

**Mr Jan Petersen, Minister of Foreign Affairs of Norway**

# **Opportunities and challenges in the Barents region**

**Second Barents Parliamentary Conference, Bodø, 29 June 2005**

*Check against delivery*

Madame Chair,

Distinguished parliamentarians,

Ladies and gentlemen,

I am pleased that this Second Barents Parliamentary Conference has been convened here in Bodø during my chairmanship of the Barents Council. I would like to thank the Nordic Council and the Storting for this timely initiative.

The first Barents Parliamentary Conference was held in Alta in 1999. Since then, the Barents region has seen an even further broadening and deepening of this unique cross-border co-operation that has made this region a model for co-operation in Europe.

Profound changes have taken place in this region since the cold war. Today, the High North is among the most peaceful corners of Europe. East-West conflict has been replaced by East-West co-operation. Confrontation has been replaced by a common concern about the challenges we are facing in the Arctic.

Thus, security policy issues have receded into the background, and the definition of security has become much wider. Challenges related to the environment and resource management has moved to the top of the political agenda.

Today's discussions focus on co-operation in Northern Europe. One third of mainland Norway lies north of the Arctic Circle. Norwegian territory reaches far into the Arctic Ocean. The High North has always been – and will continue to be – an important part of Norwegian foreign policy, for both strategic and economic reasons.

Only two weeks ago, the Norwegian Parliament, the Storting, expressed wide support for Government's white paper *Opportunities and challenges in the North*. The main thrust of the Government's policy is to ensure increased international focus – and international co-operation – on the High North in the years to come.

Norway wants to further develop and strengthen the constructive co-operation with our good neighbours and close partners in the north – both at the bilateral level and through regional forums, such as the Barents Council and the Arctic Council.

Norway is also establishing broad dialogues on High North issues with key Western countries and institutions – beginning with the United States, Germany, Canada, France, the United Kingdom and the European Commission. Our intention is that the dialogues should raise awareness of High North issues, and promote understanding of our priorities on these issues, which are of great importance to us all.

Madame Chair,

Currently much of our attention is focused on natural resources. Norway's petroleum activities are expanding into the north.

Experts have estimated that about one fourth of the world's undiscovered petroleum resources are located in the Arctic. And indeed, large deposits have been discovered, especially in the Russian Arctic.

There is rapidly growing interest in the resource potential of the Arctic – and of the Barents Sea in particular.

But we must not lose sight of the environmental challenges that will accompany the potential rewards that oil and gas production will bring. A main concern is to safeguard the rich, unpolluted and highly vulnerable marine environment.

One important task for the petroleum industry is to demonstrate that it can operate, not only cost-effectively, but also safely and without harming the Arctic environment. Meeting this goal will require new knowledge, new technologies and close co-operation. This task has high priority for the Norwegian Government and for the industry.

So far, only two fields are being developed here – one on the Norwegian continental shelf and one on the Russian side. The Snøhvit gas field on the Norwegian side is the largest industrial project that has ever been undertaken in our northernmost county of Finnmark. It has proved to be a major boost to employment and the economy of the whole region.

Norwegian companies have developed experience, cutting-edge expertise and technology through their involvement in complex development projects both on the Norwegian shelf and elsewhere in the world. The development of the large Stockman gas field in the Russian part of the Barents Sea could open up unprecedented opportunities for co-operation between the Norwegian and Russian business communities. Last week President Putin informed Prime Minister Bondevik that Russia has chosen Norway as a strategic partner in the development of petroleum resources in the High North.

The one important issue that Norway and Russia have not yet been able to resolve is the question of the delimitation of the continental shelf and maritime zones in the Barents Sea. Although we would like to see an agreement sooner rather than later, a fair delimitation is more important than a speedy agreement. When we do agree on a maritime delimitation line, a new potential for co-operation in the oil and gas sector will be released.

Madame Chair,

Our governance of the Arctic has an impact on global environmental challenges, global resource management and global security – an impact that will only increase with time.

The rich resources in these areas offer great rewards. It is vital that they are carefully managed. One sector where we have strong common interests is the fisheries. The management of straddling fish stocks in the Barents Sea, established already in the 1970s, is an example of successful co-operation. Thanks to sound management, the Barents Sea still has substantial fish stocks. And we want to continue our close co-operation with Russia in the fisheries, in order to secure sustainable management of the resources.

