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Cohesion beyond EU territoriality? Reflections from the ESPON project TERCO

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Cohesion Beyond EU Territoriality? Reflections from the ESPON project TERCO

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Abstract

With its European Neighbourhood Policy Instrument (ENPI CBC), the EU emphasises a strong policy commitment to promote cross-border co-operation as a vehicle for regional development and the advancement of cohesion goals. This policy operates from the assumption, furthermore, that the strategic development of urban networks across borders will be a central element in positively exploiting increasing interaction between the EU and its neighbours. However, to what extent do existing policy instruments actually facilitate such networking? Upon closer scrutiny, it becomes clear that territoriality principles regarding the use of EU funds could create a distinct policy gap between “internal” development and “external” networking. While Territorial Cooperation (TC) and the Europe-wide support of cross-border, interregional and transnational cooperation are now firmly embedded within the EU’s Cohesion Policy, TC links to projects involving neighbouring states are as yet relatively weak. Our case study of Finnish-Russian co-operation – part of the larger ESPON project TERCO – indicates that simultaneous processes of inclusion and exclusion operate in terms of the interaction of governance mechanisms of Cohesion Policy and ENPI CBC. We argue that a too strict separation of EU internal and external policy activities would be counterproductive to pro-active strategies aimed at avoiding wider divisions between the EU and its neighbouring regions. For this reason, the issue of policy innovation, of combining internal consolidation of the EU with external engagement and co-operation, should be explored and will be taken up by this paper.

Introduction

Due to increasing levels of mutual interdependency with neighbouring countries, as well as general trends of globalization, the EU's objective of economic and social cohesion necessitates a redoubled focus on external conditions that impact on the EU's overall development. This has been reflected, for example, in the EU's Green Paper on Territorial Cohesion (subtitled 'Turning Territorial Diversity into Strength') in which the need to develop strong cross-border linkages and more robust forms of regional and local co-operation with neighbouring states has been emphasized (Commission of the European Communities 2008a). Cross-border relations between the European Union and post-Soviet states have evolved considerably during the last two decades with cities, regions and individuals opening new avenues of communication with their neighbours (Popescu 2011). These new attempts at co-operation along the EU's external border aim at managing issues that transcend the confines of individual communities – issues that include social affairs, economic development, minority rights, cross-border employment and trade, the environment, etc. Cross-border co-operation (CBC) also involves attempts to exploit borderlands situations; using borders as a resource for economic and cultural exchange as well as for building political coalitions for regional development purposes (Lepik 2009, Popescu 2008).

At the same time, great socio-economic and political transformations are taking place at the EU's new external borders and these portend not only new regional development opportunities but also many potential problems and tensions. Regions on the EU's present external borders reflect perhaps most markedly both challenges to cohesion as well as the increasing importance of 'Neighbourhood' relations. As different as they are in social, cultural and geographical terms, these regions share general problems of economic peripherality and many negative impacts of structural change, such as rural de-population, 'brain drain', disinvestment and, frequently, below average levels of socio-economic well-being (Petraikos and Topalogou 2010). By the same token, these regions will be affected – both positively and negatively – by increasing interaction between the EU and its neighbours. As a result, the future development perspectives of and development options open to these regions will be important to addressing core-periphery contradictions, economic and demographic imbalances as well as general sustainability issues within the EU as a whole.

Significant changes in the way in which regional co-operation at EU external borders is supported have taken place. In the 1990s, the PHARE and TACIS programmes sought to promote economic and political

modernization in (then) neighbouring states and the former Soviet Union through strategic means, including regional development and spatial planning strategies that linked modernization with EU integration and enlargement processes.¹ This phase of CBC promotion was informed by a historical sense of mission in breaking down dividing lines between states and strengthening the influence of the EU as a stabilizing force within a rapidly changing geopolitical situation. Since the 2004 enlargement, this logic has shifted; the EU is now concerned with its own political and territorial cohesion and has subsumed external co-operation, including at its external borders, within a policy of ‘Neighbourhood’ engagement.

In this essay, the authors will address the significance of the ‘Neighbourhood’ context for European regional policy by focusing on different aspects of cross-border ‘region building’. Examples of Finnish-Russian regional co-operation will be elaborated in order to suggest the possibility of re-thinking EU Neighbourhood policies in terms of a greater focus on local and regional development. Finnish-Russian cross-border co-operation (CBC) since 1991 reflects political and socio-cultural change as well as politically and economically motivated interaction that is arguably creating a ‘post-territorial’ perspective on development that goes beyond a strict, state-centred bounding of political, economic and socio-cultural space. The Finnish-Russian borderlands can also be understood as a product of ‘place-making’ in the intentional sense of a regional development project that capitalizes on border locations, network synergies and a historical notion of cross-border region (as embodied by the regional idea of Karelia).

Post-Soviet and new EU (Schengen) border regimes have reconditioned political and economic orientations – disrupting interaction in some cases and creating new incentives for cross-border networking in others. Progress in regional CBC, for example in the Finnish-Russian case, will to a considerable extent depend on how EU policies and policy discourses translate into political capital for local/regional cross-border cooperation in the new borderlands. As it stands, the ‘post-territorial’ momentum of CBC and the inherent territoriality of security

¹ PHARE refers to the Poland Hungary Aid for Reconstruction of the Economy – a fully-fledged ‘pre-integration’ programme established in 1989 that was extended to the Central and Eastern European candidates who became EU members in 2004 and 2007 (Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia, Slovenia – Until 2000, Balkan state were also included). TACIS (Technical Assistance for the Commonwealth of Independent States) was expressly targeted for technical and development assistance for Post-Soviet countries; TACIS operated as a fully-fledged programme from 1991 to 2006.

concerns and border management policies often clash to the detriment of local and regional actors. Perhaps more seriously, the rather strict separation of EU internal and external policy spheres does little to encourage proactive strategies aimed at avoiding wider divisions between the EU and its neighbours. Given the future challenges facing regions straddling the EU's external borders and the role of the EU as conditioner and agenda-setter of regional CBC, I will suggest a need for EU policies that bridge political, administrative and cultural divides between the EU and its Eastern neighbours. Ideally, these policies would break down the conceptual and administrative barriers between the EU's Cohesion and Neighbourhood policy instruments.

