

Highlights of Cross-Border Cooperation in the North

“A prerequisite for achieving successful cross-border business cooperation is having knowledge about each other – knowledge about actors, regulations, political conditions and decision-makers in the different countries.”

Arne O. Holm, Norwegian journalist and newspaper editor

This chapter is motivated by our strong belief that cross-border cooperation is key to a successful development of business and society in the northern regions. In this regard, we highlight some important examples of cross-border cooperation within the Barents Euro-Arctic region. The examples come from various sectors in the BIN counties: business, international institutions, media, and the university sector. The list of examples is far from complete. Our aim is not to map all the existing cases of cooperation, but rather to highlight and analyze some of them. Based on the analysis we have produced several learning points relevant for cross-border cooperation in the Barents Euro-Arctic and the northern regions. If you know about other interesting projects, whether ongoing or to be started, please let us know and we will consider them for further studies.

Our data material comes from the publicly available sources as well as from written communication with the experts involved in the cases presented. We asked the experts the same question: “How do you see cross-border business cooperation in the Euro-Arctic Region in 10 years and where is the main potential?” The ideas and visions shared with us by the experts laid a solid foundation for discussing the opportunities for cross-border cooperation. Our key observations are as follows:

- Successful cross-border cooperation in the Euro-Arctic requires a new mindset. We should drop the mental boundaries associated with borders between countries and fields

of knowledge; there is a need to secure flows of knowledge, information, goods, workforce, and students.

- Existing transport infrastructure and resource flow in the north of the Nordic countries has already developed along a north-south dimension. This represents a challenge for developing a west-east cooperation mindset.
- The potential lays in cross-border cooperation in the SME sector and in creation of new industries in the Euro-Arctic; for instance, industries utilizing steel or local suppliers to large infrastructure projects.
- International joint ventures may be a way forward in developing vast northern resources and territories.
- Equal partnerships between universities and industry is a key principle for the successful development of business in the Arctic.
- Long-term commitment of international cooperation institutions signals how the overall economy of the Arctic region is going to develop – local companies have to think how they identify with this.

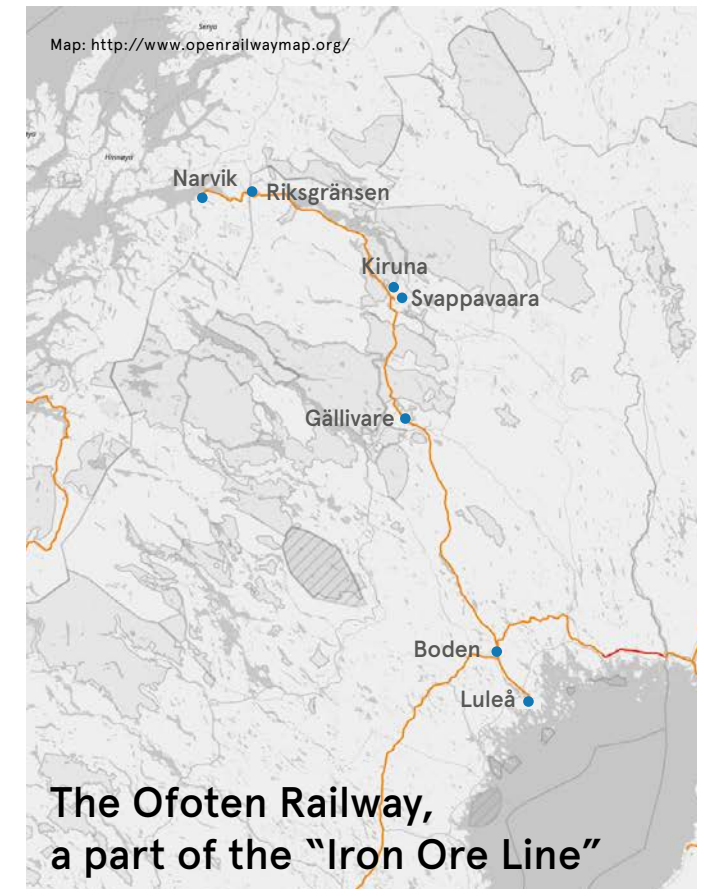
In the remainder of the chapter, we present selected cooperation cases and our learning points. The chapter ends with concluding remarks about approaches to successful cooperation in the North.