However, unregulated fishing, the lack of access to the Russian Economic Zone for research vessels, and other problems related to control mechanisms, are some of the challenges we are facing today.

Another important challenge is our common efforts to improve nuclear safety and security in Russia.

Senators Nunn and Lugar were among the first to realise the need to deal with the repository of weapons and materials of mass destruction in the former Soviet Union. The lessons of 9/11 prompted the G-8 countries to launch their Global Partnership, which was to a great extent inspired by the Nunn-Lugar programme. Norway has, like the Americans, been involved in nuclear safety co-operation projects with Russia since the early 1990s, and we joined the Global Partnership in 2003

The co-operation on nuclear safety has had particularly good and tangible results. There are sound reasons why this issue has been at the centre of bilateral co-operation for the last 10 years. The Kola Peninsula, on Norway's doorstep, has the world's largest concentration of nuclear installations.

In this area we find an old nuclear power station; about 40 nuclear submarines waiting to be dismantled; service ships with large quantities of spent nuclear fuel on board, – some of it damaged and therefore difficult to handle; a run-down storage site with fuel from 100 reactors; and tons of solid and liquid nuclear waste.

In addition to all this, there are numerous lighthouses scattered along the Russian coast that are powered by highly radioactive strontium batteries. Experts have pointed out that these batteries can be used for making dirty bombs.

The nuclear clean-up task facing us is enormous – and it is urgent. Not only do these nuclear installations represent a threat to the vulnerable environment, there is also a real danger that nuclear material could fall into the hands of terrorists.

The nuclear installations affect regional and global security. Thus, this is at the same time an environmental and a non-proliferation issue.

Norway wants to continue playing a leading role in this work and to intensify its nuclear safety efforts in Northwestern Russia.

I would like to commend Russia for its efforts in this field. They are well aware that the ultimate responsibility for the situation – and for the clean-up – is theirs. And they are allocating substantial resources to this task from their own budgets. But they still need international assistance.

Madame Chair,

The Barents Co-operation is a key tool in our northern areas policy. Norway and Russia share an almost 200 kilometre-long border, which was closed for many decades. Today, there are more than 100 000 border crossings every year. These contacts at the grassroots level are the bedrock of our bilateral relationship.

Earlier this year I had the opportunity to visit Murmansk, Arkhangelsk, St. Petersburg and Moscow. I had talks at the political level and was able to visit a number of joint business and cultural projects.

The climate of co-operation is most promising. In the last decade, Norway's bilateral co-operation with Russia has expanded into new fields. It has never been better, or covered a broader range of areas, than it does today.

A distinctive feature of the Barents co-operation is the importance of the regional level. Over the years, the local authorities of 13 counties in Norway, Sweden, Finland and Russia – all represented in the Barents Regional Council – have launched and implemented a large number of projects and initiatives.

Norway is chair of the Barents Council for the period 2003-2005. Our main priorities are economic cooperation, education, justice and home affairs, co-operation on emergency and rescue services, and health.

With regard to emergency and rescue I would like to mention the importance we attach to professional contact and practical training, including on a large scale. The Barents Rescue 2005 exercise which we will host in Finnmark in September, is such an example. We would like these exercises to be a regular feature of the efforts to create arenas of cooperation of direct benefit to the population.

Over the past years we have succeeded in developing a better integration between the central and regional levels of cooperation in the Barents Region, between the Barents Council and the Regional Council. One example is the four Barents Industrial Partnership meetings held since January 2004. We have also established several joint working groups, in order to avoid duplication and create more synergy.

The Barents Co-operation has now entered its second decade and has proved a success. This is due not least to the active contacts at the regional level. Trust has been built. An active cross-border network has been created. This will give us a sound foundation for more ambitious political co-operation in the years to come.

At the same time, however, we feel that there is a need to review the formal structures of the co-operation in order to make them more effective. We are concluding our chairmanship by proposing an independent evaluation of the co-operation as a whole.

Norway has addressed the need for policy co-ordination and practical co-operation between the four regional bodies – the CBSS, the Nordic Council of Ministers, the Arctic Council and the Barents Euro-Arctic Council.

The recent white paper on the High North points out that there is a certain amount of overlapping between these councils, both in terms of participants and of priorities. We believe, however, that the various councils and arrangements play different roles and have different strengths.

