



ROYAL NORWEGIAN MINISTRY OF
TRADE, INDUSTRY AND FISHERIES

Date: February 9th, 2021

Time: 11:00-12:30

Referee: Erika Annette Vartdal

Chair: Director Vibeke Greni,
Norwegian Ministry of Trade, Industry
and Fisheries

Reference.: 21/174

Present: See complete list below.

Minutes from BEAC WGEC meeting on February 9

1. Introductory remarks from the Chair

The Chair, Director Vibeke Greni (Norway), welcomed the members of the Working Group on Economic Cooperation (WGEC) and participants from the Norwegian and Finnish Ministry of Foreign affairs. No additions or remarks were made to the agenda. The Norwegian Chairmanship welcomed a brief update from each member on interesting or new developments in the Barents-Euro Arctic sphere. Covid-19 updates would also be relevant in this regard.

2. Brief remarks on news since last meeting – consequences for private sector and Covid-19 update

The Chair mentioned one important happening since the last meeting in the BEAC WGEC, which is that Norway launched its new Arctic strategy in November 2020. Job-creation and value-creation are key goals of Norway's Arctic policy. The government will promote closer cooperation between the business communities and academia. In this context, international cooperation with the Barents countries and other Nordic countries is important. Another component is that an investment fund with both public and private capital will be set up, managed from Northern Norway. The fund is not operational, but will be relevant for Barents businesses. Norway will forward a summary of the strategy in English after the meeting. Ms. Greni also mentioned that Norwegian Minister of Trade and Industry, Ms. Iselin Nybø, gave a welcome speech to the digital "Green Arctic Innovation Challenge (ICE)" in Kirkenes (hosted by the Barents Secretariat). In terms of Covid-19, Norway has managed to keep the infection rate down, but with strict national and local restrictions. The situation remains uncertain due to new mutations, with significant negative economic effects on tourism, restaurants, cultural events.

Ministerial Adviser Petri Haapalainen (Finland) explained that the Covid-19 situation varied a lot in Finland last year. The infection rates remained low in July, but a second wave was confirmed in September, and restrictions on economic activities were re-imposed. Overall, the Finnish economy has survived the virus-situation better than many other countries. The economic growth was at 3,3% in the third quarter of 2020. Of the industrial sectors, industrial production has been declining since the beginning of 2021, indicating that the economic situation in this sector was deteriorating even before Covid-19. Growth has been achieved on the trade-side, yet the service-sector, which account for almost 40% of companies' output in terms of value-added, continues to be hit very hard. The crisis has had an impact on the tourism sector, and the general economic outlook for tourism is weaker than other industries. The economic expectation for SMEs has been weakened.

Member of Barents Committee of Senior Officials (Finland) Jari Vilen, added that there are now concerns regarding the mutated Covid-10 versions. There is also a feeling of tiredness among the population. By the end of the summer, Finland might have adult population vaccinated, but the global community will be impacted far longer. His message is that we need to have patience and work harder on the global efforts. This includes relying on EU-programmes. Vilen also underlined that the results of the Sputnik-vaccine are promising, and he personally hoped that the Sputnik vaccine would be approved by the EU. This also goes for the Chinese vaccine. All over, there will be more hybrid meetings as a result of Covid-19, which is something the BEAC WGEC could discuss. Long distances and lack of infrastructure makes travelling difficult, so we need to find something positive. Vilen concluded by saying that he looks forward to the Russian Arctic Council presidency, where we have a unique opportunity to find a common ground. New innovation and ideas should be encouraged.

Advisor Vladimir Karaoglanov (Russian Federation) explained that Russia has managed to mitigate the impact of Covid-19 on private businesses. The remaining restrictions are more flexible and do not imply full suspension of business activities. In January 2021, mass vaccination made it possible to ease the restrictions further, and economic life is returning to normal. Overall, the Russian economy has managed to overcome the crisis quite successfully. Preliminary estimates suggest that the GDP has fallen by 3.1 %. Russia has developed measures to support the sectors most affected (culture and leisure, fitness and sports, tourism, hospitality). These include lower insurance premiums for employees, loan restructuring, exemption of small businesses from scheduled inspections. Additional measures include the deferral of tax and contribution payments. The National Action Plan for the Restoration of Economic Growth, Employment and Income of the Population launched in July 2020 aims to achieve GDP growth of 3 % by 2021, ensure growth in people's real income and reduce unemployment rate to 5 %. The Plan includes approximately 500 steps and extends until the end of 2021. Around 6.4 trillion rubles have been allocated to its implementation that started on July 1, 2020. The Plan provides for the support of the most affected sectors as well as accelerated technological development. It includes measures to support an SMEs, such as the 2 % wage loan with a write-off option, extended financial assistance on loans for businesses, deferral and reduction of tax and insurance payments, and the

