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**Regional Development and International Territorial Cooperation (ITC):
the Case of Russian Karelia**

The paper presents preliminary results of the Russian case study, carried out within the framework of TERCO – ESPON research project. This project is focussed on assessing the relationship between ITC and development paths of EU and neighbouring regions (<http://esponterco.wordpress.com/about>). The case study is based on 17 interviews, taken in Russian Karelia in November 2011, as well as on most recent statistical data.

The paper argues that in the 1990s and 2000s the regional economy of Russian Karelia underwent profound restructuring, combined with re-orientation from the domestic to foreign markets, while the ITC has become one of drivers of Karelia's economic development. However, most of Russian interviewees regard the prevailing model of ITC as sub-optimal. In particular, the early expectations that ITC would lead to large-scale foreign direct investments have not materialized, while existing ITC institutions (e.g. Euregio Karelia and ENPI Programme) are often seen as insufficient and not efficient enough. Moreover, ITC strengthens spatial inequalities in terms of economic development within Russian Karelia, and thus fosters political tensions and rivalry among Karelian municipalities. The situation is also complicated by perceived over-centralization of power and financial resources in Moscow, which hinders both ITC and regional development.