Cooperation Cases from Business

The Ofoten Railway¹

The Ofoten Railway is a 43 km long railway line between the Norwegian port of Narvik and the Swedish border, where it connects with the Swedish railway network. The Ofoten Railway is the most trafficked stretch of railway in Norway. The bulk of the traffic consists of ore from mines in Kiruna, Sweden. Every day, 10–12 ore haulage trains travel in each direction on the line for the Swedish mine company LKAB. The Ofoten Railway is an important freight corridor for the Nordics, a part of the “Iron Ore Line” – a nearly 500 km long railway between the ports of Narvik in Norway and Luleå in Sweden. The railway is also important for freight transport between Southern and Northern Norway, with 90% of Northern Norway’s grocery supply routed through Narvik by train. The capacity of the Ofoten Railway is limited, and plans for expansion to double-track are being explored.

According to a transport development expert we were in touch with, “the Nordic Euro-Arctic countries are located in a north-south direction, as is the majority of the transport infrastructure... Developing East-West transport infrastructure is a key to international business cooperation in the BEAR”. Obviously, the Ofoten Railway serves as a good example of a crucial East-West corridor. However, further extension of the traffic infrastructure eastwards appears to be vital. As mentioned by our expert, “improving and integrating the Ofoten Railway to the east-west railway connections east of Sweden, represents a main potential for improved regional business development and development of new international transit solutions. By connecting this railway to ocean going corridors, based on new and environmental viable propulsion systems, a sustainable transport corridor for the future can be developed”.



¹ <http://www.banenor.no/Jernbanen/Banene/Ofotbanen/>

The Kimek Companies²

Kimek has a strategic location in Kirkenes, on the doorstep of the Arctic region, Russia and the Barents Sea. The company has a network of partners in Russia and is one of the largest northernmost mechanical environments. Kimek was established in 1986 with the Russian fleet in the Barents Sea as its main market, and also provides service for the mining industry and the Norwegian-Russian trade cooperation. Kimek has local owners who also own an offshore company (Kimek Offshore AS) and an engineering company in Murmansk (Kimek Engineering/Sevgiproybflot). Kimek Offshore AS is a service company for the Arctic oil and gas industry, with firm positions in both Norway and Russia since its establishment in 2000. Kimek Engineering performs design and engineering services on both sides of the border and has its main office in Murmansk.

One of the company directors told us: *“if one looks at the Arctic as one region and does not consider national borders, then knowledge and links between studies and businesses will be the focus area with the greatest potential [...] we are world champions when it comes to Arctic expertise, meaning that we (the local companies in the north) can operate in harsh climate conditions, tackle challenges associated with under-developed infrastructure and digital vulnerability [...] this is how we live and work here”*. It looks like Kimek has a strong identity in being a “cross-border company” due to its proximity and commitment to integration with Russia. At the same time, it is an “Arctic company” with people used to living and working in harsh conditions.



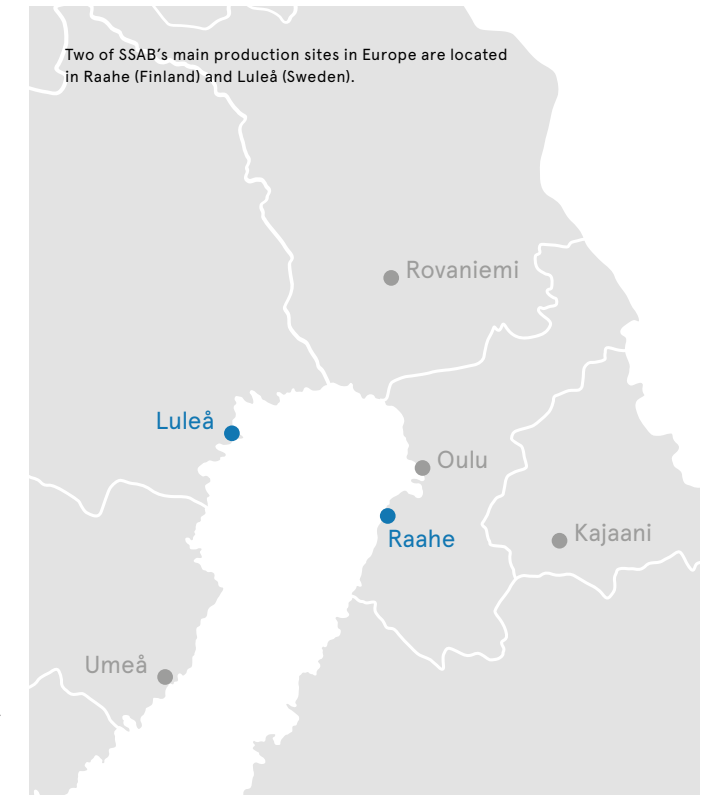
Kimek Offshore's Russian employees involved in service at Skarv FPSO, Kværner Stord, 2011
Photo: Kimek Offshore