Emerging European Borderlands, Regional Development Issues and Cross-Border Co-operation

Regions at the EU's external borders represent a considerable challenge to national development policies as well as to European cohesion. While they do not constitute a homogeneous group, external border regions share common problems in terms of 'peripherality' and challenges to their future development. As the EU Report 'Regions 2020' indicates, most (external) border regions in Southern and Eastern Europe are subject to multiple vulnerabilities and globalization challenges (Commission of the European Communities 2008b). Low labour productivity, high unemployment, low economic diversification, de-population of rural areas and, in many areas, demographic decline are some of the problems that exacerbate this regional vulnerability. In addition, future development potentials of the EU's southernmost and easternmost regions will emerge against the backdrop of considerable structural, financial, political and cognitive constraints (Commission of the European Communities 2010). These regions are, by and large, peripheral areas, not only far from the dynamic centres of Core Europe but often distant from prosperous national centres as well. Many of them continue to suffer from outmigration, de-industrialization, and negative demographic trends. In addition, neighbouring regions on the other side of the border are similarly disadvantaged, resulting in 'double peripheries' within a greater European context (Topaloglou et. al. 2005).

Preliminary research has indicated that increasing interaction between the EU and neighbouring states such as Russia, Belarus, Ukraine, Turkey – and beyond – could have major impacts on the development perspectives of regions at the EU's external borders – both in positive and negative terms (Petraikos and Topaloglou 2008). In positive terms, these border areas are often situated at important transcontinental road and railway networks (although mostly distant from major airports). To the extent that they develop locational strengths beyond mere transit spaces for goods, people and infrastructure, cooperation within urban networks on both sides of the border

could contribute to economic dynamism and socio-cultural development. On the other hand, however, such development perspectives cannot be separated from border-related problems that necessitate effective security and border-management policies. Environmental problems, the illegal trafficking of humans, the smuggling of harmful goods, illegal immigration and more general cross-border activities of organised crime must be dealt with decisively.² It is these European and national concerns, rather than local interests, that affect economic, political and legal barriers, such as those inherent in labour market and foreign resident legislation, and that, ultimately, affect socio-economic mobility, innovation transfer and flexibility.

Many of these regions continue to suffer from outmigration, de-industrialization, and negative demographic trends (Petraikos and Economou 2007). As the EU Commission's Fourth (2007a) and Fifth (2010) Reports on Social and Economic Cohesion document, despite increases in general welfare, imbalances between Europe's core areas and its vast peripheries remain and depopulation of many rural zones continues unabated. Furthermore, regional disparities as well as cultural and political heterogeneity are certain to increase as a long-term result of enlargement. Gorzelak and Smętkowski (2010) as well as other scholars have shown that, in stark contrast to the objectives of Cohesion Policy, a consolidation and 'petrification' of territorial patterns based on core-periphery inequalities is taking hold in the eastern regions of new EU-member states. As a result, regional polarization has been a fact of life since 1989. Large dynamic cities have virtually detached themselves from their regional contexts while peripheral regions (located mostly on the eastern borders) remain relatively underdeveloped in both quantitative and qualitative dimensions and continue to lose highly qualified workers to metropolitan cores. Future prospects for the EU's easternmost and southernmost regions are thus interpreted in terms of continuing polarization and a danger of stagnation of internal and external peripheries.

Regions on the other side of the border are similarly disadvantaged. Border regions during the Soviet period were both militarized and sealed off by a complex set of regulations, border zone passes and controls. These restrictions and the lack of economic investment that followed from them drastically affected their development prospects and resulted in outmigration and abandonment. This legacy of isolation has not been overcome. In

² Dealing with the issue of refugees at the EU's external borders in a humane and effective fashion also requires effective coordination and sufficient resources. However, the setting up of detention centres for undocumented border-crossers restrictive border regimes encumber local and regional cooperation, particularly in the light of insufficient arrangements.

addition, after the collapse of the Soviet Union, tense cross-border relations in several cases, such as the Estonian-Russian and the Moldovan-Romanian, have hindered the development of new economic activity. This situation on both sides of the EU's external borders is thus resulting in 'double peripheries' within a greater European context (Topaloglu et.al. 2006). As a result, these border regions are potential areas of serious political and social problems, especially if living standards continue to stagnate.

European Union and the Promotion of Cross-Border Regional Development

Within the context of these challenges, regions at the EU's external border are struggling to define new opportunities for social and economic development and are also attempting to create greater capacities for territorial cooperation with other regions (Nelles and Walther 2011, Zhurhenko 2006): Focused as it has been on issues of cohesion, identity and competitiveness, the European Union has envisaged a key role for border regions and has in the past played a crucial role in supporting local and regional cross-border co-operation as these are seen to be important aspects of interstate integration and a mechanism for deepening relations with non-EU neighbours: Arguably, since 1990 a formalized EU policy has emerged that promotes cross-border regionalism and provides support for development initiatives within border regions (Perkmann 2002). This policy combines material incentives for co-operative projects with the conditionality that is now EU standard practice: support is, for example, contingent upon the development of strategic plans, the establishment of joint planning and management structures and the judicious selection and monitoring of projects to be funded.

Transcending boundaries is – at least rhetorically – is still a 'leitmotif' of European Union policies, even after 40 years of gradual progress in integrating nation-states and is supported by the INTERREG structural initiative which provides incentives for local, regional and interregional cross-border co-operation. European structural policy has decisively influenced the development of cross-border co-operation in Europe. INTERREG, now in its fourth phase (2007-2013), has supported numerous cross-border and transnational co-operation projects between regions. Financed out of the EU's structural funds, INTERREG has since 1989 disbursed well over 10 Billion EUROS making it the community's largest structural initiative. In addition, programmes targeted for Central and Eastern Europe and the former Soviet Union, most prominently PHARE and TACIS, provided until 2004 supplemental funds for cross-border projects in regions on the EU's external boundaries. CBC with neighbouring countries is now funded through European Neighbourhood Policy Instrument.

