

## **Report and message from the Barents Business Advisory Group (BBAG) to the 10<sup>th</sup> Session of the Barents Euroarctic Council**

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Barents Business Advisory Group is a body in the framework of BEAC with the role of giving input from the business communities of the Barents Euroarctic Region to the BEAC Working group of economic cooperation. BBAG consists of one representative from each region. The representatives are nominated by regional Chambers of Commerce.

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# Background of the Business Advisory Group

The Euroarctic Chamber of Commerce (EACC) was established in March 1996 in Murmansk, Russian Federation. The main goals of the EACC have been:

- launch initiatives and cooperate with governments and organisations solving economic problems with a special attention to
  - o development of business infrastructure
  - o development of transport and communication systems
  - o development of human resources with consideration of social welfare
- support and assist the chamber member companies carrying out their duties and tasks with emphasis on
  - o identification and development of business relations
  - o juridical and economical aspects
  - o permanent exchange of experience and information of market development and regulations
  - o training personnel and specialists
  - o solving international business disputes
- development and improvement of the chambers organisations

In 2005 the EACC consists of following member chambers:

- Finland
  - o Lapland Chamber of Commerce
  - o Oulu Chamber of Commerce
- Norway
  - o Finnmark Chamber of Commerce
  - o Troms Chamber of Commerce
- Russian Federation
  - o Arkhangelsk Chamber of Commerce and Industry
  - o The North Chamber of Commerce and Industry, Murmansk
  - o Republic of Karelia Chamber of Commerce and Industry
  - o Komi Republic Chamber of Commerce and Industry
  - o Observating member St.Petersburg Chamber of Commerce and Industry
- Sweden
  - o Norrbotten Chamber of Commerce
  - o Västerbotten Chamber of Commerce

The chair of Sweden in the Barents Euroarctic Council Working Group of Economic Cooperation (WGEC) in 2002 started discussion about the need of continuous input of views and proposals from the regional business communities. WGEC agreed that a Business Advisory Group consisting of representatives from regional business organisations should be established. The Euroarctic Chamber of Commerce made proposal according to the discussion with some Swedish, Finnish, Norwegian and Russian member Chambers that EACC could organize and coordinate the work of the Business Advisory Council in Barents Region. So the Council of the EACC established in November 2002 the Barents Business Advisory Group using the model of the Baltic Sea cooperation (CBSS BAC). Every Chamber has named one representant to the BBAG, in practice CEO/President/director of the Chamber

# The activities of the Barents Region Business Advisory Group

The Business Advisory Group, BBAG, is a body in the framework of the Barents Euroarctic Council. BBAG is not an organisation, it is an advisory council. The members of this BAG are nominated by regional Chambers of Commerce. Council came into operation in November 2002 with the aim of giving advice to various bodies in the Barents Euroarctic Region regarding economic and business matters. BBAG thus speaks on behalf of the business communities in the region.

BBAG is a small and informal body and it does not receive any funding from Barents Euroarctic Council nor any other authorities. BBAG reports to Barents Euroarctic Council Workinggroup of Economic Cooperation (WGEC) as well as to ministerial meetings. BBAG participates very actively in the work of the WGEC. Also BBAG gives reports and makes initiatives regarding economic and business matters in the Barents Euroarctic Region.

BBAG has had at least two meetings each year. Most of the meetings have been in the Russian part of the Barents Region. Members of the group have been quite active in meetings, at least one representant from each country. BBAG has given two reports. First in October 2003 during the 9<sup>th</sup> session of the Barents Euroarctic Council, second in February 2004 during the meeting of the WGEC. There has also been regular exchange of information between CBSS BAC and BBAG.

## The Members of the Business Advisory Group

Barents Euroarctic Region Business Advisory Group consists of following members:

**Mr. Timo Rautajoki**, Chairman  
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**Mr. Anatoly Glushkov**

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**Mr. Sarkis Manasaryants**

President, Komi Republic Chamber of Commerce and Industry, Russian Federation  
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**Mr. Gumar Nurgaliev**

President, Arkhangelsk Chamber of Commerce and Industry, Russian Federation  
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**Mr. Aleksandr Pankratov**

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The secretariat of the BBAG is still in Lapland Chamber of Commerce waiting for the starting of circulating chairmanship.

## **Messages to the meeting of the Barents Council**

Barents Business Advisory Group gave its first report during the 9<sup>th</sup> session of the Barents Euroarctic Council. The report consisted of the views of the Barents region business community about four main factors which have influence in the development of business:

- Barents region and business
- Taxation and investments
- Customs and border crossing
- Transport and logistics

This report is an evaluation of the present day situation. Are there any improvements or some new problems which could develop to obstacles of trade.

### **Barents Region and Business**

Barents Euroarctic Region is today even more important area in world business than it was two years ago. The future development of oil and gas in the north is important to the European Union and also to the United States of America. Snow white gas field in Hammerfest was a real start to the implementation of the great energy projects. Shtockman gas field project has also developed during last months. Gazprom has shortlisted the foreign companies to participate in this project. Oil transport from Murmansk to Western Europe and the USA are increasing rapidly. Both these are speeding up infrastructure investments in the Murmansk region. New railroad is going to be built in Northern Sweden from Sundsvall to Haparanda. Also industry is investing in the region: LKAB in Northern Sweden and new aluminium plant in Kola Peninsula.