SSAB³

As a steel company, SSAB is a leading producer in the global market for advanced high-strength steels and quenched & tempered steels, strip, plate and tubular products, as well as construction solutions. SSAB's production plants in Sweden, Finland and the US have an annual steel production capacity of 8.8 million tons. The company also has capacity to process and finish various steel products in China, Brazil and many other countries. Two out of SSAB's three main production sites in Europe are located in the north (Raahe in Finland and Luleå in Sweden). The Raahe site (in the Northern Ostrobothnia county) employs 2,800 professionals who are involved in the manufacturing of steel, plate and strip products. The site also houses the second largest blast furnace in the Nordic countries. The site in Luleå (Norrbotten) involves 1,200 employees. Major shareholders of SSAB is the Swedish Industrivärden and The Government of Finland through the investment company Solidium.

A company expert working in North Finland shared some ideas with us regarding the potential for economic development in the Nordic North. According to him, a next step could be developing local industries that utilize steel, since high-quality iron ore and steel industry are already in place. There are already companies producing lifting equipment, equipment and parts for the car industry, pipes and building materials. This idea of proactive regional industry development is different from the more conventional view of regional business as an attribute to large projects, be it extracting industries or transport infrastructure investments.

At present, however, most of the extracted steel and steel products from the north are subject to exports. At the same time, as we know from the experience in Northern Norway (consider for example the Snowwhite LNG plant), when the project is already there, it is



Two of SSAB's main production sites in Europe are located in Raahe (Finland) and Luleå (Sweden).

too late for most of the local companies to step in as equipment and service suppliers. Investments in the local industry should be made years before that.



SSAB's Raahe site in Northern Finland
Photo: SSAB

Fennovoima⁴

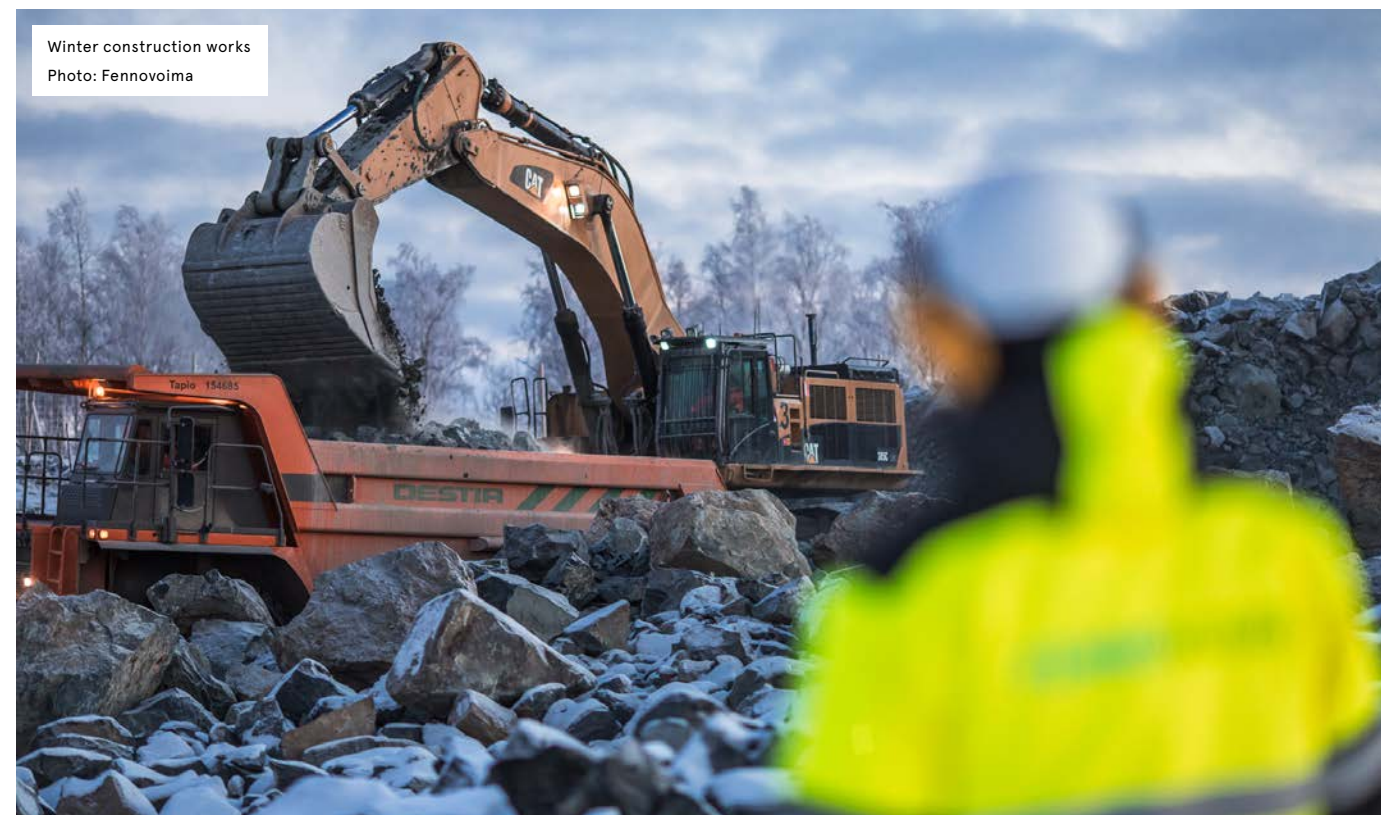
Fennovoima was founded in 2007 by a group of Finnish electricity consumers: industrial companies and energy utilities in need of safe, stable-priced and reliable low carbon electricity generation, aiming to build a nuclear power plant Hanhikivi 1. The Fennovoima and RAOS Project, a subsidiary of Rosatom Energy International (a part of the Russian State Nuclear Energy Corporation Rosatom), has a plant supply contract for the Hanhikivi 1 nuclear power plant. According to a schedule agreed with Rosatom, the Hanhikivi 1 plant will start producing electricity in 2024.