The most conspicuous manifestation of cross-border regionalism within the EU is situated at the local level and known by the generic term of ‘Euroregions’. These municipal associations were pioneered and developed as locally based co-operation initiatives in Dutch-German border regions as early as the 1960s (Perkmann 2007). The main goal of these organizations is promote mutual learning and co-operative initiatives across borders in order to address specific regional economic, environmental, social and institutional problems. These associations, many with their own cross-border administrative bodies (e.g. councils), represent an additional, albeit strictly advisory, regional governance structure and play a vital role in channelling European regional development support into the border regions. The popularity of the concept is evident in its proliferation within the EU, particularly along Germany’s borders (Scott 2000). More striking is the fact, however, that since 1993 Euroregions have rapidly materialized in Central and Eastern Europe and many non-EU contexts, in areas characterized by decades of conflict, closure and non-co-operation (Popescu 2008, Zhurzhenko 2010)

Neighbourhood Policy as a Regional Development Context

Cross-border co-operation at local and regional levels reflects the different regional dimensions of EU relations with neighbouring states. Similarly, local and regional cross-border co-operation is seen to promote social, economic and territorial cohesion – particularly in terms of the development prospects of many areas at the ‘edge’ of the EU-27. However, here, at the external border, larger geopolitical contexts must be taken into account. Because of geographical proximity, long-standing economic, social and political interrelationships and deepening mutual interdependencies, the EU is keen to assume a stabilising role in Post-Soviet, Eurasian and Mediterranean regional contexts (Browning and Joeniemmi 2008). The geopolitical vision that underlies this ideational projection of power is that of ‘privileged partnership’ – that is, of a special, multifaceted and mutually beneficial relationship with the EU, in some cases in place of concrete perspectives of EU membership.³ With this geopolitical vision, principles of (EU) European governance are being extended well beyond the borders of

³ According to the ENP strategy paper (Commission of the European Communities 2004, 3) : ‘the privileged relationship with neighbours will build on mutual commitment to common values principally within the fields of the rule of law, good governance, the respect for human rights, including minority rights, the promotion of good neighbourly relations, and the principles of market economy and sustainable development.’ It then states: ‘The level of ambition of the EU’s relationships with its neighbours will take into account the extent to which these values are effectively shared’.

the EU. The European Neighbourhood Policy (ENP) is also the maximum expression of an emerging ‘Common Foreign and Security Policy’, the principal aim of which is to establish a greater regional context for economic growth and free trade, social modernization, political stability and security. The countries involved in the ENP are: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine.⁴ While not part of the ENP process in the strict sense, Russia participates in cross-border programmes funded through the European Neighbourhood and Partnership Instrument (ENPI-CBC). Furthermore, the Partnership process between the EU and Russia is, structurally very similar to ENP, pursuing almost identical goals in terms of economic co-operation, human rights, security, and institutional modernization.

Regional cooperation with neighbouring states is another defining element of the EU; it is informed by discourses of ‘partnership’, ‘co-development’ and ‘mutual interdependence’ that are part of the ideational and visionary foundations of EU political community. Evidence for redoubled EU efforts to promote co-operation with its immediate neighbours is provided by the European Community (EC) Regulation 1638/2006 establishing a European Neighbourhood and Partnership Instrument (ENPI Regulation) with plans for investment in three areas between 2007-2013. These areas include: (1) promoting cooperation and integration between the EU and neighbouring countries; (2) advancing good governance and sustainable socio-economic development in the respective states and (3) promoting cross-border cooperation.⁵ Furthermore, the ENPI-CBC programme is a reflection of the EU’s recognition of regional geopolitical, socio-economic and historical contexts and its attempt to develop a differentiated approach to co-operation. A new element of the EU’s Neighbourhood Policy is the combination of foreign aid and structural funds into an integrated instrument of cooperation between territorial entities on either side of the EU’s outer borders – and that will now be extended to Mediterranean as well as Eastern and Southeastern neighbours. To that end, €1.12 billion have been allocated for the 2007-2013 period

⁴ While formally included in the ENP, no agreements have been established to date with Belarus, Libya and Syria.

⁵ Article 2 of the ENPI Regulation reads as follows: ‘Community assistance shall promote enhanced cooperation and progressive economic integration between the European Union and the partner countries and, in particular, the implementation of partnership and cooperation agreements, association agreements or other existing and future agreements. It shall also encourage partner countries’ efforts aimed at promoting good governance and equitable social and economic development’.

out of the 11,4 billion total for ENP. A total of 15 CBC programmes have so far been created by ENP member countries (each with a slightly different focus): 9 Land Border Programmes along the EU's eastern borders; 3 Sea Crossing Programmes (Italy – Tunisia, Spain – Morocco, Morocco – Canaries); and 3 Sea Basin Programmes (across the Baltic, Black Sea, and Mediterranean Basins).

Neighbourhood and Regional Development: Evidence from Finnish-Russian Borderlands

In terms of new borderlands situations that are emerging on the EU's external frontiers, the Finnish-Russian case offers some compelling evidence of attempts to create common regional frameworks for social and economic development; these have thus been shaped both by a will to promote mutual interests and by eliminating structural, political and cognitive barriers to successful cooperation. The Finnish-Russian border acquired its present form in the aftermath of the Second World War. In a cultural and political sense, this region has formed a historical demarcation zone shaped by 'East-West' rivalries. Between the two world wars, a hostile military border was established between Finland and Soviet Russia. Between 1939 and 1945, two wars were fought here, with Finland losing about one-tenth of its territory, including a large part of what is known as 'Karelia'. The population of the ceded areas moved to Finland while new settlers came from various parts of the Soviet Union. This created a clear-cut ethnic and cultural border. During the Cold War years, the Finnish-Russian border marked a dividing line between two rivaling political and economic systems; the border was thoroughly militarized and heavily guarded on both sides.

Before 1991, cross-border co-operation between Finland and the Soviet Union was largely limited to specific industrial sectors, such as mining, wood products and paper pulp. This economic co-operation was particularly important for Northwest Russia and Eastern Finland as the locus of industrial activities were 'twin towns' on the border such as Svetogorsk/Imatra and Kostmuksha/Kuhmo (see Zimin, Kotilainen and Prokhorova 2012). However, the movement of persons across the border was severely restricted. In addition, political co-operation was largely of a symbolic nature, largely instrumentalized as gestures of peaceful co-existence and friendship. The border was only opened in any real practical sense towards the end of the Soviet Union, as Perestroika gradually succeeded in liberalizing the political system. Since the collapse of the Soviet Union, interaction between the two countries has been conditioned by deepening European integration and globalization, as well as by the effects of Post-Soviet transformation on the Russian side. Hence, relations between Finland and Russia have been reconstituted as part of the wider geopolitical shifts in Europe. Concrete indications of the new

situation include, for instance, new border crossing points and logistical infrastructure, the abolition of travel restrictions on the Russian side and co-operation programmes aiming at strengthening cross-border links. Finnish membership in the European Union in 1995 increased these border-spanning activities in various forms and at various spatial levels.

