

BUSINESS ADVISORY GROUP
Barents Euroarctic Region

24 .9.2003

Report and message from the Barents Business Advisory group (BBAG) to the 9th Session of the Barents Euro-Arctic Council

The Business Advisory Group is a body in the framework of BEAC with the role of giving input from the business communities in 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 2003 the EACC consists of following member chambers:

- Finland
 - o Lapland Chamber of Commerce
 - o Oulu Chamber of Commerce
 - o Member application from North Karelia 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

Establishing the BBAG

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 meeting of the WGEC was held in Vilhelmina, Sweden 18.9.2002. Once again the meeting discussed about the establishing of Business Advisory Council in the Barents Region. The representants of the Euroarctic Chamber of Commerce made proposal according to the discussion with some Swedish, Finnish, Norwegian and Russian member Chambers tha EACC could organize

and coordinate the work of the Business Advisory Council in Barents Region. This proposal was accepted. The Council of the EACC decided to establish Barents Business Advisory Group using the model of the Baltic Sea cooperation (CBSS BAC). Every Chamber names one representant to the BAC. Each Chamber has also small or big backup group to give advice to the representant In practice the representant is the CEO/President/director of the Chamber

The activities of the Barents Region Business Advisory Gorup

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. BAG thus speaks on behalf of the business communities in the region.

BAG is a small and informal body and it does not receive any funding from Barents Euroarctic Council nor any other authorities. BAG reports to Barents Euroarctic Council Workinggroup of Economic Cooperation (WGEC) as well as to ministerial meetings. BAG participates very actively in the work of the WGEC.

BAG gives reports and makes initiatives regarding economic and business matters in the Barents Euroarctic Region.

The first session of the Barents Business Advisory Gorup was held in Syktyvkar on 12.3.2003 during the EACC council meeting. The decision was made that each chamber names own representant to this group, chamber president, CEO, director or somebody else, and the chairmanship of BBAG is circulating. No chairman was nominated so the president of the EACC is chairman in the starting period of the BBAG at least until the next meeting in Arkhangelsk on 4.10.2003.

The chairman of the BBAG has also met the CBSS BAC Chairman Mr. Filip Hamro-Drotz from the Confederation of Finnish Industry and Employers in Helsinki. The meeting was very good and he was ready to support the activity of BBAG. In this meeting the decision was also made to start regular change 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. Jaakko Okkonen

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Mr. Anatoly Glushkov

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Mr. Sarkis Manasaryants

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Mr. Gumar Nurgaliev

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

President, Republic of Karelia Chamber of Commerce and Industry, Russian Federation
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The secretariat of the BBAG is in Lapland Chamber of Commerce so far the circulating chairmanship starts.

Messages to the meeting of the Barents Council

Political developments in Europe have brought European countries closer together, and underlined that this process opens the way for initiatives to transform the Barents Region into an important area of sustainable economic growth through enhanced political and economic cooperation among the member states and the European Union. Significant progress is under way in the European structure. Due to the forthcoming enlargement of the European Union and the Single Market, as well as the efforts to strengthen the pan-European co-existence, we stand at the doorstep to fundamental changes also in the Barents Euroarctic Region. Business Community welcomes this evolution.

Barents Region and Business

Barents Euroarctic Region is one of the most interesting areas in world business. The future development of oil and gas in the north is important to the European Union and also to the United States of America. The recent estimates are showing that the area from Finnmark, Norway to the Russian side of the Barents Sea is containing about 25% of the total oil and gas resources in the world. The latest analyses show that the larger quantities are oil instead of gas, which means faster development of the production fields that has been estimated. The starting of the Snöhvit-gas field in Norway and the plans of the Murmansk Oil Terminal show that this process is already going on.

Also other business possibilities in the Barents Region are huge. Minerals, fish and marine based products, energy and timber create good location for future industrial development. Unique nature gives tourism good base to develop to significant branch of business in every part of the Barents Region.

