difference between the two definitions is the "Neighbourhoods".

The relevant question is precisely to know how these two definitions of "Europe" deal with one another: does EU economically and socially integrate its neighbourhoods more and more, or on the contrary are we experiencing a growing divide? Is the answer the same of the eastern and on the southern sides of Europe?

In the study, the statistical measure of such phenomena is made at both global (European region vs other regions) and regional scales. Criteria are the classic ones (Trade, FDI, migrations) with a special treatment on some numbers such as tourism flows. The other teams of the EIW group will provide us with data and analysis in order to define the relevant size of the "European region". To begin with, we work with the following definition: Western Europe, CEEC, western NIS including Russia and Caucasian countries, Middle East including Iran and Arab peninsula, Turkey, Israel, Northern Africa. Concerning the territorial impact of the regional integration, we will see if one can speak of cross-border integration, or rather of long-range connexion driven by main gateway cities. We will analyse regional existing policies (namely the ENP) and make recommendations for a better regionalisation. And then we will compare the European regional process with what is occurring within other main world regions.

Table 16 How to study the regionalisation process in the case of Europe

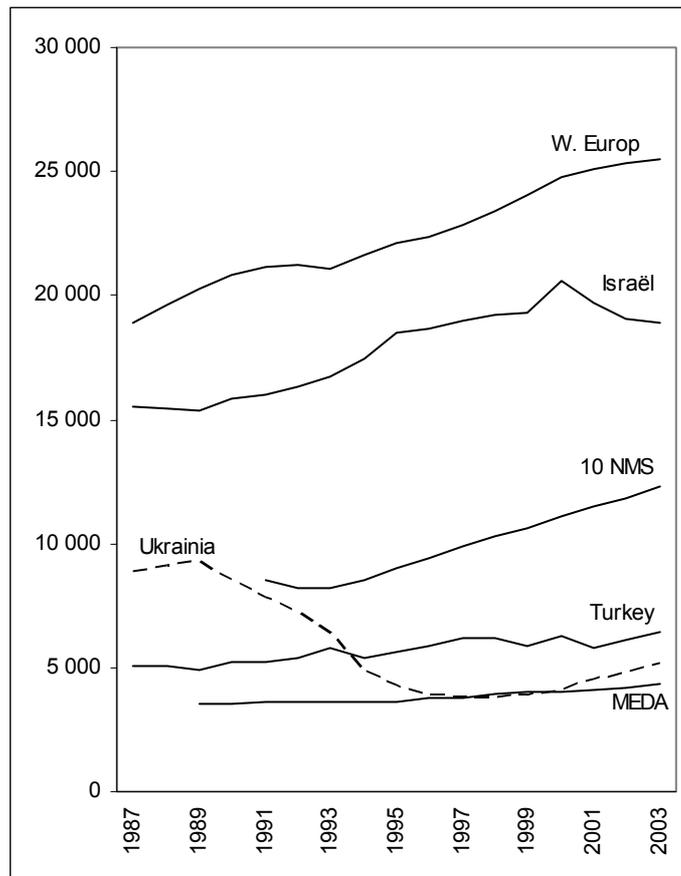
statistical measure	territorial impacts	policies	comparisons with other Regions
<p>SCALES :</p> <ul style="list-style-type: none"> . Europe region vs. global . intra Europe region <p>CRITERIA :</p> <ul style="list-style-type: none"> . general database (FDI, Trade, Migrations...) . precise treatments for the Region . specific datas (tourism...) <p>GEOGRAPHY :</p> <ul style="list-style-type: none"> . CEEC, Western NIS . Near East, Middle East . Southern Mediterranean . Turkey 	<p>EUROPE AND NEIGHBOURS:</p> <ul style="list-style-type: none"> . Local cross-border integration ? . Inter-national long range 	<p>EXISTING POLICIES :</p> <ul style="list-style-type: none"> . Agreements with neighbours (Russia / NIS / candidate states / MEDA . Fundings <p>POLICY ORIENTATIONS</p>	<p>FUNCTIONAL REGION :</p> <ul style="list-style-type: none"> . Economic integration . Cultural integration . etc <p>POLICIES</p>

7.2 First results – Economy. West-East integration, North-South divide

7.2.1 Structures – GDP

The work of the RIATE team shows that, on the long run (half century), disparities have *diminished* between the European economy and the southern Mediterranean one. But the economic development of this southern shore has gone badly in the very last decade. The recent evolution of GDP – were it currant dollars or PPP – shows that the region is experiencing a North-South divergence rather than a convergence. The 10 new member states (NMS) are (slightly) filling the gap with Western Europe, whereas the MEDA countries are clearly experiencing an increasing gap. The other Mediterranean countries, Turkey and Israel, are in between. After a terrible decline since the end of the 19980ies, NIS countries such as Ukraine have been recovering a little for a couple of years. In a word during these recent years, the worst figures concern the MEDA countries.

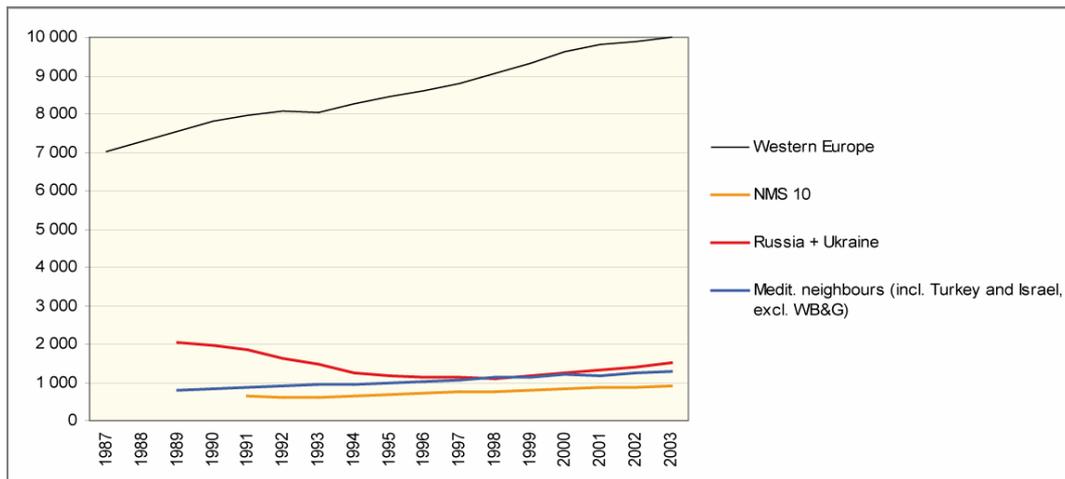
Figure 20 GDP per inhab. (PPP, constant 2000 US\$)



Note. « Western Europe » : UE15 plus Switzerland and Norway. « 10 NMS » : new EU member states (2004). « MEDA » (excl. West Bank and Gaza) : Morocco, Algeria, Tunisia, Egypt, Jordan, Lebanon, Syria.
Source : World Bank

Nevertheless, Southern neighbourhoods should not be considered as a derelict area for Europe. Consolidated as one general sub-region, the Mediterranean neighbours (i.e. Meda countries + Turkey and Israel) represent a bigger economy than NMS's, and almost as big as western NIS including Russia and Ukraine (see fig. 2). This means that, in the framework of the actual and potential North-South regionalism, the Mediterranean neighbourhoods has to be considered as a relevant potential economic partners for the EU.

Figure 21 GDP (constant 2000 b US\$)



Source: World Bank

7.2.2 Flows - Trade

During the last fifteen years the conditions of economic integration in the region have considerably increased: end of Comecon, recovery after the end of the Yugoslavian war, Barcelona Process and Association Agreements, generalisation of economic strategy based on international exchanges rather than on autarchy (even in Syria). Still, is the UE commercially rather linked to its close neighbours, or is it more and more related to remote industrial and emerging countries? Do we really experience the consolidation of a Euromediterranean Region from Morocco to Russia polarised by Western Europe? Or a commercial geography lead by remote networks connecting the poles of the Triad?

The answer is both. Table 17 deals with EU15's trade of goods since 1980. It shows that almost a half of the EU15's trade is made with "neighbours" – "neighbours" in a wide sense, CEEC included. CEEC are more and more linked to the western countries: they represented 3% of UE's trade in the 1980s, they represent today more than 11%. Should we add Switzerland and Norway and Russia (since commercial partnership between EU and Russia has risen during the last decade), what could be called the European continental integration is clearly on the way.

Despite intense deregulation and international opening – not less than in the central or eastern part of Europe – the southern neighbours do not show such integration. Taken altogether (Mediterranean countries, Middle East and Arab peninsula, Turkey and Israel), they represent 12% of EU15's trade

today, which is not little; but their relative weight was twice as big 25 years ago.

These figures show that, as a whole, the Region trading integration has been reducing during the 1980ies, and has been recovering somewhat during the last decade thanks to the commercial integration of the CEEC only.

Figure 22 shows this dramatic increase of trade between UE15 and CEEC since the beginning of the 1990s, and the contrast with the weak progression of Mediterranean countries, were it Near East or Maghreb (Turkey a little faster). But the main feature is the impressive growth of EU's trade with Eastern Asia (especially imports) and Northern America (especially exports, see appendix page XX). Indeed, *Europe is more and more connected to these two major poles of the Triad, and less and less to the developing countries – even with those that belong to its close Mediterranean neighbourhoods.*

Table 17 Consolidated EU15's trade of goods (%)

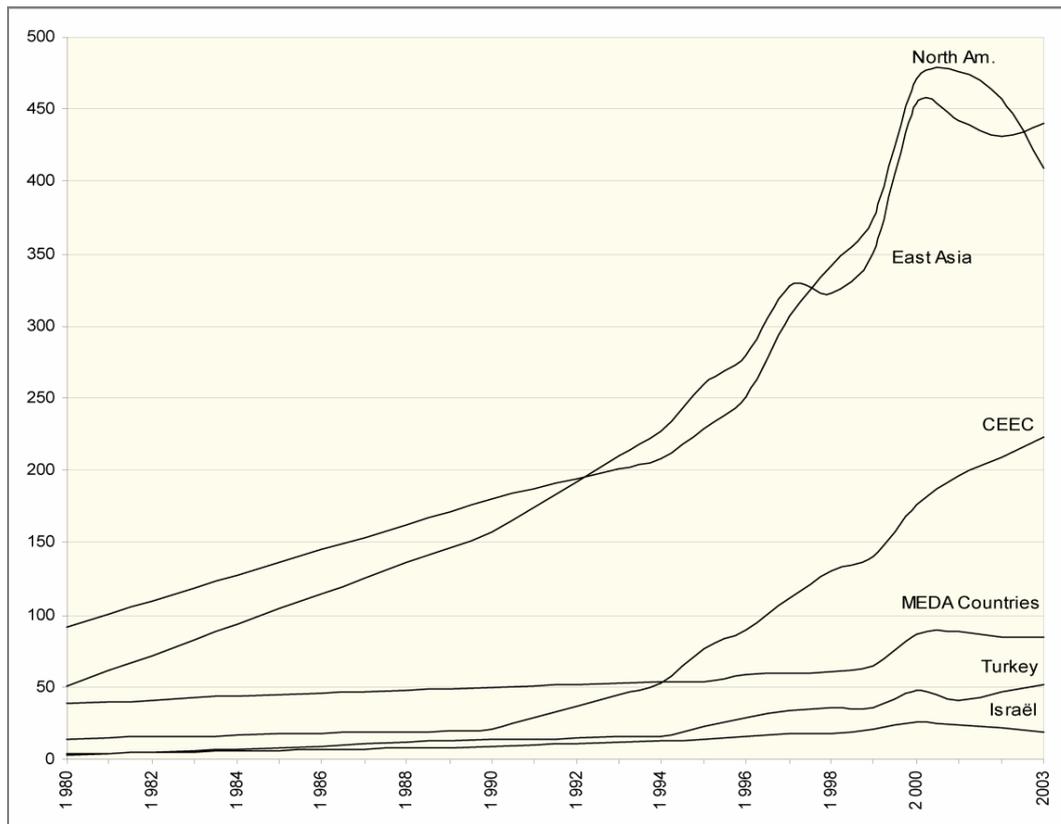
	-----exportation-----			-----importation-----			-----export+import-----		
	1980	1995	2003	1980	1995	2003	1980	1995	2003
CEEC (a)	3,4	7,4	11,8	2,5	6,4	10,9	2,9	6,9	11,3
European Balkans (b)	3,7	2,9	3,9	1,8	2,2	2,7	2,6	2,6	3,3
-of which Bulgaria	0,4	0,4	0,5	0,2	0,3	0,4	0,3	0,3	0,4
-of which Romania	0,9	0,7	1,3	0,7	0,6	1,1	0,8	0,6	1,2
-of which Croatia	0,0	0,7	0,7	0,0	0,3	0,3	0,0	0,5	0,5
Other Europe (c)	16,6	13,2	10,9	10,3	13,2	11,2	13,0	13,2	11,1
<hr/>									
Σ .Europe stricto sensu (=a+b+c)	23,7	23,4	26,7	14,6	21,9	24,8	18,5	22,7	25,7
Russia (d)	4,8	2,8	3,4	5,3	3,9	5,3	5,1	3,4	4,4
Ukraine		0,4	0,6		0,3	0,4		0,3	0,5
Turkey	1,0	2,3	2,9	0,4	1,7	2,4	0,6	2,0	2,7
Near & Middle East(e)	12,8	6,9	6,9	20,8	4,3	4,1	17,4	5,6	5,5
-of which Israël	0,9	1,7	1,2	0,6	0,9	0,8	0,7	1,3	1,0
-of which Lebanon, Syria & Jordan (f)	1,5	0,9	0,7	0,4	0,4	0,3	0,9	0,6	0,5
Northern Africa (g)	8,1	4,5	3,4	6,3	3,9	4,2	7,1	4,2	3,8
Total Meda (=f+g)	9,7	5,4	4,1	6,6	4,3	4,5	7,9	4,8	4,3
<hr/>									
Σ Eastern and South. Neighbours (h)	approx. 27,0			approx. 33,0			approx. 30,5		
North. America	15,9	19,9	24,8	20,5	21,2	16,8	18,5	20,5	20,8
Latin Am. & Antilles	8,0	7,0	5,2	7,3	6,1	5,4	7,6	6,6	5,3
Eastern Asia	8,3	21,4	16,7	11,9	25,2	27,8	10,3	23,3	22,3
-of which Japan	2,5	5,7	4,1	5,5	10,0	6,7	4,2	7,8	5,4
-of which China (h)	2,0	5,3	6,0	2,2	6,1	10,6	2,1	5,7	8,3
Other Asia	2,1	2,5	2,2	1,2	3,9	2,7	1,6	3,2	2,5
Oceania	0,2	2,4	2,2	1,6	1,4	1,3	1,0	1,9	1,8
Other Africa	10,5	4,5	3,7	9,3	4,7	4,1	9,8	4,6	3,9
<hr/>									
Grand Total	100	100	100	100	100	100	100	100	100

(a) Poland, Slovakia, Czech Rep., Hungary, Baltic States. (b) Former Yugoslavia (excl. Slovenia), Albania, Bulgaria, Romania. (c) Switzerland, Norway, Cyprus, Malta... (d) USSR before 1995. (e) Near East (excluding Turkey), Arabic peninsula, Iraq, Iran. (g) From Morocco to Egypt. (h) Russia, Ukraine, Turkey, Near and Middle East (including Iraq and Arab Peninsula), Northern Africa. (i) including Hong Kong.

(NB: no data on Belarus and Caucasian countries in this table)

Source: Eurostat Statistical Yearbook, UE Trade 1958-2003.

Figure 22 UE15's goods trade 1980-2003 (imports + exports, M Euros)



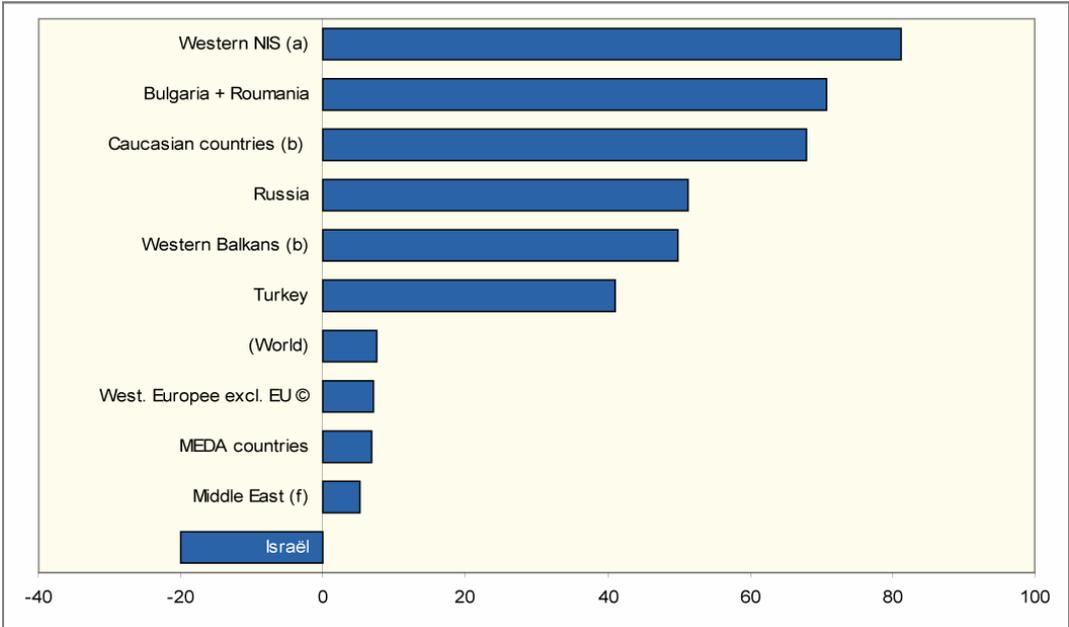
Source : Eurostat

Figure 23 and table 17 focus on the very recent period, 2000-2004. It confirms the lack of dynamism of the Mediterranean countries when it comes to trade with Europe. The sole exception is Turkey, in particular Turkish exports to UE are rapidly growing. For decades, Turkey has developed a true productive system of small and medium sized firms, run by an active middle class. The severe economical and financial crisis of 2000-01 has lowered the internal market. But Turkish economy could counterbalance this difficulty by enhancing exportation world wide, including Europe - the half of its exportation. Another positive step is that those exportations are less and less primary agricultural or rough clothing exportations. A decade ago, textiles, clothes and food products were the bulk of Turkish exports to EU; today textile-clothes is still in first rank but the share of transport equipment and automotive production items is rapidly growing. These quite advanced industrial products are dominating EU's exports to Turkey too; this means that EU and Turkey have entered an intra-industrial trade that resembles developed countries trade rather than classical trade between North and South.

Except Israel of course, no other Mediterranean country – not even Tunisia – shows such trading features. The Turkish commercial dynamism

is the only one that copes with commercial integration between EU and its continental neighbours eastward: European Balkans and namely Bulgaria and Romania – where numbers seem to anticipate the UE membership; Russia and NIS both western and Caucasian. Eastern neighbours have suddenly become bigger commercial partners for UE than southern – even including Turkey. Indeed, the statement about this “continental integration” would be stronger if datas took CEEC into account; but this figure and table 18 deal with UE25 and not 15.

Figure 23 2000-2004 evolution (% value) of UE25’s goods trade with various neighbours



(a) Belarus, Ukraine, Moldavia. “Caucasian”: Georgia, Armenia, Azerbaijan. (b) Albania and former Yugoslavian countries except Slovenia. (c) Switzerland, Norway, Island. (d) Mediterranean countries form Morocco to Syria. (e) Here : Iran, Iraq, Saudi Arabia, Kuwait. « Trade » : exports + imports. Source : Eurostat.

Table 18 Goods trade (a) between consolidated EU25 and its neighbours, 2000-2004

	2004 (values, M €)	2004 (% total)	2004/2000 evol (%), values
Island	3 612	0,2	5
Norway	86 642	4,4	18
Switzerland	136 369	6,9	1
Σ Western Europe (out of EU)	226 623	11,4	7
Bulgaria	10 709	0,5	56
Romania	32 051	1,6	76
Σ Bulgaria + Romania	42 760	2,1	71
Turkey	68 931	3,5	41
Macedonia FYR	1 721	0,1	-28
Serbia & Mont.	6 635	0,3	103
Croatia	13 688	0,7	56
Bosnia-Herz.	3 325	0,2	35
Albania	1 610	0,1	44
Σ Western Balkans	26 979	1,4	50
Russie	126 203	6,3	51
Belarus	5 287	0,3	77
Ukraine	17 675	0,9	82
Moldavia	1 184	0,1	79
Σ Western NIS	24 146	1,2	81
Armenia	564	0,0	43
Azerbaidjan	2 404	0,1	78
Georgia	794	0,0	59
Σ Caucasian countries	3 762	0,2	68
Syria	4 884	0,2	-10
Jordan	2 209	0,1	20
Lebanon	3 435	0,2	8
Palestine	38	0,0	-53
Egypt	11 557	0,6	-1
Libya	17 073	0,9	9
Tunisia	14 298	0,7	11
Algeria	24 580	1,2	8
Morocco	15 394	0,8	10
Σ MEDA countries	93 468	4,7	7
Israel	21 334	1,1	-20
Iran	20 044	1,0	44
Iraq	3 925	0,2	-47
Seoud. Arabia	28 659	1,4	2
Kuweït	5 487	0,3	-7
Σ Middle East	58 115	2,9	5
TOTAL Europ & East. Neighbourhoods	450 473	22,6	27
TOTAL MEDA, Israel & Middle East	172 917	8,7	2
Turkey	68 931	3,5	41
World	1 990 541	100,0	7

(a) Imports + exports. Source : Eurostat

Is this continental integration symmetric? Western Europe trades more and more with European Balkans and CEEC, do the latter trade more and more with western Europe? The answer is yes. See for instance figure 25: trade with EU increases faster than with the rest of the world in the case of Romania, and nowadays for Bulgaria. Eurostat says the same concerning the western Balkan countries (former Yugoslavia and namely Croatia): 1999-2003 trade growth rate has been higher with the EU than with the rest of the world; those countries now make 84% of their trade with the EU⁹. The evolution is more balanced in the case of Turkey, which opens world wide – but all the same much more towards EU than towards USA or even towards the Meda countries: local sub-regionalisation is weak compared to the polarisation of the whole region by Western Europe.

Balkans countries and CEEC have experienced a very rapid westernisation of their trade since the end of the soviet age. They trade more and more with EU (even though with a strong trade deficit, see fig. 6 bis, which proves that trade integration is a positive process for European economy!), but less and less with Russia.

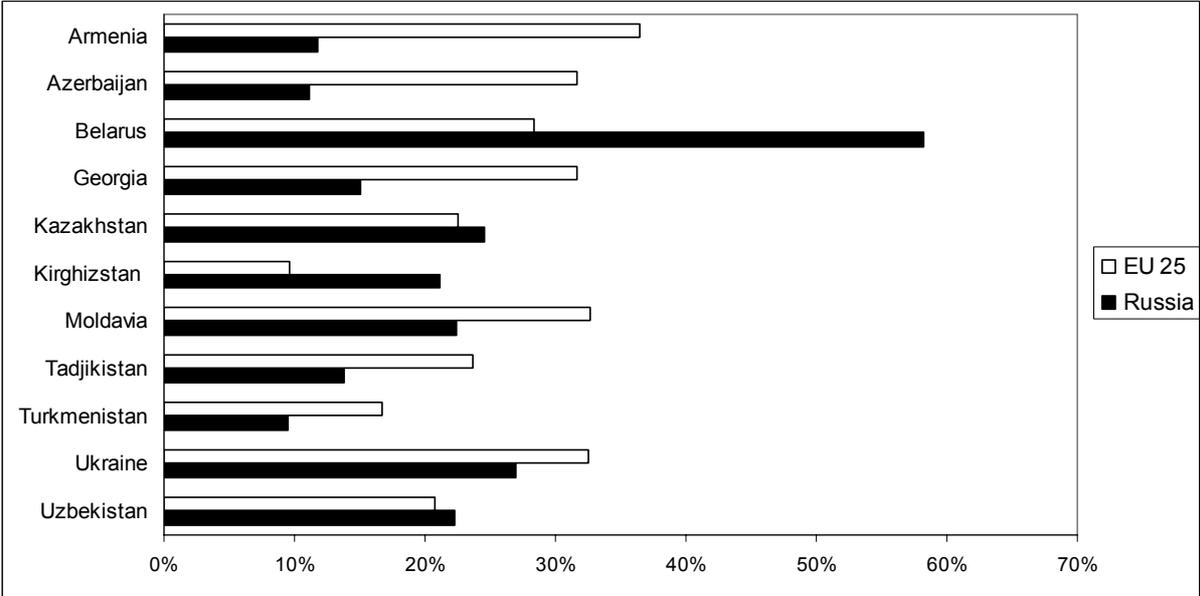
Meda countries have been very much polarised by Western Europe for a long time. They still are, even if less and less in the Near East (to be demonstrated). Especially Maghreb, these countries continue to be enormously dependant upon European markets, with strong trade deficit and dissymmetry: MEDA countries provide EU with 7% of its imports – but this represent more than the half of MEDA countries exportations. EU provides these countries with 58% of their importations – but this represent only 7% of our exportations. The Mediterranean most dependent country upon European markets is Tunisia, which makes the three quarters of its exportations there. Tunisia's exportation depend more upon European markets... than France or Germany do! In a way, one could say that Tunisia is a "European Puerto Rico" but without the political link.

As far as the eastern neighbourhood of EU concerned, almost all the states that belong to CIS are progressively shifting their foreign trade from an intra regional CIS pattern to a western oriented pattern. It is obvious for the three Caucasian countries: EU has become by far their first trade partner. Although Russia is still a major trade partner for each one of them, its share in their external trade has regularly decreased since the 1990s. Clearly, the progressive enlargement of the European economic region eastward involves not only Russia but CIS as a whole. This process is largely due to the recent enlargement of EU to the 10 new member

⁹ Eurostat 2005 : « External Trade of Western Balkan Countries », Statistics in focus, External trade, 1-2005.

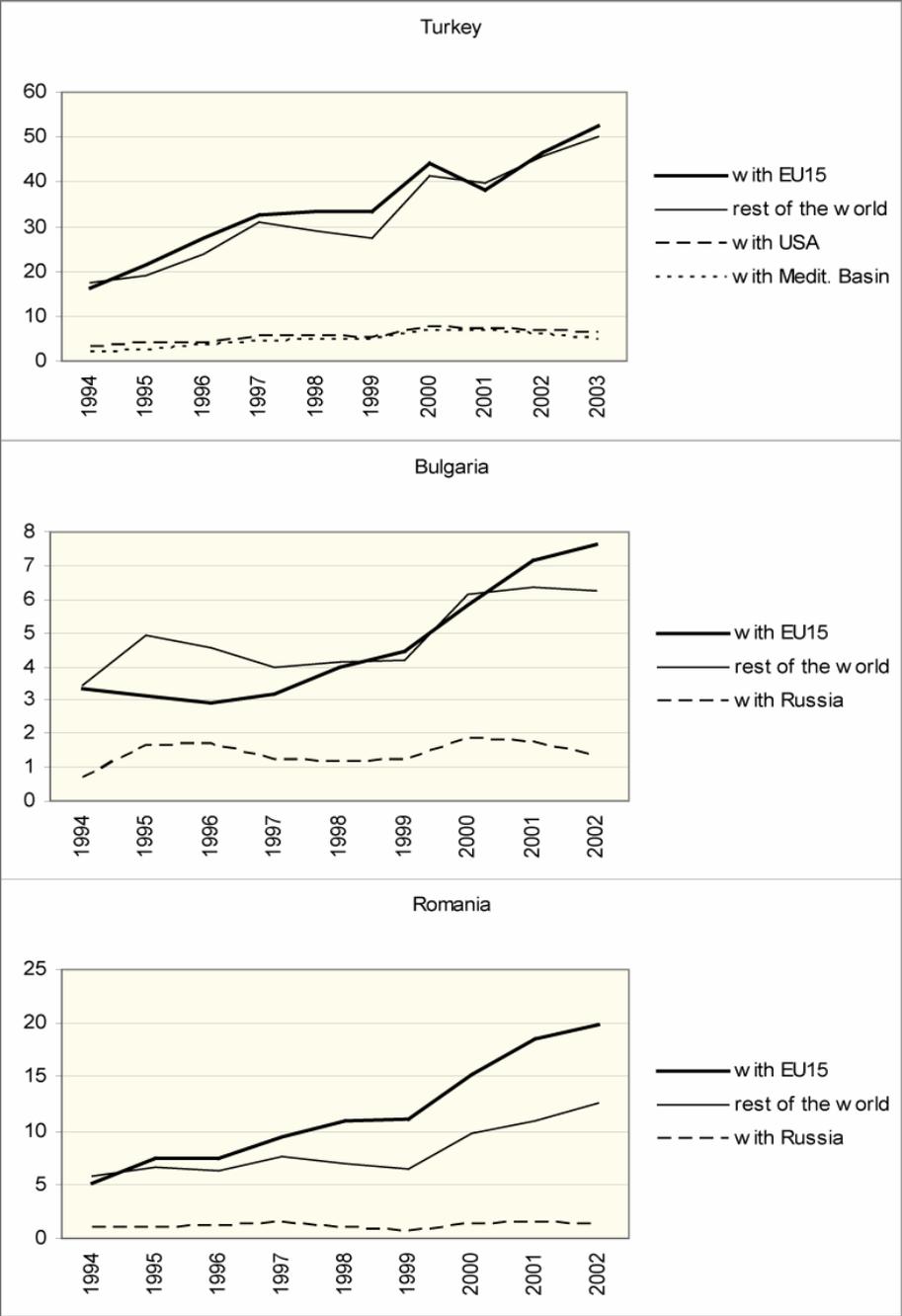
states which have kept economic relations with Russia and former USSR despite their own strong commercial reorientation from East to West. Only the countries of Central Asia are still keeping Russia as their first commercial partner before EU 25 – but not all of them and certainly less and less.

Figure 24 Share of EU25 and of Russia in the goods trade of the NIS (2003)



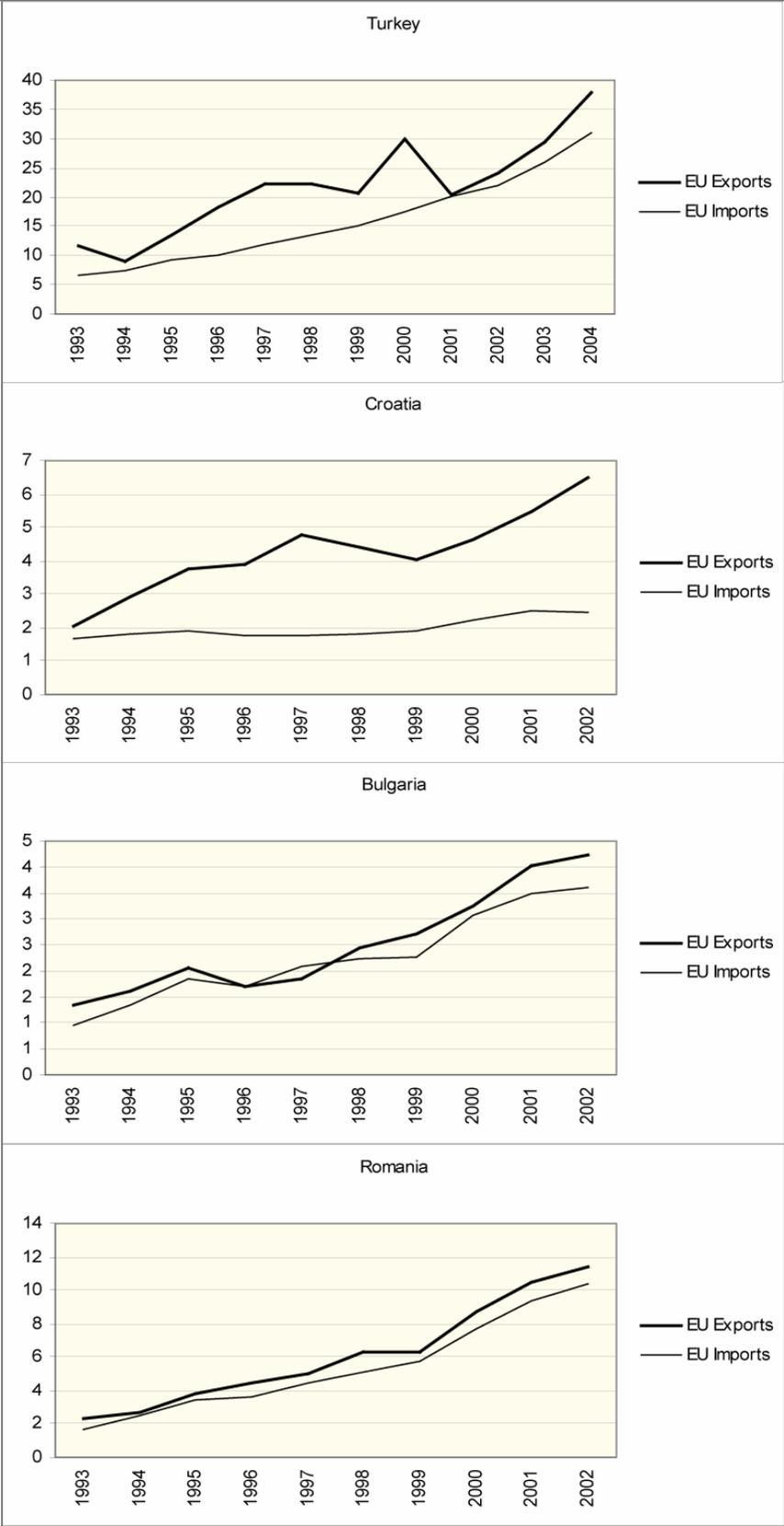
Source : Eurostat

Figure 25 Goods trade (imports + exports), b €



Source : Eurostat

Figure 26 EU Exports and imports (billion €) with :



Source : Eurostat

Table 19 Goods trade partners of central Europe countries and Turkey, 1993-2001

Trade partners:	-----central Europe (b) countries-----				-----Turkey-----			
	Importations		Exportations		Importations		Exportations	
	1993-1994	1999-2000-01	1993-1994	1999-2000-01	1993-1994	1999-2000-01	1993-1994	1999-2000-01
Western Europe (a)	59,6	62,4	59,9	71,5	49,5	51,2	50,1	53,7
Central Europe (b)	8,3	9,2	10,5	11,3	1,3	1,0	2,2	1,6
Baltic States	0,4	0,3	0,5	1,1	0,1	0,2	0,1	0,2
European Balkans (c)	1,1	1,2	2,2	3,2	2,1	2,2	2,5	3,3
Russia	9,8	7,8	5,4	1,8	4,9	7,1	4,0	2,5
West. & North. NIS	1,4	1,1	1,7	1,7	2,2	2,3	1,3	2,3
Maghreb (e)	0,2	0,2	0,6	0,2	1,5	4,0	3,0	2,9
Near East (f) & Turkey	0,5	0,7	1,8	1,0	1,3	2,3	5,7	6,4
Middle East (g)	0,5	0,0	0,5	0,2	8,1	3,6	7,0	2,7
Σ region	81,8	83,1	83,2	92,2	70,9	74,0	75,8	75,6
North. America	3,8	4,2	3,1	3,7	11,6	8,0	8,0	10,9
Latin America	1,2	1,0	0,9	0,6	1,6	1,1	0,6	1,0
Africa (others)	0,8	0,4	0,9	0,3	1,1	1,1	0,7	1,1
Asia (others)	6,2	10,5	4,1	2,5	13,0	12,5	13,2	6,3
Oceania	0,1	0,1	0,2	0,1	1,1	0,5	0,2	0,4
World	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

How to read this table : at the beginning of the 1990ies (average of 1993 and 1994), 49,5% of Turkey's imports came from western Europe; at the beginning of this century (average 1999-2000-2001), the number was 51,2%.

(a) UE15 plus Switzerland and Norway

(b) Czech Republic, Slovakia, Hungary, Poland

(c) Albania, former Yugoslavia, Romania, Bulgaria

(d) Belarus, Ukraine, Moldavia, Caucasian countries

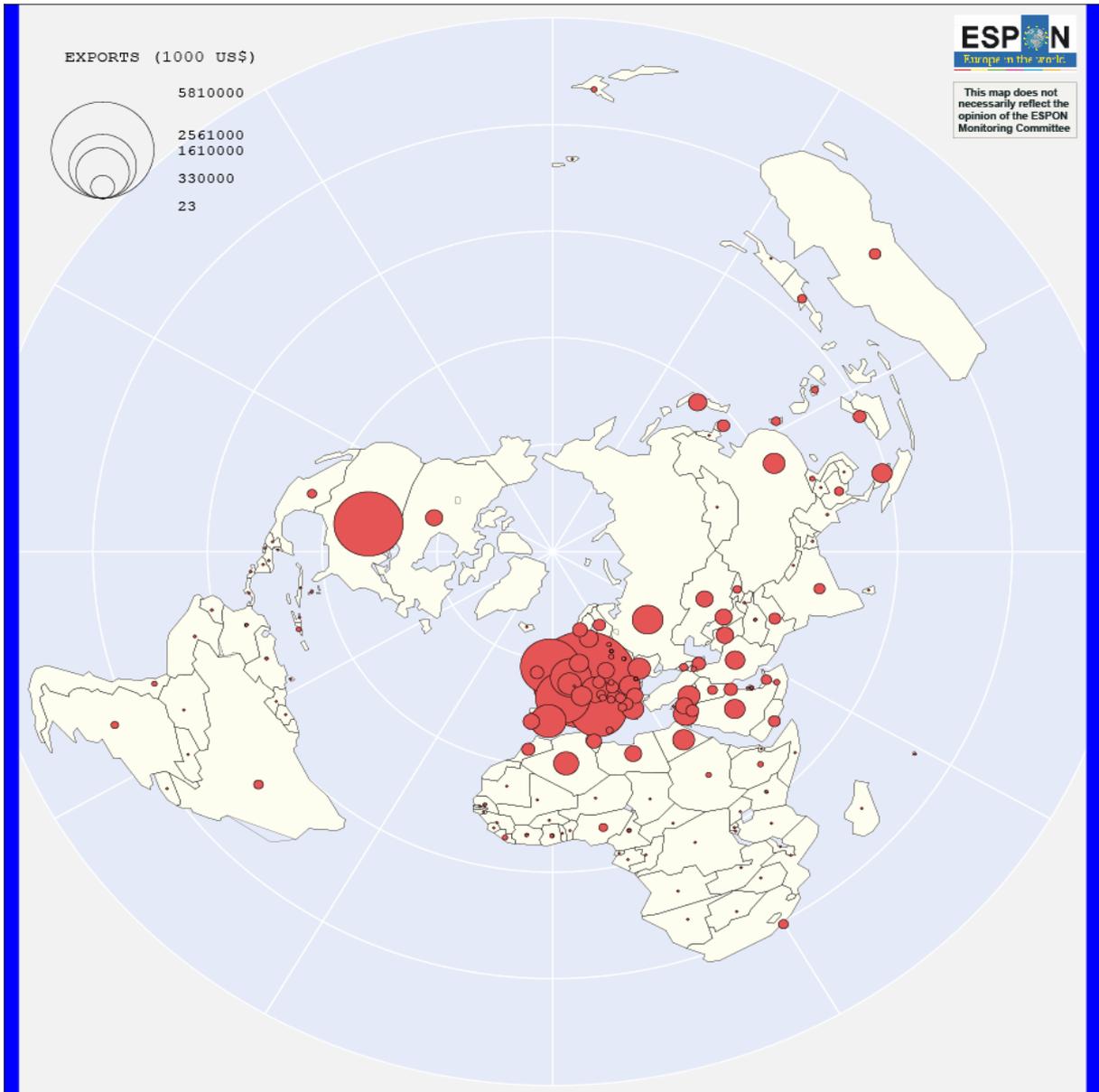
(e) Morocco, Algeria, Tunisia, Libya, Malta

(f) Cyprus, Lebanon, Syria, Jordan, Israel, Palestine, Egypt

(g) Iran, Iraq, Saudi Arabia, Kuwait.

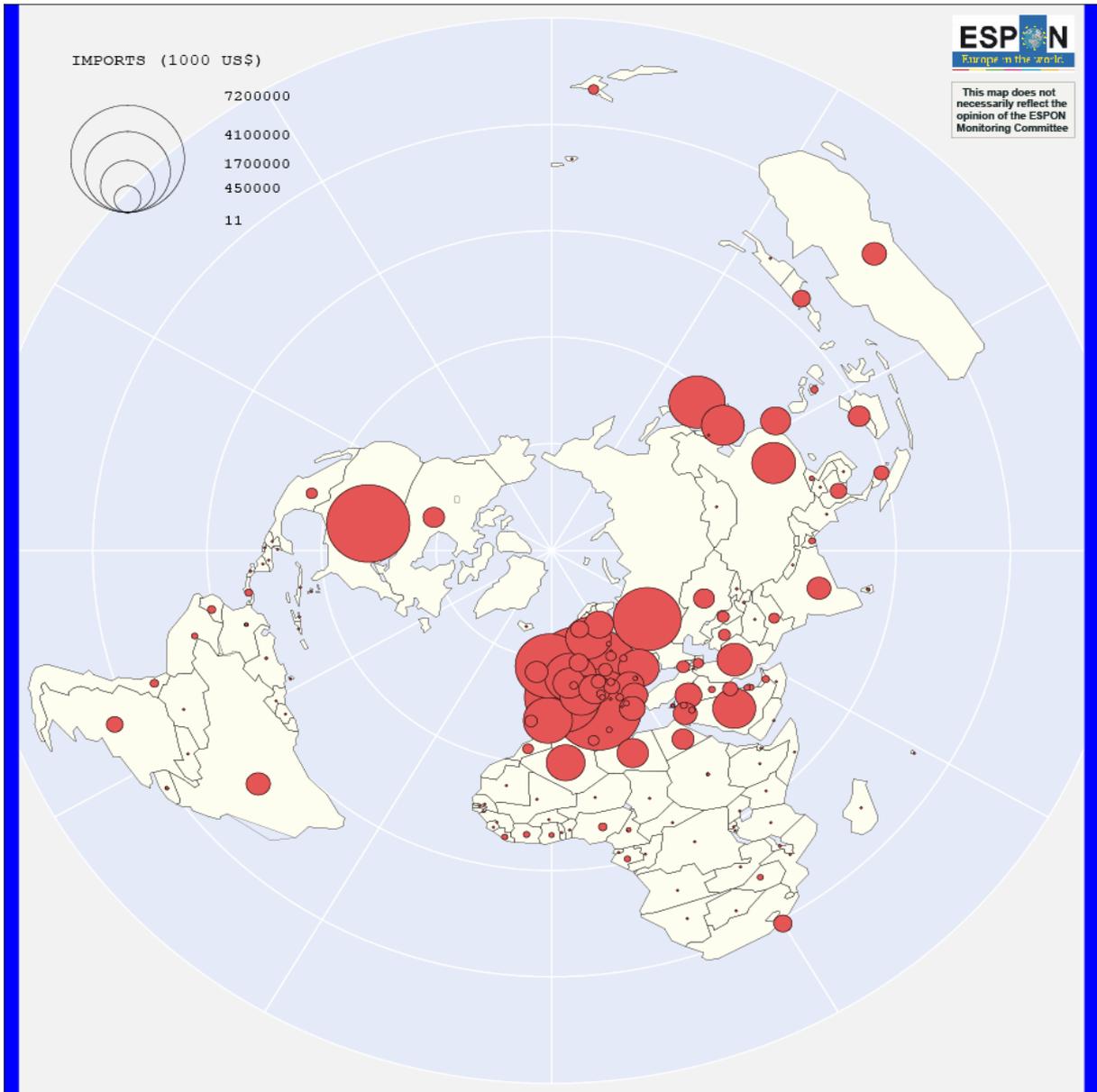
Source : OECD

Map 33 destination of Turkish Exports



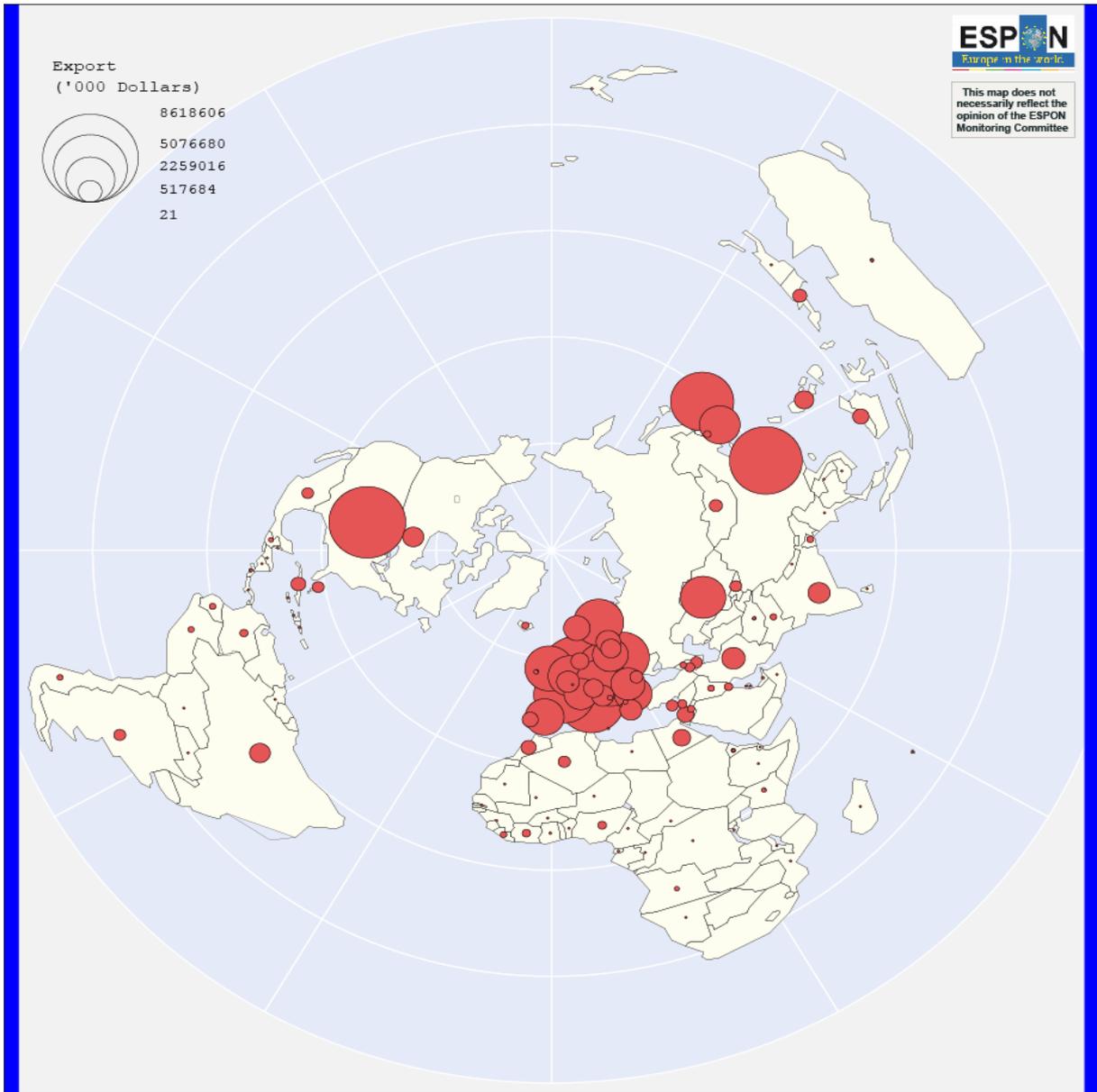
Origin of data : International Trade Centre UNCTAD
WTO United Nations Statistics Division

Map 34 Origin of Turkish imports



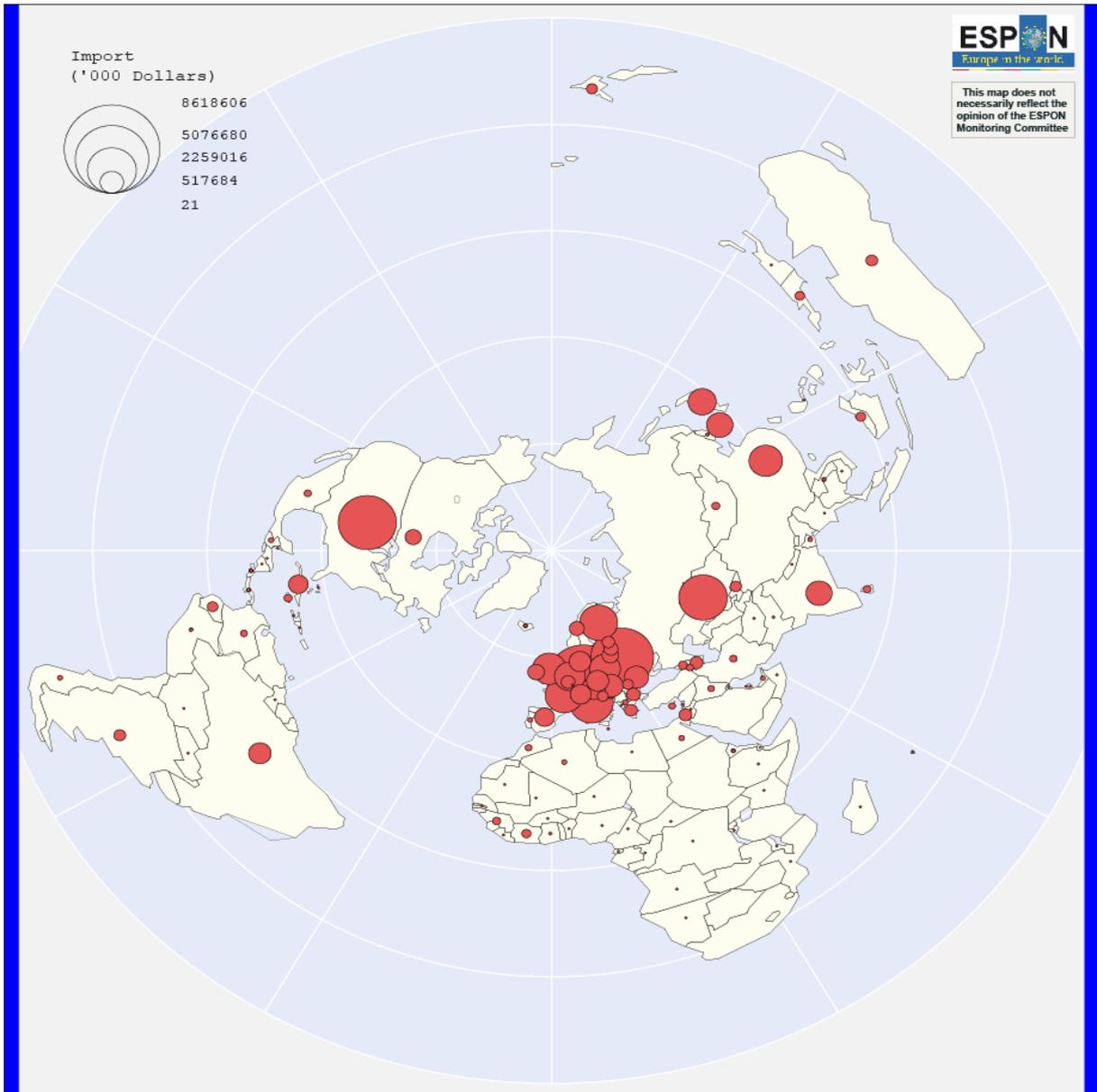
Origin of data : International Trade Centre UNCTAD
WTO United Nations Statistics Division

Map 35 Destination of Russian Exports



Origin of data : International Trade Centre UNCTAD
WTO United Nations Statistics Division

Map 36 Origin of Russian imports



Origin of data : International Trade Centre UNCTAD
WTO United Nations Statistics Division

7.2.3 Flows - FDI

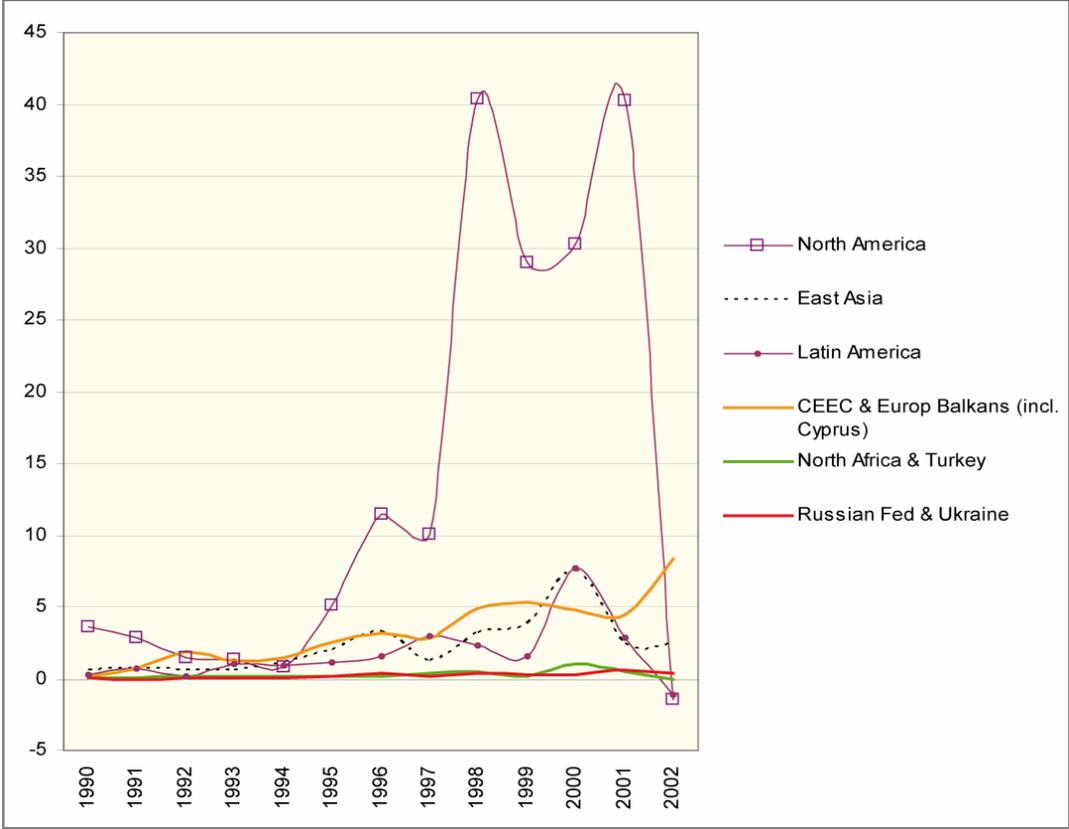
FDI draw the same geography. During the last decade, Maghreb, Egypt, Syria, Lebanon and Jordan altogether did not receive more foreign direct investments than the sole Israel ; CEEC received for times as much as them¹⁰. Syria, Algeria and Egypt got particularly few FDI. It is a fact that the Mediterranean attracts more foreign capital since the mid 1990s and the first Association Agreements, but much less than Eastern Europe. Furthermore, investors now reach new eastern countries in the region: Croatia, Macedonia FYR and Bulgaria, because the cost of labour is cheaper than in NMS and because they will be one day member of the EU; also Georgia and Azerbaijan (because of oil of course in the latter); even Ukraine attracts proportionally more FDI than the Mediterranean neighbours – but it is true that the country remains unstable and that a important part of the FDI comes from Russia or from Ukrainian oligarchs who use international network as a laundering tool. Last, investors say that former Yugoslavia (Serbia and Bosnia) will be a relevant target when stabilised. EU has already spent a great deal of money for this stabilisation, with no doubt this part of Europe will quite soon be in the influence of western European investors.

Compared with figures 27 and 28, the recent years (2004-2005) show a growing attraction of Turkey and Morocco, but this rise is not sufficient to change the general statement about the low attractiveness of the Mediterranean. Many criteria (role of EU markets for the Mediterranean economies, migrations of workers, students or tourists, cultural links through TV programs, common environmental threats) show the strong integration of the two shores of the Mediterranean, but indeed the key figure about FDI attraction hampers this view.

In a word, the MEDA countries are highly dependent upon western European markets and investors, but are not significant partners for European exports and investments.

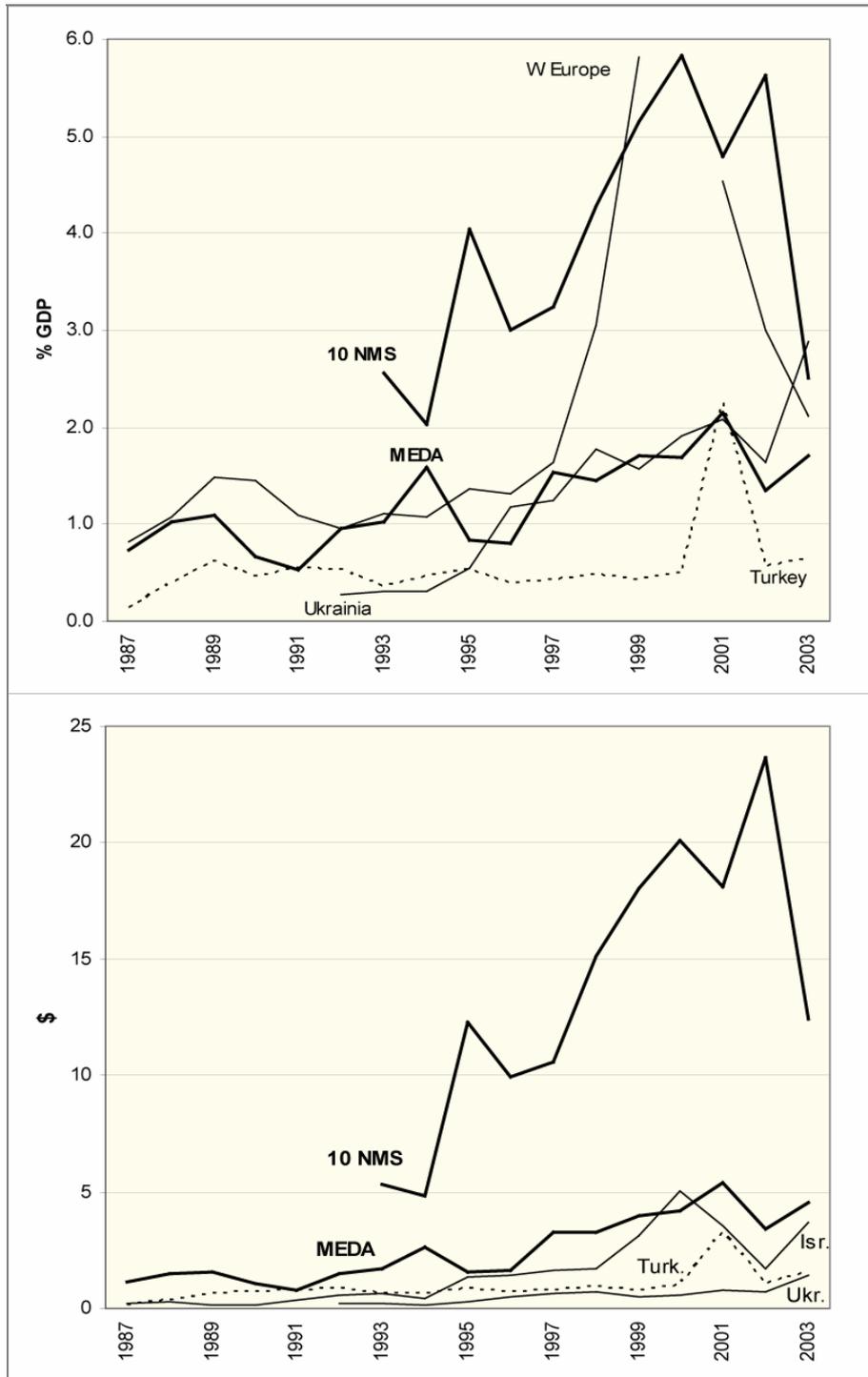
¹⁰ In some cases this foreign investment might be considered as *too* high. In Hungary for instance, 45% of industrial jobs, the three quarters of exports and of R&D expenditures are made by local subsidies of foreign companies. On the other hand, it is well known that Ireland, which has been hosting a great deal of FDI, has also managed to develop its economy (infrastructures, training...).

Figure 27 German FDI abroad, by geographical destination (outflows, billion Euros)



Source : Unctad

Figure 28 Foreign Direct Investment (inflows)



Note. « W. Europe » : UE15 + Switzerland & Norway (Luxembourg excluded); « 10 NMS » : ten new member states, Malta excluded. « MEDA » (excl. Gaza & West Bank) : Morocco, Algeria, Tunisia, Egypt, Jordan, Lebanon, Syria. Source : World Bank.

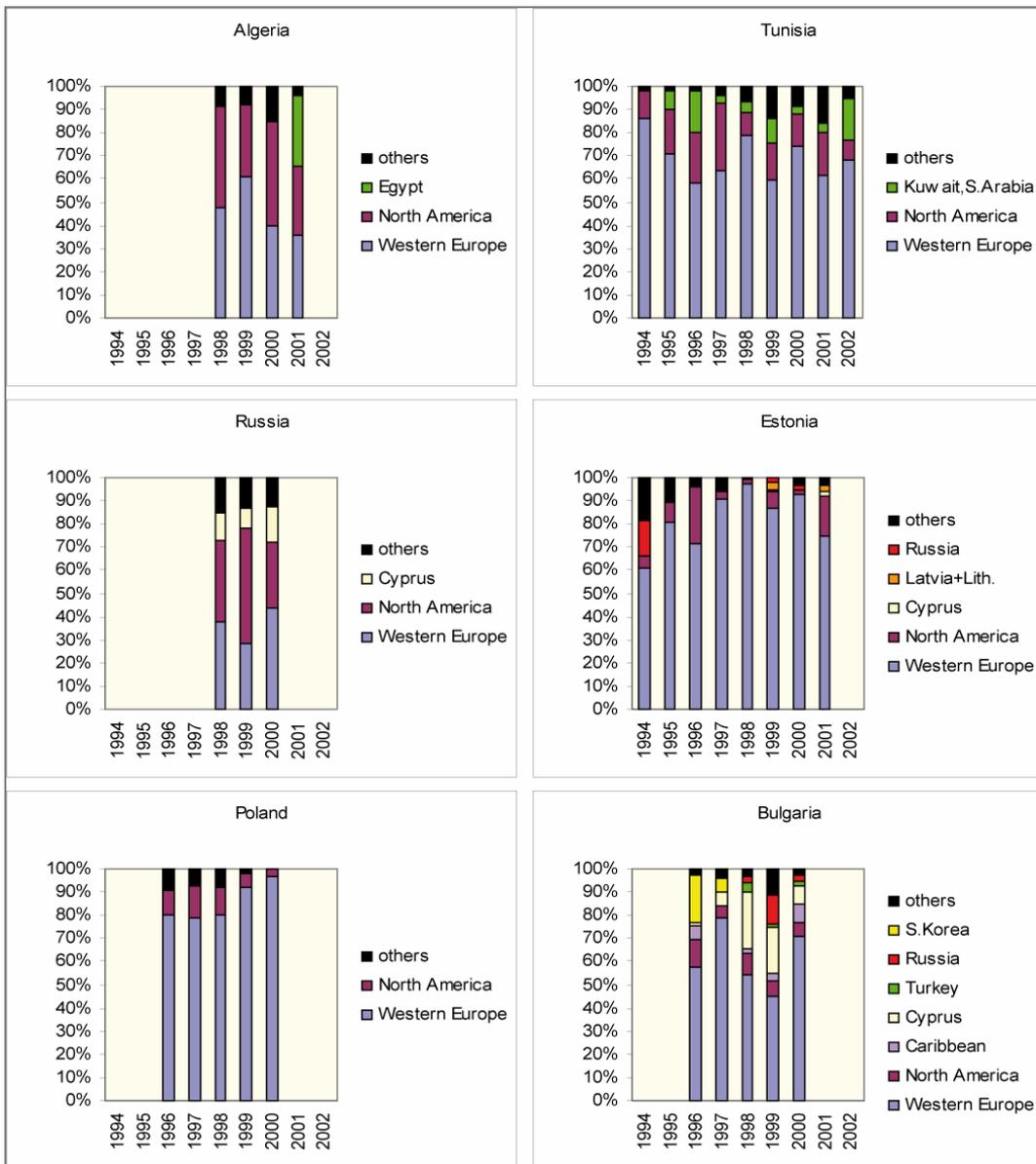
**Table 20 FDI net inflows in percentage of GDP, years 2000-2001-2002-2003
(current \$)**

	%
Egypt, Arab Rep.	0,7
Syrian Arab Republic	0,8
Turkey	0,9
Belarus	1,1
Russian Federation	1,2
Algeria	1,4
United States	1,5
Lebanon	1,6
Ukraine	2,2
High income: OECD	2,7
<hr/> World	<hr/> 2,7
Romania	2,9
Tunisia	3,0
Slovenia	3,0
Lithuania	3,1
Poland	3,1
Latvia	3,1
Israel	3,1
France	3,3
Jordan	3,5
Serbia and Montenegro	3,6
China	3,8
Hungary	3,9
Morocco	4,1
Macedonia, FYR	5,1
Georgia	5,5
<hr/> European Monetary Union	<hr/> 5,7
Moldova	6,3
Croatia	6,4
Bulgaria	6,7
Estonia	7,6
Czech Republic	7,7
Slovak Republic	8,4
Kazakhstan	9,3
Cyprus	9,9
Mauritania	11,6
Azerbaijan	20,7

Source : World Bank

The figure 29 shows how highly European neighbours depend on western European FDI. The two-thirds of FDI in Tunisia, Estonia or Bulgaria, three-quarters in Poland or Slovenia come from Western Europe. It is less true in Russia and Algeria where the US investors play a bigger role (in oil industry can one imagine, but in both case inflows of FDI remains very low). [As a whole, our neighbours depend *incomparably* more on European investors than on American. Another outcome of these figures is the noticeable emerging role of regional or sub-regional investors who are not western European: Cyprus financial place is a quite important investor in Bulgaria or Russia (laundering), Egyptian, Saudi and Kuwait investors in Tunisia and Algeria. A last striking thing is the very small and declining role of Russia among investors in Estonia as well as in all the other countries of Central and Eastern Europe. The only European countries where Russian plays a significant role among foreign investors are Belarus and Ukraine.

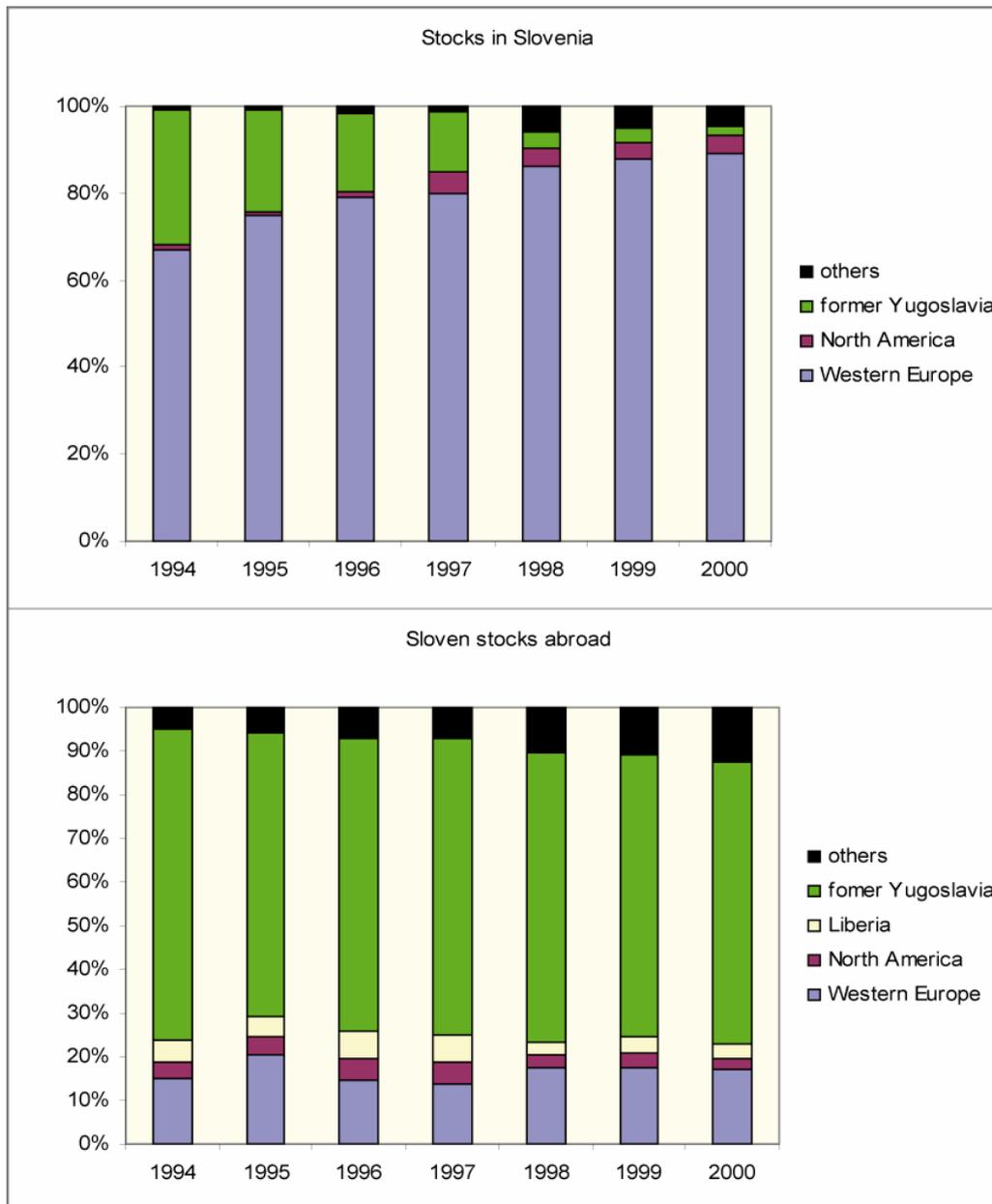
Figure 29 Inflows of FDI, breakdown by geographical origin



Source : Unctad

Figure 30 shows another process of sub-regional integration: Slovenia has recovered as a financial place for the whole former Yugoslavian space, where it invests the bulk of its FDI abroad.

Figure 30 Stocks of FDI in and out of Slovenia



Source : Unctad

7.2.4 Flows - Workers remittances

Workers remittances constitute a huge amount of financial flows (hundreds of annual billions dollars worldwide). OECD and the World Bank have recently created a working group to study these flows, which have several advantages for the developing countries: (i) they are often bigger than public international subsidies, and sometimes than the FDI inflows; (ii) they show quite stable, which is accurate for development strategies; (iii) they are bottom up (individual workers send money to their individual

family), which prevent from corruption or bad governance and is good for local projects.

The region entails several of the largest beneficiaries of these flows in the world: Jordan, Morocco, then Tunisia, Lebanon... The numbers have been decreasing in the European countries that used to be emigrant countries: see the case of Portugal and Malta for instance in fig. 12. They show quite stable and high in the southern neighbouring: for Jordan, Morocco and Tunisia, remittances are some sort of a "build in" component of development. It used to be the case in Egypt, but the return of the enormous mass of migrant workers from Libya and the Gulf since a decade has lowered this financial flow. The most erratic evolution in the one of Lebanon, whose diaspora, that boomed during the civil war, constitute with the banking sector the main source of national revenues.

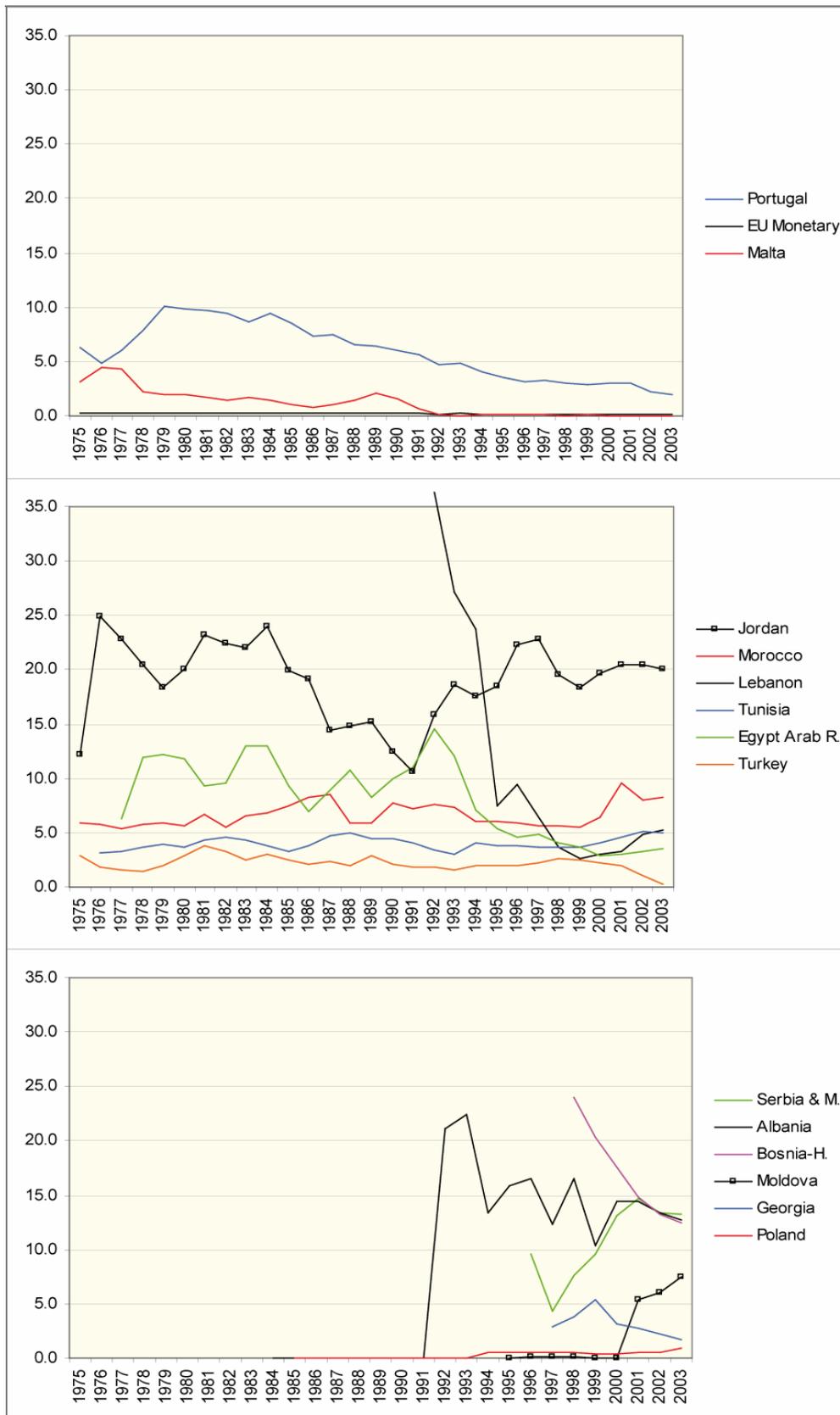
Remittances are useful revenues, but they are in fact a mixed blessing. In the case of countries that depend highly – and more and more in the case of Egypt for instance – on rent economy, remittances are a part of the difficulty. Many Arabic countries hardly make profits, they rely on rent revenues, internally (urban land and real estates revenues) and internationally (remittances, tourism, oil, Suez Canal's fees for Egypt). The WB report on development in the Arab world¹¹ criticizes that this rent economy runs the bulk of relations between Europe and its southern neighbours.

Turkey shows another profile: the share of remittances in the GDP has been declining since the end of the 1990ies, thanks to the overall economic development (growth of GDP) and to the rise of a true productive system, generating profits rather than rent incomes. That is also the path followed by CEEC by the way (see Poland).

Some new players appear in the south-eastern neighbouring: Albania after the country was opened a decade ago, which provoked a soaring emigration to Greece (that would host today almost a million Albanese?); Moldavia since 2000, and Serbia too since the middle of the 1990ies (linked to a new emigration?). On the contrary Bosnians seem to have returned to their country, and reduce remittances. Much work is still to be done on this linked remittances and migration regional geography.

¹¹ The World Bank, Development Report – *Unlocking the Employment Potential in the Middle East and North Africa: Toward a New Social Contract*, Washington 2004.

Figure 31 Workers' remittances (current \$), in % of the GDP



Source : Word Bank

7.3 First results - Regional policies

7.3.1 The ambition of the European Neighbourhood Policy

Launched by the Commission in 2003, the European Neighbourhoods Policy (ENP) aims at unifying various existing policies and budgets: Meda, Phare, Tacis etc. The new Partnership financial Instrument will concern:

- (i) Nine Mediterranean countries: those of the former Barcelona process, minus Turkey (that will benefit from a specific budget), Cyprus and Malta (since they now are member states), plus Libya.
- (ii) The three Caucasian countries (Azerbaijan, Armenia, Georgia)
- (iii) The three eastern countries that are located between UE and Russia (Moldavia, Ukraine, Belarus - but the latter is still not included for political well known reasons).

European Balkans countries are not included because they are potentially candidates as state members. Neither is Russia, because of a specific strategic agreement with EU, which general goals are nevertheless quite similar to the ENP's: create a common space for trade, finance, migrations, training, culture, and security.

One can think that the assets of the ENP are strong. For the first time, the EU has and gives a comprehensive view of its regional range. A clear distinction is made between, on the one hand, what could be called the "institutional territory" of Europe (the EU), and on the other hand what could be called the "functional regional territory" of Europe. (EU + neighbours). The idea is to "share everything but institutions", in order to develop one integrated region that would encompass the EU and its neighbours. The ENP enhances a common tool, the Action Plans (definition of specific goals for each neighbouring country, with a three to five years programme of precise actions – energy, transports, governance...). Three principles will run the Action Plans: differentiation country by country; conditionality (respect of common values, real political and economic reforms); appropriation (legislation should get closer to that of the UE). The budget could be around 15 billion euros (2007-2013), to be compared to the 8,4 billions for the 2000-2006 period.

Yet, this view is hampered both eastward and southward. Eastward, the Ukrainian call for membership since December 2004 presidential elections, raises a tough political issue with Russia. Southward, the recent Barcelona Summit in November 2005 (for the tenth anniversary of the first

Agreements), which was supposed to enhance the Mediterranean partnership through this ambitious European Neighbourhoods Policy, was a crude failure: whereas all UE states were represented by the head of their government, only two Mediterranean partners sent theirs. What are the reasons of this failure?

7.3.2 The shortcomings of the Barcelona process

The Barcelona Agreements, which entailed an economic chapter (enhance market economy and launch a free trade area in 2010), a political and a cultural chapters, had created a great hope. Ten years after, everyone can see the positive steps. First, the Barcelona process is a quite unanimously accepted policy. Its goals are shared by all the countries involved. Its procedures are making cooperation more natural; it is the only forum where European and South Mediterranean countries representatives – and namely where Israelis and Arabs officials – attend the same conferences. Second, the Association Agreements have become a well known framework for bilateral (UE/Med partner) and regional economic cooperation. Some have been signed very recently (Syria's is still to be confirmed) but many came into force several years ago (Palestine, Israel, Morocco, Tunisia and Turkey are the eldest). A set of technical committees and sub-committees ensure practical implementation of these agreements; they progressively build the habit of a partnership in the Region. Third, the institutionalisation of the partnership has gone a step further in March 2004, when the Euro-Mediterranean Parliamentary Assembly (EMPA) held in Athens its inaugural meeting. In 2005, the EMPA held its plenary session in Cairo, and the Anna Lindt Euro-Mediterranean Foundation for the Dialogue between Cultures (financed by all partner countries and the Commission), devoted to the civil society networking, intellectual and cultural exchanges, was inaugurated in April in Alexandria. Fourth, networking among civil societies through NGOs has developed North-South and also South-South.

But shortcomings are real too. They go far beyond the conflict between Israel and Palestine, beyond the effects of international terrorism or of the war in Iraq. First they are economic. Economic reforms remain insufficient in the southern shore of the Mediterranean. In these countries except in Turkey, the activity remains dominated by the rent economy, whether it stems from oil and gas, tourism, or foreign aid. Such a system explains why corruption is rampant. As we said, the economic gap between the two shores has been increasing in the last years, despite the Association Agreements. These are bad conditions to prepare a free trade zone, which

could be as dangerous for their balance of trade as the free trade agreement with the EU had been a decade ago for Turkey's balance.

Second, they are political. The South sees the ENP as a form of compensation for countries that would never be allowed to enter the Union. This is mostly the case for Turkey, but it is also true for the other countries. The ENP policy seems badly accepted because it was not created by a negotiation process between the South and the North like before the Barcelona agreements of 1995; the word of "neighbour" makes a really dissymmetric sound... In fact, the South sees more and more Europe as a fortress, with huge financial means dedicated to the promotion of the "integrated border management" in the neighbouring countries (e.g. Melilla's equipments financed by the EU) in order to fight against illegal immigrants. This strongly security-oriented treatment of the region's instability hampers the progress of democracy in the South, and hampers in the North the idea of a Mediterranean cooperation.

Third, they are geographic. The southern neighbours do not feel that the EU demonstrates a real integrated view of the region, encompassing both eastern and southern neighbours. They believe that the Union has a limited interest in the South of the Mediterranean compared to central and eastern European countries. Of course there is no clear consensual opinion in the southern shore that these countries should actively promote a common region with Europe. But all the same, the idea is rising that the new world context calls for regional groupings, to cope with eastern Asia or Latin America (see for instance the growing competition for food industry - including for "Mediterranean" products - that comes from the industrialised south American agriculture, namely Chilean and Argentinean). Such a regional grouping can not be just an extension of the Barcelona agreements of ten years ago. Obsessed by the security issue, the 2005 Barcelona summit did not propose any regional ambitious policies focused on key sectors such as sustainable water management, agricultural trade, qualifying migration and higher education.

Furthermore, the proposed bilateral cooperation (Action Plans) risks to jeopardize the regional Euromed partnership by reducing the multilateral actions of the former Barcelona process, and by diluting it in a vast ENP whose winners are most likely to be located at the East of Europe. What southern neighbours fear is a rising competition between them and eastern neighbours to catch the ENP subsidies.

Are they right? A piece of answer is given by the numbers of the past decade. The UE has spent six billion euros in the Barcelona process (table

21). But only a half have been really paid, because of weak capability of southern partners (namely Algeria and Syria) to fulfil the technical European requirements for applicants. Their capability has improved lately; besides, the UE has settled down a Delegation in each of these countries which ameliorates this administrative and technical relationship. But all the same, the difference between EU's subsidies to the South and to the East is striking. During the 1995-2004 period, the EU has spent 20 billion euros for the CEEC but only 3,2 for the Mediterranean partners. In other words, European's subsidies reached 27 € per inhabitant in the CEEC and less than 2 in the Mediterranean. We said that during the 2007-2013 period, the European funds for the ENP could almost double in comparison with the 2000-2006 period; subsidies to the Mediterranean partners could jump from 5 to 9 billions (not annual but for the whole period). But "could" only, because nobody has any certainty about the EU's budget and about the way the ENP Partnership Instrument will be spent.

Table 21 EU's subsidies to the CEEC and the Mediterranean partners (Annual average, 1995-2004)

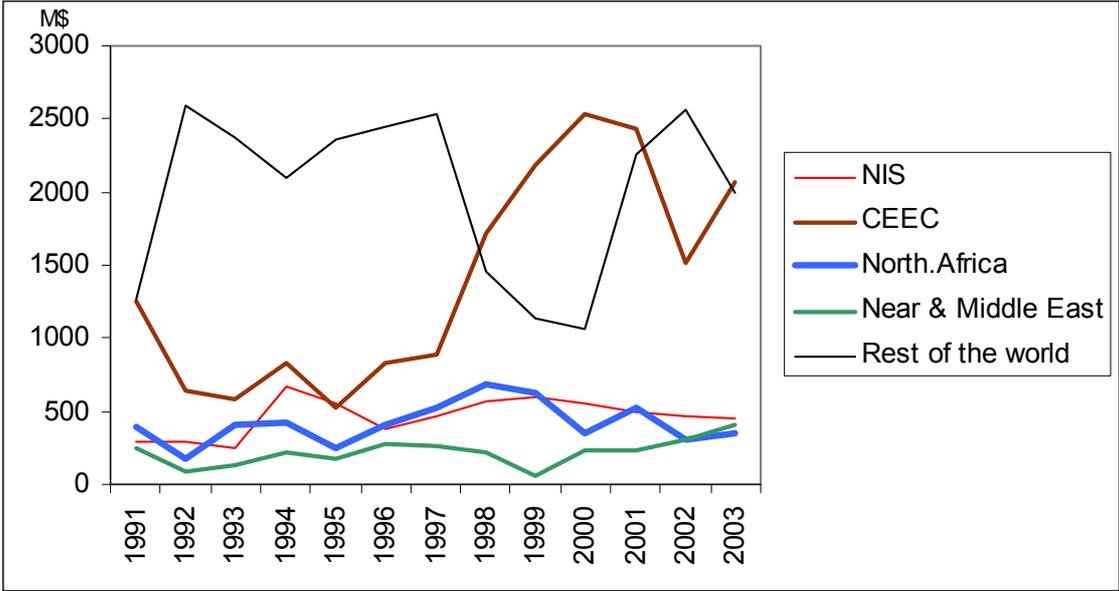
	million €	€/inhabitant
MEDA countries :		
-West Bank & Gaza	38,2	10,0
-Jordan	35,1	6,1
-Tunisia	48,6	4,8
-Lebanon	10,5	2,8
-Morocco	57,1	1,8
-Egypt	51,7	0,7
-Algeria	10,5	0,3
-Syria	3,9	0,2
Together	255,5	1,4
CEEC	1 996,7	27,0

Note. Regional cooperation MEDA funds (70 M € / year, spent for several southern countries altogether) are not taken into account. Source : European Commission

The figure 32 shows the rising share of CEEC in the geographical breakdown of EU's public aid. Recent data (see fig. 14) show that the fear of southern neighbours that the Mediterranean still would not be a strategic priority for Europe, is relevant. According to this criteria, the geographic priority is rather given to CEEC and NIS and to Africa (except Maghreb); then come Latin America; then only comes the MENA region – where US subsidies are impressive, of course in Jordan and Egypt but not only is these two countries – not higher than Central & South Asia.

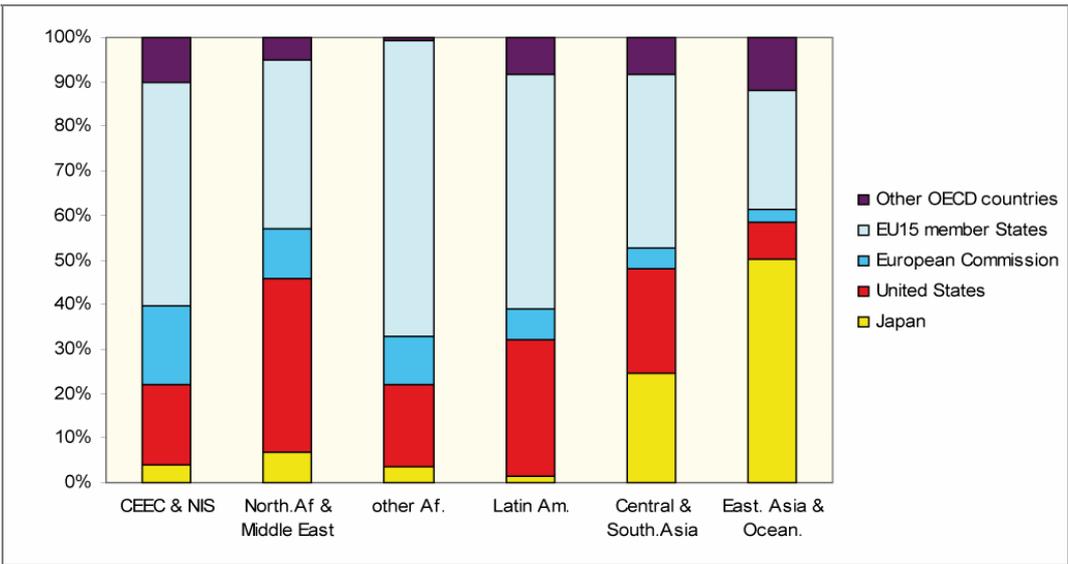
The surging idea in the southern shore of the Mediterranean is that during the actual decade the partnership with the EU could loose ground compared to the rising partnership between the USA and the Arab world (Broader Middle East initiative, free trade zones with Jordan and Morocco, etc.).

Figure 32 Commission’s development aid subsidies, by region, 1991-2003



Source : European Commission and OECD

Figure 33 OECD Countries’ public aid in 2003 and 2004. Breakdown by donors and beneficiaries



Source : Database D.A.C., OECD.

8 Key Question n°3-b, Europe and its neighbours – Net migration patterns

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Daniel Rauhut - ITPS/KTH

8.1 Convergence, divergence, factor endowments and mobility¹²

By using indicators of convergence and divergence it is possible to assess continuities and discontinuities in transition processes. According to neo-classical economic theory convergence is an indication of integration and better resource allocation. According to centre-periphery models, divergence between regions may be an indicator of increased integration – the 'backwash effect' is larger than the 'spread effect' (see e.g. Myrdal, 1957).

By analysing cross-border mobility of different types it is possible to find indicators of both integration and barriers. It also allows to find alternative or complementary indicators of both integration and barriers. Increased mobility – e.g. labour force or residential migration – is generally a sign of increased integration, especially if it is not a one-way process. Increased symmetric migration patterns in combination with convergence in income and wealth provide indications on a well-functioning integration process without abrupt discontinuities. Increased one-way migration in combination with divergence in incomes is instead a sign of an integrative process that is likely to result in spatial polarisation.

Decreased one-way migration in combination with convergence in incomes may be an indication of increased cross-border barriers but it can also be an effect of the integrative process. Asymmetric migration patterns are often a consequence of differences in incomes and job opportunities. Convergence in income and wealth hampers the push and pull factors and in turn, one-way migration.

¹² This first part is partly used in ESPON 1.1.3 "Spatial effects of the EU-enlargement" where ITPS participate as ECP.

The big problem in analyses of migratory movements between nations and World regions is the shortage of data with regard to origin and destination. One consequence is that flows are difficult to estimate and this has impact on analyses of convergence and divergence, of integration and disintegration, of symmetrical and asymmetrical migration patterns. This also means that much of the analysis must be hypothetical and theoretical based on available data. In a project like "Europe in the World" this means that existing data over net-migration – both total number of people and net-migration rates - will be the point of departure for description and analyses. More detailed analysis is possible only for selected states and is presented in case studies (Cf. case study n°1).

8.2 World Migration Trends

Migratory movements have existed since pre-historic time. Distance, origin and destination of place have changed and the same is true for the numbers of migrants and the motives behind the decision to move. International migration is, thus, part of a trans-national transition, which is reshaping societies and politics around the globe. Over the last few decades, four major areas of immigration have emerged: North America, Australia, Western Europe and the Arab oil countries. Historically, countries like USA, Canada, Australia, New Zealand and Argentina have been the targets for large-scale immigration. During the past 20 years USA, Canada and Australia have experienced new large-scale immigration, particularly from Asia and Latin America. Northern and Western Europe experienced a large-scale labour migration between 1945 and 1970. Today this area attracts mainly immigrants from Africa, Asia, Latin America and the Caribbean Islands. The oil-rich Gulf countries, particularly Saudi Arabia and Kuwait, have become major magnets to immigrants from the Arab World, Africa and Asia since the rocketing oil prices in the 1970's (Castles & Miller, 1994). They are therefore direct competitor of Europe for the attraction of migrants in the Euromed area.

The figure below (figure 34) illustrates to some degree the description above.¹³ Northern America has been the dominant receiver of migrants during the second half of the previous century and seems to continue to be so even in the forthcoming decades. It must be kept in mind in the analysis of the figures that Northern America is dominant both with respect to the relative size of net in-migration and total number of in-

¹³ The description is based on data from UN Population Division. World Population Prospects: The 2004 Revision. This means that all data and trends are not explicitly shown in the text.

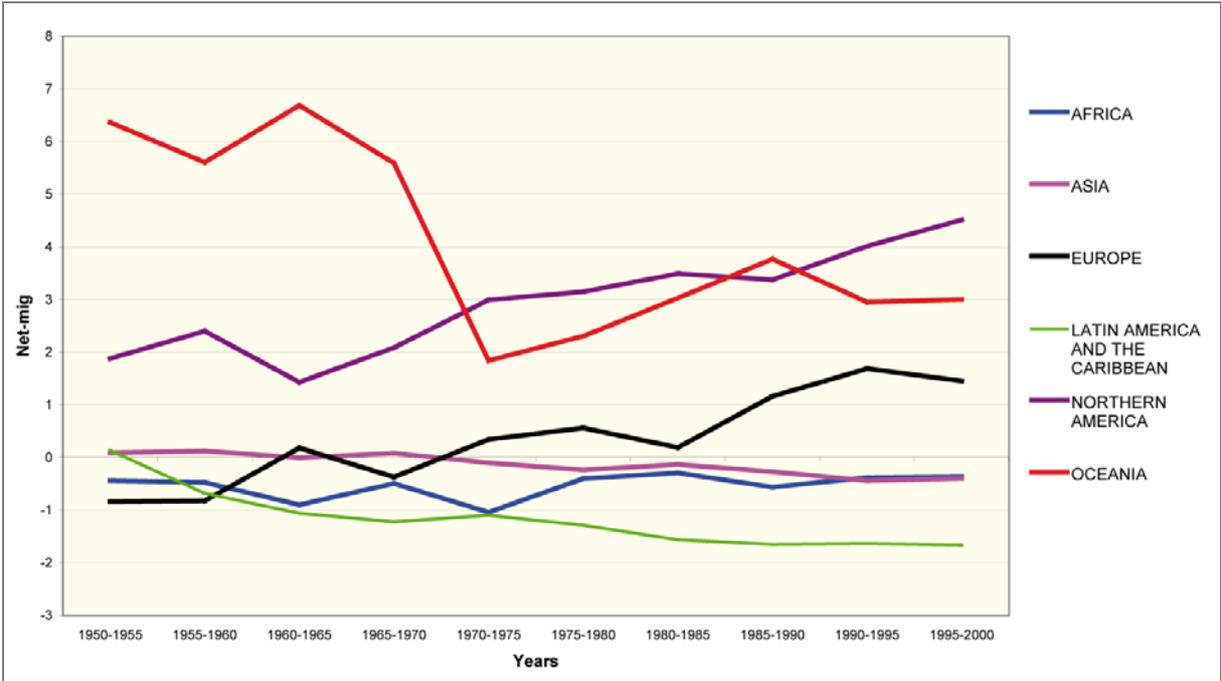
migrants. Latin America is the largest net emigration area in relative size but Asia is the largest one with respect to the size of the emigration deficit. Even if data hide destination as well as origin of the migratory movements it seems obvious that the flows still – besides wars and catastrophes that cause forced and impelled migration – are dependent of the economic situation in the sending and receiving regions. The flows are one-way or asymmetrical in the sense that areas of origin mostly are included in the less and even less developed parts of the World and the destination areas often seem to be the more developed regions. It is perhaps not only a qualified guess that many of the migrants from Latin America are people from Central America with destination Northern America and that many of the African migrants are leaving for Europe. The Asian emigrants are moving both to Northern America and Oceania (people from the eastern part of Asia) and to Europe (people from the western part). The latter seems to have been increased during the last decades as a consequence of wars and social conflicts.

From a European point of view it is interesting to note that the region experienced net-emigration during the 1950s and the second part of the 1960s. From the beginning of the 1970s the trend has been positive even if there have been some drops in the growth rate during 1980-1985 and 1995-2000. The trend "explains" 87 percent ($R^2 = 0,8677$) of the growth of the European net migration rate and 85 percent ($R^2 = 0,8503$) for Northern America – both of course with a positive slope. This can be compared with the development of the net-migration rate for Oceania that all the time has been positive but much more fluctuating. Here the trend variable "explains" only around 55 percent - $R^2 = 0,5323$ or $R^2 = 0,5822$ (Ln) - of the development and the slope is negative. The upward curves in Northern America and Europe have, thus, been smoother than the more fluctuating ones in Oceania.

The corresponding values for the regions with negative net-migration are for Asia $R^2 = 0,8873$, for Latin America $R^2 = 0,9449$ (Ln) and for Africa $R^2 = 0,1031$. For Asia and Latin America the slope was negative while it was positive for Africa but with a very low "explaining power". Even if the net-migration rate regarding has been negative and low it is obvious that the economic, social and political disruption and disorders on the African Continent have resulted in relatively sharp fluctuations in the net-migration rates over time.

From figure 34 it seems obvious that the World is not more integrated today compared to fifty years ago with regard to symmetrical migration patterns, at least if these are based on net-migration figures. Instead, World regions with negative net-migration rates are still in the same position and the developed regions have higher net-migration rates. This implies instead that the asymmetrical one-way migration patterns have been accentuated during the second half of the previous century.

Figure 34 Net-migration rates (per thousand) 1950-2000. Average annual rates.



Source: UN Population Division. World Population Prospects: The 2004 Revision.

8.3 The 1990s - new migration patterns?

Migration is of more importance today concerning population development as a consequence of fertility decline and the decreasing effects of natural population on the development of total population. This is especially relevant for the European population development and seems to continue to be so even more during the coming decades.

Soviet Bloc and even Yugoslavia get admission to Western Europe as asylum-seekers.

The migration pattern also seems to have changed during the past decades. The existence of dual labour markets in combination with irregular migratory movements stimulate results in a situation where the migrants fill the "three D" jobs – jobs that are dirty, dangerous and degrading. These are jobs that domestic people are not willing to take and despite unemployment in the destination country – at least in developed countries – it seems to be relatively easy for migrants to find jobs in the "three-D" labour segments (Taran, 2005). On the other hand, foreigners in these sectors are more vulnerable to economic fluctuations and unemployment than nationals. This seems, however, to be not only a business cycle phenomenon – instead there have been a long-term rise in the share of unemployed foreigners compared to nationals during the past decades. It also seems that it is more difficult for foreigners to find a new job when better times come. Low-skilled, manual workers – often males – in declining sectors and branches seem to have little chance to be re-employed (OECD SOPEMI 1997-2004).

Gender patterns and labour market conditions are of great importance to international migration and about half of the population are women. Already in 1960, the female share was 47 percent of the migrants. In 2000, the corresponding share was 49 percent. There seems, however, to have been a change in the motives – from being "passive players" accompanying their husbands they are now more or less migrants on their own "premises". Increased family unification has contributed to the rise in the female share in the developed countries and the social and economic situation for women with access to a lot of educational and employment opportunities have also stimulated women migration to especially Europe and Northern America (Zlotnik, 2005). The gender-segregated labour market and clandestine migration results indicate however that women seem to work more in grey and unregulated service sectors than men. The feminisation of international labour migration is partly a consequence of the growth of the unregulated and gender-segmented labour market that results in growth of female jobs in e.g. agriculture, domestic work and the sex industry, etc (Taran, 2005). Even if the growth of international migration has slowed down a bit during the 1990s, the pattern has been changed. In this sense it is not wrong to talk about new migration patterns where females are more frequent among the labour migrants and the segmented dual labour market obstacles result in a polarisation and segregation like that in the developed vs. developing part of the World.

The segregation process within the developed countries has been accentuated as a result of migration. This is also in line with the dual labour market theory, where it is implicitly argued that few well-educated and highly skilled persons, well rooted in the native labour market, should migrate to another country and accept jobs with low wages, poor working conditions and lack of career opportunities. Instead, low skilled and low educated labour will be more interested in moving since they will not get better jobs as stayers and moving to another country doing the same kind of job will at least give them prestige 'at home' (Piore 1979).

8.4 Future migration -Tendencies

When comparing the global migration movements, Castles and Miller (1994) identify four general tendencies, which are likely to play a major role in the coming 20 years for migration and migration patterns:

Globalisation of migration: the tendency is that migratory movements affect an increasing number of countries. The immigrants come from countries farther away from the host country and the immigration countries host entrants from a broad spectrum of cultural, economic and social backgrounds.

Acceleration of migration: migration is growing so rapidly in volume in all major regions at the present time, which increases the urgency and difficulties for government policies.

Differentiation of migration: most countries do not have one type of immigration – e.g. labour immigration, refugee immigration, family reunion immigration, student exchange programmes or permanent settlements – but a whole range of them. This differentiation presents a major obstacle to national and international policy measures.

Feminisation of migration: historically labour migration and refugee migration was dominated by males, and family reunion migration by females. Since the 1960's this has begun to change. Today women constitute a majority of the World labour migrants and the share of women among the refugee migrants is increasing.

8.5 Migration flows and possible sender countries

Recent research indicates that the European immigration flows head for the “pentagon” London-Paris-Milan-Munich-Hamburg-London, while peripheral parts of the European Union face population decline and depopulation (ESPON 1.1.4, 2005). The immigration flows are oriented, in general, to the metropolitan areas (Vandermotten et al. 2004).

Many of the European Union new member countries are considered to be potential senders of labour. The effects of ageing are so marked in these countries that a majority of the immigration to the European Union must be directed to the new member countries (Gaspar et al. 2005).

The two biggest countries in the World, in terms of population, are China and India. With populations of more than 1 billion each, it is natural to analyse the potential of these countries to supply the Western World with labour. The enlargement of the EU, with the Eastern and Central European countries becoming members, will increase the labour force within the Union. The Russians are also mentioned as a labour reserve since they have a relatively high level of education.

Two areas that develop in the opposite direction, and which have population growth, are Western Asia and Northern Africa.¹⁴ The immigration of refugees from Western Asia to the rest of the World has not been insignificant, and western countries could take advantage of the migration flows that have already come from this region. North Africa has already established migration flows to, mainly, France, Spain and Italy. If these countries do not want to accept any more immigrants from Northern Africa, it ought to be possible for other western countries to attract them (Rauhut 2004).

Latin America consists of former Portuguese and Spanish colonies, as well as a large group of ethnical Asians. It is possible that migration to the old ‘mother countries’ will take place in the future. Besides this, many Latin Americans have emigrated for Northern America over the last decades (OECD 2004).

¹⁴ The regional distribution follows the division by the World Population Prospects Population Database. Western Asia includes the following countries: Armenia, Azerbaijan, Bahrain, Cyprus, the United Arab Emirates, Georgia, Iraq, Israel, Jordan, Kuwait, Lebanon, the Occupied Palestinian Territories, Oman, Qatar, Saudi Arabia, Syria and Turkey. North Africa includes the following countries: Algeria, Egypt, Libya, Morocco, Sudan, Tunisia and Western Sahara. This differs to the WUTS4 delimitation that is used later in this chapter.

8.6 Europe and its Neighbourhood - WUTS4-development

We propose in this section to use the harmonised system of world division (WUTS) which has been established by ESPON project 3.4.1 in order to present the internal and external differentiation of European territory in terms of migratory trends. We have chosen here the level WUTS4 that is the most relevant for the analysis of Europe and its neighbourhood.

Figure 36 shows the development of net-migration in the European countries and the European neighbourhood according WUTS4-delimitations. When analysing the figures for the various regions it must be kept in mind that immigration from the countries within the region is eliminated in form of zero-sum estimation. This is, however, not done explicitly – instead it is the residual after summing up the included countries' net-migration that constitutes the net number of immigration or emigration of the regions. The conclusion is that the estimations say nothing about origin and destination.

Europe has experienced net-migration during most of the five-year periods since 1950. The exception is the first decade (1950s) and the second half of the 1960s when the net-migration rate was negative. In the beginning of the 1980s the net-migration surplus concerning Europe was accentuated and during this and the following decade many refugees came to Europe. This was also the case during the earlier decades – especially the 1970s – when a lot of people from Latin America came to Europe.

Within Europe it is West Central Europe (W1112) that has the highest net-immigration rates during the whole period since 1950. West Central Europe has also experienced a positive net-migration rate all the time and the highest net-immigration most of the periods. The highest values were during 1960-1965 and 1990-1995. In the first period the level seems to be a combination of labour import and political upheavals – especially France seems to be the destination for many immigrants from the Maghreb-countries. It is also apparent that the Maghreb-curve in many cases changes in the opposite way compared to the West Central European curve during most of the periods.

Good times stimulate migration and vice versa. The West Central European economies were still expanding after WWII and it was not until in the end of the 1960s and beginning of the 1970s that this long-term upswing trend was broken. Much of the upswing in net-migration during the second half of the 1980s and first half of the 1990s can be explained by wars and political disorder. The collapse of the Soviet Bloc and the upheaval of Yugoslavia and the following wars resulted in huge migratory flows with lot of impelled migrants and refugees with destination to West Central but even to Northern Europe.

Northern Europe (W1111) has experienced a similar development as West Central Europe but at a lower level. The up- and downswings are often in the same direction and it is only during the 1970s that the curves differ in direction and in the beginning of 1980s the gap was almost closed. The 1970s was in many European countries characterised by recession as consequence of primarily oil shocks, higher prices on raw material and a restrictive economic monetary policy – the concept of stagflation was introduced that combined high unemployment with inflation. That bad times result in low migration rates is a well-known fact and this has of course also implications on net-migration rates as the pull-factors will be of less importance and the push-factors will be upgraded.

The most dramatic and spectacular development is to be found in Southern Europe (W1113). During the 1950s and 1960s this part of Europe had huge net-migration deficits. It was not until the end of the 1970s that Southern Europe became an immigrant European region. Southern Europe was a labour force reserve for the expanding economies in the Northern and West Central Europe where labour import was a central ingredient to get rid of the bottlenecks in the industrial production. Southern Europe can, thus, be characterised as labour export countries at least up to the end of the 1970s. After the end of the 1970s Southern Europe has continuously experienced net-immigration except for the first half of the 1980s.

East Central Europe (W1121) is even more complex with respect to migratory movements. The problem here is that the region consists of states and Soviet republics that were on the 'other side' of the Iron Curtain. This means that some of the migratory flows before the breakdown of the Soviet Union were classified as internal migration even if UN – that is the basis for the estimations here - today has estimated the external migration rates of the former Soviet Republics. These countries –

the Baltic States - had an immigration surplus until the end of the 1980s but huge emigration deficits during the 1990s. Poland – that is the largest country in East Central Europe – experienced, on the other hand, net-emigration during all periods since the beginning of the 1950s.

The interpretation of the development in the Balkans (W1122) is also difficult. Like East Central Europe it consisted of countries within the former Yugoslavia and countries as Bulgaria and Romania that were more or less associated to the Soviet Bloc and Albania was a more or less a closed centrally planned economy. As Yugoslavia was the largest country in the Balkans (excluding Turkey) and also the only one with a more and less constant emigration surplus much of the emigration is synonymous with labour export from Yugoslavia to the European economies at least up to the 1980s (see the part concerning the country profiles below). During the 1990s everything changed – the collapse of Yugoslavia and the following wars, the breakdown of the socialist economies in Albania, Bulgaria and Romania resulted in huge migratory movements that were destined to the other European regions. The effects of the decreased turbulence can also be seen in the diminished net-emigration during the second half of the 1990s.

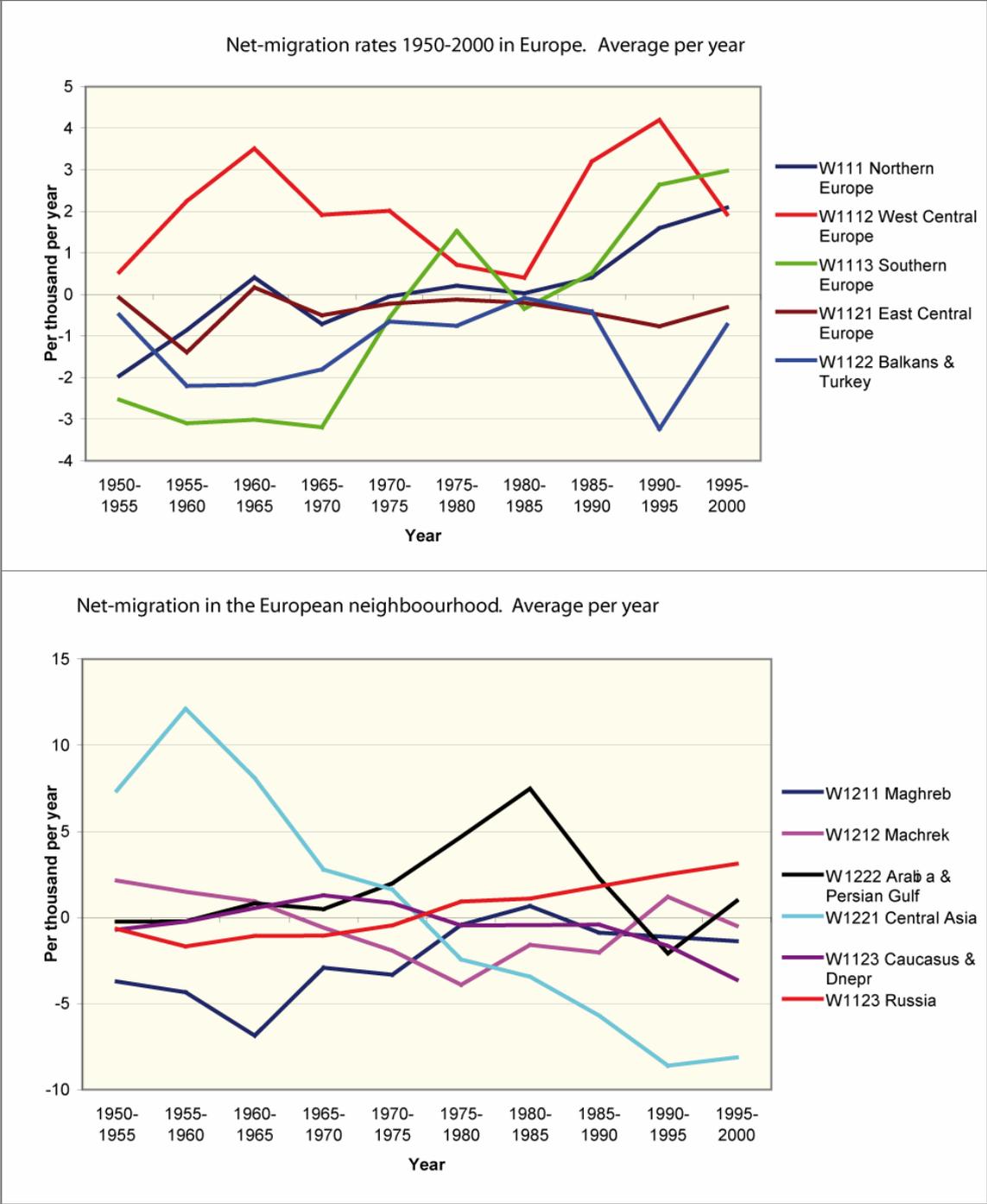
Turkey is the largest country in WUTS 1122 and this has consequently impact on the curve for the W1122-region. Turkey has experienced a net-emigration during almost all periods after WWII and many of the emigrants moved to Europe both as labour force and refugees. In this sense there are many parallels to the migratory patterns of former Yugoslavia.