establishment of an ecosystem for comfortable work and development of individual entrepreneurs and SMEs on the basis of a single digital platform ("One Window").

Senior Adviser Sverker Lindblad (Sweden) said that the Covid-19 situation in Sweden is much better now compared to 6 months ago. In his presentation, he used unemployment figures as a measure. If we consider the Northern Sweden, we see that in the late summer of 2020 the unemployment rate peaked. However, today, some municipalities in fact have lower unemployment rates than before Covid-19. The service-sector is still affected. Looking at business development we have a more optimistic view. There are a lot of big investment projects happening in Northern Sweden. One big investment is the car battery manufacturing that is being built in Västerbotten county. The project has truly taken off, and we estimate 3000 jobs in the next 3 years. But these projects also imply that people will be travelling into these regions from other places, which is worrying in terms of a third wave of the virus. In terms of other projects, carbon-neutral steel production is taking place in the city of Luleå. This is world-leading, and one of the first cases in the world where it will be possible to produce steel carbon neutrally. This also makes it possible to further expand the mining activities in the areas. To conclude, he underlined that these projects are signs of trust in better economic development in this area of Sweden. One challenge for these projects is that the first two cases will need a lot of electric energy to succeed and expand. This will require big investments in wind-power while the potential in hydropower already are exploited.

Senior Adviser Snøfrid Byrløkken Emterud from the Barents team in the Ministry of Foreign Affairs (Norway) said that the Norwegian chairmanship has managed to do quite a lot despite Covid-19. This means moving on from traditional ways of meeting. In addition, a new Working Group on Barents Forest¹ sector has emerged. This is a positive sign that new initiatives come up. It is more important to meet regularly on the digital platforms, which is why the Committee of Senior Officials have regular meetings. She was also pleased to see the new director of the International Barents Secretariat Mr. Markus Karlsen present at the meeting. The MFA looks forward to work with him during the Norwegian Chairmanship. Also, she highlighted the good cooperation with Västerbotten as the Barents Regional Council Chair. This is a central element of Barents cooperation, and the High-level conference on October 26th was important in getting the politicians together and discuss important priorities. Having health on the Norwegian Chairmanship's agenda is very relevant, and the E-health meeting in December of 2020 was very successful. This had both the regional and central levels on board, including the private sector. Based on the IBS-website there are many WGEC's planned, and she encouraged the group to continue the good work. In terms of the climate agenda there will be a digital conference on April 27th. It will highlight policies and investments from a climate smart region. Lastly, there are plans for an indigenous people's summit in Bodø in June. Hopefully, we will be able to meet in person for this conference.

The Chair thanked all the Members States for their remarks. She said that it is important to keep up dialogue and meet regularly, via digital tools, at least for the time being.

¹ Former Forest Sector Task Force under the WGEC

Looking forward to physical travels and people-to-people connections in the Barents region post-Covid-19.

3. Presentation from Business Index North

The Chair explained that the Norwegian Chairmanship had been researching the need for a report on entrepreneurship and innovation. The Norwegian Chairmanship thanked all the group members for having provided valuable input to this process. Norway had also received input from the Barents Secretariat and our Consulate Generals and Embassies in Sweden, Russia and Finland. Based on their input, a report from Business Index North was brought to Norway's attention. Business Index North is a periodic report with insight into business activities and opportunities in the Arctic. Businesses can use it to get knowledge about economic developments and investment opportunities. As a result, Mr. Andrey Mineyev from Nord University was invited to the meeting to present the report on successful entrepreneurs in the Barents region.