Relations between Russian and Finnish border regions are considered by both sides as a laboratory of co-operation between Russia and EU at the regional level.⁶ New actors, economic enterprises and civic organizations, have entered the field that was earlier controlled by bilateral agreements between the states. In an administrative sense, the regional councils (formed as confederations of municipalities in 1994) have been granted a major role in implementing EU programmes and administrating EU funds (see Kettunen and Kungla 2005). EU funded programmes such as INTERREG (aimed at cross-border regional development within the EU) and TACIS (a programme earmarked for comprehensive development projects in post-Soviet states) have thus become an important part of promoting cross-border interaction on the regional level. In institutional terms, Finnish-Russian cross-border co-operation at the regional level has become part of policy frameworks and administrative structures that originally served regional development and co-operation within the European Union. The adaptation of EU administrative practices in Finland and the constitution of new democratic and administrative institutions in the Russian Federation have led to a continuous restructuring of administration on both sides, and in the Russian case to sharp political and administrative discontinuities. Since 1995, Finnish EU membership has led to a certain 'Europeanization' of the border and systems of European multi-level governance have been introduced on the Finnish side as part of the structural fund policies that condition CBC (Eskelinen 2000, Laine 2007). The implementation, for example, of INTERREG programmes has been institutionally linked to the integration of European and Finnish regional development policies.

These developments have also impacted on Finnish administrative structures which traditionally have been characterized by a combination of strong central power and broad local self-government. It is important to mention that the strengthening of the intermediate level – in this case of the regional administrations of Finnish Karelia – in the management of EU funds and programmes has occurred outside the confined of traditional

⁶ See, for example, Eskelinen, Liikanen and Oksa (1999), Laine and Demidov (2012), Liikanen (2004) and Shliamin (2002).

Finnish politics. As a result, the agenda of local and regional-level CBC projects has been strongly affected by regional level administrative organizations, regional councils and intermediate-level state administration, which together administer and allocate funding from EU instruments of CBC. Indeed, new EU instruments have, however, opened opportunities for new kinds of regional level co-operation in the field of education, health care, social work and environmental protection. In public-sector co-operation projects, state level agreements and strategies have also played a vital role in shaping the CBC mechanisms. At the municipal level, there were some, highly regulated CBC contacts with a para-diplomatic exchange of official delegations even in the Soviet times (Varkaus and Petrozavodsk were twinned towns, Kuhmo and Kostamuksa developed links on the basis of a major construction project). These relations have continued, grown in number, become less formal, and started to utilize EU support. On the regional level, the challenges of new cross-border co-operation opportunities were thus directly affected by the introduction of new European policy frames and instruments available to local civic and economic actors. Similarly, the inclusion of Russian regional actors in co-operation projects increased the complexity of coordinating projects between the INTERREG programmes on the Finnish side and the TACIS initiative on the Russian side.

Cross-Border Regional Development and the Euregio Karelia

With increasing cross-border interaction of a political, economic and socio-cultural nature, Karelia, a historical region that straddles the Finnish-Russian border, has become the focus of new processes of 'region-building' that mirror more general socio-spatial transformations taking place in Europe. This of course does not mean that a new regional identity has emerged that transcends national loyalties or the mental barriers that exist between many Russians and Finns. What this 'regional idea' implies is a selective reframing of local structural and political conditions as well as of personal everyday activity spaces. The 'selectivity' of this phenomenon is of critical importance; we by no means even suggest that a majority of Finns and Russians living in Karelia would actively subscribe to the idea that they share an emerging transnational space. Karelia is, rather, a transnational space for those political actors, businesspeople, civil society organizations and 'ordinary citizens' who understand it as a resource and a specific place within Europe with common issues. Finnish-Russian Karelia can thus be understood as a region-building project which is on the one hand politically motivated and closely tied to projects of cross-border co-operation between Russia and Finland but, on the other hand, is also a product of shifting local perceptions of regionness and the border.

Cross-border co-operation has been promoted as a way of breaking down differences between societies – at least in the sense that administrative and mental borders no longer create obstacles to addressing everyday problems and issues that affect communities on either side of state boundaries. When Finland joined the EU in 1995, conditions governing CBC faced a significant transformation. On the one hand, previously bilaterally governed co-operation across the border became part of the broader dynamics of international politics and EU-Russia relations. However, on the other hand, regional and local actors also have taken a more active role in ‘international affairs’ by co-operating directly across the border. In addition, EU funding via the TACIS and INTERREG Programmes and, most recently, the ENP-Instrument to which Russia has become a partner, has made cross-border co-operation increasingly project-based. A number of regions participate in recently created Euroregions along the former Soviet boundary and the boundary of Russia with its western neighbours (Kolossoff 2006).

During the 1990s, the Finnish-Russian Karelian regional development agenda was shaped by the problems experienced by the Russian side. As Laine (2007) has shown, the most common problems for Russian border communities were the following: (1) a crisis of municipal services and infrastructure, (2) unemployment and poverty, (3) alcoholism and drug abuse, (4) crime and lack of security, and (5) a poor investment climate. Correspondingly, a significant number of CBC projects addressed these problems with a varying degree of success. However, with time the character of Finnish-Russian CBC evolved from that of ‘development assistance’ to more genuine co-operation in the area of regional development. The need to more strategically channel and co-ordinate activities, as well as deal with the legal, social and political complexities of project implementation, led to attempts to build regionally based cross-border institutional structures in the Karelian context. This culminated in the 2000 establishment of the Euregio Karelia. The Euregio covers 700 km of land border between the EU and Russia, and it consists of four regions: the provinces of North Karelia, Kainuu and North Ostrobothnia on the Finnish side and the Republic of Karelia on the Russian side. Since Euregio Karelia was the first Euregio on land borders between the EU and the Russian Federation, the key figures behind the venture willingly promoted it from the beginning as a European model (Liikanen 2008a). It was seen as a pilot project for future joint administrative structures between the EU and Russian regional authorities (Shliamin 2001). The idea was that the governance mechanisms developed in the Euregio Karelia region would with time gain broader European significance. From the Finnish perspective, the institutional forms adopted on the Russian border were seen as exporting ‘border know-how’: they would generate a model or at least a set of experiences

that could be useful for the elaboration of European border policies after the eastern enlargement (Cronberg 2000, Eskelinen 2000).

Correspondingly, Finnish-Russian CBC in Karelia has developed in areas such as environmental protection, forest management, tourism, agriculture and the alleviation of unemployment. After Finnish EU-membership, the promotion of democracy and civil society in Russia and humanitarian assistance to Russian social welfare institutions, as well as cultural and educational exchange gained importance as well. Within the Finnish private sector and among Finnish civil society organizations, local and individual initiatives have played an important role.⁷ At the level of CBC coordinated by the Euregio Karelia, for example, project funds for the period 2001-2006 were focused on business activity, transport and communication, as well as upgrading stakeholder expertise. ENPI has replaced the earlier combination of Interreg (Finnish) and TACIS (Russian) funds, the co-ordination of which has proven difficult for carrying out projects on both sides of the border (Cronberg 2003). With ENPI, a single application and selection process for both sides of the border provides for more coherence and cross-border co-ordination for projects. An important aspect of the Finnish-Russian ENPI programme is that Russia contributes financially to the support of co-operation projects.