Considering the development in the Neighbourhoods is at least three things must be considered. The first is the special migration pattern of the Maghreb-countries (W1211) with its strong connection to Southern Europe and the especially to France.

The second is the turbulence in the Machrek-area (W1212) with wars, upheavals and chaos and despite of this a huge immigration to Israel and Jordan. On the other hand, the continual militaristic and warlike situation seems also the have stimulated emigration from at least some of the countries as Palestine and Lebanon. Region characterised by wars, famines and chaos are often net-emigration areas but Machrek can't be typified according this form as there are too many divergent paths.

The third – and perhaps the most important – thing outside Europe (W1111-W1122) is the break down and the following break up of the Soviet Bloc. This had impact on all European regions as well as the new states emanating from the former Soviet Union. Concerning Russia, this seems to have resulted in an accentuated immigration and many of these immigrants are certainly Russians or people with citizenship in the former Soviet Union. Russians living in the Baltic States return to their home country and this seems to be valid even for people in Central Asia and even from new states as Armenia, Azerbaijan and Georgia in the Caucasus area. Many of these people move westwards but this had no impact on the immigration surplus concerning Russia.

Figure 36 Europe and its Neighbourhood. Net-migration rates 1950-2000, WUTS4-estimations based on UN-data. Average annual rates.



Source: UN Population Division, World Population Prospects: The 2004 Revision, February 2005.

8.6.1 Europe - country profiles

In Figure 37 to 41 migration rates between 1950/55 and 1995/2000 for countries in five European WUTS4-regions are shown. It must be kept in mind that it is national rates that are estimated and these include migratory movements between the countries within the five European WUTS-regions.

The first figure illustrates the development in *Northern Europe (WUTS1111)* and some interesting points can be worth mentioning. The most spectacular development is that for Ireland. From a typical emigration country Ireland is today an immigration country even if the transition has not been straightforward. It is a well-known fact that many of the Irish emigrants moved to UK and when net-migration became positive it is easy to assume that many of the immigrants were people who returned to Ireland, and also a lot of British people moved there. As an indication of this it can be mentioned that in 1994 almost half of the foreigners that moved to Ireland were of British nationality (47 percent). This share fell continuously during the second half of the 1990s and in 2002 it was 17 percent. Instead Ireland became a country for immigrants from countries outside EU15. In the middle of the 1990s (1995) 72 percent of the foreigners that moved to Ireland came from the EU-countries. This share dropped to 38 percent in 2002. This indicates that Ireland became an immigration country even for other than EU-members (including British migrants) – in 1995, 34 percent came from countries outside EU15. The corresponding share was 62 percent in 2002 (OECD, SOPEMI 1997-2004).

From an integration point of view it is interesting to study the net-migration development in Finland and Sweden. In the middle of 1950s (1954) a common Nordic labour market (except Iceland) was established. The most immediate and largest effect was on the migration pattern between Finland and Sweden. At least up to the end of the 1980s there was a strong correlation between the migratory movements between the two countries (Berglund & Johansson, 1995). This can also be seen from Figure 37 where the net-migration rates in the two countries developed in opposite direction to each other. In both directions it was people from Finland that were the mobile part and reacted on the economic fluctuations much more than the Swedish migrants. This is valid for both emigration from and return migration to Finland. During the 1990s, this cyclical pattern seems, however, to have disappeared. Instead it has been

non-economic factors that has steered the migratory movements in the two countries, and especially then in-migration to Sweden. This is also true with regard to the other Nordic countries even if economic factors seem to have had some impact on migration between Sweden and Norway during the 1990s.

Luxembourg is the most international country in Europe with regard to relative share of inhabitants from abroad. This is also indicated by the net-migration rates for the countries in *West Central Europe (WUTS1112)* where Luxembourg often has the highest (positive) net-migration rate. It is also obvious that the small size of the country has impact on the net-migration rate. Small countries are more vulnerable to internal and external factors than large countries.

Another country with large fluctuations in the net-migration rate during the second half of the last century is Switzerland. This country shows, in contrast to Luxembourg, also negative values during some periods – during the economic stagnation in the European economies during the 1970s. If this is the most important factor is, however, difficult to say but some impact on the migration rate it probably had. All countries in West Central Europe except the Netherlands had, by the way, a slow-down in the net-migration rates in the 1970s and both Belgium and Germany experienced negative migratory balance during the first half of the 1980s.

During the second half of the 1980s and first part of the 1990s all curves show a positive development. These years were characterised by wars, conflicts and the collapses of the Soviet Bloc and Yugoslavia. All these factors resulted in a stream of impelled migrants and refugees and many of these came to the countries in West Central Europe. In Germany, for example, more than one fourth of the inflow of foreigners came from former Yugoslavia 1993. Many immigrants to Germany also came from neighbouring countries disturbed by upheaval and transition – Poland (11 percent 1992), Romania (9 percent 1992) and Russia (3 percent 1993).

In the second half of the 1990s the political and economic situation had been more or less “normalised” in East Central Europe & Balkans and the net-migration surpluses were reduced even if they were still positive for all countries. Many of the former immigrants and refugees returned also to their home countries and the inflow of people from abroad was reduced. It seems relevant especially for the immigrants from the former Yugoslavia

where the stream of people was drastically reduced. In Germany, once again as a case, the inflow of people from the Federal Republic of Yugoslavia dropped from 142000 in 1993 to 28000 in 2001 and from Bosnia-Herzegovina from 107000 in 1993 to 7000 in 1997 – a decrease by 100000 in four years.

France seems to have quite another immigration pattern. A high share of the inflow of foreigners came from the Maghreb-countries. In 1993, 31 percent came from these countries (excluding Libya) - Morocco 14 percent, Algeria 13 percent and Tunisia 4 percent. The same pattern existed also in beginning of the new century – the Maghreb-countries' share was 32 percent 2001 and the order between the countries was the same.

Southern Europe (WUTS1113) has changed from being a typical emigration region to being an immigration region. All six countries show the same development path even if there are some differences in timing and size of the fluctuations. Especially Cyprus – a small country – and Portugal differ from the common more straightforward development. Even if all six countries have a net-migration surplus at the end of the 1990s, these two countries have more ups and downs compared to the other four and immigration deficits last longer. On the other hand, Portugal was the first country in the region that had positive net-migration after 1950. It was during the 1970s that Portugal had an immigration surplus and one explanation is that many people from the colonies returned to Portugal after the liberation of the colonies.

Otherwise, one major explanation to the upward trend for the Southern European countries seem to be the diminishing gap in living standard and economic conditions between Southern Europe on the one hand and Northern and West Central Europe on the other. In this case it seems to be without doubt a convergence process that has resulted in more symmetrical migration patterns at least between the regions within EU15. Instead, it looks like that the divergence tendencies in the EU are more apparent within some countries outside the central EU-area (see e.g. Button and Pentecost, 1999). This appears also to be valid with regard to Southern Europe (see e.g. ESPON 1.1.4 Final Report concerning migratory movements).

Seven of the eight countries in *East Central Europe (WUTS1121)* were integrated in the Soviet Bloc and three of them – Estonia, Latvia and Lithuania – were Soviet Republics. Slovenia – the eighth country – was a part of Yugoslavia. These facts mean that it is more difficult to interpret the estimates regarding migratory movements from UN than it is for other countries. Despite this reservation it is necessary to use these figures as there are no other sources on aggregate level available.

Some common patterns with regard to net-migration can be found. It is only Poland that has been an emigration country all the time. Most of the countries have been immigration countries, especially the Baltic States which were one of the most developed part from Soviet Union. Up to the end of the 1980s it was probably Russians that constituted the immigration surplus to these states. Even in the other countries with the exception of Slovenia most immigrants were probably Russians even if there was also some circulation between countries in the bloc. Concerning Slovenia most of the immigrants probably came from other parts of Yugoslavia because, as in the case of Baltic countries inside USSR, it was the most developed part of the federation. After the disintegration of Yugoslavia there have also been some return migrants in the immigration stock.

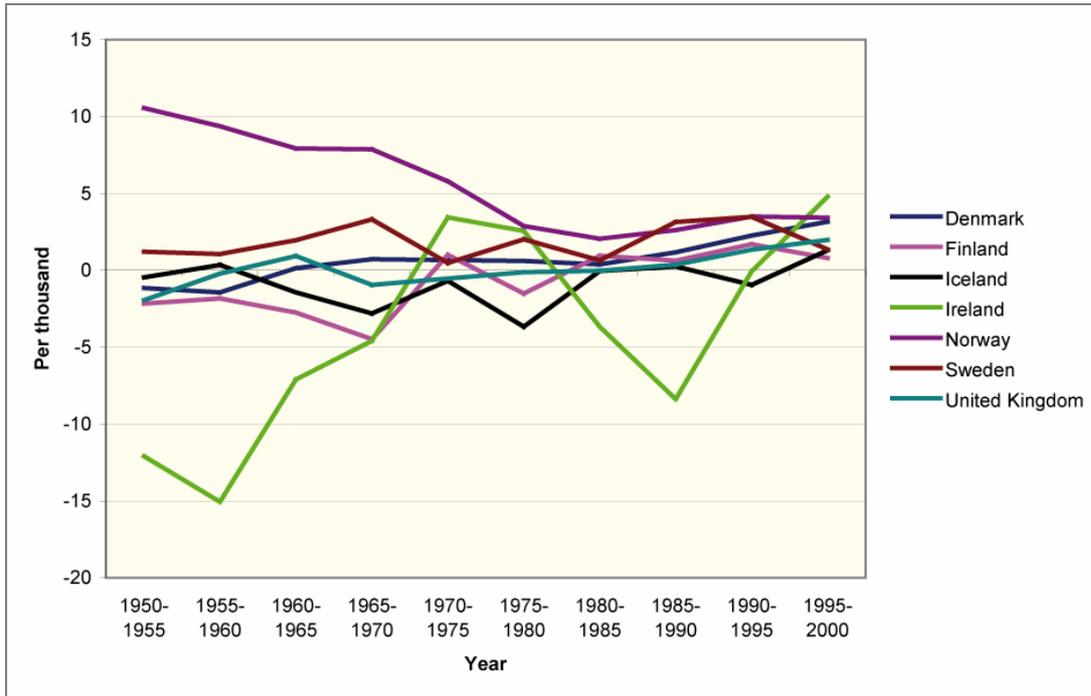
The upheavals and disorders that started in the end of the 1980s and continued during the first part of the 1990s in the East Central Europe resulted in a sharp fall in the immigration surplus for the Baltic States. Russians that returned to the home country dominated this huge emigration wave. The emigration deficits during these years were so large that it resulted in a population decrease in the Baltic States. It can also be mentioned that all other countries – except Poland – continued to have an immigration surplus during the 1990s.

The migration development during the 1990s in *Balkans and Turkey (WUTS1122)* was also dominated by the closedowns of the socialist planning economies and the chaos and wars in Yugoslavia. During the period up to the beginning of 1990s the net-migration rates were relatively unwavering, both the positive and negative rates. Croatia was an exception as it changed from being an emigration part of Yugoslavia to be an immigration part. After a sharp rise in the beginning of the 1990s Croatia changed to be an emigration country once again in the second half of the 1990s.

The most drastic and desperate development is to be found in Bosnia-Herzegovina. This part of Yugoslavia was worst hurt by the war and the result was a huge outflow of people to other parts of the World and especially then to other parts of Europe. During the first half of the 1990s Bosnia-Herzegovina lost one fourth of its population by emigration. Some of these returned during the end of the 1990s and this can also be seen in the positive net-migration rate. The migration surplus was, however, not as large that it compensated for the outflow of people during the first part of the decade.

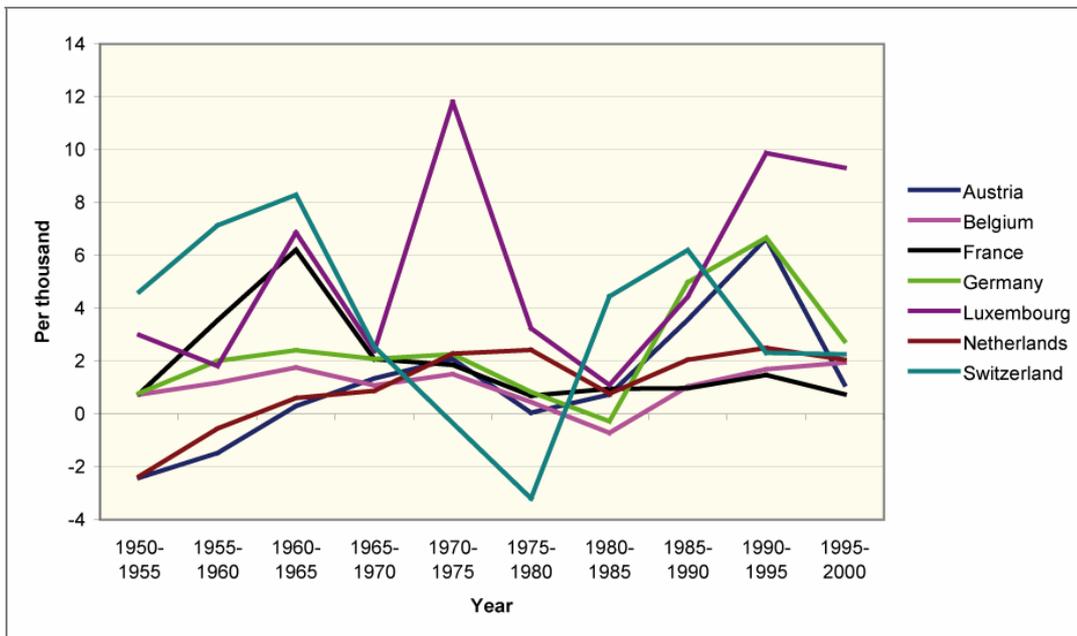
Turkey is the largest country in WUTS 1122. A lot of Turks are living in Europe – especially Germany has a big Turkish community – but perhaps surprisingly, the migration rate has regularly been relatively small but changing from negative to positive. It was during the 1960s and 1970s that the huge emigration deficits existed and during this time the labour import to Europe was in zenith. A lot of asylum seekers also went westwards in order to find a better place to live in. During the last decades of the 20th century the net-emigration has changed to net-immigration and among these there ought to be some return migrants but probably even refugees from the surrounding areas.

Figure 37 et-migration rates 1950-2000 for countries in W1111 Northern Europe,



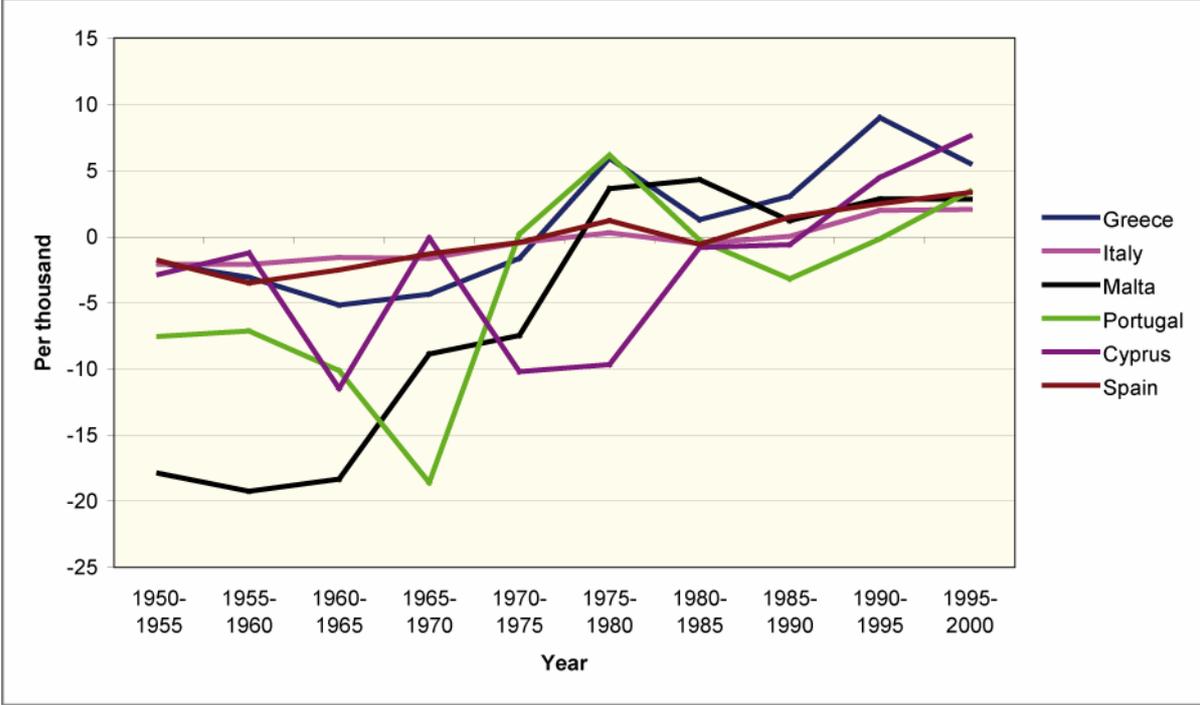
Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

Figure 38 Net-migration rates 1950-2000 for countries in W1112 West Central Europe



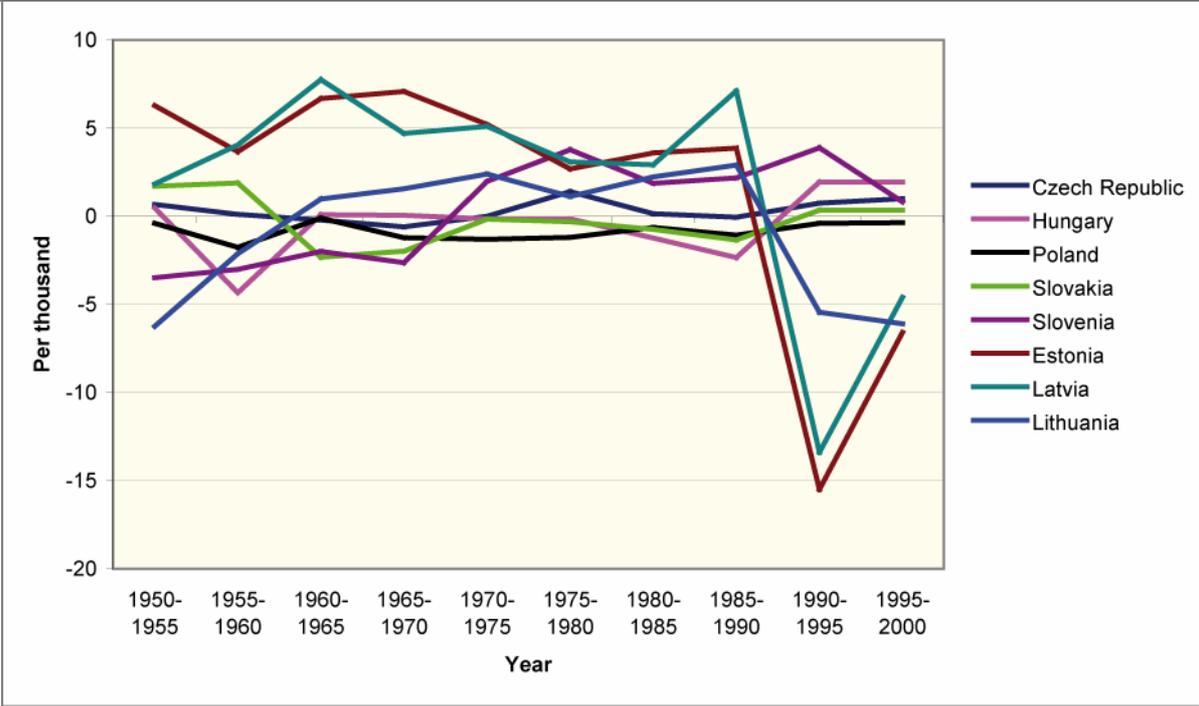
Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

Figure 39 Net-migration rates 1950-2000 for countries in W1113 Southern Europe



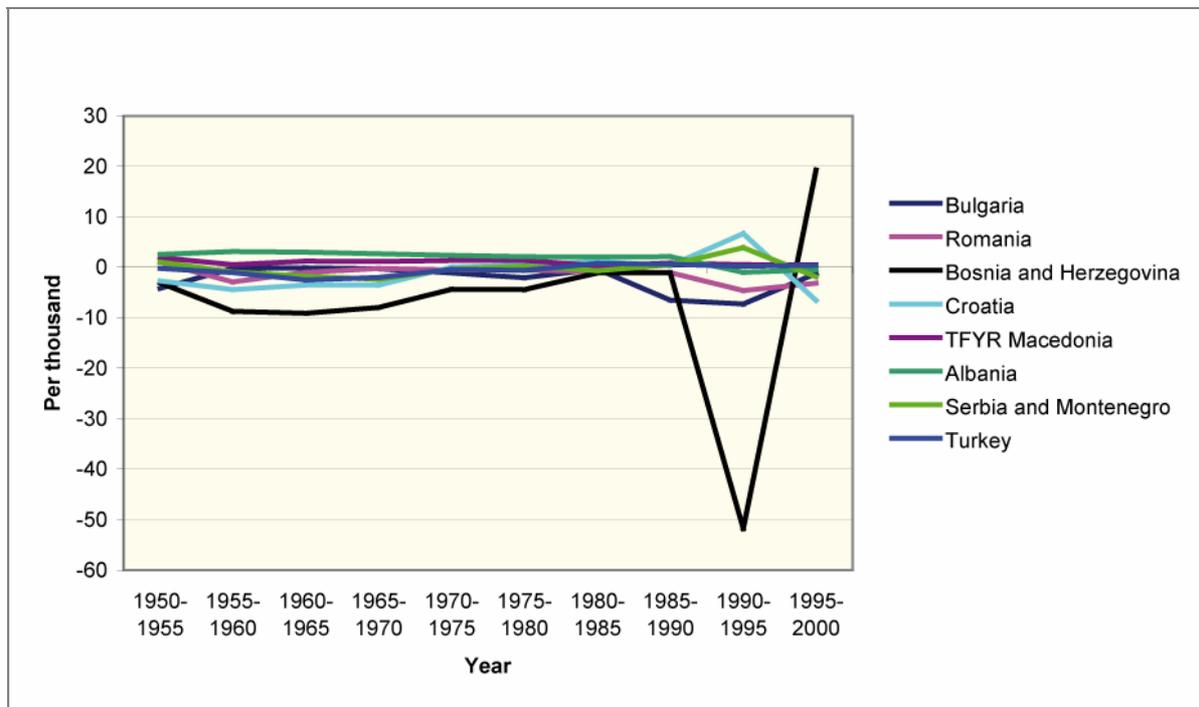
Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

Figure 40 Net-migration rates 1950-2000 for countries in W121 East Central Europe



Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

Figure 41 Net-migration rates 1950-2000 for countries in W1122 Balkans and Turkey.



Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

8.6.2 Neighbours- country profiles

The net-migration development in the European neighbourhood – according to the WUTS-delimitations – is shown in figures 42 to 45. The first diagram that shows the development in countries that earlier were involved in the Soviet Bloc (*Caucasus and Dnepr, WUTS 1123*) reminds of the development in East Central Europe. During the period up to the end of the 1980s the net-migration rates were relatively stable but during the 1990s they began to drop. Especially sharp was the fall in Armenia and Georgia and the explanation is probably the same as for the Baltic States – the Russians returned home. The three Caucasian states - Armenia, Azerbaijan and Georgia – are, however, localised in an area with wars, conflicts and disorder – things that hamper immigration and stimulate emigration.

Belarus – on the other hand – shows an upward trend regarding net-migration. From being an emigration part of Russia it is today a country with some net-immigration. The opposite is valid for Moldova – from being an immigration part of the Soviet Block it is now a country with a relatively high emigration deficit. Moldova is a small country with low living standard – one of the lowest in Europe – and many people seem to try to find a way out the situation by emigration westwards. Ukraine is another country that has transferred from being an immigration to an emigration country. In this case it is probably the Russians that have returned but also migration westwards can be one of the explanations.

One indication that many Russians went back home during the 1990s is also that *Russia (WUTS 1124)* shows a small but constant upward trend (migration rate reversing from negative to positive after 1975) during almost all periods but that this has not been broken and reversed after the fall of the Iron Curtain. Instead it seems to develop in the same way as before. Even if the net-migration is small it must be kept in mind that Russia is a large country with a lot of people. This means that even small changes have big effects on the number of movers.

The *Maghreb-countries (W1211)* experience different migration patterns during the second half of the 20th century. During this time many political events took place and these countries lost their colonial ties during the 1950s. The ties – especially towards France have not disappeared and this also means that the largest groups of foreigners in France are from three of the four Maghreb-countries. It is only Libya that is not well represented among the immigrants in France. Morocco, Algeria and Tunisia also have negative migration rates during all periods since 1950. Libya, on the other hand, shows quite another pattern. In this case the immigrants are probably coming from the surrounding countries in Africa.

Machrek (WUTS1212) is also region that has been characterised by wars, conflicts and turmoil during all the time since WWII. The region includes both Israel, Palestine, Jordan, Syria, Lebanon and Egypt and estimating the number of migrants must be connected with a lot of problems and especially if origin and destination shall be included. Despite this it seems obvious that Israel has had a migration surplus during all the time since the nation was founded. There also seems to be two peaks in the net-immigration rates – one during the 1950s and 1960s and one in the beginning of the 1990s. Here, it must be remembered that it is problematic to compare the rates in growing countries – the same rates

show quite different sizes of net-migration. The high rate 1950/55 corresponds to an immigration surplus of 77000 persons annually while the lower rate 1990/95 – half of the level 1950/55 - corresponds to 97000 persons.

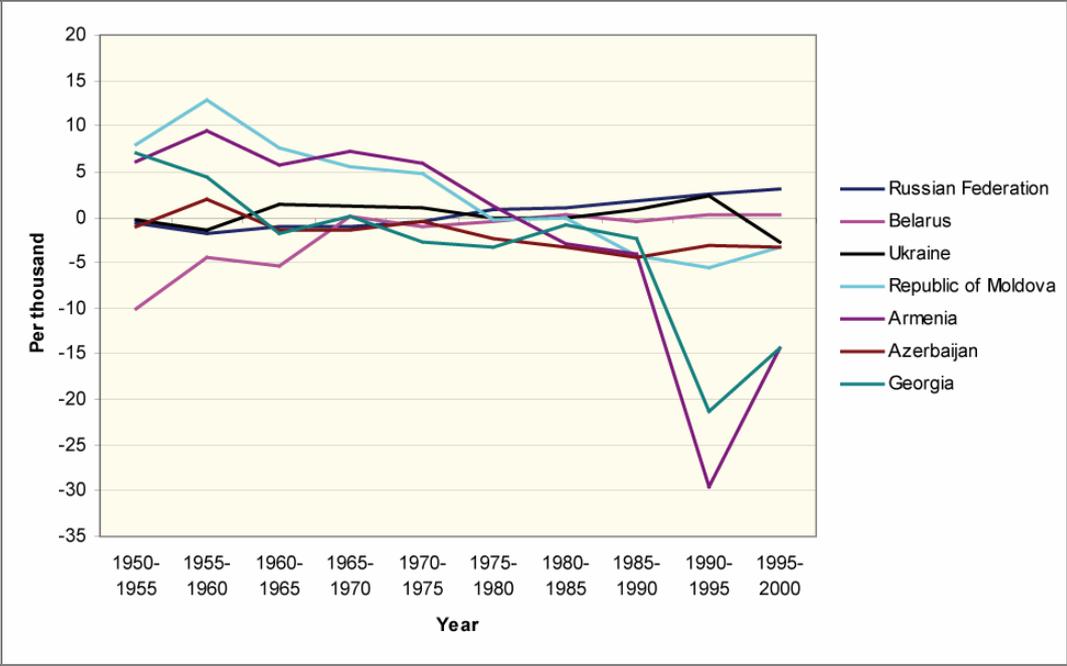
The other countries with the exception of Egypt have very fluctuating migration rates. The Palestinian migration rate has, however, been relatively constant since the beginning of the 1970s despite all wars, conflicts and riots that have been going on all the time. Egypt, with its large population, has had a relatively stable net-migration rate since the beginning of the 1950s and since the beginning of the 1970s it has been negative. Despite its small level the net-emigration is large counted in number of people. In the second half the 1970s it was 150000 persons annually on an average and during the second part of the 1990s the migration deficit was 100000 persons yearly on average.

All the three countries in *Central Asia (WUTS1221)* - Kazakhstan, Turkmenistan and Uzbekistan - have experienced long-term negative development with respect to the migration rates. One explanation to this development can be the one that is used to explain the positive development in the Soviet Republics up to the 1970s – that many Russians moved to these regions in order to work and stimulate the development but even to integrate them in the Soviet Union - a form of “Russianification”. If it is so or not is a question that can’t be answered in this chapter. It needs much more intensive studies and this is true for the former Soviet Republics, too. From this hypothesis it follows that after the collapse of the Soviet Bloc many returned to Russia or used their Soviet passports to move to Russia and further on.

Arabia and the Persian Gulf (WUTS1222) consists of four large and five small countries regarding population size. This also means that the net-migration rates are fluctuating as they are vulnerable to relatively small changes in the number of immigrants and emigrants. Despite this there are some tendencies that can be seen from Figure 46. Despite wars, repression and turmoil most of the countries have had migration surplus almost all the time – Yemen had negative net-migration during the 1960s and 1970s. The Kuwait-war is also clearly marked in Figure 46. Kuwait lost one fourth to one third of its population as an effect of net-emigration between 1985/90 and 1990/95. A lot of people working in the service sector have come from other parts of the World – e.g. Asia and from the former Soviet Bloc – and this has contributed to the immigration surplus.

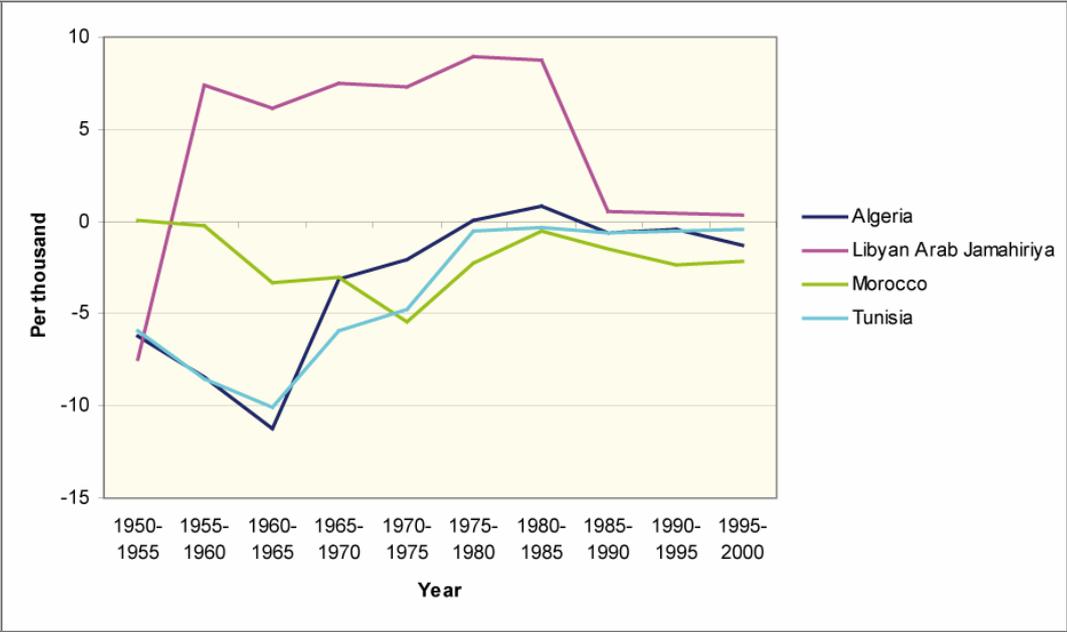
This has also accentuated the segregation and the segmented labour market in these countries with large labour import.

Figure 42 Net-migration rates 1950-2000 for countries in W1123 Caucase and Dniepr, W1124 Russia



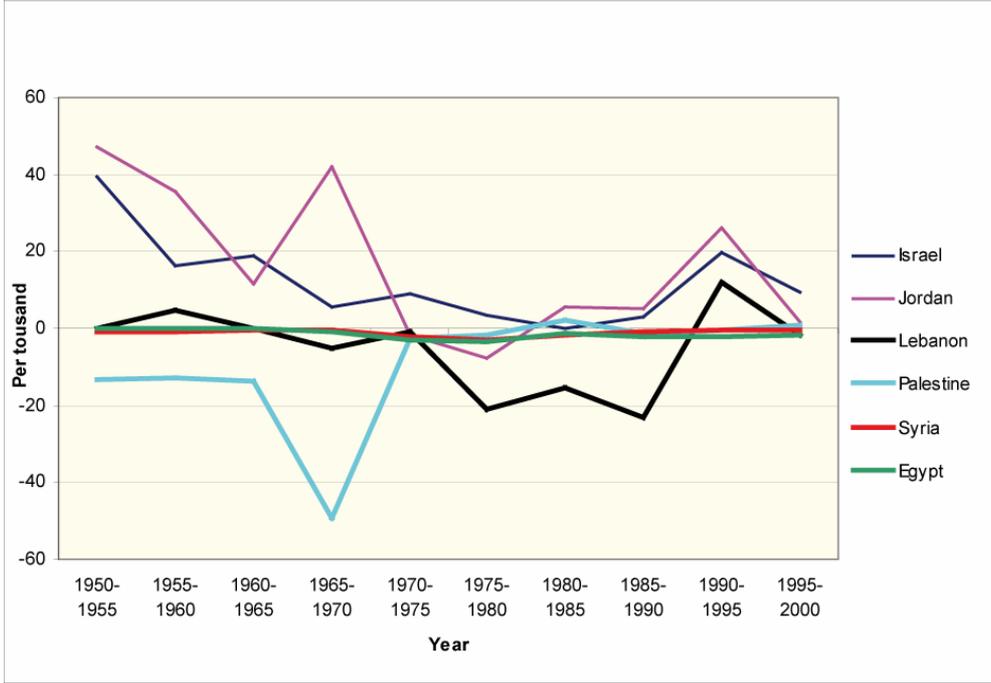
Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

Figure 43 Net-migration rates 1950-2000 for countries in W1211 Maghreb



Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

Figure 44 Net-migration rates 1950-2000 for countries in W1212 Machrek



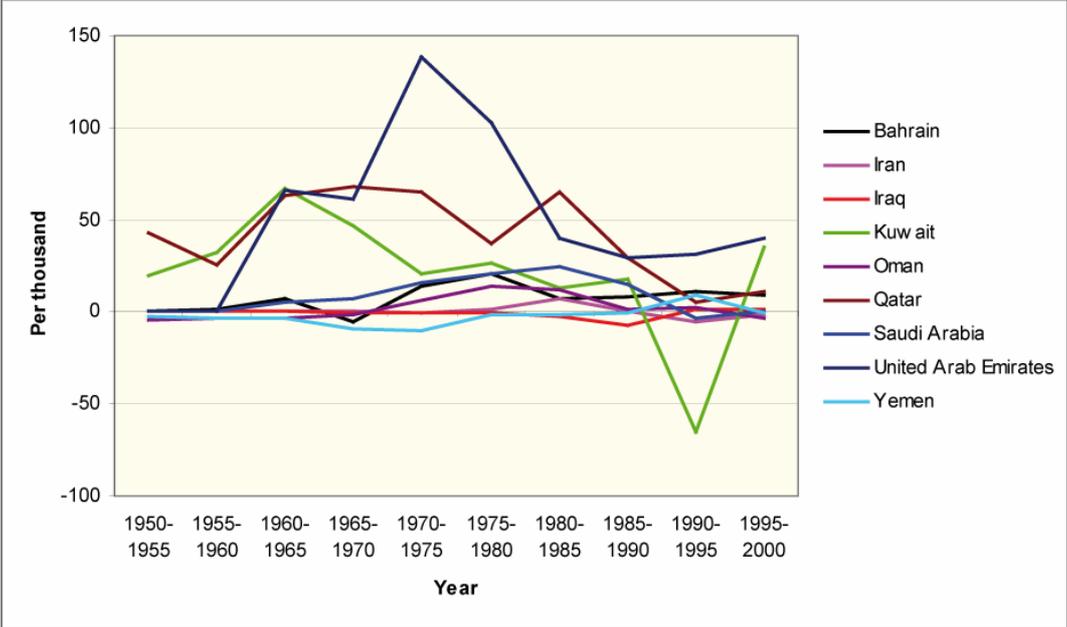
Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

Figure 45 Net-migration rates 1950-2000 for countries in W1221 Central Asia



Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

Figure 46 Net-migration rates 1950-2000 for countries in W 1222 Arabia and Persian Gulf



Average annual rates. Source: UN Population Division. World Population Prospects: The 2004 Revision, February 2005.

8.7 Integration, factor mobility and migration – some remarks and reflections

Different regions have differently composed capital and labour markets, which implies that the development possibilities are not equal regarding choices of technology available for adoption. Since there exists a mutual dependence between the competence of the labour force and the introduction of new technology, a lack of competence is a restriction to innovative activities and technology renewal. This relationship applies especially in old industrial regions or areas characterised by economic backwardness.

Even if capital moves to labour - in this case cheap labour - this type of investment pattern is not automatically a post-industrial investment pattern. Instead, it can be a defensive investment pattern, which to a great extent characterises the early phases of the industrial society in some regions at the same time as it is a sign of the development of a post-industrial investment pattern in the capital exporting regions, where these types of investments are beginning to be history and standardised cheap labour is no longer a competitive advantage. Such technology may

be socially desirable, but the risk exists that regional segmentation and polarisation are reinforced leading to knowledge-based production in the centre and standardised production in the periphery. This polarisation will thus be accentuated by a post-industrial investment pattern where highly educated labour will increasingly be a location factor for mobile capital in the knowledge-based sectors.

On the other side, this investment pattern will stimulate growth of the purchasing power in these countries with an expansion of the home market of both consumer and capital goods. Besides exporting cheap industrial goods these countries and regions are turning into a large market themselves.

To summarise, the composition of the labour force affects the industrial and post-industrial location patterns at national as well as international level. Post-industrial activities like knowledge-based industries are most frequent in regions with a high share of highly educated labour. Traditional labour-intensive industrial activities are concentrated in areas with low labour costs and a surplus of low educated labour. These differences in factor endowments and labour markets may accentuate both regional segmentation and polarisation, at least in the short term. This is true within countries, the EU, as well as on World level.

On the other hand, the result according to the relation is an increase in both employment and purchasing power in the destination countries. This will serve to promote their economic development, despite increasing specialisation in a labour-intensive direction and even result in economic renewal and transformation if labour begins to become scarce even in these countries. There are also signs that the new EU-members will experience a process of labour shortage and ageing in the future. The new EU-members are not going to be a labour force reserve in the future. Instead there are signs that these countries will experience labour shortage in the future and this will be accentuated by the – probably - divergent development within the EU (see ESPON 1.1.3 & 1.1.4, Final Reports).

Two different development paths can be predicted as a result of increased economic integration between regions at different development stages. According to the neoclassical theory, free mobility of labour and capital will result in movements towards equilibrium as production factors tend to

move to regions with the highest returns. A precondition for this development is, however, that the production factors are homogenous and that there do not exist any 'vintages' of capital and labour or that these 'vintages' are substitutable.

The second possible development pattern evolves from Myrdal's concept of "spread" and "backwash" effects, where the latter results in continuing and reinforcing differences in economic structure and the also in the preconditions for economic development. This line of reasoning have been integrated in the segmented labour market theories and is also a central ingredient in the polarisation theories concerning economic and social development – at regional and national level as well as global level – that underline the heterogeneity of the production factors, including the different segments of the labour force. Rather than development towards equilibrium this approach results in dualisation and polarisation. From a core-periphery point of view – and this must be kept in mind – that there will be no development in the periphery, but merely that activities in various stages of the regional product life cycle will choose different locations dependent on their factor mix (for a more thorough discussion, see Johansson 1997)

The hindrances with regard to capital mobility are eroded very fast but are much still obvious with regard to labour mobility. There is no common labour market within the EU today and this is notwithstanding the fact on the World level. Laws, formal rules and regulations are hindrances of official character. Segmentation, segregation and dual labour markets are hampering factors that from a labour market point of view reinforce the hindrances concerning labour market related migratory movements. These kinds of movements have also less importance today. In contrast to "workers-to-work", that reflect high-skilled workers migration pattern, "work-to-workers" seems to grow in importance (UNFPA, 2005).

When discussing migration, mobility and labour shortage it is of utmost important to distinguish between short and long term. In a short-term perspective increased immigration can reduce negative effects of bottlenecks in production while in a long-term perspective it can hamper structural transformation and competitiveness. Labour shortage stimulates substitution between labour and capital but also between different segments of labour – this is also a central ingredient in the Nobel Prize winner Sir Arthur Lewis' theories concerning the development possibilities

of the developing countries (see e.g. Lewis 1954). As well as there exist different vintages of capital, there exist different vintages of labour.

History can witness about that structural transformation of the economies has been one of the most important factors behind higher productivity and increased incomes and well-being. If migration shall be a central ingredient to obtain the "Millennium Objectives" there is still a long way to go.

9 Key Question n°4, Internal differentiation of the Europe

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9.1 Introduction

The internal differentiation of Europe (between countries and regions) and the existing relations between Europe and the rest of the world do not seem at first sight to be linked. The aim of this key question is nevertheless to describe, reveal and understand the complex links that may exist between these two fields.

To this end, numerous methods and approaches are possible, since it is clear that European regions and countries do not have the same relationship with the rest of the world, notably because of their different history. For instance one could choose to adopt the political viewpoint and emphasize on how European countries and regions differentiate themselves in their political position with regard to big political issues at world scale (development aid, terrorism, trade negotiations,...). Here, it is a more economic approach that has been chosen. It will aim to understand how European countries and regions have various positions and reactions towards the globalisation and economic integration processes.

The chosen perspective is to study the influence of the relation with the world (notably the increasing economic integration) on the differentiation of European territory and the reactions of the European regions, that is to say the way they are dealing with a more and more difficult competition in an increasing number of economic sectors.

In summary, the aim is to draw the geography of the European territories in relation with the globalisation process. An approach from the more

general scale to the regional one will be used here. This orientation is necessary to show how the internal differentiation of Europe is linked to the evolution of the weight of the old continent in the world, and to evaluate the impacts of these general evolutions at a more local scale.

In a first part, the report will emphasize the position of Europe in the world, with some basic indicators. Then, we will introduce a differentiation between European countries, with regard to their relation to the rest of the world. In the end, the third part will really enter our subject: the influence of the globalisation on the differentiation of European regions and notably their reaction and position towards the increasing global economic integration.

9.2 Europe in the World

One of the objectives of this project is to gather data in a first time at the country level, in order to delimit any economic blocks or world regions as we want. For example, we could consider the ESPON area if we have detailed data for all the countries separately. However some data are not yet available at the country level and in this report, we will use alternatively the ESPON definition of Europe or the world regions defined by the world organisations statistics (UNCTAD, WTO or OECD).

9.2.1 Population and GDP

Analysing the place of Europe in the world implies to analyse flows between Europe and the rest of the world. However, before doing so, we will investigate the global weight of Europe in the total population and GDP as well as its evolution.

These indicators enable us to have a better knowledge of the evolution of the strength of Europe, but also its relative wealth level with regard to the other parts of the world.

The first table shows the place of Europe, divided into three classical regions, and the level of the others ESPON world regions. Let us remark that these indicators have been calculated with a smoothing method (average 1950-1954 for 1952 and average 1996-2000 for 1998).

Table 22 Share in the world population and GDP (PPS) of world regions

ESPON Regions	Population		GDP (PPS)		Ratio GDP/pop (World=100)	
	1952	1998	1952	1998	1952	1998
Central Europe	3,7	2,2	3,8	2,1	103,1	97,5
Eastern Europe	6,2	3,9	7,7	2,8	124,8	71,5
Western Europe	11,8	6,6	26,1	20,6	221,4	312,4
South and East Mediterranea	2,9	4,0	2,0	3,1	66,7	77,6
Persian Gulf	1,2	2,2	1,0	1,8	82,3	80,2
Central Africa	0,9	1,3	0,3	0,1	32,1	10,3
Eastern Africa	2,1	3,1	0,6	0,4	28,4	14,4
Southern Africa	1,7	2,3	1,0	0,8	61,1	32,9
Western Africa	2,5	3,8	0,9	0,7	35,9	18,7
Northern America	7,7	6,8	30,4	25,4	393,3	371,7
Central America	2,2	3,0	2,6	2,4	113,7	79,6
Southern America	3,2	3,9	3,8	4,2	118,7	108,1
Central Asia	0,7	0,9	1,2	0,5	169,5	55,8
Eastern Asia	26,7	24,8	9,0	22,3	33,6	90,0
Southern Asia	18,6	22,1	5,3	6,4	28,3	29,0
South-Eastern Asia	7,1	8,5	2,8	5,0	38,8	58,4
Oceania	0,5	0,5	1,4	1,3	299,5	280,9

Source: Copyright Angus Maddison

The second table presents the same figures, but with the place of Europe given with various limits, from ESPON 27 to EU15, and with regard to three important economic entities: Northern America (NAFTA), Japan and China.

These tables show that Europe has a central place in the world system: ESPON 27 countries represented for the last period more than the fifth of the world GDP. Moreover, since these data are calculated in terms of PPS (Purchasing Power Standards), the weight of Europe (and also the weights of the other triad countries) would be even bigger, if we had not taken into account the differences of price levels across countries.

Table 23 Share of world population and GDP (PPS) of Europe in various limits and some important economic entities

ESPON Regions	Population		GDP (PPS)		Ratio GDP/pop (World= 100)	
	1952	1998	1952	1998	1952	1998
ESPON 27	13,9	7,8	28,9	22,1	207,4	282,0
EU 25	13,6	7,6	27,8	21,4	203,9	279,4
EU15	11,5	6,4	25,0	19,8	217,6	310,1
NMS 10	2,1	1,3	2,8	1,6	130,2	125,0
<i>Northern America</i>	7,7	6,8	30,4	25,4	393,3	371,7
<i>Japan</i>	3,3	2,1	3,3	7,7	101,2	360,6
<i>China</i>	21,9	21,1	5,0	11,8	23,1	55,9

Source: Copyright Angus Maddison

However, this statement of the central place of Europe must be qualified as ESPON 27 share in the world population has declined dramatically since the fifties. This is obviously due to the moderate population growth in Europe (and more generally in the richest countries) in a context of strong growth of the rest of the world population.

Despite this decline in terms of population, Europe has maintained a significant weight in the world production. This can be observed in the evolution of the ratio (share in production divided by the share in population, which values 100 for the world for the two periods). This ratio has strongly increased (for ESPON 27, from 207 to 282, for EU15, from 218 to 310), showing that Europe is more and more rich or productive in comparison with the rest of the world.

However, this does not mean that Europe has not to face up with the growing competition of new industrialised countries. But analysing the trends in a long-term view shows that the GDP per inhabitant differences, rather than reducing, have become more and more important. Indeed, even if our aim is not to examine every world region's evolution, it seems interesting to notice that the evolution of the level of GDP per inhabitant of the richest and poorest regions has diverged rather than converged since the fifties. The only significant exception to this general assumption is the Eastern Asia (heterogeneous since it includes the two very different cases of China and Japan) whose ratio have increased significantly. This is also the case for South-East Asia.

During the same period, the different parts of Africa have seen their relative GDP per inhabitant declining at a very low level. At a higher level, the formerly socialist countries (Eastern Europe, Central Europe, Central Asia) have also been characterised by a strong decline of their relative level of wealth with regard to the world, which occurred mostly in the nineties.

If we consider Europe not in its ESPON limits, but divided into three different geographical regions (Western, Central and Eastern Europe), the comparison of the GDP/inhabitant levels shows dramatic internal differences. If these differences were already large in the fifties (in Western Europe a GDP per inhabitant twice in Western Europe than in Central and Eastern Europe), they are even larger nowadays since Western Europe's level is three times higher than in Central Europe and

more than four times higher than in Eastern Europe. One may wonder if the processes of economic liberalisation and integration, especially via the enlargement of European Union to some of these countries, will help them to catch up the gap with the Western Europe.

In conclusion, despite a relative decline of its weight in the world production but overall in the world population, Europe as a whole keeps a crucial place in the world system and a wealth level that only some of the Triad countries do exceed.

9.2.2 The trade flows

After having described the weight of Europe in the world with some basic indicators, we will now emphasize the flows between Europe and the different parts of the world. In this report, this will be carried out mainly with statistics of international trade of merchandises. However, in the final report, we could consider also other indicators such as migration flows, development aid flows or air flows. Moreover, it seems important to have a dynamic perspective which means that the final report should also integrate some several-decades comparisons.

Concerning trade, this report will deal in a first part, with the weight of Europe in the trade exchanges before studying the various relations between Europe and the different world regions, using notably trade statistics by type of product.

9.2.2.1 Share of Europe in the world trade and its evolution

The table below gives for the three world regions of the triad their share in the world trade. These data have been smoothed for the period 1996-2000.

Table 24 Share of the world trade of merchandises in 1996-2000

ESPON Regions	International	Inter-regional
Western Europe	37.1	23.7
Northern America	22.4	22
Eastern Asia	18.3	21
Rest of the world	22.2	33.3

Source: PC-TAS

The first column includes the intra-regional trade and shows a very strong share (37%) for Western Europe which appears by far as the more important actor. However one has to take into account the small average size of the European countries and their strong level of regional integration: the share of Europe in the world trade is thus better described if we consider only the inter-regional trade. In this case, Western Europe has roughly the same weight as the other economic blocks, with a slightly higher share (23.7%) than North America and Eastern Asia.

One crucial conclusion here is that the three major economic blocks, highly integrated at least for Western Europe and Northern America, rules the international trade and that the rest of the inter-regional trade only represents one third of the total world trade of merchandises.

The following table gives a long time perspective of the share of each world region in the world. However, W.T.O., from which the data are extracted, does not divide the world regions the same way as for the table 3: Europe includes here Eastern and Central Europe. Even more, these data do not allow to distinguish intra-european trade: the evolutions observed could be the consequences of both intra or extra-european trade.

The observed evolutions show a remarkable stability in the share of Europe in the world trade, if we do not consider the reconstruction period after the war. In the same period of time, the share of North America has been significantly declining. The growing share of Asia is the result of the dynamism of Japan and the six emerging countries until the 90's, as well as the most recent positive evolution of China. Globally, we can argue that the rest of the world has been marginalized, especially Latin America and Africa, while the weight of the Middle East in the worlds' trade is very dependant of the oil prices, which explains the peak of 1983.

Table 25 Evolution of the share of the different world regions, 1948-2004

	1948	1953	1963	1973	1983	1993	2004
North America	24.2	22.8	18.0	17.3	17.6	19.8	18.4
South and Central America	10.5	9.1	6.2	4.4	4.1	3.1	2.8
Europe	36.2	37.1	43.5	46.4	43.8	45.1	45.0
Commonwealth of Independent States	-	-	-	-	-	1,3	2,4
Africa	7.4	6.8	5.6	4.4	4.5	2.6	2.4
Middle East	1.8	2.4	2.7	3.4	6.5	3.4	3.5
Asia	13.9	14.1	13.3	15.0	18.8	24.7	25.4
China	1.0	1.4	1.1	0.9	1.2	2.6	6.4
Japan	0.8	2.2	3.8	6.5	7.4	8.1	5.6
Six East Asian traders	3.0	3.1	2.8	3.6	5.9	9.8	9.1
rest of the world	5.9	7.8	10.6	9.1	4.6	1.3	2.4
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: W.T.O.

9.2.2.2 The influence of Europe in the world, by world regions

The table below gives, for each ESPON regions, the share of its (interregional) trade with Western Europe. The imports and exports have not been differentiated and it is the total level of trade which is considered.

Table 26 Share of the trade with Western Europe (1996-2000)

ESPON Regions	Share of the trade with Western Europe
Central Europe	73
South and East Mediterranea	59
Central Africa	47
Western Africa	45
Eastern Africa	44
Southern Africa	43
Eastern Europe	41
Southern America	33
Northern America	31
Southern Asia	30
Eastern Asia	24
Persian Gulf	24
Central Asia	22
Oceania	21
Central America	20
South-Eastern Asia	19
World	24

Source: PC-TAS

As shown by the table 25, the influence of Europe is particularly strong towards the neighbouring world regions (Central and Eastern Europe, South and East Mediterranean), and especially those which have historical relations with Europe, namely the different parts of Africa. For all these regions, the share Europe in their total trade exceeds 40 %.

However, the first tables of this chapter (share in the world production by regions) show that these regions have a weak weight in the world total, both in terms of population and GDP. Moreover, if we consider the evolution of their GDP/inhabitant relatively to the world, they are rather stagnating regions, or even declining for Africa. Inversely, the share of Western Europe in the trade of the dynamic Eastern and South-Eastern Asia appears quite weak.

In order to deepen our knowledge of the influence of Europe in the world, we present a map showing the share of Europe in the trade of each country in the world. For comparison, the same map is presented for northern America and Japan. This map allows us to qualify the general picture given by the table: in Africa, the weakest influence is towards eastern Africa ; in Middle East, it appears that some petroleum monarchies have a relatively weak part of trade with Europe since they are mostly linked with eastern Asia ; in eastern Asia, the influence of Europe towards some former soviet states remains relatively low (Ukraine, Belarus, Central Asia) due to the persistent influence of Russia; finally, in Latin America, which mostly located in the Northern America area of influence, Brazil keeps a strong relation with Europe.

America's trade takes place mainly with the rest of the American continent, Europe and the West Pacific zone whereas Japan's trade is very much concentrated towards Eastern Asia. However, even if Europe's trade domination concerns a larger zone, all the countries do not have the same importance and once more Europe's share seems to be important in regions which have a small weight in the world total.

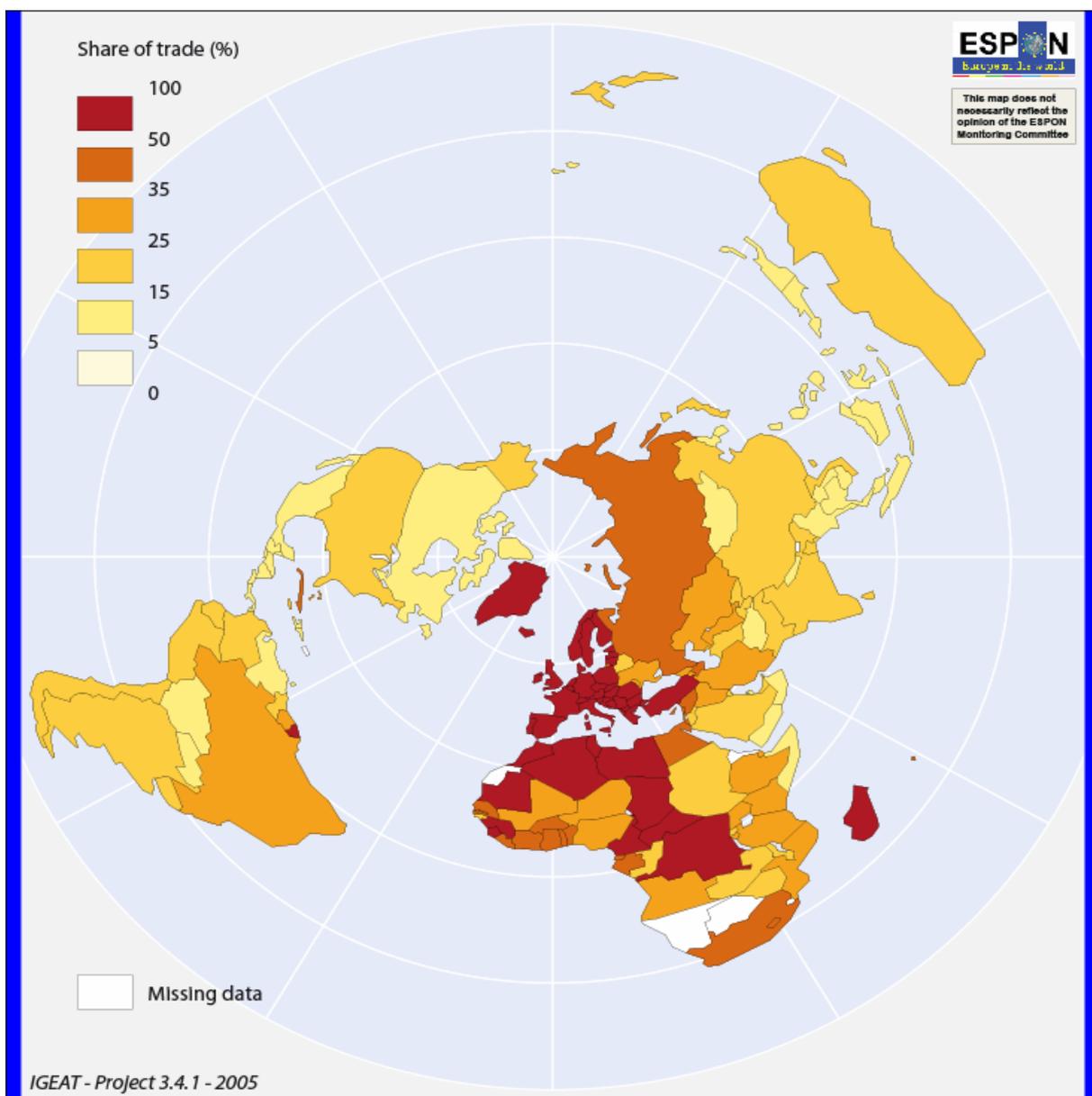
The maps 40 and 41 show the evolution of the influence of Europe in the world. The overall picture is a general decline of this influence, especially in the decade from 1990 to 2000. From 1973 to 1990, it is very interesting to notice that the trade with Europe is growing in Europe, which means that the trade inside Europe is growing. This assessment is

somehow in contradiction with the idea of globalization seen as a regularly growing trade between the different parts of the world.

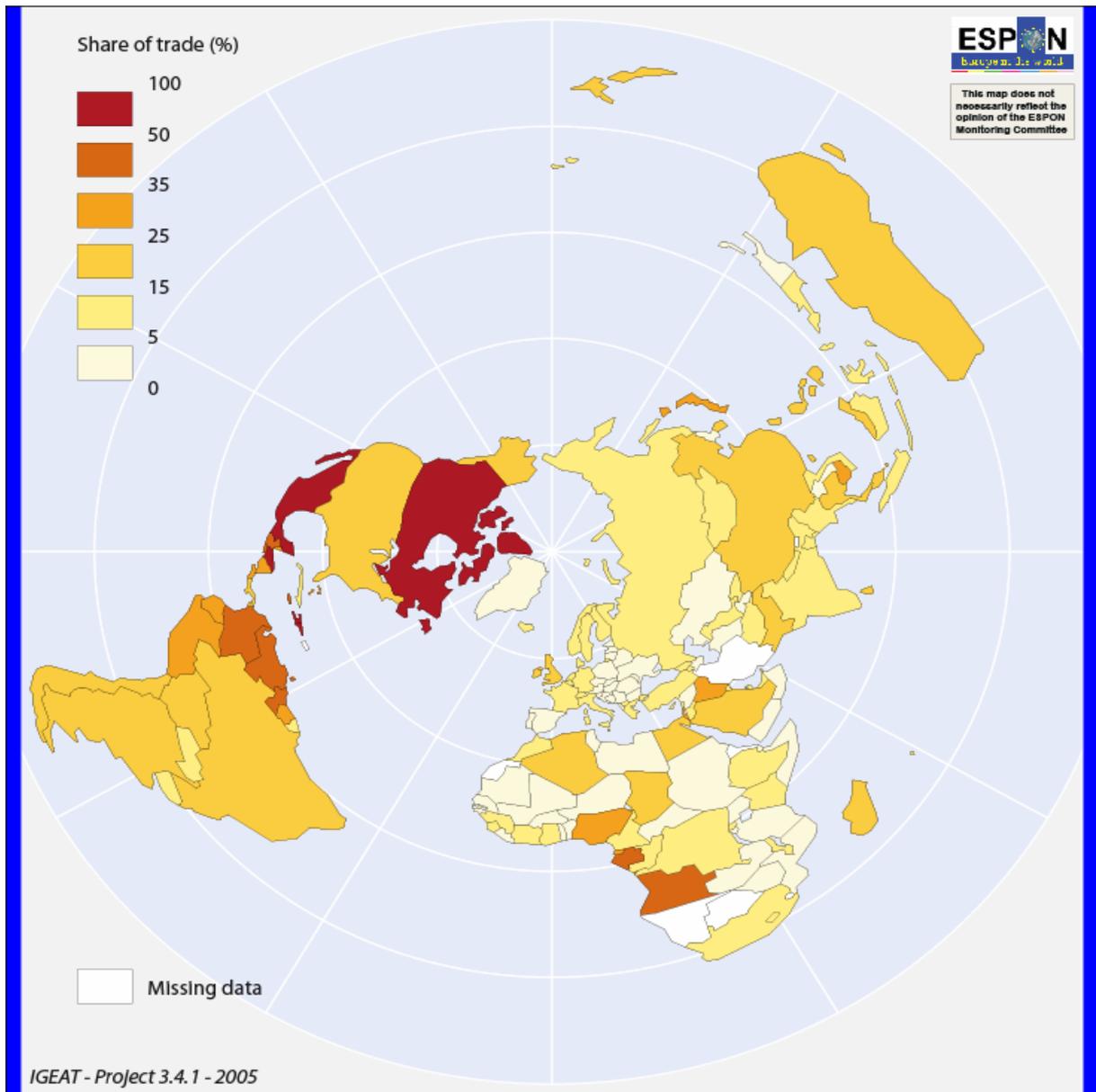
In the last decade, there have been some major exceptions to the general decline of the Europe's commercial influence in the world: Central and Eastern Europe has been clearly integrated in the economic area of influence of Europe, before its political integration; in Africa, Tunisia, Morocco and Southern Africa have a growing part of their trade oriented to Europe, as well as Turkey in Middle East; moreover, the share of Europe in the Chinese trade has also grown up.

In conclusion, Europe has still a large area of influence in the world, but, on the one hand, this area is limited towards mostly marginal and stagnating regions and, on the other hand, it has globally declined over the last decades, except for some neighbouring areas.

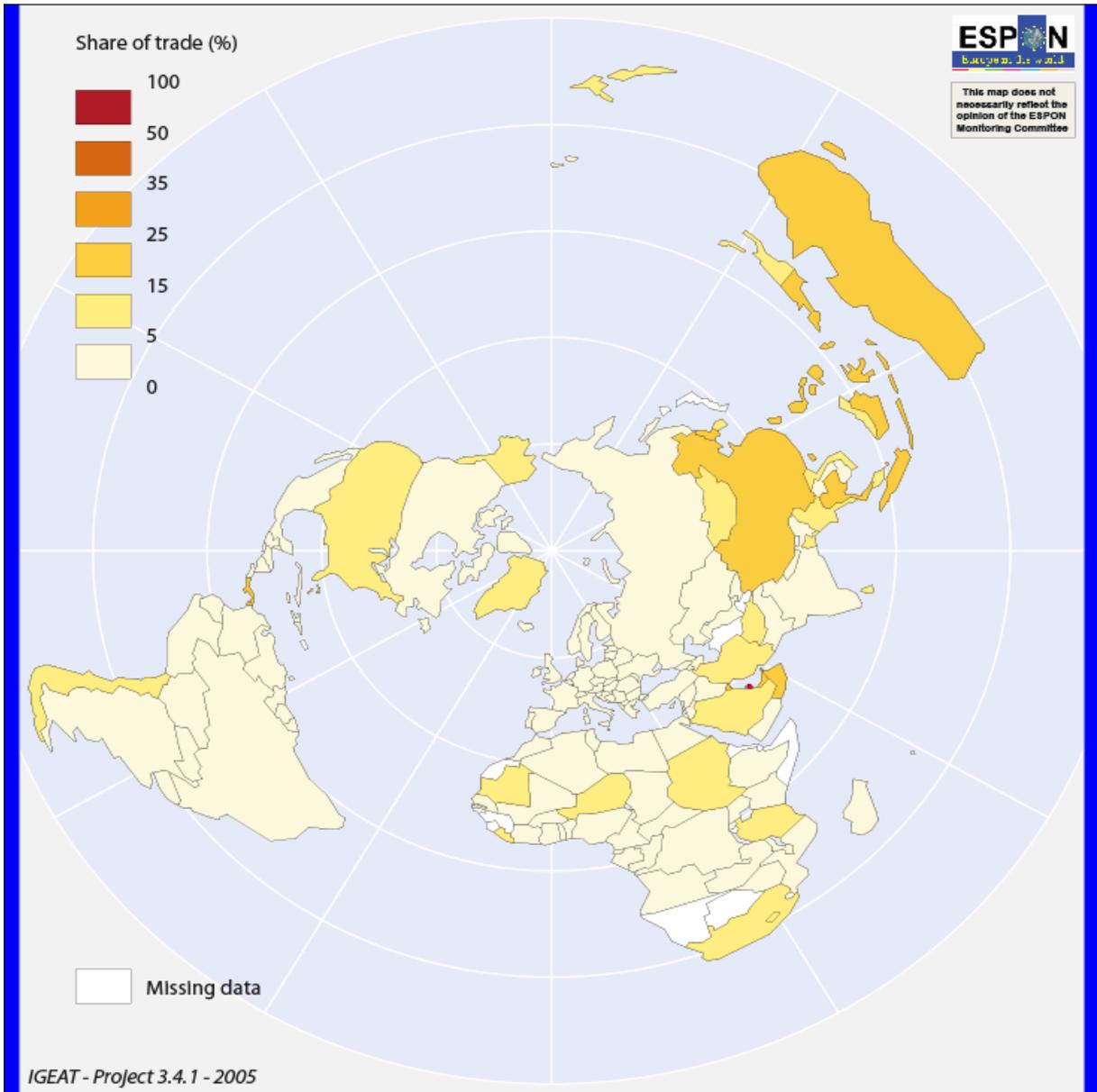
Map 37 Share of the trade with the EU 25 (UNCTAD 1999-2003)



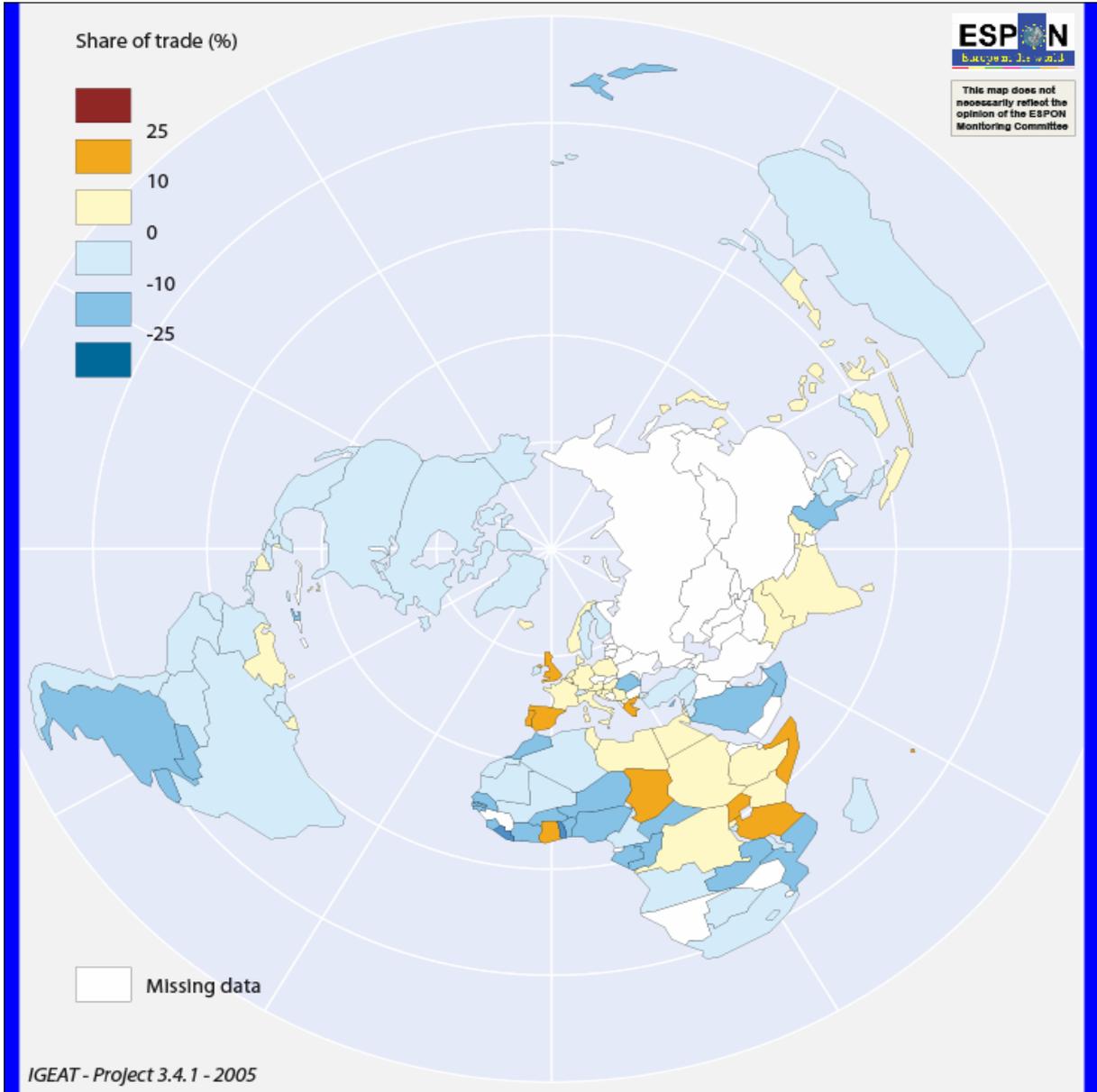
Map 38 Share of the trade with the United States (UNCTAD 1999-2003)



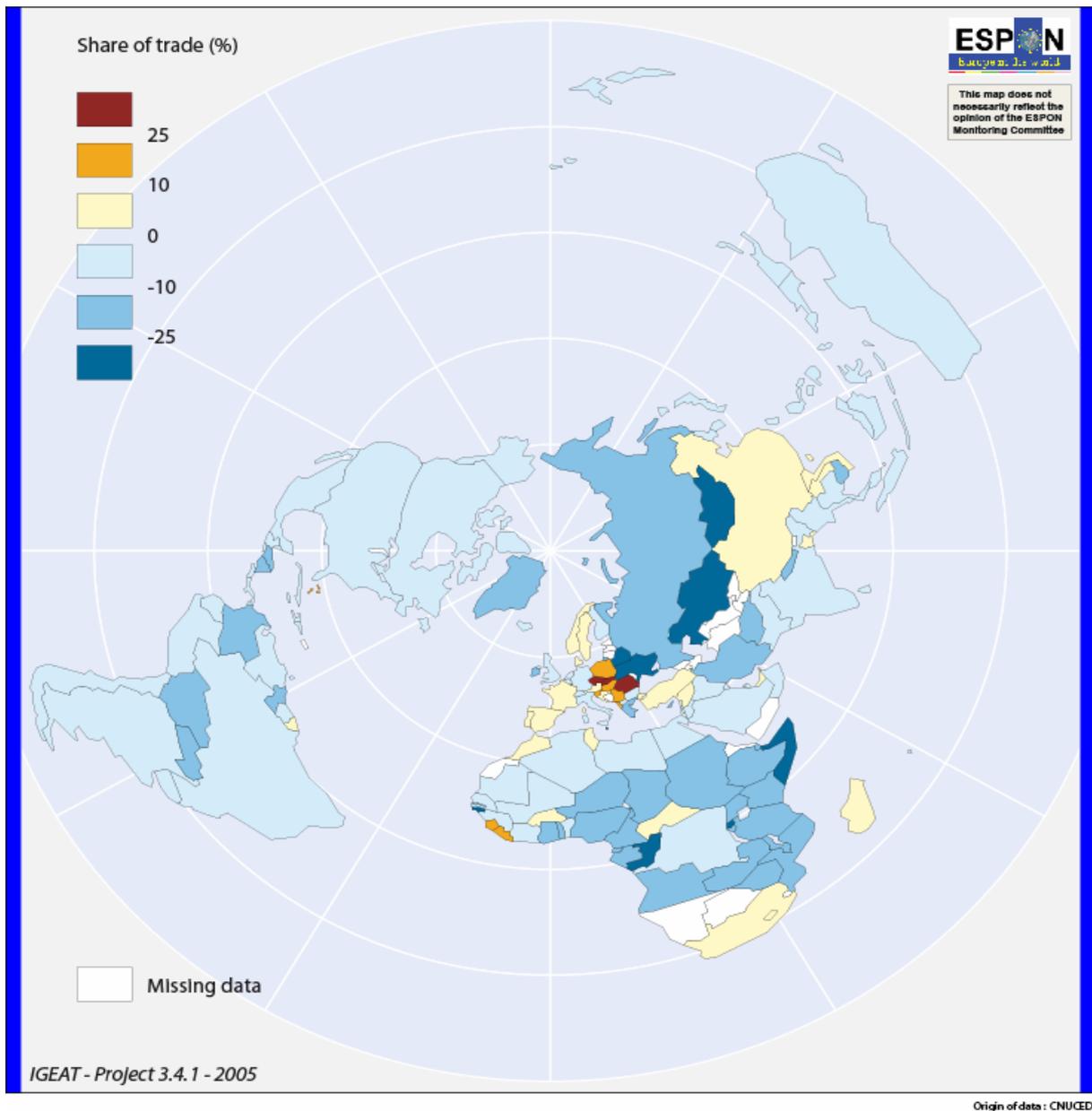
Map 39 Share of the trade with Japan (UNCTAD 1999-2003)



Map 40 Evolution of the share of the trade with Europe between 1973 and 1990



Map 41 Evolution of the share of the trade with Europe between 1990 and 2000



There are several ways to study the geography of European trade. Until now, the analysis emphasizes on “for which countries the trade with Europe is important? For instance, for which countries Europe is the first commercial partner? But it is also relevant to study “which countries are important in the total European interregional trade”. It will appear clearly that countries for which Europe is important are not those important for Europe.

This reversal angle of approach is illustrated by the figure 6, which indicates the share of each country in the total external trade of the EU

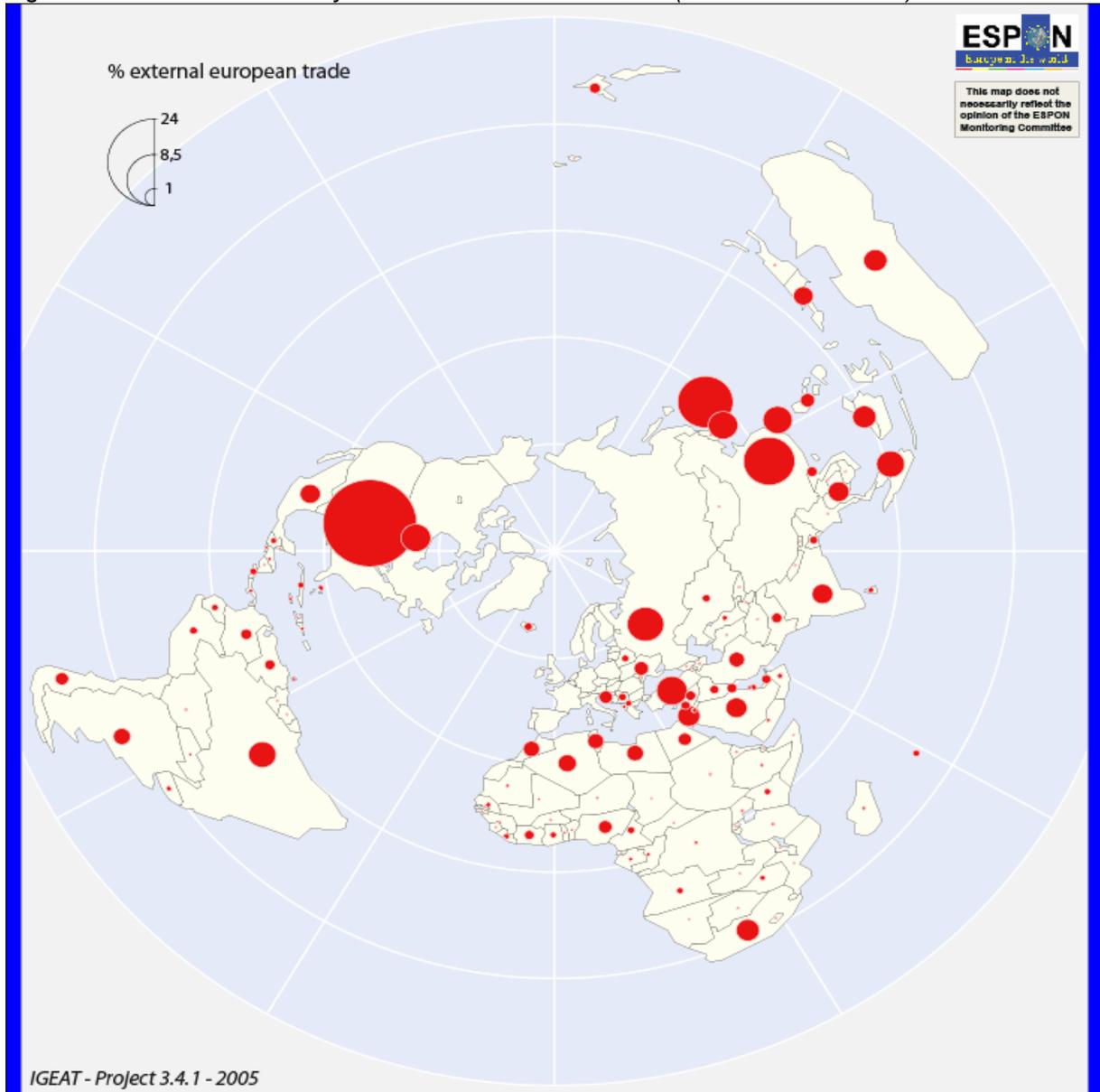
25. It clearly appears that the main part of EU 25 interregional trade is taking place with a limited number of countries, namely:

- United States, first commercial partner;
- Japan, South Korea, China and the South-Eastern Asia;
- South and East Mediterranean and Eastern Europe (including Russia);

Switzerland and Norway, which would not appear if we considered the ESPON Europe rather than the EU 25 but their importance also shows once more the strong level of intra-regional trade in Europe, even with non-EU countries, since trade with Switzerland and Norway is more important than that with the whole Latin America or sub-Saharan Africa.

The trade of Europe with other world regions (Africa, Latin America, rest of Asia) is quite weak, except perhaps with the Persian Gulf countries because of their oil exports and their imports of luxury or technological products. In conclusion, the countries for which trade with Europe is important and the countries those are important for Europe's trade are not the same, except for the nearest regions to Europe (South and East Mediterranean and Central and Eastern Europe).

Figure 6: Share of each country in the external trade of EU 25 (UNCTAD 1999-2003)



Finally, we would like to insist on the fact that Europe is by far the most important partner for Europe, as it is the case for the other poles of the triad. The table 27 gives the opening rate for the EU 25, the ESPON 29 area, USA and Japan. This rate is defined by the ratio between the total trade (imports + exports) and the GDP at market prices. The table 6 also gives the share of the trade with the rest of the world. The main conclusion is that the openness of the major economies remains relatively low, lower than 15% for the two biggest economies of the world. This raises the question of the real intensity of the globalization, since it is clear from this table that Europe is not as open to the rest of the world as some would claim. Moreover, it seems that the economic dependence of Europe to the rest of the world should not be exaggerated.

Table 27 Opening rate in 1996-2000

	Opening rate 1996-2000 (%). (Ratio total trade/GDP)	Share of the trade outside the commercial area* (%), 1996-2000
EU 25	14,1	31,7
ESPON 29	14,3	31,6
USA	13,5	69,4
Japan	17,5	100,0

* Commercial area is EU25 and ESPON29 respectively for the two first lines, and the NAFTA area for USA.

Source: PC-TAS; Eurostat

9.2.2.3 The share of Europe in the world trade of merchandises, by type of product

In addition to the weight of Europe in the total international trade, it appears interesting to consider also the share of Europe (and its largest partners and competitors) by type of products, using the WTO statistics.

This brings information at the same time on the economic structure of the different world regions, their level of technology as well as their type of commercial insertion in the globalized economy.

We present here two tables. The table 28 shows the global importance of the different world regions in a very rough classification of products, but it has the advantage to exclude the intraregional trade, which is not very significant of the weight of a region in the world. The table 6 unfortunately includes the intraregional trade but shows a much more accurate sectorial classification, which allows us to bring to the fore the major specializations of the world regions.

Table 28 Share of each region in the exports of merchandises, by type of product, 1998-2002 (excluding intra-regional trade)

World regions (WTO)	Agricultural products	Mining products	Manufactures	Total merchandise exports
Western Europe	22	9	30	26
Central and Eastern Europe ¹⁵	6	14	5	7
North America	27	6	22	21
Latin America	21	13	8	9
Asia	15	4	32	27
Africa	7	17	1	4
Middle East	1	37	2	6
Share of the product in the world total exports	8,9	13,2	75,3	100,0

Source : WTO, 2003

Table 29 Share of the different world regions in the global trade, by product, in 2002 (including intra-regional trade)

	North America	Latin america	Western Europe	Asia	rest of the world	World
Agricultural products	15,8	8,4	43,7	20,5	11,6	100
Food	14,5	9,2	45,1	19,4	11,8	100
Raw materials	21,1	5,4	37,7	25,0	10,8	100
Mining products	14,0	6,7	29,1	22,2	27,9	100
Ores and other minerals	13,4	9,3	33,5	30,5	13,3	100
Fuels	13,8	6,6	26,4	21,3	31,9	100
Non-ferrous metal	15,2	6,0	41,9	22,9	14,0	100
Manufactures	19,1	4,8	43,2	24,9	8,1	100
Iron and steel	10,0	5,5	44,3	24,4	15,9	100
Chemicals	15,0	4,2	54,4	18,3	8,2	100
Other semi-manufactures	17,9	4,4	46,8	18,7	12,1	100
Machinery and transport equipment	21,0	4,8	40,4	26,9	6,8	100
Automotive products	27,8	5,4	46,5	13,6	6,8	100
Office and telecom equipment	17,9	4,2	31,2	42,2	4,5	100
Other machinery and transport equipment	19,6	5,0	44,2	22,7	8,6	100
Textiles	10,7	5,0	35,9	36,5	11,9	100
Clothing	18,1	7,2	35,8	29,0	9,9	100
Other consumer goods	20,8	4,2	44,1	24,2	6,8	100
Total	18,2	5,3	41,5	24,0	11,0	100

Source: WTO, 2003

¹⁵ With Baltic States and the Commonwealth of Independent States

In this table appears once more the domination of the world trade of goods by Western Europe, North America and Asia, especially in the manufactured goods which represent more than $\frac{3}{4}$ of the world exports. We emphasize below on the breakdown inside the manufactured goods sector since it reveals in a more in depth way each region's place in the international division of labour.

For Africa and Middle East, this very rough table clearly shows their structural position in the world trade: a weak share in the world total, especially in the manufactured goods exports, and a high share of raw materials (agricultural or mining products). The exports of these regions are specialised in products including few added-value whose share in the total world trade has always diminished since the sixties (except obviously for oil exports). We find here the classical insertion of third world countries in the world trade, mainly based on primary products. Central and Eastern Europe and Latin America are in an intermediary situation, with a high share of low technological manufacturing products (textile for example). The analysis at the national and regional scales will show the various positions of each country in terms of commercial insertion.

One has also to notice the strong position of Europe and North America not only in technological manufacturing products (chemicals, machinery,...) but also in the agricultural exports since they represent together one half of world exports. This comes from their very productive agriculture which is moreover subsidized and also from the importance of their agribusiness firms.

Finally, the table 30 gives the share of each world region in the trade of services which represents a growing part of the total trade. The hegemony of Europe and Northern America is much higher than for the trade of goods, but the old continent remains significantly higher. The share of Europe has declined while that of Northern America has grown.

Table 30 Part of each world region in the trade of services, excluding intra european trade

	1992	2002
EU15	32,4	29,5
North America	22,6	24,7
Japan	10,1	7,6
Rest of the world	34,9	38,2
	100,0	100,0

Source: WTO, 2004

9.2.2.4 Trade relations between Europe and other world regions, by type of product

The graphs below present the relations between Europe and other world regions, by type of product.

For Northern America, Asia (Middle East excluded) and Latin America, the trade figures are given for 14 types of products, whereas for Central and Eastern Europe, Africa and Middle East, the availability of data reduces the breakdown to the three large types (agricultural products, mining products, manufactures).

A general reading of the graphs shows two types of trade between Europe and the other world regions. The trade with Asia and Northern America is apparently concentrated on the same types of products, with a clear predominance of manufacturing products. It means that the three poles of the Triad have reached the same technological level. Nevertheless, a deeper analysis clearly shows industrial specializations within the triad: Europe has a positive balance in chemical and others semi manufactured products, while it has a big deficit for office and telecom equipments. Moreover, a more refined classification would have shown the strong specializations of the poles of the triad in some technological segments.

Inversely, the trade between Europe and the other world regions (Latin America, Middle East, Africa), shows a pattern in accordance with the centre-periphery model, which supposes an international division of work between rich and poor countries, based on exports of manufactured goods by the former and exports of raw products or low technological manufacturing products by the latter.

The trade with North America is large concerning the products including a high added value. The trade balance is positive for Europe for most types of products, except for "office and telecom equipment". In other machinery products, Europe has a good position. It is also the case with the chemicals products.

The trade with Asia seems comparable, since it is also a kind of intra-branch trade with numerous types of products being imported and exported between Europe and this region. However, Europe has with Asia a negative trade balance in two different but significant types of product: "office and telecom equipment" and "clothing". The first type reveals the specialisation of Japan in high value-added products like computers where they are highly competitive, but also imports of assembling goods of lower technological level (computers, mobiles...) mostly from other Eastern countries . The second type concerns low value-added products in which Asia (notably China, India ...) has a strong position, mainly because of its low labour costs. However, one has to qualify here the importance of textile and clothing negative trade balance of Europe towards Asia since it does not seem to represent much in the total trade.

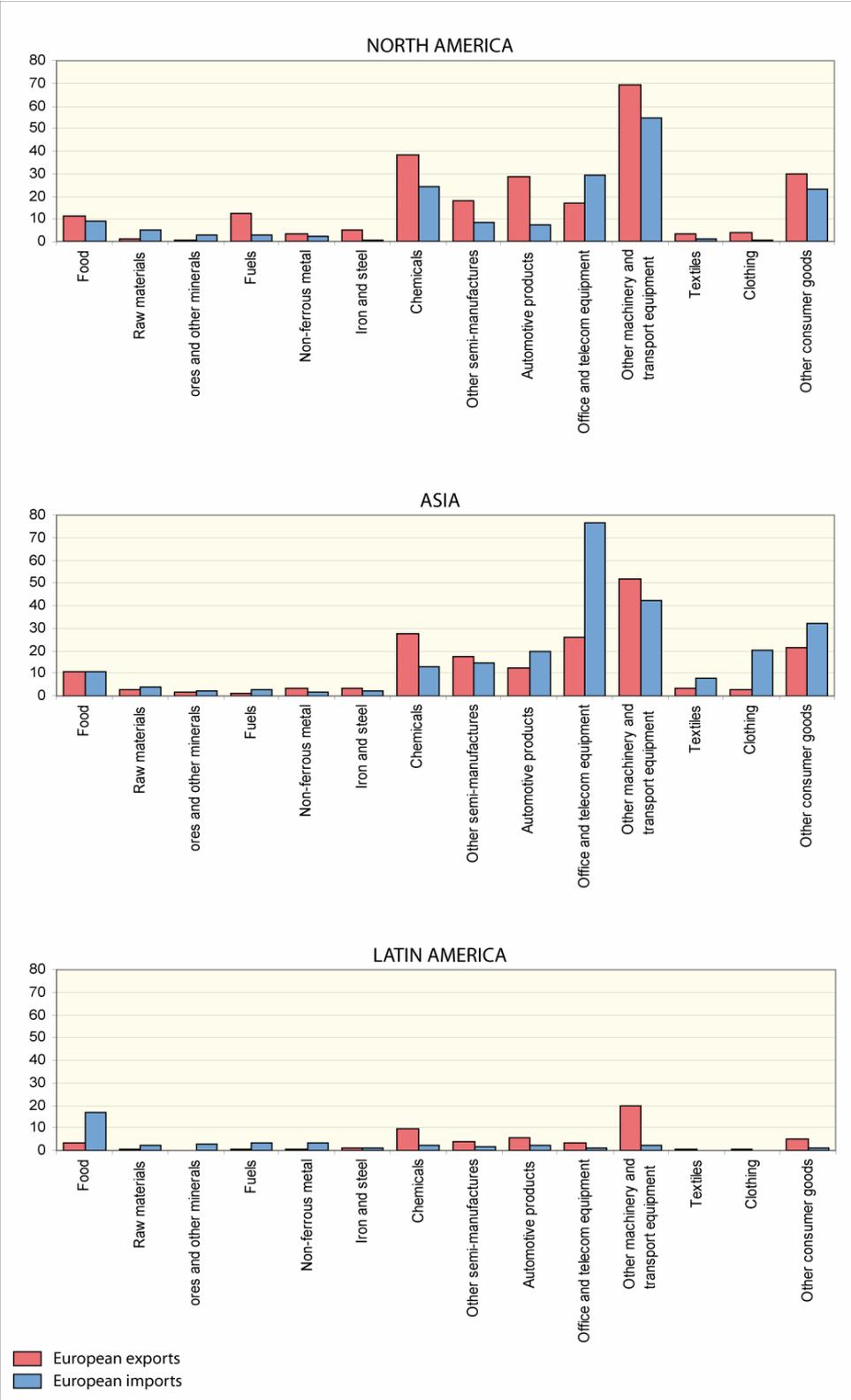
One can say that the Latin America is still in a relation of traditional international division of labour with Europe since its trade balance is very positive for the primary products and very negative for the manufactured goods. The graph also illustrates once more the weak importance of Latin America in the trade of Europe.

The same international division of labour takes place with Africa and Middle East whose exports are mainly mining products and whose imports from Europe concern overall manufactured goods. This has to be qualified concerning Africa whose exports to Europe a certain amount of manufactured goods, mostly coming from some assembling countries of Northern Africa (Tunisia, Morocco) with which Europe has significant relations.

The graph concerning Central and Eastern Europe's trade shows that its trade balance is strongly in surplus for mining products. But the quite interesting pattern is the importance of the cross exchanges of manufactured goods, some parts of Eastern Europe receiving important investments in low (clothing industry) or semi-technological manufacturing products (automotive products).

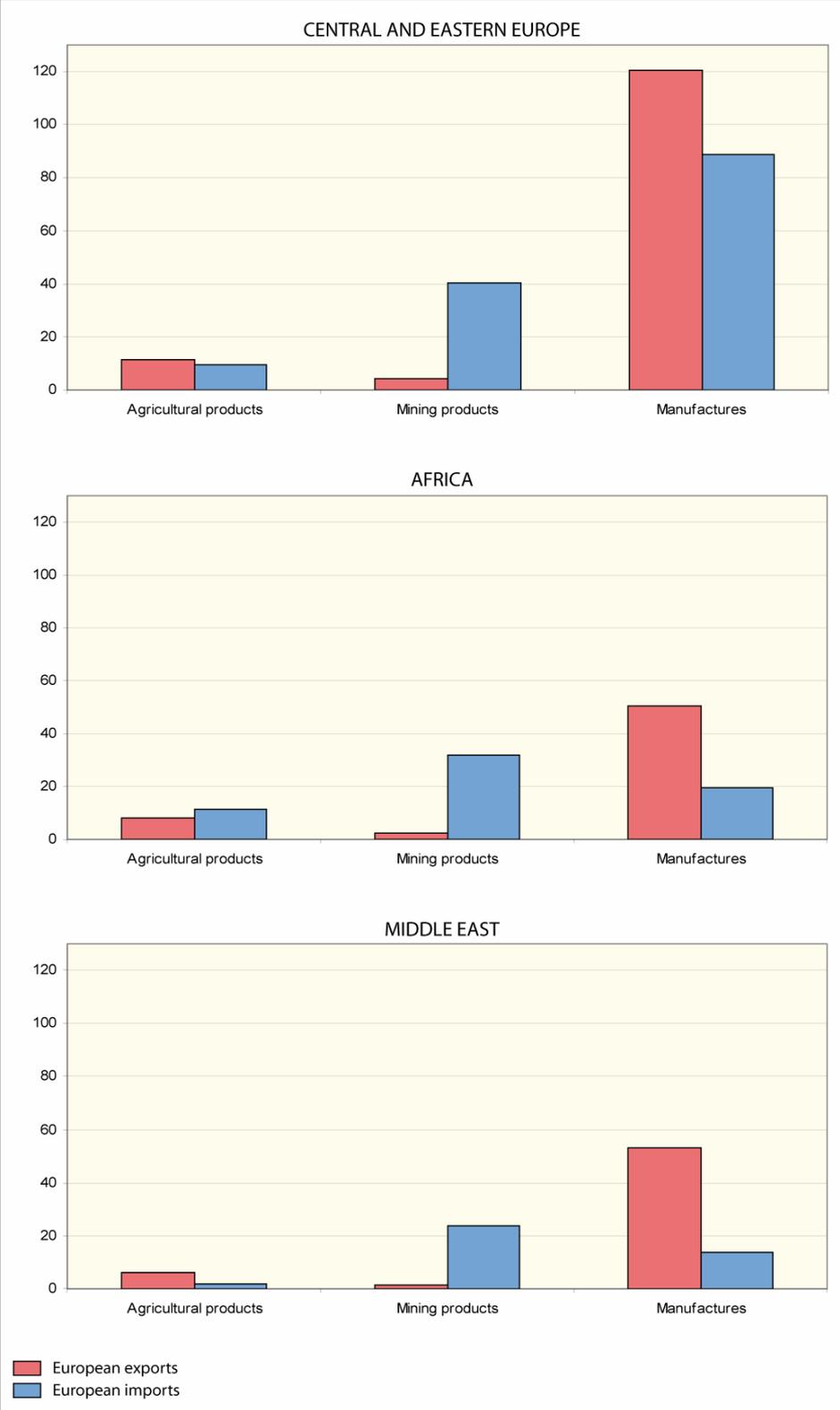
Obviously, to draw a complete analysis of the nature of trade (intra or extra-branch) with each region, we will need more precise trade statistics, with a higher number of regions (South and East Mediterranean, Central Europe, Asia in different regions...) but, above all, a more detailed classification of products. Indeed, the results of an inter-intra branch analysis depend strongly from the way the products are classified in types. The more they are divided in numerous types of product, the more we will see relative specialisation of each region's trade. For example, the division between intermediary semi-finished goods and final goods will show that, where one might see an intra-branch trade, there is in fact a strong division of work, organised notably by transnational firms who divide their production across countries, according to labour costs, productivity...

Figure 47 External trade of Western Europe by type of product, with North America, Asia and Latin America (1998-2002), in billions of current \$



Source: WTO

Figure 48 External trade of Western Europe by type of product, with Central and Eastern Europe, Africa and Middle East (1998-2002), in billions of current \$



Source: WTO

9.2.3 Economic flows of foreign direct investments

Concerning the investments, the only available data for this report are the share of each world regions in the total, as we do not have any information on the origin (or destination) of the flows. A major problem here is that the intra regional flows are not excluded, which could explain the overall weight of Europe, where crossed investments flows between countries are of growing importance. However one can figure the place of Western Europe as a whole in terms of foreign direct investments.

Concerning the outflows, Europe appears more and more like the first investor in the world and, after considering USA and Japan, the rest of the world has a quite small role, even if it increases since 1980. But one can suppose that most of the growing part taken by Europe is related to intraregional investment flows.

Table 31 Share in the Foreign Direct Investment in 1980 and 2000: outflows

ESPON Regions	1980	2000
Western Europe	46	56
USA	41	21
Japan	4	5
Rest of the world	9	18

Source: UNCTAD

The outflows are more evenly spread between the world regions. It is logical since the FDI concern notably investments of transnational firms from Europe and USA, which invest in developing countries. However the concentration of the inflows in Western Europe and USA becomes more important because world investments correspond more to mergers and acquisitions between the richest countries firms.

Note that the share of Africa in the world inflows has decreased from 5 % in 1980 to 2 % in 2000, confirming once more its marginalisation in the globalized economy.

Table 32 Share in the Foreign Direct Investment in 1980 and 2000: inflows

ESPON Regions	1980	2000
Western Europe	37	40
USA	13	19
Latin America	8	10
Japan	1	1
Rest of Asia	25	20
Africa	5	2
Rest of the world	11	8

Source: UNCTAD

9.3 European countries and the rest of the World

After having described the place of Europe, the analysis will now emphasize the differences inside the European territory with regard to their relation with the rest of the world.

The final objective of this key question is to have a better knowledge of the various relations that European regions have with the rest of the world. However, the national scale is the one used for most of international statistics and, even more, it is also the most relevant to consider when one looks at the relation with other part of the world. For example, historical relations such as colonisations have been created by the national states... Consequently, the relations between regions and the rest of the world are strongly dependant to the national scale.

This work will be based mainly on the statistics of international trade of merchandises because of the availability of these data and the relevance of their use. Indeed, one can interpret a lot of things from the commercial relations, notably the countries level of technology, their insertion in the globalized economy and the existing special relations between countries. In the future, we will also consider foreign direct investments, public aid to developing countries, and migrations.

Concerning trade, we will use the following indicators:

- Share of each country of Europe in every world country's trade;
- Share of intra-European trade for each European country and share of the trade with new member States of EU;
- Share of high-technology exports in the exports of manufactured goods;
- Share of services exports in the total trade and share of Europe in each European country's exports of services.

9.3.1 Economic areas of influence according to the external trade, by country

The geographical breakdown of external trade of some European countries will introduce a first differentiation between European countries with regard to their relation with the rest of the world. The maps below allow us to define the economic area of influence of the different European countries, by measuring the share of the trade of each country with the considered European country. We will focus on the five largest countries of Europe (France, UK with Ireland, Germany with Austria, Iberian Peninsula, and Italia) as well as some other significant regional areas (Benelux, Nordic countries belonging to the EU and new member States from Central Europe).

The comparison of the eight maps brings different types of information.

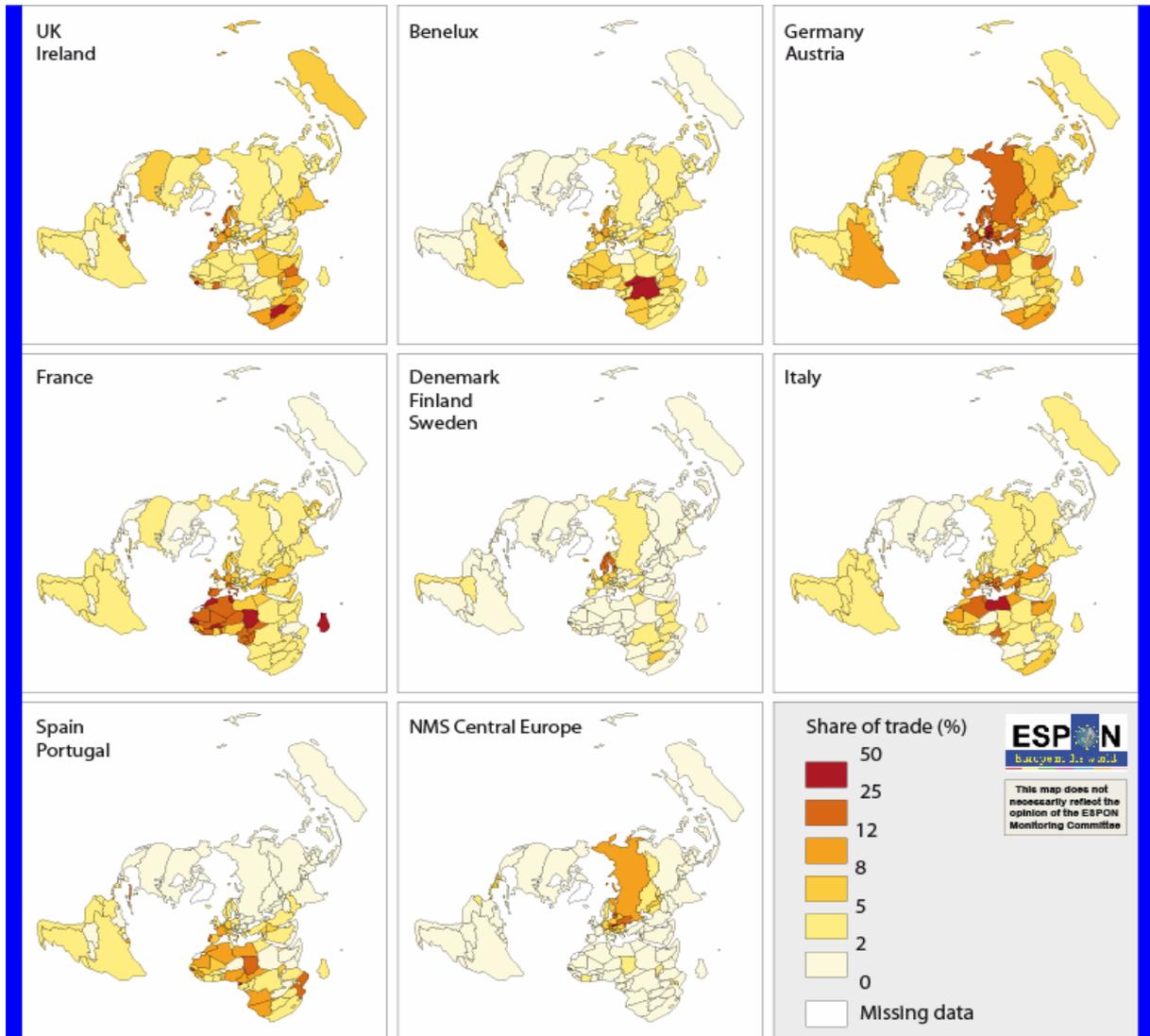
Firstly, one can notice the large area of commercial influence of each European country (or group of countries). This is mainly linked to the size of the country (the most important zones are those of Germany, UK and France), but also to its openness rate, to historical factors and to its technological level (Italy and Spain and Portugal have less large area of influence than Germany, UK or France).

Secondly, one can easily notice the differences in the configuration of the different areas of influence. These geographic differences are influenced by various factors:

- historical and political relations;
- geographical proximity, even if this factor is not easy to differentiate from the precedent ones;
- type of exported and imported goods...

Indeed, France is linked to Maghreb and to former French colonies of West-Africa whereas British area of influence is more important with USA and the Commonwealth. Spain and Portugal have special links with Africa and Latin America. Benelux, apart of its strong trade with Congo, has a European-oriented trade. Italia's trade is important with Europe, notably Central Europe countries, but also with Mediterranean and African ones.

Map 42 Share of trade with the different groups of European countries (PC-TAS) 1996-2000



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The largest area of influence is the one of Germany (with Austria) since most of the countries in the world make at least 5 % of their trade with this country. However, we can still distinguish a clear geographical pattern in the German trade: the influence of Germany is important in Central and Eastern Europe countries, in some parts of Africa, in Brazil and in some Asian countries. The extent of this area is related to the role of Germany in the world trade: it is the third world exporter and its exports are of high technological level.

The Scandinavian countries have a trade which seems clearly more Europe-oriented and is stronger with their neighbours, since we can observe a diminution of its relative importance as one is looking towards south.

In the end, new EU member States of Central Europe, apart from special links with some Latin America and Africa's countries, have trade relations mainly oriented towards Europe and Russia.

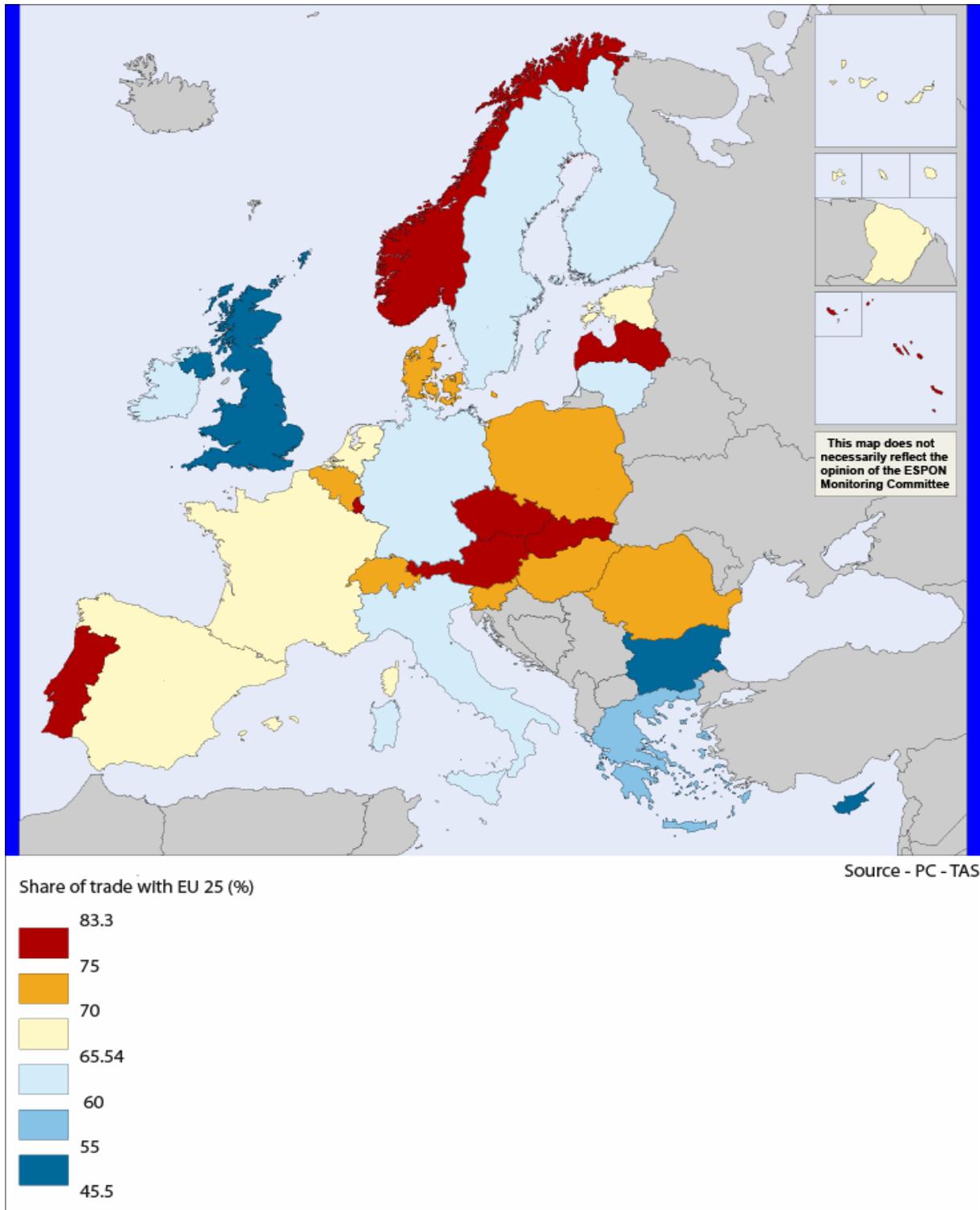
This overview gives a first idea of internal differentiation of Europe: most of the small countries have a very European-oriented trade whereas some of the biggest countries show clear extra European influence. This can be explained by the intensity of the historical relations and their technological level.

9.3.2 The importance of the intra-European trade, by country

We can reverse the approach and consider the countries or spaces that really count for European countries. We will here focus on the importance of Europe in the trade of European countries, for of the 29 ESPON countries. *A contrario*, a low share of Europe in the national trade means a stronger globalization rather than europeanization.

The intra or extra-European trade pattern seems influenced by several factors (see figure 10). The geographic position of the country plays a role: for instance Bulgaria, Cyprus or Malta because of their peripheral position in Europe have a relatively weak share, but still higher than 50%, of their trade with ESPON countries. However, several Western European countries, such as Germany, UK, Ireland or Italy, do not have a high share of their trade with Europe (comparatively to the rest of ESPON countries) because their traditional commercial relations are oriented to other regions. Reversely, despite their very recent integration, Central European countries have a clearly European-oriented trade. All things being equal, let's notice once more the higher European orientation of the trade of the small countries, even those which are not member of the UE25, such as Norway and Switzerland.

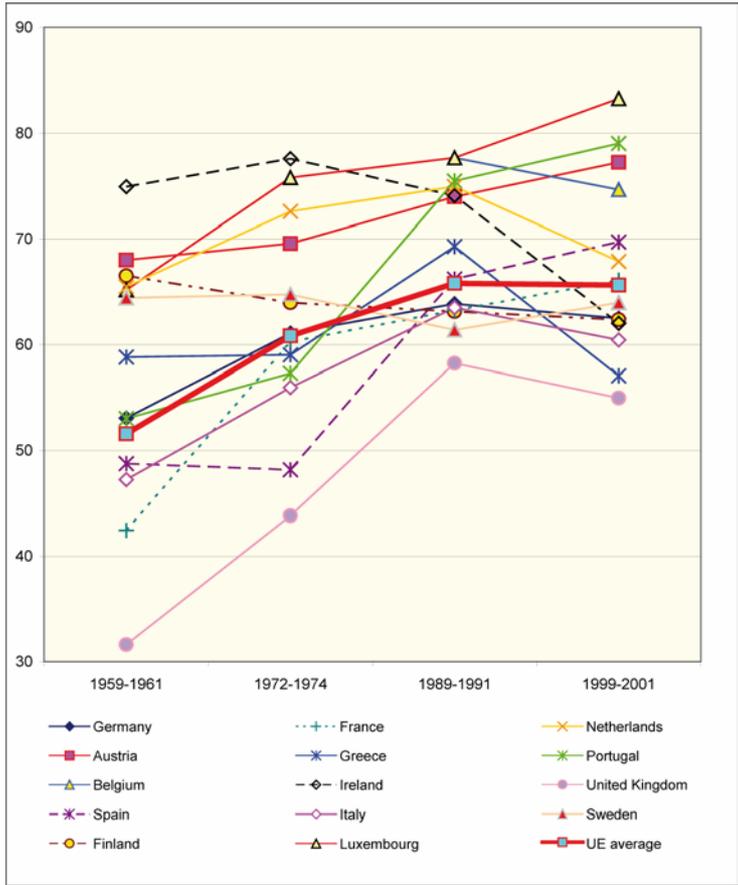
Map 43 Share of ESPON in each ESPON country external trade of merchandise, 1996-2000, in %



This figure clearly raises the question of globalization versus regionalization that is to say that the growth of the trade is partially due to the regional integration and not necessarily to intercontinental trade.

