

IX Petersburg International Economic Forum

Recommendations of the Roundtable

”Partnership consolidation in the Barents Euro-Arctic Region – a vital demand of the times”

(also organised as the 4th Barents Industrial Partnership meeting)

The participants at the Roundtable, having heard and discussed questions concerning the strengthening of cooperation in the Barents Euro-Arctic Region, take note of the following:

The importance of the issue is determined by the complexity and special character of the Region, its geopolitical position, high environmental vulnerability, existence of very large reserves of natural resources, unique ethnic diversity, and its economic, scientific and environmental importance for the countries of the region.

Bilateral and multilateral cooperation in the Barents Euro-Arctic Region is conducted not only on the intergovernmental level, but also on the interregional level and has a high qualitative and dynamic character.

Multilateral cooperation in the field of the economy, trade, science, tourism and the environment is carried out within the frameworks of the Barents Euro-Arctic Council and the Barents Regional Council. Many of the Russian regions are also participants in the Northern Forum, which is an international NGO dealing with questions of the economy, and social, environmental and national-ethnic issues.

However, the cooperation in the Barents region is not exclusively directed at the executive powers. There is also a strong element of local and people-to-people cooperation. On the other hand, attempts to form a permanent interparliamentary organisation has so far not succeeded. Nevertheless, international practice shows the effectiveness of international cooperation while using the potential and interest of the legislative authorities. This question is expected to be discussed at the forthcoming Barents Parliamentary Conference in Bodø, Norway, on 29 – 30 June 2005.

One should also note that the active development of crossborder cooperation is hindered by various economic factors, such as high customs duties, which increase the cost of projects, complicated taxation system concerning technical assistance and the lack of supportive instruments for trade development.

One of the necessary conditions for economic growth in the Region is a favourable investment climate, in order to attract foreign capital. With the help of such capital it would be possible to modernise many Russian enterprises and increase their productivity. The establishment of a favourable investment climate to a large extent depends on a number of actions, many of which are within the competency of local and regional authorities.

Special attention should also be directed at the mineral and hydrocarbon resources of the Region, which are truly vast. There is no doubt as to the desirability to expand cooperation on geological prospecting and exploration, including exploration of the hydrocarbon resources

on the Arctic continental shelf. Taking the specificity of the Region into consideration, the exploitation of such resources are economically justifiable only in large-scale measures. An effective development of fields is not within the capacity of any one company, but requires the development of partnerships between Russian and foreign companies.

So, the Barents Region is exceptionally rich in natural resources, including petroleum, minerals and forests. A more effective regional and cross-border perspective with regard to economic activities based on these raw materials would bring great benefit to the Barents Region itself and the countries to which it belongs. The political structures of the Barents cooperation (the Barents Euro-Arctic Council and the Barents Regional Council) have put these issues on the agenda of several "Barents Industrial Partnership meetings". There is now a better understanding of industrial opportunities and challenges, especially in key sectors: forestry, mining/metallurgy, and oil/gas supplier industry, and also with regard to transport and financing. This roundtable followed up on many issues earlier discussed, and with many of the same participants, and is therefore regarded also as the 4th Barents Industrial Partnership meeting.

In general, the cooperation in the region develops positively. Political and economic relations are in active development. However, one needs to note that not all socio-economic problems of the northern territories of the countries of the Barents Euro-Arctic region and the Arctic region have been solved. Consequently, main priorities for these countries are still socio-economic development, while addressing major environmental concerns, and also now with a focus on the potentially significant changes in the climate and its effects on the northern territories. Similarly, there are also concerns with regard to the socio-economic situation of the indigenous peoples of the Region.

The participants of the Roundtable, focusing particular attention on the economic development prospects of the region wish to recommend the following to the governments of the member countries of the Barents Euro-Arctic Council, regional authorities and industry:

1. To continue to address with the highest priority issues of crossborder economic cooperation in the Region, and also with regard to cooperation in the field of environmental protection, human resources and social development to support the growth strategy of the Region.
2. To systematically explore possible crossborder industrial partnerships, examine ways to strengthen cooperation with regional authorities in order to promote industrial development, in line with the objectives of the Barents Industrial Partnership process:
 - to strengthen growth and economic diversity in the Barents Region, particularly by stimulating major companies' cooperation with the SME sector;
 - to promote crossborder activity in the economic sector, like trade and investment, joint production, marketing, research and development between competent companies of all sizes;
 - to ensure favourable business conditions, to identify and remove barriers to trade and investment through improved dialogue between business and government at all levels: local, regional and central.
3. The establishment of appropriate instruments should be stimulated, for instance innovation centres or industrial cooperation focal points or networks for the formulation

of practical and targeted development plans in key industrial sectors, such as the forestry sector, the mining and metallurgy sector and the oil/gas supplier industry. Financing (project financing) of centres, focal points etc. should be sought from the industry involved, and also in a partnership with Nordic and EU financial instruments and also Russian special programmes. The Barents Regional Council might be tasked with overall management and oversight of this process.

4. Further efforts should be made in order to turn the entire Barents Region into a well connected “Economic Area”. Priority should be given to the upgrading of heavy transport infrastructure (railways and harbors/sea lanes) in support of a consolidated development of the natural resource based industry. As a first step, a partnership might be established for the development of the Barents Link railroad project. Barents Link might constitute the spinal cord of a broad development corridor stretching from the Atlantic coast to the Urals and connecting the interior parts of the region by efficient east-west transport.
5. Similarly, more efficient financing is a vital precondition. The development of risk loan schemes and schemes which can offer grants or soft loans should be explored. Such schemes might be particularly useful in developing public-private partnership financing of priority projects in the infrastructure sector. The possibility of establishing such schemes with initial co-funding from Nordic or EU instruments should be explored.
6. To study, together with the Russian Chamber of Commerce and Industry, the issue of strengthening the work of the Euro-Arctic Chamber of Commerce and the Barents Business Advisory Group (BBAG) in order to enlarge the trade and industry part of international cooperation in the North.