Cross-border contacts have allowed both sides to gain basic knowledge about the living conditions of their neighbours thus fostering mutual understanding (Laine and Demidov 2012). If, as Häyrynen (2009) argues, the present-day Karelian landscape is a nostalgic construction, it is one informed by political, social, economic and cultural motivations. To an important degree, cross-border co-operation involves re-telling the history of Karelia through tourism, media representations, cityscapes, etc. Intercultural dialogue has contributed to the emergence of a shared notion of Karelia which reflects the political reality and the multicultural nature of Karelia (Niukko 2009).⁸ Although the memories of Finnish-Russian confrontation during the WWII are still alive amongst the

⁷ Obtaining EU support for local initiatives tends to be, however, difficult for groups and organizations not familiar with the workings of regional administration. Most successful actors are those involved in organizations, which have enough social and cultural capital to successfully apply for and utilize EU funds and CBC instruments.

⁸ The disintegration of the Soviet Union and the opening of Russia in the early 1990s allowed Finns to re-discover Karelia. This did stimulate discourse about the re-unification of the formerly Finnish areas of Karelia

older generations of Finns, Russia is no longer perceived as an enemy, but rather as an important neighbour whose well-being will also impact on Finland. In this context, cross-border co-operation is seen to serve as an instrument of co-development that contributing to a peaceful Finnish-Russian neighbourhood.

Transcending Borders Through a New Economic Image

In both Russian and Finnish Karelia the influence of the border has been a dominant factor in regional development. Due to the closed nature of the border and the systemic differences between Finland and the Soviet Union, economic exchange between 1945 and 1991 was limited. Nevertheless, the economic activities that did take place across the border were vital for both sides; a synergistic relationship developed between industrial firms in the area of wood, paper and pulp production and mining. However, this situation also intensified the domination of extractive industries and low added-value economic activities (round wood, aluminium, paper sacks, newsprint, cellulose and ferrous metals) as well as the export dependency of both Finnish and Russian Karelia.⁹ By the same token, there are few exportable manufactures. Thus, Karelia has been ‘trapped’, as local economists argue, within an unfavourable resource-export development path (Druzhinin 2004).¹⁰ To exacerbate

with Finland proper. But at the same time, the re-discovery of Eastern (Russian) Karelia offered the best evidence that it was an illusion, in particular, because of the loss of Finnish symbols and landscapes.

⁹ In comparison to Finland’s overall economic relations, economic relations between Finland and Russia are based relatively more on trade and only to a limited degree on investments. Finland is the first economic partner of the Republic of Karelia (in 2006 30% of the total turnover, or about 500 Million dollars) and one of the most important partners of Leningrad region (about 12%) and Murmansk region (23%). The trade between Finland and neighbouring Russian regions in 2000-2006 more than doubled. A rapid increase of Finnish investments could also be observed, these have significantly contributed to the modernization of the Karelian economy.

¹⁰ In the Leningrad region, by contrast, its influence has been combined with other powerful factors, such as the proximity to St Petersburg, direct access to the Gulf of Finland and generally more developed transport infrastructure and communications. During almost a decade of economic growth, Leningrad region demonstrated much higher rates than the country in average, and has considerably improved its position in the list of Russian regions. Its economy is directed in-ward and has little to do with cross-boundary interactions. Regional authorities, both in Russian Karelia and in the Leningrad region, have been rather enthusiastic about CBC.

the situation, regional politics have at times tended to favour conservation rather than restructuring of weakly competitive industries; a development path that has been recognized as inefficient and unsustainable.

Cross-border co-operation in the area of regional development has received attention as a solution to the structural problems of Eastern Finland and Russian Karelia since the collapse of the Soviet Union. More recently, regional administrations on both sides of the border have begun stimulating inward investments into higher-value-added industries, such as environment technologies, eco-tourism and more sophisticated forms of wood-processing. Recent development trends in Russia, that is, the relative stability of political conditions and economic growth, have led to a new wave of interest in cross-border activity in Finnish and Russian Karelia. Economic interaction has grown and 'Russian connections' are seen as a key strategy in regional development in Eastern Finland where concrete measures have been prepared for their enhancement (Etelä-Savon maakuntaliitto 2005). Significantly, and in contrast to the more traditional and central state oriented regional development policies employed in Russian Karelia, cross-border regional economic co-operation has since the mid-1990s been conceptualized in terms of creating a new economic regional image. While this 'image-making' objective has been more pronounced on the Russian side, it has resonated with local and regional actors in Finnish Karelia who are also seeking to counteract perceptions of peripherality and economic backwardness. The principal economic vision in this regard is the cross-border framing of Karelia as an ecoregion – basically as a touristically attractive region concerned with sustainability, trade, non-polluting manufactures and entrepreneurial development in improved extractive technologies. This ecoregional vision is largely inspired by the natural landscape and rural character of Finnish and Russian Karelia. Allied with the ecoregional image is the promotion of Karelia as a special region in Europe with a specific history and cultural/historical commonalities and as a promising point of contact.¹¹

ENP and Cross-Border Co-operation: Insights from the Finnish-Russian Case

The ENP can be seen as a means by which to promote the values and external influence of the EU even without immediate prospects of direct membership for third states (Kostadinova 2009). As one element in this

¹¹ Progress in this area has been admittedly slow in terms of large investments. Amongst Russian enterprises with Finnish Karelian participation only the Stora Enso's saw mill, PKC Group's automobile wiring plant, Helkama's refrigerator plant and a number of timber-logging enterprises and subcontracting ventures in the clothing industry stand out. At the same time, tourism and trade have increased considerably.

multifaceted equation of regional partnership, local and regional forms of cross-border development co-operation are promoted in order to ‘integrate’ communities across the EU-Neighbourhood divide. In this way, co-operation objectives already established by the EU in the 1990s continue to be reflected in present policies. The TACIS programme was replaced in 2007 by the European Neighbourhood Policy Instrument (ENPI) which aims to establish a coherent basis for political stability and economic growth within its immediate regional surroundings.¹² The 2006 EU Regulation that establishes the general provisions regarding ENPI contains prosaic language, paragraph 15 of the preamble states:

‘In order to avoid the creation of new dividing lines, it is particularly important to remove obstacles to effective cross-border cooperation along the external borders of the European Union. Cross-border cooperation should contribute to integrated and sustainable regional development between neighbouring border regions and harmonious territorial integration across the community and with neighbouring countries. This aim can best be achieved by combining external policy objectives with environmentally sustainable economic and social cohesion.’