The figure 11 clearly shows that globalization process during the last decades has been partly a statistical illusion. Indeed, the growing international trade is mainly an intra-regional one, as we could also observe from the growing share of intra-regional trade between the NAFTA or eastern Asian countries. For EU25 as a whole the share of trade with the UE 25 has grown from 52% around 1960 to 66% around 1990, to stay around this level during the last decade. This tendency has been true also for some of the less European of the UE25, such as United Kingdom whose European share in its trade has grown during the same period from 32% to 58%. However, in the last decade there has been a clear decline of the relative share of Europe in the UK trade, probably linked to the growing internationalization of the UK economy, and the specific role of the London metropolis. Greece after a growing integration with Europe also shows a decline of the relative share of Europe in its trade, mainly because of the growing trade with its neighbourhood countries.

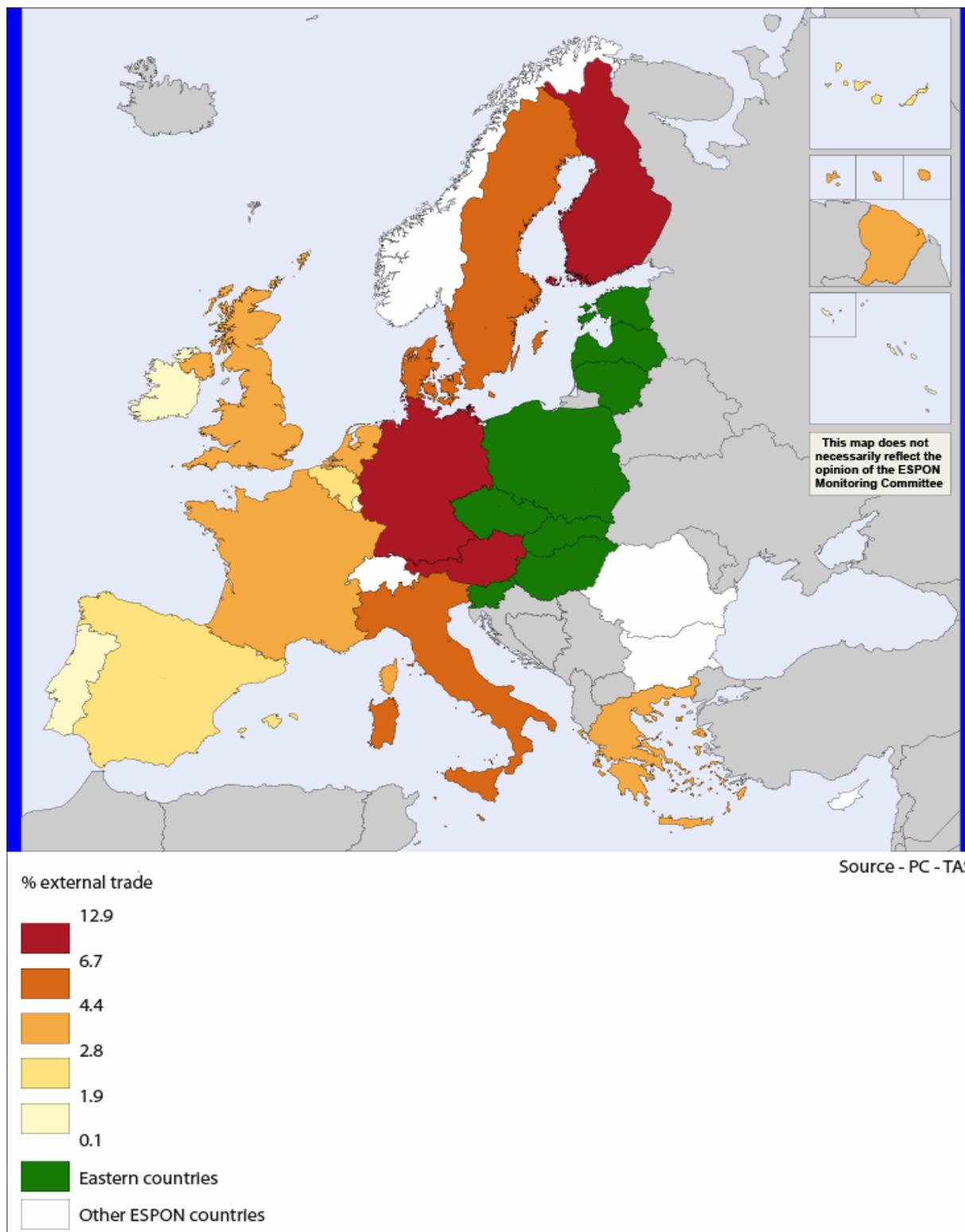
Figure 49 Evolution of the share of UE 25 in the trade of European countries, 1960-2000



But the growing intra-regional flows can also be demonstrated by the integration of Central and Eastern European countries in Europe. The increasing orientation of their trade towards Europe has clearly preceded

their recent political integration inside the UE25. We can observe from the map 44 which part of Western Europe is more concerned by the integration of the new member States of Central and Eastern Europe. This map shows that trade is firstly influenced by proximity of countries since the share of the eastern part of Europe is declining when one goes towards West. However, this should also be studied in terms of evolution in order to fully understand the dynamic process of economic integration between the two parts of Europe.

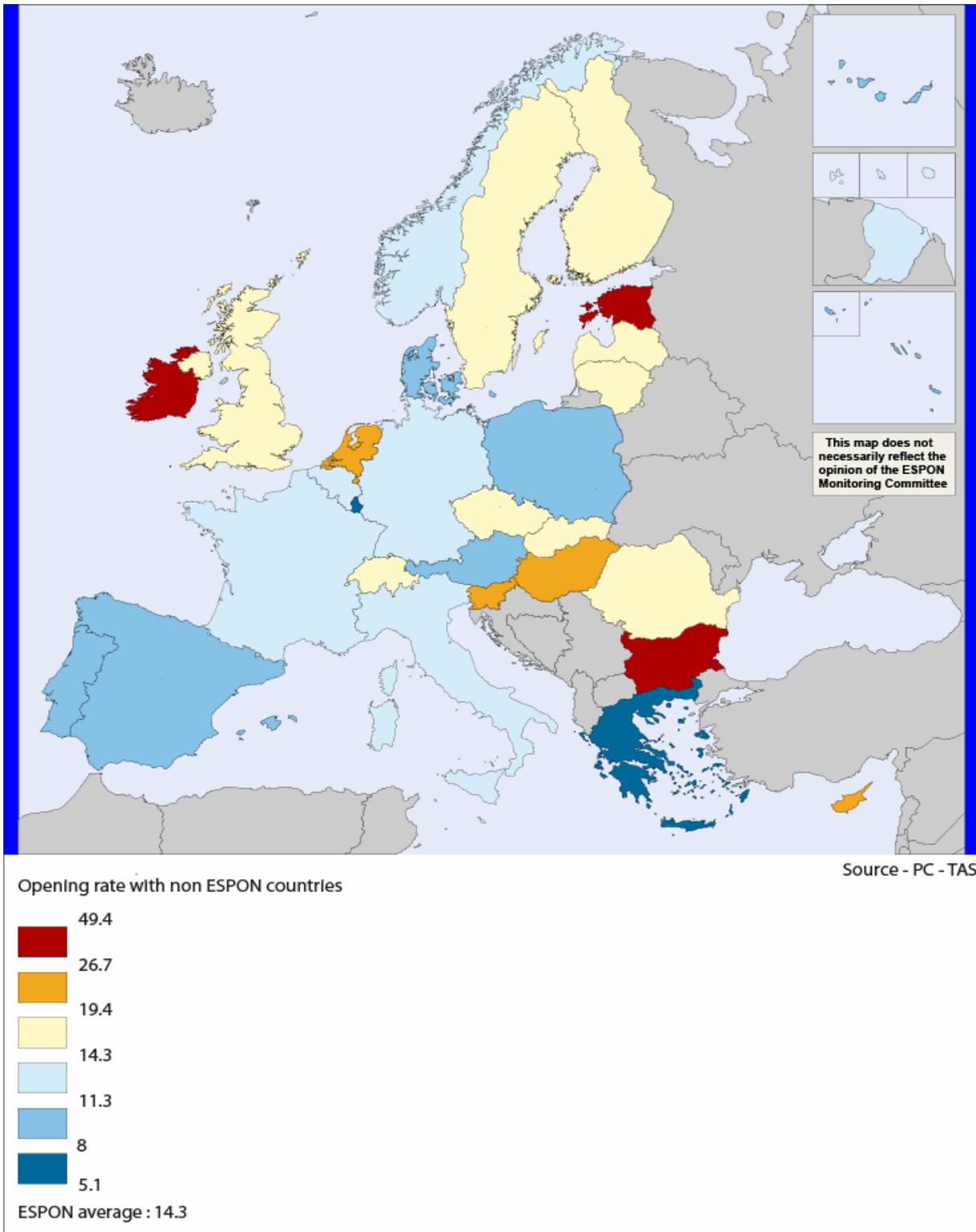
Map 44 Share of the New Member States of Central and Eastern Europe in the trade of each country of EU 15 (1996-2000)



Finally, we can also measure the importance of Europe for European countries with the outside opening rate of the ESPON 29 economy. This rate is the ratio between the trade (exports and imports of each ESPON

country with countries outside the ESPON 29) and the GDP. This could be interpreted as an indicator of "how much the rest of the world is important for the different European countries". We already noticed that this openness is relatively weak for Europe as a whole but it is interesting to show the geography of this relative openness to the rest of the world (map 45). We can observe here the higher openness to the rest of the world of Ireland and United Kingdom: this confirms once more the very globalized economy of United Kingdom. Some eastern countries are also much more open to the rest of the world: this could be clearly explained by the persistence of traditional commercial relations with the Commonwealth of Independent States (CIS), especially with Russia. On the other side, Mediterranean countries, Poland and small central countries (Denmark, Austria) are the least open to the rest of the world, since most of their trade is Europe-oriented.

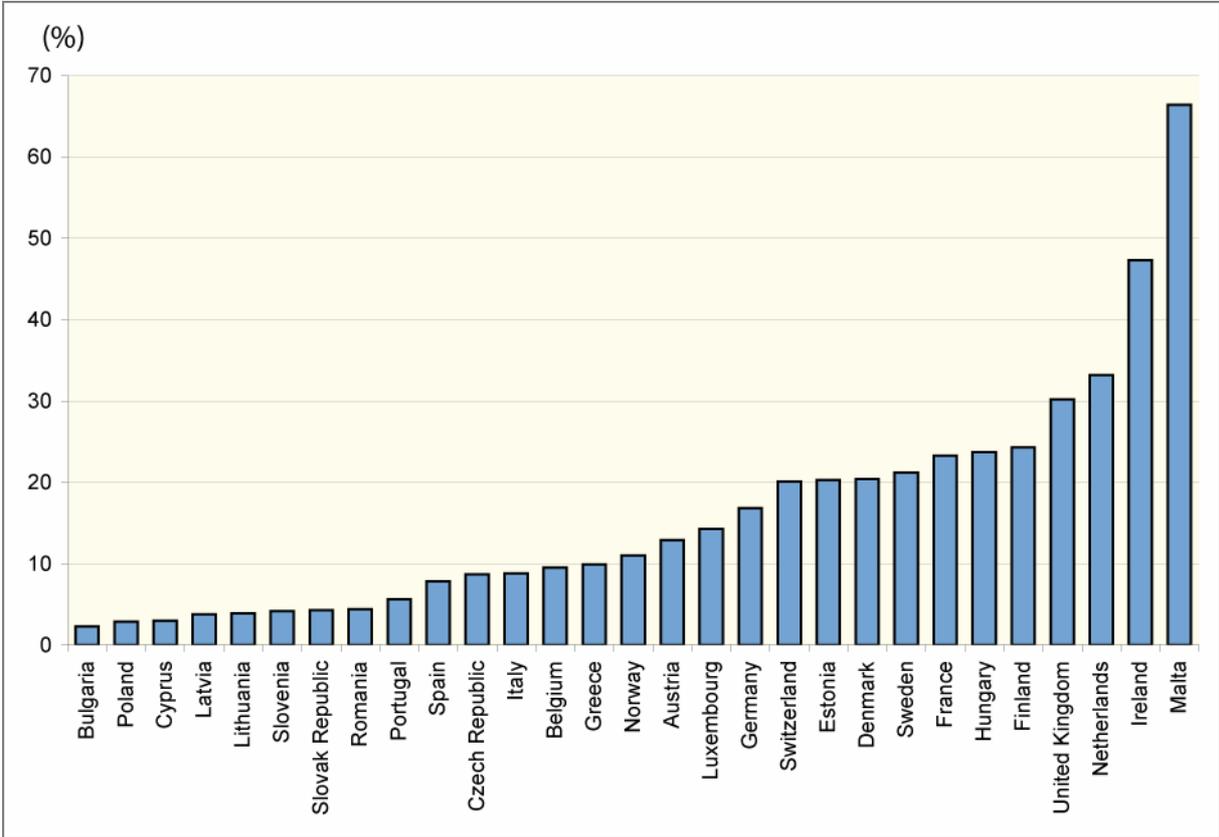
Map 45 The opening rate of the trade of European countries with non ESPON countries, 1996-2000.



9.3.3 Level of technology of European countries exports

At the continent scale, Europe as a whole appears as a major actor in the world trade of manufactured goods, notably for advanced technological products. However, the European countries do not reach the same level and in the context of increasing competition in the production and trade of manufactured goods, especially with Eastern Asia, the European countries that have the most advanced industry could be the most competitive ones.

Figure 50 Share of high technology products in the manufactured exports, 1999-2000



Source: WDI

The graph above indicates, for each one of ESPON countries, the share of high technology products in the exports of manufactured goods. The figures come from the WDI database of the World Bank and “high-technology exports” are defined as products “with high R&D intensity, such as in aerospace, computers, pharmaceuticals, scientific instruments and electrical machinery”. One should interpret very carefully such data, based on very rough OECD classification. Indeed, in these high-technology

products, assembling, other types of productions and conception have been mixed up, while assembling is in most cases not a highly qualified production.

There is a clear East-West gap since the new Member States have not a good position in the ranking. However some of them have a high share of high-technology exports, namely Malta and Hungary. For these last countries, and also for Ireland, this can be explained by the strong presence of transnational companies that take advantage of the level of labour cost to assemble rather than conceive their production, for example in electronics. Inside the EU 15 the countries that have the worst position are the Southern European countries namely Portugal, Spain, Greece and Italy.

9.3.4 The trade of services

When one looks at the trade relations, it is important to consider the services, which represent a growing part of the global trade. The international trade of services is increasing rapidly and it seems important for European countries to have a high rank in this area. However the statistics of services trade are in general less accurate and more difficult to obtain.

The figures presented in the table below come from the OECD and consequently they concern only the European OECD members (19 countries).

Table 33 Share of services in the exports of 19 European countries (billions \$, 2002)

Country	Exports of services	Exports of merchandises	Total Exports	Share of services (%)	Share of EU 15 in the exports of services of the country (%)
United Kingdom	130	276	406	32	37
Germany	106	613	719	15	50
France	86	331	417	21	46
Spain	62	118	180	35	73
Italy	60	251	311	19	60
Netherlands	56	243	299	19	65
Belgium	38	213	251	15	74
Austria	35	79	114	31	67
Ireland	28	88	116	24	67
Denmark	27	56	83	33	52
Sweden	24	83	107	22	53
Luxembourg	20	10	31	67	71
Greece	20	10	30	66	53
Norway	19	60	80	24	60
Portugal	10	26	35	27	73
Hungary	8	34	42	19	26
Czech Republic	7	38	45	16	50
Finland	6	45	51	13	38
Slovak Republic	3	14	17	16	40

Source: OECD (services trade statistics 2002) and UNCTAD (merchandises trade statistics 2002)

The share of services in the total trade (of goods and services) is, for most European countries, between 15 and 30%.

A high share of services is a sign of good ability to export services and thus not to depend only from exports of goods which are more sensible to competition and to labour costs differences. Certain countries, such as United Kingdom, have developed an important services trade, because of their internationalised service firms.

However a high share of services in total exports can be also a sign that the goods exports have a low level. This is the case for Greece, Portugal or Spain whose high share of services exports come mostly from the importance of tourism comparatively to the bad results of goods exports. This is noticeable if one considers the absolute figures: for instance, Belgium exports the same amount of services as Greece and Portugal together, but it exports so much more goods that the share of services in its external trade appears very weak.

Conversely, Luxembourg and United Kingdom have a strong share of services in their trade because of the importance on their territory of transnational firms which supply services abroad, notably financial services and advanced producer services. There is however a difference in the geographical pattern of these exports since UK's service exports are more world-oriented than those of Luxembourg.

Germany has a low share of services in its total external trade because of its enormous exporting manufactured goods ability, but it is nevertheless the second European services exporter country in absolute terms, after United Kingdom.

In the end, the new member States of EU are characterized by the weakness of services in their external trade. It is a sign that they have not yet large service firms which are able to export their products abroad.

9.4 European regions differentiation and the relations to the rest of the world

After having described the relations with the rest of the world at the continental and national scales, one has to differentiate European regions and to analyse how their relations with the rest of the world will influence their future.

We have already presented our general approach. Firstly, the final aim is to have a better knowledge of relations between European regions and the rest of the world. But since most international economic relations data exist only at the national level, we presented first the relations country level. Secondly, the analysis will study the impacts of the relations with the world, mainly globalisation and increasing competition, on European regions.

As most of information is available on the national level, we need a tool to differentiate the European regions. Indeed, two regions in the same country are not concerned on the same way by the relation with the world. Moreover, two regions of different countries may have the same relations to the rest of the world and the same ensuing consequences. We have thus to use a tool which can differentiate all European regions and to sort them in different types according to their economic structure. The differentiation of European territory will thus begin with a typology which will be used later to make some hypothesis.

In the end, some indicators of position and evolution of the regions will be used to confirm the hypothesis. The objective of this empiric part is to evaluate the regional positions towards globalisation in several fields,

notably the investment opportunities and vulnerability towards outsourcing or the migratory opportunities and pressure.

We will thus be able to draw the possible consequences of the relations with the rest of the world, which are not the same from region to region.

This chapter will be considerably reviewed for the final report. For this report, we only expose the methodology and main hypothesis in three main parts:

Typology of European regions and hypothesis on the impacts of globalisation on the different types;

Examples of indicators to measure the position towards delocalisation;

List of other regional indicators to be studied

9.4.1 A typology of European regions and the possible impacts of globalisation on European regions

9.4.1.1 Typology of European regions

The typology will be based on the sectorial economic structure of the European regions, measured by the value added in PPS (Purchasing Power Standards). It will be ensued from a Principal Component Analysis.

This typology is not ready yet, notably because of the complexity of the collection of data. Indeed, one has to collect, for each of the 29 countries of the ESPON territory, the value added by regions and by sector for the more recent possible year, namely 2002. Eurostat regional database supplies some of these data but the use of this source has some limits such as the level of NUTS and the number of sectors: value added data are given for 17 sectors (NACE A-17) by NUTS 2 region whereas we need value added for 31 sectors (NACE A-31). Finally, for some countries, the data have to be collected at the NUTS 3 level (France, Italy, Spain...).

Even if this typology is not yet ready, we can already give the possible different types of region that will ensue from it. We present here a summary of the already existing typology, based on the 1990 data, which has to be updated and enlarged to the new member States (see map). We present here a simplified version of this typology. This regional classification is based on the sectorial structure of the value added in 1990.

The first type groups together the metropolitan areas which are divided between the central tertiary metropolitan regions (London, Paris...) and other metropolitan regions, with intermediary (Copenhagen, Glasgow or Rome) or even peripheral pattern (Athens, Lisbon).

In the central part of Europe (the so-called blue banana), characterized by a high level of GDP density, there are the (non-metropolitan) central regions, which can be differentiated on the basis of their level of industrial specificity. For instance North Rhine-Westphalia has a strong industrial specificity whereas regions such as Catalonia, Switzerland or Venice don't show the same pattern.

Sub central regions have quite the same characteristics than non-metropolitan central regions but they have a lower GDP per inhabitant. They are notably the old-industrialised regions (Midlands, Nord-Pas-de-Calais).

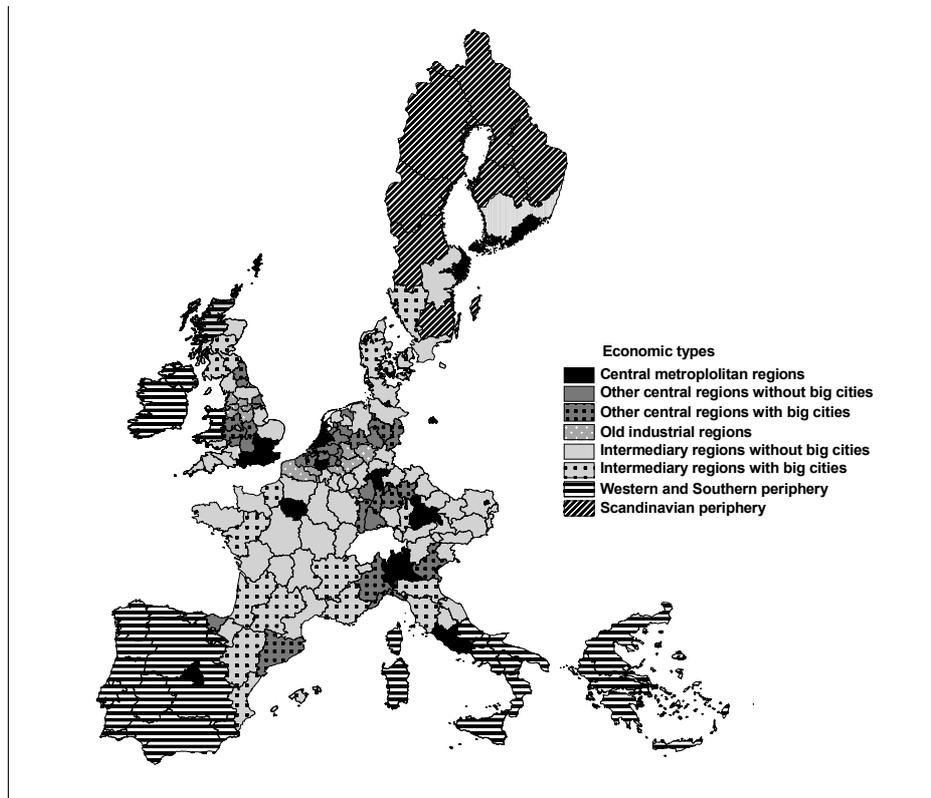
Outside the central regions, we can sort the territories into intermediary and peripheral regions. The intermediary regions have almost the same GDP per capita as the European average but constitute less significant regions (than the central ones) because of their low level of density. Once more, inside this type, it will be possible to differentiate the regions according to their more or less industrial specificity, the Bassin Parisien or the south part of Scandinavian countries, for instance, whose economic base is more industrial than that of the South-West of France but less than in the North of Spain.

In the end, there are the peripheral regions which can be of two main very different types:

the empty Scandinavian peripheral regions, but which have a good level of GDP per inhabitant because of a strong non-merchant support;

the Mediterranean regions having a low GDP, where agriculture and construction are overrepresented (except obviously in the metropolitan areas) and sometimes tourism. Namely, they are the south regions of Spain, of Portugal, of Italy and Greece.

Map 46 Typology of European regions regarding to their economic structure, in 1990*



* this figure is presented as an illustration to the text and as an hypothesis. However, in the next report, it will be brought up to date and extended to Central and Eastern Europe countries.

9.4.1.2 Hypothesis: impacts of globalisation on European regions

Since the typology of European regions is not ready yet, we define *a priori* some types of regions, each type representing a different regional response to globalisation. These responses are obviously influenced by many different factors, and this typology presents a simplified view of these influences.

The basic regional hypothesis summarized here are the same as those expressed in the First Interim Report.

(Global) world metropolitan regions: it concerns mainly the London and Paris global cities, but also some main more or less polycentric metropolitan regions, like Randstad Holland, Rhine-Ruhr or Rhine-Main, main cities like Milan or Madrid, and Brussels metropolitan region, due to the specific functions of this last city in the European political field. Those regions should theoretically benefit from the globalization processes, as they are the key nodes of the world-wide networks, hosting the

headquarters or at least the continental headquarters of the main multinational firms. Very often, the main locations for the innovation processes and research and development are located in those metropolitan regions. They are also the main focuses of the cultural globalization processes. The analysis will show some specific geographical orientations for each one of those main metropolitan regions, and argue about their consequences: London seems to be more world-wide oriented, Paris more European-oriented; Madrid develops special links with Latin America; etc.

However, if those metropolitan regions seem to benefit globally from the globalization processes, we also have to take into account some negative trends which can affect them internally : growing dualization between qualified and unqualified labour force and between affluent (central gentrified or periurban) and deprived areas; de-industrialisation processes due to a global dispersion of activities (mostly towards low-cost countries); etc.

Intra-EU relay or second-level metropolitan regions: these second-level metropolitan regions should also benefit from the globalization processes, as nodes of the intra-European networks, even if they are generally not the location of the main headquarters. Some Central-Eastern European capitals, like Warsaw, Prague and Budapest have a special position, as they host the relays of the Western European advanced service firms in the new member states. Here also, it will be interesting to examine some geographical specificities of the links, as well as for the main relay-cities in the old member states (for instance Berlin vs. Vienna). However, it will be necessary to examine in a more in-depth way the case of cities which are less benefiting of the processes and to identify the factors of such poor performances: early industrial metropolitan regions, lack of strong urban renovation processes (thus less attractive), etc.

Central regions theoretically benefiting from the globalisation processes: some parts of the central European regions, outside the metropolitan regions, could benefit from the globalisation processes. The conditions therefore are supposed to be good environmental conditions, economies strongly supported by research and development, medium-size cities with strong cultural, scientific or tourist potential, etc.

Central regions endangered by the globalisation: on the contrary, some other parts of the central European regions could suffer from the globalization processes. For a long time, this has been the case of the heavy early metallurgical and coal-mining regions, competing first with the maritimisation processes inside the EU, but now with the production of the rest of the world; it is beginning to be the case for some fordists regions, for instance regions where car or electric domestic appliance

industries were developed during the sixties, now competing with Central-Eastern European or Asian countries; finally, it could be the case of the small and medium enterprises manufacturing Marshallian districts: those districts were very dynamic during the last decades, but the question is if they will be able to maintain this situation in the future, as they will be more and more in competition with low-wages countries and, in addition, are often quite weakly involved in R&D.

Peripheral or semi-peripheral regions benefiting from the globalisation (generally without regional power of decision): the study will examine different cases. The kinds of regions which could benefit from the globalisation processes are supposed to be specific technopolises in agreeable environmental locations, like Toulouse (but that concerns intra-national processes more than trans-national); specific relays for the development of technological industries, like Ireland between the US and the UK; touristic regions, if they are able to develop qualitative products competing with low cost extra-EU destinations; Western parts of the Central-European new member States, hosting delocalised or local more or less "maquiladoras" industries; etc.

Intra-EU losing peripheries (with a distinction between those with a quite high level of income due to transfer resources and those with a quite low level of income and/or in a situation of significant recession) : here we will have to examine different situations. In some case the difficulties linked to the peripheral situation are not really related to the globalisation processes examined here. It is the case for the Scandinavian Far North (for regions with high personal income) or the more rural isolated parts of Central-Eastern European countries (for regions with low personal income). But in other cases, peripheral regions could lose from the globalization processes: it could be the case for low-cost low-technological manufacturing regions, like the North of Portugal, or for some touristic regions submitted to the competition of new destinations in the world.

9.4.2 Examples of indicators: level of technology of the manufacture branch

The analysis of the level of technology of manufacturing sector in every European region brings information on "investment opportunities and vulnerability towards delocalisation". Indeed, the industrial structure is a quite relevant indicator since the more the industrial structure of a region includes high value added or technological content, the more easily the region will manage in the future in the context of international increasing competition.

However, the data of economic structure necessary for the European regions typology are not collected completely. Thus we used here the Eurostat regional statistics on employment by group of branches. They come from the "Science and technology" database where one can find data at the NUTS 2 level of region. The maps presented below just constitute a first insight of the structure of industry in the European regions. It is for the moment only an example.

We present here two maps of regional specialization in the industrial sector. Firstly, we present the share of manufacturing in total employment. Secondly, we emphasize the employment in the sectors that are considered, in the Eurostat regional database, of the lowest technology. This second map represents the share, in the total employment, of the NACE sectors 15 to 22 and 36-37, namely "Foods products; beverages and tobacco", "Textiles and textile products", "Leather and leather products", "Wood and wood products", "Pulp, paper and paper products; publishing and printing" and "Manufacturing n.e.c.". However they mostly represent light industries but all the subsectors included are not of low technology.

Unfortunately, the indicators are not given for all regions because of confidentiality or unavailability of data.

9.4.2.1 Manufacturing in European regions

The map shows for which European regions the manufacturing sector represents the highest share in total employment. A view on the EU 15 regions shows a quite low level of this share, often below 10%, with the large exception of the industrial heart of Europe from Germany to Northern Italy. In the new member States of Central Europe, the share of industry reaches a higher level, still partially inherited from the communist period. If we consider data at the national level, the share of manufacturing in total employment is for western ESPON countries varies from 10 % in Luxembourg to 23 % in Germany and for New Member States of Central Europe, from 17 % in Latvia to 31 % in Slovenia.

However, it is a pity that the data are not available for Poland since this sole country represents a large part of the population and economy of the new member States.

This rough indicator can be interpreted in various ways. The regions which have the lowest share of manufacturing in total employment are the metropolitan regions because of the strong development of a high quality services sector, but also more peripheral regions where primary sector and sometimes tourism represent the higher part of the employment.

9.4.2.2 The industrial structure : example of “low technology” sectors

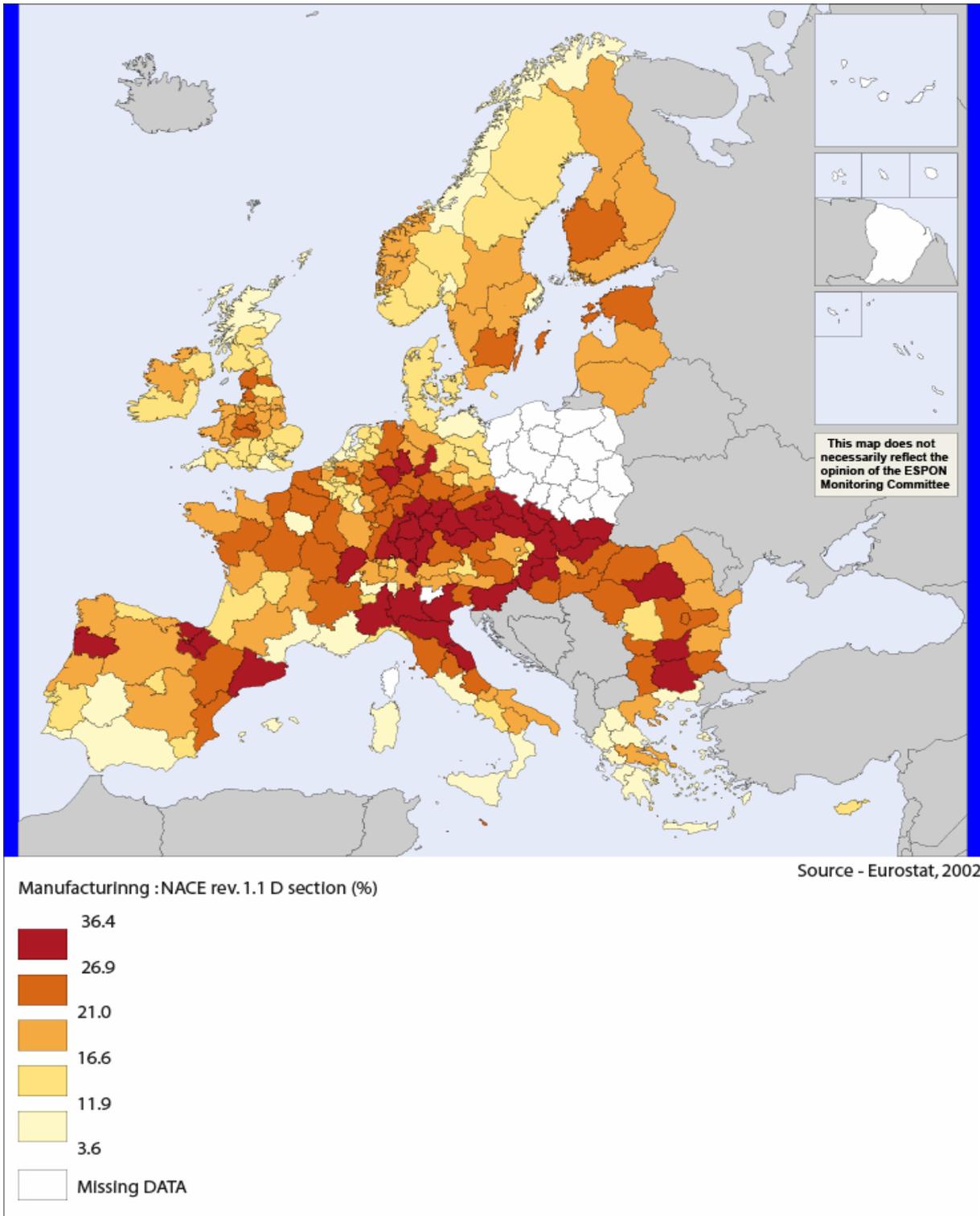
In the second map, there is also a visible east-west gap. If we consider data at the national level, the share of these (low technology) sectors in total employment goes, for New Member States of Central Europe, from 11 % in Czech Republic to 15 % in Estonia and, for the other ESPON countries, from 3 % in Luxembourg to 13 % in Portugal (except for this last country, the highest share is found in Italy with 10%).

In the EU 15, a high share in the total employment is a sign of weakness of the regions with regard to the very intense international competition on these more labour intensive sectors. Indeed, it is a kind of risk towards delocalisation indicator since the analysed sectors are more likely to know competition of low labour costs countries and thus delocalisation or knocking off of the industries. In Eastern Europe, the situation is different because of the lower labour cost.

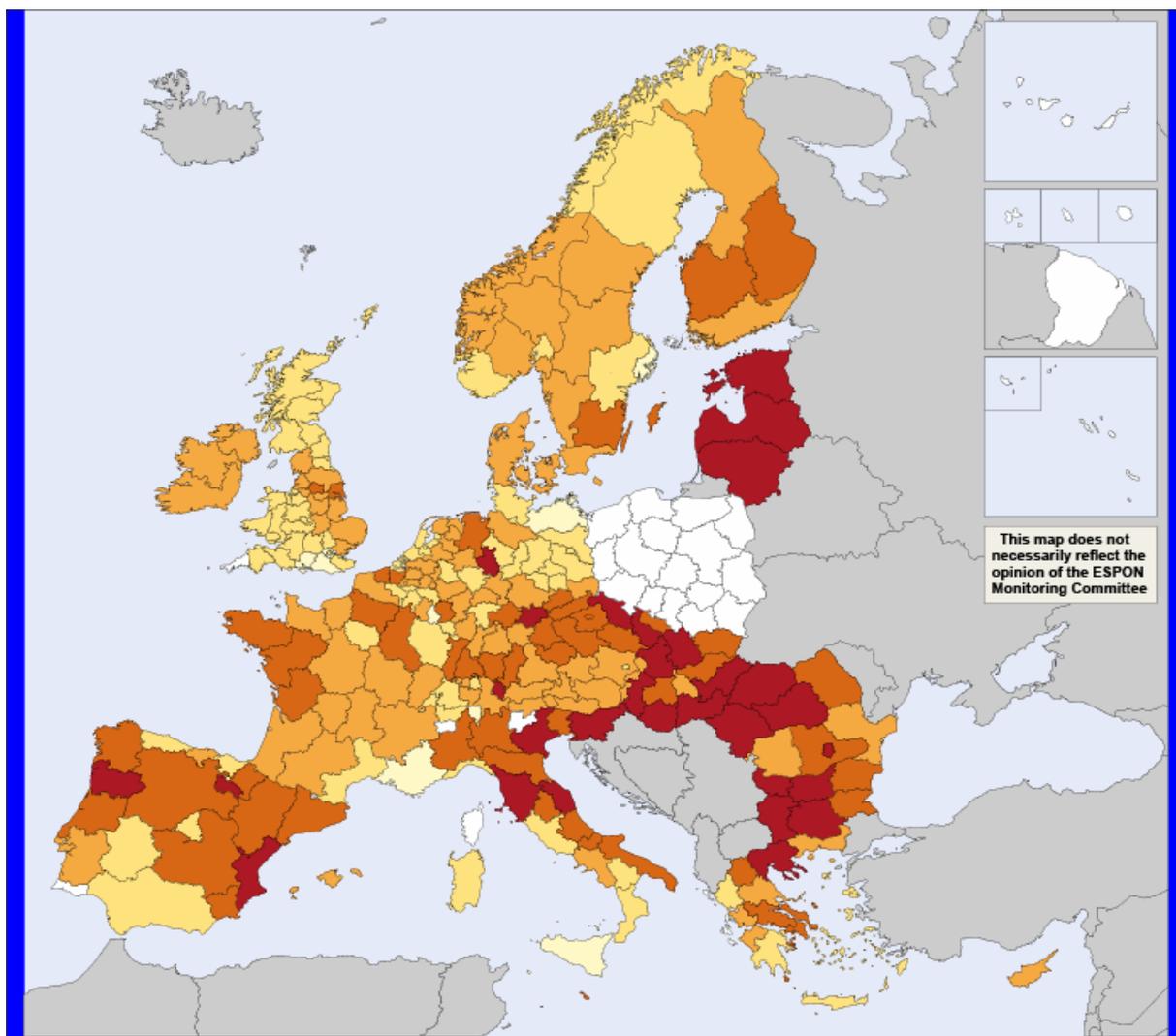
Among EU 15 countries, the more vulnerable regions when one considers the share of light industry sectors are located in the southern European countries: north of Portugal, north-west of Spain and the so-called third Italy. However the negative aspect of a high share of this sector must be qualified: textile can include high technology or know-how, or even more some kind of prestige (“haute couture”) that reduce the risk of international competition. This is perhaps the case for Italy and its fashion industry. A case study included in the SIR will illustrate this assertion in detail.

If one looks to the New Member States, the high share of this “low technology sector” is already a sign of the direct or indirect relocations that have occurred over the last fifteen years.

Map 47 Share of manufacturing in total employment (2002, Eurostat)

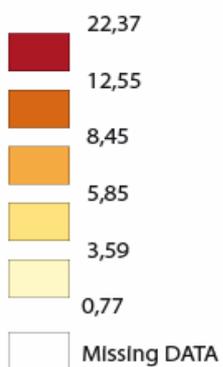


Map 48 Share of the NACE sectors 15 to 22 and 36-37 in total employment (2002, Eurostat)



Source - Eurostat, 2002

NACE branches codes 15 to 22 and 36 to 37 (%)



9.4.3 The indicators of European regions position and evolution towards globalisation

Finally, the table below reminds which regional indicators will be developed for the final report. Note that we do not include any more the commercial insertion indicators since they will be all treated in the national scale analysis.

Table 34 Regional indicators to be collected and analysed in the final report

Theme of the indicators and scale of the analysis	Indicators
<i>Insertion in the international networks of command, control and production of the information : only for Big metropolises</i>	Direction of the world-economy : location of the headquarters of the main world companies and evolution of their relative position during the last twenty years Relay and interface position in the world-economy : - Position in the networks of the advanced services firms (GaWC research) - Position as congress cities International accessibility (by air)
<i>Investment opportunities and vulnerability towards delocalisation : At the regional level</i>	Volume of the FDI and percentage in the local economy Percentage of the low technology sectors in the manufacturing product (EUROSTAT/IGEAT statistics of the regional product) Percentage of the market services in the regional product (idem) R-D value as a percentage of the regional product Netto productivity of the manpower (cost of the manpower by unit of added value)
<i>Migratory opportunities and pressures : At the regional level</i>	Part of the external migratory balance in the evolution of the population during the last decade Percentage of foreigners in the population

10 Policy Options

10.1 Aid Flows and Millennium Objectives

L. Vanwell (K.T.H.)

Europe has an important external role to play in the world. The Gothenburg European Council of 2001 recognized the external dimension of EU policy and practices as crucial for attaining sustainable development. As the countries of the European Union are included in the developed, industrialised world, there is a special responsibility for the rich nations of the world to support the further development of the Least Developed Countries (LDCs).

Convergence of income and welfare gaps is not only an important European territorial goal as directed by the ESDP; it also extends the world outside of Europe. There are still huge disparities in income and development between the LDCs and the developed countries, as well as very obvious gaps within the LDCs- inequalities that are often due to discrimination by gender, group identity, wealth or territorial location¹⁶. Thus all nations have the collective responsibility to uphold the principles of human dignity, equality and equity at the local level and in particular to ensure that "globalisation becomes a positive force for all the world's people"¹⁷

The Millennium Development Goals (MDG) adopted by the countries of the United Nations in 2000 specifies eight ambitious goals for achieving world-wide sustainable development, particularly in the LDCs:

- Eradicating extreme poverty and hunger
- Achieving universal primary education
- Promoting gender quality and empowering women
- Reducing child mortality
- Improving maternal health
- Combating HIV/AIDS, malaria and other diseases
- Ensuring environmental sustainability
- Building a global partnership for development.

¹⁶ UNDP (2005) Human Development Report: International cooperation at a crossroads. Aid, trade and security in an unequal world.

¹⁷ United Nations General Assembly resolution A/res/55/2

Millennium Development Goal #8- "A global partnership for development" is particularly focused on reforming aid and trade with special treatment for the LDCs and on reducing debt. Thus this final goal can be seen as a one of the means by which all other seven goals could be met.

Development aid flows are a pillar of MDG #8 and an area where Europe has taken on a special role. The European Council agreed, on the basis of a Commission proposal, to double aid to developing countries between 2004 and 2010, and allocate half of it to Africa. By making this commitment, the EU is likely to reach the UN target of allocating 0.7% of its GNI to development aid by 2015. Compared to what is expected in 2006, this commitment should result in an estimated additional €20 billion in ODA (Official Development Aid) per year by 2010 and an additional annual €46 billion per year by 2015.¹⁸ The EU is well placed for such work as the largest donor of development aid (55% of global ODA), the biggest trading partner of the developing countries and a major source of direct private investments¹⁹

10.1.1 Making aid flows work

In light of aid flows from Europe to the developing world, international aid, while effective is also seen as a weapon to fight poverty that is "underused, inefficiently targeted and in need of repair" ²⁰. In order for aid to be effective three conditions must be met:

Aid must be adequate enough to spark human development,

It must be cost-effective with low transaction costs,

Recipient countries must have primary responsibility for its use. Aid must be untied.

Providing sufficient aid to developing countries is obviously not enough. The goals of cost-effectiveness and ownership of aid initiatives are even more vital aspects.

The EU, in the 2005 revision of the Cotonou Agreement from 2000 supports initiatives on untying of aid; in particular in the framework of ACP (Africa, Caribbean and Pacific) cooperation. Tied aid is aid where the

¹⁸ EU Strategy for Africa: Towards a Euro-African pact to accelerate Africa's development Brussels, 12.10.2005 COM(2005) 489 final

¹⁹ "Towards a global partnership for sustainable development (2002). COM (2002) 82 Final, Brussels 31.3.2002.

²⁰ UNDP (2005) Human Development Report 2005: International cooperation at a crossroads- Aid, trade and security in an unequal world. Summary,

provision of supplies and services provided by the donor country is contingent upon the purchase of donor country products or services. Former European Commissioner for External Relations Chris Patten, in a public address reiterated: "Tying aid runs counter to the internal rules on the free movements of goods and services".²¹ Untying aid would thus boost the effectiveness and impact of EU aid flows.

Achieving cost-effective aid with low transaction costs is an unwieldy task in light of the heavy bureaucracy that can characterise some of the governments of the LDCs as well as donor aid agencies. Corruption within some of the developing country governments and unofficial transfers of aid into the informal markets is also a risk of aid flows.

Private aid and remittances from abroad are sometimes seen as a way to avoid the bureaucratic jungle that can characterise ODA. Many studies have shown that the transfer of money by immigrants from developing countries to Europe is generally higher and more efficient than the official transfer of money from rich to poor countries. The common conclusion is that opening European borders to people from the Third World countries may be an efficient way to help these countries.

Alas, this conclusion is misleading: development aid is generally used for investment in infrastructure and social overhead capital, while remittances from family members abroad are used for private consumption and investment in family property. Compared with aid programs, remittances may be a more efficient way to transfer money, but this can be explained by lower transaction costs.

It is important to bear in mind that in many developing countries families and households, rather than individuals, induce migration. In developing countries the need of risk diversification and risk minimisation is dependent on the perceived functioning of markets, or missing markets. The family members abroad will bring in remittances to the family or household, money that will be saved and only used in economically hard times. This is a very unproductive use of money, and does not promote economic growth or sustainable development in the LDCs.

Aid, investment, development programs and remittances are not supplementary, but rather complementary. But in practice it may sometimes be difficult to distinguish between private remittances, whether from family members or private donors, and private investment, the fruits of which may not always be transparent in the recipient countries. While

²¹ Address by Chris Patten, European Commissioner for External Relations. Europe in the World: CFSP & its relation to development. ODI, 7 Nov 2003, P.4

private investments certainly have a place in achieving millennium goals and in encouraging development, it is important to be able to distinguish between investment, trade and aid in order to achieve cost-efficiency and evaluate the impacts of each.

10.1.2 More impact for the money

On October 12, 2005 the European Commission adopted a new EU strategy for Africa with several elements for achieving cost-effectiveness of development aid and enhancing the European-African partnership. Initiatives focus on not only the targets of the Millennium goals, such as health, water and infrastructure, but also on security, peace and good governance. Fighting the “root causes” of the development gap between Europe and Africa stated President José Manuel Barroso, is the only way of addressing problems on the EU territory such as illegal immigration due to poverty²².

In terms of good governance, all aid and development programmes should be enriched with a capacity building element in order to work with local recipient communities in achieving their own Millennium goals. Such aspects of aid should focus on the recipient communities in a true spirit of partnership, with communities having ownership of aid implementation. However with capacity building measures such as increasing transparency of implementation of projects and increasing participation of civil society, perhaps corruption may be better tackled from the bottom-up. In increasing the effectiveness of aid flows from Europe is an important element in securing growth, security and development both for the donor and recipient countries.

²² EurActive.com, <http://www.euractiv.com/Article?tcmuri=tcm:29-145748-16&type=News>. Accessed on 13 October 2005.

10.2 First considerations about the relation between ESDP and Europe in the world

C. Vandermotten, G. Van Hamme (I.G.E.A.T.)

1. Political implications of the place of Europe in the world regarding to the spatial planning is a very complex matter. We could outline two different visions of Europe which have emerged in the last decennial : the first is related to the Lisbon strategy and focuses on the european competitiveness in the world, giving less importance to matters linked with spatial planning (social and territorial cohesion; environment, ...); the second point of view can be found in the ESDP, which gives the major objectives of the spatial planning, focusing on social and territorial cohesion, territorial balanced competitiveness as well as environmental issues.

These two visions are not necessarily contradictory but mostly indifferent to each other. The Lisbon strategy aims to improve the position of Europe in the world while the ESDP is mainly preoccupied by internal issues and pays little attention to objective relations with the rest of the world.

The table outlines possible relations between spatial planning as defined in the ESDP and Europe's situation in the world. It appears clearly that this question is not a major issue of this key document for Europe.

2. It seems necessary to link these two points of view on Europe and to open a debate on opening and competitiveness (Lisbon strategy) versus closing. Even if it is a little bit premature, we would like to recall some elements to consider.

In our view, the main point to consider in this debate is the weak openness of the European economy, whose trade with the rest of the world represents only 14% of its economy. This means that the European economy is, if not self-sufficient, not as open as some would claim. This should not hide the exceptional growth of European trade both internal and external, but the share of the first has clearly increased on the long term and more or less stabilized around 64% for the last decade. One has also to recall that the growth of trade is closely linked to political decisions and is not, as some argue, a kind of natural evolution (see for example

the WTO negotiations). It would be interesting, and the continuation of the project will try to fulfil this objective, to measure this opening with other indicators to see if we could draw the same conclusion (foreign direct investment, migration, tourism).

However, and this is our second main point, the "globalization" process is not neutral from a spatial point of view, since some of the regions are suffering or, on the contrary, benefiting from this competition. At this stage, key question 4 has formulated some hypotheses on the potentials or weaknesses of the regions in relation to "globalization", but it is certainly too early to draw any conclusion about it. Some examples can be put to the fore:

textile regions show very significant local vulnerability to extra-european competition, even if some could react in a very positive way to it ;

rural regions could suffer of a growing opening even if agriculture is not the main production of these areas anymore ;

metropolitan regions could benefit of this opening/concentration process...

But another hypothesis is that many (most of them?) regions of Europe, both in central and peripheral position, have relatively little relations with the rest of the world.

3. One of the main options of European spatial planning as defined by the ESDP is polycentrism, closely linked to the objective of territorial cohesion. One could argue that in the globalization process, big metropolitan areas which concentrate knowledge and research, which are better linked to the rest of the world, and whose economy is much more diversified, are better placed in the new globalised and flexible economy. Indeed, there is some evidence of a metropolisation process, but *it is very difficult to evaluate the role of globalization in this evolution, since internal evolutions of the economy towards flexibility is also favouring metropolitan areas*. However, the observed fact of a concentration/metropolisation process is not sufficient to reject the polycentric option, because of a supposed economic efficiency related to the scattering of means, or a lack of economic diversity. As we already recalled above, the rate of opening of Europe is still relatively low and this could mean that Europe still has options in spatial planning, since the competitiveness should not necessarily rule all the other objectives. In this option, the most vulnerable regions to the outside competition should be helped in some way, and polycentrism could be an appropriate answer for regions without big world metropolitan

regions. Moreover, if one considers the weak rate of opening of a number of European regions, environmental and social (territorial and social cohesion by the mean of polycentrism) objectives should take their entire importance beside the requirements of competitiveness.

Theme	Para-graph	ESDP - Options	ESDP-Instructions on the relations that Europe should have with the rest of the world	How could the recent evolution of Europe's position in the world and the mundialisation process have an influence on the main ESDP-Options?
The spatial approach at European level	5	Spatial development policy has to support the aim of ensuring new and sustainable jobs for its citizens	<i>No instructions : all the options are dedicated to inner european sustainable development</i>	Unemployment and unsustainable jobs are even more a main problem in the mundialisation context. Actual trend to speak more in economical terms than environmental (ex. Lisbon Agenda) The preference for polycentrism begins to be criticised, because that the big european metropolis have actually a better performance and a worldwide image (see Interreg and Espon studies) that polycentric countries can't reach.
	13	Economic growth must be reach a broader population through increased employment. Unemployment corresponds to almost 10% of the working population.		
	17	Achieving a balanced and sustainable development, in particular by strengthening economic and social cohesion.		
	19	Three policy guidelines : - development of a balanced and polycentric urban system and a new urban-rural relationship - securing parity of access to infrastructure and knowledge - sustainable development, prudent management and protection of nature and cultural heritage		
	20	Strengthening structurally weaker areas ... without weakening economically stronger regions ... presents an enormous challenge.		
Influence of Community policies on the EU-territory	49	Improved co-ordination between policy areas for rural development because of the EU-enlargement and the world trade talks effect (pressure to intensify productions)	<i>No instructions : (only inner-effects)</i>	Mundialisation process - and his ecological footprint - still taken in account This aim becomes a main challenge (see Lisbon agenda, Bologne process)
	56	Research and Technological Development (RTD) : Community RTD policy promotes co-operation with and between companies, research centres and universities, also with third countries and international organisations.	Aim for RTD co-operation with third countries and international organisations	
Policy aims and options for the EU-Territory : Polycentric and	79	1. Strengthening of several larger zones of global economic integration in the EU, equipped with high-quality, global functions and services, including the peripheral areas, through transnational spatial development strategies.	Make the Global gateways as performant as possible for the world-wide economy	As said above, it seems that it's much more important to have performant big metropolis than polycentric countries. So the top-priority could become more a will to guarantee the hyper-performance of our

Balanced Spatial Development in the EU

2. Strengthening a polycentric and more balanced system of metropolitan regions, city clusters and city networks through closer co-operation between structural policy and the policy on the Trans-European Networks (TENs) and improvement of the links between international/national and regional/local transport networks.

3. Promoting integrated spatial development strategies for city clusters in individual Member States, within the framework of transnational and cross-border co-operation, including corresponding rural areas and their small cities and towns.

4. Strengthening co-operation on particular topics in the field of spatial development through cross-border and transnational networks.

5. Promoting co-operation at regional, cross-border and transnational level; with towns and cities in the countries of Northern, Central and Eastern Europe and the Mediterranean region; strengthening North-South links in Central and Eastern Europe and West-East links in Northern

6. Expansion of the strategic role of metropolitan regions and "gateway cities", giving particular attention to the development of peripheral regions of the EU.

7. Improvement of the economic basis, environment and service infrastructure of cities, particularly in economically less favoured regions, in order to increase their attractiveness for mobile investment.

8. Promotion of an economic diversification strategy in cities which are too dependent on a single branch of economic activity, and support for the economic development of towns and cities in less favoured regions.

9. Promotion of integrated urban development strategies sensitive to social and functional diversity. Particular attention should be given to fighting social exclusion and the recycling and/or restructuring of underused or derelict urban sites and areas.

10. Promotion of a wise management of the urban ecosystem.

11. Promotion of better accessibility in cities and metropolitan regions through an appropriate location policy and land use planning that will stimulate mixing of urban functions and the use of public

(inner considerations)

Aim for co-operation with Eastern Europe and Mediterranean Countries

Big rule of the global gateways

Inner considerations for sustainable and performant cities

global gateways than a good polycentric balanced development.

Still asking for thematic (or geographic) clustering for having a potential world-wide image

Add in this aim further countries, like Asia

See above the need for performant global gateways, who must be very attractive, so have an excellent urban management, environment, performant traffic, cultural capacities and without social tensions.

Dynamic, Attractive and Competitive Cities and Urbanised Regions

and 88

and

		transport.		
		12. Support for effective methods of reducing uncontrolled urban expansion; reduction of excessive settlement pressure, particularly in coastal regions.		
	99	13. Promotion of diversified development strategies, sensitive to the indigenous potentials in the rural areas and which help to achieve an indigenous development (including the promotion of multifunctionality in agriculture). Support of rural areas in education, training and in the creation of non-agricultural	Aim to discourage intensive agriculture, what could have international trade impacts	Europe has to take very sensitive regulations in the agricultural sector, respecting the economical, environmental and social aspects ... as well at local than at global level
Indigenous Development, Diverse and Productive Rural Areas		14. Strengthening small and medium-sized towns in rural areas as focal points for regional development and promotion of their networking.		
		15. Securing sustainable agriculture, application of environmental measures and diversification of agrarian land utilisation.		
		16. Promotion and support of co-operation and information exchange between rural areas.	<i>(internal)</i>	
		17. Use of the potential for renewable energy in urban and rural areas, taking into account local and regional conditions, in particular the cultural and natural heritage.	Aim to minimize fossil energy consumption (so import)	Using more the rural areas for renewable energy production could become a main priority
		18. Exploitation of the development potential of environmentally friendly tourism.	<i>(internal)</i>	
Urban-Rural Partnership	106	19. Maintenance of a basic supply of services and public transport in small and medium-sized towns in rural areas, particularly those in decline.	<i>(internal)</i>	
		20. Promotion of co-operation between towns and countryside aiming at strengthening functional regions.		
		21. Integrating the countryside surrounding large cities in spatial development strategies for urban regions, aiming at more efficient land use planning, paying special attention to the quality of life in the urban	Once more the aim for using the large cities and to cluster medium-cities for having a international potential	See above : give maybe a priority to still global gateways
		22. Promotion and support of partnership-based cooperation between small and medium-sized towns at a national and transnational level through joint projects and the mutual exchange of experience.		

	23. Promotion of company networks between small and medium-sized enterprises in the towns and countryside.	<i>(internal)</i>	
Polycentric Development Model: A Basis for Better Accessibility	117 24. Strengthening secondary transport networks and their links with TENs, including development of efficient regional public transport systems.	<i>(internal)</i>	Mundialisation could give more the priority to the equipment of the big ports and metropolis than inner secondary transport networks and to resolve their congestion problems and guarantee a top ICT equipment.
	25. Promotion of a spatially more balanced access to intercontinental transport of the EU by an adequate distribution of seaports and airports (global gateways), an increase of their service level and the improvement of links with their	Intercontinental transport policy from a more balanced set of European sea- and airports	
	26. Improvement of transport links of peripheral and ultra-peripheral regions, both within the EU and with neighbouring third countries, taking into account air transport and the further development of corresponding infrastructure facilities.	Better links with third countries	
	27. Improvement of access to and use of telecommunication facilities and the design of tariffs in accordance with the provision of "universal services" in sparsely populated areas.	<i>(internal)</i>	
Efficient and Sustainable Use of the Infrastructure	124 28. Improvement of co-operation between transport policies at EU, national and regional level.		Still a big priority: see above the growing importance of having well performant communication infrastructure for metropolis and ports, for having a chance to exist in the word-wile economy.
	29. Introduction of territorial impact assessment as an instrument for spatial assessment of large infrastructure projects (especially in the transport sector).		
	30. Better co-ordination of spatial development policy and land use planning with transport and telecommunications planning.		
	31. Improvement of public transport services and provision of a minimum level of service in small and medium-sized towns and cities.		
	32. Reduction of negative effects in areas subject to high traffic pressure by strengthening environmentally compatible means of transport, levying road tolls and internalising external costs.		
	33. Promoting the interconnection of inter-modal junctions for freight transport, in particular for transport on the European corridors, especially regarding shipping and inland navigation.		

Diffusion of Innovation and Knowledge	131	<p>34. Co-ordinated and integrated infrastructure planning and management for avoiding inefficient investments (for example superfluous parallel development of transport infrastructure) and securing the most efficient use of existing transport infrastructure.</p> <p>35. Wide-ranging integration of knowledge-relevant policies, such as the promotion of innovation, education, vocational training and further training, research and technology development, into spatial development policies, especially in remote or densely populated areas.</p> <p>36. Securing Europe-wide access to knowledge-relevant infrastructure taking account of the socio-economic potential of modern SMEs as motors of sustainable economic development.</p> <p>37. Fostering networking among companies and the rapid diffusion of innovations, particularly through regional institutions that can promote innovations.</p> <p>38. Supporting the establishment of innovation centres as well as co-operation between higher education and applied R&D bodies and the private sector, particularly in economically weak areas.</p> <p>39. Development of packages of measures which stimulate supply and demand for improving regional access and the use of information and communication technologies.</p>	<i>(internal performance)</i>	<p>The word-wide economic competitiveness obliges Europe to promote knowledge-relevant policies. It becomes the main priority (see the Lisbon Agenda) in such a level that even environmental concerns are many times disappearing ...</p>
Preservation and Development of the Natural Heritage	143	<p>40. Continued development of European ecological networks, as proposed by Natura 2000, including the necessary links between nature sites and protected areas of regional, national, transnational and EU-wide importance.</p> <p>41. Integration of biodiversity considerations into sectoral policies (agriculture, regional policies, transport, fisheries, etc) as included in the Community Biodiversity Strategy.</p> <p>42. Preparation of integrated spatial development strategies for protected areas, environmentally sensitive areas and areas of high biodiversity such as coastal areas, mountain areas and wetlands balancing protection and development on the basis of territorial and environmental impact assessments and involving the partners concerned.</p>	<i>(internal)</i>	<p>The actual stress to be the most competitive in the World makes that environmental aspects of policies have much less priority that several years ago.</p>

<p>Water Resource Management - a Special Challenge for Spatial Development</p>	<p>150</p>	<p>43. Greater use of economic instruments to recognise the ecological significance of protected and environmentally sensitive areas.</p> <p>44. Promotion of energy-saving and traffic-reducing settlement structures, integrated resource planning and increased use of renewable energies in order to reduce CO2 emissions.</p> <p>45. Protection of the soil as the basis of life for human beings, fauna and flora, through the reduction of erosion, soil destruction and overuse of open spaces.</p> <p>46. Development of strategies at regional and transnational levels for risk management in disaster prone areas.</p> <p>47. Improvement of the balance between water supply and demand, particularly in areas which are prone to drought. Development and application of economic water management instruments, including promotion of water-saving agricultural methods and irrigation technology in areas of water shortage.</p> <p>48. Promotion of transnational and interregional cooperation for the application of integrated strategies for the management of water resources, including larger ground water reserves in areas prone to drought and flooding, particularly in coastal regions.</p> <p>49. Preservation and restoration of large wetlands which are endangered by excessive water extraction or by the diversion of inlets</p> <p>50. Concerted management of the seas, in particular preservation and restoration of threatened maritime ecosystems.</p> <p>51. Strengthening of regional responsibility in water resource management.</p> <p>52. Application of environmental and territorial impact assessments for all large-scale water management projects.</p>	<p><i>(internal)</i></p> <p>Need for an international maritime ecosystem management</p> <p><i>(internal)</i></p>	<p>Still will remain a main priority: the Kyoto decisions, the climate change, the water management and the urban congestion remain big challenges, as well for Europe than all the developed countries. The bad management of the risks lead more and more to disasters, with big economical impacts.</p> <p>Need for transnational maritime safety</p>
<p>Creative Management of Cultural Landscapes</p>	<p>155</p>	<p>53. Preservation and creative development of cultural landscapes with special historical, aesthetical and ecological importance.</p> <p>54. Enhancement of the value of cultural landscapes within the framework of integrated spatial development strategies.</p> <p>55. Improved co-ordination of development measures which have an impact on landscapes.</p>		<p>Because of the need for very attractive Global Gateways and the growth of the tourism becoming a very big economical sector, natural and cultural heritage management remain absolutely necessary.</p>

**Creative
Management of
the Cultural
Heritage**

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- 56. Creative restoration of landscapes which have suffered through human intervention, including recultivation measures.
- 57. Development of integrated strategies for the protection of cultural heritage which is endangered or decaying, including the development of instruments for assessing risk factors and for managing critical situations.
- 58. Maintenance and creative redesign of urban ensembles worthy of protection.
- 59. Promotion of contemporary buildings with high architectural quality.
- 60. Increasing awareness of the contribution of urban and spatial development policy to the cultural heritage of future generations.

10.3 European Neighbourhood Policy

P. Beckouche and Y. Richard (Ladyss)

Policy recommendations are given here through two approaches: (i) the first is the competitiveness of the European economy, since several studies show that the better Europe will integrate its neighbouring territories, the better it will compete with the other major global regions²³. The complementary “North-South regionalism” between Europe and its neighbours (capital and technology on the one hand, emerging markets and available potential labour forces on the other especially in the southern Mediterranean countries), is a very favourable set. The question is: can it be implemented through the European Neighbourhood Policy? (ii) What could this 3.4.1. ESPON program bring to what is already known about the ENP? We underline here that it could be useful by focusing on the *territorial* side of this policy, namely on its necessary *regional* side – whereas the new European Neighbourhood and Partnership Instrument has rather been defined as a *bilateral*, and not regional, instrument.

10.3.1 Territorial stakes in the European neighbourhood

Unemployment (how to attract eastern and southern elites without any damaging brain drain), energy (how to make the European oil and gas procurement secure), and environment (how to reduce pollution of rivers, seas and air in the region) are three of the main stakes of the Euromediterranean region (that is, Europe plus its neighbours). They are not specifically territorial stakes but they have a major territorial impact.

10.3.1.1 Employment and training issue

Almost all the neighbouring countries of EU face a high rate of structural unemployment, due to their economic structure, to the economic reforms implemented (especially in the Eastern neighbours since the end of the socialist period), to the modernisation of agriculture which will have severe impact on employment in many eastern countries such as Caucasian and Moldova, to the difficulty to restore peace (especially in South Eastern

²³ IFRI, 2003, *Le commerce mondial au 21^{ème} siècle*, Paris.

Europe and Middle East), and to the growing competition between developing countries (as can be seen since the dismantling of imports quotas in textile and clothes industry, and since the entrance of China in WTO).

European Union has a lot to do with it. First, it has to guarantee a high level of stability in its neighbourhood; it must help those countries to create a reliable legal background for investment in order to create the thousand jobs these countries urgently need - for men and women. EU countries play a dominant role in foreign investments in Mediterranean and former soviet countries; but this investment in absolute terms is quite not sufficient to match their needs. Second, EU needs and will more and more need labour force, in order to compensate its demographic decline and labour force shortage; such a labour force could be in a large part taken from the neighbouring countries, but how to avoid a brain drain, that deprives EU's neighbours from a local development base? One solution would certainly be a strong common policy in training - and especially in training teachers, in order to tackle the huge increase of new students that southern neighbours are confronting; in training scientist and technicians that both the neighbouring countries (Mediterranean, Caucasian...) and the European labour markets need.

10.3.1.2 Energy issue

The bulk of the European imports of oil and gas come from its neighbouring countries. Because of growing consumption and declining domestic production (Northern Sea), EU is getting more and more dependant upon these imports ; their routes - through the Black Sea and the Mediterranean or through Russia and Ukraine - will thus be more and more strategic, Europe will have to make them secure.

10.3.1.3 Environment issue

Several environment issues have a regional dimension: pollution of common seas (Northern Sea, Black Sea, Mediterranean) thus of the concerned rivers; pollution of air; nuclear risks because of today's risky plants (Armenia, Romania, Russia...) and forecast new plants (Russia, certainly Turkey after 2010).

10.3.1.4 The regional integration issue

Several studies show that the only mean for Europe to compete with the other large economic regions of the world, is to succeed in its own regional integration, not only on the continent but at a north-south regional scale. In that respect, it is of course irrelevant to restrict the neighbourhood issue to free-trade concern or to immigration control. Confronting the labour force and training issue, the investment issue, the energy issue, the environment issue, implies to *link* them and include them in a *vast regional program*. Creating an integrated space for men, merchandises, services and capital is an enormous ambition and a necessity; to complete it would imply a strong and sustainable strategy of Europe towards eastern as well as southern neighbours.

10.3.2 Advantages and limits of the European Neighbourhood Policy

10.3.2.1 Positive steps

Due to the adhesion of the eastern new member states in 2004, today's stake of the neighbourhood is rather located in the South. European subsidies as well as private direct investments have been much lower in the southern Mediterranean than in eastern NMS. Does the Mediterranean policy of the EU ("Barcelona process") match this situation?

Since the mid 90ies, the Barcelona Process has been a quite unanimously accepted policy. Its goals are shared by all the countries involved (economic transition, political mutual confidences and assistance, cultural exchanges). Its procedures are making cooperation more natural:

it is one of the rare forum where European and South Mediterranean countries representatives – and namely where Israelis and Arabs officials – attend the same conferences

the Association Agreements have become a well known framework for bilateral (UE/Med partner) and regional cooperation. They have been signed in the last ten years, some very recently (Syria's is still to be confirmed), many have come to action since several years (Palestine, Israel, Morocco,

Tunisia and Turkey). A set of technical committees and sub-committees ensure practical implementation of these agreements; they progressively build the habit of a partnership in the Region. Concerning EU subsidies, the receiving countries have progressively become more and more efficient in the implementation of cooperation program

the creation of new institutions show that this partnership has gone a new step: the Euro-Mediterranean Parliamentary Assembly hold its inaugural meeting in Athens in March 2004, the Anna Lindt Euro-Mediterranean Foundation for the Dialogue between Cultures (financed by all partner countries and the Commission), devoted to the civil society networking, intellectual and cultural exchanges, was inaugurated in April 2005 in Alexandria.

The principles and means of this policy have just been specified in Barcelona at the end of November 2005. Principles: conditionality (true political and economic reforms) ; progressive adoption of the European legislation ; differentiation (different goals and rhythm according to the country, through specific Action plans). Means: the financial commitments of EU would jump from 8 billion euros (2000-2006, Meda, Tacis, Sapard, Phare etc) to 15 (European Neighbourhood and Partnership Instrument), of which the part of the Mediterranean could be 8 or 9.

10.3.2.2 Shortcomings

The new Action Plans show shortcomings too:

- Their content is defined by EU along with each neighbour concerned. But (i) their conception is in fact due to the European part, with less southern participation ("Neighbours") in the design that what had happened ten years ago for the Barcelona Agreements ("Partners"). (ii) One aspect of these Barcelona Agreement, the regional programs (designed for *several* Mediterranean countries), is to disappear with the new purely bilateral Action Plans.
- There is a risk that a part of the funds would not be dedicated to concrete projects, but a simple global allocation of money without any constraint for its use.
- The neighbourhood policy could enhance a competition among potential recipients. The Eastern neighbours (NIS) are likely to attract a bigger part than what has been forecast, because of higher expertise and institutional capacities than Med partners.

- This ENP could be seen as a compensation for no admission in the UE, especially for Turkey. It could thus become a policy to keep partners remote rather than to get near.
- The idea of an increasing Mediterranean partnership is not largely shared in the European public opinion. Blasts in Casablanca (2003), Madrid (2004) and London (2005) are in all minds. Furthermore, the ENP was a part of the Constitutional Treaty – which may not be ratified before a long time.

10.3.3 Recommendations

10.3.3.1 The regional dimension of the ENP

The 3.4.1. Espon program will underline the necessity of a *territorial dimension* of the ENP. First, it seems highly necessary to keep and develop a *regional* and sub-regional territorial base for implementation of the neighbourhood policy.

As far as the energetic issue, the environment issue or the migration and training issue are concerned, the regional scale is at stake. See the financial issue too: a Mediterranean regional bank, financed by the two sides of the Mediterranean, could mobilise southern domestic savings (nowadays very insufficient to fuel local investment) and remittances sent by emigrants to their families from EU. Concerning energy, indeed a bilateral dialog between EU and Russia for the securing of oil and gas supplies is possible. But on the other hand, EU needs a regional dialog because it needs to diversify the origin of its energetic procurement and the routes of imports (former soviet central Asia, Maghreb, Middle East). Oil or gas imports from Central Asia and Middle East mean a transit through neighbouring territories (Caucasus, Syria, Turkey...) that are not member of the EU. As long as Turkey is not a member of EU, there will be no contiguity between EU and its energetic producers, simple bilateral agreements may not show sufficient.

Concerning the trade of manufactured goods, EU will have to take into account its dissymmetric trade with its neighbours, namely in the South (EU is the first destination of their exports and their first supplier, but the reversal is not true). The end of quotas in the textile industry may show disastrous for neighbouring countries such as Tunisia, Egypt or Morocco. A regional policy will have to go beyond a simple free trade agreement, and

will have to enhance new industrial sectors and poles, favour local national champions, facilitate the use of IT, etc. Mainstream European liberalism does not like industrial policies, but it will certainly have to design some towards the neighbours.

Even if their labour force is not the cheapest in the world, their proximity with EU is still an advantage: first, they can rapidly give relevant responses to the evolution of the demand on a highly versatile market. Second, EU firms could set up a more competitive organisation of value chain on a larger territorial base, taking advantage of low wages in the southern bank of the Mediterranean – as they already do, but not enough to contribute significantly to its development because *there is no common (southern and northern, private and public) vision of a regional future*. Third, EU could support neighbour-to-neighbour trade, which is nowadays insufficient. Attempts such as Agadir agreement (Morocco-Tunisia-Jordan-Egypt) are only a beginning, they have still not supported a significant increase of trade. The same is at stake in the economic space composed by former Soviet Republics and Balkan countries.

This regional approach is quite relevant also for the migration issue. Up to now, the attempts made by EU Commission and also by the member states without any coordination, to harness migration flows have been unsuccessful. This is largely due to the lack of regional dialog, both within Europe and with all the neighbour countries which are origin and transit territories for international migrants. The Russian example is typical: EU negotiates a readmission agreement with the Federation, but this agreement is useless as long as EU and Russia do not negotiate such agreements with Kazakhstan or other NIS (there is no real migration control within the CIS), and even Iran.

10.3.3.2 A need for local projects

Second, the ENP Action Plans should enhance the dimension of *local project*, with strong commitment of local public and private actors, along with southern central and European actors. Such projects would be defined on territorial bases. EU could more easily monitor their implementation and make regular evaluation, like what happens in the European regional policy.

The promotion of territorial local projects is a way to encourage decentralisation in neighbouring countries. Furthermore, such an administrative and political reform could improve the efficiency of cross border cooperation programs. Many of them do not move on because local authorities are too much dependent from central authorities (this is particularly the case of cross border cooperation along the eastern border of EU).

At last, the funding of cross border (Interreg III A) and transnational cooperation (Interreg III B) projects with different budgets (Interreg and Tacis or Meda) that depend on the status of eligible concerned territories (whether they belong to EU members or to non EN members), hampers the implementation of these programmes. Their implantation should be based on *one* common budget for territories located on both sides of the EU external border.

10.4 Territorial cohesion: External discontinuities as opportunities

Claude Grasland (UMR Géographie-cités)

The research developed on the measure and cartography of territorial cohesion in the ESPON program (ESPON 3.1 Final Report, ESPON 3.2 Second Interim Report) has established that the **spatial organisation of heterogeneity** is a crucial output for territorial planning. The global measures of regional inequality derived from statistical parameters (coefficient of variation) or economic models of equilibrium (Gini coefficient) do not take into account this spatial dimension of heterogeneity and are therefore blind to the potential consequence of proximity between regions of different levels of development which can define either **regular gradients** (if transition between different levels is smoothed) **or homogeneous area separated by territorial discontinuities** (if transition is brutal between groups of regions of different levels).

The precise description of the spatial organisation of economic, demographic, social and environmental heterogeneity of European territory is a crucial output for European policymakers because gradient and discontinuities does not produce the same effects in terms of territorial dynamics and provide different threats and opportunity inside European territory (e.g. discontinuities of GDP between former EU15 and NMS) and

inside Euromed area (e.g. discontinuities of economic and demographic level between northern and southern banks of Mediterranean Sea).

10.4.1 The West-East "stair gradient"

Thanks to the German reunification and the recent enlargement of European Union in eastern direction, the differences of level between countries and region are relatively smoothed and gradual on most criteria when going from western Europe to central Europe, eastern Europe and central Asia. Of course, they remain very brutal differences along certain borders on some criteria (especially economics one) but discontinuities are not observed on all criteria and the spatial transition between high and low level of development is generally sufficiently gradual to limit the formation of global territorial discontinuities on the majority of social and demographic criteria. The global spatial configuration appears as a "stair gradient" with 3 or 4 levels of decrease which means that each group of states located in the intermediate levels are at the same time attracted toward their western neighbouring upper level and attractive for their immediate eastern neighbouring level. As an example, we can consider that Hungary is attracted by Austria but is attractive for Romania which is attractive for Ukraine and Moldavia. Poland is attracted by Germany but attractive for Belarus. Estonia is attracted by Finland but attractive for Russia. Slovenia is attracted by Italy but attractive for Croatia, which is attractive for Bosnia ...

The potential flows induced by the "stair gradient" organisation are potential vectors for a diffusion of prosperity and development from West to East, even if this potentiality will not be necessarily realised easily and if political and economic conflicts are subject to appear if this diffusion of prosperity is only realised by market forces (migration of people from east to west, relocation of industrial plants from west to east). Gradients can indeed be used by criminal organisation (sexual slaves, human organ traffic) or cynical policymakers and private companies (transfer of environment damageable activities toward poorest countries).

The European Union has clearly a very important responsibility in the organisation of this "stair gradient" and can use many political instruments for this purpose:

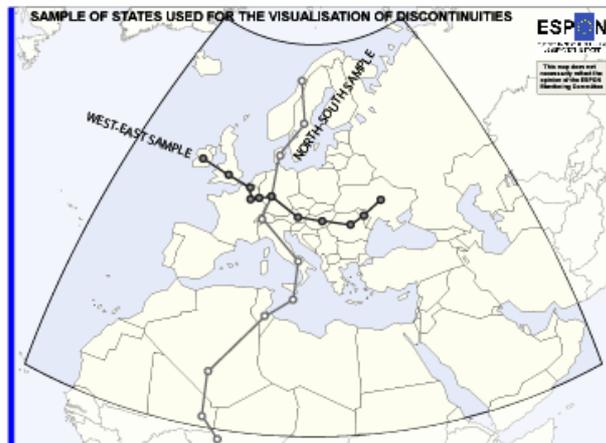
- Extension of cooperation areas of the Interreg Program in West-East direction in order to cover efficiently the most important axes of the "stair gradient".

- Clever regulation of flows induced by discontinuities in order to limit the negative effects of asymmetric relations without limiting the positive effects of social and economic convergence induced by their development.
- Strong control of criminal activities or other non desirable speculation that can be induced by the opening of borders in areas affected by discontinuities.

10.4.2 The double North-South discontinuity

The situation is different when looking in southern direction because the spatial organisation of discontinuities is different and also because the southern discontinuities are based on different criteria and are not perceived in the same way by the majority of European policymakers. Contrary to the common opinion of the majority of ESPON members (see. Results of the survey on ESPON vision of the world), the Mediterranean Sea is not a brutal discontinuities for all criteria. If we consider for example the social criteria of life expectancy at birth in 1995-2000, we observe a relatively gradual transition between countries located on a north-south path going from Italy (78 years) to Malta (77) Tunisia (72) and Algeria (69). It is only when we arrived to sub-Saharan countries that a brutal discontinuity appears with Mali (47) or Niger (43). It is a very new situation as compared to the previous situation of the 1950's where Mediterranean Sea was related to extreme differences - Italy (66), Malta (66), Tunisia (45), Algeria (43) - and where sub-Saharan countries were not so different from northern ones - Mali (32), Niger (36). The situation of discontinuities is a bit different on other criteria like level of education or GDP per capita but, in every case, we observe a spatial configuration of double lines of discontinuities: a first one located on Mediterranean Sea and a second one on the desert of Sahara. This spatial configuration of double discontinuities means that northern African countries are actually in a situation of "buffer zone" or "shatterbelt", which is in a sense comparable to the situation of new member states at the end of the cold war. But the great difference between semi-peripheral regions of Southern Mediterranean and the countries of eastern and central Europe relies on the globally negative perception - or lack of perception - of the potentialities of this area by the majority of European policymakers. The demographic and also economic dynamism of the countries located in southern bank of Mediterranean Sea is actually a major opportunity of development for European Union, and probably the only possible way to maintain its situation of global actor at world scale. This is a point that is developed in more details in the next section on Policy recommendations on "Lisbon Strategy".

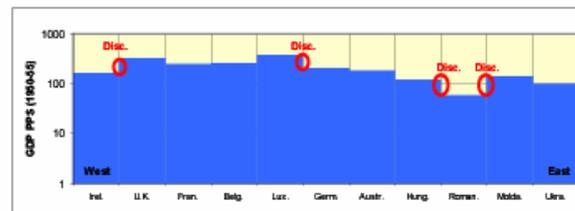
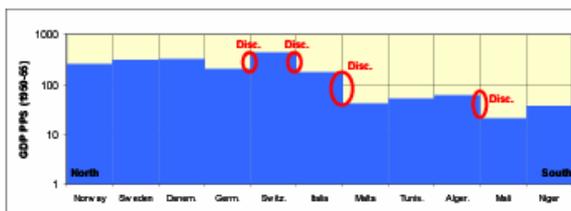
VISUALISATION OF ECONOMIC AND SOCIAL DISCONTINUITIES BETWEEN EUROPEAN UNION AND ITS NEIGHBOURHOOD



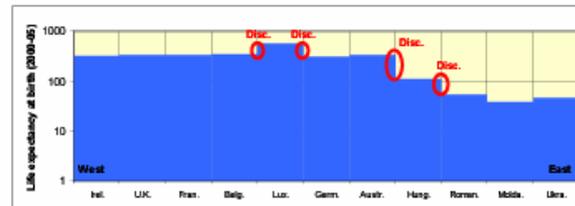
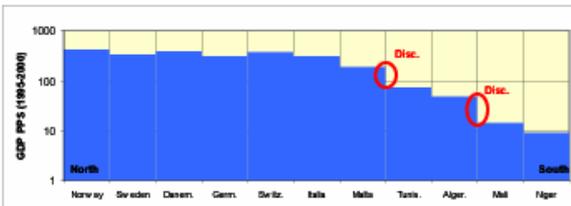
North-South Sample Path

East-West Sample Path

Discontinuities of GDP PPS in 1950-55

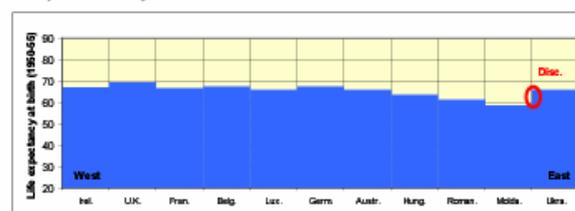
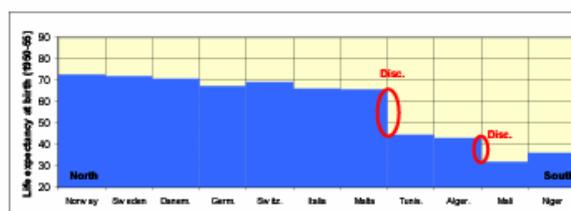


Discontinuities of GDP PPS in 1995-00

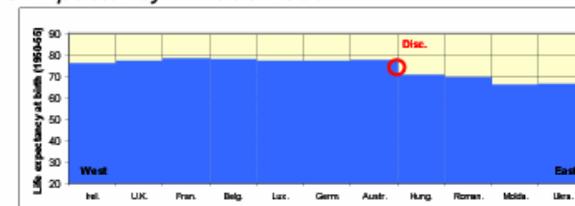
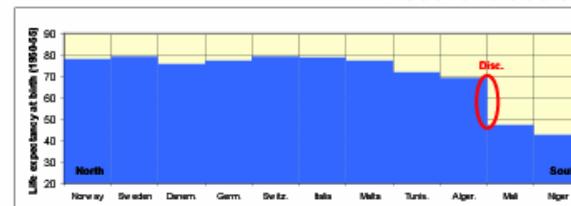


Source : Maddison Database

Discontinuities of Life Expectancy in 1950-55



Discontinuities of Life Expectancy in 1995-2000



Source : UNPP, The 2004 Revision.

(c) GRASLAND C., UMR Géographie-cités - Université Paris 7 - ESPON Project 3.4.1

10.4.3 Lisbon Strategy & the Southern Frontier

Claude Grasland (UMR Géographie-cités)

According to the results obtained in the 1st and 2nd Interim Report of the project "Europe in the World", we can assert that the main challenge of European Union for the next 20 years is the decisions to integrate or to ignore the Southern Bank of Mediterranean Sea in its economic and political strategy. All the future of European territories and European societies depend on this crucial choice which defines an alternative between two very different futures.

10.4.3.1 The European Bunker

This is the first policy option defines the actual baseline scenario of the European Union. The Euromed strategy launched in Barcelona in 1995 has been definitively closed by the disaster of the ministerial conference of Dec. 2005 where the only important questions discussed between northern Mediterranean countries (with the symbolic absence of highest representative of southern ones) was how to limit migratory flows induced by the growing economic and demographic gradient on both side of Mediterranean Sea. Security and fear of terrorism has become the only preoccupation of a partnership of a cooperation process which was initially based on a much wider vision of joint economic, social, ecological and cultural development on both side of the former *Mare Nostrum* of the Roman Empire. In the short term, and out of any moral consideration, this "bunker strategy" can appear pragmatic and realistic for an economically declining and demographically ageing Europe. But in reality, this construction of an island of prosperity surrounded by oceans of poverty would certainly lead to the same tragic conclusion than E. Poe's novel *The Mask of the Red Death*:

- Migrations have never been stopped by any borders when differential of wealth are greater than 1 to 5 or 1 to 10. In such scenario, European Union will be obliged to invest more and more in military control of its southern border and will be finally unable to develop other objectives like social cohesion, sustainable development or R&D.

- Developing states of southern bank of Mediterranean Sea will never agree the proposal of being simple “gatekeepers” of European Union against poorest societies of Sub-Saharan Africa. They will therefore develop economic and political partnerships with other parts of the world like United States (Great Middle East) or China and, instead of being allied of Europe will develop as direct competitor in its immediate neighbourhood.
- The integration of immigrant from southern bank of Mediterranean Sea in Europe will be profoundly affected by the limitation of travels and family reunification, producing increasing difficulties in suburban areas of European cities. Reversely, the flow of tourism and retirement of European people to southern countries will be dramatically affected by the degradation of political relations, producing an increasing economic and ecological pressure on the coastal area of northern bank.
- Last but not least, the psychological climate of European Union will be deeply affected by the climate of fear and guiltiness that will produce the isolation from Europe toward poorest people of Africa. The universal dimension of European’s project will be definitively forgotten or transform in a subject of joke all around the world.

10.4.4 The Marshall Plan for Southern Mediterranean Countries

This proposes an alternative political options which seems at first glance to be a pure utopia in the actual political context but is in fact probably the only realistic way to achieve the Lisbon Strategy. The crucial point that was presented in our first interim report is that European Union will not stay longer a major actor of globalisation in the future if she does not secure its economic and demographic power at world scale. During the last 40 years, the European Union has always represented more or less 6% of the world population and 20% of the world GDP which insure them a decisive capacity of influence despite its law military capacity as compared to United States or former Soviet Union during the cold war. But this **“6/20” level of power** has only been maintained by successive enlargements of EU from 6 to 9, 12 15 and 25. Without this successive political enlargement, the influence of Europe would have been divided by two demographically and economically, and its capacity to influence world policy would have been dramatically reduced in political, economical and cultural terms. The Common Agricultural Policy would never have been able resist to the pressure of liberalisation without this economic power of Europe. And more generally, the ability to maintain a “social model” or to propose an “ecological dimension” (like signature of Kyoto’s protocol) despite the international tendency of deregulation would be impossible without the power that is

provided by the economic size of Europe at world scale. The difficult debates around the candidature of Turkey and the problems of political integration revealed by the non-signature of the Treaty in France and The Netherlands in 2005 proves that political enlargement is probably not the solution form the maintain of European capacity of influence in the world, at least in the short term. But they are other ways to explore and one of the most promising one would be the development of a Marshall Plan directed toward all European neighbourhood and especially southern Mediterranean countries. What would be the advantages of such a policy option?

- The southern Mediterranean countries are actually in the most favourable demographic situation for the economic development, with an important proportion of young adults with relatively important life expectancy and stabilisation of fertility rate. This moment of history where a state has a maximum proportion of active population is a unique opportunity that should not be wasted without terrible consequences.
- The development of higher education in southern Mediterranean countries is of common interest for Europe and for these countries. It would help Europe to balance its negative brain-drain with Northern America and at the same time help the development of technical and scientific elites in Southern Mediterranean countries.
- The economical investment of Europe in Southern Mediterranean countries will not necessary stop the immigration toward Europe but will insure a better equilibrium of migratory movement in both directions, including tourism and migration of old European people at pension age.
- In case of a collapse of globalisation (due to increasing energy price of financial crisis), the development of integrated relation with immediate neighbourhood of Europe will contribute to limits the effects on European economy which can count of the internal strength of its integrated influence area. Reversely, Europe will be more able to balance the influence of new economic powers like China if she can rely on a wide integrated area.
- Last but not least, the psychological effect of the opening of a new frontier linking development of Europe and development of neighbouring countries could produce a mental revolution in Europe and develop a more optimistic view of the future with important economic, political and –why not ?- demographic consequence.

11 CONCLUSION: Toward Final Report

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"In this world, shipmates, sin that pays its way
can travel freely, and without passport;
whereas Virtue, if a pauper, is stopped at all
frontiers."

Herman Melville, *Moby Dick*

With this second interim report, the ESPON project 3.4.1 *Europe in the World* has achieved major results concerning the elaboration of database, cartographic templates, concepts, in depth thematic studies on flows and structure, case studies. We have also started to elaborate the major expected outputs of the project which are the discussion of the four key-questions and the proposals of policy options. We have paid particular attention to the harmonization of maps, tables and graphics in order to offer to policymakers a clear vision of the situation of Europe in the World. Of course, the project is not achieved and the most important challenge for the next period before the final report will be the production of more integrated and synthetic results, crossing the results of different thematic research and mixing case studies realised by expert with general framework elaborated by core-teams.

"*Grounding globalisation*" is not an easy task and we have no doubt on the fact that this ESPON project should be considered rather than a starting point, providing more questions than answers to European policymakers and more generally to European research community in social sciences²⁴. As the researcher of our Transnational Project Group are mainly geographers, demographers, spatial planners and economist, we have clearly produce more results on this topics than on other dimension which would need contributions from historians, political scientists, sociologists and lawyers, among others. The choice that we have made in this project was not to try to cover extensively all possible subjects related to the very wide question of "Europe in the World" but rather to focus on what is the most relevant for ESPON community and what can be correctly done according to available database and resources allocated to the project.

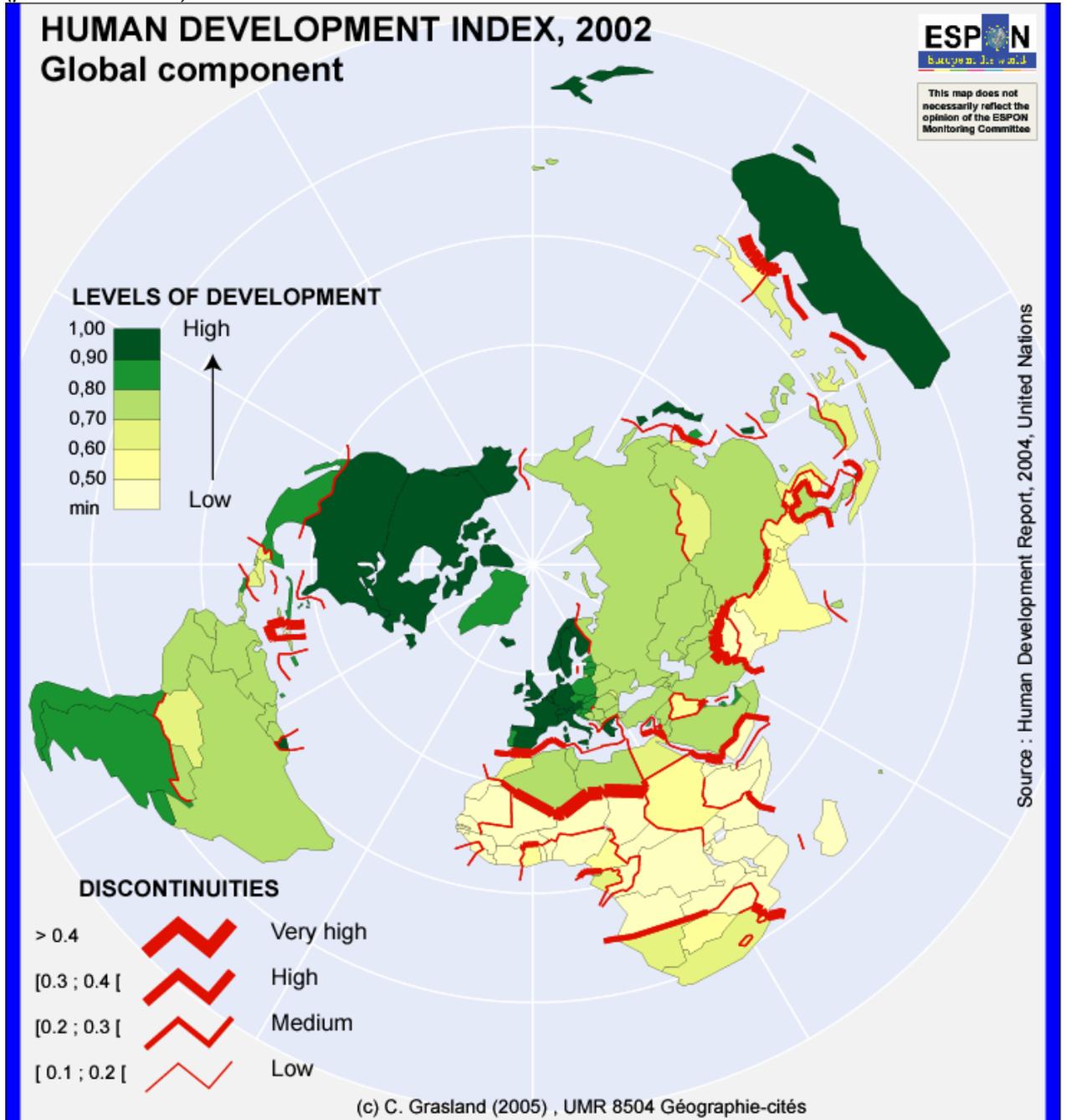
²⁴ "Europe in the world" is a major issue of the theme 8 of the 7th Framework Program 2007-2013.

What is finally the most interesting output of this project is the fact that there is a dialectic relation between progress on knowledge about European Territory realised within ESPON and progress on the knowledge on the actual globalisation progress. On the one hand, European Spatial planners which focus generally on local and regional scales can not ignore that world trends has direct consequence in the smallest territorial units and that they can no more develop projects or policies without considering regional, national, European but also world structures and networks. On the other hand, the DG RELEX or DG Trade which are theoretically mainly concerned with the analysis of the situation of Europe in the World has probably interesting facts to learn from DG Regio ESPON, because the tools and concepts which has been elaborated for the analysis of internal integration and cohesion of European territory can be really useful too for their own practice if they are transposed at world scale.

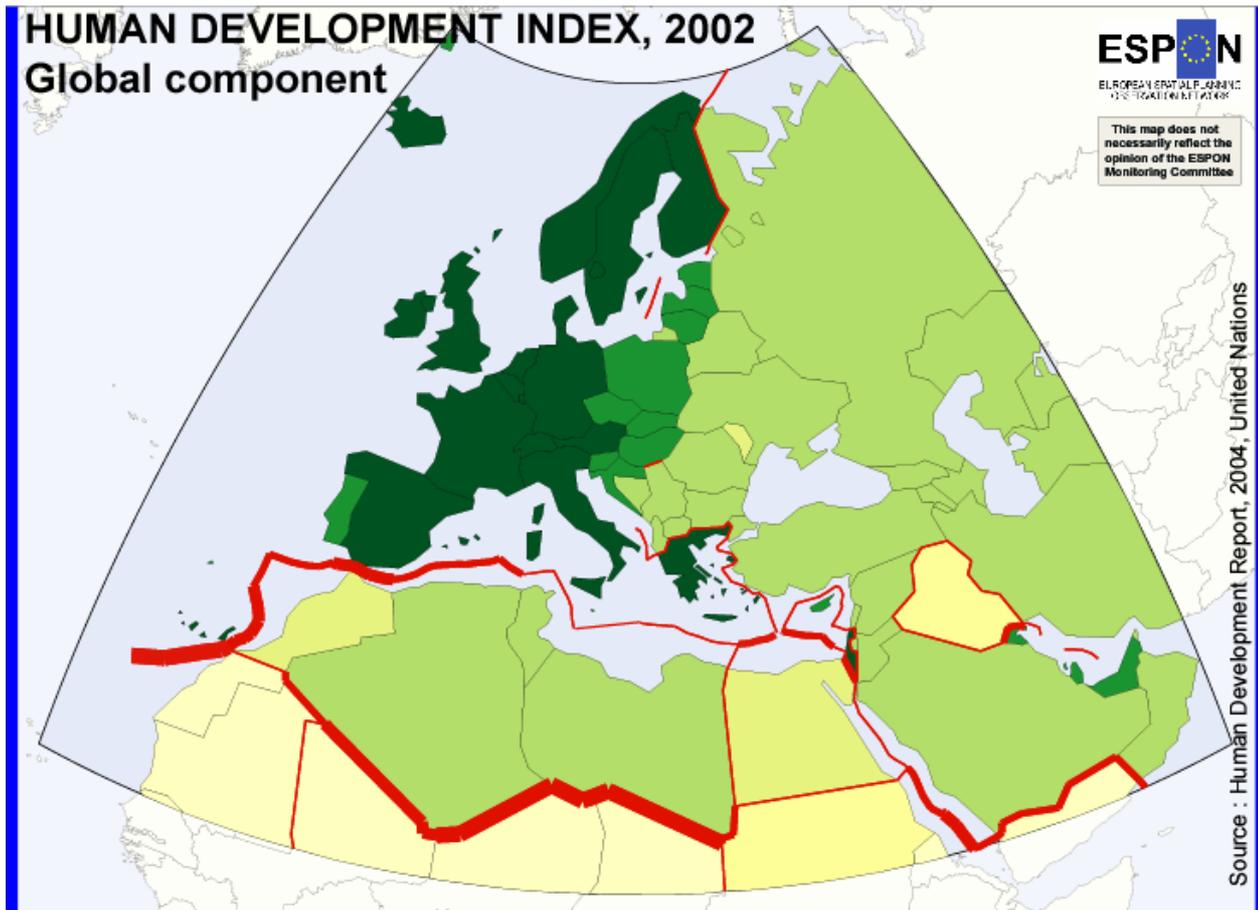
As a very simple example (results will be more elaborated and comment in the Final Report), let us consider the transposition at world scale of the analysis of regional discontinuities which was initially applied to internal differentiation of European territory in ESPON project 3.1. Instead of mapping the differences of GDP/inh. between NUTS2 regions, we have realised here maps of difference of Human Development Index in 2002 between 168 states of the world. The criteria and the scale are clearly different, but the interest of the tool remain obvious as the location of main discontinuities of development at world scale is related to very active international borders in terms of economic and demographic flows (Map ***). If we focus on the European neighbourhood (Map ***) we can observe that the spatial transitions between western Europe and its eastern and southern peripheries are completely different with regular gradient in eastern direction and double lines of discontinuity in southern direction (one on Mediterranean Sea and the other on Sahara) which define a clear "buffer area" corresponding to Maghreb countries.

Map 49 Major discontinuities of development in the World

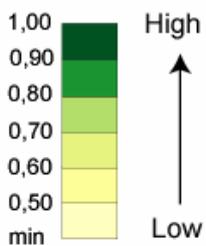
(provisional result)



**Map 50 Major discontinuities of development in the ESPON neighbourhood
(provisional result)**



LEVELS OF DEVELOPMENT



DISCONTINUITIES



(c) C. Grasland (2005) , UMR 8504 Géographie-cités

12 Annex 01: Summary of discussions about the elaboration of the WUTS

According to the conclusion of the 2nd internal meeting of ESPON project 3.4.1. "Europe in the World" held in Paris the 6-8 July, Claude Grasland proposed a provisional hierarchical division of the world in regions at 6 levels from WUTS0 (World) to WUTS5 (168 States).

The author had hesitations related to some countries. Those hesitations were the following ones:

- *North Korea*: should it be put with Eastern Asia?
- *Yemen*: should it be put with Eastern Africa?
- *Turkey*: should it be put with Balkans (and therefore with Europe)?
- *Libya*: with Maschreq instead of Maghreb?
- *Israel*: should it be put with Southern Europe?
- *Western Sahara*: should it be put with S.E Mediterranean?
- *Mexico*: should it be put with USA and Canada (becoming Northern America instead of Anglo-Saxon America?).
- *Eastern part of Russia*: could be put with Eastern Asia?
- *Western part of China*: could be put with Western Pacifica?
- *Thaïlande-Laos-Cambodge-Vietnam*: should be put with S. & E. Asia?
- *Papua-New-Guinea* : should be put with Oceania

In September and October, partners from the project 3.4.1., react on the proposed WUTS and on the Claude Grasland's hesitations. The following text proposes a synthesis of the discussions and the solution that has been adopted for each country.

- *North Korea* will be put with Eastern Asia, even if some partners are reluctant to separate North and South Korea that formerly formed a united entity. It is true that they are more and more economic relations between the two parts of the Korean peninsula, as it is underlined by Yann Richard but, for the partners from IGEAT, there are too many economic differences between North Korea in one hand and South Korea and Japan in another hand to allow a reunification in the same region. More, Christian Grataloup point out that North Korea is mainly linked to China, from a geopolitical point of view, and should be put in the same region.
- *Yemen*: all partners agreed on the fact that Yemen should be not separate from Arabian Peninsula countries. Even if all economic and development indicators that are very similar to the African country's

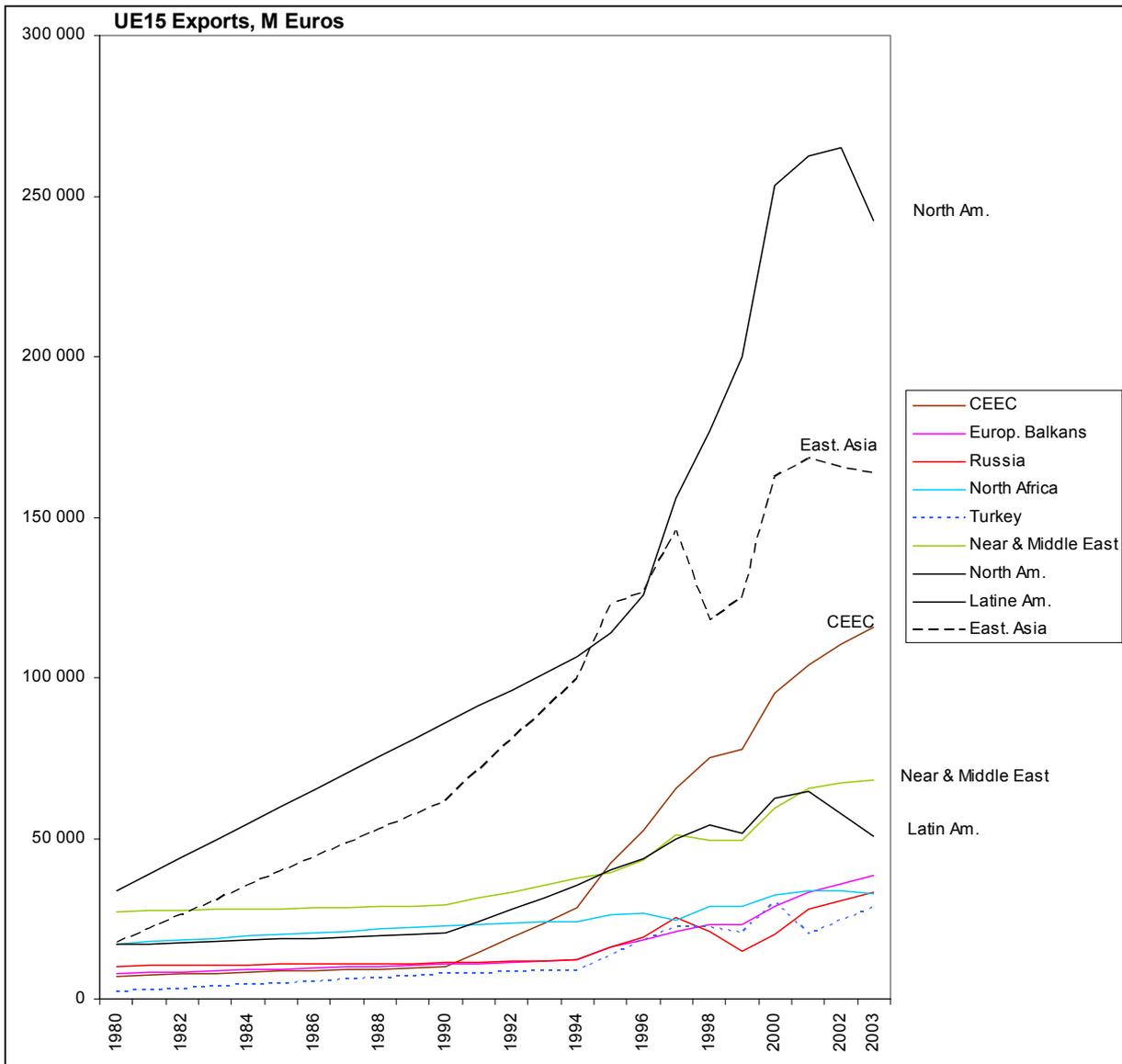
ones could rise some hesitations all partners are reluctant to put it with Eastern Africa. That would be disturbing to attach a piece of Asia to Africa, and would be absurd in a cultural point of view.

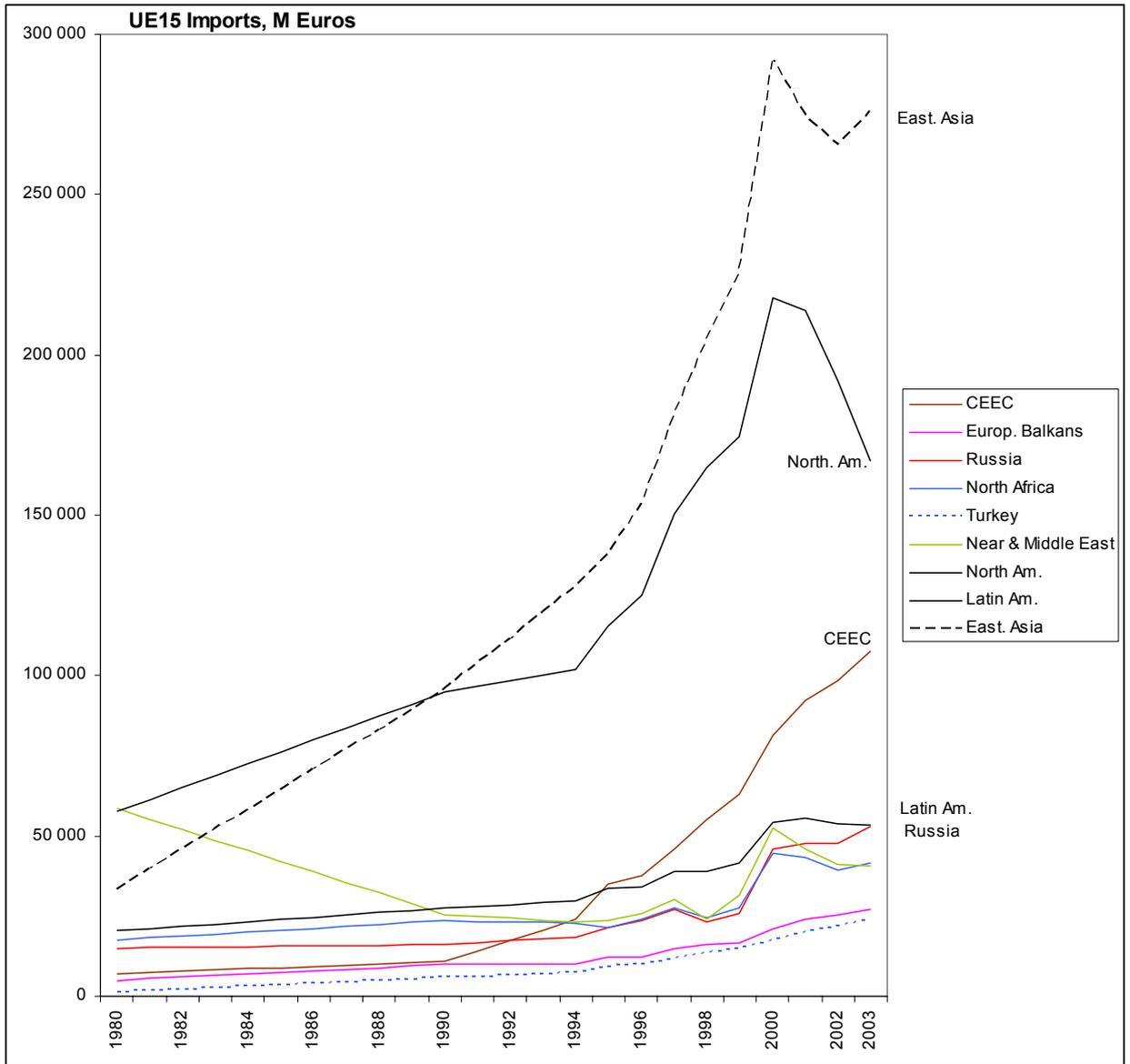
- *Turkey*: The question to know if Turkey should be put with Balkans (and therefore with Europe) was a difficult one and majority did not rise from the consultation of the partners. Two partners say "no", two "yes", one "why not" and a last one did not give answer. From the development indicators point of view Turkey is closer from Europe than from Southern Mediterranean countries. Considering that Turkey has more economic relation with Europe than with Northern Africa or Middle East and that Turkey is isolated in the Middle East region from a geopolitical point of view, it has finally been decided that Turkey will be put in the Eastern Europe and Northern Asia for WUTS 3 division. Concerning the WUTS 4 division, Turkey will be added to the Balkan region.
- *Libya*. The question of Libya for WUTS 4 raises more hesitations and the majority of partner did not answer. IGEAT partners argued that Libya geographical belongs to Maghreb, and its HDI is similar to the ones of Tunisia and Algeria and not to the one of Egypt. So there is a discontinuity that suggests it would be better to let Libya with Maghreb.
- *Israel*. Only one partner would agree to put Israel with Southern Europe at WUTS 4 level, and therefore with Western Europe at WUTS 3 level, arguing that that would have a meaning from a development level and economic flows point of view. But at it is underline by one of the partner Israel also has a lot of relation with the USA and nobody has the idea to create a region with Israel and United States. More, for all the others the answer is "no", and some of them argue that is purely a diplomatic question and that the relation between Israel and Europe are not so good.
- The question of *Western Sahara* is also a diplomatic one. In the facts Western Sahara is annexed to Morocco even it the fact is not recognise by the United Nations, more as it as not recognised existence on its own it would be a very sensitive choice to put it in another region than Morocco. Western Sahara is solidly bound to Morocco politically and economically. In consequence the Western Sahara will be let with Maghreb at the WUTS 4 level.

- *Mexico*. It has been finally decided to put Mexico in a Northern America zone even if strong oppositions have been raised. First because Mexico strongly belongs to the South American area in a cultural point of view and second because of the wall that is built to materialise the frontier between the USA and Mexico. The arguments in favour of the inclusion of Mexico in a North America Zone were mainly related to strong economic relations between USA and Mexico and economic regionalisation (ALENA). Last one partner underlines the fact that a lot of persons of Mexican origins live in the southern part of United States, and Spanish is the second speaking language in the country.
- *Eastern part of Russia and Western part of China*. As decided by all the partners the two countries will not be divided even if there are strong internal disparities. Siberia is Asiatic but belong to Russia, and its economic relations are mainly with Russia. Concerning China, if the Western part of China has effective economic relation with the former Soviet Republics of Central Asia, but the population dynamic due to the Chinese politic make that now the majority of people of the region are Hans.
- *Thaïlande-Laos-Cambodge-Vietnam*. Those countries were first designed as belonging to a South Western Pacifica zone. The hesitation was related to their belonging to a South-Eastern Asia zone. All partners agreed to put it in the "southern & eastern Asia" at the WUTS 2 level and then to produce a "South East Asia" at the WUTS 3 level. One suggestion was to add Myanmar that is closer to those countries than to India, to this zone, but in this version it will stay with the Southern Asia zone
- *Papua-New-Guinea* will be put in the Oceania zone

13 Annex 02: Europe in its neighbourhood

UE15 goods trade 1980-2003 (M Euros)





Source: Eurostat

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ESPON 3.4.1.