Therefore, it would not be expedient to merge them or establish a formal division of labour between them. Nonetheless, Norway attaches great importance to further developing routines for co-ordinating their efforts in order to get the maximum benefit out of their activities.

We are also keenly anticipating the opportunities now being created by the Nordic Council of Ministers' Russia programme. Developments within the EU-Russia co-operation on the basis of the Roadmaps for the Four Common Spaces, and within the Northern Dimension framework are also highly interesting. One important aspect here is to work for a more focused and coordinated financing, not least to ensure full coverage of the Barents Region and its eligibility under the European Neighbourhood and Partnership Instrument after 2007.

Madame Chair,

2005 is Indigenous Peoples Year in the Barents Region. It is only appropriate that the situation for the indigenous peoples is one of the main themes of this conference. The question relates not only to the social and cultural situation of the Sami, Nenets and Vepsians, but their ability to participate in, and contribute to the economic activities in the Region, and to influence on issues of major importance to them, especially when it comes to natural resources extraction and other uses of nature. This will also be a theme for this autumn's 10<sup>th</sup> meeting of the Barents Council, which will mark also the conclusion of the Norwegian chairmanship.

Developments in the Barents Region reflect the broader global agenda, including the new threats to mutual security – such as terrorist networks, aggressive extremism, illegal migration, trafficking, organised crime, communicable diseases, environmental and nuclear hazards. These are also some of the global threats that are being addressed in the ongoing discussions on reform of the United Nations.

The Barents Co-operation offers a stable environment for combating such threats, while at the same time promoting the social and economic competitiveness of the region. We believe that the co-operation can serve as a useful model for developing cross-border co-operation in other parts of Europe.

Economic co-operation has been at the core of the Barents co-operation since its inception twelve years ago. At the time, there were high hopes that existing obstacles to economic co-operation would be rapidly dismantled, resulting in a sharp increase in trade and investment, and that new markets and cross-border economic co-operation would generate growth and prosperity across the region.

But the economic dimension of Barents co-operation has not been as successful as anticipated in the early nineties. On the contrary, compared with other aspects of the co-operation – here the regional co-operation comes to mind – it has proved difficult to achieve the same success in the area of economic co-operation. As a result, the Barents region has yet to meet its full potential as an area of dynamic, sustained and sustainable growth.

There are of course many reasons for this. Fundamental and painful economic reforms of the sort undertaken by Russia obviously take time. The integration of Russia in the international economic system is a gradual process. Cross-border trade cannot be expected to blossom overnight where there was none.

Another important obstacle to economic co-operation and growth in the Barents region is that the investment climate in Russia has not been attractive enough.

Russia has come a long way in a short time. But much remains to be done – not least at the regional and local level – to improve the business environment. Foreign companies and capital

need to feel welcome. They need transparent, stable and predictable trade and business frameworks.

The negotiations on Russian accession to the WTO is now in its final phase. Russian WTO membership will, in my view, contribute to making the WTO a truly global organisation. At the same time it will facilitate necessary reforms in order to further integrate Russia into the global economy.

Madame Chair,

In the longer term there are grounds for optimism. Firstly, there are the rich natural resources of the region: oil and gas, living marine resources, timber and a wide range of mineral deposits. The oil and gas sector holds particular promise, and could serve as a locomotive for other sectors. The offshore resources as such are not part of the Barents co-operation, but the exploitation of these resources could give rise to regional service and supply industries, based on partnerships with oil companies and governments.

But we must not forget that the Arctic oil age is likely to last only a few generations, whereas the living marine resources of the northern seas are renewable and can thus be harvested for hundreds of years to come. Consequently, we must make sure that the exploitation of energy resources is based on stringent environmental standards and the most advanced technology available.

Secondly, there is the human factor. The Barents region is blessed with a highly educated and well-trained work force. This is a prerequisite if the region is to attract investors and foster entrepreneurship.

But we need to promote economic development and provide attractive employment opportunities to prevent a brain drain from the north. Young people must be convinced they have a future in the region.

Thirdly, the Barents region involves some of the most advanced, innovative and competitive economies in the world. This is an asset that we must exploit to the fullest. For example, the use of cutting-edge information technologies can help to overcome the isolation of this region on the periphery of the European continent.

And fourthly there is the strong commitment in the region itself to cross-border co-operation. This, of course, is the feature that sets the Barents co-operation apart and makes it unique.

Thank you.