With the subprogramme ENPI-CBC, the EU thus envisages comprehensive co-operation agendas of a political, economic and cultural nature and that may provide possible opportunity structures and spaces for cross-border regional development at its external borders. In policy terms, ENPI CBC aims to build upon previous experiences in cross-border regional development supported through INTERREG/TACIS/PHARE and encourage the establishment and/or consolidation of joint management and monitoring institutions in the border regions. At the same time, the EU seeks to make its policies towards neighbouring states more effective, coherent and responsive to local needs. Interestingly, and in contrast to previous programmes, with the ENPI, the EU has taken up the issue of border security as a regional co-operation issue. In concrete terms, the general objectives of ENPI CBC are:

1. Economic and social development (broad support for institutional capacity-building and regional development projects in economic, social, cultural, welfare policy areas),

¹² Commission of the European Communities (2004), *Communication from the Commission, European Neighbourhood Policy. Strategy Paper COM (2004) 373 final.*

2. Common challenges (for example in the areas of environmental protection; emergency services, border security and health and social development),
3. Efficient and secure borders (border management and the development of border-crossing infrastructures),
4. People to people co-operation (which includes support to civil society and local communities and also aims at the ‘cultural integration of border areas’).

After some false starts, primarily because of tensions in EU-Russian relations, new regional cross-border co-operation programmes for the areas Southeast Finland-Russia, Karelia-Russia and the so-called Kolarctic Region, which also includes Norway and Sweden, came into effect in November 2009. With these programmes, strategies of cross-border regional development have been given further impetus. The Southeast Finland-Russia ENPI and Karelia-Russia ENPI Programmes for 2007-2013 both underscore general ENPI-CBC objectives in the areas of economic development, sustainability and social development issues. It is also clear that projecting the EU’s geopolitical objectives of securitization and social modernization (for example, as established in the Neighbourhood Policy framework) onto the local and regional level of co-operation could be a considerable constraint. It is therefore not surprising that not all ENPI CBC programmes with Finnish prioritize border security - this point will be discussed in more detail below.

Given its policy significance and potential role in encouraging greater regional development co-operation at the EU’s external borders, I will provide a brief assessment of the ENPI’s present limitations based on Finnish-Russian CBC experiences. Among the issues that will be taken up here are geopolitical tensions, bureaucratic administrative procedures and a fragmented programme structure that mirrors policy mismatches between Cohesion, security policy and external relations competencies within the EU. Additionally, diverging regionalization trajectories within the EU and in neighbouring states present a potential barrier to cross-border partnerships in regional development. Generally speaking, ENPI CBC, as a new support programme, is as yet not suitably equipped to deal with the overall context within which Finnish-Russian co-operation takes place. Indeed, one could argue that, based on the Finnish-Russian case, cross-border cooperation at the EU’s external boundaries, all rhetorical statements to the contrary, has become mundane, technocratic, underfunded and bereft of the historical symbolism of earlier cooperation.

The Finnish-Russian Border as a Policy Divide Between Cohesion and Neighbourhood

The present Finnish-Russian border is for all intents and purposes an open one, particularly when compared to the situation during the Soviet era. Provided Schengen rules and both Finnish and Russian visa regulations are observed, this border is thus no longer a barrier to economic, social or cultural exchange. However, the function of the Finnish-Russian border has shifted in rather subtle ways that confirm its role as a political divide between the two countries and, as such, between the EU and Russia. An in-depth investigation of the vicissitudes of EU-Russia relations is beyond the scope of this discussion, but certain issues can be emphasized that enhance the Finnish-Russian borders significance as a *policy divide*.

To begin with, there is the inherent tension between attempts to consolidate and thus ‘border’ the European Union on the one hand, and to enhance the EU’s presence beyond its immediate borders through regional co-operation, on the other (Scott and van Houtum 2009). The wilful and strategic *consolidation* of a supranational European space provides the Union with increasingly sharpened territorial characteristics; as articulated in the (Reform) Lisbon Treaty, the EU is actively promoting an agenda of social, economic and territorial cohesion in order to strengthen the basis for political community and economic integration, which in turn enhances the status of territorial aspects within EU policy-making (Fritsch 2009). As a consequence, we are currently witnessing processes of ‘Europeanization’ in the ways policy-makers and researchers conceptualize (and subsequently attempt to organize) the EU-European territory as an increasingly unitary and integrated space.

As a result of such consolidation efforts, EU policies could be accompanied by strategies that further solidify ‘Core’ Europe’s political and economic domination and thus reduce the voice of Europe’s ‘peripheries’ as well as de-emphasize regional development co-operation across the EU’s external borders. Feasible development scenarios for border regions on the EU’s external borders might, for example, be subsumed within the hegemonic logic of ‘polycentric’ metropolitan concentration (Herschel 2009).¹³ Similarly, Bialasiewicz et al. (2005) suggest that the EU’s relations with its neighbours are increasingly characterized by a ‘hard territoriality’ where security issues, border management and sovereignty are emphasized. With mid to long-term perspectives

¹³ The concept of polycentricity has, in fact, been a major bone of contention between Nordic States and the EU Commission (see Eskelinen and Fritsch 2009).

of future enlargements clouded by political and economic uncertainty, the promise of potential EU membership has, for many neighbouring states, been replaced by an offer of 'special partnership'. However, concerns of 'illegal' migration, cross-border crime and terrorism and the imposition of visa restrictions on non-EU citizens could pose new obstacles to co-operation, conjuring fears of an emerging 'Fortress Europe' that effectively divides the continent (Scott and Liikanen 2010).

Structural policies earmarked for regions of the EU's 27 member states are part of a strategy of post-Enlargement European consolidation. However, while the ENPI can be seen as a counterpart to policies that target cohesion and territorial co-operation within the EU, the bulk of structural fund resources available for cross-border co-operation are targeted at the EU-27 and do not include regional dimensions at the EU's external borders for the most part. At the same time, externally focused cross-border co-operation covered by ENPI-CBC simply does not enjoy the material and political support commensurate with the EU's discursive exhortations to greater regional neighbourliness. The EU's Cohesion and Regional Policy 2007-2013 has an operating budget of 321 billion Euros with a clear focus on distributing aid to poorer areas of the EU-27. By comparison, the ENP's total budget for the same period will be about 11 billion Euros. In addition, and most surprisingly, out of this amount very few funds will be allocated to cross-border and interregional cooperation with neighbouring states. Ironically, over 1 billion Euros will be dedicated to border security and technology studies within European research programmes, more than the entire CBC budget planned for the ENP.¹⁴ Similarly, local and regional cross-border co-operation facilitated through ENP, operates under very different EU rules, administrative responsibilities and political logics than does Cohesion Policy.

