

**BUSINESS ADVISORY GROUP**  
Barents Euroarctic Region

2004.02.24

## **Report and message from the Barents Business Advisory group (BBAG) to the 2<sup>nd</sup> meeting under the Norwegian Chair Of the Barents Euro-Arctic Council Working Group on Economic Cooperation**

**Kirkenes 23-25 February 2004**

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.

### **Business Advisory Group**

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## 1.0 The Business Advisory Group

### 1.1 Background of the Business Advisory Group

The Euroarctic Chamber of Commerce (EACC) was established in March 1996 in Murmansk, Russian Federation. The main objectives 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

## 1.2 The Members of the Business Advisory Group

Barents Euroarctic Region Business Advisory Group consists of following members:

<p><b>Mr. Timo Rautajoki</b>, Chairman CEO, Lapland Chamber of Commerce, Finland President of the EACC e-mail: <a href="mailto:timo.rautajoki@lapland.chamber.fi">timo.rautajoki@lapland.chamber.fi</a></p>	<p><b>Mr. Jaakko Okkonen</b> Managing director, Oulu Chamber of Commerce, Finland e-mail: <a href="mailto:jaakko.okkonen@oulu.chamber.fi">jaakko.okkonen@oulu.chamber.fi</a></p>
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<p><b>Mr. Christian Overvaag</b> Managing director, Troms Chamber of Commerce, Norway e-mail: <a href="mailto:christian.overvaag@tromso-chamber.no">christian.overvaag@tromso-chamber.no</a></p>	<p><b>Mr. Gumar Nurgaliev</b> President, Arkhangelsk Chamber of Commerce and Industry, Russian Federation e-mail: <a href="mailto:tpp@arh.ru">tpp@arh.ru</a></p>
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## 2.0 Report from the Barents Business Advisory Group

### 2.1 The visa related problems at the Norwegian General Consulate in Murmansk

The BBAG would like to express our concern regarding the visa problems at the Norwegian General Consulate in Murmansk. From our point of view, the problems are creating obstacles for trade and industry within the Barents region. This due to reports from members of our chambers, from our network, and from own experiences.

We are focusing on the problem, and we are trying to establish a dialogue to improve the situation. In this respect, we are planning to arrange a roundtable discussion during 11<sup>th</sup>.-13<sup>th</sup> March in Murmansk.

Different officials from Murmansk, the North Chamber of Commerce and Industry, business members and tourist companies will take part in the meeting.

The Norwegian will be presented by:

Mr. Frederik Arthur, the Consul General of Norway, the Directors of the Troms and Finnmark Chambers of Commerce together with businessmen interested in cooperation with Murmansk Region.

## **2.2 Report from the meeting with Task Force II in Rovaniemi at February 3. 2004**

The president of EACC / BBAG participated in a meeting in Rovaniemi on February 3. 2004 with Task Force II for Trade Barriers in the Euro-Arctic Region. In this respect, we inform the BEAC WGEC that the coming activities concerning the arrangements of an international ATA-Carnet Seminar in the Barents Region were discussed. Business circles consider the seminar as very important. Preliminary decisions were taken to arrange the ATA-Carnet Seminar in co-operation with BBAG and the Chambers of Commerce. The seminar will probably take place in St. Petersburg late spring.

Further on, we would like to mention that BBAG reported about the business activities going on in the Barents Region.

In this respect, we pointed out, the importance of good co-operation and open channels to- and between business life and public administrations. Good customs service around the clock is essential. BBAG also supported the activities presented in the Action Plan 2004, and expressed a willingness to help and support, in every possible way, the implementation of the Action Plan 2004.

## **2.3 Message of Concern – The Barents Secretariat**

January 5<sup>th</sup>. 2004, we sent a letter to Mr. Nils Olav Stava, the Norwegian Chair of BEAC WGEC. In this letter we expressed our concern:

“During the last 10 years, the Barents Secretariat has conducted an outstanding work in the Border Crossing co-operation in the Barents region. The Secretariat has been important, both as a competent and dynamic force, and in the matter as a financial resource for small projects.