Barents Business Advisory Group urges following measures:

- **Conditions of business development should be improved in all regions by minimizing administrative barriers and by accepting business community to strategy planning and regional economical development projects.**
- **Infrastructure for supporting industrial cooperation and contacts between small and medium-sized enterprises should be established in every region.**
- **Promoting the Barents Region for international business benefits also the regions and SME's by creating new economical activity. This promotion should be implemented in cooperation between all regions by:**
 - a. **Adequate information and marketing materials**
 - b. **In exhibitions and fairs**
 - c. **Website**
 - d. **Creating business directory to the Barents Region**

Taxation and investments

The steps taken within the field of legislation e.g. regional initiatives for laws on the protection of investments in the Russian side of the Barents and the legislation on Production Sharing

Agreements in the petroleum sector in the Russian Federation, have given reason for optimism for the Business Community. However still further improvements should be done in the Russian side to start the real breakthrough for regional cross border business cooperation.

BBAG urges following measures:

- **More protection for foreign SME investments in legal form in the Russian part of the Barents Region.**
- **Taxation and the regulations regarding accounting and auditing systems should be more stable and the practice similar in of the Russian part of the Barents Region.**
- **Russian laws and regulations, especially new business and taxation laws should be available also in English.**

Customs and Border Crossing

Facilitating border and customs procedures would present a significant improvement for the business cooperation and regional transport possibilities. The work carried out by Task Force II on trade barriers has gained good results. Especially the concrete achievements made in cooperation among customs authorities have been fruitful and the need for continued work in this important area is obvious. Task Force II and the customs authorities have also started cooperation with Chambers of Commerce in solving the border crossing problems. This is a good example of cooperation between authorities and the regional business community. The work is continuing and there is still a lot of problems to solve.

BBAG urges following measures:

- **There are still problems that could be solved at the border between Finland and the Republic of Karelia:**
 - a.* **The border should be open 24 hours/day to solve the problems of “rush hours”**
 - b.* **Better organizing of the traffic in the customs area makes the process faster.**
- **Customs procedures are still too slow on the Russian side, also the handling of the customs declarations.**
- **The new Russian side regulations concerning especially oversize of vehicles and overweight of the load or cargo are unclear and complexed. They create a new barrier which seems to be growing all the time.**
- **All information should be at least in English, regarding especially new laws and procedures.**
- **ATA Carnet- system is still problem at the Russian border in spite of the fact that Russian Federation joined the ATA Convention already in the year 2000. Good cooperation between customs authorities and Chambers of Commerce should be continuous process to solve this problem.**
- **The shortening of opening hours in Swedish Customs in Haparanda must be implemented so that it creates no problems for goods traffic.**

- **Russian Federation has enlarged the border area in the North West Russia. Also the visa application process (especially multivisa) has become more complex due to the new regulations. Registration of foreigners required by the new law is problematic in the business cooperation between Finnish side and northern parts of the Republic of Karelia. These are creating a new trade barrier if the procedures are not made easier and more flexible for businessmen.**
- **Multivisa application process has become more difficult than before for Russian businessmen in the Finnish Consulate in Murmansk. Business Community approves and supports the authorities to combat against crime. This should however not lead to any oversized reactions which create new barriers of trade.**

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.

BBAG urges following measures:

- **The Swedish plan of new railroad between Umeå-Luleå (Norrbottenbanan) and Luleå - Kalix - Haparanda (Nya Haparandabanan) combined with electrification of the railway on Finnish side in December 2004 up to Rovaniemi and the plan to rebuild railway between Salla - Alakurtti creates a new railway link The Barents Railway (Umeå-Luleå-Haparanda-Rovaniemi-Salla-Kandalaksha-Murmansk), which should be added to all new infrastructure and transport plans. Feasibility study of the Salla-Alakurtti-Kandalaksha - railway is under work and will be ready before the end of this year.**
- **Finishing the construction of almost ready railway between Ledmozero and Kochkoma should be pushed on so that regular international traffic could be started.**
- **New improvements are badly needed to the east-west flight connections in the Barents Region. Flight route between Luleå - Rovaniemi - Murmansk - Arkhangelsk is the base of all connections. New openings between Northern Norway - Northern Sweden and Northern Finland are necessary. Also combining the airport of Oulu to regional flight connections is very important.**
- **Better traffic signs and guidance signs improve the safety of the transport. These signs should be in English in the Russian side of the Region. Also areas to have a break or rest for trucks is important part of better traffic safety.**
- **Better mobile phone connections on the roads leading to border crossing stations are 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.**