Highlights from the presentation:

- Project started in 2015, with 6 reports on socioeconomic development in the Euro-Arctic region.
- Consider conditions for businesses such as structure of society, demographics, education, infrastructure, electricity and transport.
- Economic activity in many regions is higher than average, but the development in number of young people (20-40 years old) in Nordic part of the area has a flat trend. In Arctic Russia decline.
- The contradiction is high economic growth and worrying demographic trends.
- North Ostrobothnia is the champion in research and development. Cluster of ICT-companies.
- High-speed internet access by households is important. These are some indicators and structural conditions for innovations.
- In the 2019 report successful companies were mapped. Many brands build upon symbols of the Arctic, like polar, snow hotel aurora borealis etc. Many unique products with competitive advantage.
- The clusters are small but many, and very advanced. Technological leadership and quality and traditions mixed together. All Arctic and Barents products have genuine quality products.
- In terms of creating better regulations, more large infrastructural projects are needed. These takes many years, but some big projects are being discussed (Arctic railway, Northern sea route etc).
- More identity building and use of symbols. Successful entrepreneurs often identify themselves with the brands.
- Investment in culture and the creative industries is also important. Need to look at smaller and rural areas and not just the big Arctic cities.
- A knowledge gap exists; we need to know more about cross-border value chains. Too often we address the questions by using old tools. Many companies are not interested in B2B-meetings, but cooperate by own initiative.
- Proposal to create a study on cross-border value chains in BEAC.

- The latest report covers UN Sustainable Development Goals framework, and the upcoming report is about resilience in the region.

With reference to specific information about R&D in Sweden and Finland in particular, the Chair said that the numbers for Finland are very impressive. In addition, the Arctic businesses must indeed be at the forefront in terms of resilience. This is due to the harsh conditions and rough weather, which can create a competitive advantage for these companies. Ms. Greni also asked whether the Finnish success in terms of ICT-clusters and technological partnerships is a regionally driven process or part of a national strategy.

Mr. Haapalainen replied that big companies such as Nokia has had a big regional impact, but that the key component is the education in the area. University of Oulu is ranked quite high in many disciplines, including in telecommunication, engineering mining and mineral engineering. Oulu also has a long tradition as a technology city and a strong startup and entrepreneurial culture. In the wake of Nokia, many companies and ecosystems emerged in the area. The University, VTT and the Oulu Innovation Alliance have also been involved in developing the city to an international level. After Nokia's mobile operations, there was a strong need for small businesses in the region to network.

Mr. Lindblad reflected upon the presentation and said that infrastructure and demographic challenges are indeed difficult in Sweden. Yet we see an optimistic development in the Barents region, even though there are limitations that mean lack of skills and competence in both the public and the private sector. The conclusion Sweden has made is that we need to work harder on measures to be better at gaining local attractiveness.

Lastly, Ms. Vartdal asked whether the clusters are international in nature, our only regional.

Mr. Mineyev replied that they share many international markets for their products and services, yet they operate in regional formations.

Conclusion:

- The Norwegian Chairmanship will initiate more digital meetings in the last period of the Chairmanship. For the time being, it is not possible to plan for physical gatherings.
- Input and suggestions for presentations are most welcome. The BEAC WGEC will continue to share relevant information within the group.

List of participants:

- Vibeke Greni, Director, Ministry of Trade, Industry and Fisheries of Norway, Chair of the WGEC
- Ine Charlott Paulsen, Specialist Director, Ministry of Trade, Industry and Fisheries of Norway, Barents Team

- Erika Vartdal, Adviser, Ministry of Trade, Industry and Fisheries, Coordinator Barents Team
- Anita Skarpås, Higher Executive Officer, Ministry of Trade, Industry and Fisheries, Section for Europe and Single Market
- Snøfrid Byrløkken Emterud, Senior Adviser, Ministry of Foreign Affairs Norway, Barents Team
- Sverker Lindblad, Senior Adviser, Ministry of Enterprise and Innovation Sweden (member of WGEC)
- Vladimir Karaoglanov, Adviser, Department of Economic Cooperation, Ministry of Foreign Affairs Russian Federation (Member of WGEC)
- Petri Haapalainen, Ministerial Adviser, Ministry of Employment and Economy Finland (member of WGEC)
- Jari Vilen, Barents Senior Official Ministry of Foreign Affairs Finland
- Andrey Mineyev, postdoctoral researcher, High North Center for Business Nord University