We are informed that the Norwegian Authorities has made a substantial reduction in the funding of the Barents Secretariat for the budget year 2004. Further on, we are informed that due to the new financial regime, they will not be able to convert grants for projects granted in the year 2004 into liquid means before the year 2005.

We are concerned that this will slow down the development in the Barents Region. We do anticipate that this will reduce the Barents Secretariat's ability to be a dynamic force in the region. We also anticipate that this will reduce start up of qualified projects. Further on, we would like to underline that this will reduce the amount of Russian projects. This due to that a minor of the Russian potential applicants are unable to finance their project costs until grants of the year 2004 can be advanced or converted to liquidity in the year 2005.

Please accept our concern, and bring it further to whom it may concern.”

## **2.4 The need for sufficient financial tools in the Barents region, The Barents Fund**

The Barents Secretariat has together with Finnmark Chamber of Commerce and their member Storvik & Co AS started a survey in order to clear out if it is possible to establish more sufficient financial tools in the Barents Region. The initiative is anchored in the Joint Investment Window report.

The idea is to contribute with more capital to commercial projects in the Barents region. The fund should be able to finance both pre phase studies and fixed investments.

The Nordic Investment Bank, has a portfolio towards Russia at the size of € 300 mill. They are giving loans for fixed investments, and they do not handle applications lower than € 5 mill. NIB has established a credit line towards Vneshtorg Bank in St. Petersburg. We find this interesting.

EBRD has signalled that they are interested in discussing new financial models.