Europe in the World

(Volume 2 – Case studies)

Foreword

This volume presents the 8 case studies which have yet been elaborated by Core-teams and associated expert teams from ESPON project 3.4.1. Europe in the World. All case studies are not yet available and some of the ones which are presented here will be further reviewed and completed before the final report.

But we decided to present these results at their actual stage of elaboration as they represent crucial inputs for the analysis which are developed in the main volume of the Second Interim Report, especially in the chapter related to the four key-questions. In many cases, it appears indeed that systematic statistical or cartographic analysis at world scale was impossible or at least was not sufficient to cover certain dimensions of particular interest and that in-depth analysis was requested.

Moreover, these case studies can provide valuable inputs for other ESPON projects - in particular ESPON project 3.2 (Scenarios) and ESPON project 3.3 (Lisbon Strategy) - and could be eventually used by members of the ESPON monitoring Committee independently from the results of ESPON project Europe in the World.

Case study **1**

Migration Flows and Implications

Case Studies on France, Hungary and Sweden

Daniel Rauhut - ITPS

Introduction

Much of the debate regarding “replacement migration” has taken for granted that if Europe opens up its borders the needed labour will show up. This is, of course, an exaggerated view, something which has been pointed out by scholars in the field.¹ To master the population decline, United Nations calculated that *1 840 million net immigrants are needed* during the period 2000 to 2050!² This figure is so high that it is not realistic to think that immigration is the one and only solution to the demographic challenges.

The need for labour immigration and ‘replacement migration’ is neither evenly spread between countries, nor between regions in the developed countries. Recent research indicates that the immigration flows are headed for the metropolitan areas in the “heptagon” (London-Hamburg-Munich-Milan-Paris-London),³ while peripheral parts of the European Union and the candidate countries face population decline and depopulation.⁴

Three case studies will be undertaken to illustrate the differences in the migratory movements to countries in the European Union. The three studied countries are France, Hungary and Sweden. These countries do not only represent three different types of migratory movements, but also three different types of economic structures; the demand for labour is a part of the economic structure.

This paper will start discussing the migration flows to the studied countries and the immigrants’ choice of settlement. The future demand for immigration in France, Hungary and Sweden will then be discussed, followed by some concluding remarks.

In the final report of the project a simple theoretical model on the need for immigration and possible substitution will be presented, and so will some scenarios for the future development.

Migration Flows

Hungary

The migratory movements to Hungary are very modest; in 2000 the net migration to Hungary was only 18 000 persons plus 7 800 asylum seekers. A vast majority of the

¹ See e.g. Browne (2002); Gee & Gutman (2000); W.W. Rostow (1998)

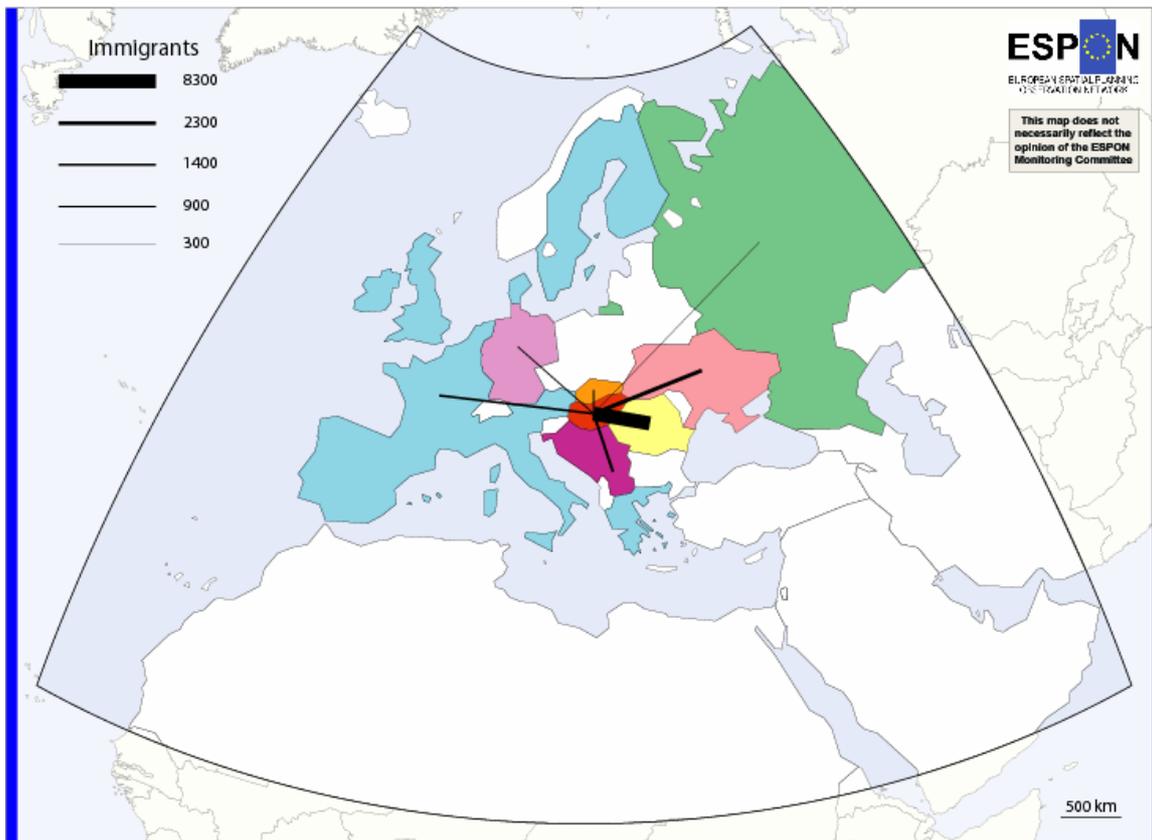
² UN Population Division (2000)

³ Vandermotten et al. (2004)

⁴ ESPON project 1.1.4 Final Report

immigrants immigrated to Hungary from the neighbouring countries; approximately 50 per cent of all immigrants came from Romania, 10 per cent from Slovak Republic, 10 per cent from Ukraine and 10 per cent from Former Yugoslavia.⁵ This migration flow was dominated by ethnical Hungarians.⁶ Another 10 per cent of the immigrants came from the European Union, and roughly 10 per cent of the remaining immigrants come from countries from the rest of the world (e.g. USA, China and Russia).⁷ Ethnical Hungarians moving to Hungary constitute about 80 per cent of the net migration to Hungary. Less than 10 per cent of all immigrants come from countries outside Europe. One reason for the large immigration from Romania is that the number of check-points between Hungary and Romania increased after the fall of the Communist system.⁸

Map 01
Regional Neighbourhood IMMIGRATION to HUNGARY in 2000



Origin of data : ESPON Data base 2000
 © Euogeographics Association for the administrative boundaries
 © ESPON 3.4.1 (2005), UMS RIATE & Géographie-cités CZANIN

⁵ The OECD Migration Database.

⁶ Castles & Miller (1994); Szoke (1992)

⁷ The OECD Migration Database.

⁸ Ilies (2005)

In 2000 about 7 800 asylum seekers entered Hungary, of which 1 500 were recognised as asylum seekers by Hungary before entering the country. An additional 900 were accepted as refugees by Hungary after an investigation. The asylum seekers were dominated by persons from Afghanistan, Bangladesh, Iraq, Turkey, India and Serbia-Montenegro.⁹

After the collapse of the Communist system the Hungarian Government never feared a mass emigration of Hungarian, but to become a transit country for migrants who wanted to make their way to the European Union. Together with Poland, Czech Republic and Slovak Republic, Hungary had a relative affluence and a bad or under developed institutional structure to deal with immigration, which made the country attractive for refugees and want-to-be-immigrants.¹⁰ In October 1991, the Hungarian government implemented new visa rules, which lowered the number of entrants to Hungary with 41 000 within a few days!¹¹

Sweden

The labour immigration until the 1970's was dominated by Nordic and South European labour. When the labour immigration declined around 1970, labour immigration was replaced by refugees and tied-movers, mainly from non-European and East European countries.¹²

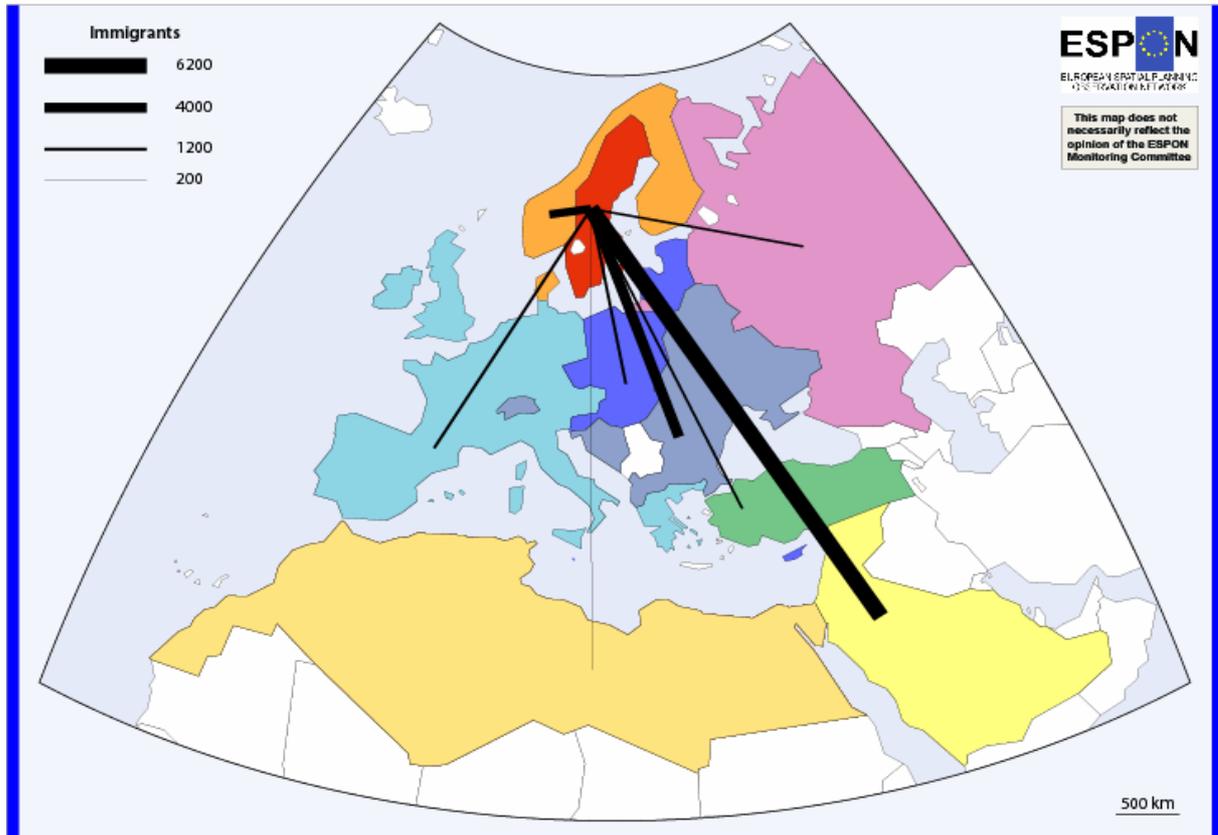
⁹ Central Statistics Office of Hungary

¹⁰ Castles & Miller (1994); Toth (1992); Szoke (1992).

¹¹ Szoke (1992)

¹² Scott (1999), Bevelander (2000)

MAP 02
Regional Neighbourhood IMMIGRATION to SWEDEN in 2000



Origin of data : ESPON Data base 2000
 © Euogeographics Association for the administrative boundaries
 © ESPON 3.4.1 (2005), UMS RIATE & Géographie-cités C.ZANIN

Map 02 shows net migration to Sweden in the year 2000. More than 75 per cent of the net migration came from European countries, Russia, Turkey and the Middle East. About 400 net immigrants came from India, 700 from China and about 1 400 from Africa, which constituted about 10 percent of the net immigration to Sweden¹³

For 2000, about 25 000 temporary work permits (valid for 3 until 48 months) were issued, together with just less than 450 permanent work permits.¹⁴ However, only 3 300 of them actually immigrated to Sweden.¹⁵ Relatively low salaries for well educated and relatively high taxes repel many presumptive migrants from immigrating to Sweden.¹⁶

¹³ Rauhut (2004).

¹⁴ Rauhut (2002).

¹⁵ Statistics Sweden (2005)

¹⁶ Utrikesdepartementet (2002); Lindh (2002) and Rauhut (2002, 2004).

France

It must be stated clearly that there is no emigration data for France; France does not keep a record on the country of destination for persons emigrating. As a result, it is not possible to calculate the net migration between France and other countries. Furthermore, the result for France is therefore not fully compatible with the results for Hungary and Sweden. In 2000 France had a net migration of 40 000 persons.

A very large share of the immigration to France comes from the former French colonies; in 2000,¹⁷ approximately 160 000 persons immigrated to France and just less than 60 000 came from the former French colonies in Africa.¹⁸ Much attention has been given the East-West migration in Europe,¹⁹ but the migration from the former French colonies in North Africa is just as interesting. This area has for long served as a French labour reserve, legal as well as illegal. Since migration flows have a tendency of following former migration flows, this area will most likely continue to send migrants to France.²⁰

Besides the strong immigration from Maghreb and the former French colonies in Africa, the second biggest migration came from the countries of EU15 (about 43 000) and Asia (about 21 000). About 6 500 persons immigrated from North America and the same number from South America in 2000 (see map **03**). The immigration from the New Member Countries in Eastern Europe was very modest in 2000, only 3 000 persons. Another 2 000 came from Romania, 2 000 from the former Yugoslavian countries, and 2 000 from Russia. Just less than 6 000 persons emigrated from Turkey.

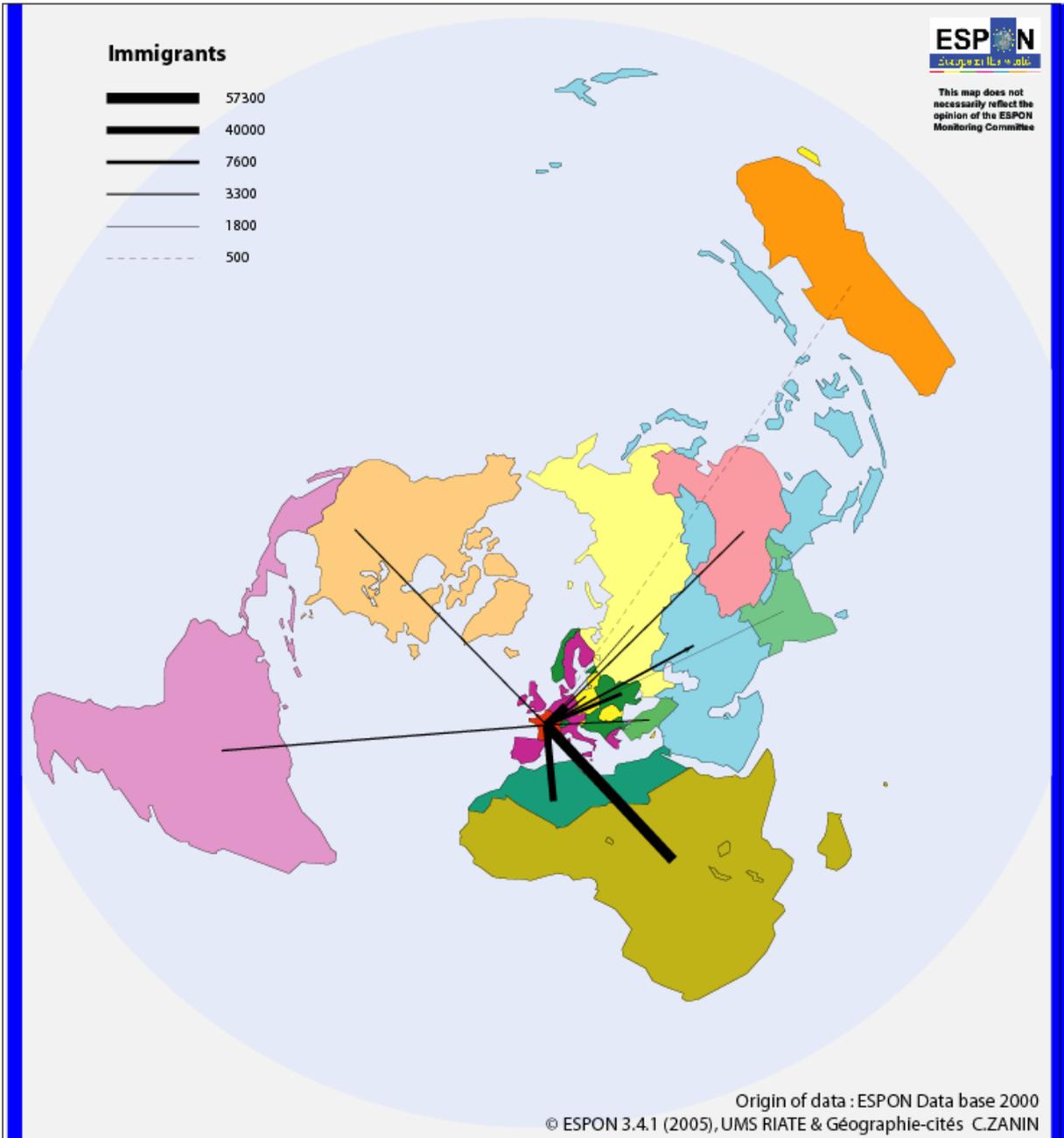
¹⁷ Castles & Miller (1994)

¹⁸ INED database

¹⁹ See e.g. Layard et al. (1992)

²⁰ Castles & Miller (1994).

MAP 03 Gross IMMIGRATION to FRANCE in 2000



The Immigrants' Choice of Settlement

In general, immigrants are headed for the major metropolitan areas. In the United Kingdom 12 percent of the population is located in London during the period 1996-1000, while the share of immigrants in London was more than 40 per cent; more than 40 per cent of the immigrants to Italy settle down in Rome and Milan; Paris attract 36 per cent of the French immigrants.²¹ In the case of Hungary, the immigrants favour Budapest.²² The three metropolitan areas in Sweden attract most of the immigrants too.²³

MAP 04 [International Net Migration FR-HU-SE 2000]

However, compared with map 04 the settlement patterns of immigrants above do not fully correlate for France and Sweden. For France, the highest migration rate is for Languedoc-Roussillon and Alsace, with Paris only on third place. Languedoc-Roussillon attracts many retired persons from Europe due to its climate; the same kind of immigration of retired people is found in e.g. Spain and Portugal.²⁴ Strassbourg is located in Alsace, and the European Parliament is situated in Strassbourg. This is probably the reason why the international immigration is so high to Alsace.

In Sweden all regions in the country show a strong or very strong international net migration rate for 2000. One explanation is that the rural areas (Norra Mellansverige, Mellersta Norrland, and Övre Norrland) are sparsely populated. Quite modest immigrant flows will therefore indicate a "strong" international net migration rate, which is a statistical illusion. A second explanation is that asylum-seekers are placed in camps all over Sweden. When the Asylum-seekers receive a permission to stay in Sweden they get registered as immigrants in the county which the camp is situated in. Generally, there are no or few jobs in the rural and peripheral Sweden for immigrants, so they move to the three metropolitan areas and to the major cities where job opportunities are better.²⁵

The Future Immigration Demand

²¹ Vandermotten et al. (2004).

²² Vandermotten et al. (2005); Eurostat (2005)

²³ Häll (1997)

²⁴ ESPON project 1.1.4 (2005)

²⁵ Häll (1997), Hammarstedt (2003)

The labour immigration to the industrial sector in Sweden until the 1970's was dominated by Nordic and South European labour. In the Fordist production system in the 1960s, labour could generally be put to work quickly after arriving in the new country. The immigrant was given a short introduction to the workplace and was then able to carry out the work in a Fordist production model. There were no requirements for location specific knowledge – e.g., knowledge of language and culture – for these labour immigrants in industrial production during the 1960s. In other words, substitutability between foreign and domestic labour was high. Unfortunately, there was a negative aspect of the labour immigration: it counteracted the structural transformation of the Swedish economy, as stagnating trades and sectors could keep afloat through access to cheap labour. When the crisis came in the 1970s, the bubble burst and companies within these trades and sectors went under. The immigrants remained, and since then, they have had a weak tie to the Swedish labour market.²⁶ Today, Sweden's economy is not based on industrial production, but on services. Within the areas of nursing, education and care, location-specific knowledge is usually required to carry out the work; this means that substitutability between foreign and domestic labour is limited.²⁷

A study on replacement migration to Sweden showed that it will be more difficult than many might think to find labour for female-dominated professions within the public sector (nursing, education and care) in the rural and peripheral parts of Sweden; in the metropolitan areas around Stockholm, Gothenburg and Malmö there is no shortage of labour. Most of the professions require tertiary education. It is far from obvious that Sweden will succeed in recruiting male labour to the female professions from countries where gender equality has not come very far or is non-existent.²⁸

The former French colonies, especially Tunisians, Algerians and Moroccans, served for long as a labour reserve during the Fordist production era. A large share of the immigrated labour was employed in the industrial sector in the 1960s, and in particular the automobile sector²⁹, where substitutability between foreign and domestic labour was high. However, these immigrants “were relegated to the bottom of the labour market, often working in highly explorative conditions. Housing was frequently segregated, and

²⁶ Lundh & Ohlsson (1994 1999).

²⁷ For a more detailed discussion on substitutability, see Rauhut (2002, 2004). For some occupational groups within nursing, education and care, the production value is so high that it is worthwhile for the employer to send a person recruited from abroad, for example, a doctor, on a six-month intensive course in Swedish and then six months experience to learn how the Swedish healthcare system works. Within other professional groups such as staff nurses in old-age care, the production value is too low and it is not worthwhile for the employer to make the same investment (Rauhut 2004).

²⁸ Rauhut (2004)

²⁹ Vandermotten et al. (2004), Castles & Miller (1994).

very poor in quality – indeed shanty towns (known as ‘bidonvilles’) appeared in France in the 1960s”.³⁰

The immigrant profile in France looks different in the 1990s: the share of women is higher, and the level of education is higher, many “white-collar” workers and high level managers. It’s not only young, low educated single men immigrating to France anymore; many immigrants are tied-movers who come to be reunited with the family.³¹ Since such large shares of the immigrants come from francophone countries and former French colonies, the immigrants do not suffer from an insufficient location specific knowledge as immigrants do in Sweden. Contrary to Sweden, substitutability between foreign and domestic labour in France is still high. However, similar to Sweden, immigrants chose to settle in the metropolitan areas.

International migration was rare in Hungary during the Communist era. Immigration was close to zero, and the only emigration that took place occurred in 1956; after the Soviet Union invaded Hungary to crush the reformist movement, a large number of political refugees escaped Hungary. After the collapse of the Communist system in Eastern Europe, Hungary was used as a transit country for migrants headed for Western Europe. Many ethnical Hungarians in the neighbour countries have immigrated to Hungary after the collapse of the Communist system.³² Most of the post-war emigration and immigration to Hungary has not had economic causes, but political and socio-cultural causes.³³

The substitutability between foreign and domestic labour in Sweden is low, the migration flows to Sweden are small and presumptive immigrants with work permit in Sweden never enter the country. The greatest demand for labour is in the rural and peripheral parts of the country, while immigrants in general settle down in the three metropolitan areas. Unless a future immigration aims at just filling up a population gap, immigration is not an option for Sweden to solve the future demographic challenges. Sweden must chose a long-term solution by favouring technological, institutional and organisational changes *and* use a very selective immigration policy to ensure the immigration of specialists.

France has a steady flow of immigrants from its former colonies, and the substitutability between foreign and domestic labour in France can be assumed to be high. The share of well-educated has also increased amongst the immigrants to France. Contrary to Sweden and Hungary in the European periphery, France is situated within or just outside the “heptagon”, an area considered to be the heart of Europe and an area

³⁰ Castles & Miller (1994, p. 72).

³¹ Vandermotten et al. (2004).

³² Castles & Miller (1994).

³³ Rothschild (1989); Szoke (1992)

attracting immigrants. However, similar to Sweden, the immigrants are headed for the metropolitan areas, and not the rural or peripheral areas in France where they are needed the most. Nevertheless, immigration can be used to deal with the demographic challenges in France.

Hungary has had no colonies nor established international immigration flows. When the immigration of ethnical Hungarians ends, the immigration will be even smaller. As a member of the European Union immigrants headed for the European Union cannot use Hungary as a transit country anymore. Just as in the case of Sweden, immigrants are needed in the peripheral parts of the country, while the immigrants prefer to settle down in the metropolitan area of Budapest. Furthermore, as the old industrial sector and planned economy is transformed into a service sector based capitalist economy, the substitutability between foreign and domestic labour in Hungary is low (except for ethnical Hungarians). Immigration cannot be a solution to the demographic challenges in Hungary.

Concluding Remarks

The immigration to France, Hungary and Sweden show three quite different patterns. The immigration to Hungary mainly comes from the neighbour countries; in the case of Sweden, the sender countries are European or in the European neighbourhood. The migration flows to France are from all over the globe.

Compared with the results on demographic trends and depopulation from ESPON project 1.1.4, the settlement patters of immigrants presented here are not the optimal settlement patterns to achieve a sustainable population development in the European regions. To achieve sustainable population development immigration is needed to the rural and peripheral parts of Europe, but these areas are rejected by immigrants as they are headed for the metropolitan areas.

Sweden has experienced a labour immigration during the 1950's and 1960's, but since then the demand for foreign labour has been low. Contrary to this immigration has remained high, based on refugees and family reunions. France has experienced a high immigration for a long time, especially from their former colonies. Hungary has not faced immigration in a larger scale until the 1990's – immigration during the Communist era was rare. Since the 1990's ethnical Hungarians are headed for Hungary as well as some refugees.

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Case study 2

The impact of relocalisation on the position of European regions in value chains

The example of textile value chain in three marshallian district.

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1. Justification of the case study and links to key question

This case study comes within the scope of the key question about the internal differentiation of Europe. Globalization is supposed to have important impacts on Europe and, as an hypothesis, to its internal differentiation. One can discuss about this too general concept of globalization but the fact is that Europe becomes more and more open to the rest of the world because of the openness of economic boundaries.

The general idea is that this growing economic openness of Europe will have different impacts at regional level regarding to the vulnerability or strength in the international competition. Textile industry is a perfect example when one is trying to link European regions to the rest of the world. General agreements on trade have more and more diminished the protection of European textile, and this sector is subject to an intense competition with the low labour cost countries. The reactions of textile regions to this growing competition is the main question we will focus on through the examples of three marshallian districts in Belgium, Denmark, and Italy.

2. Scale of the study

Our study will focus on three cases of regions very specialized in the textile industry. These three areas could be considered as industrial or marshallian districts since they built a coherent network of small and medium interconnected enterprises mainly specialized in the textile industry, and often considered as the origin of good economic performances.

These three industrial districts, located in the figure 1, are :

- Courtrais, inside the Western Flanders ;
- Prato, inside the Toscana (Third Italy);
- Herning-Ikast, inside the Ringkoebing county of western Jutland.

	Nuts areas	Population in 2003	Share of the national population	textile employment in 2002	Share of national textile employment	Part of the local employment in textile industry
South of western Flanders	Three nuts 3 areas (arrondissement)	506900	4,9	19466	37,8	8,2
Herning-Ikast districts	2 nuts 5 areas (municipalities)	82303	1,5	3803	26,0	7,8
Prato district	1 nuts 3 area (province)	232300	0,4	37017	6,1	40,4

Table 1 : Scale of the regional case studies around 2002

Sources : <http://www.istat.it/> pour l'Italie

- O.N.S.S. et I.N.A.S.T.I pour la Belgique
- <http://www.dst.dk/>

The table 1 gives a general idea of the importance of these three areas. As one can observed, the scale of these three examples is not the same, especially the Dennish area covered is a much more restricted one, even if the dynamics we will put into the fore on this area concern a larger area. But in all cases the population of these areas are relatively small.

Another spectacular difference is the local specialization in the textile industry : whereas Prato is a nearly monoindustrial region, the Courtrais in Belgium and the Herning-Ikast municipalities in Denmark have a much more diversified economic structure. Finally, let's notice the "Courtrais" area represents nearly 37,8% of the national textile (for 5 % of the population), the Herning-Ikast district 26% of the very limited Dennish textile industry, while this part is about 6% of Italian textile for the Prato province (only 0,4% of the national population).

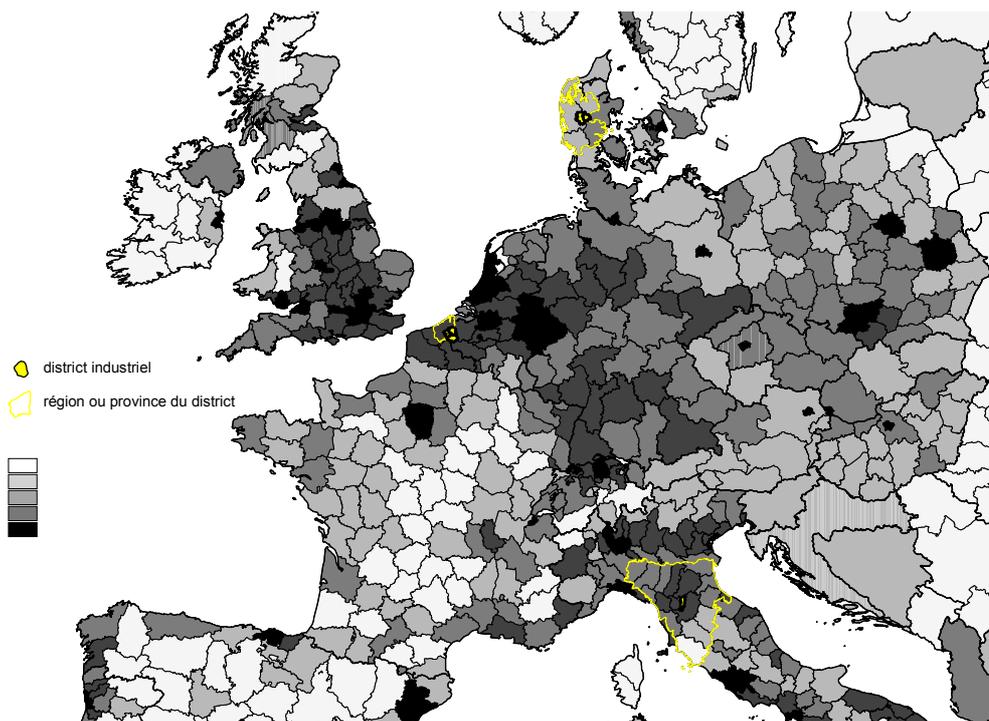


Figure 1 : location of marshallian industrial districts considered in this case study.

3. Context of case study

3.1. The concept of Marshallian districts and the conditions of their emergence

Marshallian districts are very dynamic territorial system characterized by a dense network of interconnected and very specialized small and medium enterprises, generally oriented in light industry (Colli, A., 1998). They emerged in very specific historical contexts.

In most of the marshallian districts in Europe, we can identify from the literature several common characteristics which could explain the emergence of such specific local industrial network.

Firstly, most of these districts have a long tradition in the textile industry, clearly anterior to the industrial revolution. Regions like interior Flanders, Cholet, Central Italy had an important homework industry from at least the eighteen century. This activity was a complement to agricultural production in very dense overpopulated areas and was dominated by a merchant class residing in the very dense urban regional network (Houssel, J.-P., 1995). This specific organization led to a social and economic crisis in the nineteenth century as they miss the train of the industrial revolution, but often more or less survived until the beginning of the twentieth century. Slowly, a local modern entrepreneurship emerged from the crisis. Nevertheless, the real expansion came after the second world war with a complete renewal of the industrial infrastructure. It is interesting to notice that this expansion occurred in sectors of light industry completely abandoned by the big fordist industry. These activities never really interested the fordist transnational firms and the fordism-taylorism system has never been easily applicable in these sectors with the result that these specific flexible local networks have been able to concentrate some of these light industries. This dynamism has been prolonged after the crisis of the seventies, since the productive system of the marshallian districts were very adapted to the requirements of a post fordist flexible economy. We could say that they have been flexible before the flexible capitalism even emerged.

Secondly, as we noticed briefly, these regions have built a dense network of small and medium interconnected enterprises using subcontracting and constituting strong informal relations. These enterprises are thus fully engaged in a complex dialectical process of cooperation and competition. This very flexible organization is able to answer quickly to the changeable demand of the market.

Thirdly, these districts have been able to strengthen their initial success thanks to a process of rising in the technological value chain of textile industry, with innovations that could disperse through all the regional industrial network. They could consequently

evolve to the most promising segments of the textile, or even diversify to other sectors strongly linked to the textile value chain, such as metal production often developed on the basis of textile machinery (Scherrer F., Vanier M., 1995).

Finally, we observe in most of these areas specific social features, notably what we could call an interclassist “common agreement”. It means concretely that from the worker to the manager, there is the same social and ideological framework. For example, the “Courtraisis” (south of Western Flanders) is dominated by what we could call the social-christian pillar, while in Toscana, the communist hegemony guarantees the social cohesion even in business.

3.2. The international context

The general context of these case studies is related to the so called globalization, which induces three main evolutions in our field.

Firstly, there is a growing competition in the textile industry. This growing competition that Europe has to face is linked to the W.T.O. rules, notably the suppression of all limits of imports which came into force the 1.1.2005, and to the enlargement to the East and Central European countries.

Secondly, related to this competition but mainly to gains in productivity, there has been a dramatic drop in the textile employment as you can notice from the table 2. On the same period of time (1984-1999), the production has significantly grown, except for Denmark, whose production is relatively marginal. These general evolutions don't tell us about the evolution of the districts covered by this study but gives us the general context of crisis which they have to face.

	Output (ECU million in constant 1990 prices)			Change	Employment			Change
	1984	1994	1999		1984	1994	1999	
Belgium	5112	5243	5612	9.8	61312	45326	41417	-27.8
Denmark	1375	1041	1069	-22.2	17395	12549	9941	-36.6
Italy	27861	32507	31874	14.4	434967	364324	338823	-22.4
EU12	101713	96809	90287	-11.2	1817611	1323711	1149535	-38.3

Table 2: Textiles output and employment in Belgium, Denmark and Italy, 1984-1999
Source : *DUNFORD, M. (2004), The changing profile and map of EU textile and clothing industry*

Finally, if we consider the impacts of globalization on regional level, one has to consider the re-metropolization process. This process describes the economic recovery of the big metropolitan areas in the context of a post fordist flexible capitalism. In this new economic context, the old vertical firm is replaced by enterprises limited to their core activities, with a growing tendency of subcontracting the rest of their tasks. Metropolises are supposed to be better placed to answer this reorganization since they can offer a range of diversified service activities and sometimes strong connections between them. In this new context, the place of marshallian districts has to be discussed in a deeper way.

4. General hypothesis

As a general hypothesis, we can suppose two kinds of reaction of the textile industrial districts regarding to the context of crisis and globalization they have to face, especially the growing competition with low wages countries of central and eastern Europe or eastern Asia. On one hand, these evolutions could produce a general crisis due to their specialization in a declining sector. But, on the other hand, the economic structure of interconnected small and medium enterprises is sufficiently strong to diversify and improves the economic activity. In this hypothesis, several ways are possible to face the crisis : diversification of the structure for example to other light industries, rising in the value chain with the production of textile machinery or chemical products, restructuring in favour of specific segments of high quality and added value. Our three case studies will perfectly illustrate these different possibilities.

More generally, it is interesting to discuss the place of the marshallian districts in the new flexible capitalism, described here over, but also in this knowledge-based economy, where research and development, on one hand, and information, on the other hand, are supposed to be the key for the future growth. This structural change could have both positive or negative impacts on the marshallian districts. On one side, these regions are characterized by their flexibility and could be able to benefit of this new flexible economy, because of their capacity to adapt quickly to a very unstable market. On the other side, the insufficient diversification and the reduced size of the enterprises could be disadvantages in a knowledge-based economy, notably because of a relatively low qualified labour or the insufficient level of Research and Development. So, the future technological progress could be limited by the insufficient levels of education of the workforce, often trained from a very young age inside the enterprises, and by an insufficient access to research and development, as illustrated by their low level of patent.

5. Replicable methodology, problems, questions

Our methodology will be followed in three steps:

1. to analyze the general response at both UE and national scales to the globalisation and the textile crisis. Except the global indicators of output and employment in the textile sector, we will particularly focus on the structure of imports and exports flows at national level, drawn from the ITCS data base (trade on 7000 commodities between the oecd countries and all the other countries). Through these data, we could observe the evolution of the European countries in the international division of work in textile and clothing industry. Are these exports collapsing or do we observe a restructuring towards more technological segments of the value chain ? More globally, this analysis could allow us to draw a general picture of the international division of labour in this industry and especially the place of Europe in it.
2. to search for the specific answers of the marshallian districts covered by this study. This will be firstly evaluated by general indicators : evolution of the GDP in a long time period if possible ; evolution of the employment market and the level of unemployment. Secondly, we will focus on more specific and structural indicators : evolution of the employment textile, evolution of employment in the different segments of the textile value chain, the general evolution of the economic structure, especially the evolution of the research and development or in business services sector, which are often considered as the keys for the actual and future economic growth. These indicators will be as much as possible treated at the local scale described here over. But in some cases, notably to have longer time series, we should be obliged to use a less refined scale, to evaluate the regional evolution in which the districts are inserted.
3. Beyond this quantitative approach, the literature will be the main basis of this study, as it provides the best lighting to evaluate the structures and the recent evolutions of the areas covered here. Moreover, literature offers us a qualified and often relevant explanation of these industrial success which allow to replace it in specific historical contexts.

6. Empirical result of the case study

6.1. Evolution of Europe in the international division of labour in the textile value chain

6.2. Specific reactions of the marshallian districts to globalization

6.2.1. Global evolutions of the marshallian districts

The tables 3 evaluates the general economic wealth of the three districts considered here, as well as their recent evolution.

	Average annual growth 1995-2002	Level of GDP/inhab in 2002 in % of European level	Unemployment
South of Western Flanders	4,54 (4,66)	119,5	4,5 (8,4)
Prato	3,57 (3,93)	128	5,6 (8,0)
Ringkoebing	5,19 (4,94)	123	4,7 (5,5)

Table 3 : Economic performances of some regions including industrial districts, 1995-2002. (National level is between brackets)

Source : Eurostat

The recent evolutions show relatively low economic performances of these areas, lightly inferior than the national average, except for the Herning-Ikast district. This relative slowing down is interesting to underline as these areas have known strong economic performances for the last decades. We have no long term data at the scale we are working with, but we can still draw some conclusions from the level of GDP/inhab in some nuts 2 regions, in which the areas covered by this study are included. For example, Tosacana was around 87% of the european level of GDP/inhab in 1960, while in 1984, its level was 114% of the European average, and maintains around 112% in 1990. During the nineties, regional accounts have been completely reviewed, and it is difficult to compare the data. We observe the same evolution in Western Flanders, with the level of GDP/inhab. in comparaison of the European level which has grown from 85% to 106% between 1960 and 1990.

It seems that, all things being equal, these specific districts are coming to the limit of their performances. But, this should not be exaggerated : firstly, economic performances are hardly below national one (it is thus more a relative decline than a real crisis); secondly, unemployment remains very low; finally, this tells nothing about the causes of the process and it seems that economic performances are relatively good if one considers the structural weakness of these districts because of the high share of declining industrial employment.

6.2.2. The case of southern Western Flanders (or Courtraisis)

The Belgian Courtraisis is limited (Musyck, 1995), at least in the statistics presented here, to three arrondissements of south Western Flanders province : Kortrijk, Tielt and Roeselaere.

Emergence of a marshallian district

Coutraisis in the south of Western Flanders is very representative of the European marshallian districts. Inner Flanders has a very ancient tradition in the linen textile industry, in the form of homework industry in complement of a relatively poor agriculture, especially in the Lys valley, from at least from the seventeenth century. Industrial revolution has thrown this area in a deep crisis in the nineteenth century, except in Gent which has been the only pole of early modernization at the very beginning of this century. Elsewhere, local urban merchants continued to benefit from low cost of labour and have been unable to adapt to the new technologies that were taking place at the time. However, slowly, a local entrepreneurship emerged and modernized the industrial infrastructure on the basis of the existing structure, still very specialized in linen industry. It is interesting to notice that the big Belgian finance has never been interested in these crisis areas, where the industrial structure was very dispersed, with the result that local entrepreneurship has never been dominated by national investors.

The post war development

It is really after the textile crisis of the fifties that this region, still relatively poor, has emerged as a real endogenous area of strong development. As we already noticed, the GDP/inhab has grown from 85% of the European average in 1960 to 106% in 1990.

This success is due to the conjunction of a new international context and the specific structure of this area. Europe has known exceptional growth in the post-war period, in a Fordist context, where the biggest investors focused on specific Fordist industries, those which allow high gains of productivity thanks to a segmentation of the work process. Light industry has been largely excluded from this process and remained more dispersed. Regions as inner Flanders have thus been able to modernize and diversify their industrial structure in specific sectors on a very endogenous basis. The table 4 illustrates the diversification of the industrial structure between 1958 and 2002.

This autonomous growth is illustrated by the emergence of a local banking system to support this development and by the fact that most of the enterprises are still family-owned, even when they spread outside the region (Musyck, 1995). The first thing to notice from this table is the remarkable stability of the industrial employment, whereas

in the same time the national industrial employment has dropped from more than 1260000 to 680000 ! As we can observe from the table, the district has been able to compensate the dramatic drop in textile and clothing industry by two main structural evolutions. On one hand, there has been a horizontal diversification to other light industry, especially furniture developed on the basis of an industry of panel of linen fibre, and food industry, strongly linked to the development of a vegetable culture. On the other hand, there has been a vertical diversification with a rising in the value chain of textile, for example by the production of textile machinery (45% of the national production) or even synthetic fibres (15% of the national production).

	Employment in 1958	Structure of the industrial employment in 1958	Employment in 2002	Structure of the industrial employment in 2002
Textile industry	36950	50,1	17676	25,2
Clothing industry	9286	12,6	1912	2,7
Wood-furniture	7050	9,6	7931	11,3
Food industry	4292	5,8	10167	14,5
Electric, Mecanic , transport machinery and equipment	4291	5,8	10418	14,8
Smelting works, lamination and forges	3243	4,4	4025	5,7
Non ferrous ores	3149	4,3	2742	3,9
Metal works	1977	2,7	5426	7,7
Printing	777	1,1	2454	3,5
Precision instruments	620	0,8	481	0,7
Other manufacturing industry	2081	2,8	6989	10,0
Total manufacturing industry	73716	100,0	70220	100,0

Table 4 : Evolution of the industrial structure, from 1958 to 2002

Sources: - Muysick (1995) for 1958

- own evaluation on the basis of ONSS for 2002

In conclusion, south of Western Flanders has created a dense integrated network of small and medium enterprises, inserted in a very solidar local civil society (the social-christian pillar system). It has built a solid economy, less subject to delocalization than the industrial spaces dominated by transnational capitals (Vandermotten, 2004).

Recent Economic performance

Because of its flexibility, the district has shown a remarkable capacity of adaptation to the new economic environment emerging in the seventies, the so-called flexible capitalism (Boyer, 1986). The economic performances (see table 5) have remained very good after the seventies crisis and until the middle of the nineties. From 1981 to 2001,

the employment has grown at the average rythm of 0.45% each year while national employment remains stable. Unemployment is near the frictional level, around 4% of the active population.

But when one looks at the most recent performances, signs of decline could be observed : between 1995 and 2002, the annual growth of the GDP has reached 3.40 % at maket prices, that is to say a performance lightly inferior to the national level (3.54 %). It appears that the drop in the textile employment is not anymore compensated by the development of integrated new industrial activities, and the tertiary growth is not always sufficient to compensate the industrial decline.

It seems that the local flexibility and know-how are not sufficient anymore to face the strong competition with the rest of the world. They may have reached the limit of their capacity to improve their technology in the value chain, because of a lack of research and development and also may be qualification. Indeed, the level of diploma is relatively low in the belgian context, with a strong predominance of technical education related to the traditionnal activities, and the workforce is traditionnaly trained inside the enterprises (Vandermotten, 2004).

However, one has to qualify such a dark picture of the situation. In no way, we can speak of a crisis, hardly a slowing down in the remarkable long term performances of the district. Moreover, most of this slowing down is due to structural effect more than a lack of local dynamism. It means that if you eliminate the fact that this region has a structure very oriented to some declining industrial sectors, the performances are still remarkable.

6.2.3. The marshallian district of the Prato

The specific historical and cultural context

The marshallian district of Prato is in many aspects very similar to the “Coutraisis”.

Firstly, there is long preindustrial tradition in the textile industry, mostly based on the wool weaving. From this long tradition, and despite of the crisis during the industrial revolution, survived a local network of active entrepreneurs and workers and a specific sectorial specialization.

Secondly, the dense network of small towns from which the merchants organized the production is another common point with ineer Flanders.

Thirdly, and more importantly, there is this exceptional socio-cultural homogeneity, based on common ideological and political local culture. Here the communist party has played the role of the social-christian pillar in the Coutraisis. These “subcultures” have endowed the necessary flexibility to such a complex economic system, especially in the working relations. In this context, we can speak of a real cooperation of workers and capitalists (Colli, A, 1998) instead of class struggle. Indeed, the distinction between workers and managers is not always as clear as it could be in other production systems since many workers have founded their own enterprises. This creates a very sure economic environment which reduces considerably the cost related to work struggles and also allows confident relations between the different actors of the production system. We can also outline this apparent paradox of a dominant communist party which allows social peace rather than favour class struggle. Indeed, this domination dates from the second world war and is very linked to the specific social networks that preexist such a domination, for example a strong tradition of local democracy (the Italy of the municipalities typical of the central Italy) or the communautarian familiar system. In other terms, the social cohesion was strong before the communist party became dominant, and it only reinforces the cultural homogeneity.

Industrial structures and recent economic performances

The recent economic performances of the Prato districts is not what we could observe in Coutraisis. After a severe drop in the eighties, there is a significative recovery of the Prato district in the nineties. The most significant aspect is the growth of the industrial sector in a context of global de-industrialization. The pattern is thus quite different than the one observed for the Belgian district. But from this evolution, we cannot draw any general conclusion about the economic wealth of the italian marshallian districts.

	Average annual growth, 1981-1991		Average annual growth, 1991-2001	
	Manufacturing industry	Total	Manufacturing industry	Total
Prato	-2,60	0,07	0,24	0,93
Toscane	-1,76	0,65	-0,60	0,66
Italie	-1,07	1,15	-0,72	0,76

Table 5 : Evolution of the employment in Prato, compared to Toscana and Italy, 1981-2001

Source : 8° Censimento generale dell'industria e dei servizi 22 ottobre 2001, <http://www.istat.it/>

The table 6 will help us to understand this evolution, as it gives the structural evolution between 1991 and 2001.

The first thing to underline is the exceptional weight of the manufacturing industry, mostly in the textile sector. While this part is about 31% of the employment for whole Italy and 33% in Toscana, it reaches the level of nearly 50% in the Prato, whose 40% in the textile industry. This means clearly that this district has never known the diversification we observed in the “Coutraisis” district in Belgium. The structure is more conform to a “pure” industrial district since we can observe a large amount of very small family enterprises, in different complementary segments of the same sector. Beyond this diversification inside the textile sector, the diversification has been very weak, except in the textile machinery.

A priori, this overspecialization should be considered as a weakness but it appears that after the drop of the eighties, the district has known positive evolutions and even maintained in a difficult context the employment in the textile industry. Most recent data should be needed to confirm these evolutions for the last years, when the international competition increased severely. Nevertheless, we can argue that this district had an efficient answer to the challenge of globalization. This is due to a certain level to reorientation of the industry : the growth of the clothing industry, generally less qualified, means in fact the development of specific fashion industry ; other specific segments have been developed such as “ennoblissement textile”, which is a sign that a technological rising in textile value chain.

Section	Sector	Employment in 1991	Employment in 2001	Structure of the employment in 2001
Agriculture		134	112	0,1
Extraction		5	0	0,0
Food industry		602	750	0,8
Textile and clothing industry		38020	37017	40,4
<i>Whose</i>	<i>Mills</i>	10920	10330	11,3
	<i>Weaving</i>	10800	7485	8,2
	<i>"Ennoblement textile"</i>	7081	7581	8,3
	<i>Other textile industry</i>	9219	11621	12,7
	<i>Clothing</i>	3019	5053	5,5
Leather and shoes industry		201	350	0,4
Wood industry		430	377	0,4
Paper ; printing; Edition		559	615	0,7
Chemistry, rubber and plastic industry		763	924	1,0
Non metallic ores		264	285	0,3
Metallurgy and metal works		848	1160	1,3
Machinery and equipment		1602	2315	2,5
Electrical Machinery		455	787	0,9
Fabrication of means of transport		15	42	0,0
Other manufacturing industry		586	601	0,7
Manufacturing industry		44345	45223	49,4
Distribution of gas, electricity and water		324	12	0,0
Building		6550	7953	8,7
Trade		17008	15826	17,3
Hotel-restaurant		1720	2211	2,4
Transportation and communication		2348	3258	3,6
Finance		1631	1968	2,1
Business services		5734	10836	11,8
Education		213	249	0,3
Health and social action		1106	1264	1,4
Collective, social and personal services		2299	2433	2,7
Total		83417	91545	100,0

Table 6 : Evolution and structure of the employment by section in Prato province, 2001.

However, the resistance of the textile industry is not all, since we can notice that business services, often considered as the key for a actual and future growth in a post fordist economy, have nearly doubled in the nineties. It represents nearly 12% of the total employment (14 % in whole Italy), which is remarkable if you consider this sector has a tendency to concentrate in big towns.

All these observations confirm the remarkable ability of the district to adapt its structures in a very changeable and unstable economic environment, notably with the growing competition of the eastern european and asian countries.

6.2.3. The Herning-Ikast district in Denmark

The emergence of the marshallian district

The late industrialization of Denmark at the end of the nineteenth century has begun in Copenhagen and in the others towns of the eastern part of the country. Less densely populated, Western Jutland remains a very rural and relatively poor region. However, in the last decades, the industry has considerably grown in the counties of Ribe, Rinkgoebing, viborg, south and north Jutland, with a part of the national industrial production going up from 18% to 30% between 1971 and 1989.

The Herning-Ikast district illustrates this dynamism. The textile production has begun in the seventeenth century, as a complement to a poor agriculture in a region dominated by sheep landes. The wool has given birth to a specific production of socks, mostly exported.

This production has survived to the industrial revolution : local firms have manufactured and commercialized homework industry of hosiery. The social protection system has allowed these firms to survive from the crisis in the thirties.

In the fifties and sixties, most of the experts foresaw the collapse of the hosiery industry, because of a stagnating market, of high production costs, of low level of qualification of the workforce, and of a relative isolation. Nevertheless, the district did survive, firstly thanks to taylorian rationalization, and then by the specialization of each production unit in specific niches, inside a broader network of enterprises ; all evolutions which are typical of a marshallian district.

Due this specific organization, these firms have shown a remarkable capacity of adaptation to the new flexible capitalism, chracterized by a strong exigence of flexibility in a very changeable market. They pay a growing attention to the design and the quality ; they modify frequently their products to adapt them to new demands. They also use the most modern machinery, but they invest more in research and development and design.

In the working relations, the system has replaced the taylorian division of work by a specific management of the staff in small groups in order to avoid too repetitive tasks. Very significant of the working relations is the general attitude of the trade unions : despite of the high share of union members among the workers, it appears that their attitude pays more attention to the interests of the firms than to the national watchword.

Recent evolutions

We will now focus on the answer of this district to the growing international competition. The table 7 shows clear signs of low performances compared to regional and national environment : while until 1994, the Herning-Ikast district keeps good economic performances, in the last decade, the situation has deteriorated.

The structural evolutions, as shown in table 8, will allow us to better understand these evolutions. Let's notice first the structural differences with the two others marshallian districts. Firstly, textile industry represents only about 6% of the total employment, a share comparable to the southern Western Flanders, very inferior to what we observed in the Prato district. However this level reached 15% in 1994. Secondly, as we observed for the Belgian districts, there has been a clear diversification to other light industries, such as food, wood products and fabrication of metal products. However, unlike the southern Western Flanders, this district is not producing textile machinery, and form a less complete textile value chain.

In terms of performance, the evolutions shown in table 8 are spectacular, since the textile employment drops from 7300 to less than 2900 employees between 1994 and 2004. In the same time, others industrial sectors resist much better, with even a significant growth for metal products (+ 500 employees). The global level of employment could be maintained thanks to growth in some tertiary sectors, notably business activities and social institutions. Briefly, it seems clear that the textile crisis affected severely the Herning-Ikast districts.

But, one has to qualify such a conclusion. Despite of this dramatic shift, the district could maintain a certain level of production and firms have still high levels of profit. As an answer to the growing competition, the labour intensive activities have been subcontracted to low wages countries, for example to Lodz in Poland. So it appears that the district has specialized in the fashion while the production has been delocalized in central and eastern Europe.

In conclusion, if the crisis could not be avoided because of the international competition, local firms have been able to react to this new environment: they developed new strategies, by delocalizing the labour intensive activities.

	Annual growth of the employment		
	1984-1994	1994-2001	1994-2004*
Herning-Ikast district	0,53	0,28	-0,26
Ringkoebing County	0,53	0,47	0,00
Denmark	0,27	0,72	0,31

Table 7 : Average annual growth of the employment of the Herning-Ikast district, in regard to its regional and national environment, 1984-2004

* after 2002, figures are not perfectly comparable over the time. Thus the evolutions should be read only to compare regional performances.

Source : <http://www.dst.dk/>

	Employment in 1994	Employment in 2004*	Absolute evolution 1994-2004	Employment structure in 2004
Agriculture, horticulture and forestry	1839	1313	-526	2,86
Fishing	19	14	-5	0,03
Mining and quarrying	22	33	11	0,07
Mfr. of food, beverages and tobacco	1411	1276	-135	2,78
Mfr. of textiles and leather	7308	2855	-4453	6,22
Mfr. of wood products, printing and publ.	1788	1862	74	4,06
Mfr. of chemicals and plastic products	140	173	33	0,38
Mfr. of other non-metallic mineral products	441	370	-71	0,81
Mfr. of basic metals and fabr. metal prod.	2463	3042	579	6,63
Mfr. of furniture; manufacturing n.e.c.	1917	1435	-482	3,13
Manufacturing industry	15468	11013	-4455	23,99
Electricity, gas and water supply	289	154	-135	0,34
Construction	2062	2646	584	5,76
Sale and repair of motor vehicles sale of auto. fuel	1236	1160	-76	2,53
Wholesale except of motor vehicles	2654	3317	663	7,22
Re. trade and repair work exc. of m. vehicles	2797	3474	677	7,57
Hotels and restaurants	995	1122	127	2,44
Transport	1542	1817	275	3,96
Post and telecommunications	751	661	-90	1,44
Finance and insurance	1129	1037	-92	2,26
Letting and sale of real estate	537	597	60	1,30
Business activities	2326	3486	1160	7,59
Public administration	1963	1540	-423	3,35

Education	2837	2979	142	6,49
Human health activities	2130	2421	291	5,27
Social institutions etc.	3713	5052	1339	11,00
Associations, culture and refuse disposal	1708	1933	225	4,21
Activity not stated	289	144	-145	0,31
Total	46306	45913	-393	100

Table 8 : Evolution of the employment by sector in the Herning-Ikast district, 1994-2004

* after 2002, figures are not perfectly comparable over the time. Thus the evolutions should be read in order to evaluate main structural evolutions.

Source : <http://www.dst.dk/>

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Case study 5

Focus on selected ENP Countries

Russia: the scales and geographies of a complex neighbourhood relation.

Yann Richard - LADYSS

Introduction.

Russia is a very particular neighbour of EU. It is by far the largest, its surface covering roughly 17 million km square. And in the political and economic agenda of the European commission and of the EU members, its importance is growing up rapidly for several reasons.

The dependency of EU toward imported energetic raw materials such as crude oil and gas is increasing and is foreseen to grow rapidly in the nearest future. Well then Russia is the second largest producer of crude oil in the world and possesses the largest reserves of natural gas. Besides, its territory is so large that it is a transit territory for energetic imports coming to EU from other countries. At last, Russia is by far the first supplier of energy resources for a significant number of EU member states whose dependency towards Russia reaches 90 or 100% in some cases. Over the last decade, the share of Russia and CIS in the energetic imports of EU has been increasing dramatically.

The political relations between EU and Russia are complex mainly because of chaotic relations between this neighbour and new member states. As it is well known, there is no definitive agreement yet between Russia and Latvia and Estonia about their common border. The agreement had been signed by foreign ministers in 2005 but Russia has finally decided not to ratify it. There are many other subjects of discontents: political relations of Russia with the Baltic states are bad since the middle of the 1990s because of the EU and NATO accession process for instance; the relations with Poland are so bad that many diplomats from both countries have been recently evicted, and so on; the status of Russian minorities; the Kaliningrad issue... One could say the same about Belarus. Its relations with Poland, for instance, have been bad for a long period of time and they have even worsened since 2005 because of the treatment of the Polish minority which is mainly concentrated in the region of Grodno. Many other signs indicate that this part of the EU neighbourhood is quite problematic. EU – neighbours relations are complex. And this part of the external border of EU seems to be quite closed.

The goals of this study are the followings:

- To analyse the evolution of EU – neighbourhood relations at different scales since the 1990s and to explain these evolutions. Is this relation moving on the same way for EU as a whole and for Estonia and Latvia only?
- To know if there is any relation between this border problem and the recent territorial evolutions in Latvia and Estonia.
- To understand the place and role of the Baltic States in the global frame of relations between Russia and EU.

Several topics are taken into consideration in order to have a comprehensive view of the neighborhood relation at several scales:

- The economic relations: foreign trade at various scales;
- Foreign direct investment flows and stocks;
- The cross border cooperation in the frame of the Interreg III A Priority North (Estonia-Russia) and Priority South (Latvia-Belarus).

WHAT IS THE STATE OF THE ECONOMIC RELATIONSHIP BETWEEN EU AND RUSSIA, AT DIFFERENT SCALES?

As far as the economic relations (mainly trade and foreign direct investments) are concerned, one can notice that Russia is getting more and more incorporated in the European economic regions. Nevertheless, on the one hand, this process is not going along the same way and the same rhythms at every level. And, on the second hand, it varies a lot according to the topic taken into consideration (trade of goods, services, investments...).

Evolution of economic relations between Russia and EU: Russia is getting more and more integrated in the European economic region.

Except for the period that followed the Russian economic crisis, the exchanges of goods between Russia and EU have dramatically increased since the 1990s in both directions. The increase of oil and gas tariffs is not sufficient to explain this increase. The exports from EU to Russia have followed the same evolution and the imports from Russia to EU had already increased a lot between 2000 and 2001 before in the oil crisis.

Figure n°1: Evolution of Russian exports and imports to and from the countries of the Triad.

Source : Goskomstat Rossiia.

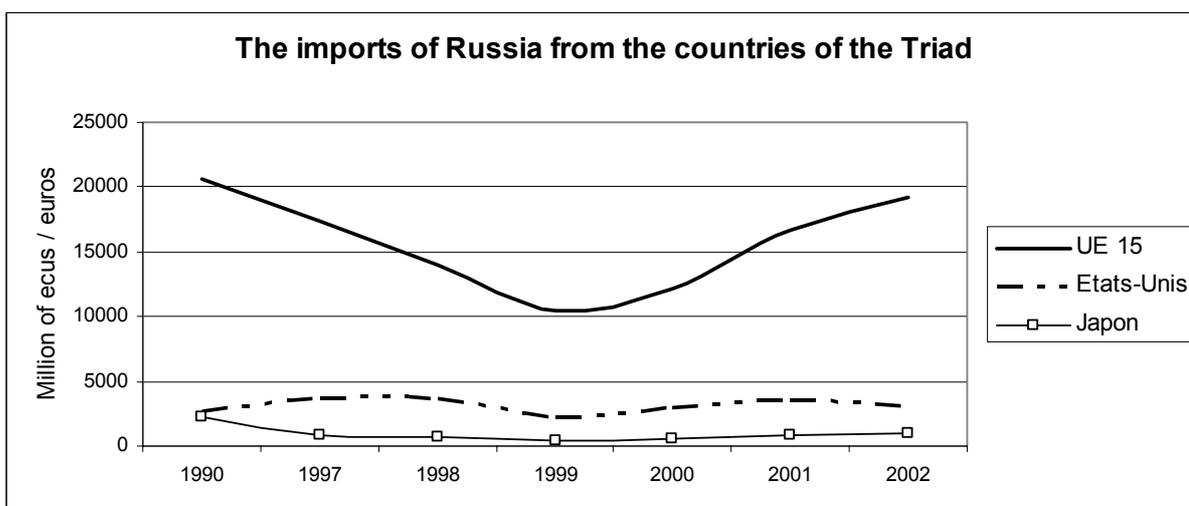
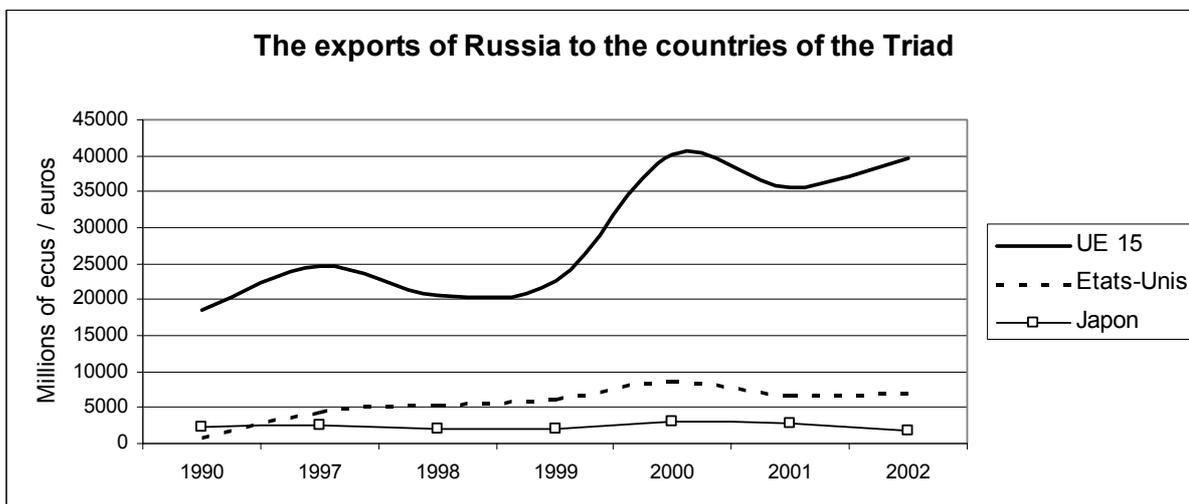
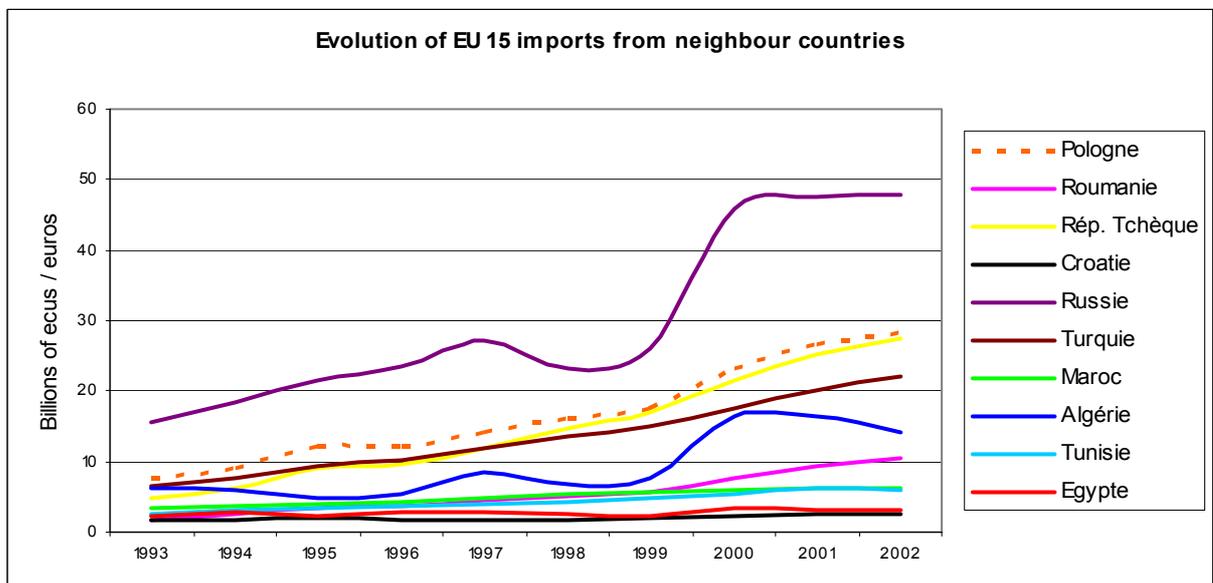
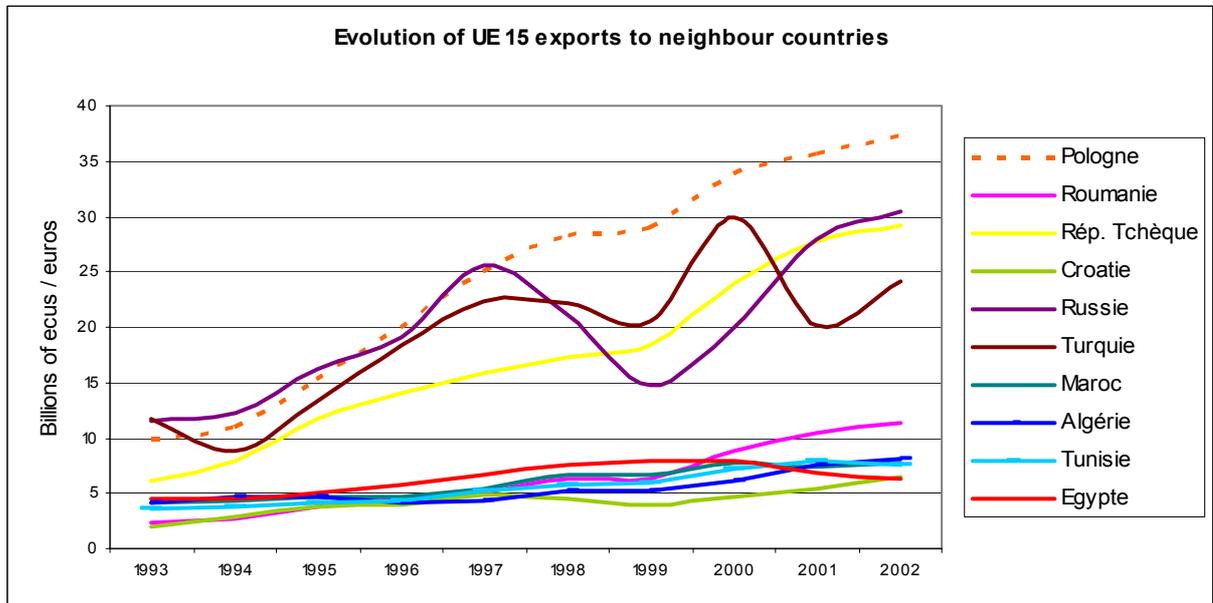


Figure n°2 : Evolution of UE 15 exports and imports to and from neighbour countries.

Source : Eurostat.

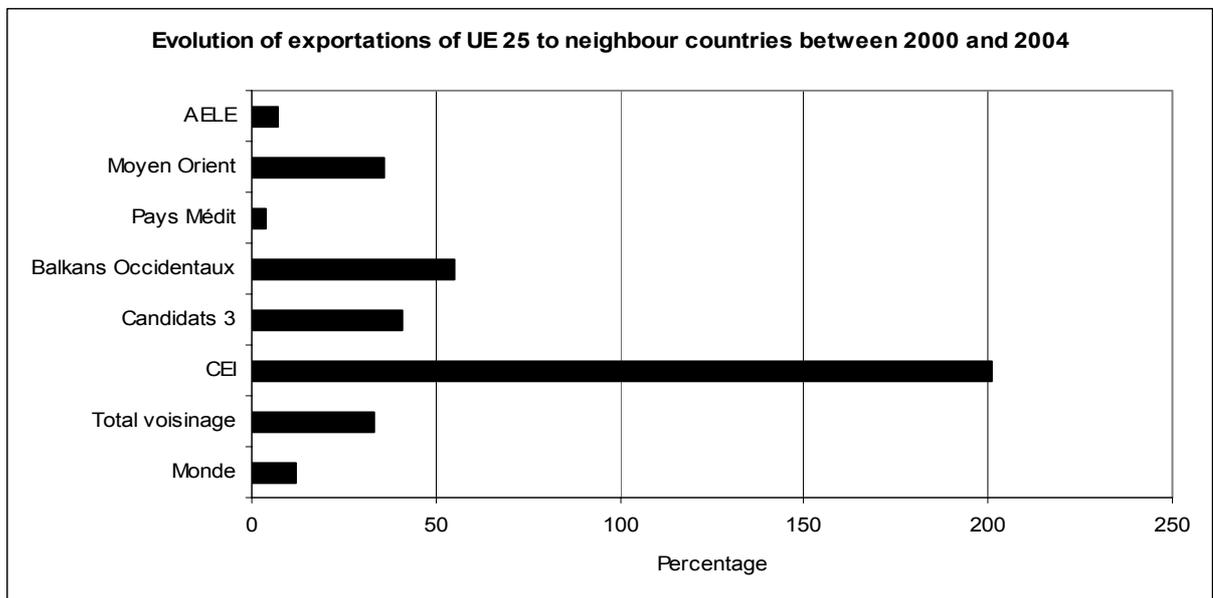


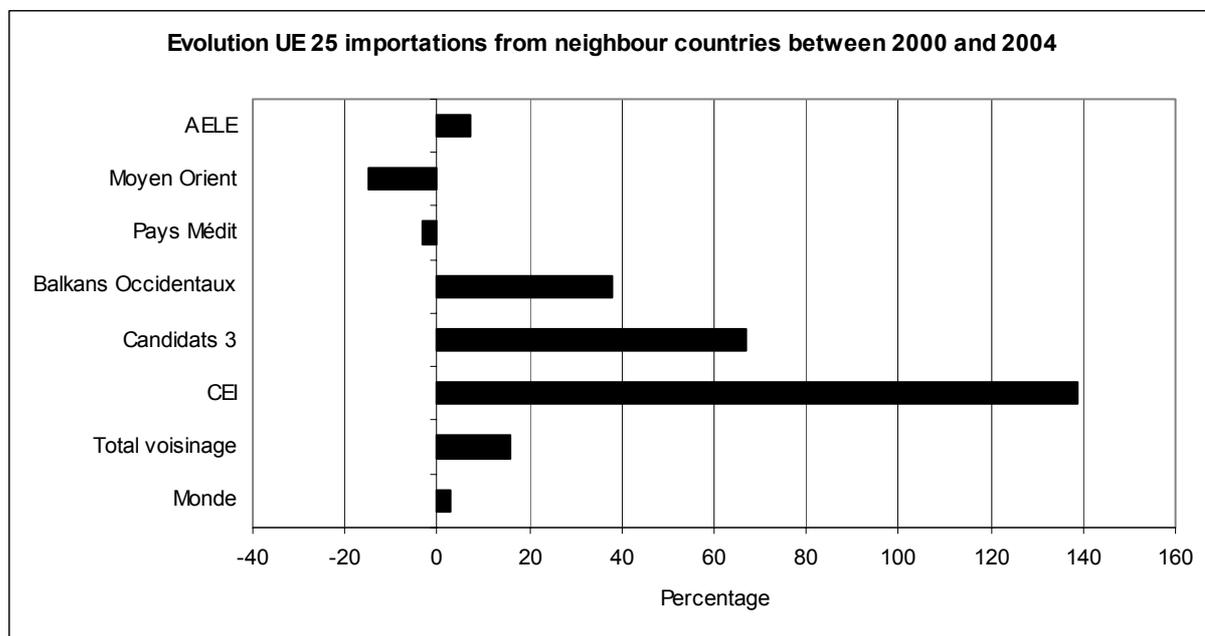
EU is now the first external trade partners of EU, which is partly due to the recent enlargement in 2004. The share of EU now represents more than 50 % of the total external trade of Russia. The share of Russia in the total external trade of EU has also increased since the end of the 1990s, from 1.9 % to 3 % between 1999 and 2002. As far as UE 25 is concerned, one can draw the same conclusions, according to the datas

available on the Eurostat web site. The trade with Russia has undergone a 51 % between 2000 and 2004. The share of Russia in EU 25 total external trade has gone from 4.5 % up to 6.3 %. These figures show that Russia is getting more and more integrated on the process of economic regionalisation along with the rest of Europe. Russia is not the only one concerned by this process. While the share of EU 15 has constantly decreased in the external trade of EU members since the 1990, the share of neighbour countries has constantly grown up showing an enlargement of the European economic region.

Figure n°3: *Evolution of neighbourhood's share in the exports and imports of EU 25 from 2000 to 2004.*

Source : Eurostat.



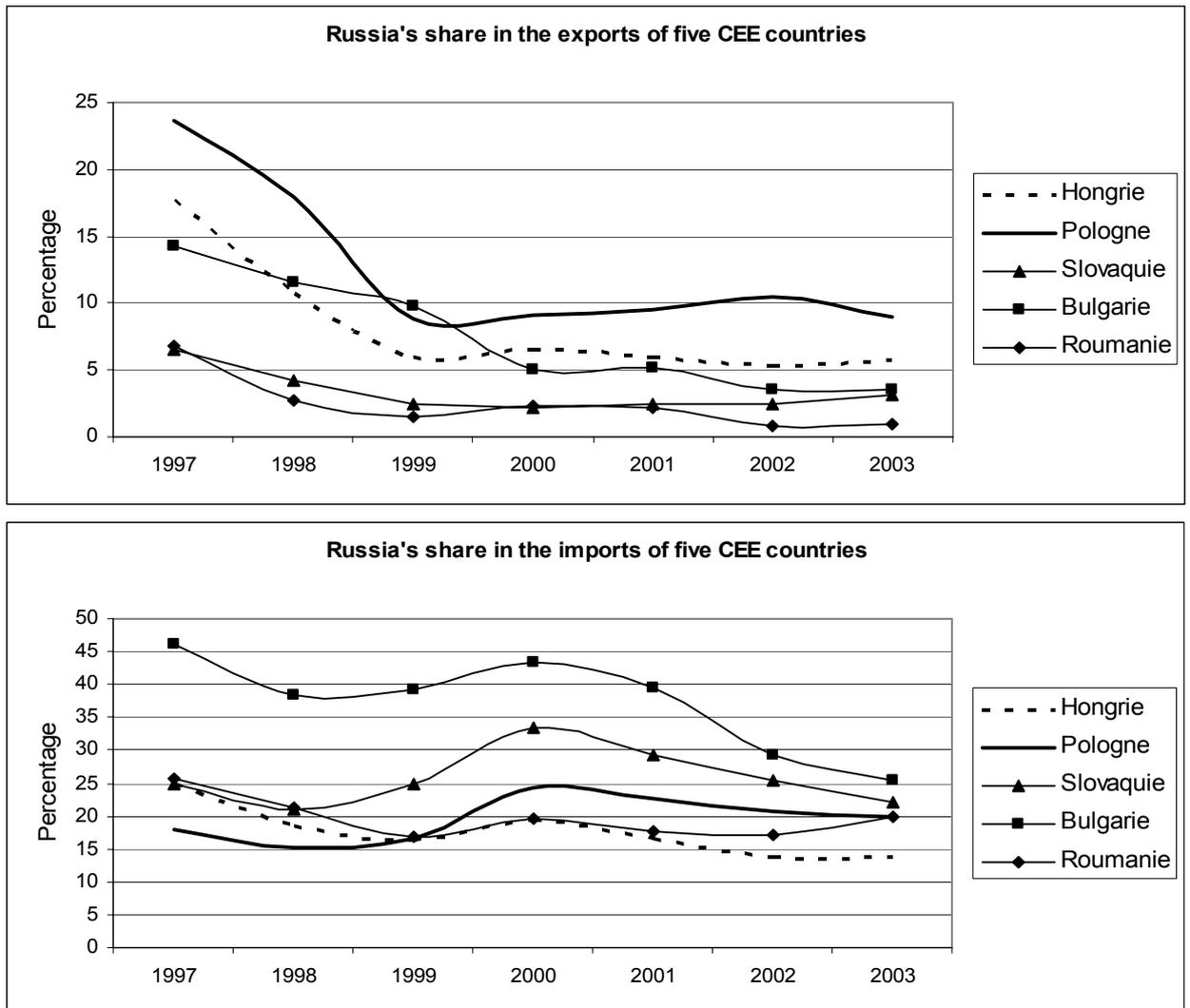


However, this statement must be qualified.

1. The process of regional integration is mainly based on exchanges of goods and raw materials. Besides, it concerns more the EU 15 and EU 25 as a whole than the new CEE members of EU. The total external trade of CEE countries has dramatically increased since the 1990s, but the share of Russia has fallen down for all of them. The only cases of stability are the Czech Republic and Slovakia whose exports toward Russia have always remained around 5 % of their total exports. As far as the imports of the CEE are now concerned, the flows have been staying roughly around the same level since the 1990s up to the 2000s, which is largely due to the importance of Russia as the main supplier of oil and gas for the best part of Central and Eastern Europe. The reorientation of CEE countries exports form the East (former USSR) to the West has given way to the formation of a border line between former USSR and the central part of the European continent. The Russian market has become less attractive for the CEE countries because of the economic crisis. Besides, their economic structure has dramatically changed with a shift toward service activities. Consequently it no more matches the needs of the Russian economy.

Figure n°4: Evolution of Russia's share in the external trade of some CEE countries.

Source: Eurostat.



2. As far as the foreign direct investments are concerned, one must recognize that Russia remains a closed territory. It remains relatively unattractive for foreign investors, although flows and stocks of foreign direct investment have dramatically increased in the world from the 1990s onward, going up to 8 250 billion dollars in 2003 from 693 billion dollars in 1980. The FDI stock has also increased in Russia, but it remains modest, as well as in other CIS countries such as Belarus, Moldova and Ukraine. In 2002, the FDI inward stock in Russia was only 48 USD per inhabitant, but it was 3 554 USD in the Czech Republic and 1 846 USD in Estonia. And in the CIS, Russia is only rated 10th for the amount of FDI per inhabitant: the CIS average is 242 USD and it

reaches 938 USD in Kazakhstan. The situation has changed a little in 2004 thanks to the implementation of reform, especially in the fiscal area. The FDI stock in Russia has jumped up to the record level of 99 billion dollars, because of a dramatic increased of inward flows.

However, nothing indicates that this change is the starting point of a long term trend.
 - Such a phenomenon had already taken place in the beginning of the 1990s but it ended because of the economic crisis in 1998.

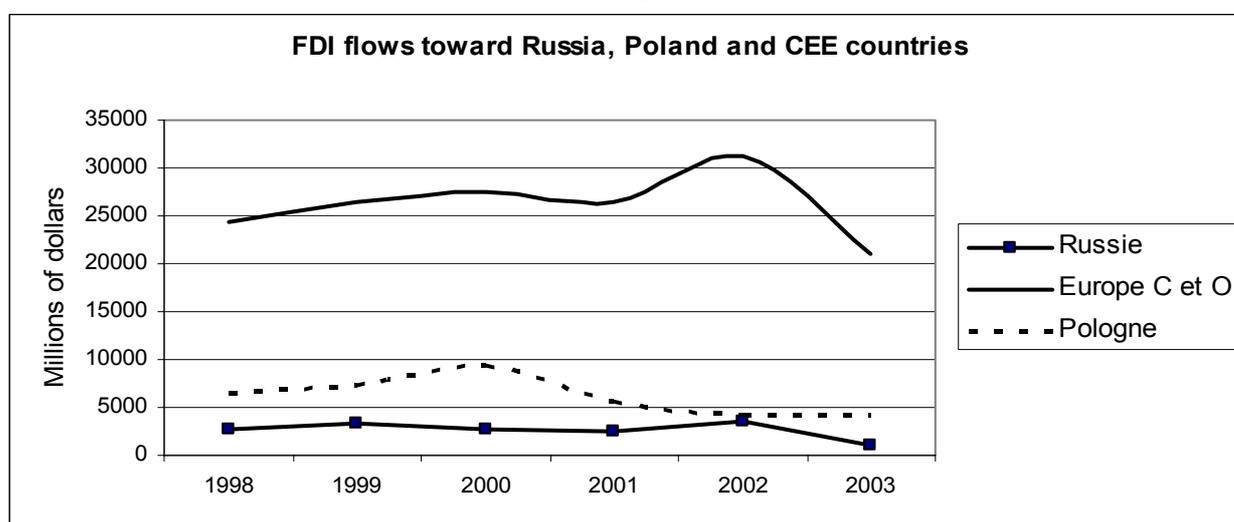
- 99 billion dollars is almost a twofold increase when compared to 2003. However it remains modest for a country of 143.5 million inhabitants with a rapid economic growth (FDI stock in Poland in December 2004 reached more than 84 billion dollars). FDI flows are somewhat more diversified than before, going for instance to economic sectors such as retail trade, transports, food industries. Oil is still playing an important role, attracting a large part of FDI flows but without a significant number of new jobs created and without significant transfers of technologies.

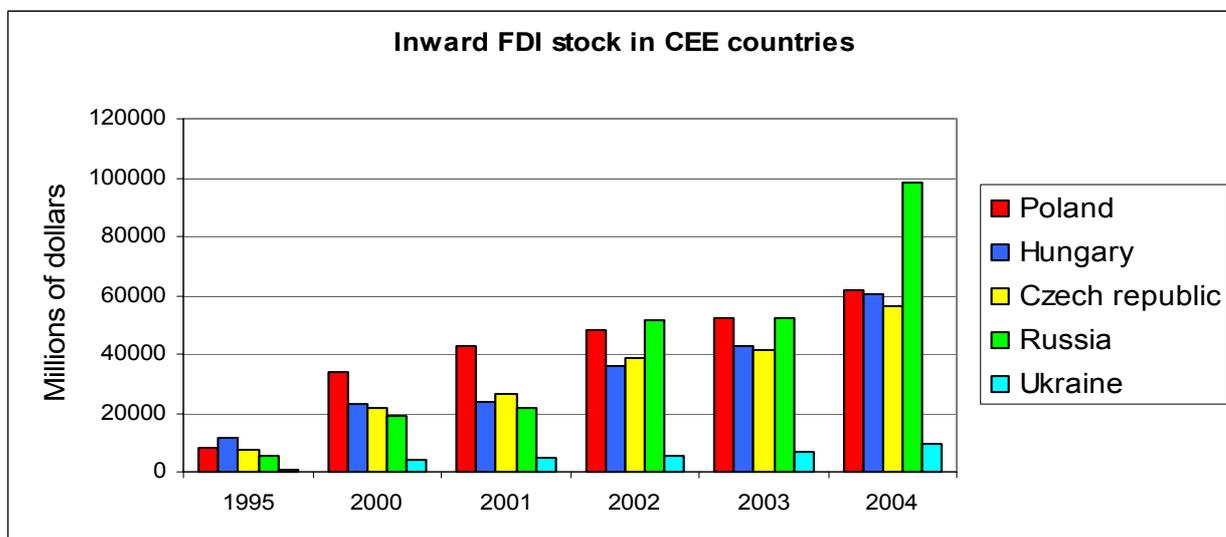
- An important part of the direct investment stock officially comes from foreign countries but is actually composed by Russian capital returning to Russia through Luxemburg, Cyprus, Virgin Island, UK, Gibraltar and so on.

- At last, even if EU is the first foreign investor in Russia, it concerns a relatively modest stock and it still represents less than 1 % of the Russian GDP.

Figure n°5: *FDI inward flows and inward stocks.*

Source : UNCTAD.

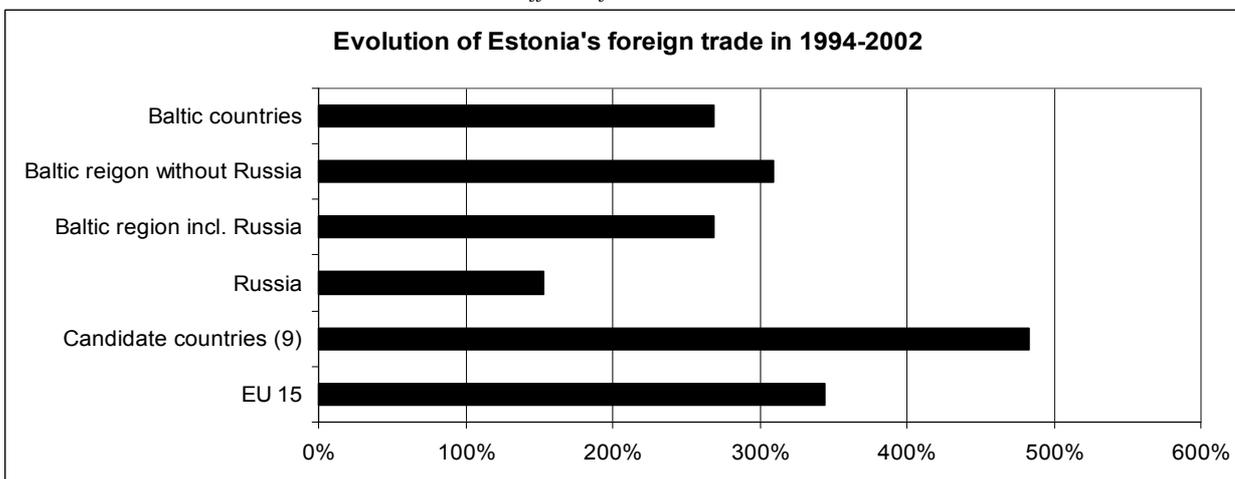


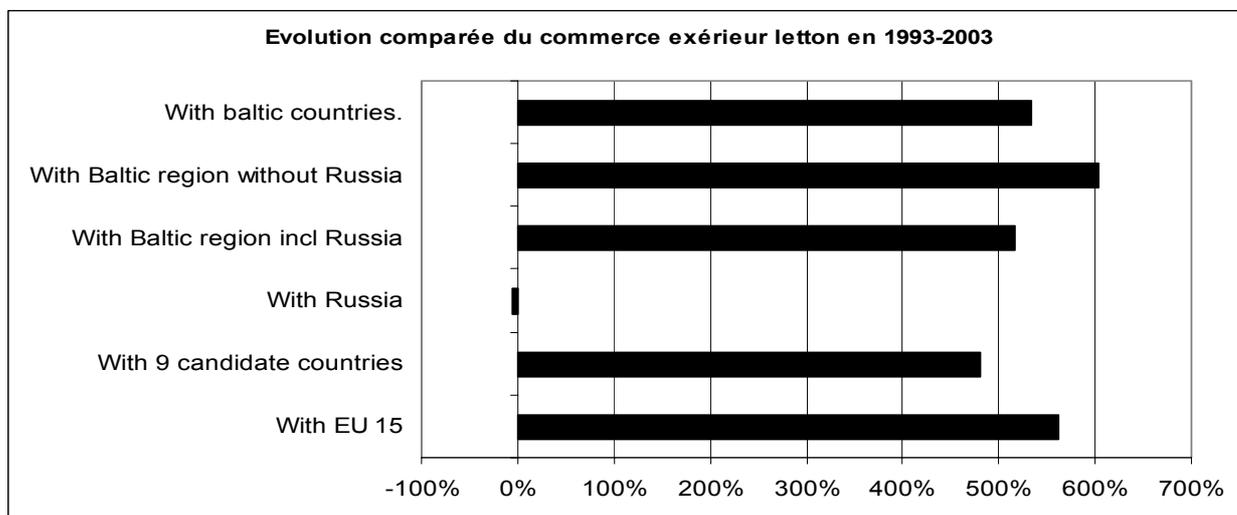


How are the economic relations between Russia, Estonia and Latvia going on?

The decrease of trade relations.

Figure n°6: Evolution of external trade of Estonia and Latvia.
Source: Statistical offices of Estonia and Latvia.





The evolution of trade relations with Russia is not going on the same way for Latvia and Estonia, as it can be seen on the graphs above dedicated to the evolution of the exchanges of goods only. As far as Estonia is concerned, the external trade has dramatically increased with the new members of EU (candidate countries), and secondarily with EU 15 and the Baltic region. The external trade with Russia has also grown up, with a roughly 150 % increase, but this is much less than with other trade partners. In the case of Latvia, the evolution is a bit different. This country is getting rapidly more integrated in the Baltic region and its external trade with EU 15 has increased a lot whereas its trade relations with Russia have decreased.

Consequently, the share of Russia in the external trade of Estonia and Latvia has fallen down. Russia's share in Estonian's export reached 36.5 % in 1997 but fell down to 12.3 % in 2003. Its share in Latvia's export has gone from 41 % in 1997 down to 14 % in 2003. The imports of goods have followed the same evolution. Russia's share in the total imports of Estonia has decreased from 35.7 % to 18.4 %, and it has decreased from 33.4 % to 17.8 % in Latvia's imports.

The border effect on foreign direct investments.

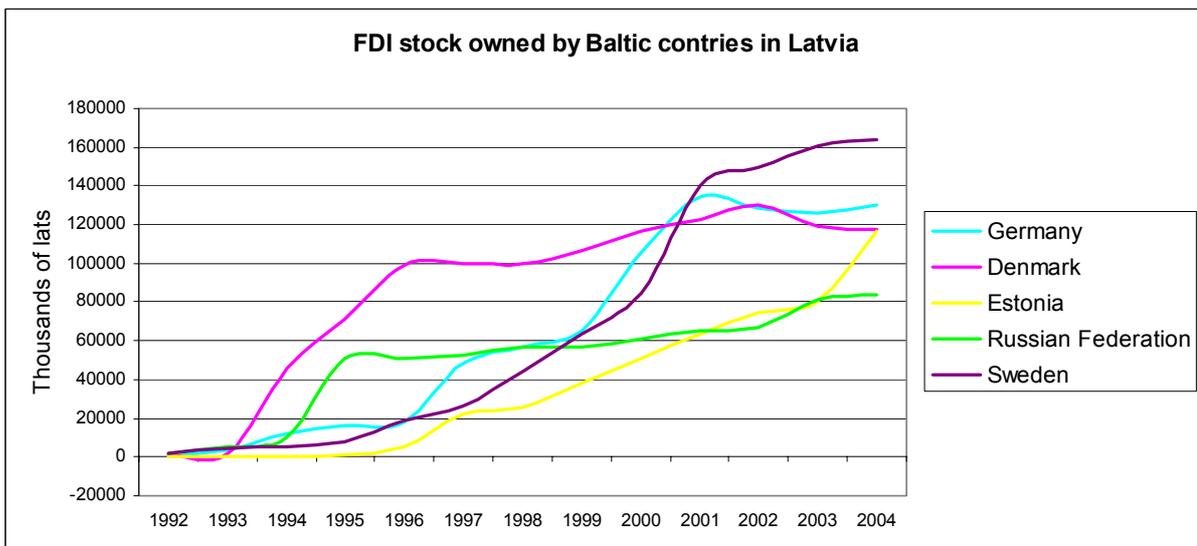
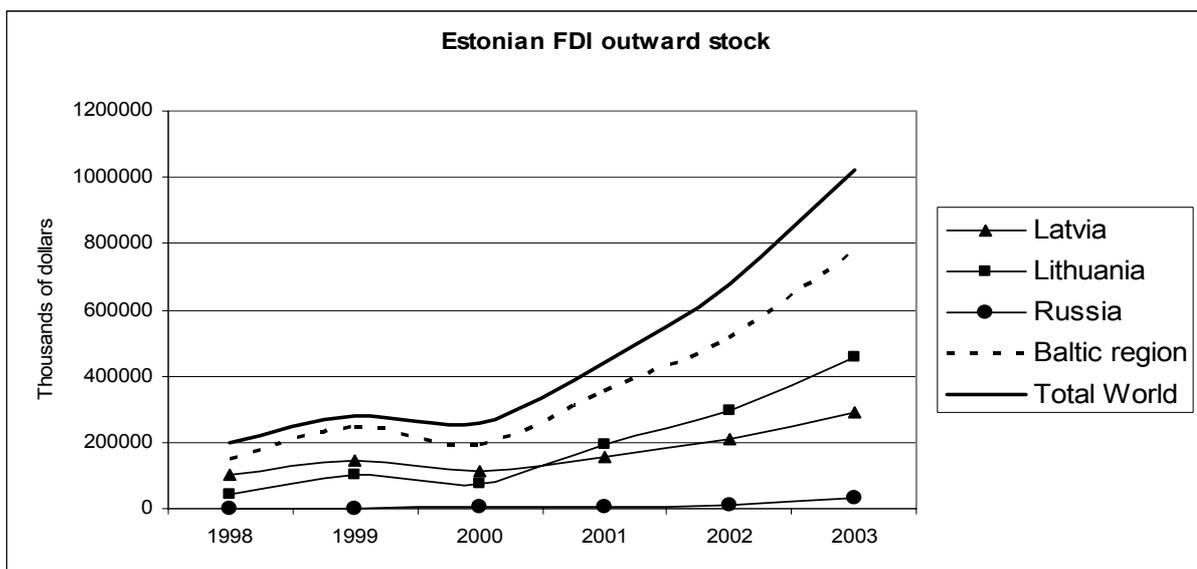
As far as the foreign direct investments stocks are concerned, one can notice two facts:

- Presence of Russian investment stock is weak in both Baltic States as it can be seen on the second graph. Russian investments are mainly oriented towards the countries of the CIS (especially Ukraine and Belarus) and secondarily towards certain countries belonging to the EU 15. But Russia is not a major investor at the world level.
- In the opposite direction, the outward FDI stock owned by Baltic States abroad is clearly oriented toward the Baltic region and to the other Baltic States but not to Russia. As it is shown on the graph below, the Estonian outward FDI stock has been increasing

rapidly from 2000 onward but it has remained very low in Russia. This country is not attractive for Estonian investors and investors of other countries in general because of well: unclear legislation especially in the fiscal domain; insufficient level of liberalisation and high level of state control in economic sectors such as energy and transports; inadequate business climate because of unclear administrative rules...

Figure n°7: Foreign direct investments in Estonia and Latvia.

Source: Central statistical offices of Estonia and Latvia.



How to explain the decreasing trend in the commercial relations?

The successive Latvian and Estonian have never managed to entertain normal political relations with Russia because of various problems shortly presented in the introduction of this study. And as a matter of fact, the external economic relations of Russia seem to be constantly overshadowed by the political agenda. Consequently, the political tension with Estonia and Latvia, which have been prevailing over the best part of the post soviet period (from 1992 onward), largely explain the decreasing trends of economic relations between Russia and that part of its “near abroad”.

Estonia and Latvia have been directly affected by Russian trade discriminatory measures since the middle of the 1990s. Among these measures was the so-called double tariffs system which prevented these two countries from the status of the “Most Favored Nation”. This situation has seriously affected imports of Estonian and Latvian goods, such as foodstuffs, which suddenly became uncompetitive on the Russian market because of a twofold increase of duties supported by imported products. It has normally come to an end with the recent extension of the Partnership and Cooperation Agreement signed by EU and Russia. Many companies in the Baltic countries have successfully reoriented their exports to the West. But other companies, especially those located in the North Eastern part of Estonia, have not been able to do so. Some have disappeared. Some have been standing idle because they have lost their Russian market.

The double tariff system was accompanied by various non tariffs measures against Estonia and Latvia certain of which are still into force:

- double toll control for goods on both sides of the border.
- import ban imposed by Russia n goods requiring and Estonian phytocertificate from August 2004 to May 2005...
- decision made by Moscow to raise the tariffs of Russian railroads towards Estonia, whereas the tariffs of freight transport to Russian ports remained lower for a range of various goods. This decision has automatically increased the competitiveness of Russian ports such as Saint-Petersburg, Ust-Luga, etc...

The significant shift of Baltic States’ economic structure since the outbreak of USSR also played a role in the decreasing trend of trade relations with Russia. During the Soviet period, in the frame of the planned economy, Baltic States had been specialized on the productions of goods needed mainly by Russia. That is why they became, among other specializations, a food and agricultural base oriented to the Russian “market”. Since then, the situation has changed significantly. The dominating items of exports of the Baltic States have now little connection with the needs of Russian economy. In Estonia and Latvia, not any commodity creates 10 % or more of total exports in each commodity chapter to Russia. On the other hand, Lithuania’s economic structure much better matches the needs of Russian market (vehicles, transport equipment, machinery and equipment...).

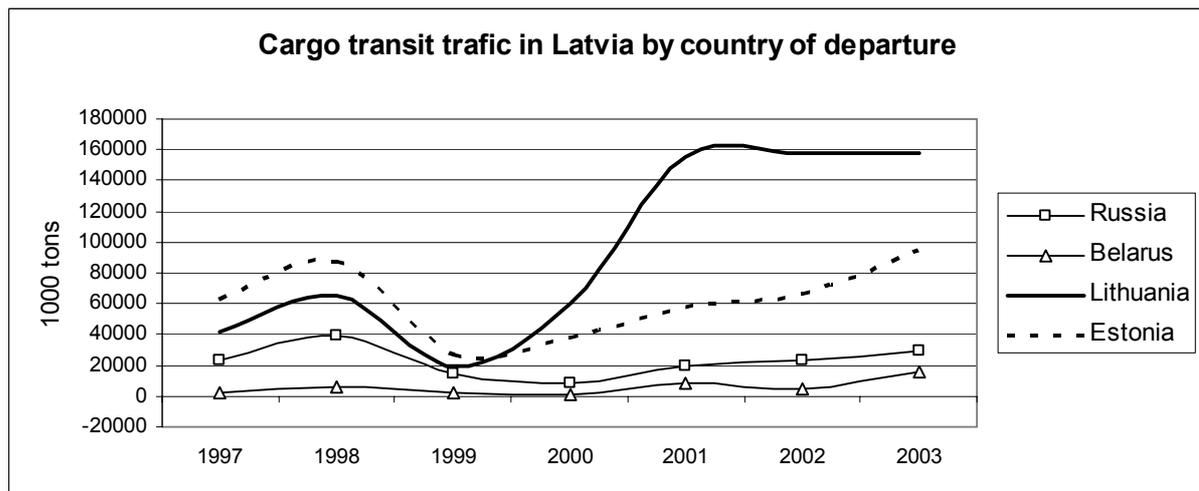
The evolution of transit trade flows through Estonia and Latvia.

Since the beginning of the 18th century and the victory of Russia upon Sweden, the Baltic shore is a strategic interface between Russia and Europe. The Baltic ports (Tallinn, Riga, Klaipeda, Ventspils, Liepaja, Butinge...) have always been major outlets for Russian exported goods and gateways for Russian imports. Since the outbreak of USSR, the situation has changed. The political relations between Russia and its Baltic neighbours are quite bad, particularly because of the border issue which is not settled yet. And Russia, whose economy is more than ever based on the extraction and exports of raw materials, tries to diversify the corridors for its exports of oil and gas. That is why Russia has made major investments in the north western part of its territory where several new infrastructures have recently been built, especially the port of Primorsk. The recent signature of an agreement with Germany for the construction of a submarine gas line in the Baltic Sea is quite in line with this strategy. What is the actual situation of Estonia and Latvia in this particular political context?

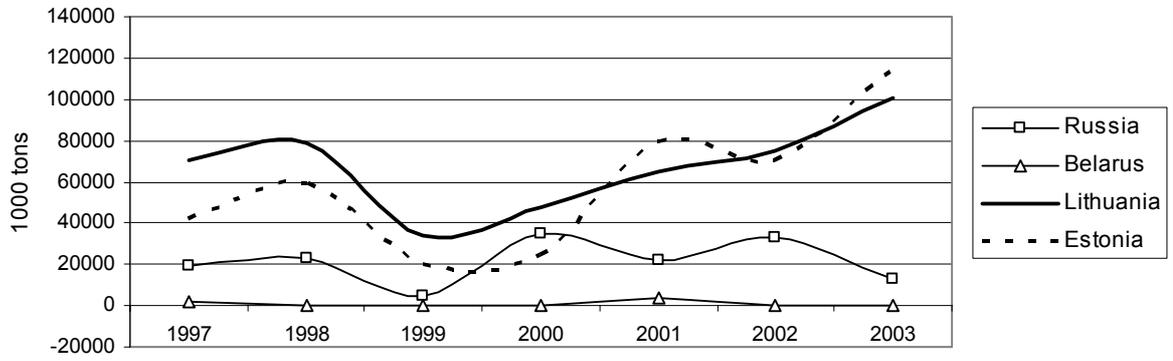
The evolution is not the same in Estonia, in Latvia and even in Lithuania. To sum up what follows, one can say that Latvia may suffer from a border effect with Russia and Belarus, whereas the role of Lithuania as a major transit place for Russia and Belarus is more and more obvious. Estonia is progressively confirmed as a transit place for Russia, although its political relations with Russia could be much better, but still suffers from political choice made by Russia.

Figure n°8: *Evolution of transit traffic in Estonia and Latvia.*

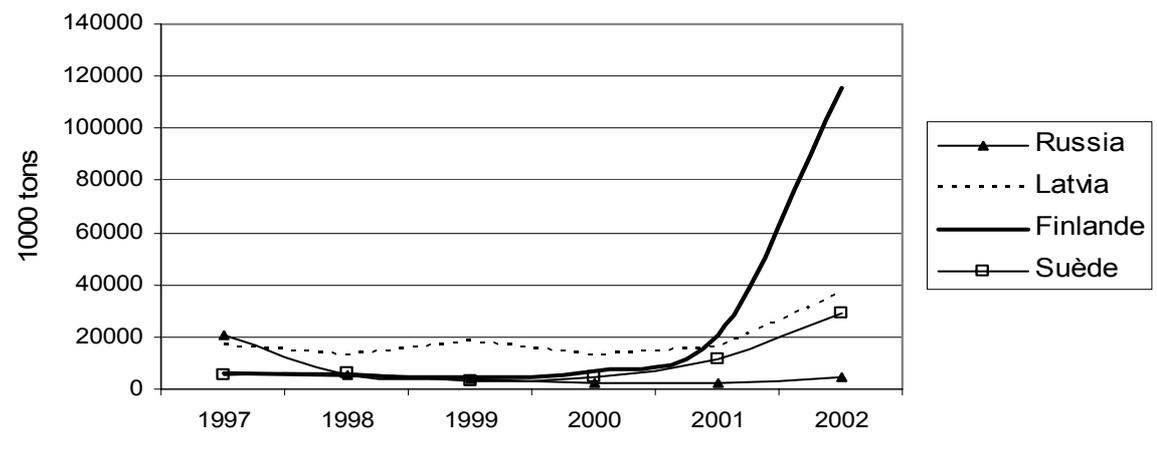
Source: Central statistical offices of Latvia and Estonia.

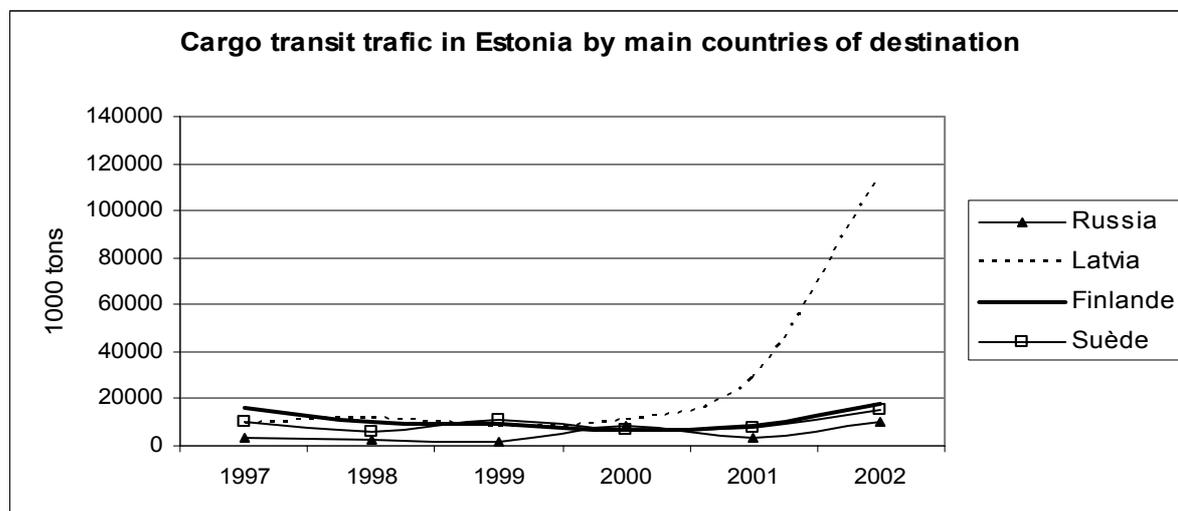


Cargo transit traffic in Latvia by country of destination



Cargo transit traffic in Estonia by main countries of departure





As it appears on the graph above, the situation of Latvia as a gateway to Russia and Belarus is more and more fragile. For instance, the flows of oil transiting from Russia or Belarus to the rest of the world by pipeline have undergone dramatic changes several times in the 1990s. They have undergone a rapid decrease after 2001 because of the decision made by Russia to send its crude oil directly to the Russian ports of the Baltic shore. In a way, Latvia's territory and mainly the port of Ventspils have been short circuited by this decision. This decision is also partly due to the bad relation between Russia and Latvia on several issues: the accession to NATO and EU, the would-be bad status of the Russian minority in Latvia and a major disagreement about the border separating both countries. As a consequence, Russia decided to stop the flow of crude oil going to Latvia. This caused a rapid decrease of the cargo traffic in the port of Ventspils which specialized in the transit of crude oil. Latvian government has tried to replace the transit of crude oil by pipeline with the transit of oil products by railway. But it has not compensated the loss of the Russian crude oil. Generally speaking, Latvia is less and less playing the role of an interface between Russia, Belarus and the rest of the world. It is particularly obvious in the case of Belarus. This country has imported almost nothing through the Latvian territory since the second part of the 1990s. Meanwhile, the cargo transit traffic from and to the Baltic states has regularly increased since 1999. It has even been stabilized at a very high level for Lithuania since 2000. But the evolution of the relations with Russia remains an important issue for the Latvian transport sector and particularly for the economic health of the port of Ventspils.

The situation of Estonia is different. Its territory is used as a transit place mainly by Latvia, Finland and Sweden. The traffic coming from and going to Russia is relatively low and has even decreased during the 1990s. But, meanwhile, the transit of oil products by train has increased since the beginning of the 1990s. It seems that the geographical situation of Estonia is a great subject of interest for Russian

businessmen. The Russian political power has bad relations with Estonia for the same reasons as with Latvia. But the development of Russian investment flows coming directly or indirectly from Russia in the sector of transports shows that the relations of Estonia with the Russian business are much better. Recently, the first part of the new part of the port of Sillamae, located near the border with Russia, has been opened to traffic. This infrastructure has been financed of Estonian's and Russia's investments (50 % / 50 %). Numbers of investments have been made by Russian investors in other ports of Estonia (Muuga, Tallinn). And, as it can be seen on the graph, the increase of the traffic of Tallinn's port is in majority due to the increase of transit outbound traffic. That shows that Estonia is becoming a major transit place for Russia and for other neighbour countries. According to transport specialists, is due to the following factors: the geographical proximity of Saint-Petersburg, which is richer and more industrialized than the Russian average, the good quality of transport infrastructures and mainly of railways, the high quality of services in the ports, the insufficiency of Russian port infrastructures in this region. Estonia is more likely to take profit from these factors because of its proximity with Saint-Petersburg. The final draft of the case study will provide with informations about the Russian commitment in Estonian, and Latvian, transit infrastructures.

Contrary to Latvia, the role of the Lithuanian territory as a transit place has dramatically increased both for Russia and Belarus. For Russia, it is due to the geographical situation of Kaliningrad and the necessity to keep as much as possible in close connection with this oblast separated from the rest of the Federation. Besides, Lithuania has become one of the major outlets for Belarussian exports of goods, together with Kaliningrad, because of its geographical proximity.

As a conclusion, one can say that the role of Baltic States as transit places for exports and imports of Russia and Belarus has changed a lot since the outbreak of the USSR. While the transit traffic from and to other Baltic countries and neighbour EU members has increased, the transit from and to former USSR countries has decreased. For instance, Latvia is much more used as a transit place by Lithuania and Estonia than by Russia. There is a risk for Latvia to be marginalized. Besides, there is a growing concurrence between Baltic countries to attract transit traffics from and to former USSR. This traffic is economically very important for the transport sector represents around 7.5 and 9 % of the GDP in each Baltic countries. In this context, the decision of Russia to stop its exports of crude oil through the Latvian territory is very serious. It shows that these countries are to a certain extent still dependent from the former USSR and especially from Russia.

A STRONG BARRIER EFFECT AT THE LOCAL LEVEL: THE COOPERATION FOR THE IMPLEMENTATION OF CROSS BORDER PROJECTS IS UNDER DEVELOPED.

As far as the cross border cooperation is concerned, it is evident that the relations between Russia and its Baltic neighbourhood are not good. Russia is involved together with Latvia and Estonia in transnational cooperation (Interreg III B) and in cross border cooperation (Interreg III A Priority North and Priority South). For the period going from 2004 to 2006, 7,5 millions euros of Tacis funds have been allocated to the Russian and Belarussian Partners involved in the Interreg III programme. From this allocation of 7,5 millions euros, in the framework of Tacis 2004 Action Programmes, 1 million EUR has been made available to the Belarussian partner's participation in the South Priority projects and another 1 million EUR - to Russian partner's participation in North Priority projects. Russia and Belarus were not concerned by the first call for proposal but the participated to the following calls. The 2nd call for proposal for the Priority North took place between from February 28 to April 18, 2005. In of 9 of the received projects, 35 partners were from Latvia, 21 partners from Estonia and 5 partners from Russia. The 3rd Call for Proposals for INTERREG IIIA Priority North supporting cross-border cooperation between Estonia, Latvia and Russia was launched on 5 September 2005.

After the 2nd call for proposals, five projects were approved in the INTERREG IIIA North Priority (involving Russia and Estonia), by the Steering Committee (SC). The call had been launched in February 2005 and was closed on the 18th of April. Russia is involved in none of these projects which concern only Estonia and Latvia. That shows the lack of commitment of Russia in cross border cooperation with its neighbours until 2005. Nine projects were approved in the INTERREG IIIA South Priority, in June 2005 by the Steering Committee (SC). Belarus is involved in four proposals : development of cycling net in the Baltic Country of Lakes (development and marketing of 45 bicycle routes); developing cooperation among bordering Latvian, Lithuanian and Belarussian local administrations with an aim to define potential spheres of economic development and define diversification possibilities for each of the involved cities in the region; conservation and sustainable management of biodiversity in Lake Druksiai which is a transboundary wetland complex of international importance (safeguard the biodiversity in the Lake Druksiai situated on Lithuanian- Belarussian border); improvement of financial management of import / export procedures in order to improve the financial management related to import/ export procedures of small and medium sized enterprises located in border territories of Latvia, Lithuania and Belarus.