The plant site in the coastal municipality of Pyhäjoki is located in Northern Ostrobothnia on the shore of the Baltic Sea. Fennovoima is meant to strengthen domestic power generation within the EU in the long run (today Finland imports almost 20% of its electricity from neighboring countries). Fennovoima also constitutes a significant investment in low-carbon electricity production in the EU. In May 2014, the local council of Pyhäjoki voted in favor of the project. According to a poll in December 2015, 68% of the residents of Pyhäjoki were in favor of the project.

Although the project got government approval in Finland, the Finnish-Russian nuclear energy cooperation has been criticized by environmental organizations, opposition politicians in Finland, a part of the local population, and some academics. We leave this debate to political, energy security and other experts in the field. As a business-oriented report, we would like to make two points. Firstly, we recommend the Hanhikivi project already now as a potential market for equipment and services for local companies in the Euro-Arctic to consider. As an interviewed expert from Fennovoima mentioned to us, *the construction project already opens a uniquely large market for diverse companies for e.g. design, construction*



and industrial service companies. The project will use a high number of sub-supplier companies. The procurement process is international and expected to raise interest in industrial companies in Northern Sweden, for example. The value of the entire project is 6.5-7 billion euros. Secondly, it looks like special-purpose companies organized through international joint ventures like Fennovoima could serve as a model for developing resources and territories of the North (consider also the special-purpose company SDAG of the Shokman project in Russia).



Winter construction works
Photo: Fennovoima

Learning points from the business cases:

There is a cooperation potential in the developing of East-West transport corridors in the Barents Euro-Arctic. The relative lack of such corridors today is a challenge for economic development of the area. It might be difficult to develop “a west-east cooperation mindset”, as the transport infrastructure in the north of the Nordic countries has already developed along a north-south dimension.

Furthermore, there is a potential in developing new industries in the north. Industries utilizing steel deserve a particular attention.

International joint ventures and special-purpose companies may serve as a tool for developing northern resources and territories. Regional companies should be aware of upcoming large infrastructure projects in the North if they are interested in contributing as suppliers.

The Arctic environment puts pressure on people and businesses operating there, making some of them more proactive and less concerned with mental borders between countries, cultures or fields of knowledge. Lack of such mental borders is a specific feature of some companies committed to cross-border work and to constantly developing solutions to overcome practical challenges associated with borders.