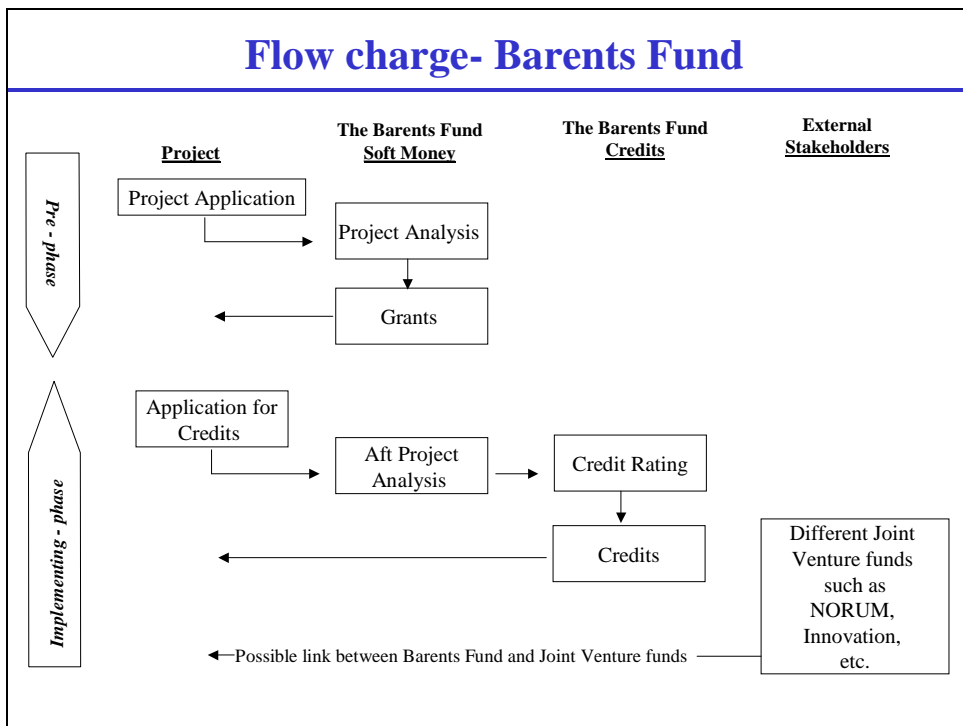
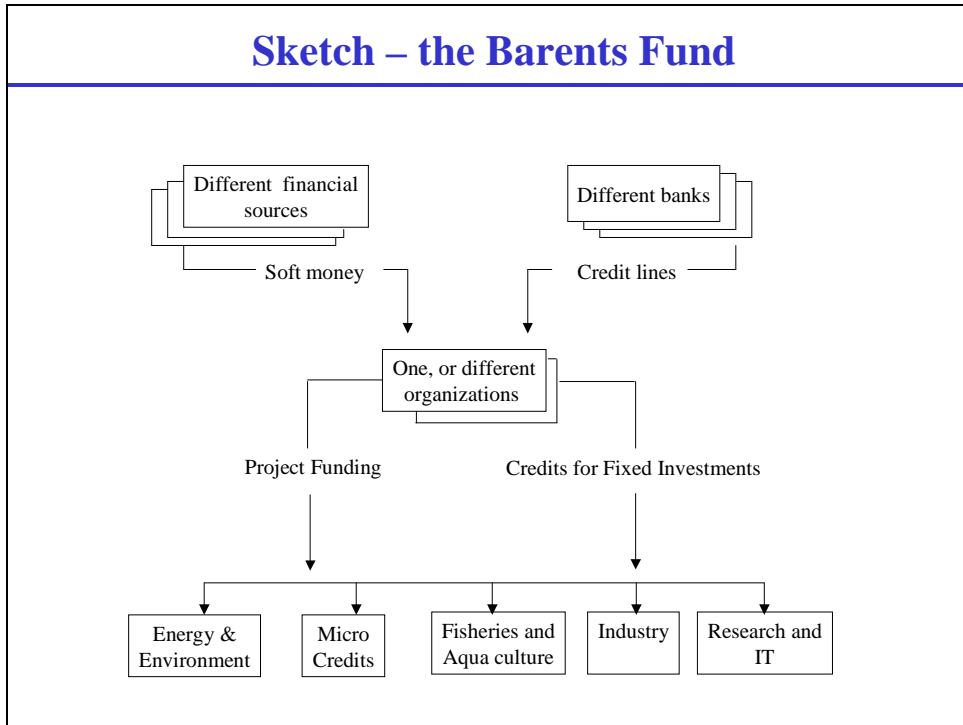
Innovation Norway (former SND) has in conversations with the Barents Secretariat shown the same interest. Innovation Norway has also mentioned that they are interested in co-operation with FORMAP in Murmansk. FORMAP is a fund for SME's in Murmansk oblast. The Barents Secretariat and Eurasia Foundation have established a fund for Micro credits which is administrated by FORMAP.

The Barents region is developing positively. New estimates for the petroleum resources, plans for the new pipeline to Murmansk, and the Norwegian decision of test drilling are contributing to that. The initiators are aware that different experts are claiming that ¼ of the world's total petroleum resources are in this area.

The Barents region is large, and has huge resources of timber, minerals, fish, nature and human resources. The world's focus is increasing on this area. In this respect, it is important that sufficient tools are available, in order to process the challenges. The initiators are not thinking about aid, but financial funds for pre phase studies, and credit lines that can finance further good projects, and can contribute to finance of investments.

Also of great importance is to think about rational operation. In this context, one should focus on organisations already established in the centre of the Barents region. These have to have specific competence in administration, project analysis and credit rating. Such environments are present in Kirkenes and Murmansk. The initiators are thinking about the Barents Secretariat, FORMAP and DnB NOR. DnB NOR also have a co-operation with Monchebank in Murmansk.

There could be several models for a Barents Fund. In this phase, the initiators have made a model with two aspects in mind. The first aspect is taking care of the pre-phase with grants for pre studies in order to bring forward commercial projects that are ready for implementation, and need for credits for investments. The second aspect is a credit line.



The parties continue working on with the survey, and the Barents Business Advisory would like the BEAC WGEAC to recommend that the survey should continue.