## **Barents Business Advisory Group urges following measures:**

- **Expectations for real cross border business are great in the business community. Situation has improved during the last two years. Main partners in these energy and industrial projects are big international companies. Most important for the region is that the SME's could participate to these projects as subcontractors or selling their services to the main contractors**
- **Support from member states and authorities both at national and regional level for the SME's of the region is needed**
  - **to participate in projects**
  - **to increase cooperation between SME's**
  - **to create subcontracting**

## **Taxation and investments**

Most of the problems in taxation and investments has been on the Russian side of the region. The situation is better now , because the expected accession of Russia to World Trade organisation will improve the circumstances of western SME's to invest North Western Russia. Also the new Russian law of Free economic zones can create good base for western SME's to start business in NW Russia. BBSG strongly supports the initiative of Murmans Region to establish such a free economic zone in Murmansk.

## **Customs and Border Crossing**

New Russian Federation Customs Codex has improved situation, but not totally. Customs problems are still number one obstacle of trade from the business point of view. The cooperation between customs authorities and business community has been very good in the Barents region. The parties have met annually and all the practical problems that can be solved without changing legislation have been solved. Today the bordering countries Russia, Finland and Sweden are the participants of the joint international project "Green Corridor". The project is devoted to preparing of the prior electronic customs declarations (E-declarations. Also information about customs regulations, which was two years ago significant problem, is available today at least in Chambers of Commerce on Russian side.

Multivisa application problems that existed two years ago in Murmansk consulates have been solved. The Russian businessmen do not have any problems with obtaining multivisas in the Finnish Consulate now in case everything is O.K. with the documents required. There were some problems with the Norwegian General Consulate in Murmansk, but recently the Norwegian Consulate works more efficiently and now it takes reasonable period of time to obtain visas.

## **BBAG urges following measures:**

- **There are still problems that could be solved at the border between Finland and the Russian Federation in the north:**

- **There have been recently vehicle inspection problems in Salla and Lotta especially with charter buses from Finland**
  - **Swedish company Polarica AB has had big problems with veterinary inspection in Lotta border crossing station. According to authorities veterinary inspection is possible only in Borisoglebsk border crossing station**
  - **ATA Carnet situation has improved a lot, but Salla customs station has lost ATA Carnet status**
- **Registration of foreigners is still problematic in the business cooperation between Finnish side and northern parts of the Republic of Karelia**
  - **BBAG gives strong support for the plan of EU and Russia to ease visa application process. Barents Region could be a pilot region in this process and the multivisas for businessmen could be prolonged up to five years in the region**
  - **The business community on Swedish side is concerned about the increasing bureaucracy at the border between Sweden and Norway concerning transport declarations**
  - **Swedish authorities have renewed the system to apply passports. New regulation have complicated the possibilities for businessmen especially in Tornedalen region, because police authorities in Haparanda have not been able to give passports.**

## **Transport and Logistics**

Improving the infrastructure in the north will have long term consequences for the overall development of the Region. Examples of this type of projects are those relating to road and railway connections, border-crossing facilities, the upgrading and development of ports, airports and shipyards, the adaptation of infrastructure for future offshore activities, development of modern telecommunications systems, environmental technology projects and energy and energy efficiency projects.

There have been some improvements during last two years like in road traffic signs in English are available on the roads Murmansk - Salla and Murmansk – Kirkiness. Phone connections are being improved constantly; on the Russian side new telephone operators are incoming the regional communication market, like Megafon, Beeline, Skylink also on the main roads, but not on the roads to border crossing stations in Lotta and Salla.

**BBAG urges following measures:**

- **Finnish authorities are planning to end railway transport between Kemijärvi and Salla. This makes impossible all future plans concerning Salla-Alakurtti – railway to the Murmansk region.**
- **There is still no train transport between Ledmozero-Kotshkoma on the new railroad. This creates problems for planning of new transport routes**
- **The east-west flight connections in the Barents Region are still very problematic. Flight route between Luleå – Rovaniemi – Murmansk – Arkhangelsk, which has been the base of all connections is recently totally closed. Travelling by car is the only possibility to go to Murmansk from Finnish Lapland and northern Sweden. Authorities should strongly support also the financing of this route.**

- **Road reparation on roads to border crossing stations Lotta-Murmansk and Kairala – Alakurtti should be concluded immediately on the Russian side**
- **Better mobile phone connections on the roads leading to border crossing stations are today even more necessary especially in the Murmansk region. These connections improve traffic safety.**
- **Fast broadband connections in the Barents Region are the backbone of the future business cooperation.**

## **European Union and the Barents region**

The starting of the new Neighbourhood program between EU and Russian Federation is positive. The Business community has great expectations in implementation of this program. European union is also planning the future period for regional and structural policy for years 2007-2013. After the enlargement of the Union a lot of changes are expected.

**BBAG urges following measures:**

- **Sparse population, long distances and arctic climate should quarrantee Finnish Lapland and Swedish Norrbotten objective 1- status also in the new period**
- **New Interreg program must give better possibilites for SME's than the present one and it should be planned according to the Barents region circumstances – not the same way than in Central Europe**

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