Cases of International Institutions Supporting Cooperation

The Arctic Economic Council⁵

The Arctic Economic Council (AEC) is an independent organization that facilitates Arctic business-to-business activities and responsible economic development through sharing of best practices, technological solutions, standards, and other information. The AEC was created by the Arctic Council during the Canadian Chairmanship in 2014. It aims at providing advice and a business perspective to the work of the Arctic Council. The AEC Legacy Members represent a wide range of businesses operating in the Arctic— from mining and shipping companies to reindeer herding and Aboriginal economic development corporations. Representing the people and businesses of the Arctic, it is essential for the AEC that the work is carried out in an inclusive and sustainable manner.

The core of the work of the Arctic Economic Council takes place within five overarching themes: establishing strong market connections between Arctic states, promoting stable and predictable regulatory frameworks, encouraging public-private partnerships for infrastructure investments, facilitating knowledge and data exchange between industry and academia, and focusing on traditional indigenous knowledge, stewardship and focus on small businesses. These

are all also relevant for those operating in the Euro-Arctic Region. Overall, these are important aspects in the Councils’ vision of making the Arctic a favorable place to do business.

As we learned from the representative from the AEC, *the circum-polar business community has identified selected business areas in which the AEC will focus its work. They also reflect the AEC view on current Arctic business opportunities. These include infrastructure and related matters (maritime transportation, communications and IT, and aviation); energy, including oil, gas and renewable sources; mining; tourism; fishing, and human resources investments and capacity building. These selected business areas are also reflected in the AEC Working Groups. The current four Working Groups focus on Maritime Transportation, Telecommunications and Broadband, Responsible Resource Development, and Arctic Stewardship.*

Arctic Programme of the Nordic Council of Ministers⁶

The Nordic Council of Ministers’ Arctic Cooperation Programme 2015-2017 was adopted by the Nordic Council in 2014. The overall objective of the programme is “sustainable development” and it has four priority themes: 1) The people of the Arctic, 2) Sustainable economic development, 3) Environment, nature and climate, 4) Education and skills enhancement. The programme provides funding for projects, studies and initiatives in line with the programme objectives. Since 2014, the ministers for Nordic co-operation have earmarked DKK 2 million annually from the programme budget for political initiatives designed to generate Nordic synergies in work in the Arctic. The Nordic Council of Ministers, founded in 1971, is the official body for inter-governmental co-operation in the Nordic Region. The overall responsibility for co-operation lies with the respective prime ministers, but in practice it is delegated to the ministers for Nordic co-operation.

As we learned from the NCM experts, at present the cross-border cooperation development is observed within small-scale businesses in the Euro-Arctic regions, especially within trade, building and construction supplies, service provision and tourism; in particular, the construction industry in Northern Norway obtains its expertise from other Nordic countries. The experts also meant that this trend in small-scale businesses and entrepreneurship would continue to rise within the next ten years in fields such as service supply, engineering, IT and tourism. Thinking cross-border business cooperation will be a more natural part of business in the Euro-Arctic regions for the future. As for the large-scale industry, the main potential is based on the overall objective of cross border cooperation in the petroleum industry, where all the Euro-Arctic countries are engaged in developing infrastructure and extraction of resources.

Learning points from the cases of international institutions:

The long-term commitment of international institutions like the AEC and the NCM plays an enabling role for the development of businesses, as it gives us signals on how and what sectors of the overall economy of the region are going to develop. SMEs in the Euro-Arctic region have already begun to recognize the importance of cross-border cooperation.

Cases from the Media

The Independent Barents Observer⁷

The Independent Barents Observer is a journalist-owned online newspaper covering the Barents Region and the Arctic. With a devotion for cross-border cooperation, dialogue and mutual understanding, the Independent Barents Observer provides daily news reports from and about Scandinavia, Russia and the Circumpolar Arctic to global audiences interested in Arctic issues. The Independent Barents Observer follows the key trends and developments in climate change, energy and industry, shipping, politics, civil society, national security and indigenous people's issues. The Independent Barents Observer publishes in English and Russian. By providing impartial information and opinions across the borders of the Arctic and the Barents Region, the newspaper serves local societies, supports regional development and promotes international cooperation.