The Russian Federal Government has finally signed the Tacis Financial Agreement for 2004-2006, but only in June 2005. Consequently, the programmes of cross border cooperation implemented with Baltic States, which would support cross-border cooperation with Russia, had been working only partially. That means that up to now, Russian partners have been obliged to participate in the projects on their own financial resources. That has seriously hampered the progress of the cross border cooperation. Thanks to the signature of the Financial Agreement, Tacis CBC funds can be now

transferred to INTERREG (now "Neighbourhood") programmes on the EU external border. That will enable the implementation of "genuine" joint projects with Russia. Belarus has also signed the Tacis Financial Agreements only in December 2004. That means that the level of cooperation of this country has also remained very low up to 2005.

The biggest failure of the crossborder cooperation is that the preparation of Neighbourhood programmes went along very well in 2003-2004, in close co-operation with Russian regional administrations, and the programmes were ready to be launched in autumn 2004. But the signature from Russia was very long to come. So the Member States have actively used the ERDF part of the budgets to finance their parts of the projects. Meanwhile, the Russian partners are still waiting their own financemnt. Perhaps the Tacis CBC money will be available too late, when the Member States have already used most or all of the ERDF, and Russia only starts using Tacis. One can say that there is no cooperation anyway, although the preconditions were very good. Somehow, the Russian Federal Government has been hindering all the hard work the regional administrations did to elaborate these programmes.

Russia and Belarus have participated to the autumn calls for proposals in the frame of the cooperation programme BSR IIIB, North IIIA and North IIIB. That means that they have decided to get more involved in the conception of joint projects with its neighbours very late. But this apparent high level of interest from Russian and Belarussian partners does not necessarily mean that Russian and Belarussian central authorities will fully support the implementation of the future approved projects.

Since last couple of months, and gradually more, Russia and the Baltic States have started to prepare for the next **programme period** (2007-2013). At the moment, almost weekly, negotiations are going on with the European Commission over the draft Regulations for 2007. The regulations were hoped to be ready by autumn, in order to start the writing of new programmes. During this period, co-operation with Russia will be financed under the ENPI (European Neighbourhood and Partnership Instrument) regulation. But Estonia, as many other member States, is not at all satisfied with the Commission proposals. There are several crucial points in Estonian authorities do not agree. But the main problem for most member States is that they should, according to the Commission's plans, take the full responsibility for all the programme funds, including funds spent in Russia. At the same time, we know already now that we are not willing to take this responsibility, because Russia would never let e.g. Estonian auditors to come to Russia to check the spending of funds. On the other hand, we are not willing to trust Russian auditors as well, if we are bearing the responsibility. We want Russia itself to be responsible for all the wrongdoings, i.e. we are not going to pay any funds back to the Commission from Estonian national budget just because Russian partners committed an irregularity. This is a very problematic subject, and the initial optimism

that co-operation with Russia would be much easier since 2007 has now vanished. If any co-operation at all, it would most probably be at least the same difficult.

The low level of the cross border cooperation with Belarus and Russia is due to other causes which will be further analysed and explained in the final draft of the case study in the final report. But we can give some remarks after a preliminary investigation made in Riga and Tallinn in October:

- A political problem: it is well known that Russia has bad relations with Estonia and the profound disagreement about the border between the two countries hampers the possibility of cross border cooperation.

- Russia and Belarus are very centralized states: that means that it is quite difficult for regional authorities to get fully involved in the negotiation and the implementation of joint projects. They have not real autonomy to get in touch directly with local authorities of other countries. Further investigations in march will allow us to know the state of mind of local authorities about that issue (Pskov, Leningrad, Vitebsk and Grodno regions).

- There is a serious lack of administrative competency on both sides of the border for the conception of joint projects and for the application after calls for proposals. Maybe Leningrad oblast is more likely to develop these competencies thanks to its large population. But it will be more difficult in less populated regions such as the Eastern part of Latvia (Latgale), the Eastern part Estonia, Pskov and Vitebsk regions.

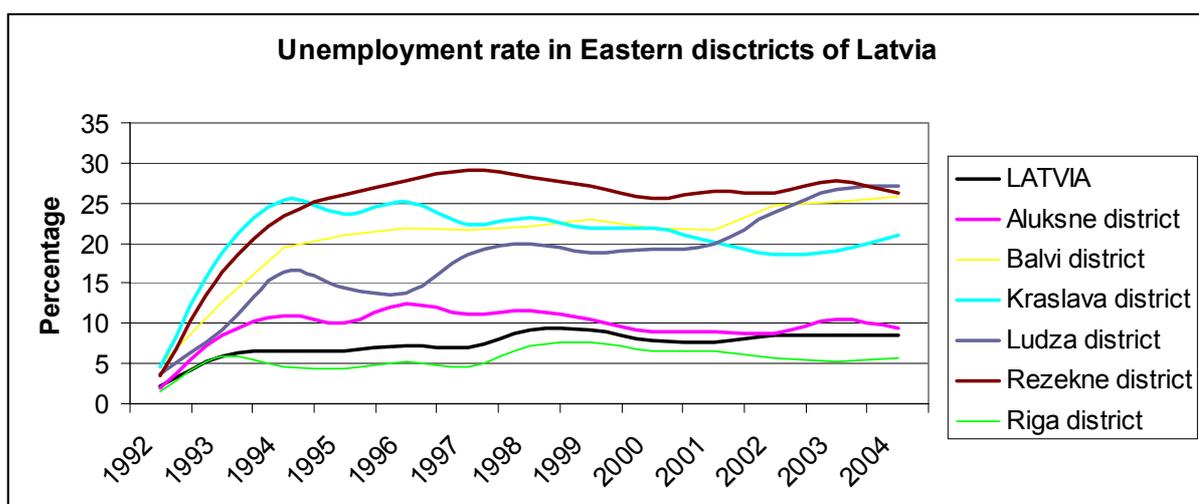
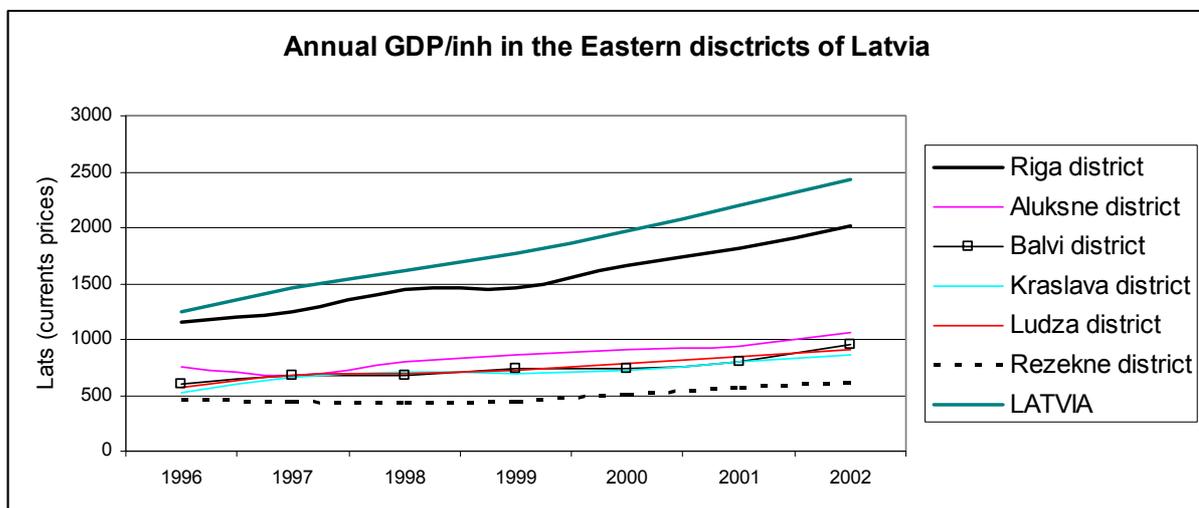
- It is not that easy to support cross border cooperation project between along the external border of EU because the majority of the areas concerned are also relatively poor. For example, Pskov region is one of the poorest of the North western part of Russia which also one of the poorest parts of the Federation. One could say the same for the region of Vitebsk, which is the poorest in Belarus. This relatively under developed context hampers cross border cooperation projects for two main reasons: the lack of local financing possibilities and the lack of cooperation opportunities because of bad social and economic context presenting not any incentives for the conception of joint programmes of development. These regions are not attractive. Besides, the border regions of Russia, Belarus, Latvia and Estonia are not complementary. Their economic structures are almost the same. This creates the conditions for competition more than for cooperation.

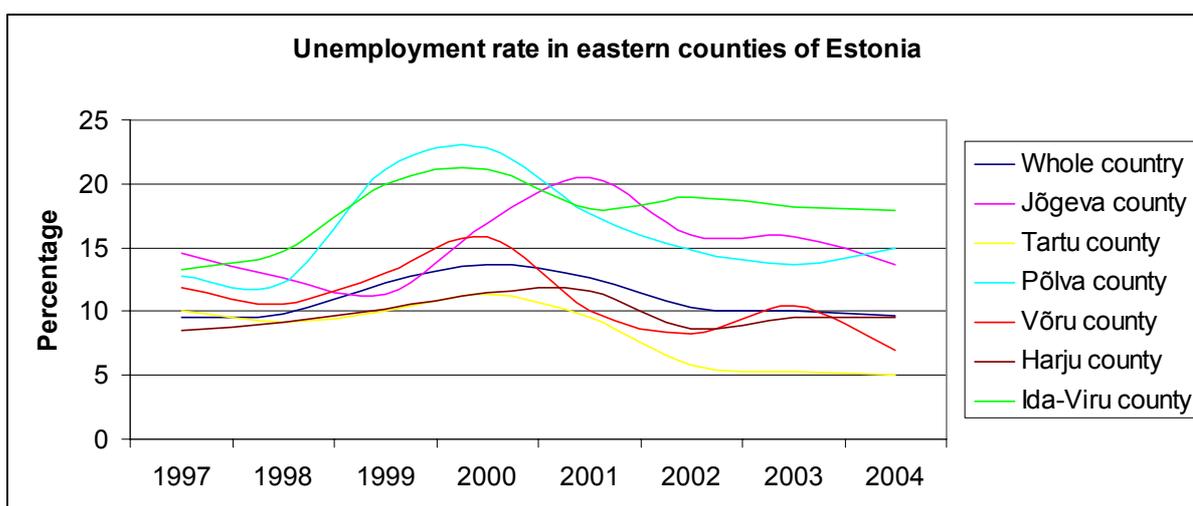
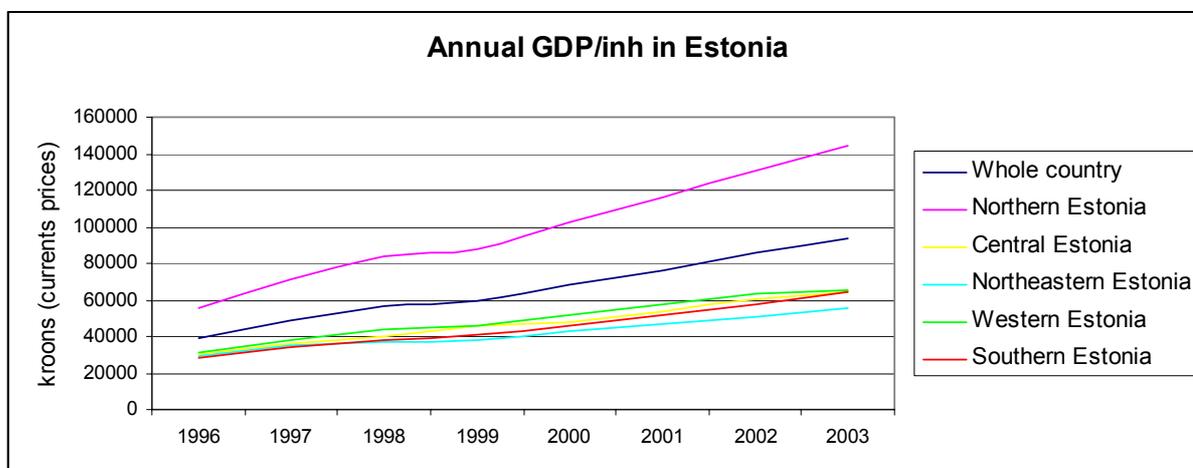
DOES THE FRONTIER WITH RUSSIA HAVE A TERRITORIAL IMPACT ON LATVIA AND ESTONIA?

It is tempting to establish a direct connection between what has been presented as a border effect above and the relative backwardness of the Eastern regions of Estonia and Latvia. Especially in Estonia where the geographical pattern of development is now the opposite to what it was during the soviet period. The region of Narva, for instance,

located in North-Eastern Estonia, was much more developed than today. Indeed, in both countries, almost all social and economic indicators are beneath the national averages in the eastern regions and the gap between most and less developed regions is still widening. The regional GDP, regional GDP / inhabitant and the real personal income are very low and the unemployment rate is higher than the national average. Maps will be displayed in the final version of this case study after a second field research which is to take place in the end of next March.

Figure n°9: Evolution of regional economic indicators.
 Source: Statistical office of Latvia and Estonia.





But an accurate analysis of the cause of such regional disparities shows that the relation between the border and the local low level of development is not that obvious. Two short examples will be enough to stress this idea:

- The district of Tartu is located in South-East Estonia along the border with Russia, near the lake Peipsi. This geographical situation could be considered as a burden hampering every possible development. But every one can empirically notice that it is not the case at all.

- Many other regions in Estonia and Latvia undergo a low level of development but they are not located in the eastern part of these countries. It is particularly obvious in Latvia where one can noticed a decreasing trend in development indicators as one moves away from Riga in every direction.

These examples are not sufficient to prove that there is not any relation between the low level of development of these districts and their eastern location near the border.

Anyway, they show that the border location is not enough to explain local social and economic evolutions. There are various causes. Besides, the regional disparities of development are not a typical post soviet matter. They already existed during the soviet period.

Before their accession to EU, Estonia and Latvia had already started to implement radical reforms of their economic structure, wiping away the soviet legacy. This process was extremely rapid in Estonia and began a bit later in Latvia. In the mean time, partly thank to Association agreements signed with EU in the 1990s, Latvia and Estonia opened themselves to the West, attracting many foreign investments from EU and mainly from the countries surrounding the Baltic Sea. Both countries fastened onto Western Europe through their capital regions, that is to say Riga and Tallinn which are located in the western part of these territories. This « capital effect » is due to the higher attractivity and accessibility of national metropolises. Capital regions, not only in the Baltic States but also in all the post socialist CE countries, have been more able to attract investments thanks to many well known causes: numerous and well trained labour force, more diversified economic structure, better and more numerous infrastructures, better accessibility... Tallinn and Riga became rapidly part of the European economic space, integrating themselves in the Baltic urban network because of intense relations with Helsinki, Stockholm and other European metropolises. But until now, the rest of Latvian and Estonian territories have not really taken benefit from this “capital region effect”. Consequently, one can wonder about the role of Riga and Tallinn. Are they interfaces between their respective territories and the rest of the World? Are they « continental islands » taking benefit from their high insertion in the European urban archipelago but sailing away from the rest of their territory. According to Latvian and Estonian Geographers, and officials belonging to the Regional Development Department of the Ministry of the Interior, the low level of development of Eastern regions is also due to a distance effect. Their backwardness is partly due to the distance between them and the capital regions. That explains why the western part of Latvia, far from the Russian and Belarussian border, is also under developed. The final draft of this case study will provide further developments and analysis in order to demonstrate this idea.

Other factors have played a role in the regional disparities of development level among which the choices made by national governments. For instance, from the beginning of the 1990s onward, Estonia has been ruled by liberal governments whose main subject of concern was the implementation, very successful, of a liberalisation programme based on quick structural reforms and attraction of foreign direct investments. Meanwhile, regional disparities have not really been attended to because that was not a priority during this period of economic, political, institutional and social reforms. The interest for the regional issue emerged in Estonia only in the end of the 1990s, that is to say after 1997. Estonian authorities tried to handle this problem by creating in each region

appropriate conditions and climate for business development. This political choice has not been really effective because efficient tools for regional development such as transport infrastructures (mainly railways) had been privatized, hampering the leverage power of governmental decision in this domain. And one can notice that the gap between regional levels of development is still widening.

Nevertheless, the border plays a role in the internal geography of Estonia and Latvia.

In Estonia, the region of Narva is very much dependent from Russia. It is located on a major transport axis linking Russia to Estonia and Leningrad region to Tallinn. Besides, the local industries strongly depend from goods imported from Russia and from Russia as an export market. Consequently, local business needs an open border as much as possible. But the figure displayed by the state office of statistics in Estonia shows that Narva region is a secondary actor in Estonia's foreign trade, as well as other Eastern districts (Jõgeva Põlva), far behind the capital region (Harju county and Tallinn city) and behind Pärnu and Tartu counties. More precise figures will be displayed in the final draft.

During the soviet period, this region underwent an industrialization process as a part of the whole soviet economic system based on strong interrelations between Soviet republics and regions. Soviet authorities developed there industrial specializations which were mainly related to the needs of Russian economy and industries. The industrial companies of Narva region have not been able to set out efficient reforms. Its economic structure, inherited from the Soviet large scale industry, is roughly the same as in the beginning of the 1990s, presenting a high share of manufacturing activities and industries and a very low share for service activities in the regional GDP. In addition, the image of this region is bad for many investors (Tallinn attracts more than 81 % of the FDI inward stock in Estonia) because of various factors: bad environmental quality, high unemployment rate, problems related to the presence of the Russian minority, backwardness of local industries, lack of local capital, insufficiently skilled labour force... The proximity of Saint Petersburg, whose development level is rather high compared to Russian average, could be an advantage: presence of financial capital and high level service activities, big customer market... Besides, Narva could take benefit from its situation between Saint-Petersburg and Tallinn, as a transit territory.

But the border between Estonia and Russia strongly hampers the growth of trade relations of Narva region because of non tariffs barriers, which were presented above, and also because of bottlenecks at the crossing points along the border. It is well known that the bridge between Narva and Ivangorod is not sufficient at all. In addition, trucks going to Russia have to cross the city of Narva whose infrastructures are not sufficient to handle this daily massive influx. There is a strong barrier effect between Estonia and the nearest Russian region. The final draft will give figures about the evolution of

international trade between both partners. But the figures given by various sources show that Estonia is not among the main trade partners of Northwest Russia for the exports of goods; and it rates only ninth for the imports. It would be interesting to have such figures about the foreign trade of Narva region.

In the final draft of the study, in order to put the on stress the negative effect on border regions, other examples will be further developed along with that of Narva. These examples will be chosen on both sides of the border, namely the case of Pskov region which highly depends on the proximity of the border with Latvia and Estonia.

POLICY RECOMMANDATIONS.

To have comprehensive view of the policy recommendations related to the Key Question Neighbourhood, it is necessary to refer to another part of the report. Here are only the recommendations directly connected to this case study. They are shortly presented in this first draft and will be further developed after a second field research in Latvia and Estonia in the end of next March.

About transit and trade.

- To continue the dialog with Russian authorities at the highest level in order to conceive genuinely joint projects in the transport issues. The ports located on the 350 km long coast line around Saint-Petersburg are not enough to handle Russian imports and exports. Russia needs Baltic and Finnish ports. But the bad quality of politic relations of Russia with its nearest western abroad has negative effects. It hampers the development of high quality crossing point of the border, whereas it would be necessary to modernize bottlenecks such as Narva and Koidula. Several months ago, Estonian authorities have sent to the Russian government an official proposition about the modernization of Narva-Ivangorod crossing point and about the construction of a new bridge. They have received absolutely no answer yet.
- EU should reinforce its dialogue with Russia and Belarus, and also with all countries of the Eastern neighbourhood, about transport infrastructure projects. Not only projects regarding energy supplies, but also roads and railways, in order to open international corridors making possible a high quality connections between the peripheral EU members (such as Baltic States) and their non member neighbours. These corridors necessitate the modernisation of transport infrastructure not only in Russia and Belarus but also in Baltic States, where the **rails standard** in the same as in the CIS countries. This modernization should be based on new kinds of partnerships between public and private actors since the majority of Baltic railways have been privatized.
- To negotiate with Russia in order to convince the government to lift non tariff barriers which still hamper the growth of external trade in that part of the neighbourhood. This

would be a positive sign for the states which actively support the accession of Russia to WTO.

About cross border cooperation.

- To make an effort for the training of local authorities on both sides of the border. Local governments usually suffer from a lack of administrative capability for the conception, implementation and financing of joint cross border projects.
- To convince the central Russian authorities to move toward a higher level of decentralisation. This is the only way to make the projects bases on Interreg III A initiative going on. Without any real autonomy, local governments of Pskov, Leningrad, Vitebsk, Grodno and Minsk are not able to cooperate directly with their Baltic counterparts.
- To determinate very clearly the rules of the game about cross border cooperation. Baltic States authorities sometimes do not receive enough support from the European commission in this domain. That is to say that they feel somewhat isolated in front of Russia when they negotiate cross border projects. It is necessary to define more clearly each part's task. Baltic authorities want to negotiate only the contents of the projects with Russia and Russian regions. All the rest must be left to European commission.
- To increase the budget of the Priorities North and South of Interreg IIIA programme, in order to accelerate the implementation of cross border projects.

About border commuting.

EU, Russia and Baltic states should find a solution for people living in the border regions who need to cross regularly the border for various reasons; work, trade and local business, training... It is necessary to create new kind of long term visas for Russian and Belarussian people living the regions highly related to the border from a functional point of view. It is also necessary to find such agreement with Moscow for Estonian and Latvia citizens who regularly need to enter the Russian and the Belarussian territories.

REFERENCES.

City or region	Stock % (end 2003)
Tallinn	81.2
Harjumaa region	7.6
Lääne-Virumaa region	2.4
Tartu	2.0
Pärnu	0.9
Other regions	5.9

As part of the interrelated Soviet economy, Estonia was basically an industrial region, with agriculture also making a contribution. Industry and agriculture remain important components of the economy of independent Estonia, but their portion of GDP and the labour force are declining while those of commerce and the service industry are growing. The Estonian economy experienced a downturn during its transition to a market economy (characterised by declining production, inflation, and unemployment), but by the mid-1990s it was rebounding.

Minerals

The most important mineral is oil shale, of which Estonia is an important world producer. Reserves and production of peat also are substantial, and large deposits of high-quality phosphorites, limestone, dolomites, marl, and clay exist.

Fuel and power

Electric-power generation has great significance both for the economy of Estonia and for the surrounding region. Estonia supplies much of the power requirement of [Latvia](#) and parts of north-western [Russia](#). Most of the electricity produced in the country is generated by thermal power plants fired with oil shale. Two of those plants, located near [Narva](#), account for much of the electricity produced for the [Baltic states](#).

There are other smaller power stations and another major power station, the peat-fired plant at Ellamaa. Like the power industry, the large shale-processing industry is also a major employer in Estonia. It produces great quantities of fuel gas, much of which is transported to Russia by pipelines extending from Kohtla-Järve to [St. Petersburg](#). There is, however, growing concern about the environmental impact of both groundwater pollution from oil shale mining and sulfur dioxide emissions from the Narva power plants. Similarly, the phosphorite-mining industry also has become the focus of environmental concerns.

Agriculture and forestry

During the country's period as a Soviet republic, Estonia's agriculture was collectivised. Instead of some 120,000 small peasant farms that existed in 1945, there were by the 1990s more than 190 collectivised farms and more than 120 state farms. Decollectivisation became a government goal in the post-Soviet period. Privatisation proceeded quickly. Within the first year Estonia had twice the number of private farmers as either Latvia or [Lithuania](#). Agriculture is the foundation of Estonia's significant food-processing industry. Principal crops include potatoes, barley, and hay. Livestock farming, notably of cattle and pigs, is also important. Timber and woodworking make up one of the oldest industries of Estonia. Poorly regulated exploitation of woodlands has decreased the total wooded area substantially. Although thousands of acres of new trees were planted during its Soviet republic period, Estonia was obliged to import about one-fifth of its requirements from the north-western regions of Russia. Paper, pulp, plywood, matches, and furniture are among the nation's wood products. The main production centres are [Tallinn](#), [Tartu](#), Narva, [Parnu](#), Kehra, Kuressaare (Kingissepa), and Viljandi.

Industry

Like agriculture, industry in Estonia is undergoing a period of adjustment during the transition to a market economy. Raw materials, previously inexpensive during the Soviet period, now must be acquired at world market prices. Industry uses both local resources and imported raw materials. Much of the industrial labour force is engaged in engineering and metalworking activities that provide oil-refining equipment, agricultural implements, mining machinery, gas pipes, and excavators. Technical and scientific instruments and electronic apparatus also are produced by the country's manufacturing industries.

Shale processing underlies the chemical industry centred in Tallinn and Kohtla-Järve. Such products as benzene, adhesives, tanning agents, resins, formaldehyde, and detergents are made.

Estonia's natural resources provide a base for the production of building materials, including cement, mural blocks, and panels made from either shale ash or reinforced concrete. The main centres of this industry are Tallinn, Kunda, Tartu, and Aseri.

Among consumer goods industries, textiles are the most developed. Most of the cotton cloth produced in the Baltic states is manufactured in Estonia. The country also produces wool, silk, linen, knitted and woven garments, and shoes.

Case study 6

The ESPON community's Point of View

Clarisse Didelon - RIATE

*Come, here's the map: shall we
divide our right
According to our threefold order
ta'en?
W. Shakespeare, Henri IV, Act 3, Scene1*

A) JUSTIFICATION OF THE CASE STUDIES AND LINK TO KEY QUESTION

This case study is integrated to the Key Question "*Delimitation of World Regions*". One of the aims of the "*Europe in the World*" project is to propose an efficient world division in regions. This regionalisation of the world is supposed to serve as a support to the European International policy, especially in the development of aid flows matters and neighbourhood policy. Therefore, it is interesting to determine which delimitation of world regions researchers, administrators and policy makers of the ESPON program have in their minds, in order to evaluate to which degree the delimitation that will be proposed by the project is a new one / not obvious one, and consequently how difficult it will be to make it accepted by policy makers. This survey aims also to determine to which degree the mental map of the world of people is determined by their knowledge of different phenomena like geographic, climatic, economic, historic, political ones.

The "*Survey on the vision of the world of the ESPON community*" was undertaken under the responsibility of UMS RIATE as a complement to the databases produced in the work package W.P.2.6. This work package aimed to gather and analyse official world divisions produced by International Organisations (ONU, UNDP, FAO and OECD), international Non Governmental Organisations (Care, Red Cross...) and private global companies. It comes also as a complement to the provisional system of regionalisation (World Unified Territorial System – WUTS) that intends to support empirical analysis and harmonise maps and statistical tables developed in the project.

B) SCALE OF THE STUDY. CLEAR INDICATION OF THE SPACE OF STUDY

The analyses undertaken in this case study are developed at three levels (cf. annex 01: the questionnaire).

- **World level.** The main part of the survey was the drawing of the limits of world regions on a world map established with polar projection. Taking the world as a whole the objective is to produce an "average" or "dominant" vision of the world division within the ESPON community.
- **European level.** The second level of analyse is the Europe one. It was asked to the surveyed people to draw the limits of Europe on an "Enlarged Europe" map.
- **Country level.** For specific countries analysis have been made at the national level in order to explain why they are put in Europe or not.

D) HYPOTHESIS OF THE CASE STUDY

d.1) hypothesis about the drawings

- By drawing the limits of Europe or of world regions people reveal things that are not aware of coming from their primary education, their cultural background
- They can draw limits that they would not necessary agree if they were asked about it in language form
- Some limits, some parts of the World will be clearly identified other not. They represent either strong realities as considering Africa as a whole, the Mediterranean Sea as a limit... Others are blurred realities as the position of central Asia.

d.2) hypothesis about the relation between individual attributes and drawing

The survey aims to determine what the dominant representations of the limits of Europe and of the regions of the World in the ESPON community are. More are they relations between those limits and regions and the individual attributes (gender, age, nationality, profession) or the criteria that people claimed to use (history, economy...)

- Is there a relation between frequency where a country is included in Europe and the number of people declaring to have visited it? The hypothesis could be that when a large number of people have visited a country, this country is better known. This knowledge could modify the previous perception on the proximity level of this country from European ones.
- Is there a relation between the drawing of Europe and the age / nationality / country of birth of the members of the ESPON community? Those questions are in relation with the fact people are born in Europe Union, live in an old or recent European Union country. For example: do people from the first six countries of Europe Union have a narrower or broader view of Europe than people from new member states?

E) REPLICABLE METHODOLOGY, PROBLEMS, QUESTIONS

e.1) Steps of the realisation of the survey

The survey has been realised in three stages:

- One on the ESPON project 3.4.1 members during the kick off meeting of the project in January 2005 in Paris (14 answers)
- One on the ESPON lead partner during the lead partners meeting in Brussels in February 2005 (21 answers)
- The last one during the ESPON seminar in Luxemburg in May 2005 (88 answers)

Unluckily all 123 answers can not be used because of some mistakes or some oversights that lead to a usable number of answer equal to:

- 117 for the individual attributes
- 116 for the limits of Europe
- 110 for the World divisions

e.2) The question of drawing limits

We asked to the ESPON community member to draw limits of Europe and of World regions on two specific maps. Concerning Europe it was the European Neighbourhood Template (cf. First Interim Report of the

ESPON project 3.4.1.) (annex 01). Concerning the world it was a circular map with projection on North Pole. This then avoid putting Europe in the centre of the world. More, the map was non-oriented and people can handle it as they want as it was a dish of paper not attached with the rest of the survey (annex 01).

To use a drawing on a map rather than a list of country raise a problem and even more when the name of the countries are not specified. That implicitly implies that people know to name the countries from a map and therefore where they are located. We are not sure that people know the location and the name of the countries in the World map and maybe neither in the Europe map.

However we deliberately chose this procedure because it is far more precise in the inclusion of a country in a region. A country can belong to a region as a whole. But the drawer can also split it in two or more parts and affect it to many zones. This gives precious indications on transition zones between two world regions.

e.3) Building the databases

The building of the databases has been a very long process. Many problems have been faced during the building of the database for the Europe map as well as for the World one.

e.3.1) Specific problems for the Europe map

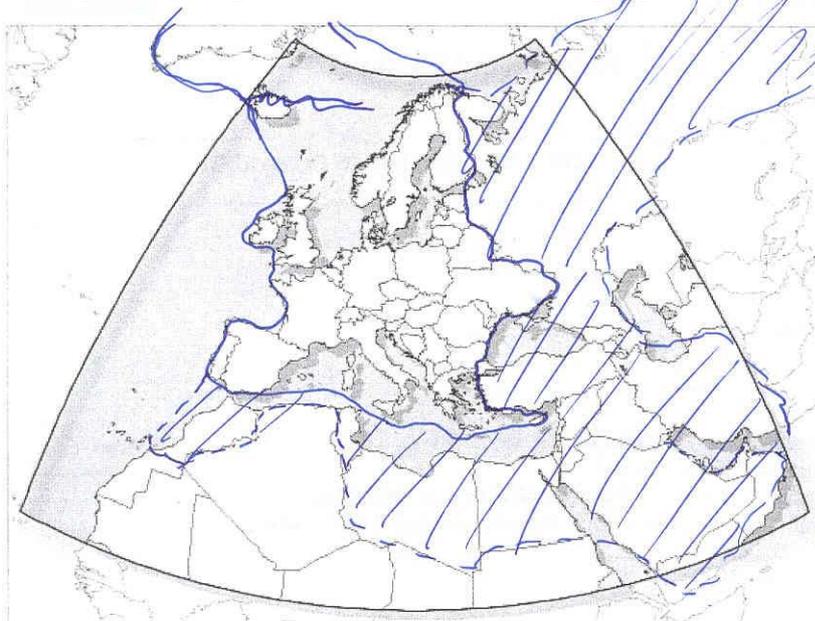
Concerning the Europe map the codification was rather simple. The answers to the questionnaire are codified as follow:

- "1" if the country belongs to Europe in a questionnaire
- "0" if the country does not belong to Europe.
- "0.5" if the country is cut in two part one of them belonging to Europe.

However, many problems have been faced during the codification, as some of people did not following the instructions and imagined creative unexpected solution...

First in some of the questionnaires two "European" delimitations have been proposed introducing a gradation in the belonging to Europe (figure 01). The question was more restrictive and it was assumed that the gradation in the intensity of belonging to Europe would be found thanks to the frequency of attribution of a country to Europe or if a country is cut in two parts. It has been then decided to take into account the larger zone as the delimitations of Europe. This problem has been found in 6 questionnaires.

Figure 01: gradation in the belonging to Europe.



Another problem was incoherence between the drawing of Europe and the written explanation in the part reserved for the criteria used to draw the limits. For example, many times the criterion "ESPON space" has been used to justify the drawing of Europe. But sometimes the drawings of the limits include the Balkans countries, i.e. Albania and the countries from the former Yugoslavia which are not actually ESPON members. In that case we used the map and therefore the drawing instead of the justification.

e.3.2) Specific problems for the World map

For the World each country has been affected to a region according to the answer of each participant. The fact that a country can be cut in two or more part raise therefore a new problem (figure 02): the multiplication of the spatial references. Then, if a country is divided, as much new spatial units as the number of parts are introduced in the table. A number has been attributed to the new country line: the larger zone gets the first number, the smaller one the last one.

For example if Iran (figure 02 & table 01) is divided in three part, the larger one being "Central Asia", the second one "Oil countries", the smallest one being "India world" the codification will be :

Figure 02: example of a problem of codification

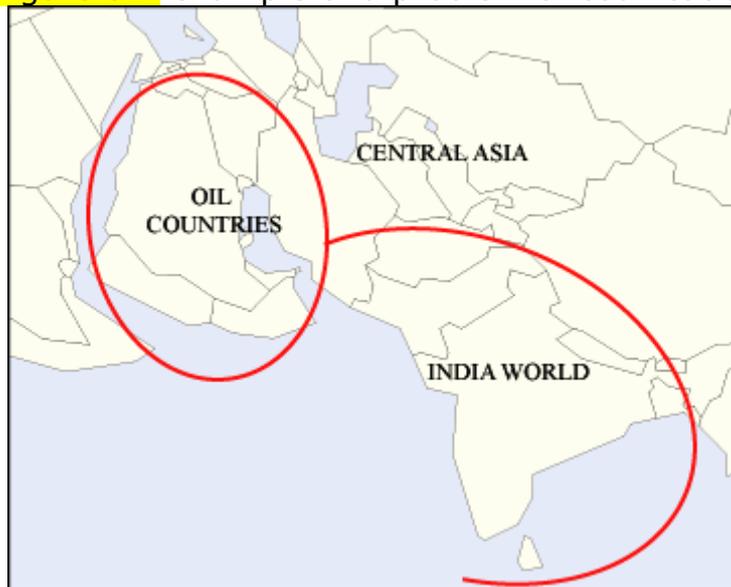
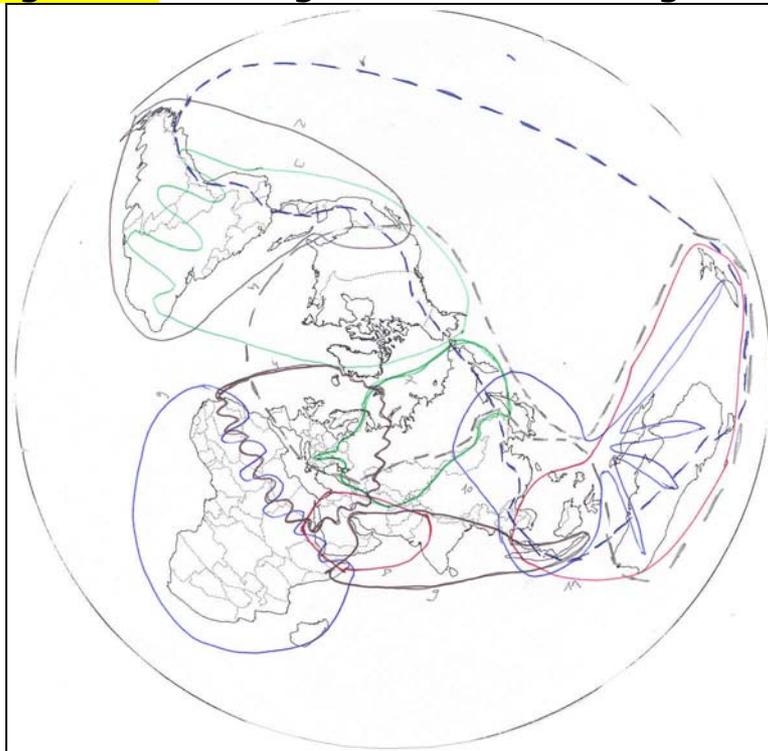


Table 01: example of codification

Country name	Zone name
Iran_01	Central Asia
Iran_02	Oil countries
Iran_03	India World

After the first preliminary survey, it has been discovered that it was very difficult to deal with zones recovering each others (**figure 03**). It was then specified in the instructions of the following surveys that "one place should belong to only one region". However some people draw zones recovering each other. In order to take them into account in the statistical analysis it was then decided to draw a median line between the intersections points of two recovering zones. This new line is thus considered as the limit of both zones (**figure 04**)

Figure 03: dealing with the recovering zones



A very problem was raised by the fact that some people from the ESPON community refused to divide the world. As we asked them to divide the world in at least two parts, few of them draw a small zone in the North Pole area and then considered the rest of the world as the second zone. This point of view is very interesting and has to be taken into account in the interpretation of the results. However it was not possible to include them in the statistical analysis because that kind of division was not suitable with the methodology used.

It was the same problem for survey proposing an original point of view in the division of the world but whose divisions was covering a too small part of the world. For example one questionnaire (figure 05), shows a world in three parts: 1: "my" vacations space, 2: "my" work space, 3: the rest of the world. Another questionnaire (figure 06), shows a world in two parts: 1: "my" house, 2: the rest of the universe. The inclusion of such original answers in the statistical analysis should have introduced too much bias. They have not included in the study but they will be taken into account in the interpretation of results.

Figure 04: solving the problem of recovering zones.



Figure 05: a world map from the preliminary survey (P.S.1.3.1)

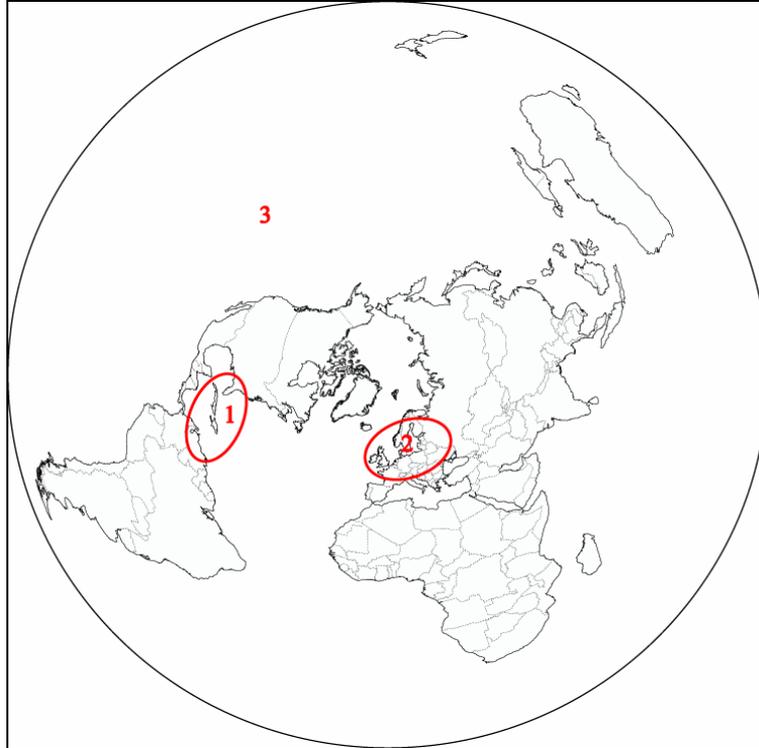
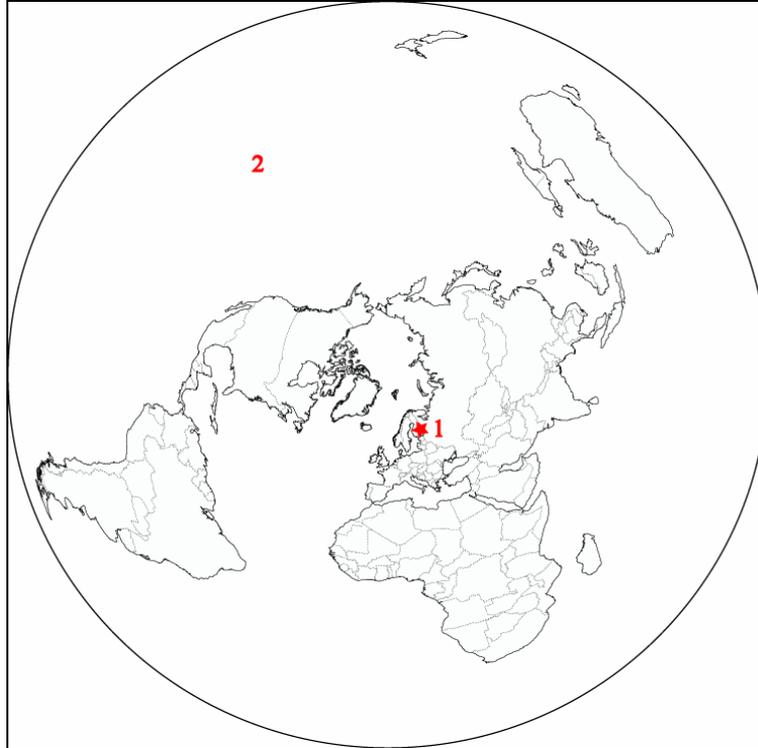


Figure 06: a world map from the survey (S.51)



The matrixes have been built with the same methodology used than for the study presented in the Key Question 01 on mental map. However additional matrixes have been built:

- The divided and forgotten countries matrix

This matrix aims to take into account the countries that have been divided between two regions. For each country it establishes the frequency of the division of a country in two, three or four part. More, some countries have been forgotten in the drawing of World regions and put in a so-called "rest of the World" implicit region. This matrix aims also to establish how many times a country has been forgotten.

- The links and discontinuities matrix

This matrix establishes for each couple of contiguous countries the intensity of the link or of the discontinuities between them.

E.3.3) Criteria

After the drawing of the limit of Europe a question were asking: "Which criteria did you used for this delimitation?" One hope was that the use of a particular criterion could explain the spatial extension of the drawn Europe or the inclusion of a country or not. Six questionnaires did not indicate which criteria were used in the drawing of Europe and in consequence could not be used in the following analyses.

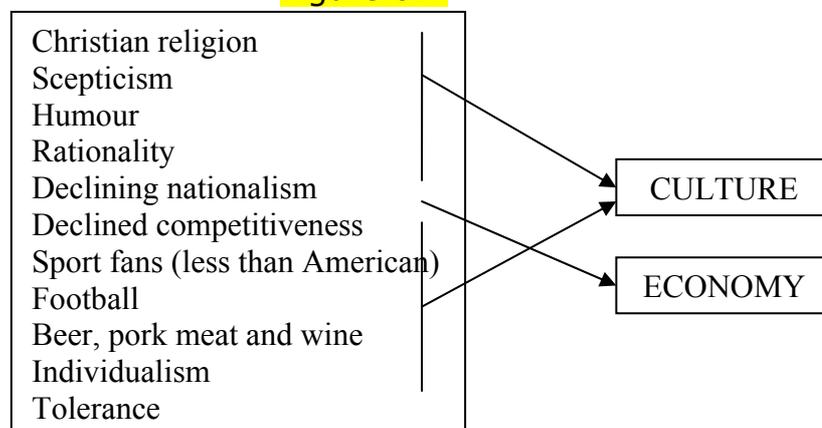
No precise criterion was proposed in this open question and therefore many criteria were quote. In order to make the analysis easier they have been grouped in 8 categories presented in the table 02. The most frequent criterion used is the geophysical / geographical one. This criterion is typically used by people who want to let know that Europe is fact that can be defined by objective factors. However as is as been shown in the First Interim Report of the ESPON project 3.4.1. and in the attempt to define Europe in the Second Interim Report, the physical criterion is in fact subjective one and more, often promote with a political purpose. The culture criteria, more often defined by religion, would join the Huntington point's of view on civilisations. The "politic" criterion was more often used in order to justify the drawing of the present delimitations of European Union. Last, the History criterion was used to gather countries that have a common past, even if this past is made both of confrontations and war as well as peaceful exchanges. That explains the ambiguity of Russia and Turkey status.

Table 02:

Frequency of use of criteria	
Contiguity	4
Functional	9
Economy	13
Feeling / Personal	18
History	32
Politic	40
Culture	44
Physical / Geo	55

Making groups of criteria raise some difficulties, mainly concerning the interpretation of the criteria listed in the questionnaire as shown is the following **figure 07**. Religion has always been considered as "Culture". More, the interpretation of a criterion raises other problems. For example, does "economy" means that people gather countries because they have the same economic profile (homogeneity) or because it exist a strong economic relation between it and Europe or that an economic relation could be of some interest (complementarity)?

Figure 07:



e.3) Methodology to analyse the survey

- Statistical univariate and multivariate have been applied to the whole database in order to reveal main trends related to attributes, frequency of belonging to Europe or of a specific area in the world.
- Specific tests have been made on specific countries (first bivariate analysis and then maybe a logistic model will be developed). The choice of countries is very sensitive but it is first determined by the frequency at which they have been included in Europe focussing on "in between area". If the number is too high or too small it will be not possible to make the analysis.

F) EMPIRICAL RESULT OF THE CASE STUDY (5 PAGES)

F.1) THE TYPICAL ESPON SEMINAR MEMBER

F.1.1) The ESPON "ideal-type"

An "ideal type" is a qualitative model constructed out of selected elements of reality which can maybe never be found as such in reality. It involves an accentuation of typical characteristics of a phenomenon.

It has been tried here to build an ideal type of the ESPON seminar member. To do so it has been decided to put the stress on the most frequent answer in some categories (for example age categories). The value of the more important frequency could be quite different from one variable to another one because categories are quite different. For example 28 categories have been made to the "country of birth" variable, and 2 only for the gender. That is why it could happen that some statements are contradictory (**for the graphs related to each variable see the annex 02**).

The typical ESPON seminar member is a **man, born between 1970 and 1979** (however the average date of birth is 1963) in **Germany** with actual German nationality. The two other more frequent nationalities are French and Italian and people from the 6 founder countries of European Union represent 46% of the ESPON Members. However about 60% of the participants were not born in the European Union, i.e. in a country that was belonging to European Union at the date of the birth. The Typical ESPON seminar member is a **researcher** who travels abroad more than once a year but less than once a month. In European Union he has already visited **18 countries** mainly Belgium, Italy, France, Luxembourg and Germany. Outside Europe he has visited an average of **4 countries** mainly Canada USA, Russia and Turkey.

F.1.2) Profiles from a multivariate analysis

A multivariate analysis on the individual attribute provides a more precise figure of the ESPON community. The first component (15 %

of information) (table 03) underlines an opposition between older researchers not born in Europe and who travel a lot and younger people, born in Europe travelling less often. The second component (11 % of information) (table 04) introduces a differentiation according to the age, the gender and the date of adhesion of the country of residence or birth.

Figure 08: ESPON member's profiles

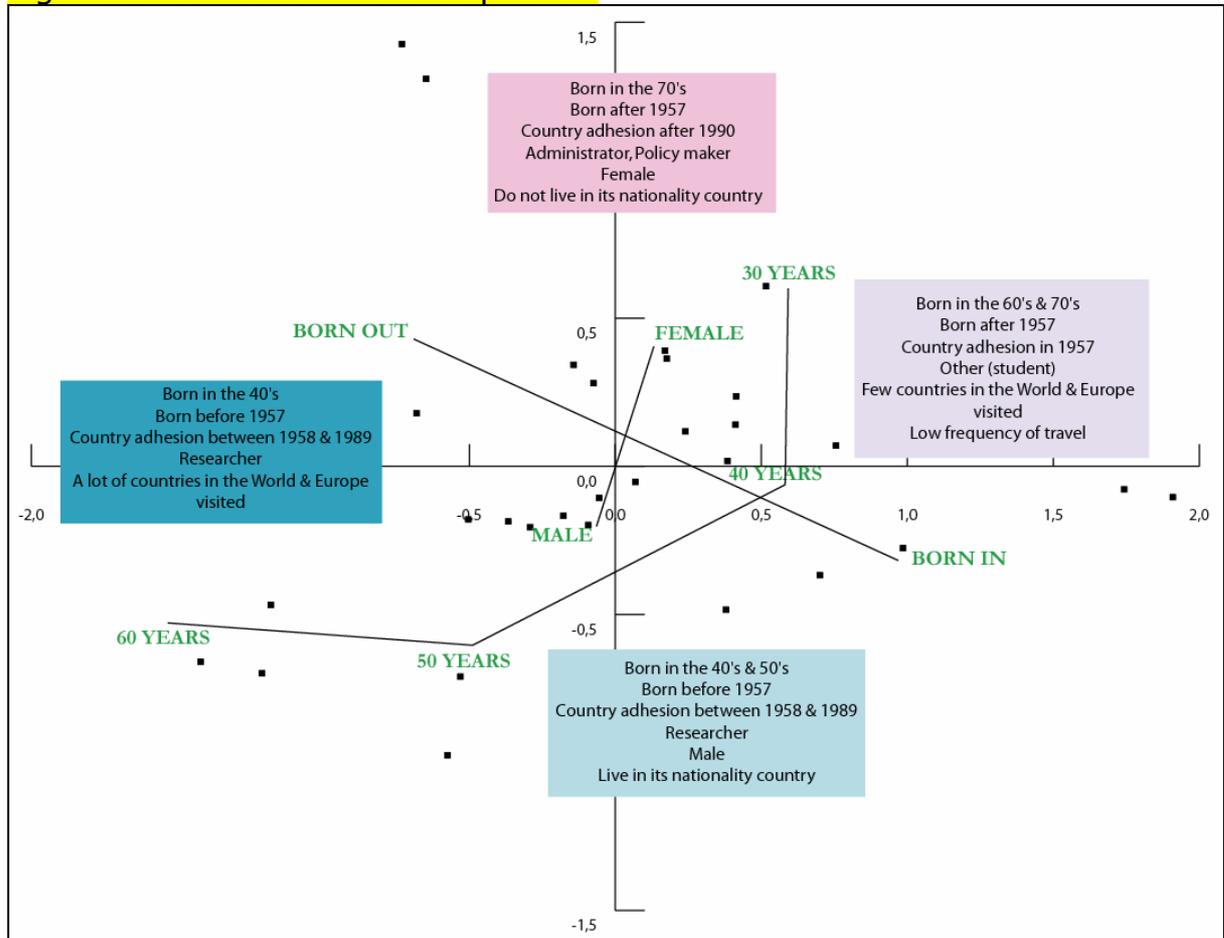


Table 03: Oppositions in the first axis

Born in the forties	Born in the sixties or seventies
Born before the Roma Treaty and outside European Union	Born after the Roma Treaty and inside the European Union
Live in countries which admission occurs between 1958 and 1989	Live in one of the six first countries of European Union
Visited a lot of countries in Europe and in the World	Visited few countries in Europe and in the World.
Researcher	Other (students)
	Travel less than once a year or once a year

Table 04: Oppositions in the second axis

Born in the forties or fifties	Born in seventies
Born before the Roma Treaty	Born after the Roma Treaty
Live in countries which admission occur from 1958 to 1989	Live in countries which admission occur after 1990
Researcher	Administrator
Male	Female
Live in the country corresponding to its nationality	Do not live in the country corresponding to its nationality

Those profiles underline some trends that seem significant:

- Researchers from the six founder countries are rather young (between 26 and 45 years old) and therefore born in Europe. Some of them are not even researchers yet as it is from their part that the category "other" (that represents mainly PhD or post PhD) can be found. But the younger are the people coming from the very new European countries (admission after 1990). They are mainly policy makers and administrators. The researchers coming from countries of the second enlargement (between 1958 and 1989, i.e. United Kingdom, Ireland, Denmark, Greece, Spain and Portugal) are older and therefore not born in European Union.
- The number of female is more important in the younger age. That can underline the feminization of the European research.
- The residential mobility of young researchers and administrators. That can be due to two different facts. First, the

residential mobility of the younger can be due to the opportunity to find a job in another country when there is a lack of opportunity in their countries. As older researchers live in their countries of birth that could mean that they ever work in their country or that they are back after some years abroad. The second solution would underline the existence of a kind of cycle of the research activity with few years abroad and a return to the country. But this mobility of young researchers could be also due to the increasing number of opportunities to work and travel in Europe thank to European exchanges programs or research programs and to the willing to discover other European countries. The cause of the residential mobility of young researcher in Europe is probably a mix of the facts proposed above.

- Globally, the punctual mobility, for work or leisure is rather important among the ESPON community. It is true that they have to go to the ESPON seminar twice a year, to LP meeting if they are Lead partners and to transnational project group meetings...

C) FIRST RESULTS ON EUROPE

Concerning the delimitation of Europe, a clear definition has not been provided. It could be either the present "European Union" as much as a geographical Europe, historical one, a wish for the political construction of European Union or more an utopia of what should be Europe in a more or less far future.

C.A: Description

The first surprise has been to discover how large was the Europe drawn by the ESPON seminar participants in Luxembourg. With an average of 37.9 countries, it is far larger than the present European Union. In fact the more frequent numbers of countries included in Europe are 37 & 38. That means that about 40% of the questionnaires add 12 or 13 countries to European Union and 61% between 11 and 14 countries. Only one questionnaire draws a Europe with the European Union countries and three have been influenced by the ESPON template and draw a 29 countries Europe.

Figure 09: the size of Europe

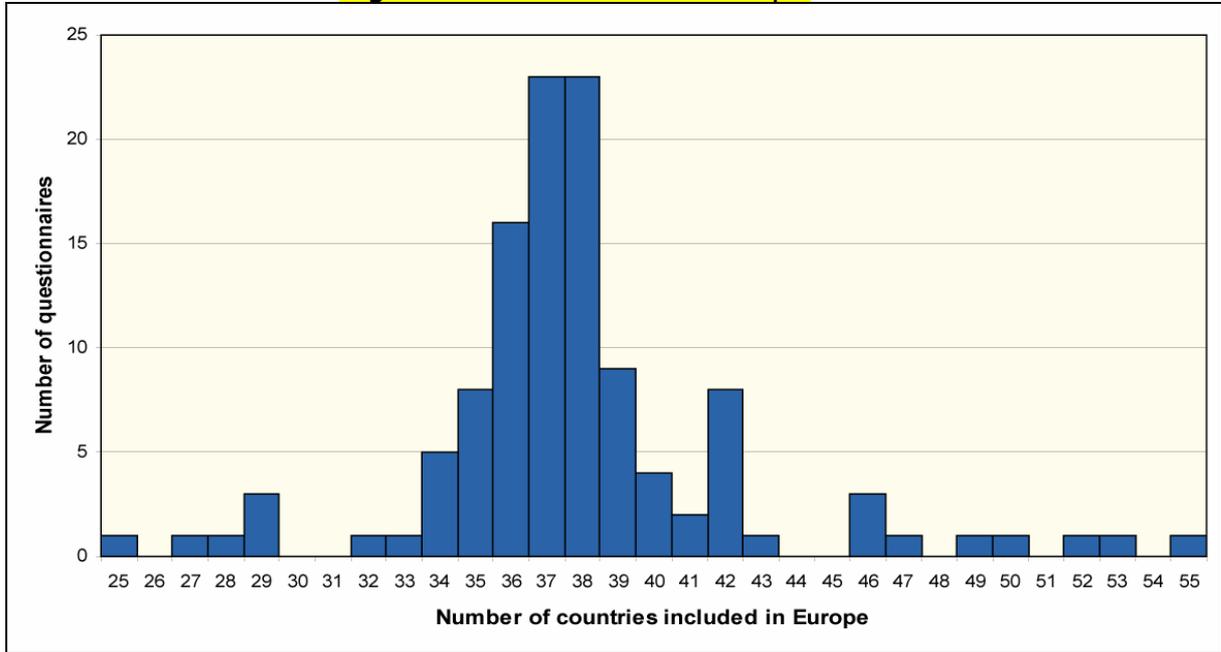
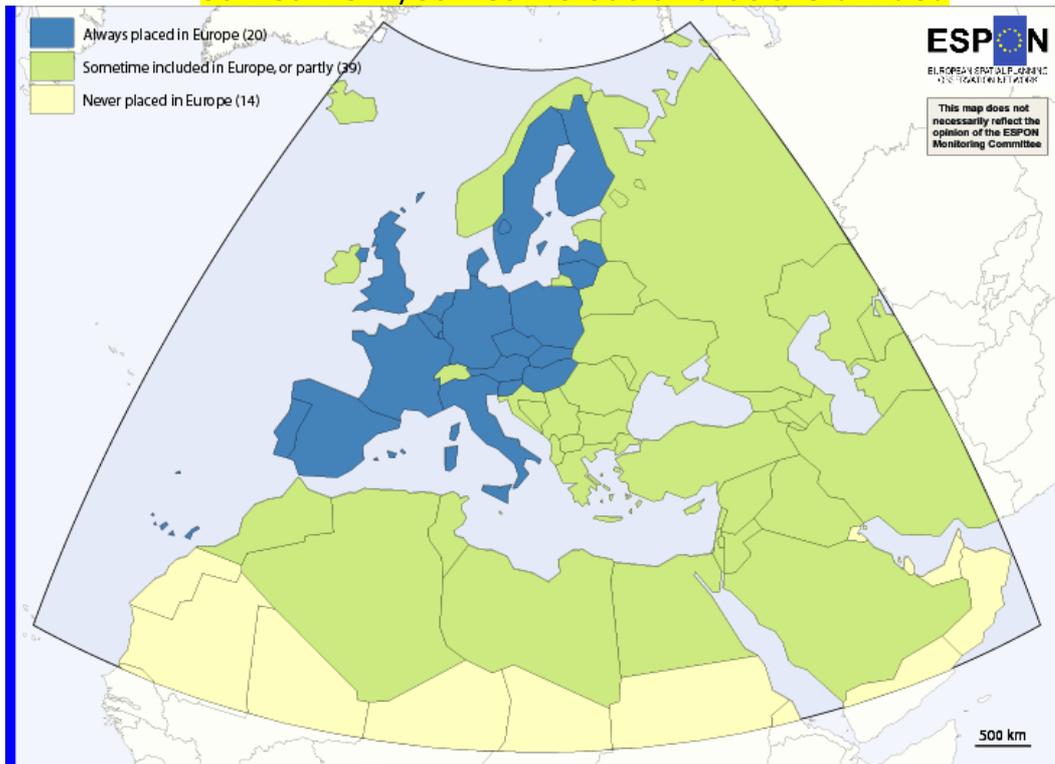


Table 05: number of countries included in Europe

MIN	25
Median	37,00
Mode	37 & 38
Average	37,97
MAX	55

C.A.1) The Map of Europe: countries in, out or cut

Map 01: Countries placed in/out Europe and those that are placed sometime in/sometime out or that are divided



ESPON 3.4.1 (2005) - Clarisse Didelon
Origin of data : ESPON Community Survey 2005
Made with Philcarto - <http://perso.club-internet.fr/philgeo>

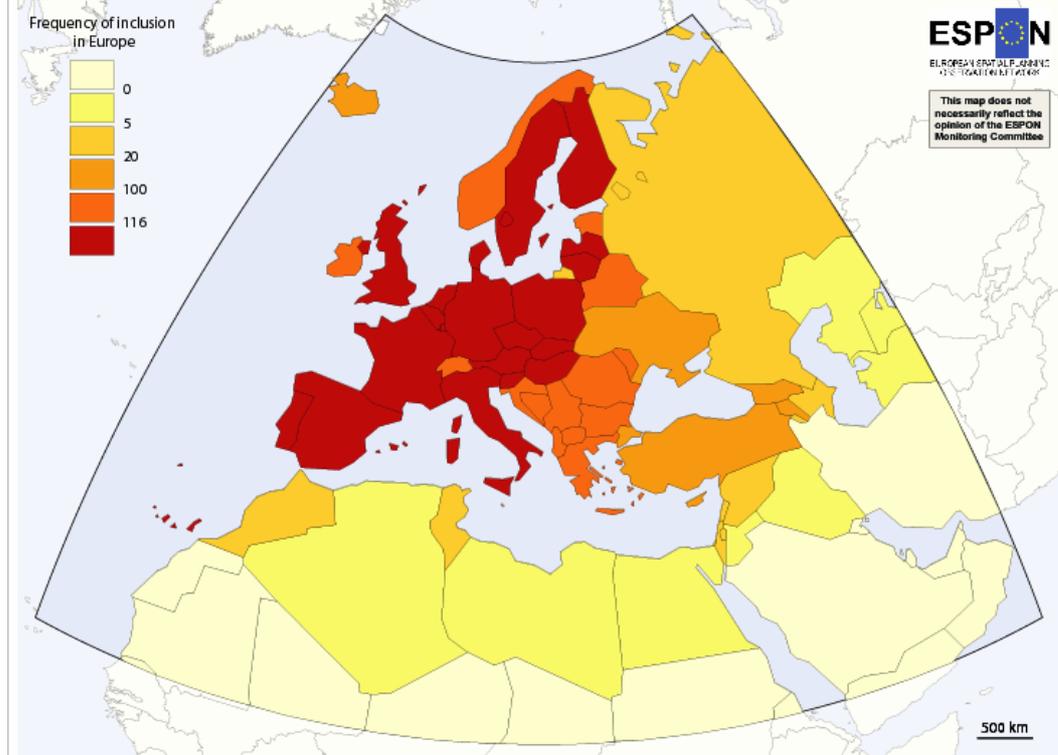
- "IN" countries are mainly always members of the European Union. The number of countries placed in Europe without being divided is 20 that is less than the number of countries actually being member of the European Union (25). They actually represent what could be called the core of Europe. We can notice that Greece, Ireland, Estonia, Cyprus and Malta have been "forgotten" by at least some participant to the survey.
- "OUT" countries are those located on the South of the Sahara desert area and Southern and Eastern countries from the Arabic Peninsula excepted Saudi Arabia which northern part is sometime included in the drawing of Europe. It seems that

those countries are clearly excluded from the mental maps of Europe of the ESPON community.

- Other countries, in light green colour, belong sometime to Europe sometime not or they can be divided in too parts. Eastern and Southern countries could be consider as a transition area, were the probability to be part of Europe have to be more precisely evaluate. Indeed, their situations are quite different from one country to another one. Some of them like Ireland, Greece belong to European Union and are nearly always placed in Europe. Others, like Norway, Switzerland or Balkan countries are very often placed in Europe. And the situation is quite different for other countries: some of them being put in Europe in only one questionnaire.

C.A.2) Frequency of integration to Europe

Map 02: Frequency of inclusion of a country (as a whole) in Europe



ESPON 3.4.1 - Clarisse Didelon
Origin of data : ESPON Community Survey 2005
Made with Philcarto - <http://perso.club-internet.fr/philgeo>

Map 02 highlights the situation of countries that were placed sometime in Europe sometime not. A gradation from West to East is very clear showing that when one draws the limit of Europe on a map the proximity with the core of Europe makes it highly probable for a country to be included in Europe. The more impressive example is related to Albania and the countries from the former Yugoslavia. It is very rare when they are excluded from Europe mostly because they are located between the core of Europe, Greece and two candidate countries Bulgaria and Romania. Consequently maybe the drawer does not take time to ask himself if Serbia or Bosnia belong to Europe. If the question would have been posed rather than asking for a drawing it is likely that those countries would have not been so frequently included in Europe or would have been more differentiated (Croatia). The situation of Ukraine, Turkey, Georgia and Armenia is quite different as they have often been divided in two parts, one belonging to Europe, the other not. In consequence could those countries be considered as a first sign of a limit of Europe?

The inclusion of all Russia in Europe is a plunge that few questionnaires dare to take, maybe because the country is too large and because a big part of it is located in what people consider as Asia. Less than 17% of questionnaires placed it fully in Europe.

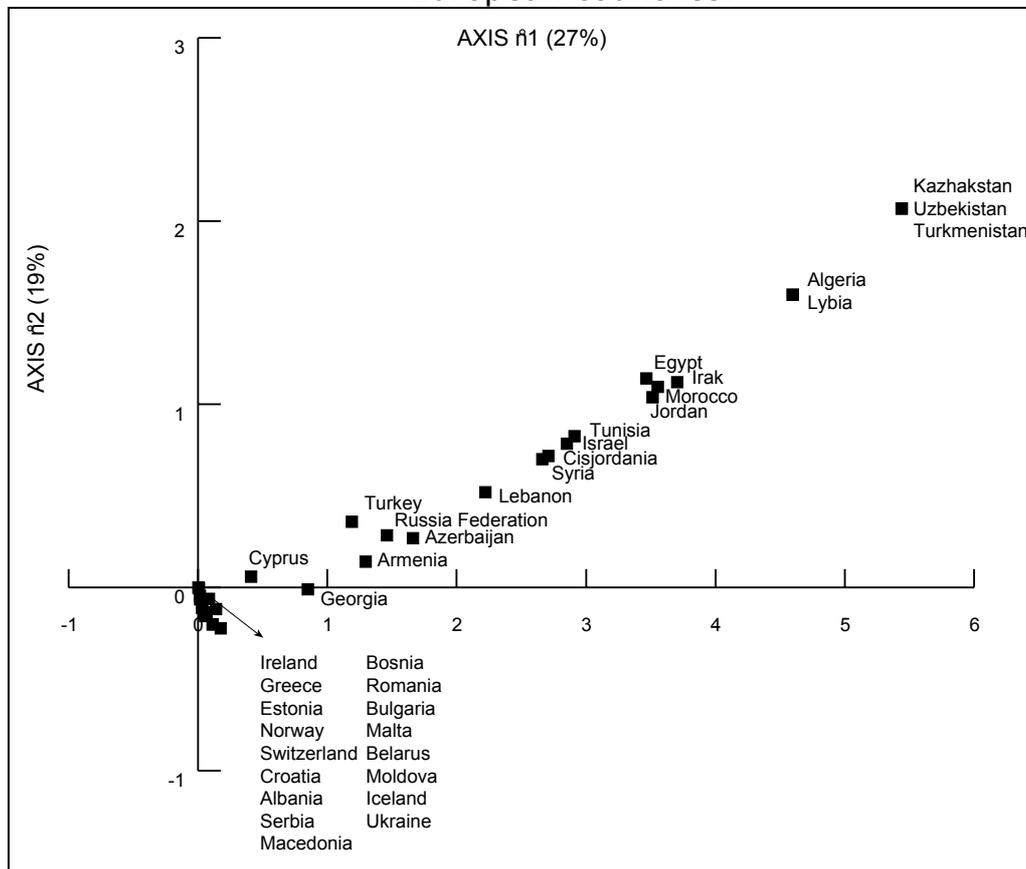
The Mediterranean Sea acts like a frontier between the core of Europe and other countries. There is no gradation like the one that could be observed in the East and the number of questionnaires that include them in Europe is small or very small.

C.A.3) In-depth analysis of margin

This analysis aims to go further than the simple description of the frequency by defining profile of inclusion of group of countries in Europe.

The first component of the multivariate analysis (**Figure 09**) presents a gradation of the frequency of inclusion of countries in Europe. A group of 19 countries are very often put in Europe. The second component globally makes an opposition between questionnaires that draw a Europe toward the East (Belarus, Serbia, Albania, Ukraine and Moldova) and those making it toward the South and Middle East.

Figure 10: first (PLAN FACTORIEL (PLOT) of an MCA on European countries.

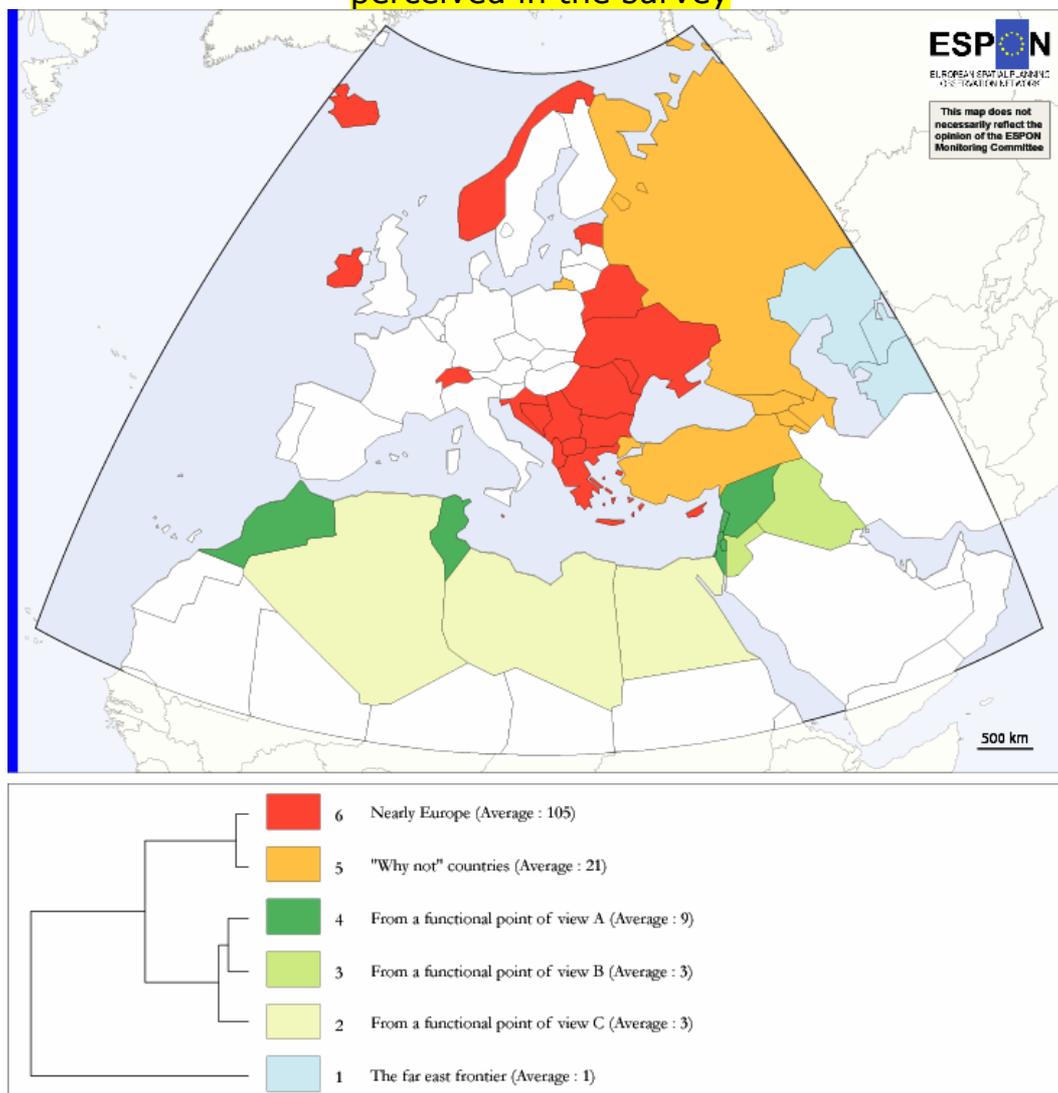


The following map (map 03) presents a classification that allows to stress on two great trends in the inclusion of countries in Europe. First, the frequency of inclusion in Europe. The first group is composed of countries that are often or very often included in Europe (red & orange). The second group is composed of the countries that are not often included in Europe with different intensities (green, light greens) and the last one of Central Asia Countries (blue) that is only once included in Europe.

The second trend that can be observed is a regionalisation of countries. The red-orange cluster is clearly the drawing of Europe towards the East whereas green clusters concern Southern Mediterranean Sea countries and Middle East ones. This regionalisation is also visible in the subdivision of the green category as Iraq and Jordan (medium green) are close from Syria, Israel and

West-Bank & Gaza in the classification even if the frequency of inclusion in Europe is equivalent to the one of Egypt, Libya and Algeria. The case of Tunisia and Morocco are specific as their smaller size allow people to put them in Europe as a whole without going too much to the south as it is the case for Algeria (that is very often cut).

Map 03: Typology of European margins according to how they are perceived in the survey



ESPON 3.4.1 - Clarisse Didelon
Origin of data : ESPON Community Survey 2005
Made with Philcarto - <http://perso.club-internet.fr/philgeo>

C.B: Explanations

C.B.1) Criteria used to draw the limits Europe

Among all the criteria presented in **table 05** only the "Physical / Geographical" criteria has a significant relation with the variation of the number of countries included in Europe. (Chi Square value is 6.9 and the "α" value is 0.032). The relation is the following one: people using the geographical criteria drawn a medium Europe (37 & 38 countries) and people not using it draw a small Europe (less than 36 countries).

Table 05

	Do not use Phys / Geo	Use Phys / Geo	Total
Large	22,95	34,55	28,45
Medium	34,43	45,45	39,66
Small	42,62	20,00	31,90
Total	100	100	100

An analysis on criteria used could explain their use in relation with the drawing of Europe.

- The "Politic" criteria is significant but on the other side of the group significant variable describing the integration of different countries in Europe suggesting that to draw a large Europe the "Politic" criteria is not used.
- The physical criteria is used to included in Europe the Eastern countries and the political one by people including Southern Mediterranean countries and middle East that sounds strange according to the fact that the previous interpretation of this criteria as the "European politic construction".
- The "feeling" criteria is used by people considering Russian federation, Egypt, Algeria, Libya, Kazakhstan, Turkmenistan and Uzbekistan as being a part of Europe.
- Functional and economical criteria are used by people considering Estonia, Albania, Croatia, Iraq and Jordan as being a part of Europe.

C.B.2) could individual attributes explain the drawing of limits of Europe

The individual attributes we gathered are not only used to describe the typical ESPON seminar member, but also to try to find if there is a relation between them and the drawing of Europe i.e. the number of countries included in Europe.

Unfortunately, as it was the case previously concerning the criteria used, very few tests have significant result. Only one was very significant, but it is very difficult to interpret: the gender (significance level of 0.011). Men draw a larger Europe than women. The average number of countries included in Europe is 38.7 for men and 36.4 for women. This result seems actually very difficult to explain.

C.B.3) Turkey and Ukraine

Specific tests have been conducted for two countries that are in an intermediate position, both in the survey and in the geopolitical point of view: Turkey and Ukraine.

Turkey is now an official candidate country to be part of the European Union. Ukraine is in a sensitive position between its historical links with Russia Federation and the proximity of the European Union. More, both countries have sometimes been divided in two or more pieces in the survey (table 06).

Table 06: Ukraine and Turkey in Europe

	In Europe	Outside Europe	Cut
Ukraine	92	15	9
Turkey	25	41	50

Source: Survey ESPON 3.4.1. Europe in the World

For both countries two different tests have been made: one using the three modalities (In & Out and Cut) and one other using two modalities (In & Out). For the second one, only 66 questionnaires were taken into account for Turkey and 107 for Ukraine.

C.B.3.1). Turkey in Europe

Absolutely none of the criteria used has a significant relation with the fact to include Turkey in Europe or not. However significant relations can be found when studying the personal attributes. Once again the gender is significant to explain the inclusion of Turkey (in both In & Out and Cut and In & Out tests). Women significantly put Turkey out of Europe and men in Europe. It is coherent with the test of the size of European Union but still very difficult to explain.

The two other variables that have significant relations are the number of countries visited in the World and in Europe.

Number of countries visited in the World has significant relation with the inclusion of Turkey in the In & Out and Cut test. But the test is not very significant and quite difficult to explain. People that have visited few countries in the world include Turkey in Europe... or exclude it. And people who travelled a lot in the World cut it in two pieces. Does that mean that people travelling a lot are more conscious of the internal differentiations of Turkey or that they are more likely to have a balanced point of view and not a clear-cut one?

The question can be raised also for people who visit Turkey: Are they more likely or not to include it in Europe? The relation is significant for both tests and shows that people who have not visited Turkey are over-represented among the people that exclude it from Europe and vice-versa. Would that mean that a better knowledge of Turkey leads to include it in Europe? But maybe that people that went to Turkey was previously more well-disposed toward Turkey.

C.B.3.1). Ukraine in Europe

Concerning Ukraine, again the same gender variable can significantly explain its belonging to Europe or not and again: women are more likely tempted to exclude it from Europe than men.

The new discovery for Ukraine is that some criteria have a significant relation with its inclusion in Europe and that for both tests. The first criterion to be very significant is the "political" one. People who declare to use this criterion exclude Ukraine from Europe that is quite logical because Ukraine does not politically belong to European Union and remains clearly in the geopolitical influence of Russia from economic point of view (cf. recent gas crisis).

The other criterion to be significant is the "geographical" one. People who use the geographical criteria are more likely to include Ukraine in

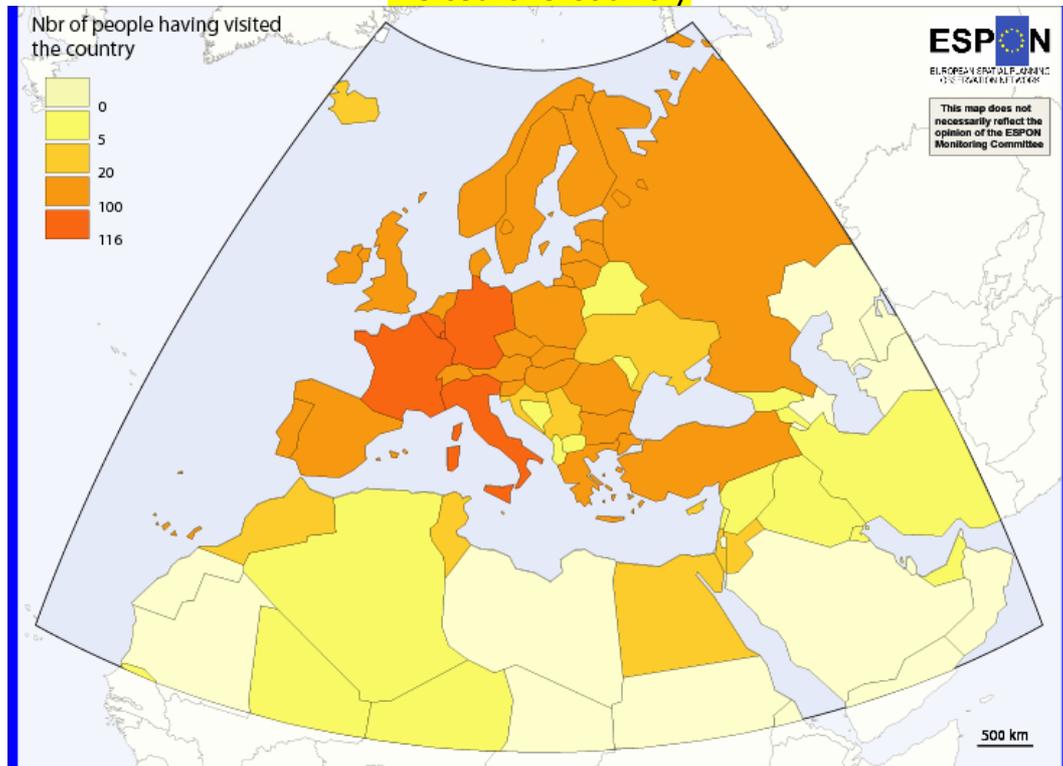
Europe. That seems quite logical too because, the physical criteria that is traditionally used to define the East frontier of Europe is the Ural Mountain one despite the lack of evidence of real physical frontier (c.f. dictionary of concepts).

C.B.4) A travel explanation?

A better knowledge about a specific country could lead people to more easily consider it as belonging to Europe or the contrary. So the following question is: is there a relation between the number of people that visit a country and the number of people considering this country belongs to Europe?

This map has to be compared with **map 02** showing the frequency of inclusion of a country to Europe. There is no a strong tendency showing that more a country is visited more it is included in Europe. For example countries from former Yugoslavia are not very much visited but they are included in Europe in more than 85% of questionnaires. It is the same for countries like Belarus or Moldova. The trends of tourism flows can explain the cases of Egypt and Jordan that are more visited than the number of questionnaires that put them in Europe.

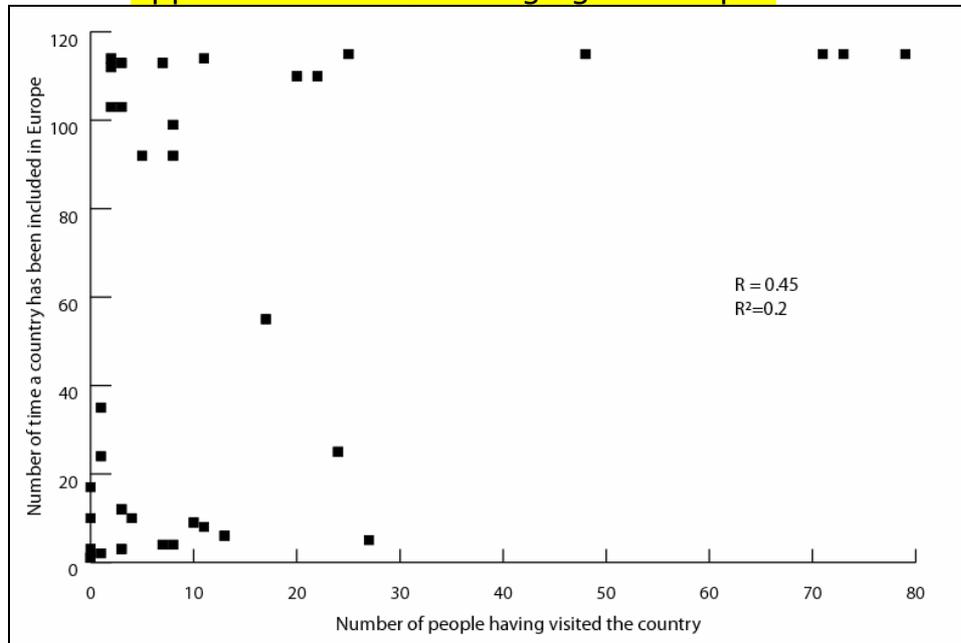
Map 04: Number of people who give back a questionnaire who have visited the country



ESPON 3.4.1 - Claisse Didelon
Origin of data : ESPON Community Survey 2005
Made with Philcarto - <http://perso.club-internet.fr/philgeo>

The existence of a relation can be easily checked with a simple correlation analysis. For this analysis only the intermediate countries (i.e. countries that are not always or never placed in Europe) are taken into account. The correlation index is not high and the relation between the two variables could explain only 20% of the information. That could be a good beginning in the try to explain the fact that a country is included in Europe or not, but the pattern of the correlation plots shows that in fact there is no relation at all. In consequence, the frequency of visit of a country can **not** be consider as a way to explain the fact that people consider that country belonging or not to Europe.

Figure 11: A relation between the visits of a country and the appreciation of its belonging to Europe?



D) RESULTS ON THE WORLD

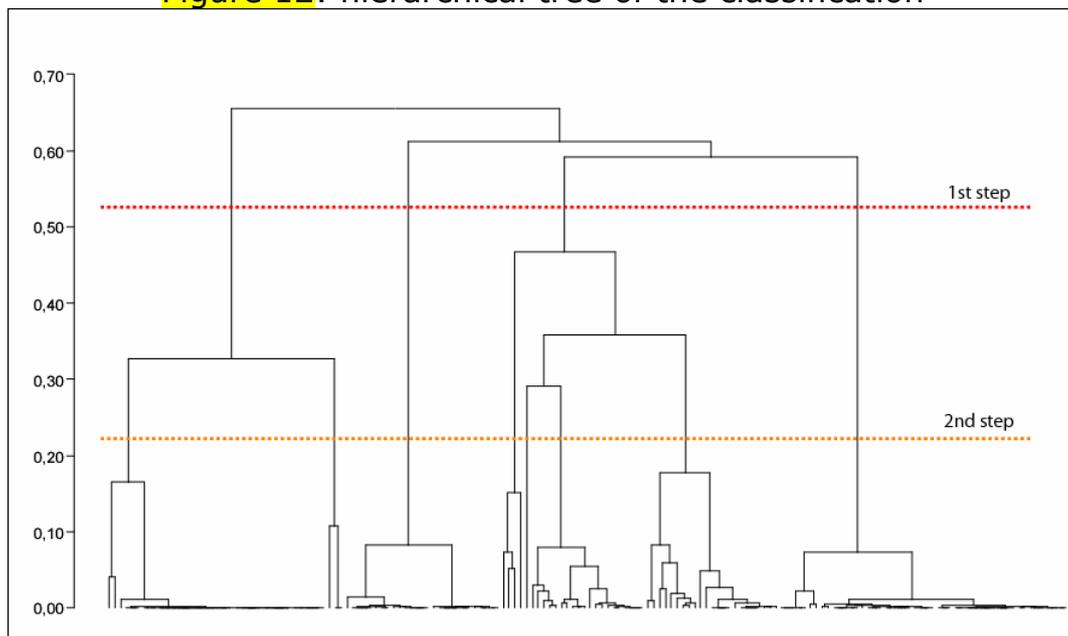
Our main objective when doing this survey at the world level was to define if the individual representation of the world regions of ESPON members could allow to identify strong groups of countries always put together in the same region. That would mean those countries are perceived as linked either by flows, similarity or accessibility. But then for which reason are they so perceived and could those countries be seen as a core group of countries that could be used in regionalisation process? One other question was to identify "blurred areas". By blurred area we mean areas that are put sometime with one group of countries sometime with another group. We should have then to define those areas. Are they transitions areas between two relatively homogeneous or integrated groups of country?

A) The significant steps in the division of the World.

We asked the ESPON members to draw on a round map the limits of 2 to 15 world regions according to them. The following maps

were obtained thanks to a hierarchical ascendant classification³⁴. This part is based on the comment of two more significant steps (cf. figure 12) as it was presented in the key question on the Mental Maps plus the last limit of fifteen zone because it was the maximum number of zones that it was allowed to draw.

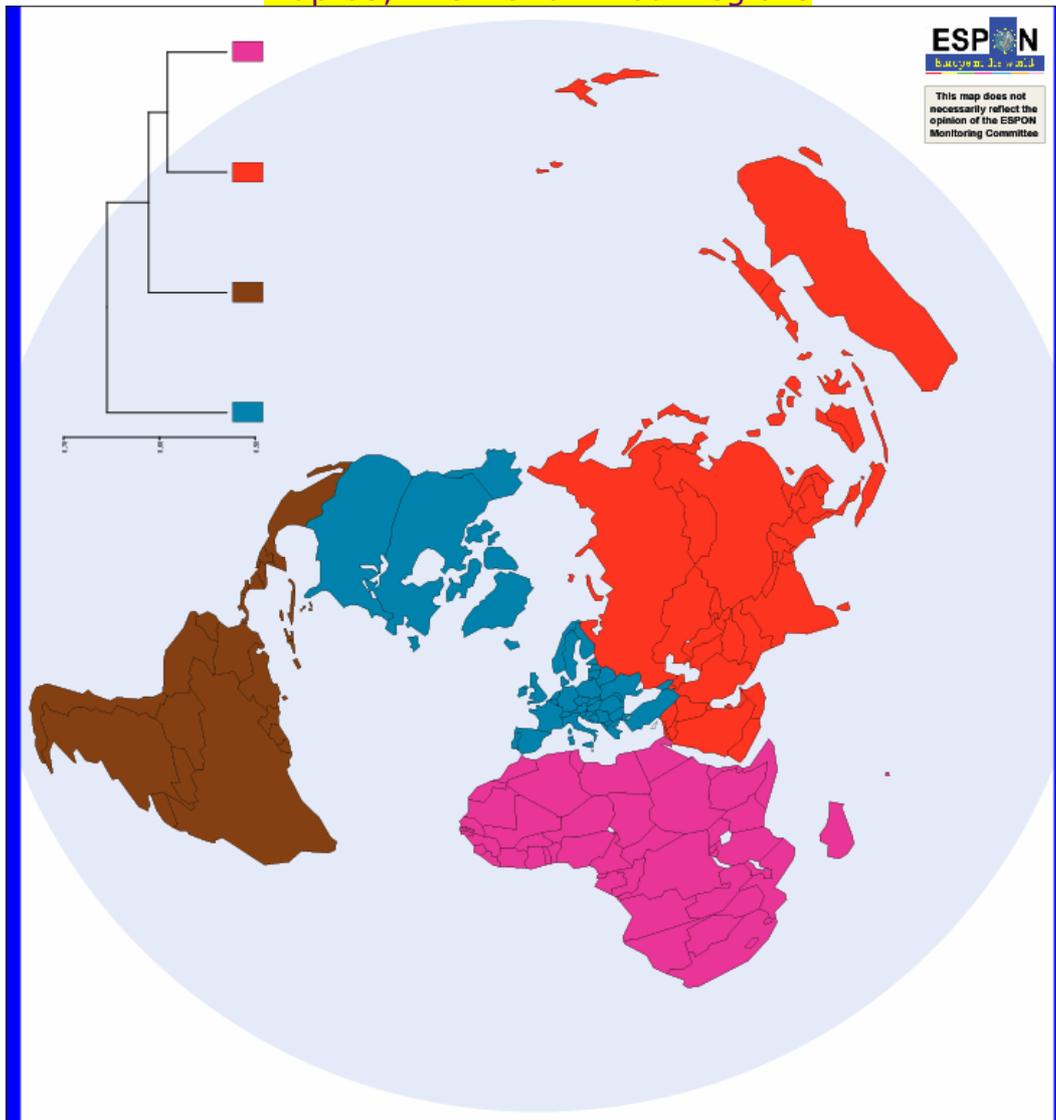
Figure 12: hierarchical tree of the classification



³⁴ The methodology is detailed in the Key Study on the Division of the World in this report.

A.1. A world in four regions

Map 05, The world in four regions



ESPON 3.4.1 - Clarisse Didelon
Origin of data : ESPON Community Survey 2005
Made with Philcarto - <http://perso.club-internet.fr/philgeo>

The first space to be clearly identified by the ESPON members is a world region formed by Europe plus the English speaking North America. Those two spaces are considered here as only one maybe on cultural criteria: this region look like the Huntington's Western

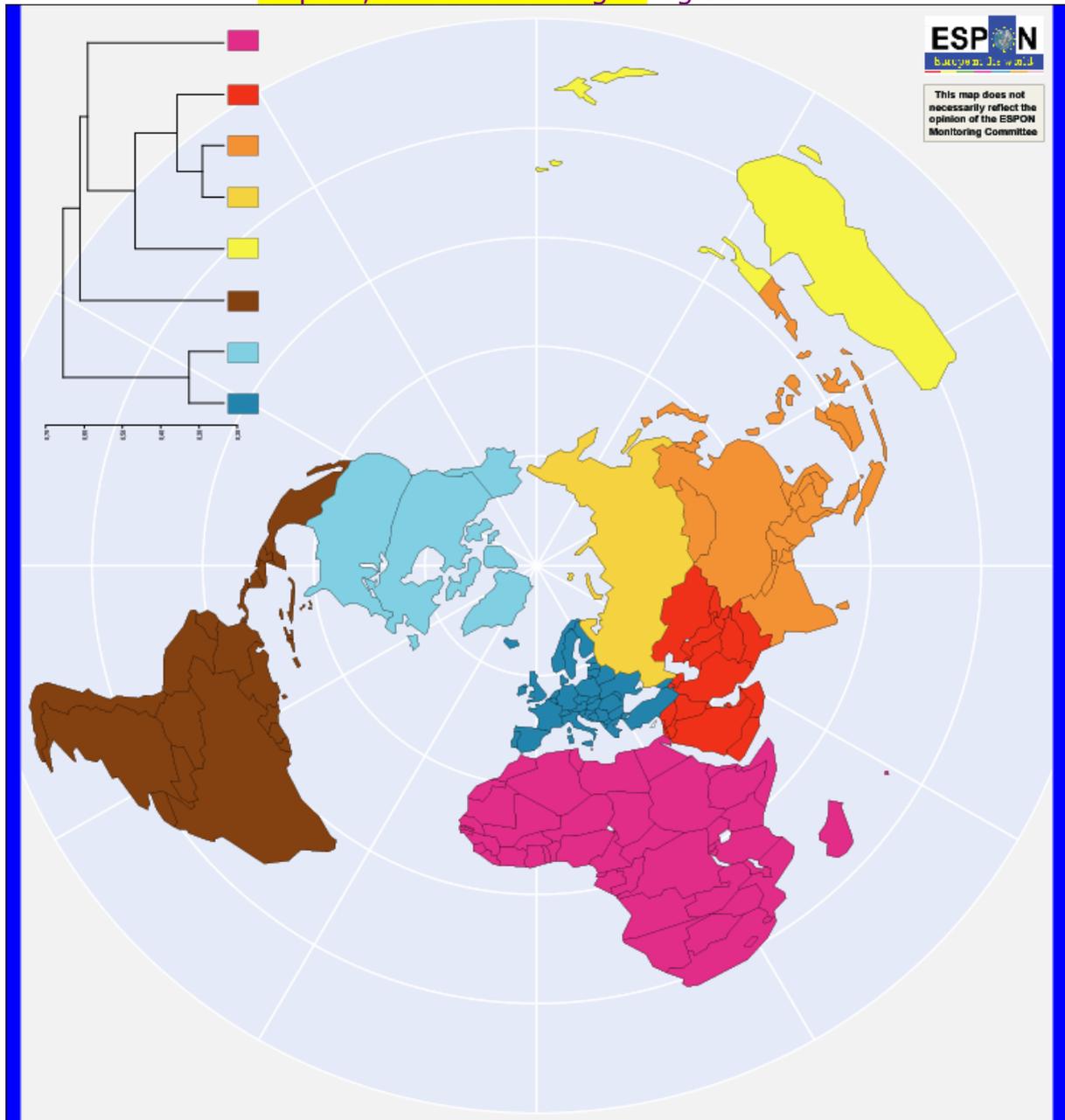
civilization except the fact that Australia is not included and Europe is larger than Huntington's one because it includes Eastern Europe, Greece and Turkey that are not included by him. But it is also likely that this zone have been drawn by using wealth and development level criteria as they were often put in the same "north" or "developed" region in some questionnaires. More, this region is isolated and in the first step all the reminding countries belong to the same region "Rest of the World". This regionalisation reminds the strong tendency to Euro-centrist point of view of the World that is in the Key Question on mental maps of global actors.

The second entity to be also clearly revealed is a large South America that includes Mexico and the Caribbean Islands. This region is associated to the continents point of view but it is mainly a cultural one with the extension of the region to Caribbean and Mexico that do not belong to the South American Plate. Mexico and some of the Caribbean belongs to the North American plate and other Caribbean Islands and Central America form a specific plate (See Figure 31 in the ESPON 3.4.1. First Interim Report).

Africa is also perceived with an evident continental existence and it is defined in the third step. This regionalisation follows very precisely the tectonic plate shape as Madagascar and Mauritius are nearly always included in this Africa region. At this stage a first significant step is reached in the partition (see figure 12). The remaining countries form a very large contiguous region that can be considered as Asia, as it is mainly composed by Asiatic countries plus Russia Federation and Oceania. One should just notice that Turkey and Georgia are rather considered as European countries. Those four parts of the World can be considered as "strong realities". That means those spaces are the basic entities that are identified firstly by the majority of the ESPON Community and that will be further divided.

A.2. A world in eight regions

Map 06, The world in eight regions



ESPON 3.4.1 - Clarisse Didelon
Origin of data : ESPON Community Survey 2005
Made with Philcarto - <http://perso.club-internet.fr/philgeo>

We reach then a second step of the analysis where the “strong realities” identified in the previous stage start to split in more specific

regions. The first area to be identified is **Oceania** that is split from the rest of Asia. This space is, from our European point of view, at the other end of the World, at the very end of Asia. This region is formed of islands, plus the quasi-continental Australia.

The next region to be identified is a **Middle East - Central Asia** one. As it goes to from Syria to Pakistan is probably build by using religious criteria, as all those countries are Muslim ones. However in Kazakhstan Muslim (47%) and Orthodox (44%) are in comparable proportions. But this region can be also drawn by using strategic energetic reference as Arabic peninsula countries produce a large part of the oil production of the globe and Central Asia countries produce gas that is also quite a strategic production. More all those countries are generally perceived as sensible ones from a geopolitical point of view, as some of them are centres of terrorist and extremist activities or at least are as such perceived (Pakistan, Iran, Afghanistan, Syria...).

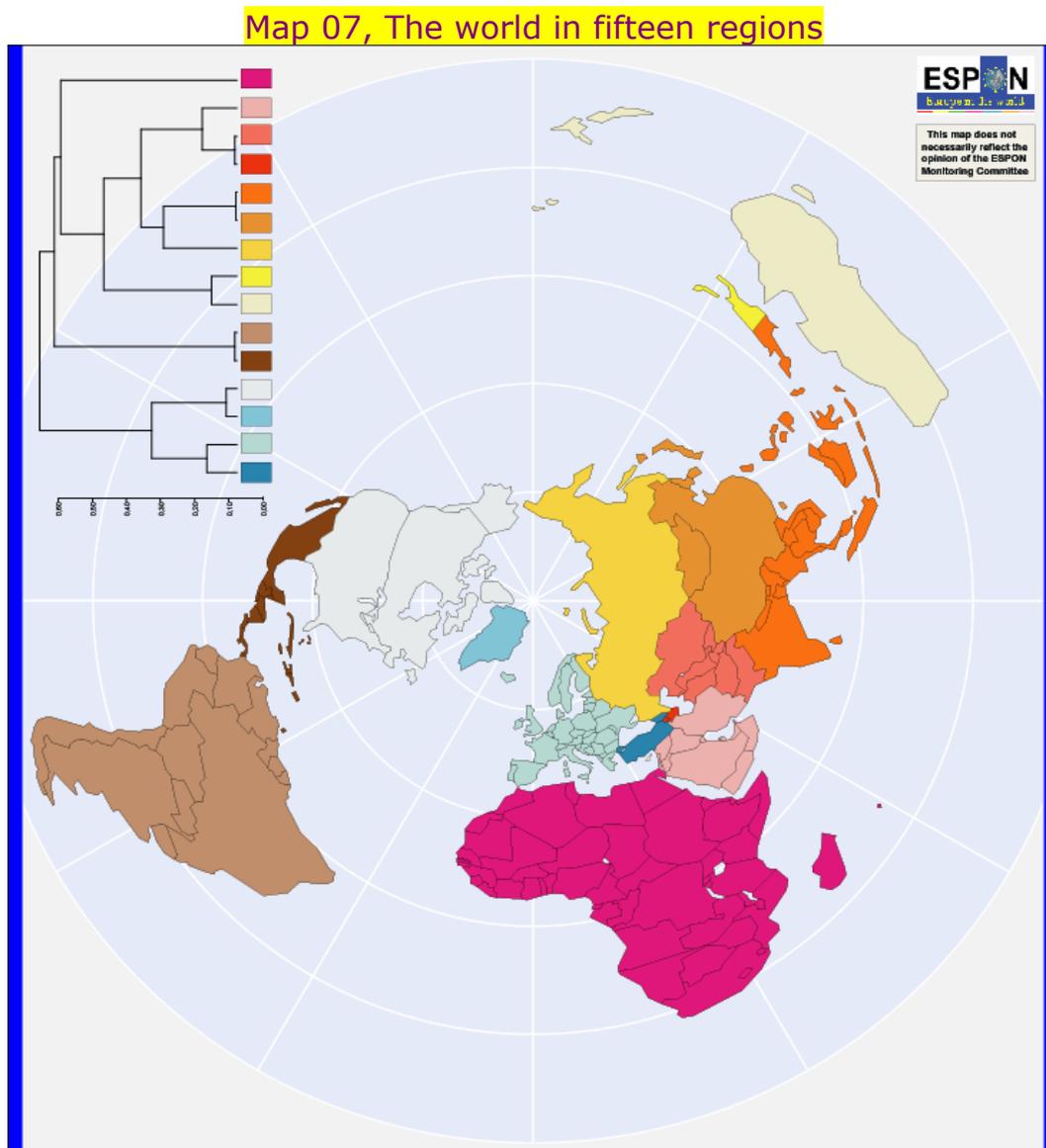
In the next step **North America** is separated from Europe. Taken into account the European point of view of the respondents, it is not such a surprise. Even if North America has been largely populated by European migrants, it has developed its own culture and the confrontations between the New and the Old World are not rare. This separation could have two meanings. First, the will from European researchers and policy maker to distinguished themselves from a twin historical projection, or to place North America in a peripheral position vis-à-vis Europe, reminding that, after all, North America has European origin.

Finally **Russia** appeared, alone, isolated from the former east-European soviet countries (that European people prefer to see in Europe between them and their too large neighbour) and Central Asia countries that placed in the same region that middle Eats due to its Muslim religious belonging. That underlines the problem of the position of Russia federation in the World. It is too large to be part of Europe which is a mosaic of small countries and too different from China or other Asian countries to be placed in Asia.

At this stage, we have eight regions and we reach the second more significant discontinuity in the analysis (**see figure 12**). The spaces that have been then formed are spaces of middle size and they are parts of two of the main previous zones Europe & Asia. Africa neither South America have been split. Those regions still have strong

cultural or economical coherence, mainly for the European's point of view or they are not considered with sufficient interest or knowledge to be the subject of differentiation in the mental map of ESPON members.

A.2. A world in fifteen regions



ESPON 3.4.1 - Clarisse Didelon
Origin of data : ESPON Community Survey 2005
Made with Philcarto - <http://perso.club-internet.fr/philgeo>

We enter now in a third stage where the zones that are identified could rather be considered as transition areas between two "strongly identified spaces". Those spaces can be of middle size too but they are often small and made of few countries. Those drawings traduce the hesitations of the belonging of a country to one or another region, i.e. the fact that some questionnaires put a country in a region some others in another one. They traduce also the existence of regions that are under the influence (of the wish to influence) of more than one country or region. It can result of a confrontation between the political and the cultural influence.

The first space to appear is **Central Asia**, a space divided between Russian, Turkish, Iranian, Chinese and Indian influences and wishes to control them. Central Asia is quite important for a strategic point of view because it is a gas producer region, but also it is a space crossed by numerous pipelines that are of strategic importance. But Afghanistan and Pakistan belong to this sub region and one could ask whether this space is not consider from our European's point of view like a transition area between the Middle east countries and the rest of Asia.

Turkey appears then, with Georgia, as a small transition zone between Europe and Middle East and the rest of Asia. Turkey is then placed in the peripheral of Europe but more to serve as a "buffer zone" vis-à-vis other Middle East countries of the region. That position of Turkey underlines that Turkey has been more often placed in Europe in the questionnaires than in Asia or another region. The next country to be isolated is the **Papua New Guinea**. Its level of development and the geographical share of an Island with Indonesia make it closer from it and Philippine. But it seems that Papua New Guinea is cultural more similar to Oceania countries and the former dependency toward Australia plays a great role when one put it in the same region as Australia. However the hesitation is strong and that is what it is underlined by this quite isolated position on the world map produced by the ESPON community. It is quite the same situation for **Greenland** that is divided between its proximity to North America, and mainly Canada, and its institutional belonging to the Denmark sovereignty. The two very small Caucasian countries of **Armenia and Azerbaijan** are then split between the Russian, Turkish and Persian influence. Finally the **Central America and Caribbean** split from the rest of South America, maybe because of specific cultural features of more likely to the geographical characteristics. The countries of the

Central America peninsula are very small ones and the other are islands that distinguished clearly them from the large and continental countries present on the Southern America Peninsula like Brazil, Argentina and Peru...

The last step has no statistical meaning. We decided to stop to study the partition here only because it was asked to the ESPON seminar participant to divide the World in fifteen regions. The previous significant partition would have been in 11 regions that means before the identification of Greenland like a region. However the last step is an interesting one because it may mark that we reach a new stage where once more medium size regions are identified. The remaining Asia region is then divided in two large regions, one that comprise China, Japan, both Korea and Mongolia and the other one that comprise all the South Asia Countries (except Pakistan), and the South-eastern Asia Countries.

Now that we have our fifteen regions some remarks can be done on the divisions that one could expect and that did not appear in the study.

One can note that despite the disparities of development Japan is, in those stages, not separated from China neither North African countries from sub Saharan countries; neither North African countries from the rest of Africa. In both cases the mental map regionalisation is different of what has been proposed in **chapter 3 (WUTS)** by using expert criteria and statistical analysis of flows and similarities. For Japan, maybe its particularity in term of development vis-à-vis the rest of the region would suggest to put it alone in a region, but its relative proximity with China in cultural term, and from a European point of view, lead to put it in the same region than China. Concerning North Africa, one can note that in fact none region has been identified within Africa. That underlines the fact that Africa is badly known in Europe and that the continental perception is dominant to define African countries. It seems that few among us know Africa sufficiently to draw African sub regions even if the differences between African countries and populations are very numerous (see analysis on discontinuities).

To conclude one should notice that very large areas (like Africa our South America) coexist with very small spaces formed by only one country (Greenland, Papua New Guinea), a couple of countries (Turkey and Georgia, Azerbaijan and Armenia) and groups of

countries (Europe, Central America and Central Asia). That underlines the existence of well defined regions among the ESPON community and the existence of transition areas for which the knowledge is more hesitant or that are the place of confrontation between two influences or more.

B) Limits & Links

The analysis of the questionnaires allows to draw the limits of the regions, according to the number of questionnaires that draw that limit between contiguous countries. Moreover it is possible to draw the links according to the number of time two contiguous countries have been put in the same region. The following **map 08** therefore shows the main limits (in blue) and the main links (orange) between two (terrestrial and extended) contiguous countries.

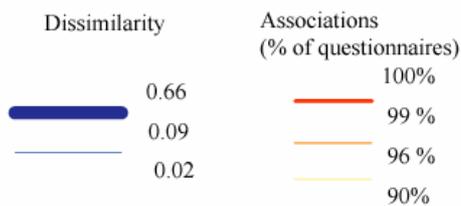
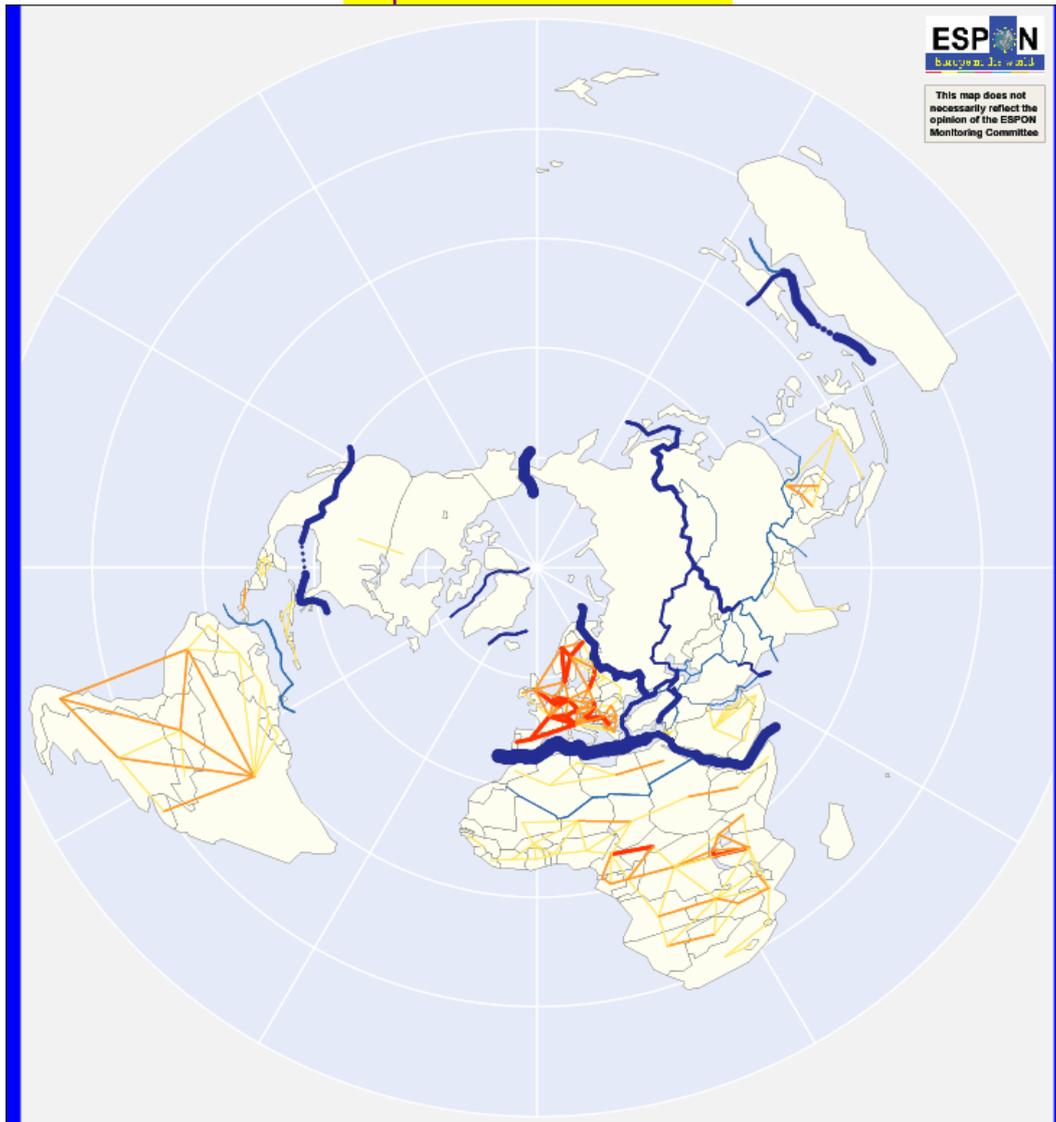
The frontier of Europe

One can observe that the strongest division of the world for the ESPON seminar participants is the one drawn through the Mediterranean Sea between Europe and North African countries. Would that mean they feel that European countries are very much different from the North African ones? Could that mean that for the European researchers and policy makers that attend the seminar, the Mediterranean Sea should be considered as the more evident frontier of the World, and consequently the frontier of Europe? The terrestrial western frontier of Russia Federation is also a strong one. It could reveal, from the ESPON members point of view the Eastern frontier of Europe, meaning that for them Belarus, Moldova and Ukraine should be included in Europe. The limit is less strong between Turkey and Ukraine, Greece and the Balkan countries. It is even less strong than the frontier between Turkey and Iraq and Syria. The fact that Turkey is circled by two medium strong limits shows that there are great hesitation in the ESPON community to decide whether Turkey belong to Europe or not.

The strength of the limit around Europe and of the links between European countries clearly shows that this map has been drawn by European people. How strong the links between European countries are, comparing with the links with other countries in the World! Even if on the previous synthetic maps it appears that African is not split

during the first 15 steps of dividing the world it is not as coherent, according to the ESPON community, than Europe is. Europe, from France to Ukraine, and Norway to Malta is the better defined space in the World.