This is all the more ironic as the INTERREG IV structural initiative, which covers the current 2007-2013 programming period, is now one Europe-wide programme supporting cross-border, interregional and transnational cooperation. However, almost all of INTERREG IV support has been focused on cooperation within the EU and very little on projects involving neighbouring states; the July 2006 ERDF Regulation that

¹⁴ See the Cordis website on security research at <http://cordis.europa.eu/fp7/security/> (accessed 9 December 2011).

applies here not only upholds but underscores strict tenets of ‘territoriality’ in the use of regional development funds.¹⁵

The basic tensions between internal consolidation and the external ‘bordering’ of the EU could therefore have serious consequences in terms of local and regional cross-border co-operation between the EU and its neighbours. Upon closer scrutiny, it furthermore becomes clear that there are not only distinct policy gaps between ‘internal’ development and ‘external’ co-operation. Berg and Ehin (2006) have alluded to the more general situation of a fragmented policy process ‘at the border’ in which a jumble of rules defined by EU regional development, justice, external affairs and development aid agencies create uneven conditions for cross-border co-operation. In general terms, the complexity of different policy logics operating within the context of ‘Neighbourhood’ tends to privilege formal areas of bilateral co-operation (e.g. border management, large infrastructures, interagency technical assistance) while it marginalizes local and regional forms of CBC (Scott 2010). This is, on the one hand, a question of geopolitical priorities: ENP remains first and foremost a security-oriented policy that is being employed to enhance the EU’s external projection of power. It is directed at national elites, at national capitals and at traditional areas of international relations. ENP is also an arena of policy competition within the EU; for example, while the 2003 initiative to create the ENP foresaw the combination of external relations and regional co-operation policy frameworks, this has not yet been implemented. Furthermore, the EU Commission has refused to recognize and implement the decision of the European Parliament and

¹⁵ According to the Regulation: ‘It is necessary to support effective cross-border, transnational and interregional cooperation with the Community’s neighbouring countries where this is necessary to ensure that the regions of the Member States which border third countries can be effectively assisted in their development. Accordingly, it is appropriate to authorize on an exceptional basis the financing of assistance from the ERDF for projects located on the territory of third countries where they are for the benefit of the regions of the Community’. Text taken from Regulation (EC) No. 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No. 1783/1999, published in the Official Journal of the European Union, L210/1, 31.7.2006.

European Council to develop shared management structures within European Union agencies for the ENPI CBC programme.¹⁶

At the level of specific EU-neighbouring state partnerships, the ENPI-CBC programme has envisaged the creation of a single funding vehicle with joint management authorities (JMAs). Here again, working reality is rather different as the ENPI CBC Implementing Regulation (2007) in fact centralizes major contractual aspects of ENPI CBC in the hands of the EU Commission, limiting the final authority of JMAs to decide on project funding and management. Nor does the application of development aid rules, as is presently the case, appear appropriate for CBC in the area of regional development as joint projects are burdened by onerous contracting rules (Ministry for Foreign Affairs of Finland 2011).

Civil Society – a Neglected Development Resource

The policy divide that ENPI CBC has propagated in the Finnish-Russian case is a particular vexation to civil society actors who have been striving for more than two decades to stabilize co-operation across the border. Civil Society Organisations (CSOs) in Finland and Russia have been key players in the area of social development, intercultural dialogue, social welfare policy, capacity-building and in the strengthening of community institutions (Laine and Demidov 2012). In doing this, they have not only received from the EU but also from the Finnish government which in 1992 established its own ‘Neighbouring Area Co-operation Programme’. Representatives of CSOs interviewed by researchers at the University of Eastern Finland indicated that Finland’s specific programmes have been instrumental in promoting horizontal cross-border networks; these are perceived as crucial for shaping the quality, thematic focus and dynamics of cross-border activities in ways that are sensitive to local concerns.¹⁷ Such networks have also enabled different actors to pool resources, share

¹⁶ Originally, the EU envisaged a ‘two-stage’ approach with the implementation of ENP. During the initial phase (2004-2006), EU internal development funds (i.e. Structural Funds) and the externally oriented programmes (TACIS and MEDA) were pooled in order to co-ordinate the joint (cross-border) development and selection of co-operation projects. With the second phase, ENPI was introduced in order to streamline the entire process, creating a single instrument governed by shared administrative structures and a common set of rules.

¹⁷ Reference is made here to the international research projects EUBORDERREGIONS: European Regions, EU External Borders and the Immediate Neighbours. Analysing Regional Development Options through Policies

their knowledge and reduce CBC transactions costs for smaller local organizations. While there is no single formula or institutional architecture that characterises these networks, they are generally constructed around clusters of organizations with ties either to large national (i.e. Finnish) or international non-profit organizations. Larger and more experienced organizations within the network usually address politically relevant, bureaucratic and time-consuming aspects of grant-seeking and general project development while smaller, regionally embedded organizations with local knowledge carry out concrete projects. Thus, a division of labour has been possible that distributes resources in a more appropriate manner than an individual CSO would be capable of. In addition, through such networks, 'weaker' and smaller organizations can gain access to sources of support.

A good example of this was the Finnish-Russian Network of Social and Health NGOs which consisted of approximately 50 Finnish and almost 100 Russian organizations. The network, which maintained offices in Helsinki, and in the nearby Russian cities of St. Petersburg and Petrozavodsk, matured into a well-organized vehicle for the provision of social welfare and health services. However, with the advent of ENPI CBC and the subsequent reorganization of the Finnish Neighbouring Area Co-operation Programme, funds have been restricted to short-term, project-based work only. This resulted in October 2007 in the termination of the network as an officially supported initiative. In addition, the priorities of the Finnish programme are now in the area of economic development and environmental security and mainly involve co-operation with Russian public agencies rather than CSOs. 2012 will see a considerable downscaling of the Finnish government's support, increasing reliance on ENPI CBC.