High North News⁸

High North News (HNN) is an independent newspaper published by the High North Center at the Nord University. The news service issues daily news, editorials and analysis from and about the High North and the Arctic. High North News covers issues that are borderless by nature, with a focus on policy, business and industry, and culture in the High North, written with respect and indeed love for the people of the enormous, circumpolar North. From the outset, the newspaper has aspired to achieve a broad geographical scope. With correspondents in seven different countries, High North News is a bilingual news service, in English and Norwegian, and reaches an increasing number of international readers and stakeholders in the North. Recently, the newspaper entered into a formal cooperative agreement with three other newspapers that cover the Arctic: the Alaska Dispatch, the Arctic Deeply and the Arctic Journal, as well as becoming a partner for the Arctic news portal www.arcticnow.com. The HNN's commitment to journalism and analyses from the High North will serve as a tool for anyone who wishes to do business in this geographical region. HNN is currently undertaking an initiative that will make the source available in Russian and Chinese too.

According to the HNN's Editor-in-Chief, *a prerequisite for achieving successful cross-border business cooperation is having knowledge about each other – knowledge about actors, regulations, political conditions and decision makers in the different countries. In this regard, the HNN's goal is to contribute to mutual understanding and mutual knowledge within a region marked by both diversity and strong converging interests within a number of fields. On one hand, a notable common ground for the region is its role as an international supplier of raw materials. On the other hand, there is also impressive knowhow within digital technology and logistics. Where these two fields intersect, there is a largely untapped future market.*

Learning points from the media cases:

Awareness of business opportunities, mutual understanding and knowledge about each other, exchange of impartial information and opinions across borders appears to be an important pre-requisite for economic development in the Arctic and the Barents Region. It is important to secure media sources' contribution to these issues that are widely used by people living in the North.

Cases From the University Sector

The University of the Arctic⁹

The University of the Arctic (UArctic) is a cooperative network of universities, colleges, research institutes and other organizations concerned with education and research in and about the North. UArctic builds and strengthens collective resources and collaborative infrastructure that enables member institutions to better serve their constituents and their regions. Through cooperation in education, research and outreach, UArctic works to enhance human capacity in the North, promote viable communities and sustainable economies, and to forge global partnerships.

International Projects: Arctic Bridge, ARPOL, EduGov

The core activities of these projects are related to planning and implementation of joint short-term courses for international PhD and master students. The Arctic Bridge project aims at strengthened Norwegian-Russian knowledge cooperation in the field of Management in Extractive Industries in the High North. The ARPOL aims at strengthening the Norwegian-Russian institutional partnership in order to increase knowledge about relevant Arctic politics and business, and the connection between them. The EduGov's aim is to extend the existing scientific cooperation between Norway and Russia by developing research and practical competences related to local government budgeting reforms. The projects are administered by the High North Center at Nord University Business School¹⁰ and partner universities in Russia, with financial support from the Norwegian Centre for International Cooperation in Education (SIU).

An expert working with these projects told us: *“the ongoing cooperation between universities and companies of the Euro-Arctic region lays a solid foundation for the next ten years. The willingness to involve universities in knowledge production for business development and university-business partnerships make me believe that this potential will be realized and will assist in establishing new links between academics, researchers, practitioners, and industry representatives. It will be equal partners' cooperation, where universities and companies together with policymakers will shape the regional development and offer support for cross-border cooperation.*

Learning points from the university cases:

The Arctic moves toward formation of a common space for exchange of knowledge, research and higher education activities; equal partnerships between universities and the industry is a key to successful development of business in the Arctic.

Concluding Thoughts

The BIN project will continue to work to describe and analyze interesting and on-going cooperation cases within the northern regions. In doing so we will point at cross-border industrial cooperation and related institutions, which we see might have significant influence on sustainable value creation within the Arctic region in the future, also seen from the national perspectives. Based on the findings presented above, we argue that enabling conditions for successful development of the Barents Euro-Arctic can be achieved through

- strengthening the transportation infrastructure between the northern parts of Norway, Sweden and Finland (roads, railways, flight routes, etc.) with further extension to Russia;
- strengthening the cooperation between universities in the northern region, taking into account geographical proximity to challenges in businesses, societies and nature; and
- the national states together with the regional authorities should cooperate even closer to stimulate new industrial cooperation and growth in the on-going and well-established sustainable business cooperation.

Knowledge and continual communication between the political and business societies, both on the national and at the regional level, are crucial in order to succeed in future cooperation. The BIN project and other reports about the Arctic can contribute to this process by providing insightful information and analytics for decision makers.

⁷ <http://thebarentsobserver.com/en>

⁸ <http://www.highnorthnews.com/>

⁹ <http://www.uarctic.org/>

¹⁰ <https://www.nord.no/en/>