Map 08: limits and links



ESPON 3.4.1 - Clarisse Didelon
 Origin of data : ESPON Community Survey 2005
 Made with Philcarto - <http://perso.club-internet.fr/philgeo>

Continentalisation and development

The second strongest division of the world is the one between Russia Federation and North America (Alaska). It also crosses a maritime strait and could be a remaining of the Cold War. However those two countries belong to two different continental bodies and in consequence this limits could be just considered as a continental limit. In fact, the mains limits proposed by the ESPON seminar participants are continental ones (even the one between Europe and Africa). That is the case for the limit between the Arabic peninsula and Africa and the South Eastern Asia / Oceania one. In that case the difference of development level that exists between Indonesia and Australia could also explain that limit. The limit between North America and Caribbean and Mexico is less due to continentalisation that the fact that despite the trade agreements, Mexico is not perceived as belonging to North America. The number of thin limits in the Iran, Afghanistan and Pakistan neighbourhood show of it is difficult, from our European point of view to define a coherent space in this region.

Correlations of discontinuities

A correlation test has been made in order to understand the meaning of the discontinuities. Is there a relation between the values of the discontinuities and other indicators like economic or social ones?

The following **table 07** shows that the most significant relation is between the value of the limit and the absolute value of GDP in 1986-90.

Then comes nearly all indicators related to the GDP either in absolute or relative terms. The Human Development Index in 2002 is also correlated with the value of discontinuities from the survey, but more than each of its components. Two things can be learned from this short analysis: first, it seems that the inertia of knowledge is such that we evaluate the countries on outdated data. So the limits drawn by the ESPON seminar participant are based on old data or knowledge. Second, we have more a global impression about the level of development of a country, than the knowledge of the different indexes that are used to evaluate this development. That

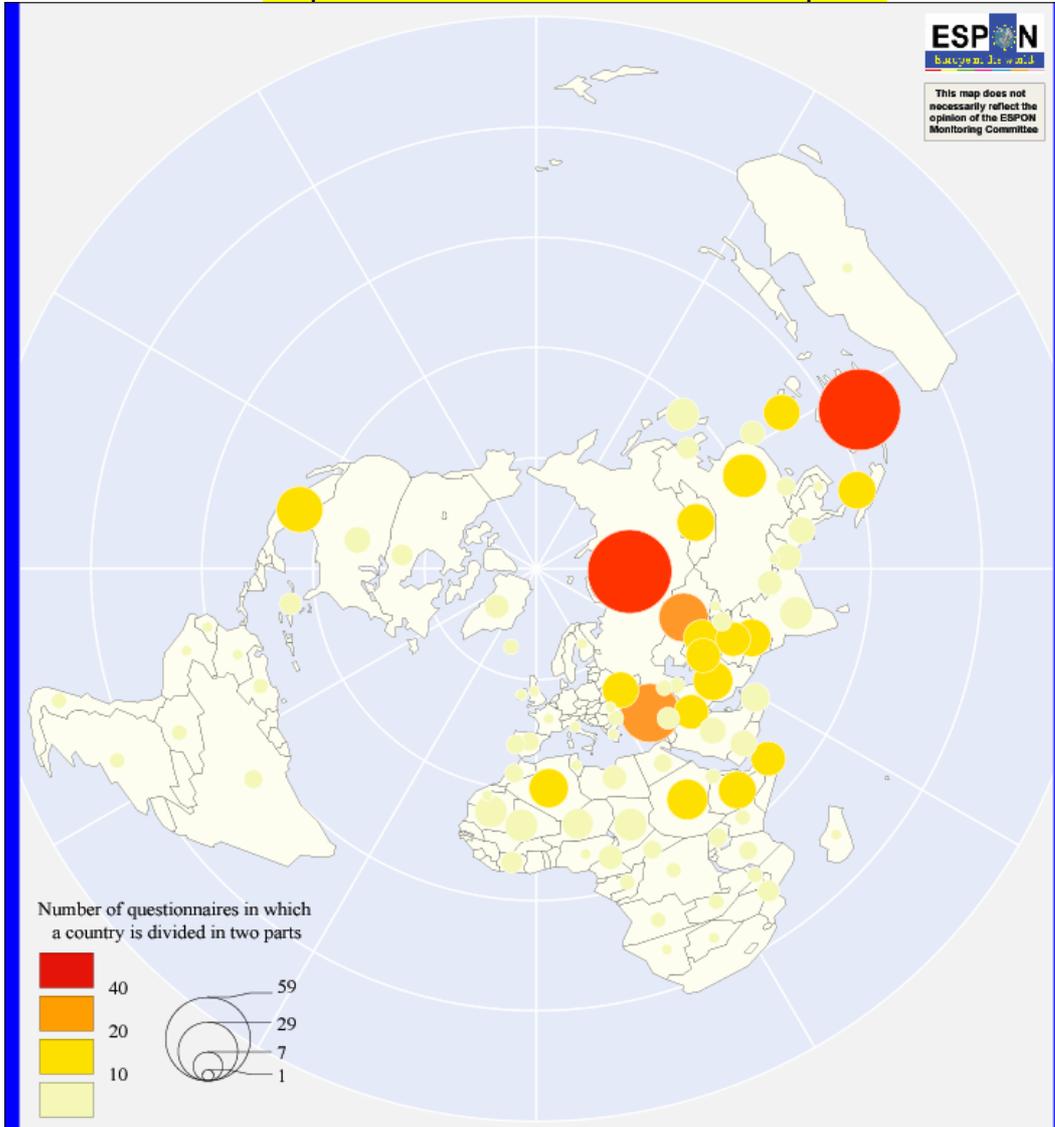
could underline an ability to perceive a average situation of a country despite the fact that the details are not known.

Table 07. Correlation Indexes

	VALDIS
Relative differences GDP in 56-60	0,17
Relative differences GDP in 66-70	0,22
Relative differences GDP in 76-80	0,25
Relative differences GDP in 86-90	0,30
Relative differences GDP in 96-2000	0,30
Absolute differences GDP in 56-60	0,05
Absolute differences GDP in 66-70	0,13
Absolute differences GDP in 76-80	0,25
Absolute differences GDP in 86-90	0,41
Absolute differences GDP in 96-2000	0,37
Human development Index in 2002	0,22
Life expectancy Index in 2002	0,17
Education Index in 2002	0,15
GDP Index in 2002	0,20

C) Divided countries

Map 09: countries divided in two parts



This map (09) presents the countries that are the more vulnerable face to the ESPON seminar participant's impulse to draw a line cutting them in two pieces. This is an important phenomenon to be studied because it can highlight the transition areas, the hesitation of the limits of a region. Nearly all countries are susceptible to be shared except very small ones like Panama, Togo, Taiwan, Fiji or Denmark...or those that belong to the core group of a region like countries of central Europe or countries of Central America (but their size is not very large too).

One of the first factors of vulnerability is obviously the **size of a country** (Russia - China). When a country has a large size is more susceptible to be cut in different part as people have knowledge about the internal spatial differentiations. Thus large countries can belong to different cultural areas or at least their different parts can be under different cultural influences. The development disparities between spaces can also lead to cut a country, but in the case of this survey that never happens: surprisingly nobody makes a distinction between the eastern coast of China and the rest of the country.

The second factor of vulnerability could be attributed to **the shape** of the country. That is the case for Indonesia and Malaysia, Philippines. When a country is formed by more than one entity it is then likely to be more often cut in different parts, and even more when this country is an archipelago. Indonesia, that is the larger archipelago of the world (17 000 islands) is the second more often divided country in the questionnaires. Malaysia is also often divided even if its superficies is not so important but because it is formed by one peninsula and the northern part of the Borneo Island that are far one from each other.

Then a third factor could be the **geographical position** between two distinct zones that are different from a cultural or economical point of view. That is more precisely the case for Turkey, Ukraine, Mongolia and Mexico. People drawing the limits of the world regions hesitate to attribute them to one space or another one and find a solution in cutting them. One can note that, in addition to the countries named above, the main vulnerable countries in this situation are the countries of Central Asia from Kazakhstan to Pakistan and Iraq.

CONCLUSION

There are more analyses to do in order to exploit all the information get thanks to this questionnaire. For example, it would be interesting in the next step of the work to compare the size and the composition of Europe in the European map and in the World map of the questionnaires. The

Analysis of the explanations of world regions by the individual attributes of respondents should also be further developed.

However this case study is wealthy in term of knowledge we get about the European researchers and policy makers vision of the World and vision of Europe. The analyses made here have been very helpful to the interpretation of the ones made in the **chapter 5 (mental maps)**, because we get here information about the criteria that where used and that where not available on global actors websites.

In the final report, the results of this case study will be helpful to, because, as we know what the common representations of Europe and of the World in the ESPON community are, it will be easier to introduce our proposals on World regions. In a psychoanalytic sense, we can consider that further progress in the perception of reality can not be achieved as long that unconscious facts are not put to awareness of actors.

ANNEX 01: THE QUESTIONNAIRE



ESPON 3.4.1. « EUROPE IN THE WORLD »

SURVEY

REPRESENTATION OF THE WORLD OF THE ESPON COMMUNITY

I. INDIVIDUAL ATTRIBUTES

Sex:

Birth date:

Country of Birth:

Actual Nationality (ies):

.....

Former Nationality (ies) if any:

.....

Actual country of residence:

.....

Former countries of residence (more than six months) if any:

.....

.....

.....

What is your higher degree level ?

.....

Activity :

- Researcher or teacher

- Administrator or policymaker

- Other :

Could you precise on which frequency you go abroad for your job or your vacations?

Less then once a year	Once a year	More than once a year	Once a month	More than once a month
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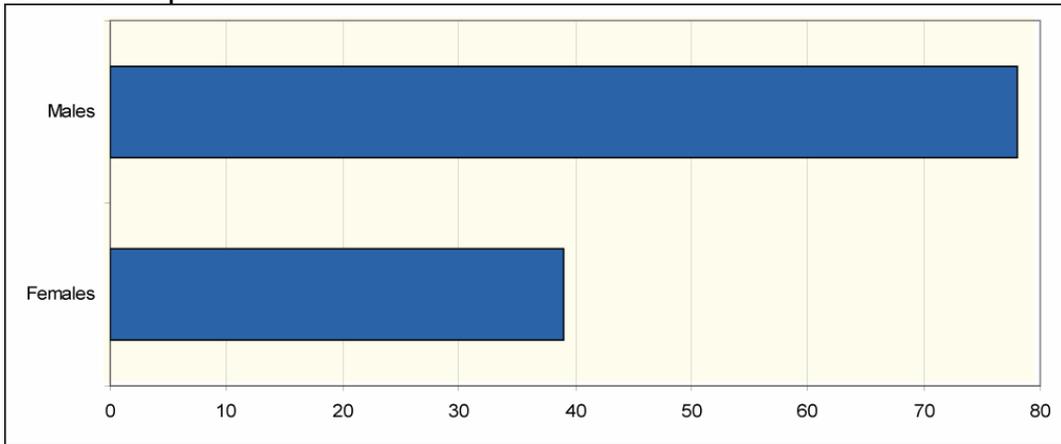
Indicate in which following countries you've been and add those that are not listed.

Austria	Greece	Poland		
Belgium	Hungary	Portugal		
Bulgaria	Ireland	Romania		
Cyprus	Italia	Slovakia		
Czech Rep.	Latvia	Slovenia		
Denmark	Lithuania	Spain		
Estonia	Luxembourg	Sweden		
Finland	Malta	Switzerland		
France	Netherlands	United Kingdom		
Germany	Norway			

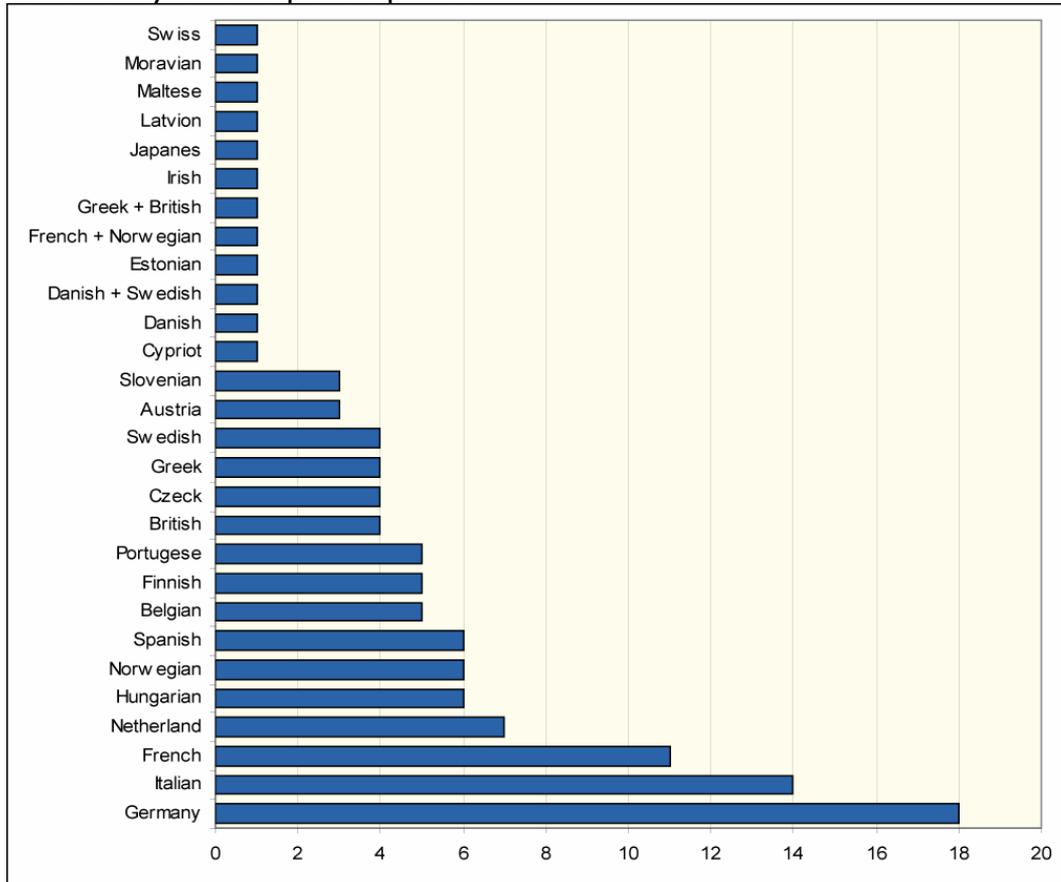
ANNEX 02:

THE ESPON COMMUNITY MEMBERS

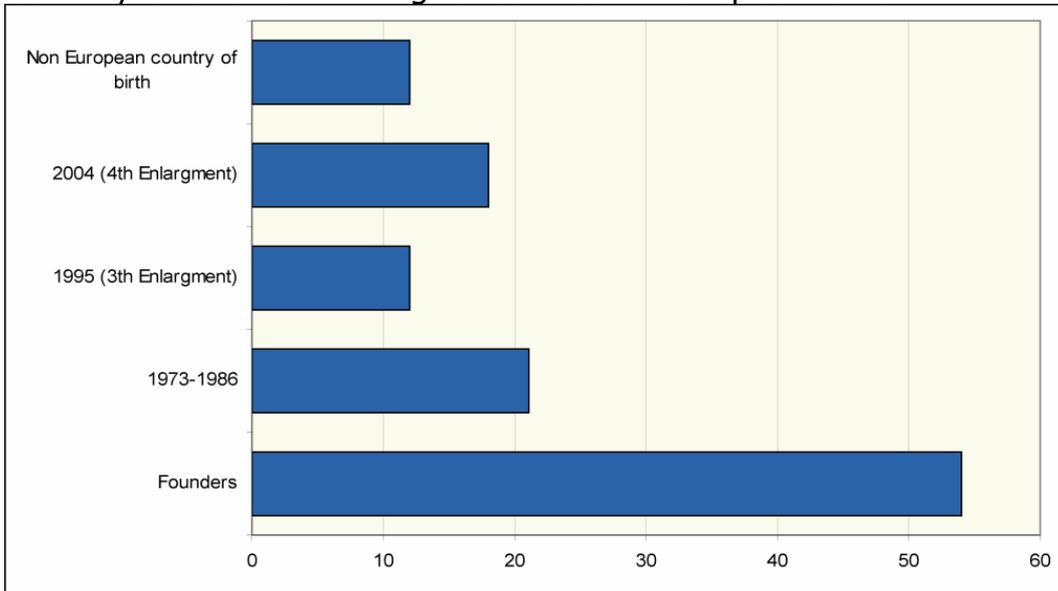
Gender repartition



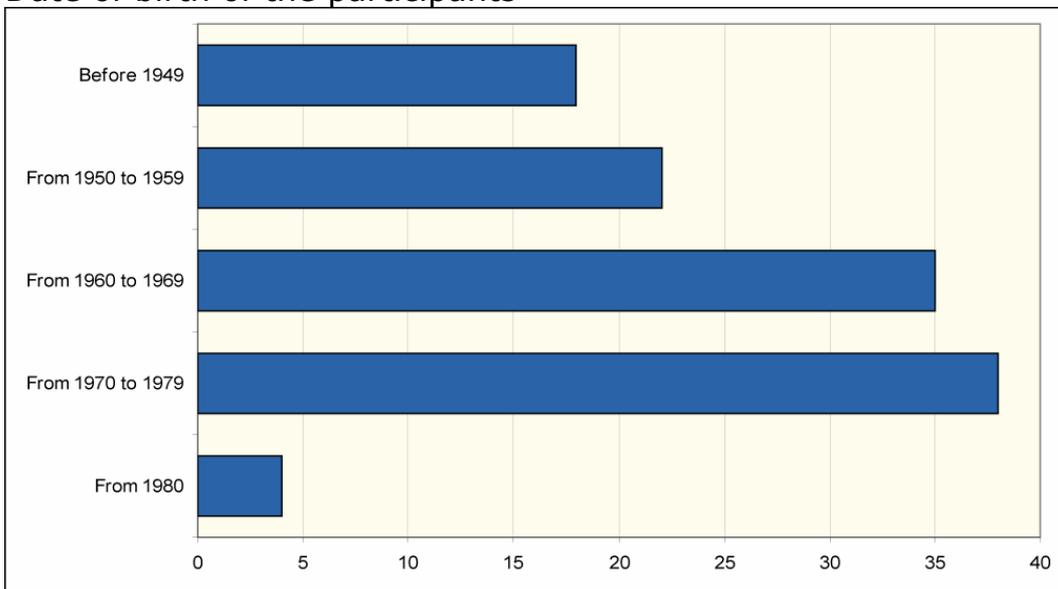
Nationality of the participants



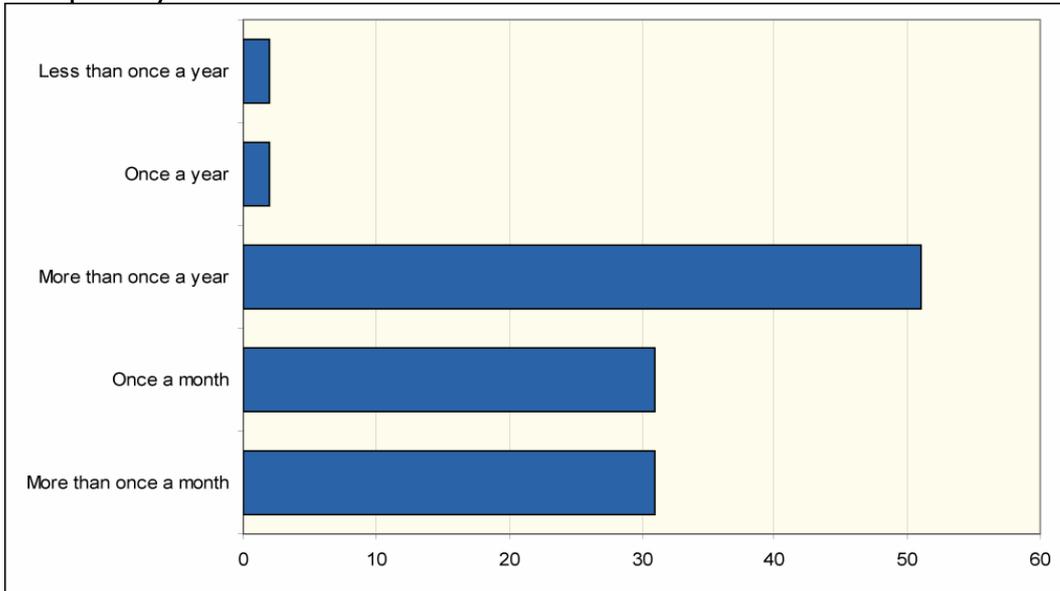
Country of birth according to its date in European Union



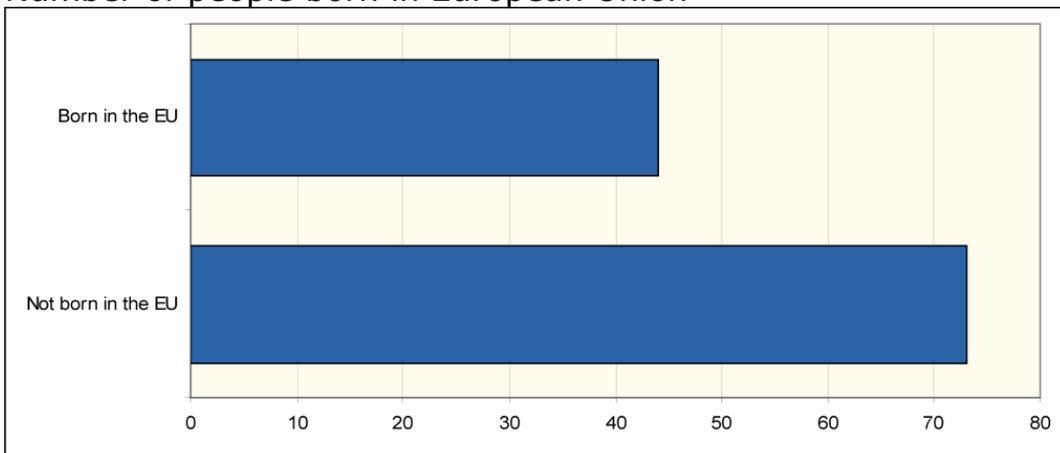
Date of birth of the participants



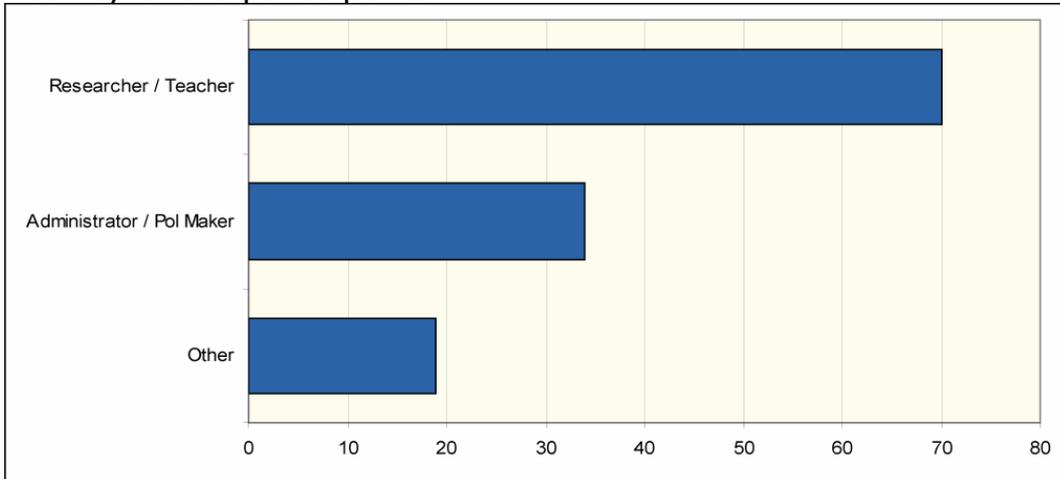
Frequency of travel abroad



Number of people born in European Union



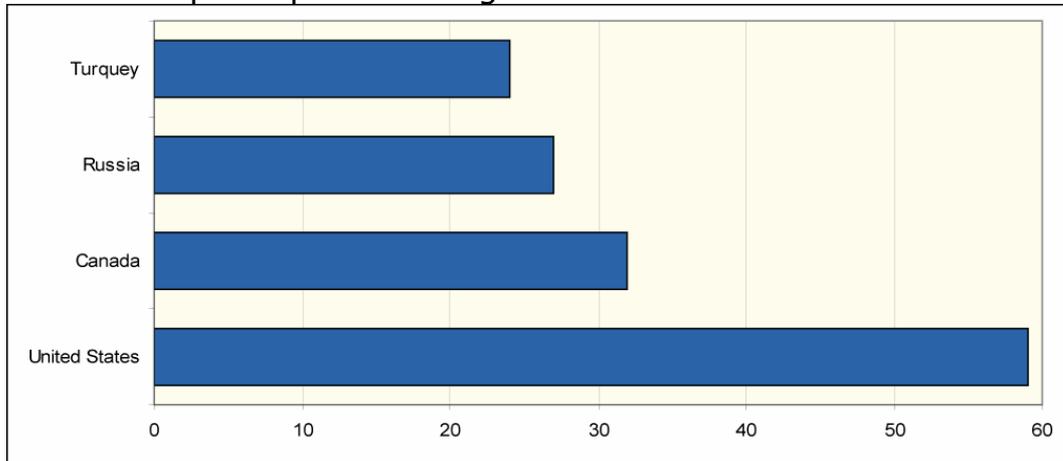
Activity of the participants



Number of participants having visited ... in Europe



Number of participants having visited ... in the World



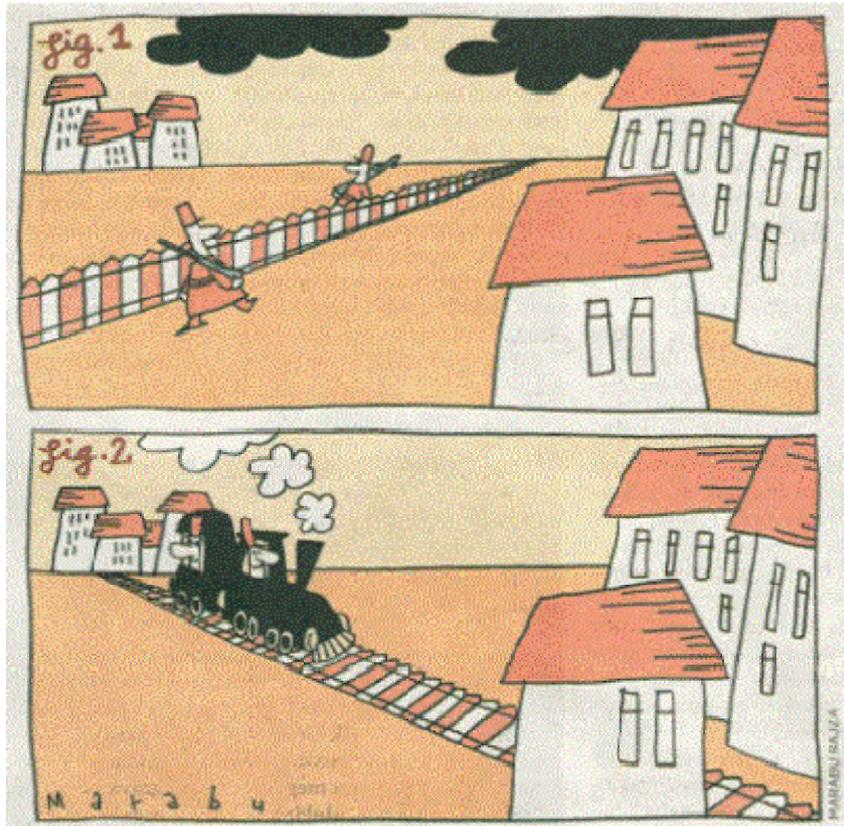
Case study 7

HUNGARY – THE NEW BORDER OF THE EUROPEAN UNION

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Centre for Regional Studies of the Hungarian Academy of Sciences
Budapest, 2005



Contents:

1. Introduction
2. Social and economical differences after 1990
3. Political, social and economic relations between Romania and Hungary, Serbia and Hungary prior to Hungary's accession to the EU
 - 3.1. *Cooperation Forms Between Hungary and Romanian Prior to Hungary's Accession to the EU*
 - 3.2. *Forms of cooperation between Hungary and Serbia–Montenegro before the EU accession*
4. How does Hungary's EU membership influence its relationship with neighbouring countries?
5. Conclusion

1. Introduction

Hungary has common borders relations with seven countries: Austria, Slovakia and Slovenia are EU members while Slovakia, Slovenia and Romania joined NATO. Romania stands good chances of becoming an EU member in 2007. It is generally assumed that borders should not divide but unite, however Hungary shapes up its present neighbourhood policies in accordance with the realities of a still divided Europe. Different circumstances obtain at the regional level across soft or hard borders (depending on whether the neighbouring country belongs to the EU and/or NATO or not).

The aim of this research is to examine the development of relationships between Hungary and two neighbouring countries (Romania and Serbia-Montenegro) after the fall of the communist regime (Figure 1).

Figure 1. Studied countries



After 1989, Hungary's two neighbours evolved in completely different directions. Impacting on these countries neighbourhood policies are elements such as: the international relations and perceptions, economic growth, the pace of progress made during the transition, inner social tensions, political, social, economic conditions, etc.

Nevertheless, a number of similarities are to be found across the border regions of the three countries. First of all, large Hungarian minorities live in the areas close to the borders. Moreover, economic differences across the borders are less dramatic. These regions in particular as well as countries in general are characterized by a history of multicultural coexistence. The political system change had special relevance to the borderlands, as isolation could be brought to an end, borders became transparent and hence they could develop new connections with the rest of Europe.

Hungary's early EU accession created a novel situation. Once again, borders serve to separate Hungary from neighbouring non-EU countries, only temporarily in the case of Romania, but for a longer time in the case of Serbia-Montenegro.

Bilateral relations between Hungary and Romania form the cornerstone of the stability in Eastern Europe. The relationship between the two countries suffers from a painful past, mainly due to the partly unresolved situation of the Hungarian minority. After 1989 this became a key issue in Hungarian foreign policy and a highly divisive, politicized and manipulated topic in Hungarian domestic politics. Right wing parties prefer to portray themselves, rightly or wrongly, as champions of the cause of Hungarian minorities (e.g. grievance for cultural autonomy for Hungarian minority in Romania, the so-called Status law, double citizenship, etc.). On the other hand, the parties constituting the actual liberal-socialist governing coalition tend to put the emphasis on the improvement of bilateral relations and the support of Romania's accession to the EU, thus hoping that the situation of minorities would improve as a consequence of it. This policy line was given special emphasis at the meeting of the governments of the two countries, in October 2005 in Bucharest. Some voices went as far as to compare the importance of this joint session to the beginning of French-German reconciliation after World War II.

Relations between Serbia-Montenegro and Hungary were not deeply influenced by minority conflicts (at least not after World War II). However, the Yugoslav war put an end to what had been a more or less peaceful relationship. Tensions have been sparked off in the beginning by the influx of Yugoslav (as well as Hungarian minority) refugees and later by drastic altering in the social and economic situation in Voivodina (where Hungarians primarily live). This has been mainly due to the massive Serbian immigration. As a result, political participation of Hungarian minority has been much more restricted. The new conflicts cast the shadow on current Hungarian-Serbian cooperation as well.

We seek in this study to expose economic and social differences among the three countries both at the national level and in border regions. Consequently, we attempt to focus on the old and new elements of the emerging forms of integration, and the

obvious consequences of EU membership of Hungary for its neighbourhood policies with Romania and Serbia –Montenegro.

2. Social and economic differences after 1990

Economic potential

With 22 million inhabitants and a surface of 238 000km², Romania is considered to be a large country both at regional level – compared to its other two neighbours – and at European level. Hungary and Serbia-Montenegro have similar size: Hungary counts 10 million inhabitants on 93 000 km², whereas the 8,3 millions inhabitants of Serbia-Montenegro live on 91 000 km². According to their economic capacity, Hungary finds itself in leading position: in 2003 the Romanian GDP reached 69% and the Serbian one 25% of Hungary's value.

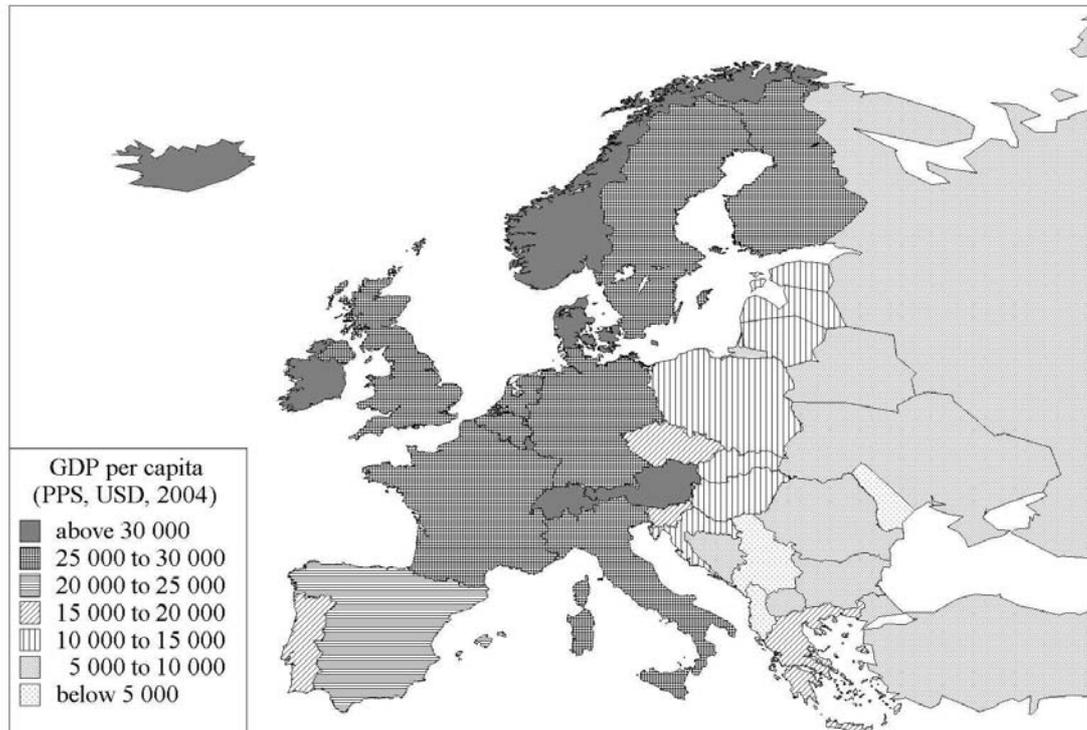
Economic development (GDP/capita) in Hungary reached in 2003 less than 55% of the European average (E-15), while in Romania 26 % and in Serbia-Montenegro 17% of it only. (Table 1. and Figure 2)

Table 1: GDP/capita (Hungary = 100%)

Country	1998	1999	2000	2001	2002	2003
Romania	40,3	33,3	35,5	35,4	32,5	31,7
Serbia-M.	31,8	43,5	17,9	27,2	29,0	30,1

Source: Transition report 2004. European Bank for Reconstruction and Development, London, UK.

Figure 2: GDP per capita in European countries

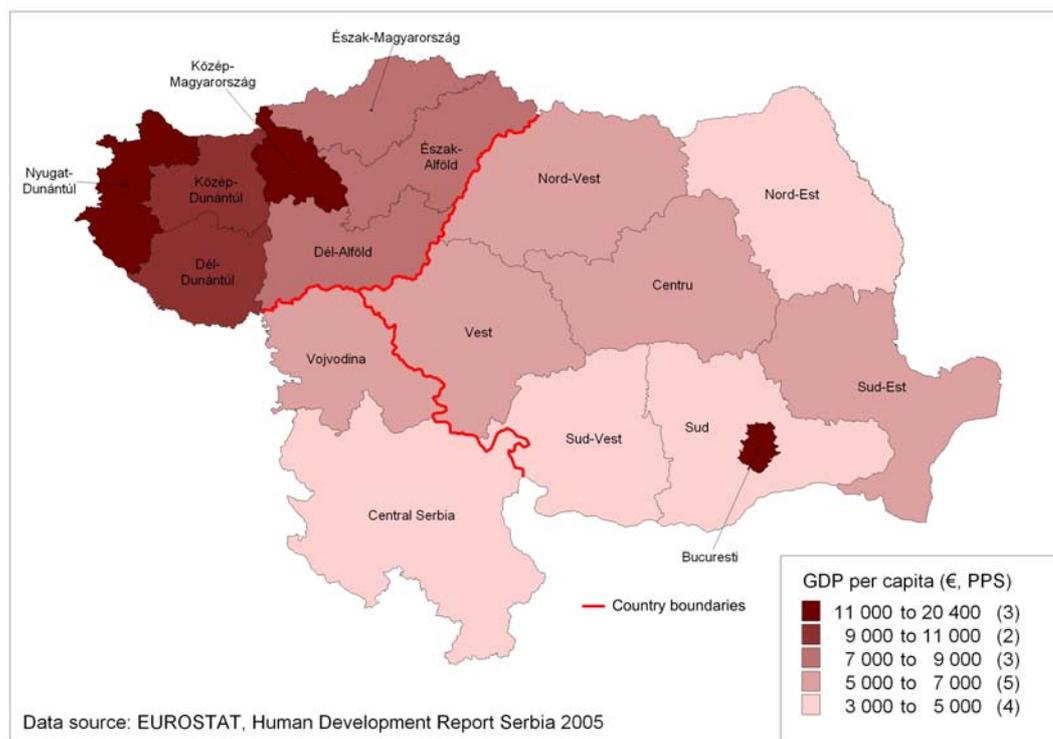


Data source: World Bank: World Development Indicators 2005.

Hungary's relationship with the two neighbouring countries has been deeply influenced by the sharp economic differences existing between them. Despite their rapid growth (in 2001 and 2002 the growth of Hungarian GDP was 3,8 and 3,3%, while in Romania 5,3 and 4,9%, and in Serbia-Montenegro 5,5 and 4,0%), these economic differences remained at the same level.

Differences are less visible in the border region (40–80% in favour of Hungary) compared with the three times differences of the countries' average (Figure 3.).

Figure 3: Regional differences in the GDP per capita of the three countries



Employment and unemployment

The employment rate significantly decreased after 1989, affecting women in particular. The socialist inheritance – the high level of employment – has longer persisted in Romania and Serbia-Montenegro (much more than in other Southeast-European countries such as Italy, Greece or Turkey). At the same time, the employment rate has been following a downward path (Table 2).

Table 2: Employment rate, 2001

Top countries in Europe	%	Studied countries	%	Proportion of women %	Bottom countries in Europe	%
Sweden	78,4	Romania	62,2	46,2	Greece	48,7
Island	74,3	Serbia-M.	59,9	42,9	Turkey	48,7
Norway	73,3	Hungary	53,3	44,4	Italy	48,0

Source: Trends in Europe and North America – 2003, UN Economic Commission for Europe

Unemployment could not be analyzed in connection with employment partly due to the calculation method of unemployment registration and partly because of the unknown

extend of the black economy. The unemployment level is relatively low particularly in Hungary but also in Romania. On the contrary, not only that the unemployment level is extremely high in Serbia-Montenegro but it has been continuously going upwards (Table 3).

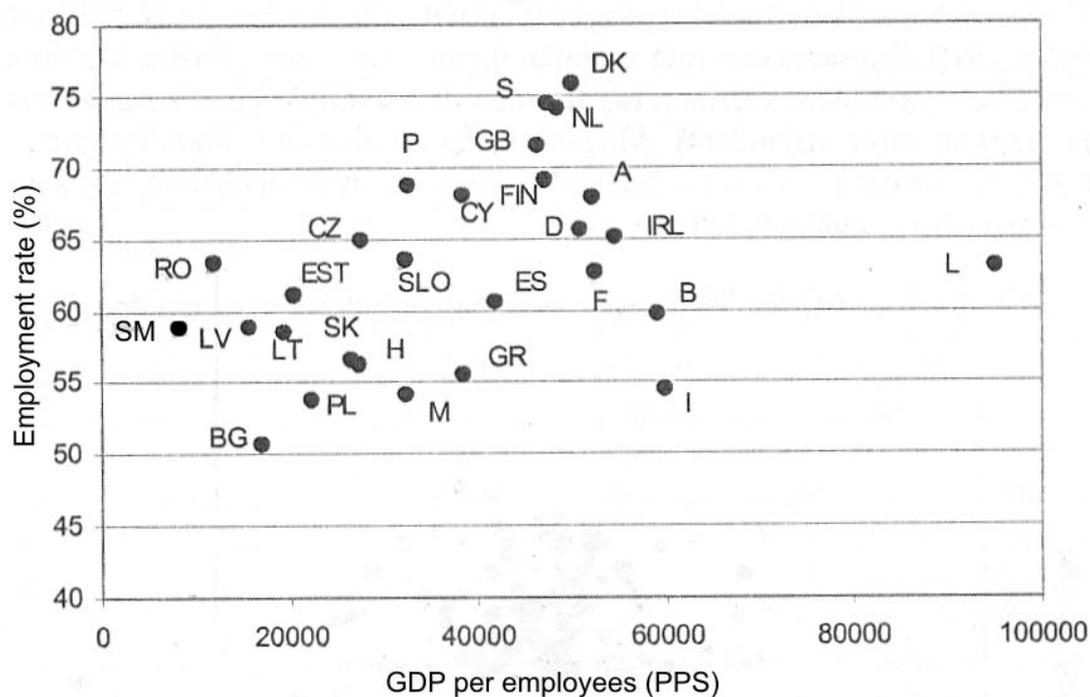
Table 3: Unemployment level in 2001

Top countries in Europe	Unemployment rate %	Studied countries	Unemployment rate %	Bottom countries in Europe	Unemployment rate %
Luxemburg	2,0	Hungary	5,7	Bosnia-H.	39,9
Island	2,3	Romania	6,6	Macedonia	30,5
Switzerland	2,6	Serbia-M.	27,9	Serbia-M.	27,9
Netherlands	2,7			Bulgaria	19,4
				Slovakia	19,2
				Poland	18,2

Source: Source: Trends in Europe and North America – 2003, UN Economic Commission for Europe

Competitiveness

Figure 4: Competitiveness of European countries



Source: Based on Lengyel, I. (2003) Verseny és területi fejlődés. (Competition and regional development). JATEPress, Szeged. p. 357. (author's own calculations)

Notes: B: Belgium, DK: Denmark, D: Germany, GR: Greece, E: Spain, F: France, IRL: Ireland, I: Italy, L: Luxemburg, NL: Netherlands, A: Austria, P: Portugal, FIN: Finland, S: Sweden, GB: Great Britain, CZ: Czech Republic, EST: Estonia, H: Hungary, LT: Lithuania, LV: Latvia, PL: Poland, RO: Romania, SLO: Slovenia, SK: Slovakia, CY: Cyprus, M: Malta, BG: Bulgaria, SM: Serbia and Montenegro.

At the European Union level, countries' competitiveness has been measured on the basis of employment rate and productivity. Figure 4. shows that the countries from Central and Southeastern Europe and Baltic area fill in the unfavorable bottom-left corner. The lowest productivity level is registered in Serbia-Montenegro, Romania, Latvia and Bulgaria while the lowest employment level can be found in Bulgaria, Poland, Hungary and Slovakia. Only Czech Republic and Slovenia could catch up with the countries from the European middle-group.

Changing the economic structure

A strong correlation can be noticed between economic development and economic structure. In other words, in the countries where economic development (GDP/capita) is high, the proportion of the tertiary sector is also significant whereas that of the agriculture is generally low. There are nonetheless several exceptions: Malta, Greece and Latvia showed high tertiary proportion although their economic development is at a medium level. In Austria, Finland, Norway, Ireland the proportion of industry is extremely high. In Island agriculture plays an important role at present, too. However, our research countries, Hungary, Romania and Serbia-Montenegro could not be included in to this „exception” group. (Table 4)

Table 4: GDP and employment by major economic sectors, 1995 and 2001

	1995			2001		
	Agriculture	Industry	Tertiary	Agriculture	Industry	Tertiary
Hungary	6,8 (8)*	30,9 (33)	62,3 (59)	4,3 (6)	31,3 (34)	64,4 (59)
Romania	20,9 (40)	40,3 (31)	38,8 (29)	14,8 (43)	34,0 (26)	51,2 (31)
Serbia-M	19,3 (6)	37,8 (52)	42,9 (42)	21,1 (6)	32,1 (63)	46,8 (30)

* the employment rates in brackets

Source: *Trends in Europe and North America – 2003, UN Economic Commission for Europe, p 174, 155.*

Economic transition had a significant impact on Hungarian agriculture (before 1989 the agriculture gave almost 30% of GDP, and 20% of employment). At the same time industry has kept its importance. The present employment structure in Hungary shows some similarity with Austria, Finland, Ireland or Norway: low proportion of agriculture (1-4%), and relatively high proportion of industry (32-42%).

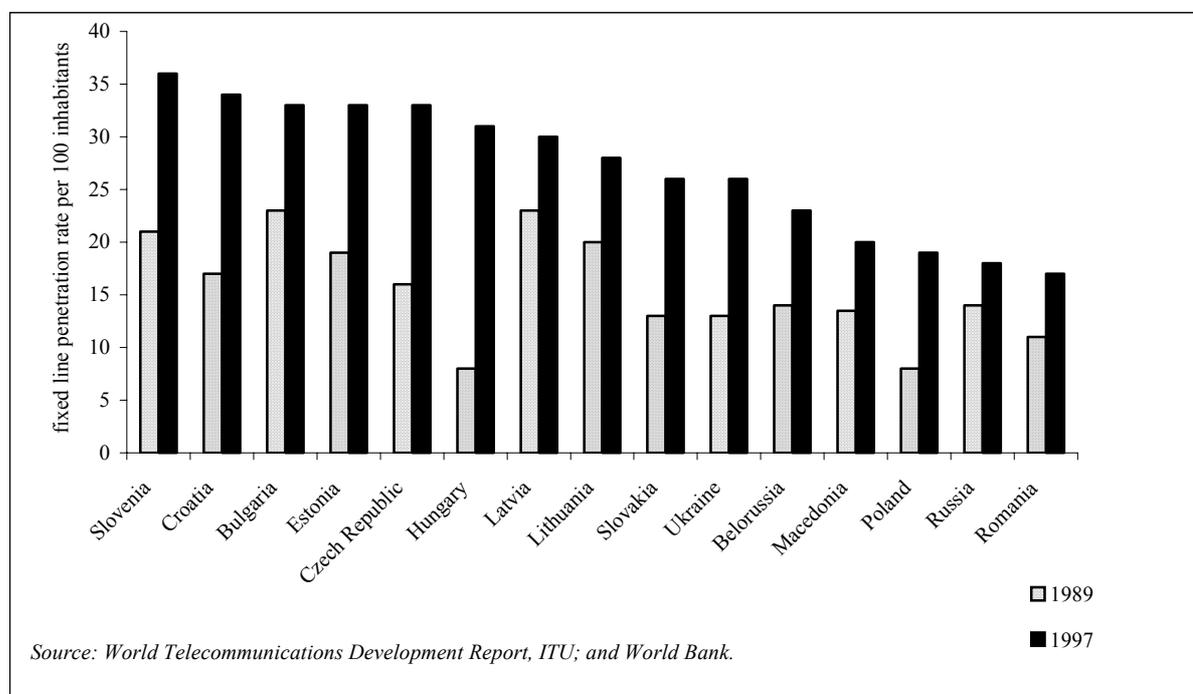
As of Romania, the slow modernization process is translated into the large proportion of agriculture in country's economy. It is however true that the contribution of the traditional industry (metallurgy, particularly) has significantly decreased. In Serbia-Montenegro the main tendencies are somehow opposite to the other two countries: the proportion of agriculture amongst GDP indicators and the employment in the industry sector have been growing while the importance of the tertiary sector has been

decreasing. These trends can be explained by the unstable economy and the extremely high unemployment level.

Infrastructural supply

The main driving sectors of a modern economy are transports, telecommunication and informatics. We shall analyze these branches in the countries under research. Under state socialism, Hungary was on the last place at building infrastructure even among the COMECON countries (Figure 5).

Figure 5: Telephone penetration in transition economies in 1989 and 1997.



During the transitional period, Hungary improved its position compared to its neighbours but it is still lagging behind the EU countries. Rapid progress has been made in infrastructure development (motorway building, railway modernization, infrastructure of telecommunication) following the EU accession.

Table 5: The current situation (2001) and occurring changes in the infrastructural supply (%) from 1995 to 2001

	Hungary 2001	1995- 2001 %	Romania 2001	1995- 2001 %	Serbia- M. 2001	1995- 2001 %	Germany Ireland Sweden in 2001
Telephon*	374	10	183	6	229	3	635 485 739
Mobil*	498	64	172	175	187	187	683 729 790
PC*	85	17	32	19	23	10	336 359 507
Internet*	145	84	36	117	38	111	292 207 456
Cars*	244	–	139	–	161	–	534 361 455
Motorway(m)*	45	–	5	–	45	–	142 31 171

* pieces (or meter) per 1000 inhabitants

Source: Own data compiled by using the database of Trends in Europe and North America – 2003, UN Economic Commission for Europe

A comparison between the three countries under study and the most developed or the most dynamic European countries has been drawn (Table 5). Consequently, it can be argued that the three countries are significantly backwarded as general differences between them and the chosen developed countries are 2-3 fold. The PC spreading is alarmingly lagging behind: the difference in the number of PCs per 1000 persons is 6-fold between Sweden and Hungary, and 22-fold between Sweden and Serbia-Montenegro.

Amongst the three countries, Hungary enjoys the most favorable position, particularly in regard to the use of PCs and the Internet. Due to its high-pace infrastructural development during the socialist era, Serbia-Montenegro could preserve relatively good standards concerning the telephone supply and the length of motorways (per 1000 inhabitants).

It can be generally concluded that the fastest rise was registered in the use of mobile telephony within the three countries. At the same time, the development of information technology was relative and very slow. .

Social differences

Infant mortality is a basic indicator of public health. If one draws a comparison between our research areas and the most developed European countries, one can distinguish among highly significant differences, even amongst these three countries. (Table 6)

Table 6: Infant mortality in 2000

Infant mortality rate (per 1000 live birth)	Countries
< 4	Finland, Spain, Sweden, Iceland, Norway
5–10	Czech Republic, Croatia, Estonia, Hungary (9,2), Lithuania, Poland, Slovakia, Slovenia
10–20	Albania, Bosnia-H., Bulgaria, Latvia, Romania (18,6), Serbia-M. (13,3), Macedonia
36,6	Turkey

Source: Trends in Europe and North America – 2003, UN Economic Commission for Europe, p. 191

As far as *life expectancy* is concerned, several similarities are to be noticed among the three countries – especially their serious lagging behind developed Europe. In the cases of the Baltic countries, Hungary and Romania, men formed “the club with the least hopes” in 2000 (Table 7).

Table 7: Life expectancy at birth in 2000

	Woman	Men
Hungary	75,6	67,1
Romania	74,2	67,0
Serbia-Montenegro	75,1	70,3
Sweden	82,1	77,5
Italy	82,9	76,7
France	83,0	75,5

Source: Trends in Europe and North America – 2003, UN Economic Commission for Europe p. 187

During the last 10-15 years, *tertiary education* all over Europe was characterized by a dynamic increase of students' number. Finland has been at the top of the European list (52 students per 1000 population) whereas Norway, Ireland, Estonia, Latvia, Poland and Slovenia belong to the „top group” as well (with more than 40 students per 1000 inhabitants). The above cited countries show that the fast absorption level in higher education has not been only a consequence of the country's development level but also of political decisions. It is a fact that in Hungary (30 students/1000 capita) and Romania (24 students/ 1000 capita) the number of students tripled from 1990 to 2000. Nevertheless, the gap between these countries and the leading ones is still wide. Unfortunately, Serbia-Montenegro did not benefit from any increase during these 10 years (16students/1000 capita).

Macroeconomic stability

Foreign direct investments (FDI), inflation, current account and external debt have been chosen as indicators of the macroeconomic situation of the three countries.

Table 8: Foreign direct investment (net inflows recorded in the balance of payments)

Countries	Cumulative FDI inflows 1989–2003 in USD mln	Distribution among CEB and SEE countries* (%)	Cumulative FDI inflows per capita 1989–2003 in USD mln
Hungary	33 641	18,8	3 364
Romania	10 536	5,9	486
Serbia-Montenegro	3 112	1,7	374

Source: IMF, central banks and EBRD

The starting days of *FDI* were different in each of the three countries. Hungary initiated a massive privatization process immediately after the regime change, opening the biggest supply branches of the economy (except of the land and the banking sector) to foreign investors. In the first part of 1990s, Hungary was the leading host country in Eastern Europe. Between 1998 and 2002 Czech Republic and Poland experienced the golden years of privatization and of FDI, namely right after the end of the Hungarian privatization. Nowadays, Slovakia became an important host country for FDI. FDI

penetrated the Romanian economy starting with 1997 while its top year was 2004. Nonetheless, foreign investors have not shown too big interest in Serbia-Montenegro's economy so far. (Table 8)

During the transformation years every post-socialist country has been hit by an extraordinarily high rate of *inflation*: in Hungary this happened between 1992 and 1996 with a rate of 23–28% (annual average retail/consumer price level). In Romania, 1993 was the „top” year, with 256% inflation rate; from 1997 on (155%), a continuous, downwards trend of inflation can be noticed. Because of the Yugoslav war, hyperinflation marked the beginning of the 1990s (9237% in 1991); after a period of oscillation, the radical decrease of inflation started in 2002. In 2003 the inflation rate was 15,4% in Romania, 11,2% in Serbia-Montenegro while in Hungary it went under 5%.

As far as *general government balance* is concerned Hungary has shown some instability in 2003 when the budget deficit was 6,1%. This level remained high in 2005 too, in spite of the strict expectations of the EU. Romania and Serbia-Montenegro could control the governmental sector in a more effective way, thus pushing this indicator under 2% in Romania, and under 4% in Serbia-Montenegro.

Between 2000 and 2003, the *external debt* remained the same in Serbia-Montenegro, while it increased by 50% in Romania and it doubled in Hungary. If one is to compare the external debt with the economic capacity, Serbia-Montenegro proves to be in serious financial crisis; meanwhile Hungarian debt has been more or less financed by important FDI. (Table 9)

Table 9: External debt in 2003

Countries	External debt in USD million	External debt/GDP (%)
Hungary	40 157	62,3
Romania	11 588	34,6
Serbia-Montenegro	10 753	68,9

Source: Transitional Report 2004. EBRD p. 165, 173, 137

The progress in transition

Since 1994, the European Bank for Reconstruction and Development elaborated some transition indicator scores in order to be able to formulate judgments about the country-specific progress in transition. The transition indicators are grouped into four main fields: enterprises, markets and trade, financial institutions and infrastructure. The indicators from 1 to 4+ represent little or no change from a rigid, centrally planned economy, whereas 4+ stand for standards of an industrialized market economy. The EBRD report also points at the private sector's share in the GDP (Table 10).

According to the present EBRD report (2005) Hungary leads the movement of transition among the post-socialist countries, Romania has important debts in the governance and enterprise restructuring, the competition policy and the securities markets. Serbia-Montenegro could show important progress only in the case of price liberalization.

Table 10: Transition indicator scores, 2004

Indicators	Hungary	Romania	Serbia-Montenegro
Large-scale privatisation	4	4-	2+
Small-scale privatisation	4+	4-	3+
Governance and enterprise restructuring	3+	2	2
Price liberalisation	4+	4+	4
Trade and foreign exchange system	4+	4+	3+
Competition policy	3	2+	1
Banking reform and interest rate liberalisation	4	3	2+
Securities markets	4-	2	2
Infrastructure reform	4-	3+	2
Total	34	28	21
Private sector share of GDP (%)	80	70	50

Source: Transition report – 2004. EBRD

3. Political, social and economic relations between Romania and Hungary, Serbia and Hungary prior to Hungary's accession to the EU

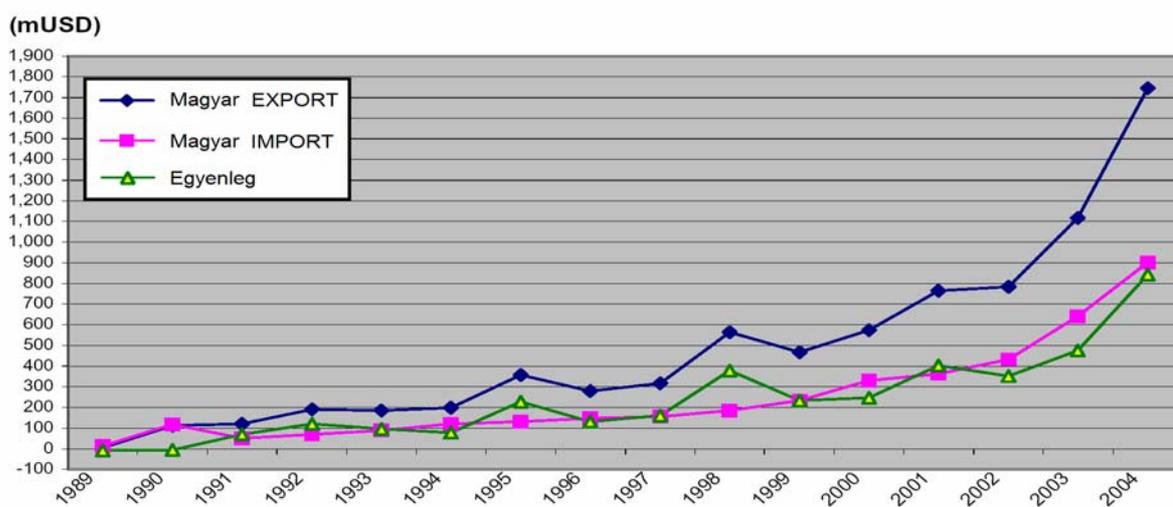
3.1. Cooperation Forms Between Hungary and Romanian Prior to Hungary's Accession to the EU

Following the signing of the Trianon treaty at the end of the First World War, borders between Hungary and Romania had been redesigned and bilateral relations had been rather frozen throughout several decades. Only after the overthrow of the Ceausescu regime in 1989 did hopes for a normalization of relations flourish again. The difficulties arising from the transition to a market economy as well as the significant economic differences posed additional burden on the initiation of cooperation forms. The unfolding of cross-border cooperation has been hindered by the fact that the Hungarian regions in the vicinity of Romania are economically underdeveloped and have been particularly affected by the transitional changes. The social tensions foregrounding minority-related problems and nationalism intensified. However, strained relations between the two countries have progressively been left behind and bilateral relations at national, regional and local levels were enhanced in the last one and a half decades.

Economic Relations

Foreign trade between the two countries still registered a low turnover in the first period of the 1990s. Although the exchange of goods went upwards in the last decade, genuine prosperity could be felt only after 2000. In the years following 2000, imports and export figures steeply rose (Figure 6) so that the import-export turnover was three times higher by the end of 2004. Hungarian foreign trade has always had positive figures in relation to Romania. Hungarian exports primarily consist of electrical machines, vehicles, mineral fuel, medicaments and meat products. The accession to the EU had a negative impact on the exports of agricultural products to Romania, i.e. the export of cereals had been reduced with 70%. Aluminum and its derivatives, atomic reactors, boilers, machines and mechanical equipment, electric machines and accessories, clothing items form the bulk of imports of Romanian products.

Figure 6.
The evolution of Hungarian-Romanian foreign trade from 1989 to 2004

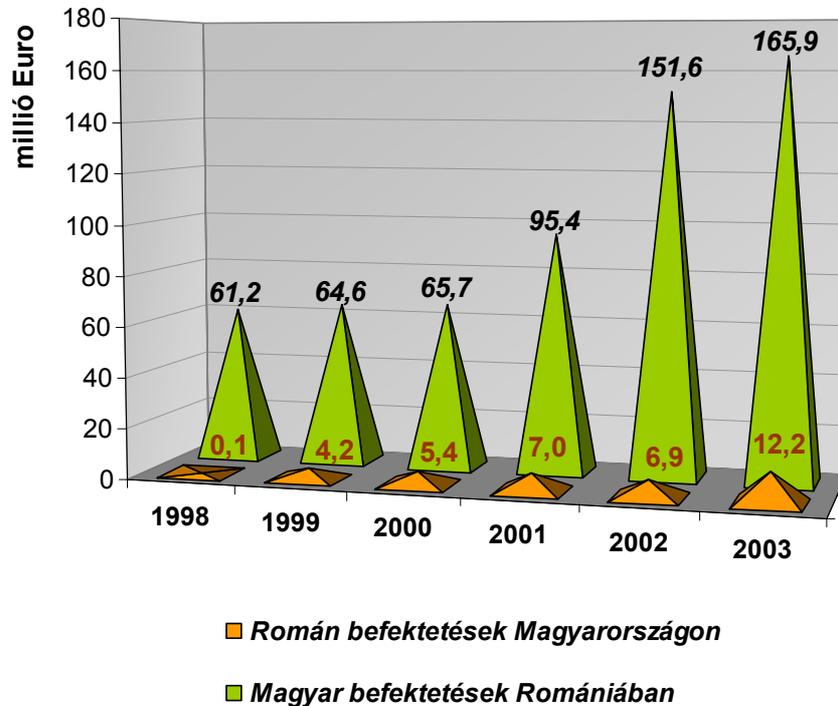


Source: KSH

Notes: Magyar Export: Hungarian Export, Magyar import: Hungarian import, Egyenleg: Balance

Mutual *capital investments* unequally evolved. After the change of regime, Romania continued to be a preferred destination for Hungarian capital. Already in 1998, Hungarian capital investment in Romania overtook 61 million EUR. Even though capital export has been continuously increasing ever since, a real jump of more than 45% was made in 2001, while in 2003 growth registered almost 59% rise. Within 6 years the value of Hungarian investment in Romania became three times higher and in 2003 it rose above 165 million EUR. If other elements of corporate investment are also taken into account - credits, assets, securities and the capital market operations – only in the first half of 2005 the real value of Hungarian capital in Romania was more than 700 million EUR (Figure 7).

Figure 7: The evolution of Hungarian and Romanian mutual investment from 1998 to 2003



Source: Figure compiled on the basis of the data provided by the Hungarian National Bank
 Notes: Román befektetések Magyarországon: Romanian investments in Hungary, Magyar befektetések Romániában: Hungarian investments in Romania.

Hungary is ranked only 14th among the countries with investments in Romania. However, in respect to the number of joint ventures created, Hungary fills in the 5th position. On the other hand, even though the value of Romanian investments in Hungary continues to go upwards too, Romania does not count as a significant investor in its neighbouring country (in 2003 the value of investment was 12,2 million EUR, meaning less than one tenth from the value of Hungarian investments in Romania). Industrial sectors (chemical industry/engineering) as well as the banking sector are mostly attractive for Hungarian investors. 30% of the Hungarian companies have investments in the Romanian heavy industry, whereas 16% of them flourish in the retail industry, 24% in the industrial sector and 14% in the services branch.

Contrary to investments from other countries, Hungarian capital is primarily placed in the Romanian regions inhabited by Hungarians, namely in the four counties along the Romanian-Hungarian border (Szatmár, Bihar, Arad, Temes) and in the inner counties of Transylvania (Kolozs, Kovászna, Maros, Hargita). In addition, prominent Hungarian investments are directed towards the otherwise geographically isolated Bucharest. The

presence of Hungarian investors is explained by the fact that Transylvania is among the more developed Romanian regions, moreover, by the use of a common language and by prior investments made there. Investment in the farther regions is impeded by several factors such as: the low capacity of absorption, the unqualified labour force and the backward infrastructure. However, one has to note that Hungarian entrepreneurs investing in the areas near the border generally bring less capital value: the average size of their investment barely counts as a quarter of the non-Hungarian investments. These entrepreneurs are predominantly micro and small enterprises. Nevertheless, the major Hungarian businesses (OTP, MOL, TriGránit and Richter Gyógyszergyár, etc.) have also invested – mainly in Bucharest and in the larger towns from Transylvania (MOL Rt. is largely present in Bucharest and operates the petrol station in the Székely county).

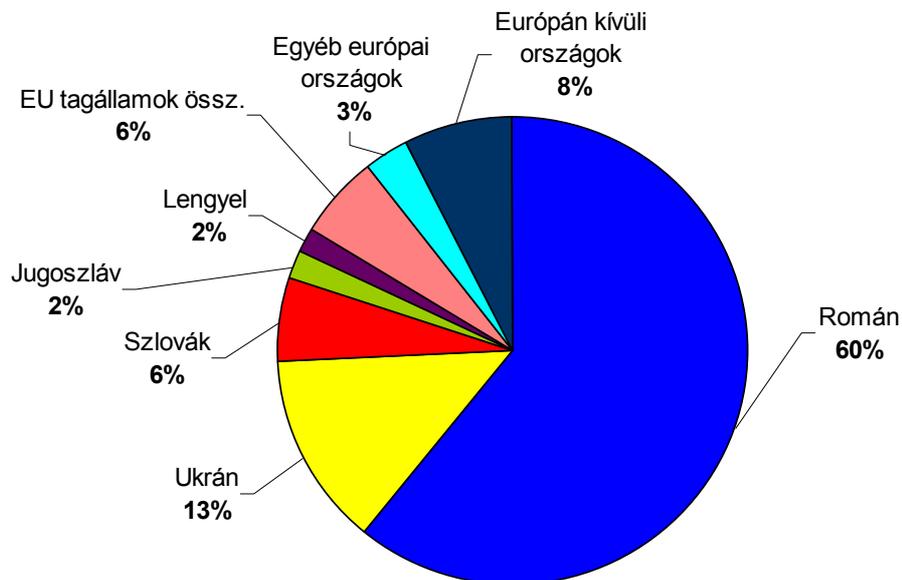
Romanian export of capital to Hungary has been mainly directed to Budapest. This trend can be mostly explained by the fact that the Eastern part of Hungary is economically underdeveloped and that there is not a significant Romanian minority over the border (namely it did not settle there because of the language difficulties). In addition, Romanian companies take Hungarian capital for a safe stepping stone in the direction of the EU or they choose to invest in the Western part of the country. Several assistance schemes have been designed under Hungarian – Romanian cross-border economic cooperation programs with the purpose of remedying the unfavorable status of the border region (euroregions, agencies of regional development, chambers, business development endowments, etc). With the exception of the PETROM investment started up in 1999, these attempts have had little success in the Southern plain so far.

As earnings in Romania are significantly lower and living standards poorer than in Hungary, it is not surprising that the number of Hungarian citizens in possession of a Romanian work permit is not representative. On the contrary, the number of *Romanian citizens working legally and illegally in Hungary* is highly representative. On the basis of the number of work permits distributed to foreigners of different nationalities in the first half of 2002 it can be argued that most of the workers come from Romania, Ukraine and Slovakia (these ratios are still sound). The majority of comers originating from the neighbouring countries are of Hungarian nationality, thus not facing integration difficulties in the guest country (Figure 8).

The number of foreigners officially in possession of work permits –thus not even the large number of Romanians - does not influence the dynamics of the labour market. If one takes into account both the figures of those officially unemployed and of those filling in vacancies their number is at an acceptable level. Greater problems arise from the fact that the period of time spent for performing seasonal work has an upward trend, however not in those areas where seasonal work would be needed indeed.

In a retrospective analysis, the great majority of foreign labour force has been seeking jobs in Budapest and Pest county, while only a fraction of the comers have found incentives to settle in the counties along the border with Romania (Figure 9). As the ratios on the figure show, they were not significantly modified in the last years, although smaller variations occur every season. As of figures effective on 30 June 2002, 41 972 work permits were released to foreigners. Out of these, 23 338 sought jobs in Budapest, some seven thousand in Pest county, whilst barely 300 worked in Borsod-Abaúj-Zemplénben county, 510 in Hajdú-Bihar and 530 in Szabolcs-Szatmár-Beregen county. Compared to the previous year, the regional differences slightly decreased, inasmuch as the share of the capital and Pest county did not rise any further. At the same time, the proportion of foreigners with work permits in the Southern and Western regions went upwards. In other words, this means that due to the lower wages on the Hungarian market, the high rate of unemployment and the scarce work opportunities, the Eastern region of Hungary will not be able to attract foreign workers in the future either.

Figure 8: The distribution of Hungarian work permits on nationality criteria in the first half of 2002

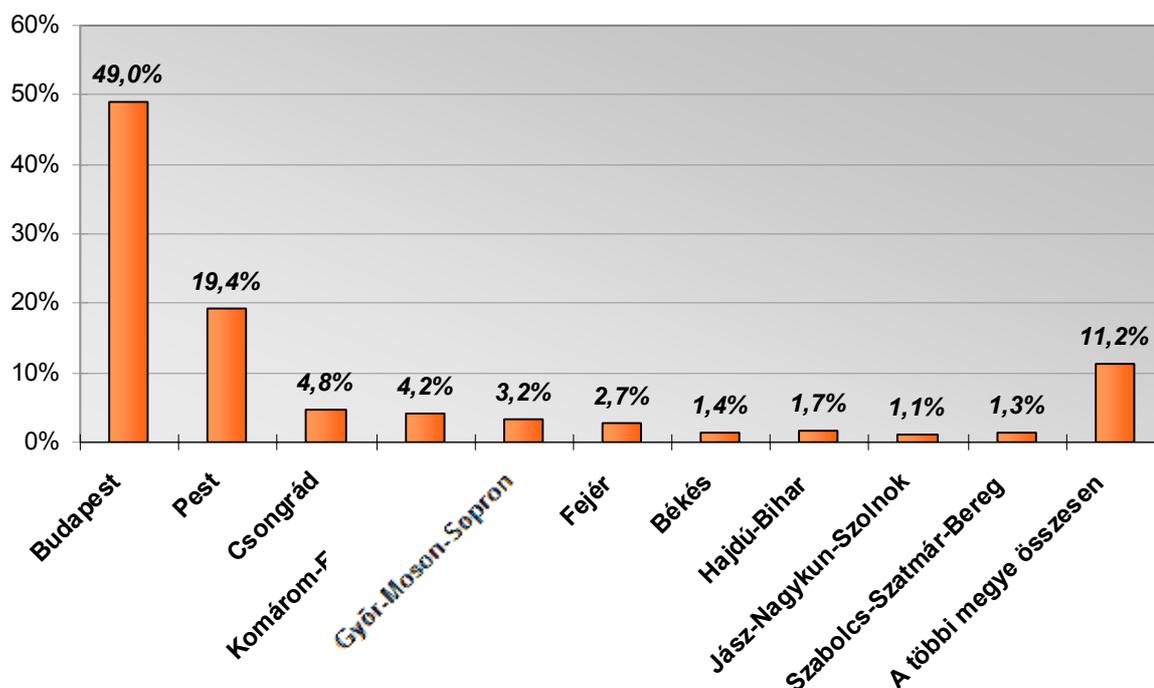


Source: Figure compiled by Balcsók I. on the basis of the data provided by the Labour Office

Notes: Román: Romanian, Ukrán: Ukrainian, Szlovák: Slovakian, Jugoszláv: Yugoslavian, Lengyel: Polish, EU tagállamok össz.: EU total, Egyéb európai: Other European countries, Európán kívüli: Out of Europe.

Romanian citizens working on the Hungarian black labour market essentially get seasonal jobs in agriculture and constructions. There are no accurate data in connection with their status but it can be argued that a great deal of them work in compliance with the legal provisions. In many cases, illegal/black work is just a statutory concept. Sometimes the only way to respond quickly to the demands of entrepreneurs in exchange of modest rewards is to hire Romanian citizens ready to come to the small Hungarian settlements along the Romania-Hungarian border. It often happens that it is more advantageous to transport the group of illegal workers over the border in the required area for only half of the usually charged daily-work fee. This is explained by the fact that the accommodation cost for several days is still cheaper than hiring the services of Hungarian employees. In addition, guest workers on the black market are not interested in meeting all formal requirements in order to get a legal work permit. Generally, the usual procedures for getting a work permit can take up to two months and the related costs (for workers from abroad who anyway get lower incomes) amount to some 40 thousand forint (about 200 EUR). To sum up, even though the black market already seriously affects the regional labour market along the border with Romania, the rate of unemployment is still high in these areas. It could be therefore concluded that this phenomenon does not exert a significant influence so far.

Figure 9: Distribution by counties of the effective number of work permits released to foreigners (31 December 1999.)



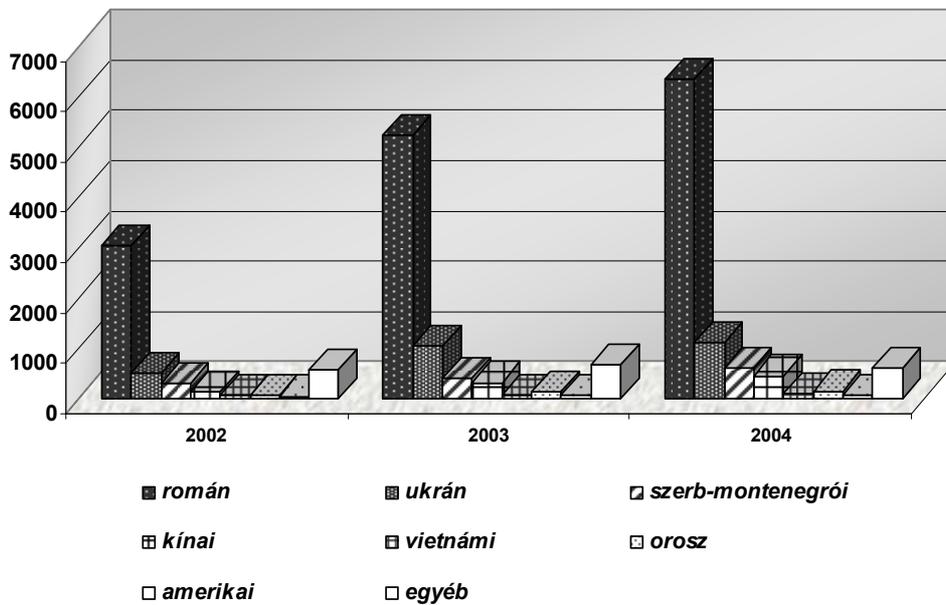
Source: Table compiled on the basis of the data provided by the Labour Office
 Note: distribution by counties; A többi megye összesen: other counties

Migration

It can be argued that migration tendencies are similar to the work patterns. That is to say that the number of Hungarian citizens settling in Romania is not at all representative, whereas for Romanian citizens Hungary is one of the cherished destinations. For years, the proportion of Romanian citizens in possession of residence permit has been the highest in comparison to other nationalities settling in Hungary. From 2002 to 2004 their number doubled, while their ratio systematically exceeds 60% (Figure 10). Accordingly, at the end of 2004 Romanian citizens were in possession of 55723 immigration permits (58.9% from the total number released to foreign immigrants) and of 11865 residence permits (68,4% from the total number of residence permits attributed to foreigners). Romanian citizens settling in Hungary are predominantly of Hungary nationality. Their migration is not merely justified by ethnic reasons but also by the encouraging economic prospects that re-settling entails. It is not easy to identify accurate data/trends from the distribution of Romanian immigrants in the Hungarian regions. However, on the basis of the distribution of work permits it can be argued that most of Romanians choose to settle primarily in Budapest and Pest county and in

Western Hungary. Only a few prefer to reside in the regions along the Romanian border, nevertheless they still constitute more than half of those settling close to the border.

Figure 10: The evolution of the residence permits' number according to citizenship (2002–2004)



Source: The Office for Immigration and Citizenship

Notes: román: Romanian, ukrán: Ukrainian, szerb-montenegrói: Serbian, kínai: Chinese, vietnámi: Vietnamese, orosz: Russian, amerikai: American, egyéb: others

Education

The number of Romanian citizens coming to study in Hungary is also significant. They are solely Hungarian nationals from abroad and mainly graduating from higher education institutes. Unsurprisingly, as Hungarian is the language of instruction, they are not confronted with language problems. Many years of experience have shown that

a great deal of these students do not go back to Romania, trying instead to settle themselves in Hungary.

In the past years, out of the total number of Hungarian students from Romania enrolled in basic training only less than 10% pursued their studies in Hungary (the ratio of Hungarians from Ukraine approached 50%). From the perspective of Hungarian nationals outside the borders, training pursued in their country of origin is still very important, since certain special training programs are made available there in Hungarian and at an adequate level. At the same time, among 12913 foreign students enrolled in Hungarian institutes in the academic year 2003-2004, almost a quarter of them (3105 persons) came from Romania. The majority of Romanian students – similarly to students from other neighbouring countries – benefit from college and university training. Besides, the number of students from Romania enrolled in Hungarian PhD and DLA programs is more than half from the total number of foreigners. (Table 11)

Table 11: The number of foreign students coming to Hungary from the neighbouring countries

Country	Higher education	College level	University level	Further specialization	Phd, DLA	Total
	Number of students receiving training					
Austria	1	14	8	5	4	32
Croatia	3	32	168	13	9	225
Romania	13	1 647	1 001	122	281	3 064
Serbia and Montenegro	0	601	469	8	17	1 095
Slovakia	5	1 223	1 115	37	67	2 447
Slovenia	0	14	18	1	2	35
Ukraine	5	662	437	10	58	1 172
Total no. of foreigners	28	5 016	7 049	240	580	12 913

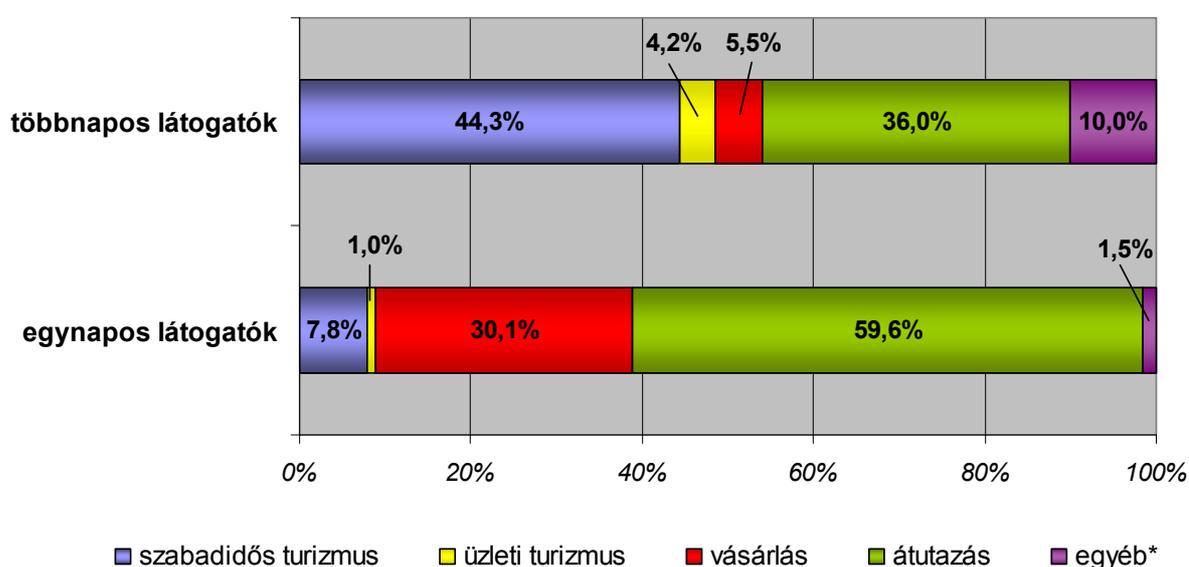
Source: Table compiled on the basis of the data provided by the Ministry for Research

Tourism

Tourism between Romania and Hungary became an important sector. Most of the foreigners visiting Hungary are from Romania. In 2004, a fifth (6922 thousand people) from the total number of foreigners came from Romania, thus overtaking the visitors from Slovakia, Austria, Serbia and Montenegro, Germany, Ukraine and Croatia. Close to 80% from the total figure of tourists visiting Hungary in 2004 came from these six countries and Romania. From the number of Romanian visitors in Hungary, 71,5% came here only for one-day visit, 19% spent from one to three nights here, whereas 9,4% four or more nights. Altogether 8,7% from the amount of one-day visitors traveled

for touristic purposes (leisure tourism³⁵ – 385 thousand persons, business tourism³⁶ – 48 thousand persons). The rest of visitors only passed through Hungary or they came to do shopping here. From the number of tourists spending more days in Hungary almost half came for tourism, however, among these the number of visitors in transit is still high (Figure 11).

Figure 11: The number of Romanian visitors in Hungary according to their travel destinations



Source: Table according to KSH data

Notes: többnapos látogatók: several-day-visitors, egynapos látogatók: one-day-visitors. Szabadidős turizmus: leisure tourism, üzleti turizmus: business tourism, vásárlás: shopping, átutazás: transit, egyéb: other

From examining the distribution of Romanian tourists visiting Hungary for several days according to touristic regions, it can be concluded that Budapest has been the most preferred destination. Nevertheless, the South and Northern Great plain regions at the border with Romania receive a significant proportion of visitors (Figure 12). On the other hand, the per capita daily expenditures of Romanian one and several- days visitors

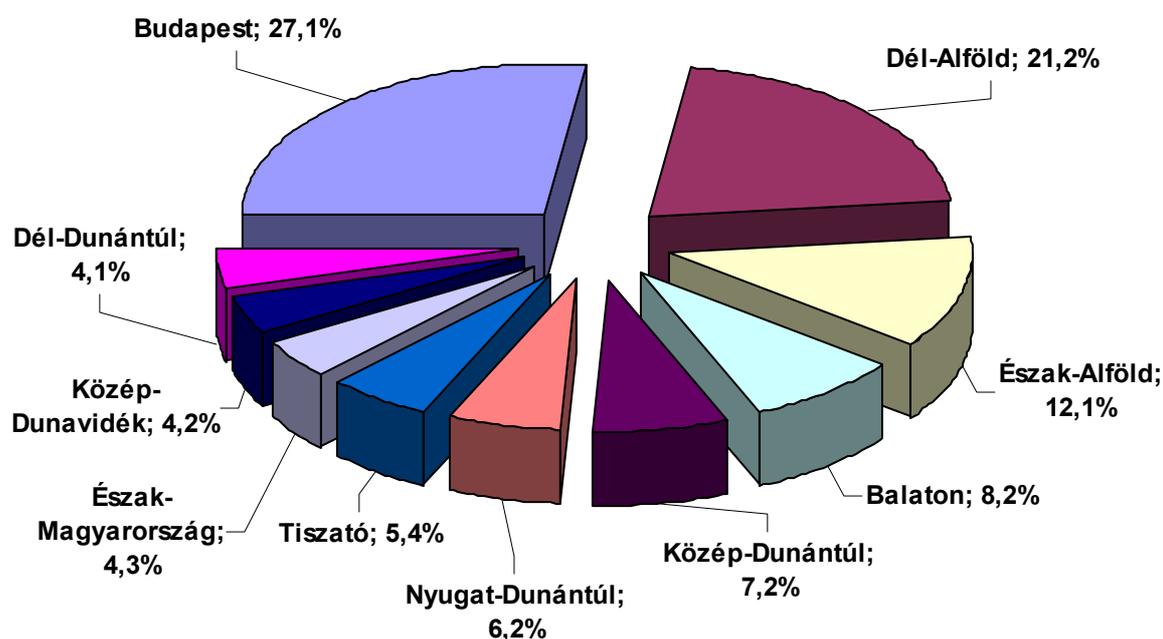
³⁵ Leisure tourism: holiday; round trip; sightseeing; hiking; visiting relatives, friends, acquaintances; medical treatment; wellness treatment; taking part to cultural and sport events; hunting; religious purposes.

³⁶ Business tourism: conference, congress; business trip; exhibition; market

are quite low. In 2004, the 4,8 thousand forint expenditures were significantly behind the average of 8,4 thousand forint of the other foreign visitors in Hungary.

Romania is a preferred destination for Hungarian citizens, too. According to the figures, in 2004, on the second place after Austria, Romania received the highest number of Hungarian tourists (3286 persons). Nonetheless, this figure is less than half from the total number of Romanians coming to Hungary. The proportion of one-day visitors is 72,1%, out of which the majority certainly traveled to Romania for shopping and “petrol” tourism. Unfortunately, KSH does not provide detailed data on the motivations of travelers, but from experience it can be concluded that Hungarian tourists go to Romania for several-days visits for leisure tourism. First of all, they visit areas populated by ethnic Hungarians, especially places of interests and holiday resorts in Transylvania and the Székely region.

Figure 12. The distribution of several-days visitors from Romania to Hungary according to touristic regions



Source: Own compilation on the basis of data provided by KSH

In addition to the above, Hungarian-Romanian relationships entail several other aspects, from cultural relations and twinning settlements to environmental cooperation. A series of treaties regulated the cross-border cooperation between the two countries. Besides

border control and patrolling agreements, a series of *state treaties* with direct impact on cross-border cooperation had been signed between Romania and Hungary. Among these, the *Hungarian-Romanian Comprehensive Agreement* (1997, yearly code XLIV.) is the most important, as it enforces the cooperation framework. The intergovernmental expert committees (i.e. the Committee concerning cooperation among minorities, the Committee concerning economic, trade and tourism - related cooperation, the Cross-border cooperation Committee respectively that for cooperation among local governments, the Committee for infrastructure, traffic, water and environmental management cooperation, etc.) set up in terms of the treaty the most important tasks. In other words, who is to work out and to monitor the cooperation between Hungary and Romania in “joint affairs”.

Numerous bilateral comprehensive cooperation agreements have been and are enforced at the social economic level (i.e. the convention on multimodal forwarding of goods, the Hungarian-Romanian agreement on the protection of investments, diplomas issued by accredited research institutes, diplomas, official certificates and bilaterally recognized academic degrees, the Hungarian-Romanian cooperation agreement on privatization, etc). Among these, due to geographic conditions, the agreements on water management and environment protection receive special attention.

Cross-border relations

The fundamental framework has been defined on the grounds provided by the Hungarian – Romanian Border Rivers Convention signed in 1986 and by the Treaty on “Cooperation in regard to environmental protection” in effect from 2000. In addition, several agreements on water conservation have been enforced (i.e. the Agreement on the Flood Control, the Agreement regarding drainage, the Rule on the Exchange of Information, etc). In fact, the need for closer cooperation has arisen from the fact that the border line cuts in two the natural ecosystem (among which a great deal of ecological corridors) and that the two areas are connected through a network of surface – underground water systems (with numerous water flows across the border). Moreover, enhanced cooperation is justified by the existence of common surface and underground water supplies in the area, by the fact that the industry in the border region – especially on the Romanian side – is outdated and makes use of environmental-polluting technology. This entails high environmental risks, as for instance in the case of Tisza and its related tributaries which are regularly contaminated with cyanide and heavy metal residuals.

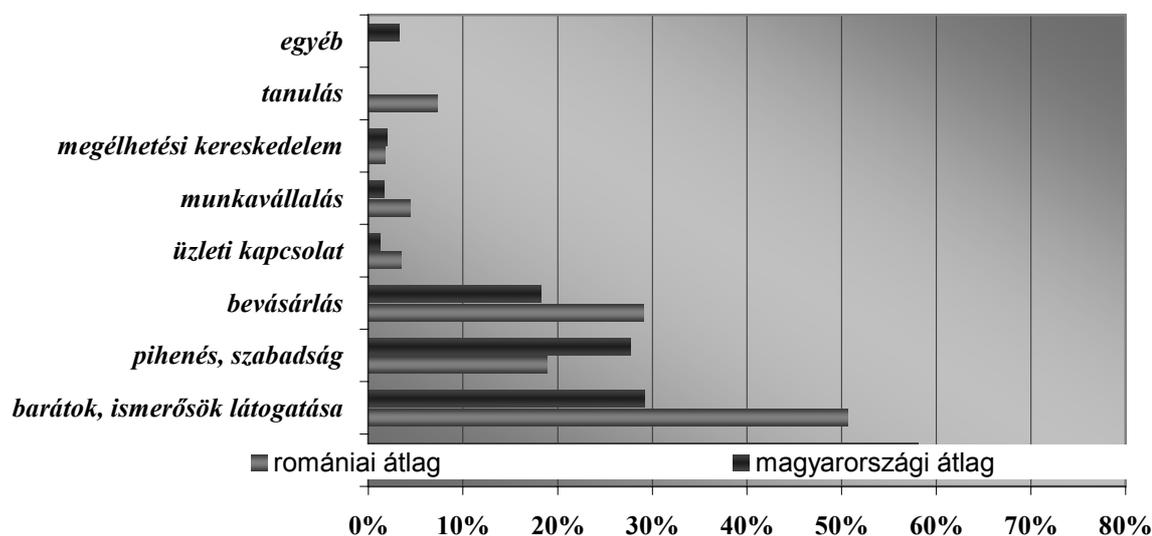
The establishment of *eurometropolises* in the 1990s as well as of new and smaller-sized euro-regional organizations and agencies significantly contributed to the intensification of the

cross-border relations. The Hungarian and Romanian counties along the border line share two large-scale, very diverse euroregions given their development and operational patterns: the Carpathians Euroregion and the Duna-Körös-Maros-Tisza Euroregion. The western part of the border line incorporates the Carpathians Euroregion – facing the Duna-Körös-Maros-Tisza Euroregion, in place from 1997 on. This has not been the result of a self-developing, “bottom-up” initiative but its framework has been enforced in connection with greater political objectives, in a “top-down manner”. The Carpathians Euroregion has a “multinational” character. Oversized historical-territorial-ethnic and other sort of problems prevent the large organizations from working efficiently there. Once this has been acknowledged by local actors, they came to realize that smaller-sized and hereby more efficient Euroregional organizations should be created. Two organizations at county level are already in place: the Interregion, formed at the border between Romania-Ukraine and Hungary and the Hajdú-Bihar-Bihar Euroregion respectively. Moreover, the Bihar-Bihar Euroregional Organization has come into being on the two sides of the border, as merger of the associations created by the inhabitants of the Bihar and Bihor regions. .

In addition, the *agreements between settlements* have a significant importance for cross-border relations. Among these, the most efficient framework in view of daily, operational agreements is the twinning of cities (i.e. Nyíregyháza – Szatmárnémeti, Debrecen – Nagyvárad, Békéscsaba – Arad, Szeged – Temesvár). Many Hungarian settlements have a Romanian twin town. It can be nevertheless argued that these relations could essentially come into being due to the existence of Hungarian-Hungarian relationships. In other words, amongst Romanian settlements, the majority of partners are Hungarian. Consequently, we could distinguish among the cross-border relations on one hand those that render cooperation more operational and on the other hand most of the cultural relations existing between twin towns. Many Hungarian settlements are involved in such relations, whereas most of the Romanian towns participating in twinning projects are from the Székely region.

Frequent and diverse relations develop between the inhabitants of the very border region in particular. With regard to the nature of cross – border relations with the neighbouring country, Romanian and Hungarian respondents have equally placed personal relations (visits of relatives, friends, and acquaintances) as the most frequent motivation. Furthermore, both parties have emphasized the frequency of resting and leisure – related as well as of shopping- driven motivations (Figure 13).

Figure 13. The nature of relations between the inhabitants of the settlements across the Hungarian-Romanian border (measured by their frequency)



Source: Data collected from a questionnaire-based survey, administered by Debrecen Institute of MTA RKK ATI

Notes: egyéb: other, tanulás: education, megélhetési kereskedelem: smuggling (?), munkavállalás: work, üzleti kapcsolat: business relationship, bevásárlás: shopping, pihenés, szabadság: recreation, barátok, ismerősök látogatása: visiting friends and relatives, romániai átlag: Romanian average, magyarországi átlag: Hungarian average.

A development concept and programme, with particular relevance to the Hungarian-Romanian cross border relations, was designed in September 2000. Its priorities were revisited in 2003. According to the main document entitled *The Development Concept and Program for the Hungarian-Romanian Cross-Border Region*, its objectives are formulated at the county level. The counties concerned from the Hungarian side are Szabolcs-Szatmár-Bereg, Hajdú-Bihar, Békés and Csongrád, whereas from the Romanian side Satu Mare, Bihor, Arad and Timis counties are included in the programme.

3.2. Forms of Cooperation Between Hungary and Serbia–Montenegro Before the EU Accession

The social and economic differences between Hungary and Serbia after 1990 are due to the different paths that systemic changes undertook. While Yugoslavia has been involved in a civil war (although a multi-party system has been also established there, the power was practically in the hand of the post-communist nationalists) Hungary started and - as the most relevant indicators show - completed the transition period to a market economy. .

As argued in the previous chapter, Serbia-Montenegro and Voivodina have been completely ruined by the war. The economy continued to be in a shattered state after 2000 and development is very slow. Transition is an ongoing process; the country's social, economic situation is not stabilized yet. Unemployment level remained high, inflationary effect is strong, corruption is overwhelming whilst politics and cohabitation of nationalities are poisoned by nationalism. In spite of their pre-war dynamism, *the state of affairs in the border area with Hungary and Voivodina resembles this picture.*

The economic situation of Voivodina

Similarly to the general situation in Serbia, Voivodina is characterized by slow economic growth rate (in 2002 it was 2%), high unemployment, outdated technology, low competitiveness level, non-transparent legal regulation system and stagnating industrial production. In 2001-2002, Voivodina's economy was deeply confronted with stagnation in almost every economic sector. Import rates were higher than export ones and in August 2002 industrial production was less than half of the 1990 level. At the same time, territorial indicators are in many respects better than the indicators of Central-Serbia or the whole republic (Table 12):

Table 12: Comparison of some economic indicators of Voivodina and Serbia

	Voivodina	Serbia	Central-Serbia ³⁷
2001-2002 industrial production growth (%)	2,1	1,7	1,6
2001-2002 wholesale trade turnover growth (%)	9,5	3,1	1,7
2002 per capita average real income (dinars)	10 480	8 742	9 208

Source: Socio-Economic Trends, 2002, 9.

27% of the active population is unemployed in Voivodina. Since 2001 on, the unemployment level has been growing with 10% (there are 500 thousand employed and 270 thousand unemployed persons). Factory bankruptcies are also frequent nowadays. Employment is in many cases (according to the estimations in the case of 200 thousand employees) translated by a formal or a minimal salary. The post- civil-war influx of

³⁷ Without Voivodina and Kosovo Autonomous Regions

Serbian refugees exacerbated economic stagnation, generating further unemployment (in 1996 the unemployment level was below 20%). Thus, in this regard the situation is worse here than in the case of Central-Serbia or of the whole country. While in Voivodina there are 123 unemployed persons to 1000 inhabitants, in Serbia this value is 101 and in Central-Serbia is 93.³⁸

Cross border cooperation between Hungary and Serbia

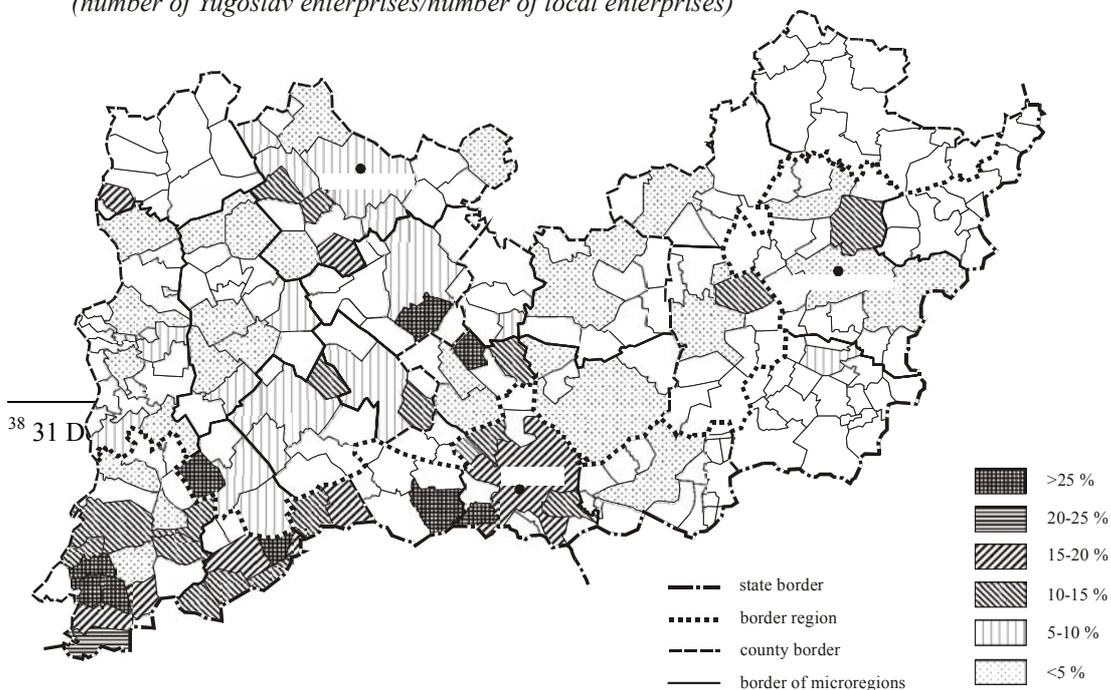
Even though Voivodina is considered to be one of the most developed regions of Serbia, it is still quite backward in comparison to the areas at the Hungarian border. This area bears the ruinous consequences and aftermath of the civil war whereas in the southern Hungarian border area “only” signs of backwardness and very slow development are to be noticed.

Some words on the civil war period

During the civil war in the 1990s, fleeing ethnic Hungarians from Serbia, Serbs and other Yugoslav ethnic groups transferred significant wealth over the border, in Hungary. The number of Serbian enterprises has risen in the southern border region, strong migration processes have started, trade and other relations have been enhanced. Szeged became the central settlement of entrepreneurial capital investment. The refugees located their new enterprises near to the border, by this indicating their wish to return to the origin country. Only 15% of the capital investments were real, 85% of them consisted of fictive family enterprises with insignificantly subscribed capital.

Figure 14:

*Yugoslav enterprises in the settlements of the Southern Great Plain
(number of Yugoslav enterprises/number of local enterprises)*



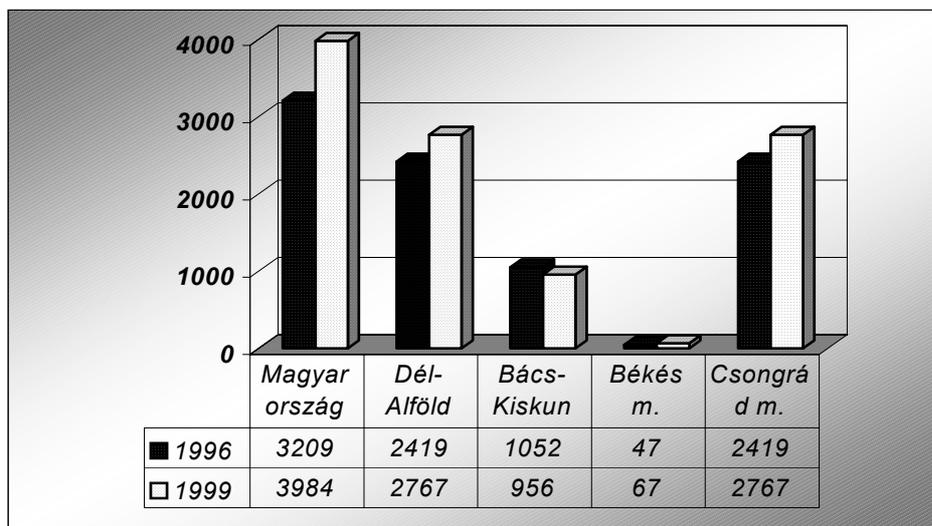
Source: Szónoky Miklósné 1999.

Wealth was transferred in the banks from Szeged at the end of the 1980s. Many people bought flats, which significantly pushed up flat prices in Szeged; others invested their capital in enterprises. During the 1993 immigration wave period, many enterprises came into being in the Bács-Kiskun County. In regard to Hungary's territory, the Szeged–Kecskemét–Budapest axis became especially attractive for investors (Figure 14).

After the war

At present, Hungarian entrepreneurs are highly reluctant to invest in Voivodina or in other Serbian territories. Since 2001, some 140-150 investments have been registered in Voivodina. Hungarian SMEs mainly opened branches there by establishing joint ventures with local partners. Hungarian firms often look there for work partners that could use the significantly cheaper Serbian labour. The presence of Hungarians in Voivodina is favorable to Hungarian investors as they represent cultural and information capital for them; their language skills and local knowledge facilitate the Hungarian intrusion into the Voivodina market. In the communities led by Hungarian local governments Hungarian firms can count on the local governments' political support. Moreover, they enjoy certain economic benefits by cooperating with local Hungarian entrepreneurs (Figure 15).

Figure 15. The situation of the Yugoslav enterprises in the counties of South Great Hungarian Plain (Dél-Alföld) 1996–1999

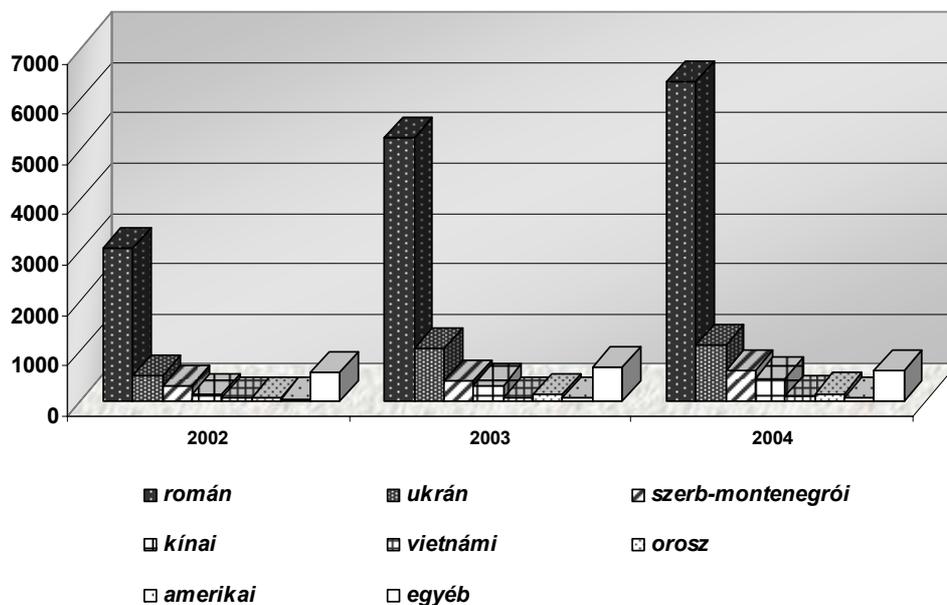


Source: CD Cég hírek (Firm news) 1996, 1999.

Migration

Political tensions, fleeing away from the capital and family unifications³⁹ significantly contributed to the migration processes. These processes have mainly been a feature of the first half of the 90s, however, they are still ongoing. Figure 16. illustrates migration processes in the first years of the new millennium, analyzed on the basis work permits, settlement permissions and the naturalization processes. The current share of immigrants from Serbia-Montenegro is significantly lower than in the 90s, yet there is a slightly growing tendency.

Figure 16: The evolution of the residence permits' number according to citizenship (2002–2004)



Source: Office of Immigration and Nationality, 2004

Notes: román: Romanian, ukrán: Ukrainian, szerb-montenegrói: Serbian, kínai: Chinese, vietnámi: Vietnamese, orosz: Russian, amerikai: American, egyéb: others

³⁹ The male family members abroad aimed at family reunification.

Economic relations with Hungary

Yugoslav-Hungarian and cross-border economic relations had been very lively before the change of the system. During this period, the reclusive policy of the socialist countries was mitigated by the so-called “small border traffic”⁴⁰, very prolific at the beginning of the ‘80s. In the trade sector, the department store cooperations⁴¹ were in favour of a higher export-import rate, and their primary aim was to diversify the product offer.

Under the cooperation framework of the food processing industry, Hungarian sugar beet and soy bean productions were also processed in Voivodina. In the ‘70s and ‘80s, cooperations were set up in the milk industry, meat industry, plant improvement and in the field of seed grain production. Moreover, relations between agrar experts supported the experience exchanges launched at the higher education level and in the seed grain producing institutions (Bácsalmás). Seed grain production and research carried out in the Agricultural Faculty of Újvidék University were opened to Hungarian producers until the mid-‘80s.

In other words, a dynamic division of labour remained in place until the beginning of the 90s. On the other hand, inter-institutional and interpersonal relations extensively developed. At that time, Yugoslav firms had better relations on the global market as technology and product development had been in place in Voivodina earlier than in Hungary. There was a significant rate of “shopping” tourism, but of real tourism too. Although in a quite formal way, the process of twinning settlements also started at the time. In addition, contacts were initiated and developed between economic organizations too.

The dynamic relations that had existed before the systemic change have been disrupted by the civil war when Yugoslavia disintegrated. As currently incurring sanctions, the small economy of Yugoslavia has been not able to establish significant economic and trade relations so far. These relations show an upward tendency only since 2000 on. But opportunities are open in the region; the “relations/connections” capital could be immediately activated under favorable circumstances (e.g. the Kunbaja producers buy the seed grains from the mentioned Újvidék research institution).

Since 15 August 1996, ambassadorial relations exist between Hungary and Serbia-Montenegro. There is an embassy and trade agency in Beograd and a foreign economy attaché in Subotica/Szabadka.

⁴⁰ The border area population’s freer traveling, border crossing were made possible by an interstate agreement.

⁴¹ It was not an accepted socialist solution; the corporations generally were not authorized to directly cooperate.

Several important bilateral agreements have been signed between the two countries:

- Total visa exemption agreement (27 April 1967);
- The most favored nation status ensuring economic and trade agreement (1996);
- Agreement aiming the avoidance of the double taxing; Investment protection agreement (20 May 2001);
- Bilateral free trade agreement (7 March 2002)⁴².

Although bilateral trade relations were enhanced since Autumn 2000, no significant results could be registered. Moreover, the implementation of the free trade agreement and of the so-called ‘six points economic package’⁴³, is quite slow.

The cooperation forms between the enterprise development foundations, firms, commerce and industry chambers, and by different exhibitions, fairs, business people meetings⁴⁴ organized by the county and local governments contributed to the strengthening of cross-border economic relations. In spite of the differences between the Hungarian and the Serbian Chambers, they can still significantly assist in the enlargement of direct corporate relations, in the mutual participation to exhibitions and fairs, in the organization of cross border business meetings and in the exchange of information.

The target areas of cooperation are commerce, wood industry, food processing industry, confection industry, furniture industry, and business consulting. As a result of cooperation, it is worth mentioning the setting up of the Cross Border Coordination Working Committee; it coordinates the work of regular chamber meetings, the mutual fair participation and the business meetings.

Hungarian direct investment

Cooperation possibilities and expectations are much higher than the actual involvement of the Hungarian capital in the Serbian economy. In fact, the Serbian party suggested that the Hungarian government should send experts to the Serbian Ministry for Economy and Privatization, in order to promote participation to privatization

⁴² Business2Hungary.yu, Hungarian Investment and Trade Development Agency Our bilateral economic relations, <http://www.business2hungary.hu/>.

⁴³ - free trade agreement

- energy systems’ cooperation
- SMEs credit guarantee based support
- Building of the Budapest-Beograd motorway
- participation in the reconstruction
- tourism cooperation

⁴⁴ East-West Expo, Farmer Expo International Agricultural and Food Processing Industry Professional Exhibition, Csaba-Expo

programs⁴⁵. An agreement was signed by the General Consul of Szabadka and the Economic Chamber of Zombor district, aiming at the higher participation of Hungarian investors to the privatizations in Voivodina. Accordingly, the Zombor economic chamber will provide on-line information regarding the district's economic possibilities and the firms to be privatized⁴⁶.

Commerce

The free trade agreement between Hungary and Yugoslavia came into force on 1 July 2002. According to this agreement, Hungary contributes to the temporary insurance of certain, one-side advantages in connection with the elimination of customs; this is the first such agreement, when Hungary accepts certain asymmetry in the benefit of the other party. Concerning Yugoslavia, this is the first free trade agreement which was concluded in line with the norms of the World Trade Organization (WTO). The evolution⁴⁷ of bilateral trade in the last two years is illustrated by Table 13.

Table 13: The evolution of the bilateral trade 2001–2002

Year	Trade turnover (million USD)	Hungarian export into Yugoslavia (million USD)	Increase of the Hungarian export (The same period of the previous year=100)	Hungarian import from Yugoslavia (million USD)	Increase of the Hungarian import (The same period of the previous year =100)
2001	258,6	194,0	109,5	63,0	106,9
2002	350,0	224,5	115,0	66,8	120,6

Source: HCSO⁴⁸ Foreign Trade, 2002. 12. 5/b

Foreign trade turnover concerning the relatively important countries
www.ksh.hu/pls/ksh/docs/hun

In 2001 Hungary was on the eighth place in regard to Yugoslav exports. As far as imports are concerned, it was on the fifth position, with significant Hungarian bilateral foreign trade surplus⁴⁹. As for Hungarian export, the share of processed products is the largest, but food, beverages and tobacco are significant Hungarian export items too; Serbia-Montenegro mainly exports products processed in Hungary. Following the free

⁴⁵ Meetings on the Hungarian enterprises' participation in the Serbian privatization Magyar Szó (Hungarian Word) 7 December 2002

⁴⁶ Visa requirement and economic relations Magyar Szó (Hungarian Word) 7 December 2002

⁴⁷ Concerning the relations with Hungary, the trade between the Voivodina and Hungary grew 18% between 2001 and 2002 due to the effect of the free trade agreement.

⁴⁸ Hungarian Central Statistical Office

⁴⁹ IMF, 78–79.

trade agreement, the barter turnover between the two countries increased, thus *reaching the pre-war level*. It is difficult to objectively judge the role of the free trade agreement in the upswing of the foreign trade as the normalization of bilateral relations contributed to the development of trade independently from it. Contrary to the desired pace of bilateral relations, several unpleasant circumstances prevented potential Hungarian partners from initiating contacts. The cautiousness of Yugoslavia towards Hungarian entrepreneurs is justified because of the relaxed paying attitude, backed by the current state of the economy and the events of the previous years. The economy is characterized by mutual indebtedness of enterprises, no remedy has been found to it so far whereas it is only made more difficult by the restrictive financial policy. Cash or ready-made transactions dominate the foreign trade. Open transportation, delayed payment, application for product credit without bank deposits are not offered. The indebtedness, the lack of financial assets makes highly risky the collection of non-paid accounts, products and services. In case of a product bought in Serbia it is mandatory to avoid advance payment because of the "product elimination" risk. The collection of the expired claims via legal means is quite uncertain too. Due to the uncontrollable character of corporate transformations and financial channels, the payment of debt is questionable in the implementation phase as well. Transportation and technology discipline are insecure and unreliable, the custom procedure is slow and complicated and there are problems with the property registry (this latter is significantly better in Voivodina than in Central Serbia)⁵⁰.