Unfortunately, the EU's focus on budgetary control, administrative standardization and security issues has promoted bureaucratic practices and policies of conditionality that tend to complicate CSO co-operation across the EU's borders. The EU has, for example, developed a systematic framework for implementing cross-border civil society projects that involves a laborious implementation process that channels support for civil society projects largely through state structures. Here, the EU demands certain types of bureaucratic discipline, which

and Practices of Cross-Border Co-operation (contract: SSH-2010-2.2.1-266920), financed by the European Union's Seventh Framework Programme for Research (see: www.euborderregions.eu) and Security and Development Research within the Wider Europe Initiative Security Cluster, funded by the Finnish Ministry of Foreign Affairs (contract: HEL 8207-75).

includes budgeting, (including matching funds) auditing, monitoring and evaluating civil society projects which often subordinates CSOs to state agencies at the national, regional and local level. This approach largely determines the types of CSOs that are capable of practicing such discipline and of accessing EU financial support. It also contributes to the emergence of a privileged CSO elite, particularly in the neighbouring countries, that is separate from other CSOs and from its potential constituents and whose agenda and priorities may differ from of the EU and other western donors. Similar to the observations of Darbouche (2008), Klitsounova (2008) and Kostadinova (2009) our research suggests that despite the EU's strong rhetorical commitment to facilitating transnational civil society networks, this goal is often subordinated to the dictates of geopolitical 'realism'.

However, the EUDIMENSIONS project has demonstrated that in areas such as social policy, welfare, health and economic development there is great potential for common agendas that transcend geopolitical and inter-state tensions. Social policy has been a major victim of neo-liberal ideology and economic reforms that have privileged economic growth and liberalization. Thanks to civil society networks between the EU and neighbouring countries, shortfalls in public provision of social services have been partially compensated for while notions of social equity, welfare and group rights have been reframed as policy concerns in new member states and neighbouring states. As CSO representatives interviewed within the scope of EUDIMENSIONS research confirm, their activities have been highly influenced by social values central to the traditional social democracies of Europe and that are embodied by EU policies.

A Focus on Policy Innovation and Some Conclusions

The EU is promoting a regional space that could potentially intensify and improve relations with neighbouring states such as Russia. Furthermore, through the process of enlargement and the development of new political relations with Russia and other neighbouring states, the EU has exerted considerable influence on political institution-building and socio-cultural processes in the former 'Soviet Bloc' (Raik 2009, Scott and Liikanen 2010). However, as discussed above, uneven conditions and disjointed policy environments help produce diverse patterns of inclusion and exclusion of co-operation partners in neighbouring states; they also complicate the pursuit of sustainable co-operation strategies. ENPI CBC restrictions create borders between civil society organisations as well, particularly through bureaucratic rules and a single-minded focus on 'project-based co-operation'.

Difficulties faced by Finnish-Russian CBC in the area of regional development are not only a result of EU policy shortcomings. In practice, the Russian federal government has been rather restrictive with respect to cross-border initiatives of Russian regions and municipalities.¹⁸ While CBC was one of the central themes of Russia-EU summit in May 2007 near Samara and both sides agreed on co-funding of joint CBC projects within the ENPI, a formal agreement to this effect was not signed until 2009.¹⁹ Since 2010, the Russian Federation has in fact begun to devise a CBC strategy and is the only neighbouring country that co-finances the ENPI. However, new EU-Russia programmes are focused on large-scale investments such as the improvement of border infrastructure, transport and transit improvements, the creation of logistics' systems and terminals, economic development along transit corridors, telecommunications, and energy and environment protection.²⁰ National development interests clearly supersede those of Russian regions (such as the Republic of Karelia) and it remains unclear whether regional cross-border co-operation will enjoy greater political priority within the Russian government's foreign policy agenda.

As Gorzelak (2009) argues, internationalization and externally generated growth are realistic options for peripheral border regions, but only if 'preparation' through takes place through local initiatives that set basic conditions for the successful absorption of external impulses. In such cases, a context-sensitive ENPI could be instrumental in supporting local efforts. New support structures could promote collaborative forms of policy formulation and delivery based on partnerships involving the state, the private sector, foundations as well as civil society at large. This is particularly important in more peripheral regions with limited prospects for short-

¹⁸ In summer 2005, the Russian Parliament adopted a Law on Special Economic Zones, and the federal Ministry for Economic Development and Trade has begun to develop plans for setting up Free Trade Zones. It can be expected that some of these will be set up in Russian border regions.

¹⁹ About 600 Million Euros have been earmarked for EU-Russian CBC during 2008-2013. EU and Russian federal budgets will contribute 122 Million Euros, EU countries will provide 360 Million.

²⁰ Still, Russia needs to create a legal basis which can allow the sustainable co-funding of CBC programmes and harmonize norms of financial reports and auditing. In particular, Russian regions have no specialized funds and institutions which could consider the projects submitted by local authorities or private companies. For many years the State Duma was not able to adopt a law on CBC - a number of bills were declined or postponed. This law would facilitate easier the coordination of different federal institutions' policy regulating cross-boundary flows and relations. This is a reason why seven joint programs worked out by Russian and European experts have not been launched.

term 'returns' on social investment and where multiple support mechanisms are needed in order to nurture entrepreneurial activity. However, a change in focus within ENPI (and ENP in general) is needed; civil society networks and local-regional co-operation should be prioritized and eligible for more generous and specifically targeted support. In addition, co-operation partnerships, rather than mere projects, should be a target of multiannual support. One possible strategy would be to develop international networks between public, private and nonprofit sector actors that provide assistance to emerging and future private and social entrepreneurs through a variety of means, including: support in project development, securing grants (including the provision of guarantees), assistance in acquisition and provision of loans and investment capital, as well as training, advisory, logistical and informational support. At the same time, such support would not only reduce one-sided grant dependency but establish greater rapport between CSOs and local governments.

Pami Aalto (2004) has provocatively characterized co-operation between EU and Russian in terms of regional peripheries caught between two concentric systems of power represented by the EU and Russia. The future context of co-operation between the EU and neighbouring states will be of decisive importance for the development prospects of regions at and near the EU's external borders. With the evolution of the European Neighbourhood Policy framework, a crucial future question remains as to how to adapt the regional perspectives of EU external relations to existing institutional models and how to bring Russian regional actors into the implementation and targeting of new policy instruments. In this setting, it also remains to be seen to what extent the concept of 'Euregions' can be further elaborated as an arena of adjusting regional, national and supranational interests, policy frames and instruments. If regional development partnerships between the EU and non-EU states are to be taken seriously, such partnerships require policy thinking that goes beyond traditional, i.e. territorialized, forms of regional development policy and that embraces heterogeneous economic and socio-political realities.

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