Education

During the 90s, but mainly since 1993, in the hope of a more secure education, high school pupils and university students went to study to Budapest, Szeged or other centers where it was possible to get specialized education (wood processing high school, horticultural high school, actor training high school). The education-driven migration reached its peak between 1992 and 1995, and another intense period was around 1999, during the Yugoslavia NATO attacks. However, due to the economic and political difficulties, this process is still ongoing.

From Yugoslavia's point of view, the unprecedented higher education relations have been established during the most difficult times of embargo. Although there is a symbolic and formal-like cooperation between Szeged University and the Natural Science Faculty of the Újvidék University, the Zenta - based distance education center at the Horticultural Engineering Faculty of Saint Stephen University is much more significant for practical reasons. Through this connection, 80 horticultural engineers from North-Bácska got degrees and remained in Voivodina! The local branch of the Technical College from Gábor Áron University similarly operates in Szabadka and recently a SZÁMALK local branch opened in Topolya.

⁵⁰ Interview with András Pallos

As a result of cooperation in the higher education field, it could be mentioned that students from Hungary-based university and colleges could organize their summer training in Voivodina too, starting with the summer of 2000.

The following table (Table 14.) refers to, amongst others, the 2005 share of the students arriving from Serbia.

Table 14: The number of the foreign students arriving from the neighbouring countries in every faculties (persons)

Country name	Higher level vocational training	Colleges	Universities	Professional further education	PhD, DLA	Total
	Number of students					
Austria	1	14	8	5	4	32
Croatia	3	32	168	13	9	225
Romania	13	1 647	1 001	122	281	3 064
Serbia-Montenegro	0	601	469	8	17	1 095
Slovakia	5	1 223	1 115	37	67	2 447
Slovenia	0	14	18	1	2	35
Ukraine	5	662	437	10	58	1 172
Total foreigners	28	5 016	7 049	240	580	12 913

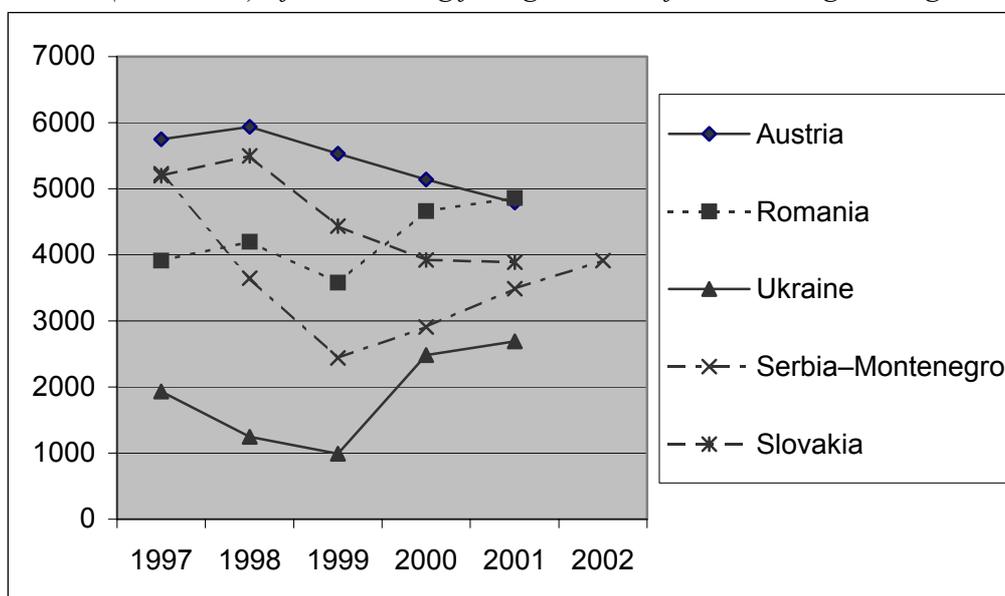
Source: data of the Ministry of Education

There is a continuous health care migration from the Hungarian inhabited Voivodina areas, i.e. the Voivodina people travel to Szeged to get specialized private treatment.

Tourism

The former Hungarian inbound tourism from Serbia, which mainly meant the mass arrival of the Voivodina people to the Hungarian spas, the Lake Balaton, Budapest, completely collapsed (1992–93). This is due to the change of system and the transition to a market economy, following which prices increased and Serbian economy found itself in decline. Only “shopping” tourism reappeared after the Serbian change in 2000, however there is a slight increasing tendency in other tourism branches as well. Transit tourism stayed alive during the 90s whereas education tourism is also significant. The structure of visits underlines this fact as well. In the first part of 2005 the share of one-day stay (transit tourism) was 81% while the share of stays over 2-3 days was minimal. The number of nights that visitors spent (in the first half of 2005) was 47000, indicating a 13% increase in comparison with the same period of the previous year (Figure 17).

Figure 17:
Number (thousands) of the arriving foreign tourists from the neighboring states



Source: HCSO

Water management and environmental protection

Water management relations, re-opened in 1955, contributed to the development of more intensive and fair cooperation forms. The number of water management organizations engaged in cooperation programs went up. In fact, it is indispensable to ensure continuous cooperation in view of fulfilling the professional requirements (the effective flood control and catastrophe protection presumes cooperation).

In the field of *environmental protection*, the Kiskunság National Park Directorate and the (Serbian) Voivodina Nature Protection Institute attempt to establish cross-border cooperation, with particular emphasis on concerted management of Szabadka forests and the Körös-ér Landscape Protection Area.

Regional, settlement cooperation

During the years after the change of system in Hungary, the Yugoslav-Hungarian *cross border cooperation* has been exclusively handled in the form of relations between settlements. This has been due to the absence of a proper “middle level” from the Yugoslav public administration. However, the local governments of *Bács-Kiskun and Csongrád counties* maintained relations with the Zombor and Szabadka municipal governments. Although these relations were restricted to a formal level during the 90s, they became more vivid in the context of regional cooperation carried out between Szabadka–Szeged and the Zombor–Baja regions. The Hungarian villages on the Serbian side (Ada, Becse, Bácsstopolya, Magyarkanizsa, Zenta and newly Törökkanizsa) set up significant contacts as well. The twin-town relations between smaller settlements are more or less restricted to cultural and sport activities.

The Voivodina Autonomous Region (VAR) is a member of the Danube–Körös–Maros–Tisa Euro region since 1997. Its greatest achievement was to assure full membership status for Szabadka city in this organization, in addition to the VAR membership.

In line with the Euroregion development strategy, closer cooperation of the region’s member counties is enhanced. However, this cooperation could be made more effective through developing communication strategies (border crossing points, public roads, regional information technology) and through European economic development methods (incubator houses, innovation centers, industrial parks). The reopening of the former Szeged–Temesvár–Kikinda railway as well as the assurance of the navigability on Béga and Temes Rivers are taken into account. In the context of the cross border regional development cooperation, in 2003 in Moravica an initiative was launched for the establishment of the Kunbaja–Bajmok Industrial Park and Logistical Center.

The readiness for cooperation is well proven by the existence of the border-related regional development concepts and strategies. Among the Hungarian documents there are direct references to this aspect e.g. in the *South Great Hungarian Plain Regional Development Strategy*, *Csongrád County Regional Development Strategy*⁵¹ as well as from the Serbian side in the *Serbian Land Use Plan*⁵² and the *Voivodina Economic Development Concept*⁵³. The *Upper-Bácska and North-Voivodina Cooperation Program* as well as the *DKMT Euro region Development Strategy*⁵⁴ are made possible with the participation of both states’ experts. All documents underline the importance of cooperation, emphasizing the significance of traditional economic sectors’ (food

⁵¹ MTA RKK ATI (Great Plain Research Institute of the Center of Regional Studies of the Hungarian Academy of Sciences) Békéscsaba Group, 2000

⁵² Prostorni Plan Srbije, 1996

⁵³ GTZ, 2003

⁵⁴ MTA RKK ATI Békéscsaba Group, 2005

processing industry, seed grain production and trade) and the new EU forms and opportunities for cooperation (industrial parks, establishment of incubator houses).

The success of cooperation is also acknowledged in the 80 PHARE CBC – where participants with small projects signed in , as in this case the fundamental application requirement was the involvement of Voivodina partners. All successful applicants had Zombor, Bajmok, Zenta-based partners. There were nearly 450 applicants for the 2005 Neighborhood Program applications (INTERREG III A - CARDS⁵⁵). In spite of the relatively small amount (2 million EURO) available, the great responsiveness of applicants proves the viability of these renewed connections (economic, chamber, self government, and research institutes related fields).

⁵⁵ CARDS-program – *Community Assistance for Reconstruction, Development and Stabilization* – It is related to Albania and the Yugoslav successor states

4. How does Romania relate to Hungary after its accession to the European Union?

From 1 May 2004, Hungary became member of the European Union and thus the only neighbour of Romania with communitarian status. This paper discusses how Hungary's accession to the EU affects relations between the two countries.

Bilateral relations have always evolved against the backdrop of disputes concerning the situation of the large Hungarian minority in Romania. However, Hungary's recent EU membership sets the traditional topics of this debate in a broader European context and raises new challenges. This paper argues that Hungary's accession in the EU did impact the relationships between the two countries. Since 1 May 2004, the two post-communist countries addressed mutual problems not only from a strict neighbourhood perspective but mostly in the light of Hungary's already EU membership and Romania's candidacy respectively.

My main argument is that the status differentiation (EU member vs. EU candidate) had a maturing effect on bilateral relations, in the sense that issues of common interest were approached with a higher degree of responsibility and European awareness. This status differentiation contributed at leaving behind past tensions and opening up new channels of dialogue and cooperation. At the same time, Romania could indirectly experience the immediate effects of the EU accession and acknowledge various changes that European integration brings about.

Political developments: leaving behind conflicts of the past, focusing on future challenges

Even though Romania and Hungary have been solidary in their efforts towards European integration in the past 15 years, the different perceptions of the status of the Hungarian minority living in the north-west part of Romania (Transylvania) generated sometimes critical moments in the bilateral relations.

Soon after 1 May 2004, relations between the two countries witnessed a critical moment: Hungarian officials proposed that regional autonomy for Hungarians in Transylvania should become a pre-condition for Romania's accession to the EU. Without having any direct impact on the rapports of Romania with the EU, the statement made a few eyebrows raise in Bucharest. Regional autonomy counts as the highest grievance of the Democratic Union of Hungarians from Romania (DUHR). Even though enlarged minority rights have been conceded in the last 15 years, successor Romanian governments failed to confer regional autonomy proper to Hungarians in Transylvania. In the light of this state of affairs, Romanian political class qualified Hungary's usage of authority derived from the EU membership as a tactless interference

in the internal affairs of an EU-candidate with a large Hungarian minority. Moreover, the declaration did not match the external policy line promoted by the Union itself. As the commissary for enlargement Olli Rhen repeatedly stated, to confer or not regional autonomy is a matter of domestic politics, to be solved internally by each member or candidate country (www.divers.ro, no. 40 (186) 4 November 2004, 26 (218)/7 July 2005; <http://www.hatc.hu/editorspicks.php>, www.bbc.co.uk/romanian).

Further burden has been put on bilateral relations in autumn 2004, when a referendum was called in Hungary on dual citizenship for Hungarians outside Hungary's borders. The referendum held in December and soon after the Romanian general elections, provided ground for heated discussions both in Hungary and in Romania. The referendum was declared invalid due to low turnout. It nevertheless revealed a complicated anatomy of relationships between the two countries, in connection with the grievances and envisaged migration trends of Hungarians from Transylvania. As its representative, DUHR officially voiced the will of the Hungarian minority to enjoy double citizenship, thus having unrestricted access to the space and market of the European Union. On the other hand, as a major actor of Romanian domestic politics, DUHR is nevertheless aware that by supporting the dual citizenship it may jeopardize its own interests in the long run: if dual citizenship is enforced, a high number of Hungarians from Transylvania could relocate to Hungary/EU, therefore the electoral basin of DUHR could be seriously affected and the political stakes of the union endangered.

While it still remains an open question, there is however reason to hope that despite these temporary setbacks, with the change of prime minister in Hungary and a newly elected government in Romania relations will by and large continue to evolve in a positive, friendly manner. In early 2005, the recently appointed Hungarian prime minister stated in the course of bilateral talks held in Budapest that Romanian internal issues such as "regional autonomy" are to be exclusively addressed by UDMR, the official representative of Hungarian rights in Romania. In the course of several bilateral meetings held in 2005, both Hungarian and Romanian prime ministers called for European "compromise solutions" to matters of mutual interest and stated that both countries should primarily focus on a common future and leave the cumbersome legacy of the past behind.

Migration trends in Hungary and Romania after 1 May 2004

As its living standards have been approaching the Western ones, Hungary became an attractive target for work and residence. Moreover, the country is considered to be a "tampon zone", an interface between the rich West and poor East. The Hungarian minority from Transylvania is the main pole of migrants from Romania to Hungary.

In this regard, Endre Sik, director of the International Center for Research on Migration and Refugees argues that “with the exception of ethnic Hungarians from neighbouring countries, almost no one else speaks Hungarian and this is a sort of natural system of defense against economic migration” (http://www.bbc.co.uk/romanian/news/story/2005/05/050530_trailer_arena_dunare.shtml). The presence of Hungarian minority in general and the Hungarian minority from Romania in particular, in the overall migration towards Hungary is quite obvious if we consider the data disclosed by the Office of Immigration and Nationality of the Hungarian Ministry of Interior in respect to 2003. The number of foreigners having immigration permit to Hungary by 31 December 2003 was nearly 100 000. Nearly 60% of these permits (exactly 57 847) was issued to Romanian citizens (Király András, ‘*Migration problems and minority rights in Europe*’, Government Office for Hungarian Minorities Abroad, <http://www.goethe.de/ms/buk/archiv/material/Migration/KiralyTheHungarianapproachFinal.doc>). Mr. Egyed Zoltan, director of the Immigration Office of the Ministry for Domestic Affairs argues that 48 000 applications for residence visas were handed in only in 2004. Three quarters of these applications were also in connection to getting a work permit (BBC Romanian, http://www.bbc.co.uk/romanian/news/story/2005/05/050530_trailer_arena_dunare.shtml).

As EU member, Hungary became in 2004 gateways to the world’s largest economic market and the rise in illegal migration on its eastern border was inevitable. For this reason, the European Union had thought reasonable to introduce careful and strict regimes for entering its territory to filter out ‘unwanted guests’ already from November 2003. Thus, as a preliminary step towards its integration in the EU in May 2004, Hungary adopted the Schengen border regulations in regard to Romanian citizens. Before this date, Romanian citizens could renew every month their staying in Hungary, fact which led to an exodus of Romanians seeking work and residence abroad, often through illegal means. Since November 2003, Romanian citizens are allowed to spend without a visa 90 days in 6 months on the territory of Hungary.

Given the large Hungarian minority from Romania, the adoption of the EU border regulations created new challenges to be met. How could Hungary comply with the strict EU regulations concerning access to the EU territory and simultaneously follow its own priorities regarding the flux of Hungarians in and out of Hungary (Király András, ‘*Migration problems and minority rights in Europe*’, Government Office for Hungarian Minorities Abroad, <http://www.goethe.de/ms/buk/archiv/material/Migration/KiralyTheHungarianapproachFinal.doc>)? Hungarian minorities from abroad regard Hungary as their kin-state and are in favour of enjoying more subsequent privileges. On the other hand, as an EU member, Hungary has to enforce strict border regulations against illegal migration, which can often conflict with its identity-preserving policies towards Hungarians abroad.

The effects of enforcing the EU border regulations could be experienced without delay. The provisions mainly aimed at cutting down the number of illegal immigrants to Hungary and other EU countries by initiating more thorough control of passengers at the border, closer examination of the valid visas, a better tracking down system at the Romanian-Hungarian border control points. In fact, once Romania would reach full EU membership, it will become itself a “tampon zone” between the farther east and the west of the continent and will have to deal with the same frontier issues as Hungary at present. (Judit Juhász, “Hungary: Transit Country Between East and West”, at: <http://www.migrationinformation.org/Profiles/display.cfm?id=181>). On the other hand, these regulations made it harder for Hungarians outside Hungary to keep contacts with relatives and friends inside Hungary, as the number and duration of visits became more limited. In the long run, the newly enforced measures could entail some psychological effects of those ethnic Hungarians who feel that the door of possibilities is being closed in their face.

Consequently, Hungary made attempts to further shape its migration policy along the lines of EU requirements as an international obligation but at the same time not to destroy the network of manifold relations with Hungarians living outside its borders. For instance, in order to counterbalance the failure of the referendum on double citizenship, the Hungarian state introduced, effective from March 2005, “national visas” for citizens from neighboring countries, i.e. multiple entry visas for a period of 5 years. These visas are intended to help preserve the identity of ethnic Hungarians beyond the borders without however, automatically conceding to them the right to work in Hungary (BBC Romanian, 06 Ianuarie, 2005 - Published 16:46 GMT).

Enlarged regional cooperation within an European framework

Intensified programs of regional cooperation and border management have been already envisaged by Hungary and Romania in accordance with general European policies. As previously argued, Hungary acts as a “buffer country” between the EU space and the non-EU countries. Its border with Romania became external frontier of the European Union and serves as a filter to prevent illegal immigration into the EU.

Romania’s own capacity to ensure efficient border management is a key area of concern for the European Union, as the country aims at full membership in the bloc on 1 January 2007. When Romania joins the EU it will manage more than 1500 km of the enlarged Union’s external border and Brussels has interest in making sure that Romania could fulfil this role. “It should be able to prevent the illegal trade in goods and people, without erecting a new iron curtain between the EU and the countries which will be left outside the enlarged Union”, explains Jonathan Scheele, the European Commission’s chief negotiator in Bucharest (Story from BBC NEWS: <http://news.bbc.co.uk/go/pr/fr/->

</1/hi/world/europe/4110754.stm>, Published: 2005/06/21, 15:35:19 GMT).

In addition to being able to act as a filter against illegal migrants and products from countries such as Moldova and Ukraine towards the EU, Romania has also the duty to make sure that its own citizens do not abuse the right to free circulation within the Schengen space. In 2004, the border police managed to stop more than 1.5 million Romanians from traveling to the EU, but the filter is not perfect. One of the reasons is corruption among some border police, who is ready to accept money in return for turning a blind eye to irregularities in the travel papers of fellow Romanians.

The Romanian border police chief argues that this is a “particular concern” on Romania’s western border with Hungary, now EU member. Such an incident caused by corruption and mere incompetence took place in March 2005, when several coaches with more than 200 Romanian citizens on board were refused entry to Spain, motivated by lack of valid travel documents. The Arad Border Police was found guilty, as it failed to check that passengers have valid passports, hotel bookings, return tickets and enough money for their journey. “Everybody is allowed to make a mistake once”, said European Commission’s chief negotiator in Bucharest. “But it shouldn’t happen again, because it would undermine confidence in Romania’s ability to control its border with Hungary, hence with the EU”. Should Romania not register considerable progress at the chapter of frontier security, its EU entry could be delayed with one year till 2008.

However, progress has gradually been made and common strategies of border management as well as various projects of cross-border cooperation between Hungary and Romania have been launched. According to the Trans-Border Cooperation Program 2004, signed on 8 April 2005, the CBC program Romania-Hungary has a budget amounting to some 5 million EUR from PHARE funds and some 1.58 million EUR from Romania’s budget. The CBC programs incorporate Romania’s western and Hungary’s eastern parts. The funds are mainly being allocated for projects of infrastructure development between Romania and Hungary, promotion of tourism and environmental protection.

Cooperation with Hungary in the environment field is now very efficient, and the bilateral relations are developing at a fast pace, Hungary's Minister of Environment and Water Miklos Persanyi said. "Environment protection has no boundaries. No country can have a clean environment, unless its neighbour is concerned with the same aspect. We depend on each other," the Minister added (Mediafax, http://www.roinfocentre.be/media_news_358.asp). Moreover, according to Magdolna Kalapati, Head of the South Great plain Regional Office of the National Agency for Regional Development in Hungary, 18 economic development and infrastructure projects will be financed within the framework of the PHARE CBC program (Bucharest Daily News, http://www.roinfocentre.be/media_news_224.asp) in the near future.

Broader forms of future cooperation between the two countries are directly facilitated by the infrastructure projects carried out in the western part of Romania. Building at least one motorway that could link Romania to the major European traffic corridors is first priority for the country, given its speculated accession date to the EU in 2007. However, it has been a much disputed and politicized topic as to which route the motorway should cover and how should its building be financed.

In the late '90s, on the occasion of the European Conference for setting the Pan-European transport corridors, Romania took the responsibility to build up the fourth Pan-European corridor, cutting its way from Romania's western to the eastern border: Arad - Timisoara - Sibiu - Rimnicu-Vilcea - Pitesti - Bucuresti, Constanta. The project is to be financed from European structural funds, disposed through the European Investment Bank. Its works have actually started and some financing channels have been already activated. However, the Nastase government (2000-2004) decided to initiate works for a new motorway, cutting through the middle of Transylvania, from Brasov to Bors, at the expense of continuing works for the "IV Pan-European corridor".

This other motorway has a much better coverage of the region inhabited by Hungarians, hence its emphasis on the political agenda of the Democratic Union of Hungarians from Romania (DUHR). The motorway construction works were commissioned to the American company "Bechtel". Two main objections were voiced in connection with this contract: apparently the project was commissioned to Bechtel in the absence of a public tender, and at odds with the interest of some European bidders; secondly, all construction costs are deducted from the state budget, which poses additional burdens on the Romanian tax-payers. The "Bechtel highway" was a constant topic of dispute in the electoral campaign of 2004. After the new government PNL-PD came into power, works have been stopped in the first months of 2005 and only 213 million EUR (instead of 500 million EUR) construction costs have been allocated from the state budget for 2005. (stiri.acasa.ro, 30 May 2005, 09:59 am, „Doua variante pentru legatura cu Occidentul”).

The incumbent government has clear-set objectives: "If Romania wants to pose in a serious country and the current government in a credible institution, then we need to respect certain European engagements" stated prime-minister Tariceanu (<http://www.expres.ro>, 11 July 2005, „Autostrada se muta de la Cluj la Sibiu”). At present, the works at the „IV European corridor” are given priority but the building up of the Bechtel highway will also continue, even though at a slower pace.

To choose the routing of the motorway linking Romania to Europe is in fact a political decision. The topic stirred some debates within the current governing coalition. DUHR is unmistakably in favour of the "Bechtel" project, as developing the road system in the

middle part of Transylvania, where most Hungarians live, is a necessity. Such a motorway would directly link Hungarian communities from there to Hungary and to EU further. Regional advantages are significant: it would be a clear incentive for Hungarian investors to startup new trades, relocate and intensify already existing businesses in the western part of Romania, inhabited by their co-ethnics.

On the other hand, building up the motorway along the “IV European corridor” has its own advantages. The connection with European traffic corridors and international economic exchanges is anyway made through Hungary. Additionally, it seems that Hungary itself has plans to build a motorway up to Szeged - Nadlac, giving priority to the European corridor as well (www.cotidianul.ro, 29 May 2005). It follows from here that this route would connect not only the west of Romania with Hungary/EU but also the country’s south-eastern regions. It therefore provides stronger incentives for a larger category of European investors, interested in setting the foot in Romania, anywhere from Transylvania to the Black Sea. In other words, building the motorway in accordance with the IV corridor would enhance the economic attractiveness of Romanian regions both at a regional and wider European scale.

Economic consequences of Hungary’s accession to the EU for Romania

Hungary’s integration in the EU created important economic opportunities for Romania but also highlighted certain difficulties and threats having mainly to do with the implementation of common European market policies.

During the period 2000-2004, Hungary’s business figures from trade with Romania amounts to 2.113,6 million dollars. Cars, electronic devices and high tech products are the bulk of Hungarian exports to Romania. In exchange, Hungary imports from its Eastern neighbour garment products and accessories, mechanical devices, paper, furniture, etc. (www.cotidianul.ro, 23 January 2005).

An analysis regarding the regional distribution of foreign investments in Romania in the last 14 years shows that Hungarian investments had mainly been focused in the north-west and central part of the country. The Hungarian company MOL has been reported as the biggest investor in the area, with some 104 million dollars invested in the purchase of the petrol distribution company in Cluj/Kolozsvár. (http://webzter.ro/resurse_investitii_straine_prezentare_zonala.php). At the end of November 2004, the export of Hungarian capital to Romania summed to 345, 08 million dollars (the real value of investments amounted to 720 – 740 million dollars) through some 4.948 Hungarian functional companies. At the same time, it is worth mentioning the presence of Romanian capital in Hungary, summing up 50-55 million dollars through some 6 010 companies with Romanian capital. The largest Romanian

investor is SN Petrom, with a social capital of 17 million dollars (www.cotidianul.ro, 23 January 2005).

The increasing presence of Hungarian investments in Romania is directly related to the low wage costs in the country. The Economist Intelligence Unit shows in a study that wages in Romania are the lowest in the region (BBC Romanian, 30 November 2004, published 16:37 GMT). For instance, in the course of 2004, Romanian companies spent on average 0,95 dollars for one hour of work of an employee whereas 7,71 dollars were spent in Slovenia and 4,37 dollars in Hungary. Even though this affects the purchasing power of Romanians, it can also bring economic advantages to the country, the study shows.

After 2004, when Hungary entered the EU, an increasing number of European companies which used to have their production plants in Hungary started thinking about 'délocalisation', that is shifting factories and jobs to the lower-wage economies of the non-EU members, such as Romania ("European Union Enlargement", April 28th 2005/ From "The Economist" print edition). Another reason for which Western companies invest eastwards is the access to the local market. "Romania with its 23 million inhabitants and with wage costs under 1 dollar per hour is a very attractive target. Moreover, unlike its neighbours, such as Ukraine, the implementing of the pre-accession strategy to the EU considerably reduced the political risks", it is argued in the study.

Hungarian companies such as OTP, MOL and Gideon Richter had massively invested in Romania. For instance, OTP bought the bank RoBank, MOL is now the owner of Shell (a carburant distribution network), whereas Gideon Richter invested in a large research and development center in Tirgu Mures, in Transylvania. "Broader urban investments amounting to 1.2 billion USD are expected to be achieved through the construction of urban and commercial centers in the areas around Bucharest and Cluj in the next few years, as well as the enlargement of the RoBank network and investments in telecommunications", stated János Halasz, director of the Romanian-Hungarian section of the trade development agency ITDH, (www.cotidianul.ro, 23 January 2005).

Romania's upcoming EU entry is a sound explanation why an increasing number of Hungarian businesses expand to Romania. The number of inquiries to the ITDH regarding investment opportunities in Romania went up by 80% last year (Vilaggazdasag, pp.1&2; Hungary Around the Clock, <http://www.hatc.hu/editorspicks.php>, 14 July 2005). Hungary is rated as the seventh largest investor in Romania, with over 5,100 companies in the country, of which 674 were registered last year alone. Hungarian businesses are most active in food processing, software development and auto spare parts. (<http://www.hatc.hu/editorspicks.php>). Hungarian companies are setting foot in the Romanian market by acquisitions and/or by setting up new subsidiaries in a bid to expand regionally, Halasz explained. This signals that many SMEs are financially

sound enough to make the jump, he noted. Moreover, as already benefiting from EU development programs and financing schemes, a series of Hungarian SMEs have been involved in expertise and training programs for their Romanian homologues, in order to facilitate their integration in the European market (<http://www.hatc.hu/editorspicks.php>).

After 1 May 2004, the price of basic products, especially sugar and oil, doubled in Hungary in line with the provisions of the common European market. This led to a massive import of sugar from the western part of Romania to Hungary. The imports determined Hungarian sugar producers to file complaints to the Hungarian Finance minister in Budapest asking for a solution to be worked out against this market disequilibrium (BBC Romanian, 14 July 2004 - Published 11:02 GMT).

In exchange, following the same provisions of the common market, the wheat overproduction registered in 2004 in the new member countries of the EU (Hungary, Czech Republic, Poland) could pose a serious threat to the Romanian existing stock, considered to be the most expensive in Europe – the president of the Romanian National Association of Flour Milling and Baking Industries argues that while a tonne of wheat produced in the EU costs around 100 EUR, Romanian wheat is sold with 20-30 EUR more per tonne. (http://www.expres.ro/afaceri/?news_id=182664, 29 March 2005). In order to avoid a market collapse, the EU had to intervene by purchasing and transporting large quantities of cereals resulted from the wheat overproduction registered in Hungary, Poland, Czech Republic in 2004.

It is said that at the beginning of 2005 the European Union had the largest stocks of cereals in the last ten years (http://www.expres.ro/afaceri/?news_id=182664,29 March 2005). Unlike in the EU countries where mechanisms of intervention in cases of overproduction are enforced and made use of, the non-EU countries face a high risk of massive imports of cereals at a very low price.

There is reason to believe that although Romania signed an agreement with the EU based on which only 124.000 tonnes of wheat could be imported without customs tax in 2005, the actual imports could be even higher, due to cheaper, tax-inclusive prices (http://www.expres.ro/afaceri/?news_id=182664, 29 March 2005). At any rate, starting with 2007 – the envisaged date for Romania's accession to the EU- Romanian producers will not enjoy any state support or subsidies in connection with the cereal production. Thus, they will have to enter in direct competition with other cereal producers from the EU member countries.

However, the effects of Hungary's accession to the EU were visible at the daily level too. Lower prices in Romania provided an incentive for Hungarian citizens to cross the border on a weekly basis seeking cheaper food, clothing and household products. As a result, so-called "border supermarkets" have mushroomed after Hungary's accession. It was reported that the number of Hungarian citizens crossing the eastern border with Romania doubled since 1 May 2004 (www.capital.ro, 7 April 2005). (Figure 18., 19., 20)

A short summary

After 1 May 2004, Romania has as neighbour at its Western border not only Hungary but the European Union itself. In the last one and a half years, the status differentiation in connection with the EU (Hungary – already EU member and Romania – still EU candidate) had a significant and positive impact on the bilateral relations at various levels. As an EU member, Hungary is in a position of supporting Romania's expected accession to the EU in 2007 and of enhancing diverse forms of regional cooperation within an European framework.

Paradoxically, as presently left out of the common European market, Romania became a more attractive target for European/Hungarian investors, interested in bringing capital and expertise in a country with cheap and qualified labour force and strong EU prospects. On the other hand, Romania could learn from Hungary's experience how the EU membership and the implementation of common market policies impacts the country at different levels.

Figure 18.
European transport corridors and the concession made to Romania:
how the IV European corridor intersects Romania



Figure 19.
The IV corridor at present: motorway with „political detour” in Banat

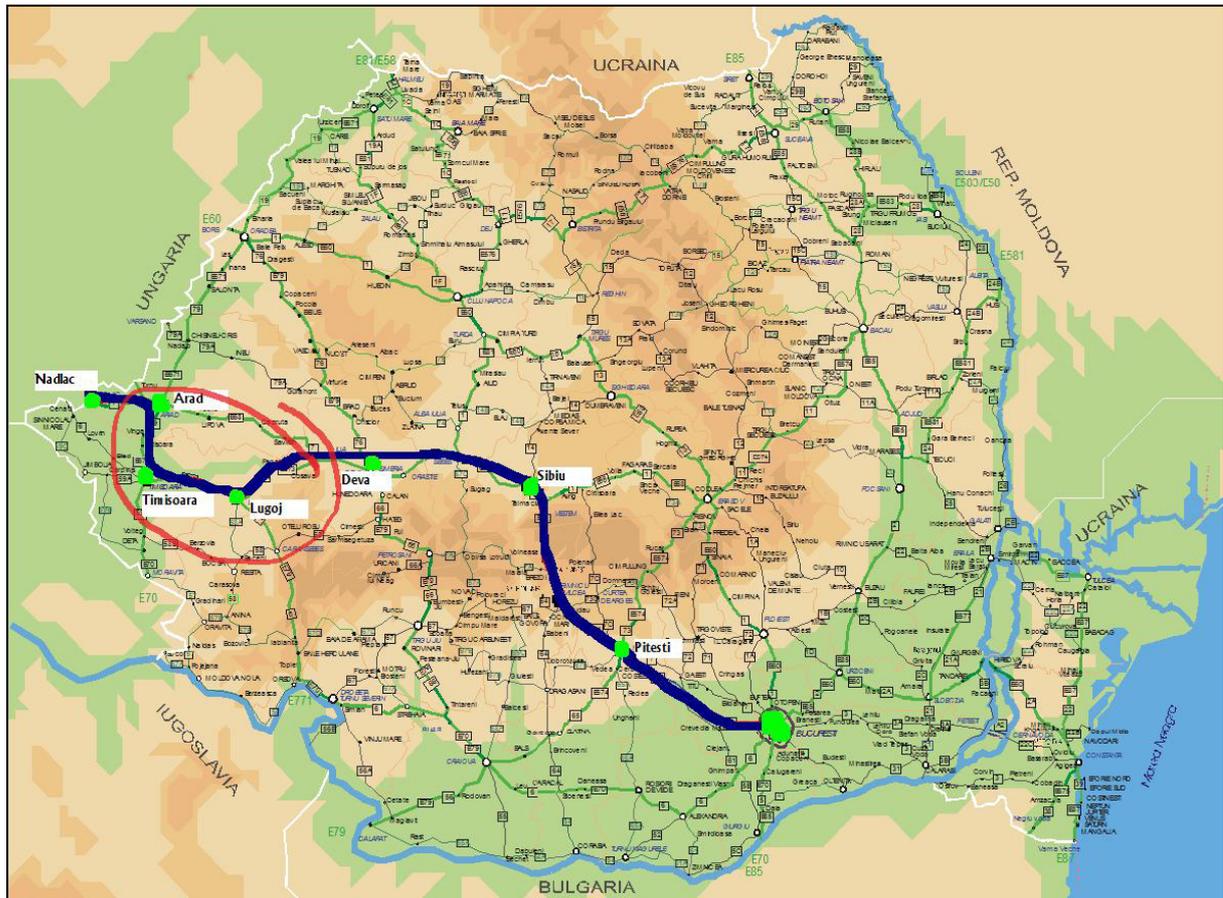


Figure 20: Bechtel / Transylvania highway



5. Conclusion..... is still missing.....

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Case study 8

Geographic Patterns and Flows of Knowledge in Europe

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1. Main Objective

Our case study focuses on the mapping of European research and knowledge geographies based on the use of data on scientific citations and on participation in the 6th Framework Programme for European research. The first objective is to provide insights into the spatial structure of the European space from the perspective of the distribution of excellence in knowledge and research. A secondary objective is to identify indicators to measure the performance of knowledge and scientific networking activities and the position of European cities within these networks.

The case study therefore falls into the topics discussed Key Question 2 “Europe in its networks”: but it also addresses the issue of polycentricity and in particular its relational dimension as described in ESPON 1.1.1.

The hypothesis of measuring polycentricity using data on relations rather than size of centres, has been explored previously by ESPON project 1.1.1. Findings from the project agree that a normative definition of polycentricity must take into account two dimensions: morphological and relational. However, within the project the measuring of connectivity is problematic, since often flows and relations are assumed (from location or size, according to an approach based on central place theory) rather than surveyed. Our case study therefore embraces this relational dimension of polycentricity and applies it to real, existing connectivity patterns. The relations that we have investigated, at this stage are derived by the data on partnerships in research projects funded under the EC’s 6th Framework Programme for Research (FP6).

1. Justification: The role of research networks in Europe

In the last twenty years the European Union has developed and maintained policies to support scientific and technology research, mainly through its four-yearly Research Framework Programmes. These policies aim at encouraging cooperation between all the actors of research in Europe: universities, industry, and private agencies. Despite these efforts, at the beginning of the 21st century, research in Europe was facing a constant decline in human and financial resources, especially in comparison with the US and Japan. Acknowledging this gap and the importance of research for the economic and social development of the Union, in January 2000 the Commission signed up to the strategic document “Towards a European Research Area” (Commission of the European Communities, 2000), immediately ratified by the Lisbon Summit of the European Council. This document, today part of the Lisbon Agenda on European Competitiveness lays the foundations for a common policy for research and technological development, the European Research Area (ERA) and sets the coordination of national research policies and the integration of resources as a key objective. The strategies to achieve these objectives include, among others, the “networking of excellence”, that is the development of material and immaterial infrastructures for the circulation of knowledge.

Parallel to the definition of these strategies, the Commission has also set up a protocol for the mapping and evaluation of excellence in scientific and technology research (Commission of the European Communities, 2001) where the use of bibliometric or scientometric indicators is suggested to analyse the network of scientific and patent citations, but also, in order to avoid the constraints of the international databases, which collect mainly English-speaking literature, to analyse the networks funded by the Commission's Research Framework Programmes.

The protocol has been so far applied to three pilot areas: biosciences, nanotechnologies and economics (EC Directorate General for Research, 2001, 2002, 2004). The same methodologies have been applied also in the analysis of innovation networks (Balconi, Breschi *et al.*, 2004; Besussi and Chapman, 2005; Jaffe and Trajtenberg, 2002). Because the ERA has been made part of the Lisbon Agenda, we need to equate this programme to other EU policies for the economic and social development of the Union. Within this logic, the ERA must or should follow the same recommendations the Commission has set for the spatial development of the European territory. These recommendations are anchored to the principles outlined in the ESDP (polycentric development, parity of access to knowledge and infrastructures, protection of the natural and cultural heritage) and in the Third Cohesion Report, which has added to balanced competitiveness and social cohesion the new pillar of territorial cohesion and territorial capital (Waterhout, 2003).

Given these "territorial concerns", it doesn't seem appropriate, as suggested by the Commission to evaluate excellence in research only by means of a-spatial indicators on the level of cooperation and integration of research networks.

The case study has the objective to integrate the territorial dimension into the analysis of research networks and to develop geographical representations of traditionally non-geographical information.

A further objective is therefore the design of new indicators of spatial-relational centrality, which could provide useful insights into the monocentric or polycentric territorial structures of the European space. This new information can be seen useful in evaluating the hypothesis that different territorial structures can more or less successfully support the diffusion of knowledge and technology transfers, but also of other skills, such as organisational capacity and process and project management skills, all considered crucial for the entry and permanence in the research network system and in the ERA.

2. Data, scale and space of study

At this stage we have collected data on partnership to all the Networks of Excellence (NoEs) and Integrated Projects (IP) that have been contracted in the 6th Framework Programme. The database includes 4165 partners and 664 projects. Partners are described by their name and geographical location (city or town and country) securing in this way the possibility to visualise the data in a GIS environment. Because of the nature of the 6FP, partners in research projects are also located outside the EU (mainly

US, Australia, Japan, Israel). However we still need to assess the possibility to use this information as a proxy of the amount of cooperation between EU and non-EU partners. Projects are described by their acronym and the grants received from the 6FP. Even though these projects have an internal hierarchy (lead partner, associate partners, consultants) we have treated all partners as equal, since information on the internal structure of each project is difficult to collect. In this sense, we have allocated funds to each partner as an equal share of the funds of the project they are partners of. This new attribute for partners has been used to evaluate their performance in terms of units of funds per degree of centrality.

By using information on partnership and co-partnership in 6FP projects, we have built an incidence matrix X (partners by project) in which $x_{i,j} = 1$ if partner i is in project j and $x_{i,j} = 0$ otherwise. Given this matrix X , it is possible to construct the product of matrix X and its transpose XX' , whose ij th cell gives the number of projects both partners i and j are involved in. In the present network this value ranges from 1 (only one project) to 22. The result is an adjacency matrix both symmetric and valued and the value is an index of their network proximity. The network analysis has been applied to a subset of this network which comprises only of Networks of Excellence (NoE) funded under the thematic area of Information Society Technologies.

2. Methodology: Network Analysis

The analysis of research and patents networks is based on Social Network Analysis methods.

The main rationale behind Social Network Analysis (SNA) methods is that social structures can be described not only in terms of individual attributes but also in terms of relations.

Individual attributes are intrinsic characteristics of individuals, objects, events or, in spatial and geographic analysis, places. These characteristics are, by their own nature, independent from the relations between the units themselves and from the context of observation. Relational attributes, instead, are not intrinsic of either party taken in isolation but they describe an emergent property of and in the relation between these units and they change or disappear if one of the two units on either side of the relation is removed. They are, differently from individual attributes, dependent on the context.

A network can be defined as a specific type of relation. The structure of a network is given by the configuration of the present and absent relations between the nodes.

Network Analysis has focussed especially on the possibility to measure the variations in these structures, in the hypothesis that different structures and structural properties can influence or even determine the behaviour and the performance of the individual nodes and of the whole network

In the context of this research we have selected those structural indicators, which are better suited to evaluate the territorial dimension of research and knowledge networks in Europe.

So far we have applied two measures from the tool box of network analysis, which describe in different ways the concept of centrality: degree centrality (or local centrality) and betweenness centrality (or dependency). These measures of centrality are designed to evaluate the position of research partners (and of cities) in the network and can be interpreted as the prominence they have. It is because of this common view on the interpretation of centrality that we have considered it the most appropriate to represent patterns of mono or polycentricity in the European space.

Considering a matrix $G = (V ; E)$, where V is the set of nodes (vertices), and E is a set of undirected edges⁵⁶, degree centrality is the simplest form of centrality and it is defined as the number of edges incident upon a node. It corresponds to the cardinality of the vertex set:

$$N(v) = \{i \in V(G) : (i, v) \in E(G)\} \quad (1)$$

and it is usually normalised by the total number of possible incident edges. It can be interpreted as the “size” of each actor’s individual network or as its social capital.

Closeness centrality is:

$$C_c(v) = \frac{|V(G)| - 1}{\sum_{i: i \neq v} d(v, i)} \quad (2)$$

where $d(v, i)$ is the geodesic distance between i and j . The measure ranges from 0 to 1 where the highest value is to be found in a star graph where one node is directly connected to all the remaining nodes. In this sense it can be interpreted as the measure of how much an actor is at the centre of a network and how accessible it is for the other actors.

Betweenness centrality can be written as:

$$C_b(v) = \sum_{i, j: i \neq j, i \neq v, j \neq v} \frac{g_{ivj}}{g_{ij}} \quad (3)$$

where g_{ivj} is the number of shortest paths from i to j through v . It describes the role of broker or gateway of the node but also how much a network is dependent on that actor to connect different part of the network that would otherwise be isolated.

The measures of centrality described, have been applied to a reduced form of the matrix (433 by 433 partners, 3966 links with values ranging from 2 to 22 only) where all the

⁵⁶ In the case of a directed network, three different measures are used: indegree, for the edges directed to the node and outdegree, for those departing from the node and total degree which corresponds to indegree + outdegree. In the case, such as this, of an undirected network indegree = outdegree = total degree/2.

partners who are involved in only 1 NoE have been removed. We have use the software Pajek for all the network analysis (Batagelj and Mrvar, 2005).

3. Preliminary Results

Figures 1 and 2 compare the relational measure of polycentricity used in the ESPON programme and the one developed for this case study.

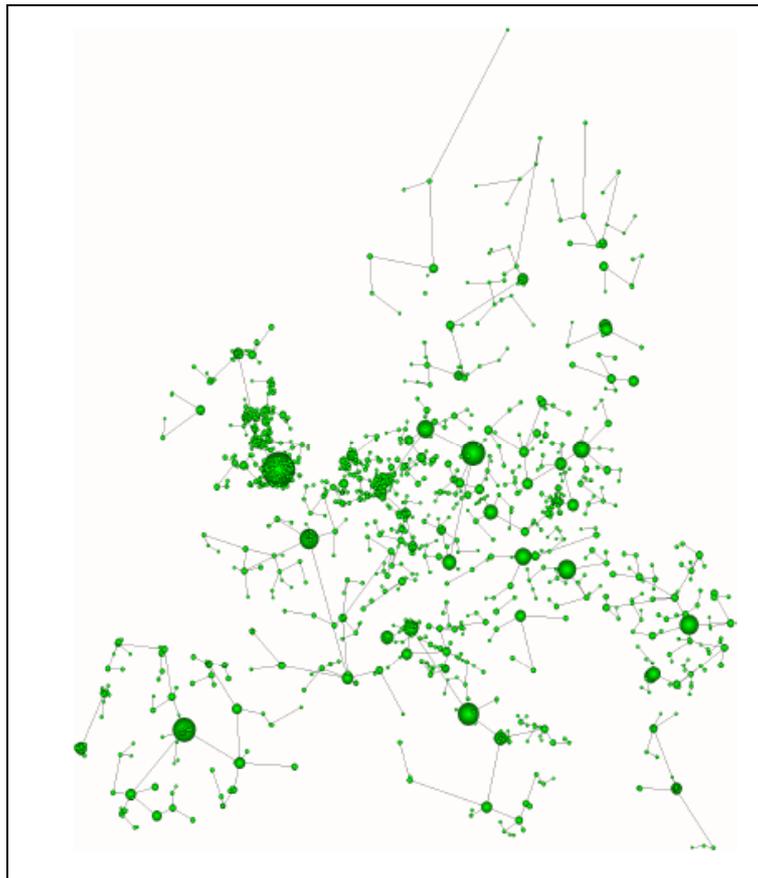


Fig. 1- Cities in Europe over 50,000 population connected to the nearest larger city (author: K. Spiekermann, ESPON 1.1.1)

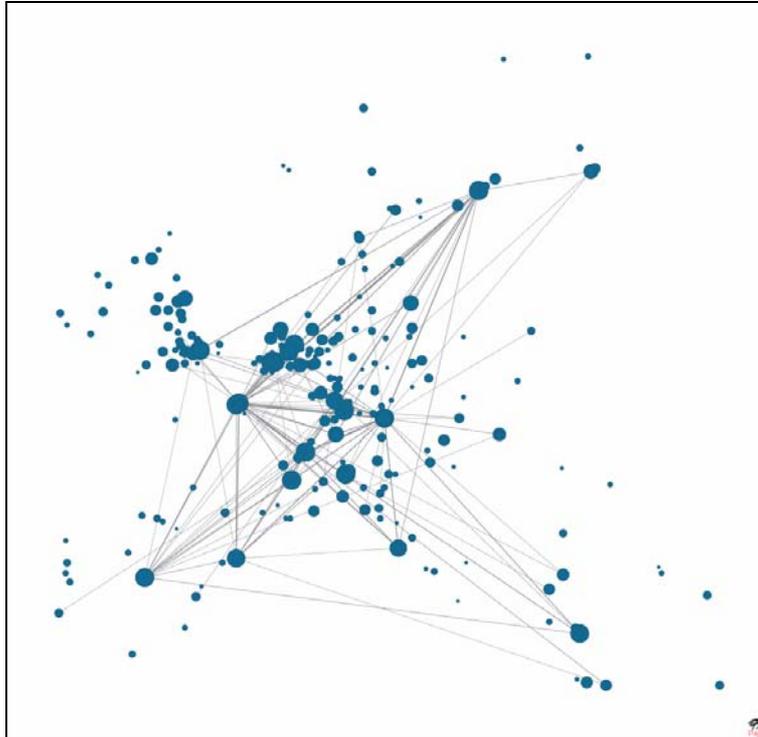


Fig. 2 – Cities in Europe connected by co-partnerships in NoEs (only connections with value 6 or more; size of nodes = amount of funds received)

Fig 3 shows the decreasing density of the network when links with increasingly higher values are removed. This allows for the emergence of the most connected core (links with value higher than 8) of Europe to emerge in the geographic representation. In figures 4 and 5 we show the rank-size distribution of the values of degree and betweenness centrality and the relative fitted power law based on $C(v) \sim r^{-\alpha}$ where $C(v)$ is the centrality value, r is the rank and α is related to the degree of concentration. This is sensibly higher for betweenness than for degree centrality, which can be interpreted as a higher concentration for partners on which the network is dependent. Figures 6 and 7 show the geographical distribution of these two centrality measures where we can see cities like Paris, Munich, Stockholm and Lausanne are at the top of the hierarchy. We have not yet formulated hypotheses regarding the possible structures and therefore it would be too speculative to extend our interpretations of the polycentric patterns any further. We have however attempted a first step towards the evaluation of the performance by measuring the ratio of funds over degree centrality. Here lower values represent higher performance. This index is shown in figure 8.

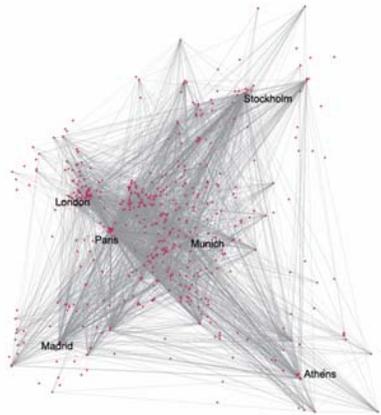


Fig 3a - Links with value 2 and above

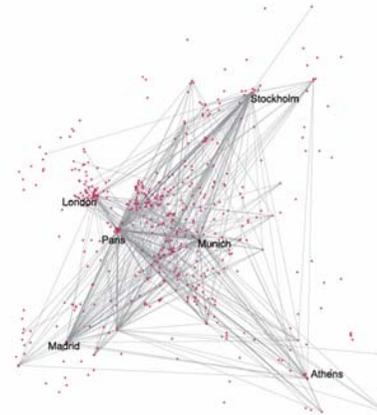


Fig 3b - Links with values 4 and above



Fig 3c - Links with values 6 and above

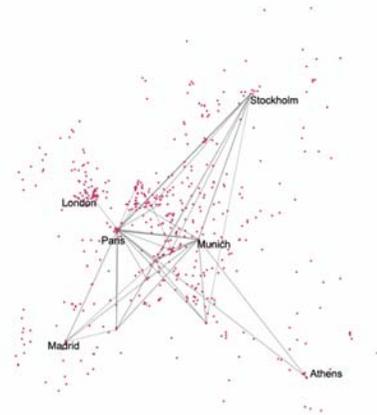


Fig 3d - Links with values 8 and above

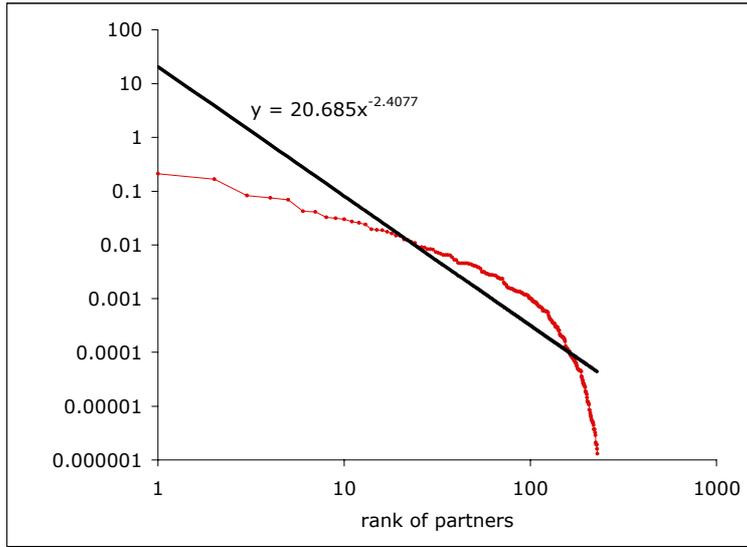


Fig. 4 Betweenness Centrality and fitted power law distribution ($\alpha = 2.40$)

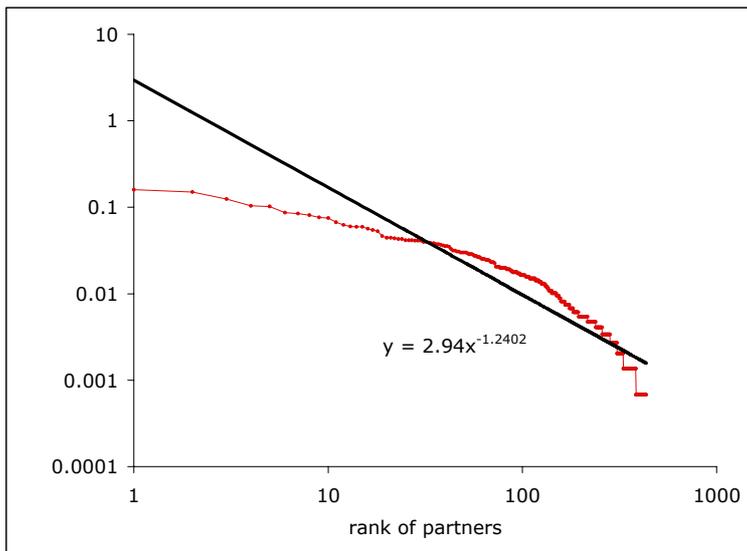


Fig. 5 Degree Centrality and fitted power law distribution ($\alpha = 1.24$)

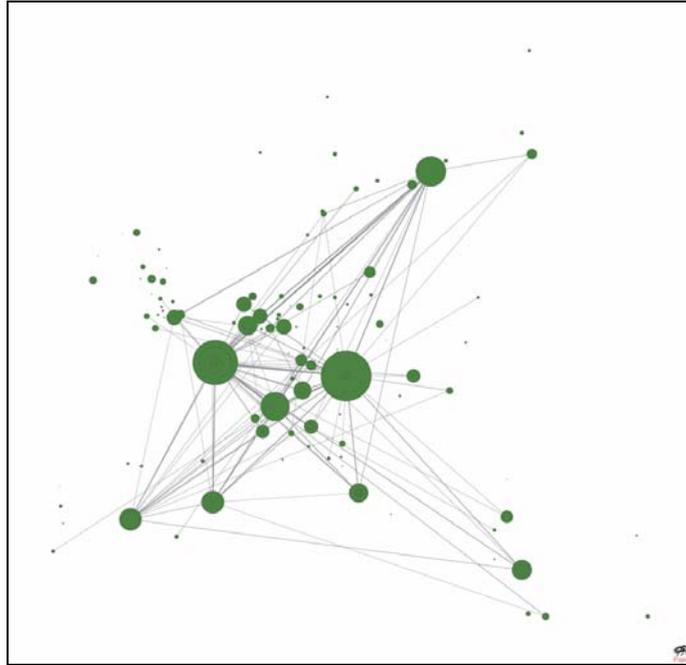


Fig. 6 Geographic distribution of betweenness centrality



Fig.7 Geographic distribution of degree centrality

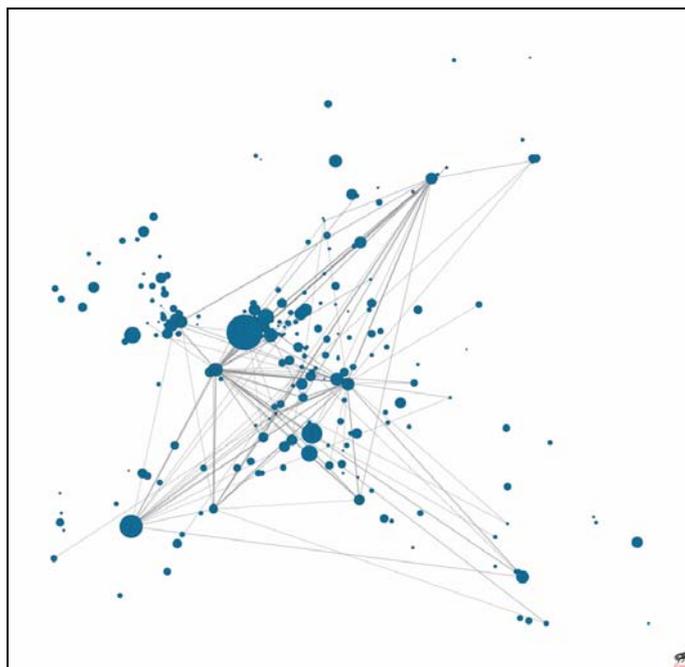


Fig.8 Geographic distribution of performance index (smaller size of node = higher performance of node)

Next Steps

For the SIR we will develop the existing work in two directions:

1. Improvement of the database. This will possibly include the addition on data on scientific citations. The data will be collected from the ISI Highly Cited database which includes data of the top 100 scientists in 21 scientific areas grouped by Institution, by place, by country and by world region. The caveats here refer mainly to the exclusive collection of data on English language papers and citations. At this stage there is no knowledge of a similar database for any other language. Possible further additions include the data from NBER database developed by Jaffe and Traitenber (2002) on patents granted in the US by the United States Patent Office. The NBER database list patents which have originated from Europe.
2. Improvement in the setting, hypothesis definition, interpretation and integration with the rest of the SIR. In particular we will focus on integration with key question 2 “Europe in its networks” and on the following topics.
 - a. the link between the location of the production of knowledge in Europe and the economic performance in terms of GDP
 - b. the comparative advantage of English-speaking regions concerning knowledge flows.

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Case study 9

Romania as eastern border of the European Union

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ESPON 3.4.1.

1. INTRODUCTION

The aim of this report is that of showing the territorial and general coordinates of the Romania's evolution in the framework of the regional and global dynamics. This tackling focuses on the establishing not only the **geographical location**⁵⁷ role, but also that of the **geohistorical evolution**, in defining those points of strength or weakness which influence the possible trajectories in the making of the Romanian territory.

Our choice is justified by the following two considerations:

a) – the location of a territory is the only stable element during its socio-political and cultural evolution. The total inertia of the geographical position becomes thus the parameter which controls the place and the role of which that territory plays it in a given combination of circumstances, that of the regional or global relations of architecture. This assertion is as more true-to-fact as the respective territory is rather the *object* than the *subject* of the forces which manifest themselves in a given socio-political circumstance, which corresponds in many parts to the Romanian case.

b) – the geohistoric evolution of a territory derives directly from its geographic position, and the long term global dynamics tend to induce a considerable inertia to this tandem and to oblige or force that space to remain in a kind of geoeological niche harder to be abandoned. Thus, that location in between or in the close proximity of the core area imposes to the territory a so-called extrovert behavior, based on a continuous action or at least on immediate responses to the internal or external stimuli. On the contrary, the location to the peripheral areas or in those of contact from the great cultural areas imposes a rather reserved behavior, a more reflective one, with rare moments of initiative and with long moments of inertia in front of the internal or external stimuli. This second case describes better the coordinates of the Romanian territory evolution.

These two mentioned considerations generate a series of questions related to the Romanian integration in the European Union and to the impact of this process upon the neighborhood policy, which this organization implements nowadays:

- Which is the specific of the geographical position of Romania in the context of the past, present or future dynamics of the world's driving forces?

- Which is the specific of the geohistorical evolution of Romania and which are the past, present and future consequences on its geopolitical behavior?

- Which are the forces that influence the territorial dynamic of Romania and which are the probable consequences of these forces?

- Which are the important spatial scales for the studying and understanding of these forces?

- Which is the valid knowledge of the answers to these questions in the framework of the neighbourhood European policy?

So as to get the answers to these questions, the first version of our research proposes a qualitative approach, following that the second version to emphasize the quantitative analyses.

⁵⁷ The geographical position is considered here not only from its geo-mathematic perspective (the location in accordance with the absolute and relative coordinates) but also from the socio-economic and cultural one (the location depending on the great cultural world's area).

2. GENERAL ASSUMPTIONS

Our study is guided by a series of assumptions considered to have a certain level of certainty, which sets up in the same time as the theoretical field of the research, and also as working hypotheses:

a) **The modern Romanian territory is much more an *object* than a *subject* of the history**

The modern evolution of Romania makes plausible the location of this state in a *d'entre-deux* space, a concept developed by professor Violette Rey of École Normale Supérieure LSH from Lyon: "...I understand this concept of *d'entre deux* space, as a space in which the external forces, being in competition, counts more than the internal forces in the process of constructing the territorial architecture, and in which the time stands under the sign of the adversity and of a eternal new beginning" (Rey, 2001, p.241). Thus, being made so as to enframe, conceptually, the situation of the former communist countries from the Central and Eastern Europe, the concept is illustrated more evidently in the cases of Romania and Poland, two countries which were shaped and reshaped ceaselessly and on longer periods than that of the communism, by external forces.

The emergence and evolution of Romania were two historical processes strongly tributary to this circumstantial situation from the European geostrategic scene of the past two centuries. The political and divergent interests of the Great Empires (Russian, Ottoman, Austrian-Hungarian ones) and then, that of the modern states (France, Great Britain, Germany, Russia, Hungary, Turkey) made from Romania an object, upon extraordinary strong pressures exerted. These pressures materialized especially through losses and regainings of territory, unceasingly and through a relative diplomatic "isolation" on the European ground. Besides these, the significant demographic mass and the great surface of the state in comparison with that of the neighbours' have fed up the regional ambitions of Romania on the European ground, to which she participated actively, politically and military in the Central Europe and the Balkans (military interventions in the Balkan wars; the coming to a stop of the Bolshevik revolution from Hungary, the alliance with Germany against Soviet Union). On one hand, this regional role sustained by the Great powers lead Romania to the idea that she has to strengthen its position of regional leader (visible after 1989), and on the other hand to find, at a global scale, a political niche in the interstitial spaces between the Great Powers. This fact came also into sight in the communist period (the relative independence towards Moscow; the keeping the relations with Israel; the exportation of the socialist revolution towards the Third World) and then, as we shall see, it also prolongues in the present time.

This situation of being not only a political object modeled by the global forces but also a political subject limited in action to just some peripheral zones had some very important consequences from the given research perspective:

- *The keeping for a long time of the political and full of tension or conflictual with the neighbourhood countries,*
- *The establishing of the very flexible, unstable and full of distrust political relationships with the Great Western Powers (Western Europe) and Eastern (Russia),*

- *The construction of a external policy based on one hand, on the increase of the political influence in the East and South-East of Europe, and, on the other hand on the creation's efforts of a buffer-space between the Great World Powers being in conflict.*

b) The Romanian territory is a space of some experiments of a *repeated* modernity never ended

The uniting of the three principalities (Moldavia and Valahia in 1859 and Transylvania in 1918) brought on the European scene an important state in terms of surface and number of population, with a geostrategic position very important for that Europe from the end of 19th century and the beginning of the 20th century. Being a recent creation, this state was formed by three historical regions with different legacies connected to different cultural areas: the Central European one (Transylvania), Eastern and Balkanic ones (Moldavia and Valahia). These huge internal fractures proved dangerous in the political framework of the past 150 years. The Romanian government found a solution, a normal one for that period, that of *a rapid and aggressive construction of a Romanian national identity* and of an immediately import of that Western European institutions and values of modernity.

The creation of this national identity was made by the European norms between 1850-1950, respectively through the exacerbation of the ethnical nationalism at the civic patriotism cost. Formed in a very rapid way, the Romanian national identity was confiscated by the communist regime and reinforced by the national communist identity. The extreme ideological manipulation and the cultural isolation between 1950-1990 had two main consequences: the national identity saw that its content diminished, and the alterity was impossible to be invented.

The importation of those western institutions and values was also made rapidly, fact which led much more to imitation than to their profound appropriation. The modern institutions (the state, the political parties, the Parliament) and the bourgeois values (art, fashion, architecture, social behaviors) were transplanted in a space with an economy preponderantly agrarian (agricultural) and with a rural way of living (at the beginning of the 20th century over 80% from the population lived in villages). But the emergency of the profound study of the national union construction accepted this fact, moreover he even encouraged it (in arts and especially in literature was proposed for example the *forms without content theory*, which invited or even lured the artist to imitate the West, hoping that they will built a know-how which led finally to original creations). Even in these extreme and precarious conditions, the western modernity started to flourish: the democratic institutions started to function, the economy began to industrialize itself and arts gave sign of originality. But the experience was suddenly interrupted by the entrance of Romania under Moscow's sphere of influence and by the importation of socialist modernity, which completely destroyed the incipient western European structures. Archipelago of *places* of that western modernity (industrial regions in formation; urban regional networks which evolved naturally towards an urban and unitary system; the intellectual cores) was replaced brutally with the monolithic and standardized structure of *communist type of modernity*. The failure of this, led after 1990, to the taking again of the previous evolution after the Second World War.

This evolution of the modern elements, situated clearly under the sign of the adversity and that of the reiteration, places, evidently, Romania in a *d'entre-deux* space and has a series of important consequences, namely:

- the growth of the territorial and institutional inertia in front of the changes because of the repeated startings and that of the unexpected and uselessly repeated stoppings ;

- the increase of the superficial imitation risk of the institutions and values imposed from the outside in favour of keeping undercover of some conservatory and profound dimensions of the cultural local/regional structures ;

- the burdening of the invention of alterity (from here some difficulties of communication with the international at individual or collective level, that leads to difficulties of regularization the relationships with the neighbour countries or to the implementation difficulties of some policies promoted by the European Union (i.e.the self-governance of the national minorities) ;

-the emphasizing of the regional cleavages from the inner country (for example, between the cosmopolitan regions and those pure ethnically ; between the more extrovert regions and those conservative, etc.).

c) – The Romanian territory is a space of invention and of promoting the negotiating territorial techniques

The *d'entre-deux* position, extremely uncomfortable and with visible negative dimensions in the context of modernity reveals itself more and more as an advantage in the conditions of postmodernity. The flexibility, not only of the production techniques, the permeability of the frontiers and the growth of the humans' mobility, but also of the capitals and information, all these are phenomena which transform, reduce very much or even annihilate the great structures of the Western modernity. The fact that in Romania, these structures of the industrial age hadn't time to imprint themselves profoundly in the territory, sets free the assumption according to which its territory is a space in which territorial techniques of negotiation, able to combine the inertia of the territorial structures with the acceleration of the conjunctive structures, can be invented freely. The inter-ethnic relationships, the rural-urban, regional-national, regional-international, emigration-immigration, foreign and national policy are so many processes and phenomena which seems to find original solutions in Romania. This assumption will go deeply in the second version of our study case.

3. L'ENTRE-DEUX: ROMANIA BETWEEN WEST AND EAST

The construction of the Romanian modern territory is the clear expression of the external forces action. The initial state nucleus, The United Principality, was formed in 1859 with the support of France, in the context of a powerful territorial compression come from the part of the neighbour Empires (figure 1). The subsequent territorial losses or advantages have been under the same sign of the exterior, of which all the internal political and social projects had to take into consideration.

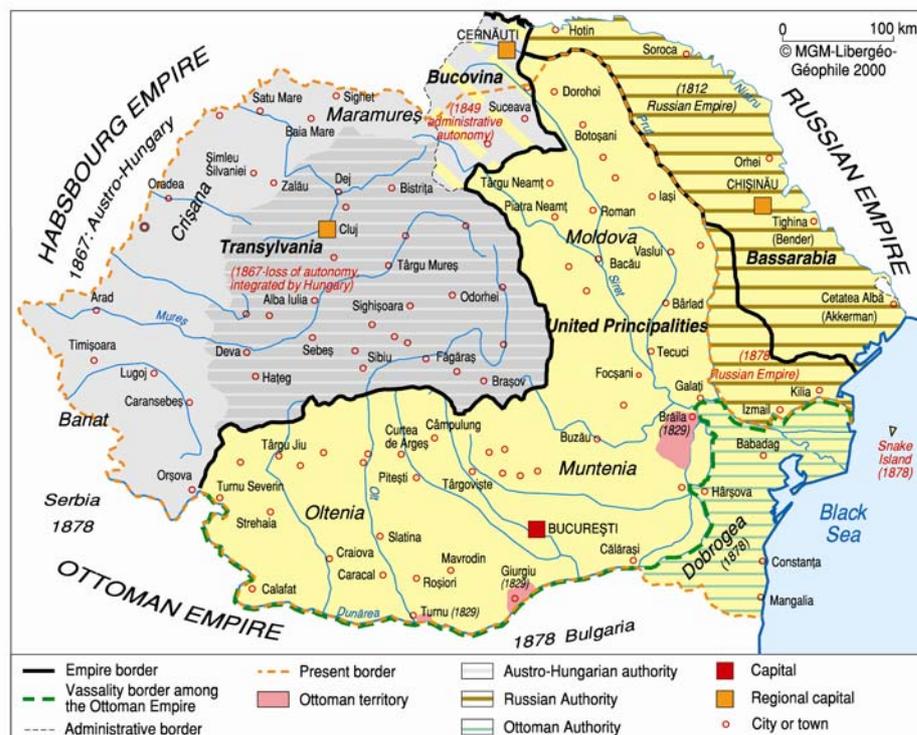


Figure 1 - The Romanian territory between 1850 and 1900

The historical evolution of the Romanian territory didn't represent only violence. The profound dynamics of this *d'entre-deux* space put into relation for a long time different cultural areas (figure 2), with consequences of an extraordinary importance. At the peripheries of the ethnic areas, the populations melt continuously, forming mosaic belts of territories which allowed the occurrence of alterity and the peaceful and profitable coexistence of the inhabitants. Transylvania, and especially the south-west of Romania (the Banat region) makes up this kind of spaces, the historical accidents which troubled the Western Europe being here unknown (religious wars, for example).

At the most finest and individual levels, cultural convergences carried out in common structures on which myths and popular believes evolved, similar gastronomies and musics, close styles of living.

The setting up of the modern eastern states (1850-1920) meant the coming out of the frontiers and, in the sovereign interior described by these, signified the emergence of the different national projects, founded by excellence on the Western European

modernity pattern. The successful result and the pattern integration became very sensible to the proximity of the eminent core, respectively Western Europe. Gradually, Romania found itself, finally, at the periphery of the European space and entered, as it was expected, under the Russian area of influence, asserted at the end of the Second World War and laid down by the Yalta Conference between the victorious powers.

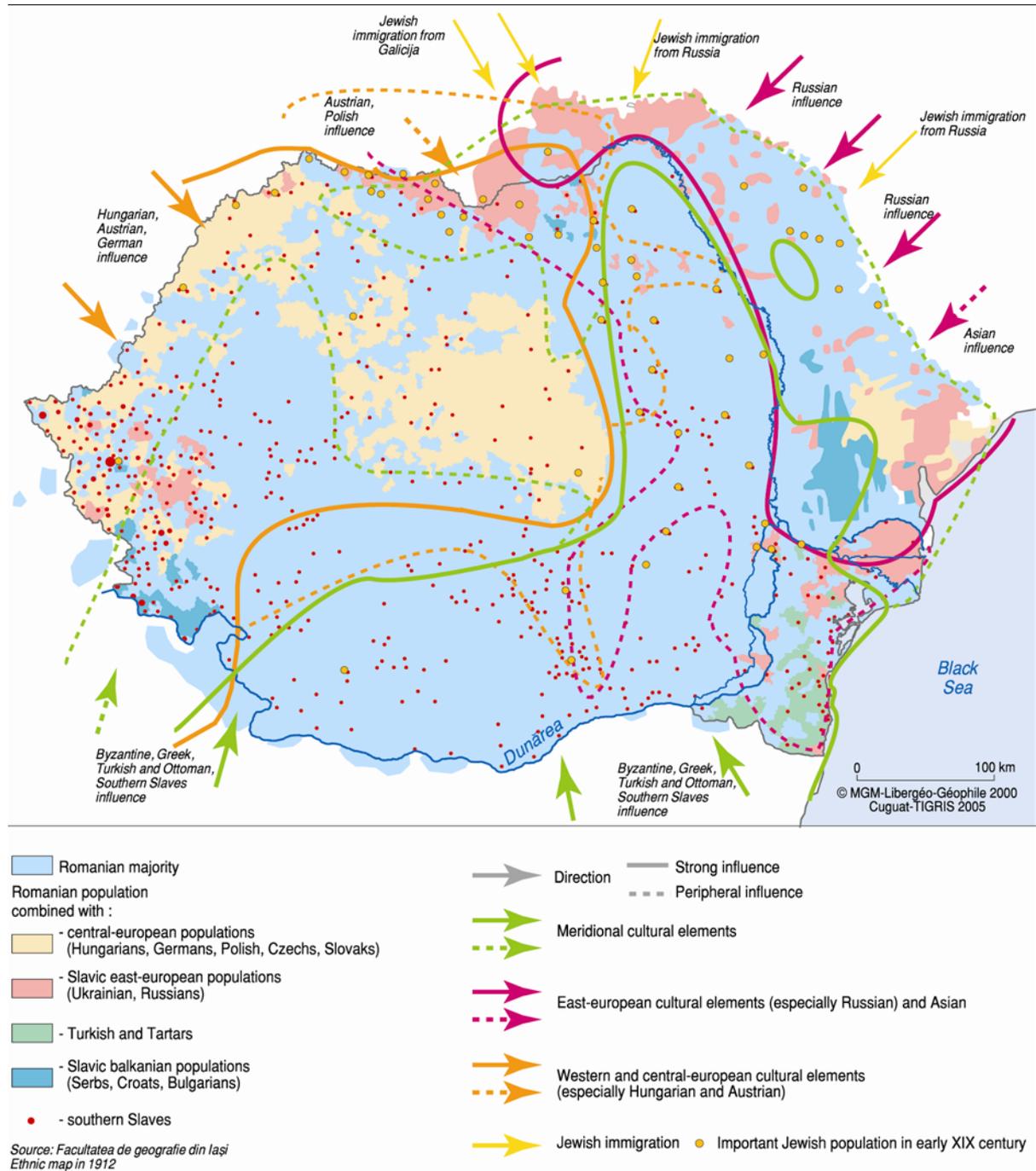


Figure 2 - Romania as cultural interface

The stopping of the west-European implementation of modernity and the replacing of this with that of the soviet type hurled the country into another periphery, that of Moscow. From Moscow towards West, Romania was yet the most modern state, an obvious expression of the initial cultural western choice. This advantage which could have

been transformed in a structure of resistance in front of the soviet pattern, was annihilated in 1965, when the process of getting out from the soviet influence, decided by the president Ceaușescu, was in fact, the beginning of a “modernity” in an original Romanian style. The complete failure of the latter left Romania weakened and bewildered in the new international framework after the falling of the communist coalition.

The geographical analysis of the present situation of Romania shows it into the core of the potential relational field between East and West, in an eternal *d’entre-deux* position, which would be qualified as the centre of the Euro-asian peripheries (figure 3).

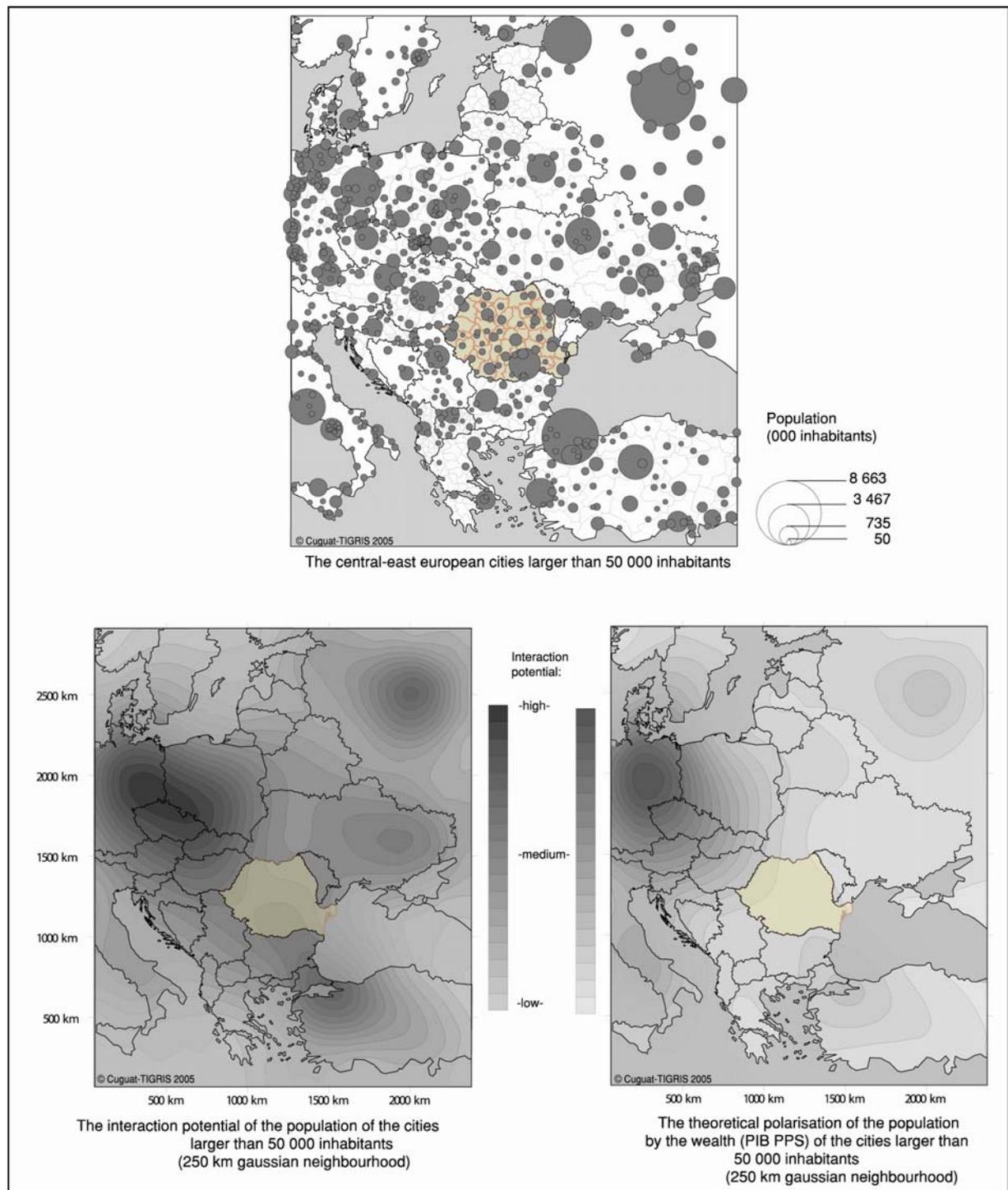


Figure 3 - Romania in the core of the Euro-Asian peripheries

From a demographic point of view, Romania stands at the crossing of the fields of forces generated by the great assembly of population from the Central Europe, Turkey and that of Moscow/ Sankt Petersburg – the west of Ukraine. Described by the interaction potential between the populations localized in the cities with over 50,000 of inhabitants from the given space, these fields of forces represent, in fact, potential waves established between the three great demographic assemblies/clusters. In this case, Romania's condition/ position would be a privileged one, because it would control most of these waves. Unfortunately, the breaking up of the analysis through the introduction of the urban GDP, demonstrates that the force of attraction of the demographic assemblies decreases dramatically, excepting that of the Central-European. The situation would have been more clearly, if the huge potential from *the Pentagon* had been taken into consideration. In the absence of the valorification of its interface position, for Romania nothing remains but a single solution, namely, that of ascertaining vehemently its position towards West, remaining to hope that the economic welfare state of Russia, Ukraine and Turkey will considerably improve in the recent future.

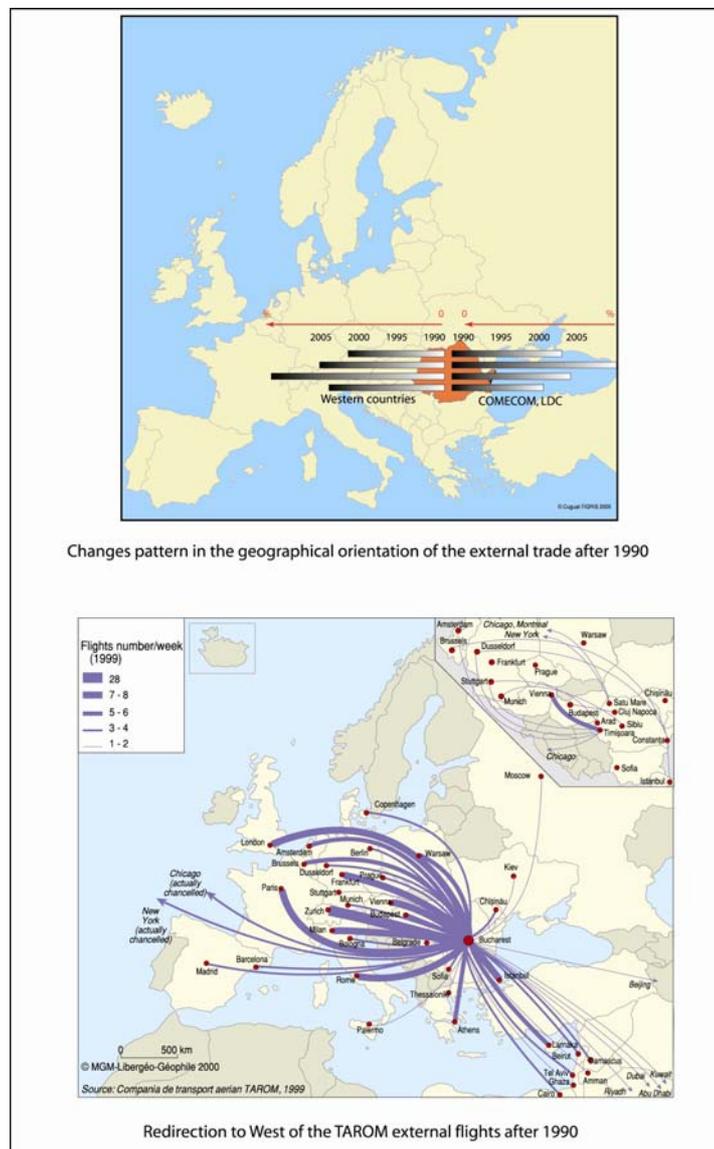


Figure 4 - The western tropism of the post-communist Romania

Romania's orientation towards West became evidently immediately after the crush of the communist system from December 1989 (figure 4). If in 1983 the exterior trade of the country was dominated by the states from COMECON and by those within (83.6% from imports and 63.6% from exports) in 2004 the European Union assured/provided 62.7% from imports and 67.1% from Romanian exports. COMECON (inclusively the ex-soviet space and former Republic of Yugoslavia) does not hold than 20.4% and respectively 10.6%.

The same direction also remarks in what concerns the aerial or earthly transports, the tourism, intercultural exchanges, the investments and the infrastructure projects.

The eternal oscillation between east and west as a result of the national decisions/elections, but strongly influenced from the exterior, seems to come off, once more, victorious the West. But what does this confirmed instability of the Romania's trajectories means in its depth ?

3.1. Political consequences

Romania's situation *d'entre-deux* compelled the implied parts to difficult decisions and had depraved political consequences during its entire modern history. The western traditional allies had been many time obliged to betray it, even only through indifference (the Dictate of Vienne and the loss of Transylvania, the Yalta Conference), as well as Romania was forced to betray its allies, either conjunctures or imposed (the turning of arms against Wehrmacht's troops, allied between 1941 and 1944; spite towards Soviet Union). This instability of the choices raised a wall of distrust bidirectional between Romania and Euro-asiatic states.

What kind of influence had this state of being after 1989 and what would be the future behaviour of Romania ? Here are two extremely important questions in the context in which in one year Romania will be included in the European Union and it will be for the latter the eastern border.

3.1.1. The long way of the European Union to Romania (and vice-versa)

The disagreement or misunderstanding of Romania's profound problems and the abominable mass-media manipulation from December 1989 revolution and then the image of Romania in general, made that the European Union to be extremely reserved in what concerns the wish and capacity of Romania to join her. The countless distractions, not so much for the material, as for the human ones, provoked by the 40 years of communism and by the so-called Romanian "modernity" promoted by the Ceaușescu's regime, overlapped the incomplete adoption of the western modernity from the inter-war period, offered less chances of rapid economic straightening out of the country.

Moreover, the political renewal after 1989 was made only at the ideological level, and that in a superficial way, because the living force, the politicians, were in fact the activists from the secondary echelon of the Communist Party. The creation of the "historical parties" (existed before the installation of the communist regime), respectively The National Peasant Party and the National Liberal Party, was rapidly but inconsistent, and immediately discredited by the power which was controlled by the former communists (the National Salvation Democratic Front, transformed later in the Social-Democrat Party of Romania, then in the present Social-Democrat Party).

Under these circumstances, the transformations imposed by the new society (privatisation, restructuring, the construction of the democratic institutions and those of the market economy) generating social instability, were, at the beginning, less promoted by the non-communist political power, eager to consolidate their position by promoting some demagogical policies in order to assure the popular support.

The refusal manifested by the European Union in the first years after 1989 didn't make rather than to reinforce these tendencies and to induce abreast of the population an accute feeling of frustration and isolation. *This fact (the creation of a negative image of the European Union through errors of communication) must be restrained by the officials from Bruxelles on the off chance of going on with the enlargement process.*

It is not an astonishing fact that, in terms of foreign policy, Romania found its whereabouts, initially, towards Russia, with which the president Iliescu signed in 1991, just before the implosion of the ex-Soviet Union, the first international post-communist treaty. Immediately after that, over the period of the regaining the independence of the former soviet states, in spite of a popular unfavourable opinion, Romania hurried to recognize the independence of the Moldavian Republic. Although it cannot be interpreted as a gesture of assurance of the national security on the western flank, this fact made render difficult an eventual union with the Moldavian Republic with Romania, complicating the future eastern frontier of the European Union. The connections/relations established afterwards with Ukraine in order to controll the army conflict between Moldavian Republic and Transnistria complete what it would be called as the first international political axis of the post-communist Romania (figure 5)

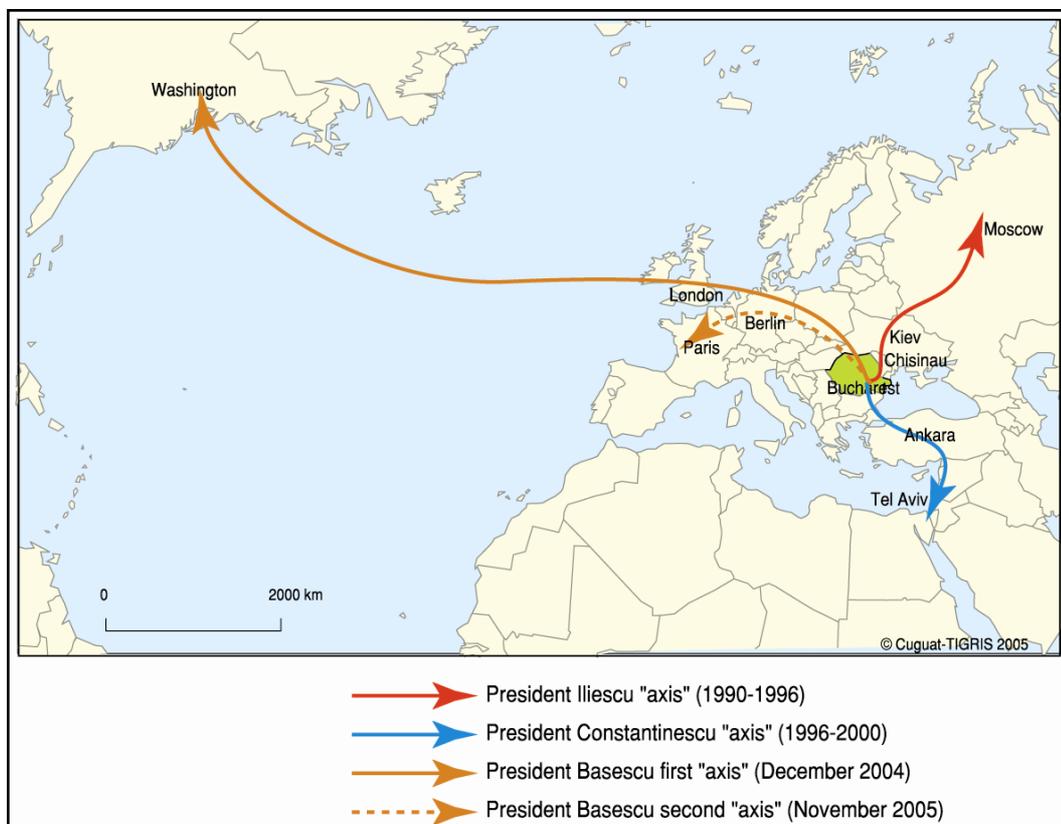


Figure 5 - The search of an international affirmation and national security

The classical threatening represented by Russia, stiff deeply in the unconsciousness of the Romanians, defended this political behaviour, but also permitted a very active and ardent searching of an ally, so as to counteract the eventual hostile actions of Moscow. Thus, all these efforts were directed towards the integration in NATO, which manifested a clear tendency of extension towards east. The popular adhesion to this project was larger and more obvious than that to the European Union, organization which remained confused, in shadow and which seemed to rise conditions for a doubtful and distant result. In other respects, side by side with the population only a visible overlapping existed between the two organizations, of NATO=European Union type. Thus, although the negotiations with EU were almost established, the emergency of the national security made that president Constantinescu to be explicitly closer to the foreign policy of the United States of America than that of the European Union. The proof is the authorization/agreement of overflying the national territory by the American aircrafts which dive-bombed the Serbian territory, despite of the opposition come from Bruxelles. In addition, the opacity and uncertainty proved by the European Union in what concerns the future of the country broke out the slight desires of regional leader of Romania and allowed president Constantinescu to define just as priority political axis that of Bucharest-Ankara-Tel Aviv, which signified not so much a closeness of Turkey or Israel, as for the two examined allies of USA.

A second element appears here by which the European Union must take into account its relations with the neighbours, even without a continuation of the enlargement process: as long as EU cannot offer itself security guarantees, it must be more attentive to the national priorities of the neighbour countries.

The return to power in 2000 of the president Iliescu and of the Social-Democratic Party brought an equilibrium in the priorities between NATO (in fact the USA) and the European Union. Despite all these facts, Romania (and Poland, a state in a similar *d'entre-deux* position) determined the nearness by the United States, sustaining it into the Iraqi conflict, sending also troops, in spite of the violent protests come from Bruxelles. In this context, a declaration of the European Union, according to which Bulgaria can be received in the Union before Romania sharpened the tensions between the two candidate countries and generated an unhealthy competition between Romanians and Bulgarians. In order to limit these tensions, the Prime ministers of both countries decided to realize an official tandem: together inside or outside the EU.

We can hold back from here another idea for the future: the strategy promoted by the European Union of creating a competition between the different candidate states can generate popular undesirable attitudes and can relighten older conflicts (as it happened between Czech Republic and Slovakia, between Slovakia and Hungary, between Hungary and Romania, etc....)

The official integration in NATO and the ending of the negotiations with the European Union (2004) let to president Băsescu and to the center-right alliance who reached the power, a more calm foreign policy. In spite of these, the small blackmail related with United States offers a new answer again to the different pressures come from Bruxelles: just from the taking over the electoral mandate in December 2004, the president Băsescu indicated as the essential axis of the Romanian foreign policy that of between Bucharest, London and Washington. His speech was more temperate during his visit made in November 2005 to Paris, where he indicated another possible axis, between Bucharest, Berlin and Paris...But just on the 6th of December, the

American United States secretary, Condoleezza Rice, coming from Poland where she had done the same thing, was signing at Bucharest the agreement through which Romania was accepting the presence of the military American base of operations on its territory.

This fact didn't generate objections from Bruxelles, but Moscow strongly reacted, declaring however that "...it won't get even to another cold war". For Romania this fact means the growth without interruption of the tensions with Russia. The latter had yet begun to be more acute since Russia cut the supply with electric energy of Moldavian Republic, with pro-European views which become stronger and stronger. Romania picked and spanned immediately a project of connecting its own electrical networks with the Moldavian ones in order to supply them with Romanian electricity, a fact which couldn't be accepted too easily by Russia, especially since the president Bănescu being into visit through Georgia, accused the latter country that she wants to make from the Black Sea a Russian lake.

The affirmation of this more than evident pro-west attitude and that of a moderate critical attitude towards Russia reveals that Romania engaged with all its confidence on the way of refounding the Western European values and that it hoped by this time to be a way with no return.

3.2. Territorial consequences

The functioning of *l'entre-deux* spaces points out/sets off a series of processes and phenomena hard to find in other places. Forced to evolve in states of an unstable equilibrium, to lead or to be led by circumstantial tropisms, these spaces tend to become spaces of discovering some structures and resistant behaviours, which incorporate into the territorial architectures by which they mould them in a subtle way. The specific of the migrational phenomenon from the Central-east Europe is just an example in this sense.

The collapse of the communist regime and then the process of the European Union enlargement made to increase the fear of a massive invasion of the Eastern Europeans in the Western Europe. This fact didn't happen or, if it happened, was just a circumstance and due to some aleatory causes (the shock therapy in the economy of Poland, the conflicts from the Western Balkans). Just after a couple of years the ultimate or definitive migration to the EU decreased significantly (in favour of other destinations such as USA, Canada, New Zealand and Australia), its place being taken by the circulatory migrations with the recurrence or the periodical leaving of the migrator. What is more interesting is the fact that the phenomenon started to develop also between the countries from the Central-east Europe and those from the ex-soviet space (Ukrainians in Poland, Moldavians and Ukrainians in Romania, Russians -with Bulgarian origins- in Bulgaria...). Another fear of the Occident was the fact that the Eastern countries will become huge entrances in the European Union for the disadvantaged populations from Africa and from Asia. Neither this fact didn't confirm/bear out, although there is a certain transit of illegal emigrants towards West. More important is that the *definitive* migration from Asia (and lesser from Africa) towards the new members or candidates of/to the European Union. Thus, the Czech Republic, Hungary, Poland, Bulgaria and Romania tend to become reception countries for the immigrants from the Extreme Orient (especially China) or from the Middle East (figure 6) who established or opened some sort of business and integrate into their new societies.

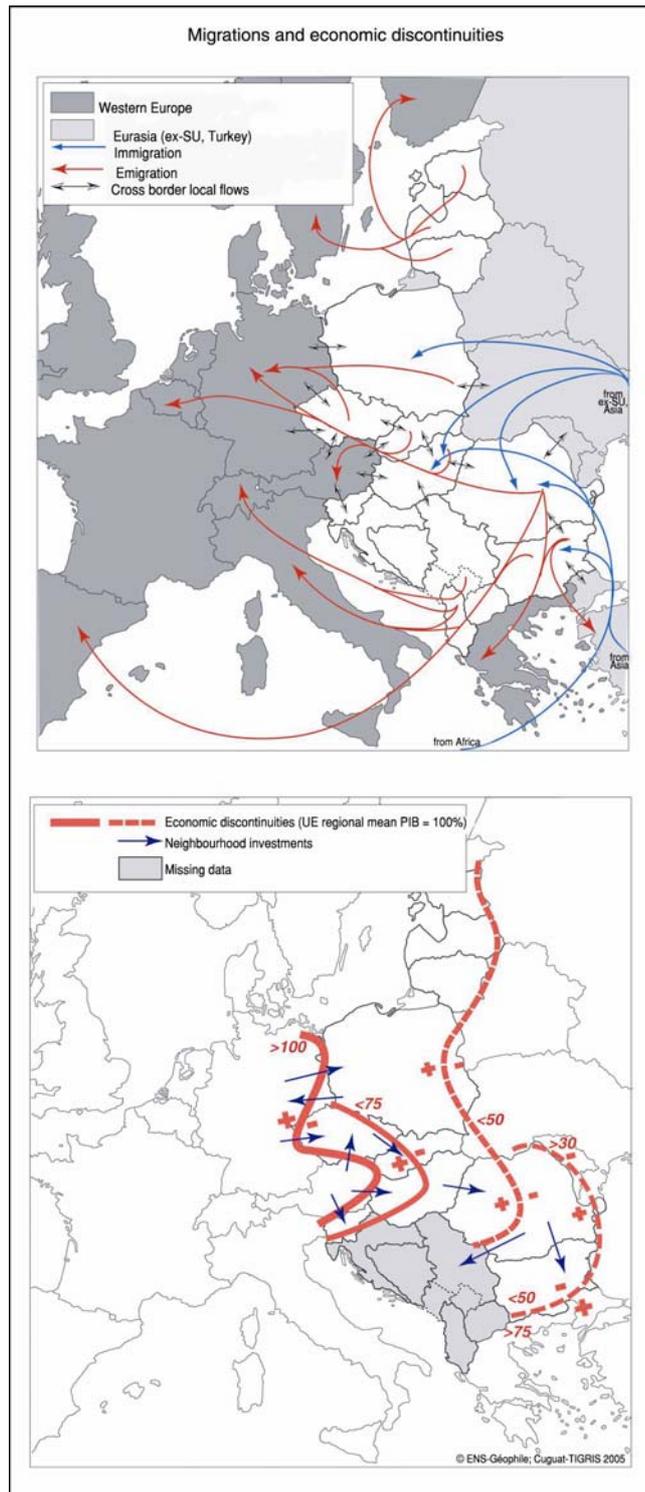


Figure 6 - Migrations and welfare gradient in Central-east Europe

These ascertained facts seem to sustain the fact that the Central-east European space presents dual features, functioning in the same time as periphery, as well as core area. Out of the classical nucleus' proximity, that of the European Union, the explanation can also derive from the particular way of territorial organization of the states from the given regions, due to their geographical position and their geohistorical evolution. Thus, the study of the Central-east countries sets off a certain type of territorial and curious regularity and namely a double gradient/degree of development (of modernity?): at the

national and infranational level. In other words, the parameters of the gradient decrease from west towards east, not only from a country to another, but also into the inner country, from the western regions to the eastern ones (figure 6). If the decrease from the west to east and from a state to another of the welfare level can be put on the grounds of the distance increase towards the generating and promoting centre of modernity, at the infranational level the things seems to be much more complicated.

In the first case, the functioning of the state institutions proves to be an explicit and satisfactory factor. All the modern states from Central-east Europe are newly born states, of which the actual territorial form resulted from the running events of the First World War. The replacement/substitution of the imperial or royal structures with those of the modern state was made in short time, and the quality and profoundness in adopting those latter depended directly proportional on the distance to the emitent centres of the west-European modernity and inversely proportional with that centres of power from Eurasia.

At the infra-national level the explanation cannot rely on the same general texture/tissue, valid in the case of all the states. The great distance towards the European west and the decisive influence of the Ottoman Empire or that of the Russian Empire can explain on a broad sense Poland's eastern situation or that of the eastern and southern Romanian territory, but not the differences between Bohemia and Moravia or those between the east and west of Hungary. The finding out the explanation for the differentiations between the regions situated on a side and other side of the state frontiers between Austria and Hungary, Germany and Poland, Hungary and Romania, etc.

We believe that, if an explicative general structure exists for these inter-regional differentiations, this can be find in the modernity spatial diffusion mechanisms level. By this time there is no rapid diffusion through the agency of the "export"/"import" of official elements of modernity (such as institutions, laws, activities), but a *slow diffusion, over the centuries, of the behaviours, traditions and individual attitudes*. This spreading, from near to near created along time a continuous field of inter-relationships across the Central-east Europe, which was sectioned by the modern states frontiers, much more obscure than those of the former empires and kingdoms.

The diffusion of the modern demographic behaviours in Romania (figure 7) can illustrate this mechanism of constructing some territorial structures extremely powerful, which withstand even to the brutal interventions of the communism.

The entrepreneurial spirit, the private initiative, the spatial and professional mobility or the opening to new, are basic features of the modern behaviours, which preserved better in the western regions and were the first which reacted to the political regime changing/transformation from 1989.

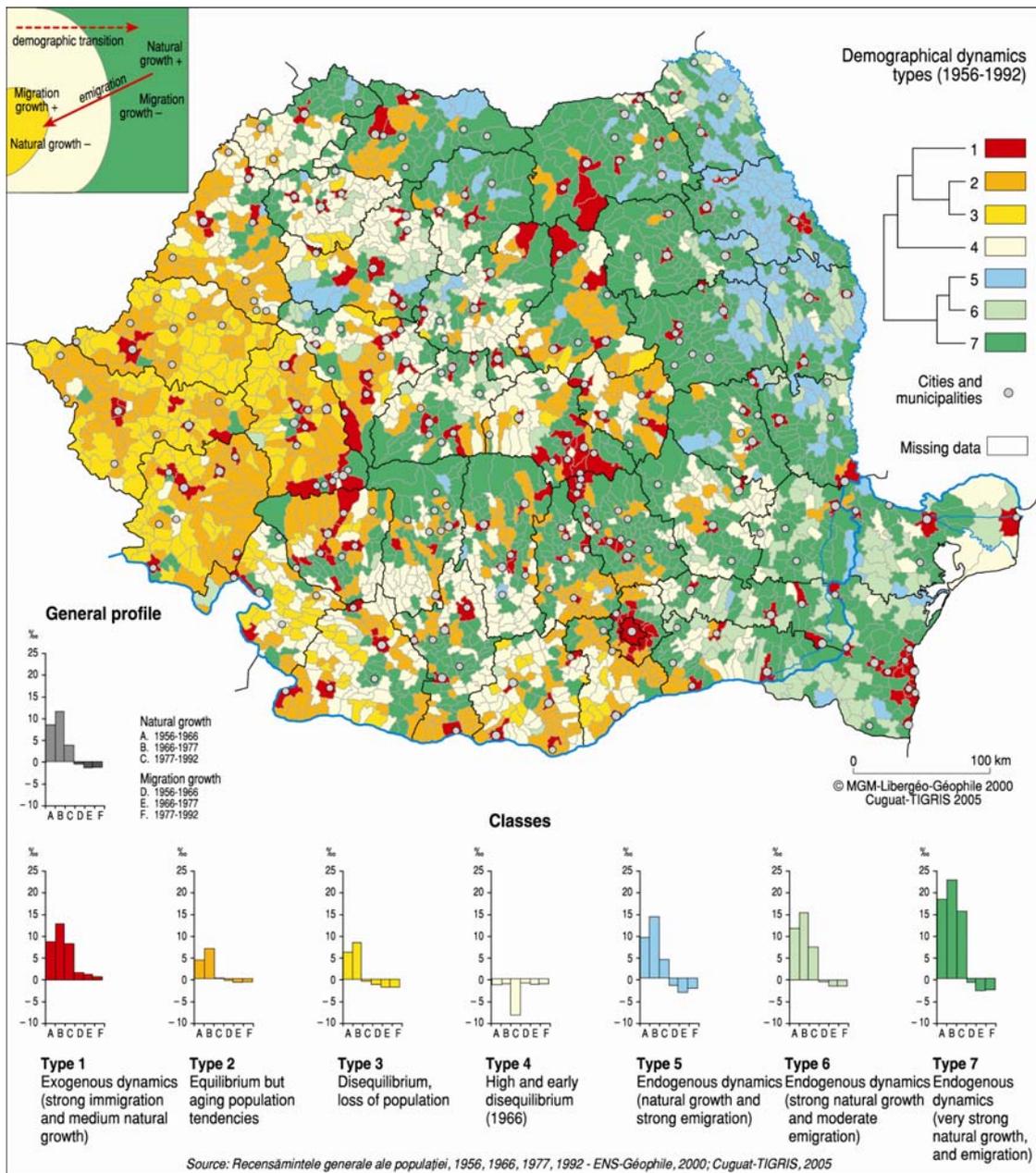


Figure 7 - The West-East diffusion of the demographic transition in Romania

The figure 8 substantiates and proves this fact through the spatial pattern of diffusion of the automobile after the fall of the communist regime. The behaviour distinctions between the Romania's west and east parts cannot be put on the reckoning of the economic pre-existent discrepancies (Transylvania has always been perceived as the richest one).

So as to be an offer, it must, first of all, exist a supply. The West of Romania reacted more rapidly to the new economic stimuli, the process of the activities' privatisation was also made faster, the private initiative was early done and the recapitalization of the economy started as early as possible. The existence of some small financial capitals, being in a rapid increase, allowed the development of a second-hand automobile offer, imported from the Western Europe by small firms, by private persons or illegal speculator networks. The legal system spread afterwards to the eastern and sothern Romania, up to the present the automobile market being one of the most

dynamic from the national economy (250,000 new cars sold in 2005 with 50% more than in 2004).

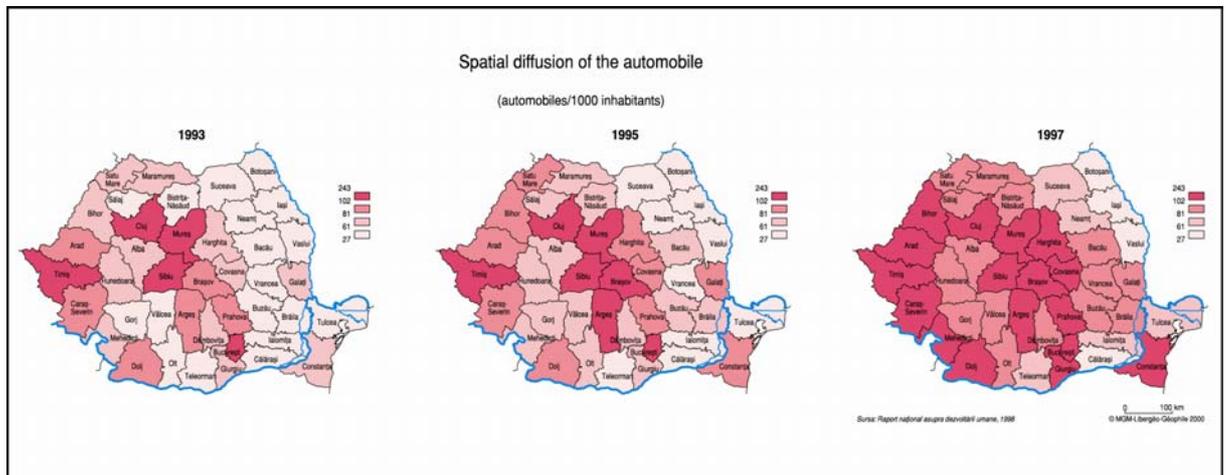


Figure 8 - Spatial diffusion of the automobile in postcommunist Romania

The functioning of these resistant territorial structures, developed slowly at the infra-national levels, is also boosted at present by the macro-dynamics of the global economy (figure 9). In searching of rapid profits and in the circumstances of an international hardening of the competition, the foreign direct investments outlined a different spatial strategy depending on the competitive or comparative advantages offered by one or another world's regions.

The diminishing of the state's power in negotiating with the great international capital grants to the latter a powerful freedom of movement, irrespective of the national programs of territorial economic counterbalance. Thus, the expensive national programmes (the technopole programme from Hungary) or the attractive legislative packages (the disadvantageous zones/areas from Romania) are ignored by FDI, which seek or follow their own interests, leading to the emphasizing of the regional differentiations (figure 9). Thus, the spatial dynamic of FDI doesn't make anything but to strengthen more the remarked gradient West-East at the Central-east Europe scale, not only at the state's level (through the preferential orientation of the capital towards the core proximal countries), but also to that of the regions (by the selective interest granted to the comparative or competitive advantages), see figure 9 and table 1.

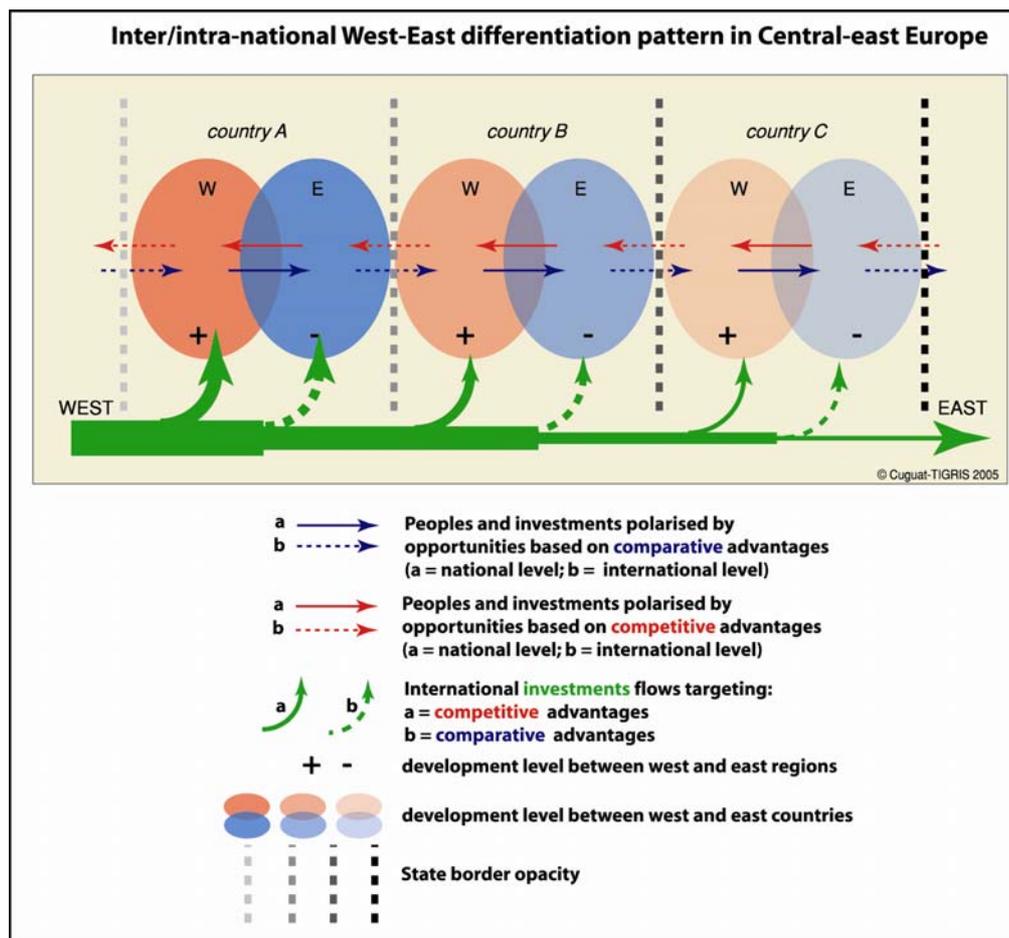


Figure 9 - The territorial organization scheme in Central-east Europe

Table 1 - Romania: distribution of FDI (1990-2004 stock) by economic development region

Source: National Bank of Romania

Economic development region	Number foreign enterprises		Stock FDI 000 RON	%	Stock FDI 000 USD	%	Stock FDI 000 EUR	%
BUCHAREST-ILFOV	52241,0	52,3	12900737,9	49,8	7065351,8	55,5	5847657,9	55,5
WEST	11240,0	11,3	1356586,1	5,2	805856,5	6,3	666969,3	6,3
NORTH-WEST	10077,0	10,1	1521215,6	5,9	815905,4	6,4	675286,3	6,4
CENTRE	9612,0	9,6	1223037,1	4,7	626599,7	4,9	518606,9	4,9
SOUTH-EAST	5751,0	5,8	3719978,6	14,4	1317174,6	10,4	1090163,2	10,4
NORTH-EAST	4205,0	4,2	777441,1	3,0	354877,5	2,8	293715,3	2,8
SOUTH	4111,0	4,1	4000042,1	15,4	1540128,3	12,1	1274691,4	12,1
SOUTH-WEST	2614,0	2,6	415393,7	1,6	198017,2	1,6	163889,5	1,6
Total ROMANIA	99851,0	100,0	25914432,3	100,0	12723910,9	100,0	10530979,9	100,0

The profound structure of the central-east European territories including Romania, combined with the economic circumstantial dynamics of the contemporary world, imposes the region as the most relevant spatial level for lecture and that of the management of the territorial dynamic.

Unfortunately in Romania, as well as in other states from the zone, the regional level lacked from the official administrative organization, in many parts because of the

fears that the regional identities might put in danger the state's unity. At the pressures exerted from the European Union, all the countries set up in a hurry the regional level, but most of them, including here Romania, preferred to consider them as entities without judicial personality and to confer them only the role of administrating the structural european funds.

3.2.1. Being/living *l'entre-deux*

The analysis of the FDI is just a mean of testing the assertions and hypotheses advanced up to now. The geographical origin of the FDI (figure 10 and table 2) emphasizes a state of being which confirms the *d'entre-deux* position of Romania.

For a long time, the distrust of the European Union towards Romania also manifested through a limited presence of the direct investments, excepting two notable situations: Germany and Netherlands. The promotion of the adhesion negotiations modified this situation, nowadays the European Union providing 52.3% from the foreign capital firms and 74.3% from the FDI stock. This fact reduced in relative terms the presence of the USA, which, between 1990 and 1993 was through the most important foreign investors. The acceptance of the American military bases of operation on the national territory was done by the power from Bucharest hoping that the great companies from the USA will invest more, improving thus the actual shares of only 4% from the firms and of 5.3% from the stock volume of FDI.

On the second place of the foreign investors stands Asia, with a share majority of the Middle East countries. In comparison with the western investors, the Asian countries presents an inversed report of the FDI parameters: although contributes with only 7.1% from the total volume of the investments, it covers only 37.4% (respectively 39,581) from the foreign capital firms subscribed between 1990 and 2005. This report means numerous investments but reduced as volume, and can be translated in many cases through the definitive establishment in Romania of the citizens from Lebanon, Syrian Arab Republic, Irak, Jordan, China, India. The strong relations between Romania and the Middle East countries are described by the frequency of the TAROM company flights towards this region (see figure 4). This situation leads the thought to the interface position that the communist Romania had it between the West, Israel and the Arabe world and to the perennality of the diplomatic and economic relationships established in that period, which can be proved as the best card from present. The crisis of the Romanian and French journalist hostages in Irak, solutioned in favour of them and with the help of the Romanian secret services, is an example in this sense. The traditional markets in the arabe countries from the Middle East and Africa, with a socialist orientation, can also constitute the trump for the foreign companies which invest in Romania.

A notable absence on the investors' shortlist is that of Russia, present although in Romania in the petroleum industry, gas distribution, metallurgy... The explanation deals with the fact that the Russian investments get through the agency of the off-shore firms (especially from Cyprus). This so-called "shyness" refer to Japan's situation after the Second World War, when its investments from the Pacific were seen with a kind of hostility by the population of those states which had been occupied and had bore the rigours of the Japan occupation. The historical animosities between Romania and some of its neighbours, respectively Russia and Ukraine, launch for many times nationalist outbursts from both parts and prevented from the establishment of some common economic and diplomatic between the given parts.

Table 2 - Romania: geographical origin of the FDI (1990-2005 stock)
Source: National Bank of Romania

	Foreign enterprises (number)	Foreign enterprises (%)	FDI stock (000 euros)	FDI stock (%)
EUROPE <i>from which EU</i>	58246,0 55349,0	55,0 52,3	9437262,3 8994817,6	78,0 74,3
ASIA <i>from which Middle East</i>	39581,0 31380,0	37,4 29,6	859939,4 593211,8	7,1 4,9
NORTH AMERICA <i>from which USA</i>	5245,0 4195,0	5,0 4,0	692191,5 645693,4	5,7 5,3
OTHER	2459,0	2,3	199829,8	1,7
OFF- SHORE	392,0	0,4	918061,7	7,6
Total ROMANIA	105923,0	100,0	12107284,7	100,0

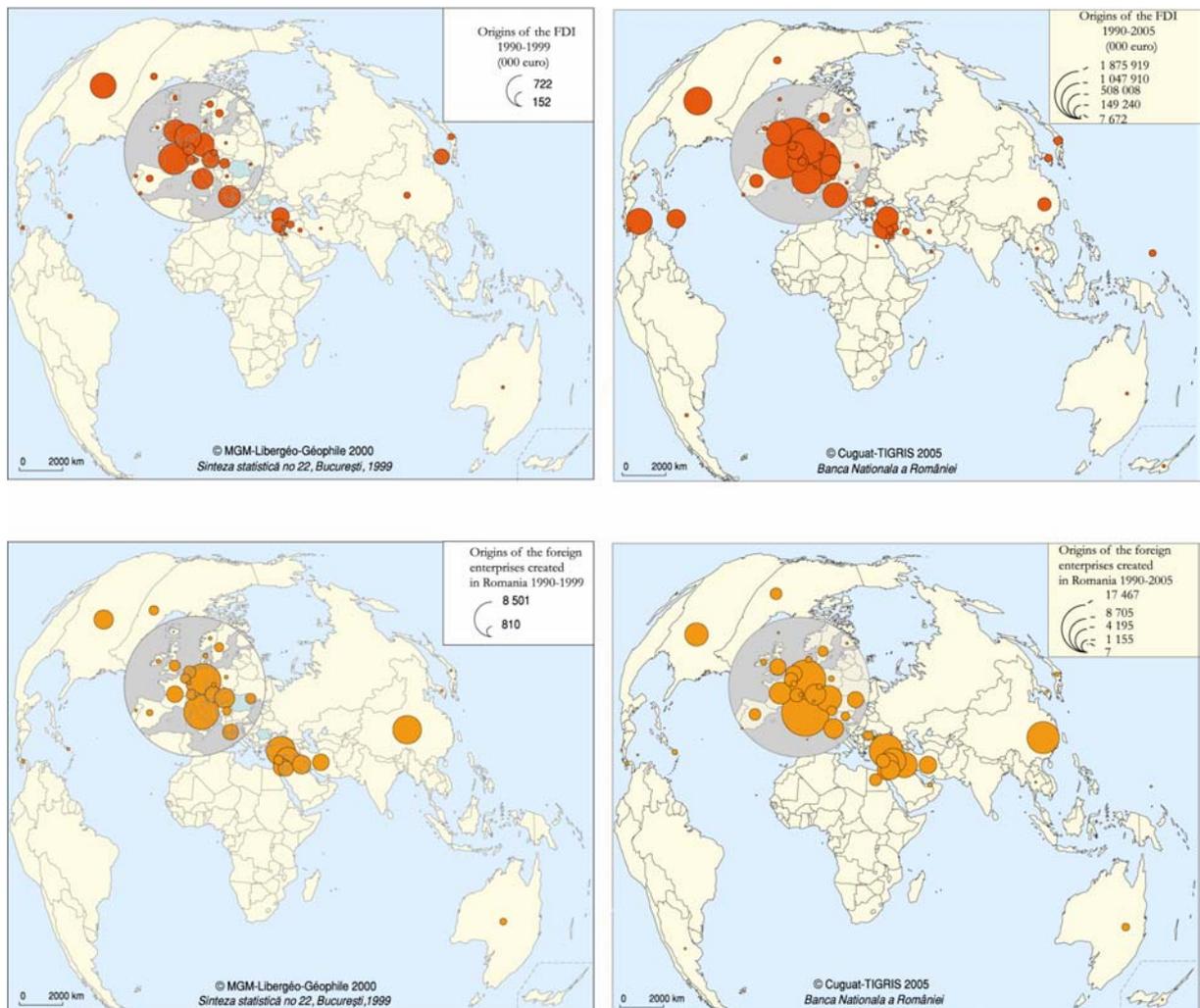


Figure 10 - The origin of the FDI in Romania

The distribution of the investments in Romania favours the capital, Bucharest, and the western regions (see table 1). Only the Bucharest municipality concentrates

almost 47% from the investment stock and 50% from the total amount of the foreign capital firms subscribed up to year 2005.

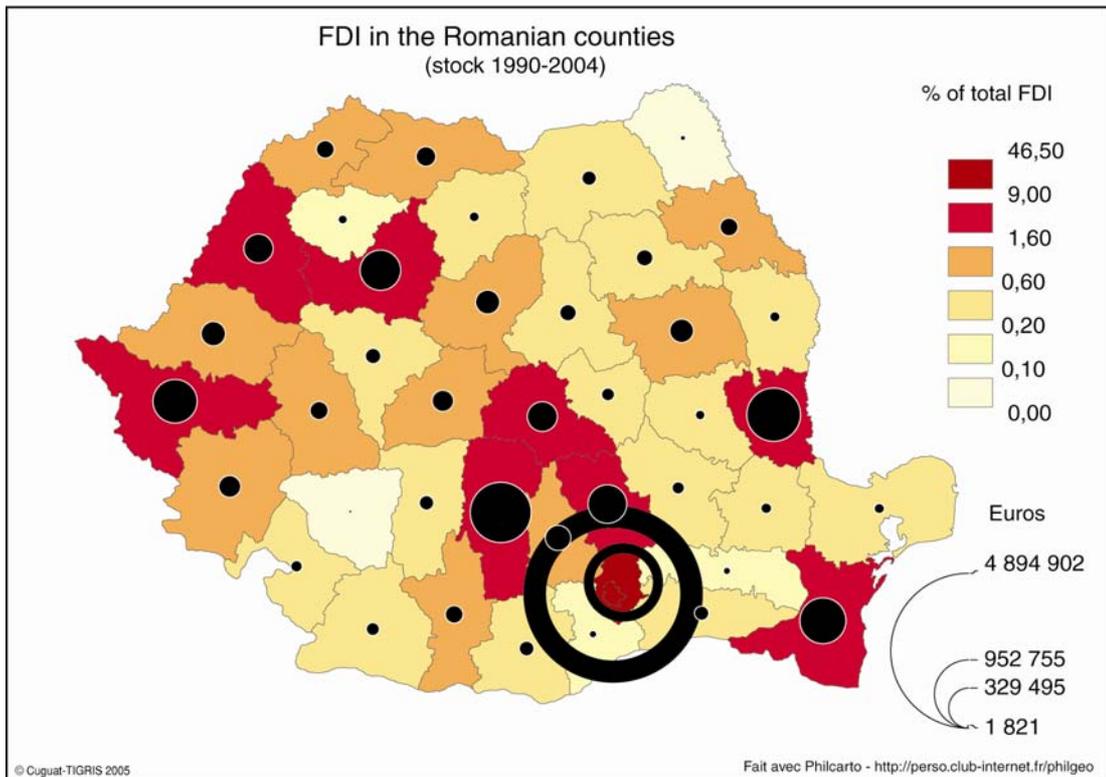
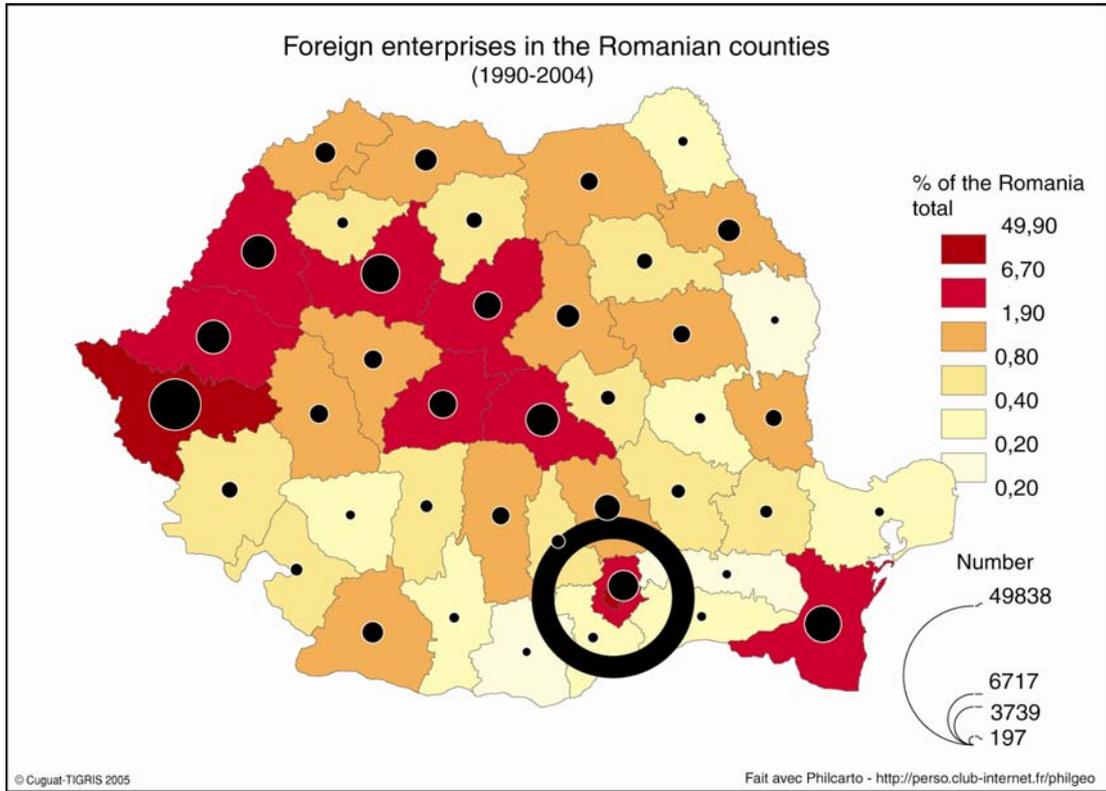


Figure 11 - Distribution by county of the FDI stock

The western regions (see figure 11) derive advantage from a double advantage: there are the most developed areas from the country besides having an important Magyar minority represents a preferential target for the proximity investments in the immediate neighbourhood of Hungary (see WP8.7.). The most part of the Hungarian investments (353 millions of EUR, respectively 2.91% from the total amount) exist under the form of the small but numerous firms (5250, respectively 4.96% from the total) and tend to concentrate in those areas in which the Magyar minority is localized, what brings up the risk of outlining some new spatial lack of balances.

The eastern and southern, rural and less developed regions do not attract either the international financial waves, or the investments of proximity, because the neighbours are countries which were in an economic dilemma (Serbia, Bulgaria, Republic of Moldova, Ukraine). For example, the Republic of Moldova invested only 15 millions of EUR (0.12%) in 1992 through the small firms (1.88%) and Bulgaria 9.2 millions EUR with 584 firms.

The analysis of the FDI location after the invested stock shows the tropism created by the comparative advantages, the greatest investments being attracted by the western regions and by the diagonal axis Bucharest-North-West, with an acknowledged industrial tradition. To those latter is also added the Constanța county which profits from the existence of the greatest port from the south-east of Europe, stream-lined and in directly bound with the Danube-Main-Rhein corridor.

Because all the communist economies were de-capitalized, the main engine of the present economic dynamics is represented by the FDI, the only ones that can support the transformation charges of the production structures and those of the services. The regions which take advantages from the FDI consideration are, consequently, in a great evident advantage towards those left in shadow.

The analysis of the spatial organization of the Romanian custom and that of the spatial intensity of the exterior trade (figure 12) confirms this fact. If the west part of Romania has five regional customs divisions (Timișoara, Arad, Oradea, Cluj-Napoca and Brașov), in the east side of the country only one appears, centered on Iași municipality. This fact can be explained only through the greater intensity of the trade activities in the regions from the western country side, the eastern border/frontier being in many parts inert. In the south the regional customs divisions are organized around the seaport (Constanța), fluvial ports (Galați) and around the capital (Bucharest) which tend to become a regional metropolitan area.

The spatial organization of the customs and the intensity of the exterior trade – symbols of some profound territorial structures – are governed consequently also by the external forces (FDI preferences, transcontinental commercial flows, borders opacity degree, metropolization).

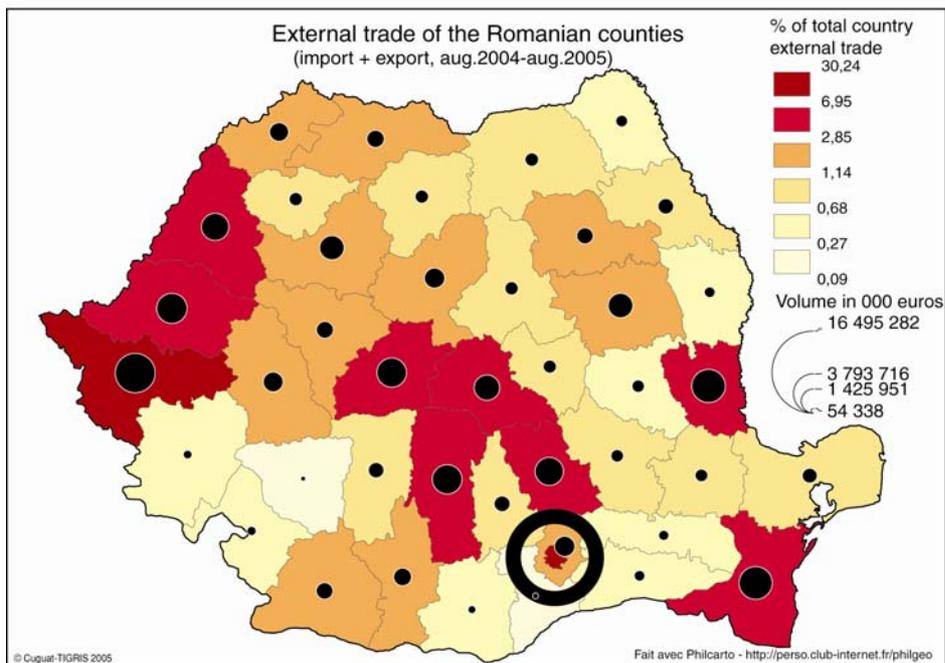
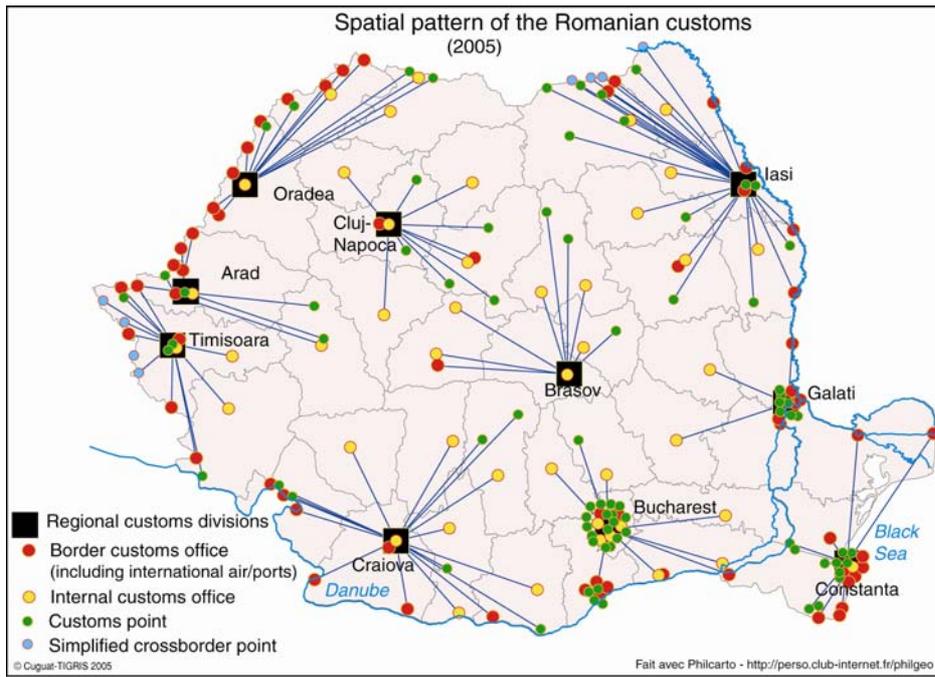


Figure 12 - Spatial patterns of the Romanian external trade

4. CONCLUSIONS

The present stage of the research achieves a qualitative analysis of the Romania's geographical position and of its territorial consequences, using a concept which seems to be adequate to the aim, respectively that of the *entre-deux*. In fact, Romania is used as a pretext of this study, the latter aiming to grasp a general pattern for those states from the close proximity peripheries. The preliminary results of the research, which follow to be verified, quantitatively, in the next stage, lead to the following conclusions:

- the integration into the European Union of the peripheral states from the Eastern Europe do not increase their feeling of the national security; from here some distinctions between the foreign policy of the Union and that of the new state members or candidates, which seek new strategic alliances. The policy of the "sanitary belt" seems to impose from itself: a privileged status for the neighbour states (Ukraine, Republic of Moldova, Caucasian countries...) can bring an extra-advantage in terms of stability at the European Union borders.

- the policy of the European Union of including new members or of creating a new belt with a privileged status in the close proximity, must not release an attitude of competition between these states, because their *d'entre-deux* position keeps alive the memory of the past conflicts, and from this, the nationalist outburst can be launched anytime.

- the *l'entre-deux* states rise problems in the integration view under a form or another in the European Union (tensions at the frontiers, cultural differentiations, fragility in front of some processes such as the administration of the FDI claims/pretentions or globalisation) but it also deals with some advantages (pre-existent diplomatic relations with sensitive spaces, the know-how necessary to the joining of the profoundly inert structures with the circumstantial dynamics, the keeping of the architecture and of the regional spirit).

- the states of the *l'entre-deux* represent another valid relay in the reception and for the diffusion of the western modernity towards outside, not only at the official level (through the rapid and coherent promotion of its values and institutions), but also at an officious level (on long term, through the promotion from near to near of the individual and group behaviours and attitudes based on alterity and on the respecting of the human values).

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Case study **10**

FOCUS ON SWITZERLAND

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Swiss Federal Institute of Technology Zurich

ESPON 3.4.1.

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1) INTRODUCTION

In Europe and the World, Switzerland is associated with features like

- Direct democracy
- Fiscal paradise
- Neutrality
- Specific high quality products (watches, chocolate, cheese, and manufacturing)
- Transit corridor between Western Europe and Italy, and
- The divide between its Government (the Federal Council) and its population in regard of joining the European integration process

This text will highlight the political and economic relations between Switzerland and the European Union and show the process and the state of the mutual negotiations of coming together.

It is a compilation of the following official documents:

Federal Council: Integration Report 1999. Berne 2000,

http://www.europa.admin.ch/europapol/off/ri_1999/e/index.htm

Federal Council: New Foreign Policy Report of the Federal Council (*Foreign Policy Report 2000*) - Presence and co-operation: Safeguarding Switzerland's interests in an integrating world. Berne, 2000; <http://www.europa.admin.ch/europapol/off/ap/e/index.htm>

Swiss Federal Chancellery: Trends and possible future issues in federal policy - Challenges 2003-2007, Berne 2002; <http://www.admin.ch/ch/e/cf/herausforderungen/>

Swiss Integration Office DFA/DEA: The Seven Bilateral Agreements Between Switzerland and the European Union of 1999 – Report on the Agreements and Companion Measures, with Explanations. Berne, 2002.

Swiss Integration Office DFA/DEA: Explanatory documents on Swiss European policy; <http://www.europa.admin.ch/europapol/expl/e/index.htm>

Swiss Integration Office DFA/DEA: Bilateral Agreements I; <http://www.europa.admin.ch/ba/e/index.htm>

Swiss Integration Office DFA/DEA: Bilateral Agreements II; <http://www.europa.admin.ch/nbv/e/index.htm>

2) DEVELOPMENT TRENDS OF THE EUROPEAN UNION AND SWITZERLAND

2.1) *Switzerland and Europe*

The process of European integration has entered a new important phase. Eight central and eastern European countries, together with Malta and Cyprus, have joined the EU in 2004. A further two countries from eastern Europe, Bulgaria and Rumania, and most probably Turkey as well, are set to become members at a later date. The European Single Market has become more clearly defined with the introduction of the common currency.

Overall, Europe is finding its way towards a state of political and economic order that will

bring it peace, stability and prosperity. Apart from the European Union (EU), NATO remains a stabilising power factor complemented by the mechanisms of the OSCE (Organisation for Security and Cooperation in Europe).

The EU is the most important partner of Switzerland - politically, culturally and economically. The EU and Switzerland are founded on common fundamental values such as democracy, regard for human rights and a constitutional state. The EU is by far the most important trading partner of Switzerland: three-fifths of Switzerland's exports are sent to EU countries, while four-fifths of Switzerland's imports come from there.

Switzerland also has close contractual ties with the European Union. 1972 saw the conclusion of the Free Trade Agreement (for industrial products), while seven bilateral agreements were signed in 1999 in the areas of free movement of persons, overland transport, air transport, agriculture, research, and technical barriers to trade and public procurement. These bilateral agreements I came into force on 1 June 2002. Further negotiations in nine new areas (Bilaterals II) have been concluded on a political level on 19 May 2004.

2.2) Assumptions on overall future development trends

Over the last 15 to 20 years, the basic international conditions for the Swiss economy and society but also for federal policy have radically changed. Technological advances in transportation, in electronics and in their areas of application such as IT and telecommunications, in the development of transport infrastructure and the lowering of transportation costs, as well as the sustained trend towards liberalisation, increasing international competition through the reduction of trade and customs barriers, particularly also at regional level (EU, NAFTA, etc.) increasingly enable companies, institutions and individuals to extend their activities to the regional and global level. The end of the Cold War and the transformation of the former planned economy state block have had a legitimising, reinforcing and accelerating effect. These developments form the foundation for an exceedingly manifold and complex process, which for simplicity's sake is referred to in this report as 'globalisation'. Many developments evolving today will probably not fully unfold before the first or second decade of the 21st century, but are still fraught with considerable uncertainties and could cause far-reaching global structural changes (new technological system, further integration of the global economy through multi-national enterprises, shift in the balance of global economic power, accentuation of global environmental problems, etc.).

From Switzerland's point of view, globalisation possibly finds its greatest expression in the momentum of European integration. The countries of Europe see European integration primarily as Europe's answer to the increasingly global challenges. In the 1990s, the EU was enlarged to include Sweden, Finland and Austria and has been consolidated with the treaties of Maastricht, Amsterdam and Nice. The most evident changes in recent years have been Economic and Monetary Union with a common central bank and the highly symbolic single currency, as well as the efforts to establish a Common Foreign and Security Policy including a European Security and Defence Policy. The coming years will be characterised by the structural reform of the EU and the arrival of new Member States. The accession to the EU of eight Central and Eastern European states together with Malta and Cyprus is set to take place in 2004. Two further Eastern European countries (Bulgaria and Romania) and possibly Turkey should be able to join at a later date.

The consequences of globalisation and the progressive enlargement and consolidation of the

European integration process are already evident in Switzerland today and it can be assumed that they will continue to intensify. Considerations on Swiss trends and future challenges are, therefore, inseparably linked to assumptions regarding overall international conditions, while because of the emerging cooperative global integration movement at two levels (cooperation within and between global regions), a distinction is made between global and a European level for practical reasons.

Developments in the international environment over the coming ten years:

- Slightly accelerating economic growth at both the global and the European level, however, with the possibility of temporary setbacks; weaker growth in Asia as compared to the early 1990s; initially only a slight shift in balance of power within the global economy.
- Continuous reinforcement of global networks within or between various companies and research institutions through alliances, mergers etc; further increasing mobility of capital within the frame of liberalised and highly modern capital markets; sustained intensity of geographic competition in particular between OECD countries, but also with the emerging markets.
- Accelerating modernisation processes towards the information, knowledge and service society, especially in OECD countries.

The central foreign policy questions and problems that Switzerland will have to confront in the coming decade have to some extent been part of the fields of Swiss foreign policy activities for some years already. Swiss foreign policy is characterised by continuity and calculability. Switzerland will concern itself with most of the existing and future international challenges. It too will be required to reach political decisions and undertake social adjustments as a result. Switzerland has the strength and vitality to respond to these challenges independently. In so far as these challenges are of significance for foreign policy, it certainly cannot claim to have ready answers to every question. But one essential observation surely emerges: *these global issues far exceed the capacity of an individual state to respond and find solutions*. If Switzerland wishes to make any contribution to the realisation of global responses, it will only be able to do so in close collaboration with other states. The fact that these “*other states*” are, in Switzerland’s case, primarily the states of Europe is clear on the basis of common values, traditions, convictions and interests. Self-righteousness and absence can endanger the country's major interests.

2.3) Economic and Population Trends in Switzerland

In the even tougher international competition in terms of location and market share, Switzerland appears to be in a good position judging from cross-sectional data, but judging from longitudinal data (development trends of productivity, investments, income, taxes, etc.) its position is less favourable. Unrestricted access to the EU market is vital for Switzerland’s economic development.

As a result of the introduction as planned of Economic and Monetary Union in 1999 there was initially a sideways development in the exchange rate of the Swiss franc to the Euro. From mid-2000 there was an appreciation of the Swiss franc, which has continued and is set to put a strain on the Swiss export economy. However, Swiss exports obtained easier access to the European single market when the bilateral agreements came into force in June 2002, which provides some compensation.

The assumption is that a high level of private consumption and a growth in exports of 2.2% in the period up to 2015 will result in average economic growth of 1.5% per annum.

The traditional leading sectors of the Swiss economy (chemical industry, precision instruments and watches, banking and insurance) are expected to maintain their competitive edge. They are the linchpins of economic prosperity. Rationalisation and restructuring will continue in the wake of European Monetary Union and further service industries such as banks, insurance and management consultancies will be affected. Certain traditional industries such as mechanical engineering and metal processing could experience a renaissance. Others are on the threshold of technological innovations (IT, communications). In the future there is likely to be increased demand in the health sector. It is anticipated that jobs are more likely to be created in sectors catering to the domestic market, which are less exposed to the pressures of international competition. The tertiarisation of the economy will increase, not least on account of the fact that many new occupational images in the industrial sector are taking on the character of services as a result of the new ICT. It cannot be ruled out that Switzerland could degenerate into a dual economy with dynamic sectors characterised by high productivity and few available jobs and sectors with lower productivity, which can offer employment, to a certain extent on account of state funding mechanisms and regulations, but do so under unfavourable working conditions.

The construction industry can keep ticking over in the event that major government investments (Rail 2000, NRLA, national road construction) are realised and due to essential maintenance of existing buildings. There is no expectation of a boom as the weak development of demand in the construction of housing (population development is the main reason here) and overcapacities in the industrial-commercial sector are likely to continue to have a dampening effect.

International competition in the tourism sector between the different holiday destinations in response to the globalisation processes will remain and the changed security situation will have an influence on visitor figures. In the medium term further restructuring and adjustment processes in this sector can be expected.

As a result of the increasing number of gainfully employed persons and stable economic growth as well as the smooth operation of the labour market, unemployment will fluctuate around the 3% mark depending on the economic trend. Productivity will only be able to grow to about 1.5% per annum under the same competition conditions.

The clearly discernible trend since the 1990s towards flexibilisation of the labour market will continue. The number of invalidity cases and welfare claimants (welfare offices) offsets this.

Location attractiveness of Switzerland:

- Losing ground
- Unrestricted access to EU market is key

Exchange Rate:

- Franc goes from strength to strength
- Easier access to European domestic market

Economic growth:

- 1.5% pa on average up to 2015

Structural change:

- Existing market leaders remain linchpins of economic growth
- Increased pressure due to EMU
- Continuing tertiarisation of the economy
- Accentuation of dual economic structure?

Construction industry:

- Stabilisation in the event that major projects are realised

Tourism sector:

- Further restructuring

Labour market 1:

- Unemployment level to remain below 3% to 2007, then slight fall possible

Labour market 2:

- Flexibilisation to continue

3.) THE EUROPEAN POLICY OF THE SWISS FEDERAL COUNCIL

The Swiss Federal Council approved the new Foreign Policy Report at its closed meeting on 15 November 2000. The Report replaces the previous "White Paper on Switzerland's Foreign Policy in the 90s" of 29 November 1993. The "Foreign Policy Report 2000" summarises how the Federal Council shaped Switzerland's foreign policy in the past decade and sets out its objectives and priorities for the decade ahead.

In its Foreign Policy Report of 15 November 2000 the Federal Council set out its long-term aim of taking Switzerland into the EU as well as the three preconditions for the commencement of entry negotiations:

Firstly: Switzerland first wishes to gather experience with the seven bilateral agreements from 1999. It wants to see how these agreements work out in practice.

Secondly: The effects of joining the EU on central areas of Swiss statehood must be thoroughly clarified and convincing answers found to any outstanding questions. The Federal Council will publish a report on the pros and cons of EU membership in the second half of this legislative period outlining the consequences for the country's federalism, popular rights, neutrality, system of government organisation, finances, economic and monetary policy, agriculture, migration policy, not to mention its foreign and defence policy.

Thirdly: There needs to be broad domestic support for the aim of EU entry.

On 4 March 2001 the people and the cantons overwhelmingly rejected the popular initiative

"Yes to Europe!". This initiative was intended to oblige the Federal Council to open immediate negotiations on entry to the EU. Voters heeded the Federal Council's recommendation to reject this popular initiative because the preconditions for the commencement of negotiations on entry to the EU had not yet been met.

The Federal Council reaffirmed the key elements of its European policy after the vote on 4 March 2001:

- in the short term, the implementation of the seven bilateral agreements, their extension to the ten new EU Member States and the conclusion of the second series of negotiations are the top priority.
- in the medium term, priority will be given to obtaining approval of the second series of agreements by the Federal Assembly and the Swiss people and their subsequent implementation.
- the longer-term aim of the Federal Council's European policy is to take Switzerland into the European Union. The Federal Council is convinced that in the long-term Switzerland can better safeguard its interests within the EU than outside it. Today, many problems can no longer be resolved through the lone actions of individual states, but only in acting together at European level.

4) STAGES OF SWISS EUROPEAN POLICY

Switzerland has consistently adopted a European policy aimed at closer cooperation with the other nations of Western Europe. At each step it has been careful to ensure that this policy is firmly anchored in public law and intergovernmental agreements. It nonetheless followed the development of European integration in the supranational framework of the European Community (EC) with scepticism, preferring a European free trade area, as indeed did the United Kingdom. The European Community (EC), the objective of which was to reconcile the belligerents of the two world wars, in particular France and Germany, and to prevent any further outbreak of conflict between participating countries, was created without any thought being given to Swiss participation. And indeed Switzerland had never seriously considered joining, nor had its membership been sought by the EEC member nations. Quite the opposite in fact, since the demand for association which Switzerland eventually presented in 1962 was put in a bottom drawer due to the influence exerted by the French President Charles de Gaulle. Switzerland thus ran the risk of being cut off by customs barriers from its principal trading partner, Germany. This problem was not overcome until Switzerland signed a free trade agreement with the EC in 1972. Although the United Kingdom joined the Community in 1973, seven years of stagnation in the process of European integration made it possible for Switzerland to just coast along without feeling any real pressure to negotiate.

However the conclusion in 1985 of the Single European Act and the effective creation of the single market with the four freedoms (freedom of movement of persons, goods, services and capital) that resulted from this, forced Switzerland and the other countries of the European Free Trade Association (EFTA) to reconsider their position, eventually leading at the end of the 1980s to negotiations for the creation of a European Economic Area (EEA) based on the same four freedoms. Ultimately however the limited objectives which the EFTA states had set for themselves in these negotiations were overtaken by a number of major events that reshaped the world: the fall of the Berlin Wall, the collapse of the Soviet Union, and the superpowers' renunciation of their Cold War commitments in Germany and Europe. It became

clear to all the states of the "old continent" that henceforth they must themselves accept responsibility for peace and prosperity in Europe, for indeed there was no other choice. The vast majority of EFTA countries (Austria, Finland, Sweden, Norway and Switzerland) consequently decided to apply for membership in the European Union. Switzerland suspended its application in 1992, after the Swiss electorate rejected the government's proposal to join the EEA.

In Switzerland's case relations with the EU were eventually to be given a new lease of life by the decision to seek sector-by-sector bilateral agreements. After lengthy negotiations, seven such agreements were signed with the EU in 1999. These were approved by a large majority of the electorate in the referendum of May 2000. The agreements came into force on 1 June 2002. Further bilateral negotiations between Switzerland and the European Union on ten new areas are also in course since June 2002.

4.1) First Stage: from the end of World War II to the foundation of EFTA

At the end of the Second World War, there was great need for political and economic unity in Europe. Switzerland however did not feel tempted to participate in the West European integration process, for her economy was flourishing and the policy of neutrality had proven its worth. Its leaders therefore decided against joining the European Council at the time of its creation in 1949 as the first step towards a federation of European states. It was not until the Treaty of Rome did found the European Economic Community in 1957 that her hesitation about joining the European Council was finally overcome. The Confederation became a member of the European Council in May 1963.

An event of singular importance to the Swiss economy occurred in 1960 with the creation of the European Free Trade Association, EFTA. When France opposed the idea of extending the six-member EEC, the United Kingdom, Denmark, Norway, Sweden, Austria, Portugal and Switzerland decided it was time to get together to defend their economic interests and create a free trade area of their own. Some of these nations, the UK and Denmark in particular, saw it as a transitional step. Switzerland on the other hand had its eye on a free trade agreement with the EEC. Thus it was that in the Sixties, Switzerland laid the foundations of a policy based on step-by-step pragmatism in the context of bilateral negotiations. The coordination instrument of this pragmatic policy would be the Integration Office DFA/DEA, created in 1961.

4.2) Second Stage: from the free trade agreement to the Single European Act

In 1972, Switzerland achieved one of her goals in the form of a free trade agreement (FTA) with the EEC. While ensuring that Switzerland would not be left entirely out of the EC integration process, this agreement did not require relinquishing any sovereignty, and also left it open for the Swiss to negotiate additional trade agreements. The only institution the partners had in common was the Joint Committee, which was not however endowed with any supranational powers. This arrangement allowed Switzerland to keep intact its neutrality, federalism and direct democracy. The FTA allowed plenty of scope for new agreements. Over the next 20 years, Switzerland took full advantage of this leeway, concluding well over 100 special bilateral treaties with the EC. Most of these involved trade in goods. The two sides did have talks on other key policy areas however, such as transport, the environment, research and development. And they reached several understandings in these areas too. The participation of

Switzerland in the Community's efforts to co-ordinate standardisation is also worth mentioning in this context.

This sector-by-sector approach, at the level of bilateral negotiations, was seen as the most viable solution over the long term. It was thanks to the success of this approach, in the atmosphere of economic and political crisis that prevailed within the EEC at the beginning of the 80s, that there would be no need for serious discussion on the "Europe question" in Switzerland for many years to come. Despite intensification of the West European unification process, culminating in the Single European Act (SEA) of 1986, this state of affairs continued in Switzerland.

It was only with the Swiss people's decision not to become a member of the United Nations that same year that doubts began to set in, being first expressed in the French-speaking cantons of western Switzerland, fearful of the country's increasing isolation. But concern was also spreading in the rest of the country, which was as much worried by the prospect of economic discrimination as by political isolation. This resulted in a more active policy on Europe, and efforts to ensure the compatibility of all new Swiss legislation with the laws of the EC (the so-called *Acquis Communautaire*), which began in May 1988. In August of the same year, the Federal Council published its first major report on Europe, entitled "Switzerland's position on the European integration process". In this document, while advocating an integration policy based on sector-by-sector negotiations, the Federal Council recognised that times had changed, and admitted for the first time that full EC membership should not be categorically ruled out.

4.3) Third Stage: Switzerland seeks its place in the Europe of the 21st century

In January 1989, Jacques Delors who was still President of the European Commission, presented his EEA project to the European Parliament in Strasbourg. Switzerland's dream of a "golden mean" solution seemed to be coming true, for the EEA would require neither a common policy with regard to third countries, nor a common economic and monetary policy. Moreover, there would be little need to adapt Swiss legislation. Switzerland was also ready to accept the Single European Market part of EC law (*Acquis Communautaire*) as the sole basis for negotiations, on the condition that she be granted the right to participate in the legislative decision-making process. It was at this point, at the end of 1989, that the bargaining began, on the one hand between the EC and EFTA, but also between the different EFTA partners, which had been unable to agree on a unified negotiating position. It was not until October 1991, in Luxembourg, that the breakthrough came, which allowed Switzerland to share in the so-called four freedoms (the free movement of goods, persons, services and capital). Following the sweeping changes that had been wrought in the world's political map, EEA membership could no longer be said to really meet Switzerland's interests, except partially. For the situation of the countries of Eastern Europe had changed entirely, the Soviet Union had crumbled, and the superpowers no longer had the same engagements in Germany and Europe. In any case the EEA agreement did not allow Switzerland to participate in the decision-making process. After signing the EEA agreement in Porto on 2 May 1992, the Federal Council submitted its request for EU membership to Brussels on 26 May 1992. The Swiss government's "Eurolex" programme, aimed at bringing Swiss law into line with that of the EC, was unveiled on 1 June.

Less than two months later however (6 December 1992), the EEA option was rejected by

50.3% of the electorate, as well as by 14 cantons and four half-cantons. The government interpreted the result as a mandate to eliminate or at least to minimise the main disadvantages of Switzerland's continued non-participation in the EEA, by negotiating agreements with the EU, sector by sector. At the same time, the government decided that a revitalisation programme was needed to improve Switzerland's attractiveness as an economic centre, to be achieved by the dismantling of various "barriers", and by liberalising the internal market and the cartels that exist in different sectors of the economy. The application to join the EU was frozen.

At the end of 1993, in its report on Swiss foreign policy in the '90s, the Federal Council confirmed Switzerland's commitment as a partner to Europe, and consequently the maintenance of full EU membership as the long-term objective of the country's integration policy. Next, the government focused its attention on the only objective capable of implementation in the short term – the sector-by-sector bilateral negotiations with the EU. These negotiations were begun in December 1994 and concluded in December 1998. Signed in Luxembourg on 21 June 1999, the agreements have entered into force on 1 June 2002.

With the publication of its 1999 Report on Integration the Swiss government gave parliament, in February of that year, a new summary of its view of relations between Switzerland and the EU. The Report on Integration is intended to serve as a solid basis for an objective and comprehensible discussion for everyone interested in the debate on European integration. It is on the strength of this debate that the Federal Council will eventually determine whether or not domestic conditions are suitable for the beginning of negotiations with the EU for Swiss membership.

The «Yes to Europe» popular initiative was rejected by a clear majority on 4 March 2001. 77% of the voters said no to this request for the Federal Council to open immediate negotiations on accession to the EU. Swiss citizens therefore endorsed the position of the Federal Council not to seek EU membership at this stage because the conditions necessary for such a step do not exist at present.

The Federal Council set out its European policy clearly in its foreign policy report of November 2000. Implementation of the seven bilateral agreements with the EU is the immediate priority. In the medium-term, Switzerland wishes to negotiate further bilateral agreements with the European Union in new areas. These negotiations are in course. EU accession continues to be the long-term objective. The Federal Council is convinced that Switzerland will be able to safeguard its interests more effectively as a member of the EU than if it stays outside. This is the only way in which it can have its say and help to shape decisions, which have a direct bearing on Switzerland, too.

However, before negotiations on accession are opened, the Federal Council believes that three conditions must be satisfied: in the first instance, Switzerland wishes to acquire experience of the seven bilateral agreements. Secondly, the implications of EU accession for central areas of the Swiss constitution must be studied in detail and proposals made for the necessary reforms. Thirdly, broad domestic policy support for the goal of accession must be secured.

The history of the negotiations brought the following facts to light:

- One advantage of the sectoral route is that, in the choice of the subjects for negotiation, Switzerland has an equal say with the EU while the implementation and

application of the conventions takes place autonomously in Switzerland and the direct costs remain low. This is because contributions to the budget of the European Union only have to be paid in certain specific instances (for example for research).

- The following arguments militate against the sectoral route as a long-term instrument of Swiss integration policy:
- The EU shows great reluctance to choose further negotiating areas because of its own diverse internal interests. Negotiations can only be conducted on matters, which are of some interest to all fifteen Member States.
- The length and complexity of the negotiations are considerable because of the special circumstances prevailing in the EU. With fifteen Member States the EU has achieved a degree of complexity, which makes sectoral approaches difficult. Whenever one specific problem is examined (e.g. freedom of movement for persons), new imbalances of interests may arise between the EU Member States, which in turn have to be compensated by concessions in other areas (such as agriculture). The systematic absence of Switzerland from meetings between the fifteen EU States makes it difficult to effectively clear up real or imaginary misunderstandings as to Swiss positions in due time.
- There are also institutional barriers to the completion of further sectoral treaties: on central matters of mutual interest, a treaty solution could only be arrived at if Switzerland were to transfer sovereign rights to the EU and, in particular, acknowledge the supreme judicial authority of the EU Court of Justice and the legislative and political majority decisions of the Council of Ministers. These matters, which cannot be settled by sectoral treaties but only by EU accession, include e.g. the elimination of the customs union frontiers for the trade in goods, comprehensive cooperation on internal security on a basis of parity, institutional safeguards for monetary and exchange rate stability and membership of economic treaties between the EU and other regions of the world (NAFTA, Mercosur, Apec, Mediterranean region etc.).
- A negative counterweight to the acceptability of sectoral agreements in terms of sovereignty is the circumstance that an adjustment of the treaties to changing circumstances (for instance progress in technical criteria for products or in environmental protection legislation) may be a cumbersome process, especially if parliamentary approval of the treaty change is necessary in all fifteen EU States.

The Federal Council has made a thorough identification of the sectoral route in the past years and will continue on this road jointly with the European Union to the extent that this is possible and both parties have an interest in doing so (entry into force of the sectoral conventions; in addition, modernization of the rules on free trade in food industry products, membership of Europol, negotiations on a parallel agreement to the Dublin Convention on Initial Asylum Seekers, Swiss participation in EU programmes, e.g. in education, film, promotion, statistics and environmental monitoring). On the other hand, the Federal Council is well aware that the limits in terms of content and procedures for sectoral agreements between Switzerland and the European Union will soon have been reached

4.4) EEA participation

Swiss membership of EEA as compared to EU accession is facilitated by the limited implications in terms of formal constitutional policy and lower costs.

As compared to EU accession, the need for adaptation in agriculture would not exist; there would be no need to change our financial regulations (no acceptance of the EU minimum value added tax), while adaptations to comply with the conditions of Economic and Monetary Union would also not be necessary.

In the event of an unsuccessful outcome to the ratification procedure for the sectoral conventions, the EEA would be of interest in terms of its content (the four freedoms); the solutions which remain to be negotiated in all areas, in particular in national transport and social insurance law would be much the same for Switzerland as the solutions arrived at in the sectoral conventions concluded at political level on 11 December 1998.

However, factors against participation in EEA, even as an intermediate step to EU accession, include institutional weaknesses and shortcomings in terms of content (no customs union or common foreign trade policy, no common agricultural policy, no full rights of co-decision), the obligation of the EFTA countries to speak with a single voice and the circumstance that the EEA increasingly fails to cover important areas which will play a vital role in the European future of Switzerland (monetary stability, policy on asylum seekers, internal security, external policy).

The opinion that is sometimes voiced to the effect that the relationship between Switzerland and the EU might be permanently governed by an association treaty going beyond the content of the EEA Convention and specifically tailored to suit Switzerland would presuppose a willingness of the EU to negotiate in that sense and fails to recognize the fact that only EU Member States can exercise rights of co-decision.

4.5) Switzerland remains outside

The continuation of the existing pragmatic policy of small steps with all its known advantages and drawbacks is less an integration policy option as far as the Federal Council is concerned, than the expression of a reality which remains valid until the policy change which the Council seeks finally comes about.

On the other hand, measures to shadow EU policies or the maintenance of an offshore position are not integration policy instruments, which the Federal Council is examining in more detail at this juncture. The declared systematic and unilateral shadowing of legal developments in the EU would be politically dubious and economically risky as Switzerland would constantly have to make unilateral contributions if it adopted this approach. The offshore policy would result in a fundamental change in the economic and social situation of the country from which a few people might profit greatly, but would cause the nation as a whole to lose its present character. Mixed forms of the policy of remaining in isolation would repeatedly come into conflict with the constitutional and economic policy deficits referred to earlier.

5) EU ACCESSION

5.1) Identity, independence, federalism and people's rights

In the area of federalism, the cantons would have to cooperate in decision-making in all matters of relevance to them, which are discussed and decided in the EU. The Federal and cantonal Authorities would conduct an in-depth dialogue on appropriate measures in the run-up to EU accession. The main emphasis would be on measures to strengthen information for the cantons, improve cantonal consultation in preparation for decisions and ensure suitable representation of the cantons in some EU bodies.

The *regional policy* of the Federal Council could be continued as at present and adjusted still more effectively than is the case today to Swiss needs through cooperation within the EU.

Accession of Switzerland to the European Union would be compatible with the *Federal Constitution*. Article 89 of the Federal Constitution, which requires a popular and cantonal majority for such a decision, was revised in 1977 precisely with a view to EU accession.

Clearly, the fifteen Member States of the EU have retained their sovereignty. As an EU Member, Switzerland would have an opportunity to influence and help to shape the rules, which are applied on an ever-growing part of our continent. Given the central geographical, demographic, political and economic values of Switzerland and the EU, for many years now, Switzerland has no longer been able to escape the growing influence of EU decisions. *Accession* would in fact strengthen Switzerland's independence firstly by enabling the country to take part in decisions which concern it (it might adopt a joint approach with other Member States, depending on the circumstances and needs) and secondly because it could benefit from the substantial weight of the EU if efforts were made to exercise pressure on Switzerland.

If Switzerland became part of the EU, the Swiss people and possibly also the cantons could continue to exercise the people's rights embodied in the Federal Constitution (referendum, initiative). As the Council of Ministers stressed in an answer to a parliamentary question on the compatibility of national referenda with the Community treaties, the organization of referenda is an exclusive preserve of the respective constitutional orders of the Member States. However, the outcome of a referendum must not be allowed to influence obligations arising under the treaties establishing the Communities. Studies by various Swiss universities have shown that, had Switzerland already been an EU Member since 1993, the number of concrete conflicts between Community law and referendum proposals at either Federal level or voting procedures at cantonal level would have been very small.

In 1991 – in the context of the EEA negotiations and also with a view to possible EU accession – the Federal Assembly adopted a statutory provision permitting the participation of Parliament in the area of external policy. On this basis, the Federal Council would, in the event of EU accession, systematically consult the Foreign Policy Committees before adopting its own position on acceptance of decisions of the Council of Ministers which would be directly applicable in Swiss law (regulations) or entail an amendment of Swiss legislation (directives). In this field too, it remains to be seen whether the existing procedures would be sufficient in the event of EU membership. At all events the Federal Council takes the view that accession would not weaken the role of Parliament or that of the cantons in our

political system. The weight of the national parliaments of the EU Member States shows this to be possible.

As to the *organization of justice*, Switzerland would remain autonomous in the event of accession, save that its own procedural law would not be allowed to discriminate against Community law and threaten the legal validity of the latter.

In addition, Switzerland has always been well integrated into overall European cooperation in matters of *civil and criminal law* through the Hague Conference and the Council of Europe. As far as the Brussels Convention on the mutual recognition and enforcement of legal decisions of 1968 is concerned, the parallel Lugano Convention has so far guaranteed Switzerland's integration into the legal area. If the cooperation can be continued in its existing form, there would therefore be no significant problems for Switzerland in these domains.

In the Federal Council's view, *internal constitutional policy measures* would have to be considered in detail in the following areas in the event of EU accession:

- measures would have to be discussed with the cantons to enable them to play an appropriate part in the definition of the Swiss negotiating position at the time when accession negotiations begin. The extent to which the cantons could enforce their right of consultation in the negotiations, especially in cases where their own competencies are concerned, would also have to be determined.
- in the area of people's rights, concrete proposals would have to be made in an explanatory statement on EU accession, defining the instruments by which the most evident cases of conflict could be resolved. It would also be necessary to examine how the involvement of the Federal Assembly in the definition of Switzerland's negotiating positions on European policy could be ensured.
- the organization and working methods of the Federal Council and Federal Administration would have to be reviewed.

5.2) Prosperity

An attempt to assess the impact of EU accession on Swiss prosperity, shows – as is hardly surprising – that only the financial costs can be effectively calculated, while the impact on economic growth, prices, interest rates, wages, tax and rents can only be estimated. This is because economics are not an exact science and economic growth depends significantly on the parameter of private initiative by entrepreneurs, which cannot be measured, and on the development of the social environment (for instance the social partnership). The situation here resembles that prevailing in any economic risk analysis. The costs, which arise, are relatively easy to calculate, while the loss of profit caused by the slowness to take business opportunities can only be determined by comparative study and estimates. This conclusion, which the Federal Council already reached in the run-up to the EEA vote in 1992, means that the economic arguments for or against a change of the background conditions, i.e. in this case for or against EU accession, generally strengthen scepticism. The opponents of membership are able to set a relatively precise figure to the cost of the changes (e.g. an annual net payment to the EC budget of around 3 billion francs), while the advocates of liberal background conditions are only able to show trends, expectations and comparative values.

That being so, the following summary conclusions can be put forward:

- within the EU, and even within the same linguistic area, there are no significant population migrations;
- wage differences remain considerable and effective action to prevent abusive social dumping remains possible in the EU;
- thanks to EU accession, future economic growth would tend to be higher although this growth would also depend significantly on other factors such as internal reforms;
- in the present state of our knowledge, it can be assumed that EU accession would exceed the benefits of an EEA solution, even if the net transfer to the EU in the event of accession must be taken into account in this comparison;
- the initial adaptation costs must therefore be seen against a more sustained and enhanced economic dynamic;
- the loss of monetary policy independence means that monetary policy can no longer build on a different economic development; other mechanisms of adaptation, such as flexible prices and wages, would also be needed;
- the adaptation requirements – adjustment to the real interest rates prevailing in Europe or agricultural measures – must not be underestimated;
- preparatory and accompanying steps must therefore be decided and transitional periods stipulated in the negotiations at domestic level;
- the inevitable conversion of State revenue and spending would of course also constitute a complex political venture.
- The proposals would obviously have to satisfy the following conditions:
 - annual net payments to the EU would be financed by additional revenue from the indispensable increase in the standard rate of VAT which would in turn bring higher state revenue
 - the attractiveness of Switzerland as a business location from the tax angle could only be safeguarded by extensive compensation of the higher rate of VAT in other areas, such as income tax and social security contributions
 - the conversion of the tax system would have to be economically acceptable and viable in terms of social compatibility.

In principle, it must be remembered that accession cannot be seen as the panacea for all our economic problems. But it would be equally misguided to suppose that strictly internal measures could offset the economic drawbacks of standing aside from integration policy. Economic dynamism is particularly likely if an outward-looking economic policy goes hand in hand with continued internal reform.

In the welfare sector, the Federal Council would make a further study of the following *internal measures in event of accession*:

- Action already existing in the draft stage to *prevent social and wage dumping*. These measures have been drawn up by a working group with the participation of the social partners and will shortly be laid open to consultation by the Federal Council to enable preparations for implementation of negotiated solutions to be put in hand in the framework of the sectoral conventions in Switzerland
- In the area of *agricultural policy*, the steps already taken by the Federal Council to

improve competitiveness will be continued; measures must also be verified to compensate the inevitable structural adaptations

- The *conversion of the Swiss tax system* which will be rendered necessary by possible EU accession and the efforts to coordinate financial policy more effectively with a view to compliance with the Maastricht criteria at the different policy levels in Switzerland, including social insurance, would be a matter for consideration by the political system in Switzerland in the next few years. The Federal Council has in mind to approach the question of compensation of additional revenue from the higher rate of VAT on the occasion of the renewal of the financial regulation, which expires in the year 2006. Decisive criteria for the measures to be chosen would be economic and social compatibility and the preservation of the financial autonomy of the Federal and cantonal authorities.

5.3) Switzerland's Position in the world

There is no doubt that EU membership is legally compatible with the status of permanent neutrality. With the external and security policy of the EU in its present form, Switzerland could preserve its neutrality even as a EU Member.

The question as to the preservation of Swiss neutrality would only arise if the EU States were one day to create a common defence and security structure by a unanimous decision. As an EU Member, Switzerland would have to play an active part in the creation of such a system and would be fully involved in the decision-making process. If a European security architecture were to be created which would offer Swiss citizens at least as much security as armed neutrality, the latter might become meaningless.

In the *security policy sphere*, and regardless of possible EU accession, Switzerland will find it necessary to redefine some of the conditions underlying its existing policy. The Federal Council has therefore commissioned a security policy report for 1999. The reorientation of Swiss security policy will presumably entail reforms, which will improve the ability of Switzerland to shape the joint external and security policy of the EU.

From the *external economic policy standpoint*, Switzerland could continue to defend its economic interests even after EU accession and help to shape the external trade policy of an economic world power as a Member enjoying equal rights to all the others

5.4) Internal security

If Switzerland does not wish to become a bolt hole for criminals who are wanted all over Europe or a hub and logistic base for international criminal organizations acting from Switzerland – in short an island of insecurity – it must seek still closer international cooperation to counter this threat. That is also in the interest of the EU. One step in this direction consists of bilateral police cooperation treaties already negotiated with neighbouring countries or under negotiation today. The same goal is pursued by the police liaison officers stationed at certain focal points of international crime. But these instruments on their own are inadequate compensation for the institutional deficit and reduced access to information.

Whether the EU Member States will be willing, after the entry into force of the Amsterdam Treaty, to open negotiations with Switzerland on internal security cannot be predicted at this juncture. Existing experience shows that such negotiations will be difficult, time-consuming and carry a price in terms of sovereignty. It seems likely therefore that EU accession would be the best means of fully making good Switzerland's security deficit. This could be achieved by participation of Switzerland in the Schengen information system and cooperation at Federal level by appropriate central agencies in Europol.

On the subject of *asylum seekers*, non-accession would have the consequence that, because of the increasingly close cooperation prevailing between the EU Member States, Switzerland might become a place of first refuge for second asylum seekers in Western Europe. That would lead to a massive increase in asylum requests and entail very high extra costs.

In the *area of internal security and asylum*, the Federal Council will be examining how, in the event of accession, the disappearance of Swiss border controls could be compensated by internal measures. Border controls might be replaced by controls in the area close to the frontier (secondary searches, as they are known). A Federal body might be set up for certain specific interventions while the staff and material resources of the cantonal police forces might be increased. An adaptation of that kind could be achieved without any fundamental change to the existing system.

5.5) Contribution of Switzerland to the economic and social cohesion of the enlarged EU

The enlargement of the European Union (EU) represents a major step towards securing peace, stability and prosperity in Europe, from which Switzerland will also profit. To support this process, which is also in Switzerland's interest, the Federal Council has decided to make a contribution to the economic and social cohesion of the enlarged EU. The Swiss contribution amounts to CHF 1 billion over a period of five years. With this cohesion contribution, Switzerland is continuing its tradition of solidarity with Eastern Europe and is contributing toward lessening the economic and social gap between the old and the new member states of the EU. Switzerland shall support specific projects in different areas. They will be chosen and carried out autonomously by Switzerland. The financing will not affect the budget.

5.6) Reasons for and against EU accession

The following compilation of advantages and drawbacks of Swiss accession to the European Union can only be a guide to help each Swiss citizen to weigh up the respective interests at his or her own individual level. Working with its own overview which focuses less on particular interests than on the overall well being of Switzerland itself, the Federal Council wishes to give guidance by highlighting the key issues in a flood of information.

The question of Swiss accession to the EU is essentially one of constitutional policy, which also has economic, population and peace policy aspects. For many European States, EU accession is the right strategy to secure lasting peace, economic prosperity and co-decision rights on matters of continental importance.

In our present state of knowledge, the costs of EU accession can be estimated at about 3.1 to

3.9 billion francs annually. This must be set against a loss of decision-making autonomy and freedom of action. Benefits of accession to Switzerland as an economic location (especially for the production of goods and tourist services) are probable in the long term, but cannot be proved at this juncture. Better education and job opportunities for our young people, researchers, cultural creators and job seekers also weigh favourably in the balance as do the mechanisms of solidarity between the Member States to resist attempts by non-European authorities to exert pressure on Switzerland. Another factor in favour of accession is that Switzerland would have to be an EU member to enjoy equal rights with the overwhelming majority of European States to seek solutions to problems and reach decisions which can best be resolved on the continental level (liberal and social internal market conditions, continental freedom of movement for persons, business ventures and ideas, effective action against crime, fair distribution of burdens in the refugee sector, worldwide representation of European basic values). This benefit must be set against the drawback that the positions represented by Switzerland on these matters may be outvoted and that some of the institutional particularities of Switzerland which are so dear to Swiss citizens (people's rights, Federal balance, tax system, numerically small government) may be affected or limited and have to be adapted to the changed circumstances.

A factor in favour of early EU membership is that some important questions for our country have not yet been settled in the EU (central matters of security, tax competition, social order and EU institutional framework). Switzerland could therefore provide inputs for future decisions. On the other hand, Switzerland would have to accept the fact that most matters of cross border economic law have already been settled in the EU and that law is made by majority voting in the remaining areas. Switzerland would of course take part in those votes. Another factor in favour of accession is that introduction of the single currency (the euro) after a transitional period, which would have to be negotiated will result in lower transaction costs and put an end to the risk of harmful speculation on the Swiss franc. On the other hand, in the first instance, some painful adaptation costs would have to be accepted, for instance in the form of higher interest and rental costs and also in the shape of wage and price reductions.

Accession would probably be conducive to a more equitable distribution of burdens in asylum policy and would also result in the disappearance of checks on persons and goods at the national border; problems of internal security would then have to be countered by effective European police cooperation (joint control of the EU's external frontiers, Europol).

Accession to the EU would be detrimental to the extent that Switzerland, like all the other EU States, would lose its right to conclude separate trade agreements with non-European countries. On the other hand, Switzerland would profit from the economic strength of the EU, which concludes such trade agreements on behalf of its Member States.

The citizens would enjoy greater legal protection as they could enforce the rights granted to them by European Community law in the ordinary courts. They would also have certain rights of appeal to the EU Court of Justice against some measures taken by European Community bodies.

Like some commercial activities and services, which have been protected so far against foreign competition, our agriculture would lose its protection in relation to the EU. The prices paid for products and services would fall. On the other hand, the means of production imported from other European countries would become cheaper and the market for Swiss

high quality products would be greatly enlarged. The process of structural adaptation of Swiss agriculture will continue in any case, with or without EU accession. However, EU accession would require certain transitional periods because of the extensive adjustments necessary in agriculture. The conversion to 15% VAT would bring substantial extra revenue to the Federal Authorities (over 15 billion francs annually, disregarding the impact of any VAT increases in the context of the 11th AHV Review). Depending on the short-term economic situation, this might prove prejudicial to economic growth in Switzerland and would have to be compensated by a reduction of other State burdens on the population (such as direct taxation, social charges). The accompanying increase in the State share and the related restructuring of the Swiss tax system would lead to severe internal policy controversy.

EU accession would have no impact on the preservation of Swiss neutrality, as the examples of Finland and Austria prove. By staying neutral, Switzerland would undertake when it joins the Union to participate in the creation of a comprehensive continental security system and would ultimately gain a security margin from that system. However, it could preserve its position in situations with a critical bearing on neutrality by exercising the constructive right of abstention.

In weighing up the overall interests, the Federal Council identifies another important consideration: Swiss accession to the EU would promote national cohesion and the country's influence beyond its borders, while the representation of State interests could be substantially improved by taking a seat on the many multilateral bodies of the European Union. The apparatus of the State and the density of regulation would hardly increase. On the contrary they would tend to diminish and the policy of openness to Europe which EU accession implies, would increase the pressure of competition and therefore promote the reforms and revitalization of national strength that are necessary internally.

6) BILATERAL AGREEMENTS I BETWEEN SWITZERLAND AND THE EUROPEAN UNION OF 1999

Agreed at the political level in December 1998 at a meeting in Vienna, the sector-specific bilateral agreements between Switzerland and the European Union cover seven areas: civil aviation, overland transport, the free movement of persons, research, public procurement markets, agriculture and the elimination of technical barriers to trade. The most distinctive feature of these agreements is the fact that they are thus limited to specific areas. It is for this reason that they are frequently referred to as "sector-specific" agreements.

The seven agreements were initialled in Berne on 26 February 1999 and signed in Luxembourg on 21 June 1999. In the following they had to be ratified by Switzerland and the EU, the agreement on free movement of persons additionally by every EU-member state. After the completion of this process of ratification the seven agreements have come into force on 1 June 2002. The agreements can be terminated at anytime.

6.1) Research

The research agreement allows Swiss research establishments to participate on an equal footing in all programmes and activities of the fifth Framework Research Programme (FRP)

of the European Commission and the fifth Euratom framework programme. However, as the agreement will already expire on 31 December 2002, its financial provisions, which apply from 1 January of the year following the entry into force of the bilateral agreements, will not be able to take effect. This in turn means that the research agreement will not take full effect even after its entry into force in the first half of 2002. However, the agreement does provide for the possibility of renewal to allow full participation by Switzerland in the sixth EU framework programme (2003-2006). After its entry into force, renewal negotiations will therefore be opened between Switzerland and the EU.

6.2) *Public procurement*

The World Trade Organisation (WTO) agreement in the area of public procurement has been in force since January 1 1996. The federal government, the cantons and public law companies active in the water, transport and energy sectors must comply with WTO rules on tendering and the signing of contracts for goods, services and construction, if these go beyond certain thresholds. The WTO agreement served as the basis for the agreement on public procurement markets between Switzerland and the EU, which involves an even broader range of applications than in the case of the WTO text. The procurement of local authorities, the telecommunications and rail transport sectors and the procurements of private enterprises operating on the basis of concessions or an exclusive right are thereby liberalised if the agreed thresholds are exceeded.

6.3) *Technical barriers to trade*

The agreement calls for the mutual recognition of declarations of conformity (tests, certificates, product approvals etc.) for most industrial products. To the extent that Swiss legislation is recognised as being the equivalent of EU legislation, a single test of conformity will henceforth be sufficient for commercialisation of the products in question in the markets of both Switzerland and the EU. Duplicate testing to establish conformity to specific Swiss or EU requirements will no longer be necessary.

In cases where Swiss specifications differ from those of the EU, further testing will remain necessary, in the one case to demonstrate conformity with Swiss legal requirements and in the other conformity with EU laws. In both cases however Swiss certification bodies may now carry out the tests.

6.4) *Agriculture*

The agricultural agreement between Switzerland and the EU will make it much easier to conduct trade in agricultural produce by reducing or even eliminating non-tariff barriers, through mutual recognition of technical requirements in the veterinary field, in pesticides and similar products, in "bio" agriculture, in relation to quality standards for fruit and vegetables, and so on. The agreement calls for improved access to the agricultural markets of each party for products of particular interest. As negotiated, the agreement would open the EU market to some of the most competitive Swiss products including fruit and vegetables. For cheese, free

trade will be introduced five years after the date of entry into force. This is in Switzerland's interest because it exports more cheese than it imports. Switzerland has agreed to make concessions for fruit and vegetables during the period when there is no harvest (winter) and for items that are not produced in Switzerland, or at least not in appreciable quantities (e.g. olive oil). Fresh meat, wheat and milk on the other hand are not affected by the removal of customs duties.

The agreement necessitates a supplement to Swiss agricultural policy, which requires a stronger market-led strategy on the part of farmers. In an effort to make Swiss agriculture more competitive, the federal government has provided for certain companion measures, designed above all to "help farmers to help themselves" when it comes to bringing their produce to market.

6.5) Civil aviation

The agreement defines the terms by which Swiss airlines will be allowed access to the deregulated European civil aviation market on a reciprocal basis. The gradual acquisition of transport rights* and the prohibiting of discrimination will put Swiss airlines virtually on an equal footing with the companies of Europe, making it possible for them to become majority shareholders in other EU airlines.

6.6) Overland transport

The agreement in the area of overland transport calls on both parties to work for the creation of a co-ordinated policy in this field. Some aspects of this agreement involve improving conditions for mobility, environmental protection, comparability of general conditions, and the guarantee of the most direct transit routes possible.

The accord includes provisions for gradual opening by Switzerland and the European Union of their respective road and rail transport markets, for both persons and goods, on a reciprocal basis. It provides for a transitional period for road traffic, which ends in the year 2005, with a definite arrangement to be in place by 2008 at the latest.

The overland transport agreement is one of the main pillars of Switzerland's transport policy. It is the basis on which Switzerland plans to reorganise its railways, in co-ordination with Europe, developing new infrastructure (New Transalpine Railway, "NEAT" + traffic upstream and downstream) while introducing a new tax on heavy goods vehicles (HGVs) based on the kilometres travelled, while increasing transit taxes to levels considerably higher than those existing at present.

In an effort to implement the provisions of the constitutional article on the protection of the Alps, the Swiss government and parliament decided on a series of companion measures aimed at reducing the volume of goods traffic crossing the Alps by road to about 650,000 passages per annum. In effect this would amount to a 50 per cent reduction in HGV traffic compared to the situation today.

6.7) Free movement of persons

The agreement on freedom of movement between Switzerland and the EU provides for the progressive opening of the employment market. After seven years, Switzerland can decide whether it wishes to extend the agreement. This decision will be the subject of an optional referendum.

The agreement covers workers of all kinds, the self-employed and persons without gainful employment who have sufficient financial means of their own. On entry into force of the agreement on freedom of movement, persons in gainful employment and the self-employed only benefit directly from the rights granted if at that time they are already authorized to pursue an employment activity on the territory of the contracting parties. Persons who wish to take up employment on the territory of the other contracting party will only benefit from freedom of personal movement two years after the entry into force of the agreement. For employed persons from the EU the transition to free movement will take place in several stages extending over a period of 12 years.

The agreement on the freedom of movement is supplemented by mutual recognition of professional diplomas and coordination of social insurance. To prevent abuse of the freedom of movement of persons, the federal government and parliament have taken accompanying measures to protect Swiss employees against wage dumping.

The advantages include the opportunity of living and working freely anywhere in Europe, the know-how acquired as a result of participation in European research programmes, the improvement in relations between Switzerland and the European Union, and the guarantees given by the latter for Switzerland's environment policy, all of which are factors that are of inestimable value.

The economic advantages have been estimated as equal to about 2 per cent of the gross domestic product (GDP), i.e. about SFr8 billion. This includes the anticipated price reductions of benefit to consumers.

For example the Swiss sector that includes machine manufacturing, electrical and metallurgical products expects to increase its turnover by some SFr300 million each year thanks to the bilateral agreements. This figure has been calculated taking the following into account:

- The volume of additional orders from public procurement markets
- The ability to make unlimited use of the outcomes of European research programmes
- Greater flexibility in the utilisation of employees
- The growing competitiveness of Swiss products following the elimination of costly technical barriers to trade.

Once the seven-year transitional period comes to an end, the total cost will amount to SFr350-450 million each for the Swiss Confederation and for the social security service, i.e. about 0.2 per cent of GDP. These figures are maximum values based on pessimistic assumptions (high unemployment rate). In fact these costs will be considerably less if the economy grows at a good rate. Each percentage point of additional growth will bring an extra SFr400-500 million into the coffers of the Swiss Confederation. The gains would be even greater in the cantons, whose tax revenues are significantly higher.

6.8) Legal and institutional framework

The seven agreements are all inextricably linked together, with the exception of special provisions for the agreement on research. The agreements have been concluded and approved as a whole, to take effect simultaneously. The extinguishment of a single agreement would automatically render the others inapplicable.

The agreements can be separated into three categories: the five agreements that involve deregulation, one based on co-operation (in research) and a partial integration agreement (civil aviation). Another difference is that, unlike the six other accords the civil aviation agreement extends the so-called *acquis communautaire* (existing Community legislation) to Switzerland.

All the seven agreements will be supervised by joint committees, within which each of the two parties must make rulings on a unanimous basis. These joint committees only have decision-making powers in the cases stipulated in the agreements. Each party is responsible for the proper application of the agreements on its own territory. However, the European Commission and the European Court of Justice monitor compliance with the rules of competition in the area of civil aviation.

None of the seven agreements involves a transfer of legislative powers to a supranational body. The majority are based on the mutual recognition of each other's legislation by the two contracting partners. It is in the interest of both parties to maintain this legislative equivalence. It is with this in mind that specific procedures have been laid down for the exchange of information and for consultations when one party intends to amend its regulations.

7) BILATERAL AGREEMENTS II SWITZERLAND – EU (AS OF FEBRUARY 2005)

The Bilateral Negotiations II are the continuation of the Bilateral Agreements I 1999 and thus constitute further progression along the bilateral path. This was pursued after rejection of Switzerland's accession to the European Economic Area in 1992: It involves on the one hand the pragmatic settlement of outstanding specific interests and problems in the relationship between Switzerland and the EU through bilateral, sector-specific negotiations and agreements, and on the other hand involves improving on and structuring the existing treaty framework where this is in both sides' interest.

After conclusion of the Bilateral Agreements I, the EU-Commission was essentially sceptical regarding new negotiations with Switzerland. The reason why, despite this scepticism, a second round of bilateral talks has come about, is because the EU itself discovered two fresh concerns: Firstly, Switzerland should be integrated into the system planned by the EU for cross-border taxation of savings. Secondly, Brussels wanted to increase cooperation with Switzerland with regard to the fight against fraud in the area of indirect taxes (especially against cigarette smuggling).

7.1) *Parallelism of negotiations*

Switzerland acceded to the requests made by the EU, but also set three conditions:

1. Negotiations should not only be conducted in the two dossiers required by the EU, but should also extend to cover additional areas of importance for Switzerland: These include Switzerland's participation in Schengen/Dublin (cooperation in the fields of police and justice, asylum and migration) and the seven remaining dossiers ("leftovers") from Bilateral Negotiations I. In a joint statement on the Bilateral Negotiations I, Switzerland and the EU had already come to an agreement on negotiations in the following areas: processed agricultural products, statistics, the environment, Media, education, pensions and services.
2. Negotiations proceeded in parallel in all dossiers and were concluded simultaneously. This parallelism of negotiations ensured that a balanced overall outcome was achieved that also took account of Swiss interests.
3. Switzerland's interests as a financial centre, i.e. banking secrecy, must be protected at all times.

From June 2002 negotiations between Switzerland and the EU were conducted in parallel for ten dossiers: On the one hand, these concern economic interests (e.g. of the food industry, the financial centre or tourism). But they also extend to cover the cooperation between Switzerland and the EU in other crucial political areas: e.g. domestic security and asylum policy (Schengen/Dublin) or in areas such as the environment, statistics, culture and training.

With regard to the dossier concerning the liberalisation of services, Switzerland and the EU agreed in March 2003 that, in view of the large number of issues still outstanding and the complexity of the dossier, negotiations in this area will be continued separately and concluded at a later date.

In the summer of 2003, seven of the remaining nine dossiers of the Bilateral Negotiations II were essentially completed: taxation of savings as well as the six leftovers. An important step was taken in June 2003 with the political agreement with regard to the taxation of savings. The agreement is based on the principle that Switzerland imposes a withholding tax of up to 35% on behalf of the EU states and pays back three quarters of this to the EU states. This means that, on the one hand income from savings received by EU citizens can be taxed efficiently in Switzerland, whilst the Swiss legal system and banking secrecy remain protected.

Politically sensitive differences were still outstanding in the closing phase for the dossiers relating to the fight against fraud and Schengen/Dublin. These concerned the question of the exchange of information with regard to tax offences within the scope of judicial and administrative assistance.

7.2) *Political agreement*

On May 19th, at a summit meeting between Switzerland and the EU in Brussels, political agreement was also reached with regard to these final questions. Agreement on the final points consists of the following provisions:

- With regard to Schengen/Dublin, Switzerland receives the guarantee that, in the area

of direct taxes, banking secrecy remains protected. In the event that a future Schengen provision revokes the principle of double liability with regard to direct tax offences thus giving rise to an obligation for legal assistance with regard to evasion offences, Switzerland receives, an opt out without the need to withdraw from the Schengen cooperation.

- In the area of fight against fraud, i.e. matters relating to indirect taxes (customs duty, VAT, excise duty, for example on tobacco and alcohol) Switzerland makes available the same legal instruments to the EU as those used in Swiss proceedings (national treatment); i.e. cooperation is extended to include all cases involving serious offences. Cooperation with regard to cases of money laundering is also extended. However the definition of money laundering according to the Swiss criminal code remains unchanged. There are no new reporting requirements for Swiss financial intermediaries.

7.3) *Balanced overall result*

The Swiss Federal Council considers this agreement to be well balanced, with Switzerland's key requirements (conclusion of all dossiers including Schengen/Dublin, protection of banking secrecy) being fulfilled. Switzerland provides reciprocal cooperation with regard to cross-border taxation of savings by deducting a withholding tax on income from savings earned by EU citizens (taxation of savings). Swiss cooperation is also extended to cover all serious offences relating to indirect taxation (smuggling, customs fraud, VAT fraud) (fight against fraud).

The bilateral agreements provide Switzerland with the following benefits:

Firstly, the agreements cover significant economic interests:

- *Finance sector*: The interests of the Swiss finance sector are protected (taxation of savings, fight against fraud), and banking confidentiality in relation to direct taxation is preserved (Schengen/Dublin).
- *Food industry*: Reduced customs duties improve export opportunities for the food industry. This also benefits Swiss agriculture as a supplier (processed agricultural products).
- *Tourism*: The Schengen visa encourages tourism in Switzerland (Schengen/Dublin).
- *Tax benefits for holdings*: Swiss holdings operating throughout Europe pay less tax (taxation of savings).

Secondly, cooperation is extended to other important political areas:

- *Security policy*: Cross-border crime can only be fought effectively by - Security policy: Cross-border crime can only be fought effectively by means of international police and judicial cooperation. Schengen provides the tools for this purpose.
- *Asylum policy*: The Dublin cooperation offers measures against "asylum tourism" and thus relieves pressure on the national asylum system.
- *Environment*: The European Environmental Agency is an important means for international cooperation on protection of the environment. By being a member of the

Environmental Agency, Switzerland can contribute towards this cooperation.

- *Statistics*: Broad-based statistical information is essential to support key political and economic decisions. The statistical agreement harmonises and optimises the exchange of comparable statistical data between Switzerland and the EU.
- *Culture*: Participation in the EU film promotion programmes (MEDIA) strengthens the role of film as an important part of Swiss cultural heritage.
- *Education*: Cooperation within EU training programmes provides access to a wide range of training for Swiss nationals, and increases the quality of training. This provides improved opportunities in the employment market.

7.4) Next steps: Signature and approval

There are nine negotiation results ensuing from the Bilateral Negotiations II. Eight of these are agreements (processed agricultural products, statistics, pensions, environment, media, Schengen/Dublin, fight against fraud, taxation of savings), which need to be approved by Parliament. Three of the agreements (MEDIA, Schengen/Dublin and taxation of savings) require amendments to legislation in order to be implemented. The ninth negotiation result (Education/vocational training/youth) consists of a declaration of intent.

The Swiss Federal Council will submit the agreements as separate proposals to Parliament. However, the agreements shall be submitted to Parliament collectively. At the same time the Federal Council submits the application for an accelerated parliamentary approval process. The agreements should be discussed in both councils in the same session.

The Federal Council also submits seven of the Bilateral Agreements II (statistics, pensions, environment, media, Schengen/Dublin, fight against fraud, taxation of savings) to the optional referendum in accordance with Article 141 of the Federal Constitution. The Federal Council bases this recommendation to Parliament on the constitutional clarifications provided by the interdepartmental “approval process” work group led by the Federal Office of Justice. The agreement concerning processed agricultural products does not meet the requirements for the optional referendum, as it is merely an adaptation of the existing protocol 2 of the 1972 Free Trade Agreement.

None of the agreements meet the constitutional criteria for submission to the compulsory referendum (Article 140 of the Federal Constitution). This would require accession to a supranational community or organisation for collective security. Nor are these conditions fulfilled with regard to the Schengen/Dublin association agreement. Switzerland’s participation in Schengen does not amount to accession to a supranational community, but is instead a normal contract covering international cooperation. On the basis of the negotiation results achieved, it will only be possible for Switzerland to adopt any future Schengen law after conclusion of a new contract under international law. This requires each time a new Swiss approval process each time (Federal Council, Parliament, Referendum). Consequently no transfer of sovereignty to a supranational community takes place. Failure to adopt any new Schengen law would ultimately result in certain termination of the agreement.

On 25th June 2004 the agreements were initialled and then underwent consultation procedures. The results of this clearly showed that Bilaterals II were supported unanimously by industry, and by the majority of parties, organisations and federations. The cantons, too,

were unanimous in their support. The agreements were strongly rejected only by the Swiss People's Party (SVP). The Federal Democratic Union (EDU) and the Campaign for an Independent and Neutral Switzerland (AUNS) expressed opposition to Schengen/Dublin. Numerous shooting associations criticised the proposed changes in weapons laws, and the Federal Council has dealt with the main concerns by amending its proposed amendments to the Swiss Weapons Act.

The Federal Council issued the message on Bilaterals II on 1 October 2004, and the agreement was signed in Luxembourg on 26 October 2004. Parliament debated the message and the agreement during the winter session: All the agreements were accepted in the National Council with a clear majority, and in the Council of States, with the exception of Schengen/Dublin, the result was unanimous. The Schengen/Dublin association agreement met with somewhat more resistance. In the National Council, this agreement was accepted with 129 votes in favour and 60 votes against it and in the Council of States, with 36 votes in favour and 3 votes against it.

In line with the application of the Federal Council, the Federal Assembly will submit seven agreements (statistics, pensions, environment, media, Schengen/Dublin, fight against fraud, taxation of savings) for the optional treaty referendum. None of the agreements shall be submitted for imputation of the compulsory referendum. The countdown for the referendum started with the publication of the Federal decrees on December 21, 2004, in the federal journal. The deadline for the referendum is March 31. The earliest possible date for a vote is June 5, 2005.

7.5) Overview of Bilateral Agreements II Switzerland - EU

- Cooperation in the fields of justice, police, asylum and migration (Schengen/Dublin)
- Taxation of savings
- Fight against fraud
- Processed agricultural products
- Environment
- Statistics
- MEDIA
- Education, occupational training, youth
- Pensions

7.5.1) Cooperation in the fields of police, justice, asylum and migration (Schengen/Dublin)

Criminals who are specifically choosing to operate across national borders commit an increasing number of crimes. This development presents new challenges for security measures tailored to individual countries, and calls for greater international cooperation. The individual countries also face a similar challenge in combating illegal immigration and coping with asylum migration.

The EU is Switzerland's most important partner in these areas. For some time the EU has been promoting determined and well-targeted cooperation for security and migration. Central

to this cooperation is the Schengen/Dublin security and asylum system, in which Norway and Iceland, non-Member States of the EU, have also been participating since 1999. With a bilateral agreement to Schengen/Dublin, Switzerland will have access to the instruments for cooperation on security and asylum within the EU.

- Schengen promotes free movement of person's traffic by essentially removing controls on persons at the internal borders of the EU. At the same time as reinforcing internal security, controls on external borders of the "Schengen area" are tightened and cross-border cooperation between police forces and judicial authorities within Schengen states is strengthened. Connection to the Schengen Information System (SIS), the pan-European electronic investigation database, is particularly important for Switzerland. This has proved to be an efficient means of fighting cross-border crime (such as illicit smuggling of migrants, and also the trafficking of persons, drugs and arms). The ability to exchange information rapidly by computer has increased the effectiveness of inspections and of international arrest warrants. Legal assistance is also regulated within the scope of Schengen cooperation. A special provision ensures that Swiss banking secrecy is protected with regard to direct taxes. Switzerland does not have formal co-decision rights in relation to future Schengen law, but it does have extensive possibilities to participate in the decision shaping process. However, new laws are not adopted until they have been approved under the Swiss legislation process, consisting of the Federal Council, parliamentary approval and a referendum if necessary. Failure to adopt a legal act could ultimately result in termination of the agreement, so Swiss sovereignty is thus preserved.
- The Dublin cooperation lays the foundation for sharing the burden of managing asylum migration fairly, efficiently and equally. Only one EU state is ever responsible for conducting the procedures relating to an asylum case. The state responsible is determined by means of various criteria, this in turn ensures the right to an asylum hearing. The tendency towards countries trying to reduce the attraction they hold for asylum seekers in relation to other countries can be moderated. At the same time the burden is reduced from national asylum systems. Thanks to the electronic database, EURODAC, which stores and identifies the fingerprints of asylum seekers, repeated applications can be identified and the applicant can be repatriated to the state responsible for the asylum proceedings. Asylum proceedings due to "asylum shopping" are inefficient and cost-intensive. With Dublin, their number can be reduced. According to unofficial estimates, currently around every fifth application in Switzerland is a second application. By participating in Dublin, the burden on the Swiss asylum system would be significantly reduced. At the same time, a participation in Dublin would help to prevent a further tightening of Swiss asylum law. By not participating in Dublin, the reverse would be true. Switzerland would be the sole second port of call for asylum applications in western Europe and it would need to be prepared for an increase in asylum applications, and therefore in additional costs.

7.5.2) Taxation of savings

The Federal Council has always shared the viewpoint of the EU, that income from savings should be taxed appropriately. It stresses that it is not in Switzerland's interest to attract businesses that are seeking to avoid the planned EU regulation for cross-border taxation of savings. For this reason, Switzerland has already declared that it will use its legal system to

make its financial centre unattractive for these types of financial transactions. However, this is on condition that the EU introduces an efficient system for the taxation of all income from savings. Furthermore, this system should not just apply to Member States and their dependent or associated territories, but also to the relevant financial centres outside the EU.

Under the agreement negotiated with the EU, Switzerland undertakes to impose a withholding tax on all income from savings originating abroad, which will be effective for natural persons with tax residency in an EU Member State. This withholding tax increases progressively up to 35%. It can be replaced by a voluntary disclosure of the interest payment, on the express advice of the person receiving the interest, to the revenue authorities of the country of domicile for tax purposes. In addition, Switzerland undertakes to provide administrative assistance on request to the EU Member States in cases of tax fraud or similar serious offences.

There will be no automatic exchange of information between tax authorities. With the withholding tax model, Switzerland can be sure on the one hand that the EU directives for the taxation of savings cannot be avoided by using Switzerland. On the other hand, the Swiss legal system and banking secrecy remain protected.

The agreement also provides for the abolition of tax on payments of dividends, interest and licence fees between affiliated companies.

7.5.3) Fight against fraud

The agreement on combating fraud aims for more intensive cooperation against smuggling and other types of offences, in the areas of indirect taxes (customs duty, value added tax, consumer tax), and subsidies as well as in public procurement. With this in mind, administrative and legal assistance will be organised more effectively and the exchange of information with administrative and legal authorities in the EU strengthened.

Stronger cooperation against criminal activity is as much a benefit for the EU as it is for Switzerland. The EU benefits by being able to conduct the fight against cigarette smuggling and other fraudulent activity more efficiently, thereby avoiding revenue losses. Switzerland benefits as its financial centre has no desire to be abused as a hub for fraudulent business activities.

7.5.4) Processed agricultural products

The agreement on processed agricultural products satisfies one of Switzerland's main economic interests within the second series of bilateral negotiations: In future, companies within the Swiss food industry will be able to make duty-free exports of a wide range of products to the EU market. For Swiss agriculture, this improved competitiveness for the food processing industry opens up new opportunities. And prices for the consumer will tend to fall as a result of stronger competition.

Processed agricultural products (e.g. chocolate, biscuits, soups, sauces, pasta, instant coffee) occupy a unique place between industry and agriculture, in so far as they consist partly of agricultural raw material and partly of an industrially manufactured product. Customs duties

have already been abolished on the manufactured part of the product. On the agricultural part, the “raw material handicap” can be compensated by means of a price compensation mechanism. That means that competitive disadvantages due to large differences in the price of raw materials can be compensated by customs duties and export subsidies at the level of the price differences.

The bilateral agreement on processed agricultural products results in the following improvements:

- Revision of the price compensation mechanism: As part of a simplified price compensation mechanism, the EU undertakes to completely abolish its customs duties on Swiss products and also to waive export subsidies. For its part, Switzerland will reduce its customs duties and export subsidies or, in certain cases, will likewise abolish them completely.
- Extension and revision of scope of application: The range of products covered by the agreement has been extended.

7.5.5) Environment

The European Environmental Agency (EEA; founded at the beginning of the 1990s) is responsible for gathering and analysing data on the state of the environment in European countries, as well as ensuring that this data is comparable. The EEA thus provides the scientific basis for a sound EU environmental policy. In view of the cross-border nature of environmental risks, the EEA has become a key instrument for cooperation on environmental policy between the European states.

Closer cooperation in environmental matters through Switzerland’s membership of the European Environmental Agency is the subject of an environmental agreement between Switzerland and the EU. Switzerland can thus increase its commitment to environmental protection at a European level. Until now, Switzerland has only participated informally in EEA activities, on the basis of selective participation in projects. Membership of the EEA means Switzerland will actively participate in organising projects and research at a European level, gain full access to the EEA’s pan-European comparable environmental data and, for its part, will be able to submit comparable Swiss data as a basis for an effective environmental policy.

7.5.6) Statistics

As the world we live in becomes more and more complex, statistical data becomes an increasingly indispensable basis of information for well-founded decisions. Statistics play a major part in providing a source of factual, reliable and relevant information in politics and the economy, as well as in day-to-day life.

Eurostat, the Statistical Office of the European Union (EU) is responsible at a European level for gathering and publishing data supplied by the national statistical institutes. Eurostat is also responsible for the comparability and monitoring the comparability of national data on the basis of standard definitions and criteria for data collection.

The bilateral agreement on cooperation in the area of statistics regulates the progressive harmonisation of statistical data collection between Switzerland and the EU. Comparability of

Swiss and European data in such important areas as trade relations, the employment market, social security, transport and the environment is thus guaranteed in the medium term. Switzerland also gains improved access to data published in the EU and gains prominence in Europe, in so far as greater quantities of Swiss data are published in statistics compiled by Eurostat.

7.5.7) MEDIA

One of the priorities within the EU audiovisual policy is the promotion of European films. The EU has set up the MEDIA promotion scheme to help European production overcome various difficulties in the face of non-European competition. The EU terminated Switzerland's participation in this programme as third country after rejection of the EEA in 1992.

The aim of an agreement for Switzerland to participate in both MEDIA programmes currently running (MEDIA Plus and MEDIA Training programmes) highlights Swiss interest in the cooperation to promote European audiovisual productions. Participation gives Swiss television programmes and filmmakers equal rights of benefit from EU support measures.

The agreement grants full participation in the EU programmes – MEDIA Plus (promoting the creation and distribution of Community audiovisual works) and MEDIA Training programmes (training programmes for professionals in the EU audiovisual programme industry). Current Swiss legislation in the audiovisual field is already largely compatible with Europe, which satisfies a key requirement for participation in the MEDIA programmes. An amendment to Swiss legislation is necessary only in the matter relating to quotas for European productions, fixed at 50%.

7.5.8) Education, occupational training, youth

The EU promotes the mobility of students, apprentices and young people within the framework of the Community programmes known as SOCRATES (general education), LEONARDO DA VINCI (occupational training) and YOUTH (extra-curricular work). These people can build their international experience at either an academic or a practical level through periods of residence abroad or cooperative projects under the education, vocational training and youth programmes. Not only does studying abroad enrich young people on a personal basis, it also improves their future prospects in the labour market.

Over thirty countries currently participate in these three EU programmes. At the moment Switzerland is only able to participate on a project basis, supported by federal funds. It would like to raise this status, with participation to be legally established and thus guaranteed, which would grant equal rights to Swiss people participating in projects relating to the three programmes with regard to project initiatives and input to projects.

Swiss participation in the current programmes (2000-2006) was not possible for the EU for legal reasons. For this reason the EU Council of Ministers and the European Commission have declared their intention to allow Switzerland to participate in the future generation of programmes (from 2007).

In the meantime the current project-based cooperation will be consolidated. Switzerland and the EU have agreed in the form of an exchange of letters that both partners will have a high-level meeting once a year to set about consolidating cooperation as well as preparing for talks on full participation.

7.5.9) Pensions

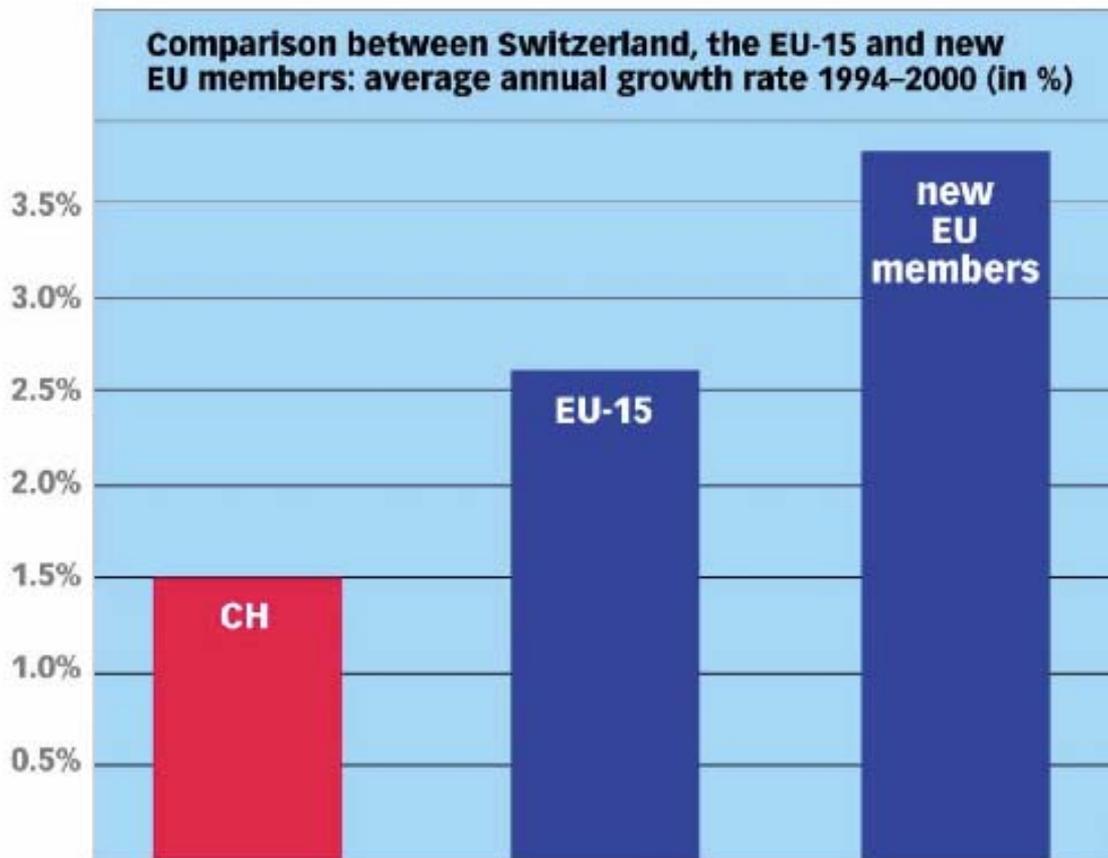
In the absence of an agreement between Switzerland and the EU on double taxation, pensions of retired EU officials living in Switzerland are taxed twice: The EU imposes a tax at source on pensions paid to retired officials and Switzerland subjects these people to income tax on the residual amount. Within the scope of the Bilateral Negotiations II, Switzerland waives this tax. However this tax exemption is only granted if the EU also effectively taxes income from pensions at source. This arrangement only affects around 50 pensioners.

- ANNEX -

STATISTICAL GRAPHICS

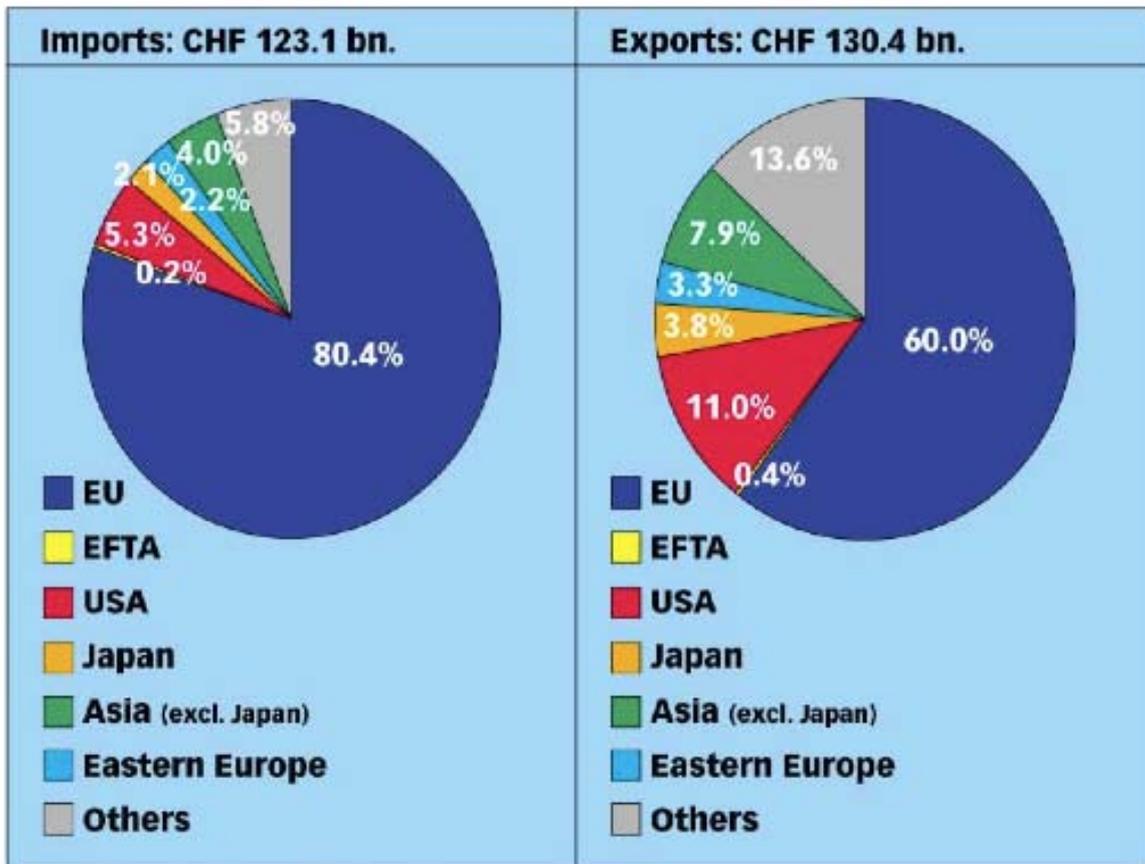
Source: Swiss Federal Statistical Office (<http://www.bfs.admin.ch/bfs/portal/en/index.html>)

Gross domestic product (GDP) at market prices



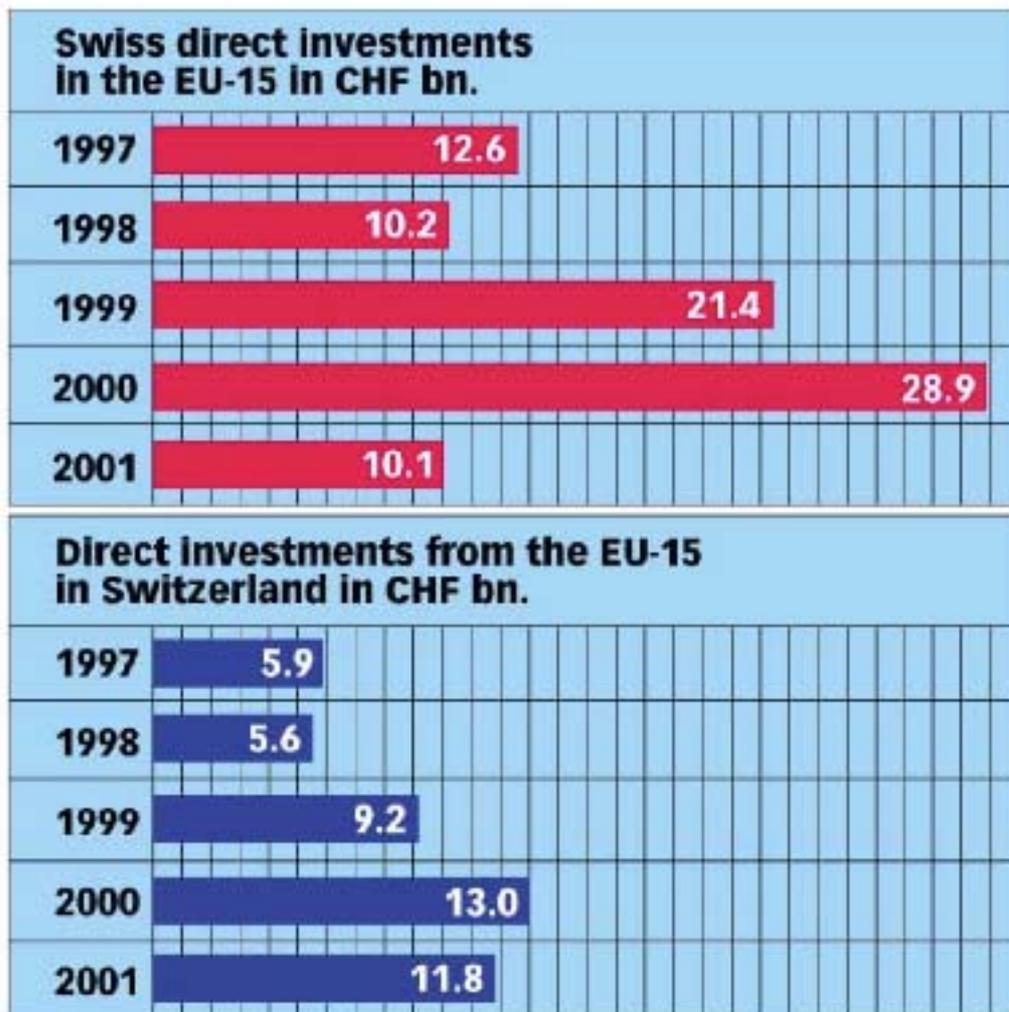
Source: OECD

Swiss Imports and Exports 2002



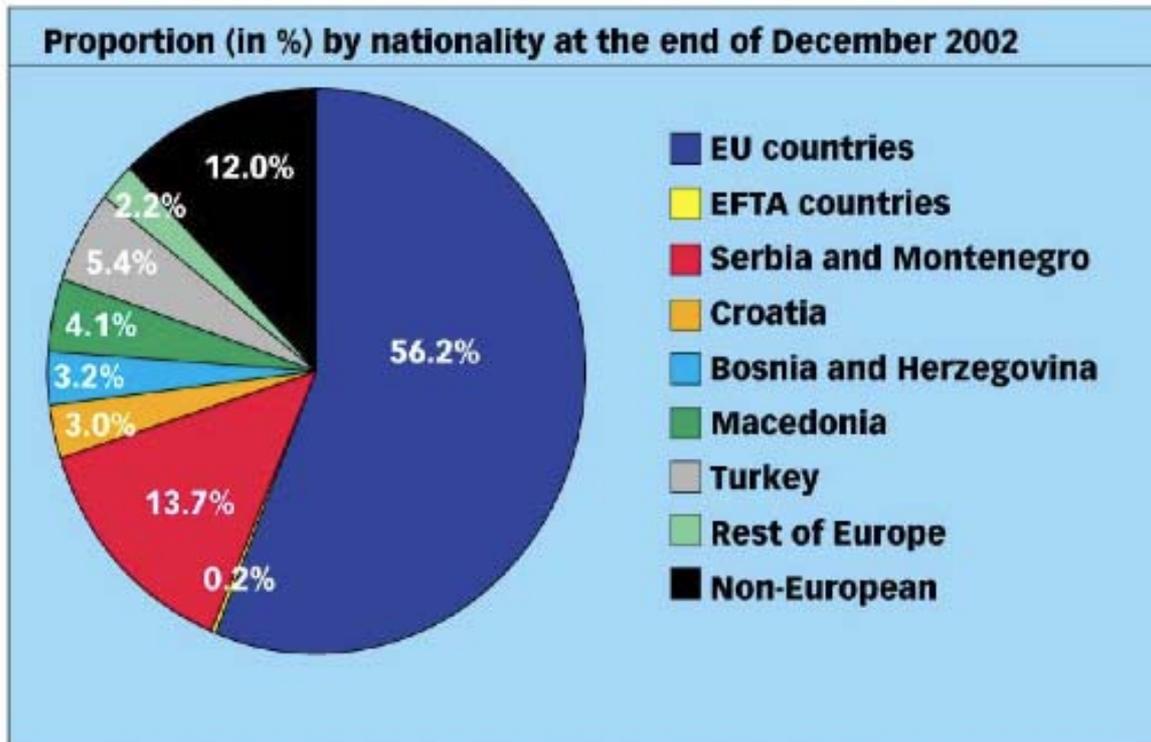
Source: Directorate General of Customs

Direct Investments



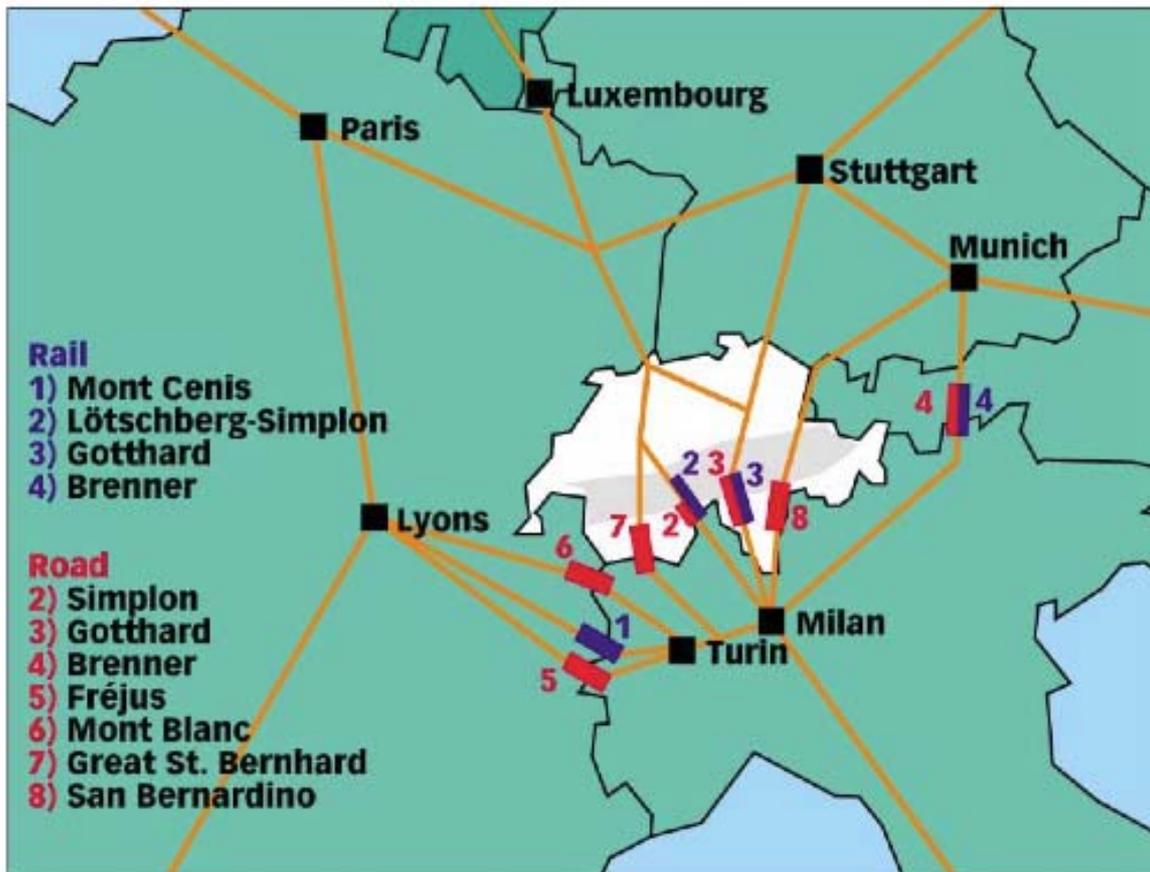
Source: Swiss National Bank

Permanent Foreign Resident Population in Switzerland



Source: Federal Office of Immigration, Integration and Emigration (IMES)

Trans-Alpine Movement of Goods: Transit Routes



Foreign Trade
(Source: La Vie économique 12/2003)

Year	Total in mio CHF	EU in %	EFTA	G	F	I	USA	JAP
Exports CH 1999	114'445.5	62.6	0.5	23.3	9.4	8.0	11.4	3.6
" 2000	126'549.1	62.6	0.5	23.3	9.4	8.0	11.4	3.6
" 2001	131'717.1	61.0	0.5	22.2	9.0	8.0	10.6	3.9
" 2002	130'380.5	60.0	0.4	20.8	9.2	8.3	11.0	3.8
Imports CH 1999	113'415.6	79.7	0.3	32.5	12.5	10.2	6.1	3.0
" 2000	128'615.3	79.7	0.3	32.5	12.5	10.2	6.1	3.0
" 2001	130'052.0	79.9	0.3	32.2	11.0	10.2	5.3	2.4
" 2002	123'125.0	80.4	0.2	32.3	10.4	10.8	5.3	2.1

Direct Investment
(Source: La Vie économique 12/2003)

Year	Swiss Investment Abroad		Foreign Investment in Switzerland	
	Total / mio Fr	in EU / in %	Total / mio Fr	from EU / in %
1999	311'258	48.2	121'561	62.0
2000	381'910	48.8	142'055	59.5
2001	415'646	47.2	149'731	61.5

Manpower in Swiss Firms Abroad
(Source: La Vie économique 12/2003)

Year	Total	EU / in %	North America/in %
1999	1'640'957	48.0	17.8
2000	1'763'022	46.0	19.4
2001	1'718'681	44.3	19.5

Commercial Exchange with the EU According to Product Categories, 2001
(Source: La Vie économique 12/2003)

Products	Part (total) commercial trade with the EU in %	
	Export	Import
Agriculture and forestry	3.2	8.0
Chemical products	34.4	22.1
Metals	7.5	7.6
Machines	24.3	21.1
Precision instruments, Watches, jewels	17.3	6.6

Foreigners in Switzerland (12/2002)
(Source: La Vie économique 12/2003)

	number	in %
EU and EFTA	816'152	56.4 %
Serbia and Montenegro	198'092	13.7 %
Turkey	78'846	5.4 %
Others	354'222	24.5 %
Total	1'447'312	100.0 %

Swiss Citizens Abroad (June 2002)
(Source: Service of Swiss Citizens Abroad/DEA)

	number	in %
EU	345'208	59.5 %
EFTA	5'902	1.0 %
USA	67'929	11.7 %
Canada	34'192	5.9 %
Australia	24'924	4.3 %
Others	102'241	17.6 %
Total	580'396	100.0 %

Growth of GNP in %
(Source: La Vie économique 12/2003)

	1997	1998	1999	2000	2001	2002
Switzerland	1.7	2.4	1.5	3.2	0.9	0.2*
Germany	0.8	2.0	2.0	2.9	0.8	0.2
France	1.9	3.5	3.3	4.0	2.2	1.2
Italy	2.0	1.8	1.6	3.2	1.8	0.4
Great Britain	3.4	2.9	2.4	2.9	2.1	1.7
EU	2.6	3.0	1.2	3.1	1.8	1.1
USA	4.4	4.3	4.1	3.8	0.3	2.4
Japan	1.8	-1.1	0.1	2.8	0.4	0.1
OECD	3.6	2.7	3.1	3.9	0.8	1.8

*provisional numbers

Rate of Unemployment in % of Wage-Earners
(Source: La Vie économique 12/2003)

	1999	2000	2001	2002
Switzerland	2.7	2.0	1.9	2.8
Germany	10.5	9.6	9.4	9.8
France	10.8	9.5	8.7	9.0
EU	8.7	7.8	7.4	7.7
USA	4.2	4.0	4.8	5.8
Japan	4.7	4.7	5.0	5.4
OECD	6.7	6.3	6.5	7.0