An economic resource?: Norwegian – Russian border on the outer edges of the Schengen

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Abstract
From the very inception of the Barents Region in the early 1990s and with the ratification of the Kirkenes Declaration in 1993, the Norwegian state has seen the border to Russia as a resource – both economic and socio-political. What has developed over the last two decades in the cross-border region between Russia and Norway is a robust geopolitical space of policy experimentation, economic opportunities won and lost, and cross-border practice characterised by b/ordering and debordering. (Van Houtum and Van Naerssen 2002) This border region on the outer reaches of the Schengen exemplifies both of the ideal types of borders as economic resource: the geo-economics of cross-border relations and that of territorial integration. We analyse the economic practices on the asymmetric Norwegian-Russian border as both business and government stakeholders attempt to transform the Kirkenes-Nikel-Murmansk corridor into a politically-invested economic region.

Introduction
This draft research communication is excerpted from a much larger case study report for the EU-FP7 research project European Regions, EU External Borders and the Immediate Neighbours. Analysing Regional Development Options through Policies and Practices of Cross-Border Co-operation (EUBORDERREGIONS). The main objective of the project is to identify challenges to economic, social, and territorial cohesion as well as regional development potentials in different borderlands at the EU’s external frontiers. Here, we focus only on the economic relations between the Norwegian-Russian border region encompassing the small towns of Kirkenes, Norway and Nikel, Russia.

We examine cross-border cooperation (hereinafter referred to as CBC) in the Russian-Norwegian borderland in the far north of Europe, on the outer edges of the

1 See www.euborderregions.eu
Schengen territory. Although the Russian-Norwegian border is formally not an EU border, it shares in many ways the characteristics of the eastern external EU border in the south. Although not a member of the union, Norway is to a large extent integrated in the EU community through its membership in the European Economic Area and importantly, as a signatory to Schengen Acquis that came into force in 2001.

The border, the border region, and the border traffic zone

The Russian-Norwegian border was established in 1826. The border is 196 kilometres long. The biggest part of it (153 kilometres) follows rivers and lakes. The border can only be crossed at one point, the Storskog-Borisoglebsky border-crossing. Visa, or border traffic permit for border residents, is required for travelers crossing the border from either side.

The Russian-Norwegian border region is in our research defined as Finnmark County (Norwegian: Finnmark fylke) (48.637 km²/ 74.710 inhabitants) on the Norwegian side and Murmansk Region (Russian: Murmansk oblast) (144.900 km²/ 772.500 inhabitants) on the Russian side of the border. Finnmark County is the only Norwegian county bordering Russia and Murmansk Region is the only Russian region bordering Norway. The border region is located in the central part of the Barents Euro-Arctic Region (BEAR).

Economic relations between Norway and Russia

Norwegian-Russian trade represents approximately 2.2 billion euro (2012), equally divided between export and import. The two countries account only for an insignificant part of each other’s foreign trade. Norway contributes to 0.3 % of Russia’s total turnover. Russia contributes to approximately 1.5 % of Norway’s turnover. In 2012 Russia was Norway’s eleventh largest trade partner while Norway was Russia’s seventeenth largest trade partner. The Russian-Norwegian trade is considerably smaller than the trade between Sweden and Russia or Finland and Russia. Russian-Norwegian trade declined in 2009, primarily as a result of the international financial crisis. In 2010 the trade started to grow slowly again, but has substantially diminished because of a political trade embargo imposed by the EU,

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2 Statistics Norway: [www.ssb.no](http://www.ssb.no)
3 Information from the Russian embassy in Oslo and Statistics Norway.
Norway, and other NATO countries in protest of the Russian annexation of the Crimea in March 2014.

Prior to the embargo, Russian-Norwegian trade was dominated by a few sectors. Sixty-seven percent of Norway’s export to Russia consists of fish and other seafood products. Russia is currently the biggest market for Norwegian seafood (having recently surpassed France). In 2012 Norway exported seafood for about 0.8 billion euro to Russia, an increase of 10 % from 2011. For the last years as much as 50-70 % of the Russian export to Norway has consisted of metals, particularly raw aluminum. The assortment of import and export between Norway and Russia remains stable.

Russian companies have not made any major investments in Norway. Their presence in Norway has mainly been limited to representative offices. Norwegian investments in Russia have been more significant. The Norwegian telephone company Telenor is for instance the largest foreign investor in the Russian telecommunication market. The Norwegian petroleum giant Statoil and the DNB bank have also invested in the Russian marked. Norwegian interests in Russia are mainly concentrated to Moscow and Saint Petersburg. Outside these regions the Norwegian presence is minimal, except from in the regions of Murmansk and Arkhangelsk.

Norwegian-Russian trade is regulated by the Agreement on Mutual Investment Protection of October 1995 and the Agreement on Trade and Economic Cooperation of March 26, 1996. A declaration on partnership for modernization was signed by Norway and Russia in 2011. The declaration is intended to “promote investment and the establishment of new businesses in Russia and to ensure the active engagement of the private sector”. The joint Russian-Norwegian Commission on Economic, Industrial and Scientific-Technical Cooperation is the main forum for issues relating to bilateral trade within important fields such as fisheries, energy, transport, communication, and tourism.

The Russian membership in the World Trade Organization in 2012 is expected to have a positive impact on the trade relationship between the two countries. The custom barriers will for instance, ideally, be reduced and this will benefit the export of aluminum from Russia as well as the export of seafood products from Norway. The

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4 Norges Sjømatråd: [www.seafood.no](http://www.seafood.no)

WTO membership is also expected to ensure a more predictable and transparent business climate and security for those involved in cross-border trade between the two countries. The European Free Trade Association, where Norway is a member, began free trade negotiations with Russia in January 2011. Met with optimism, Russian WTO memberships was meant to be a boon to export and trade of goods globally, and especially to and from the EU. The current trade embargo on agricultural, technical, and other products by Russia from the EU had negative consequences initially, but quick reaction by the EU to subsidize the production of certain goods and in finding alternative markets for European Union products means that the embargo has had little impact in the EU. (Ratso, 2015)

The Norwegian-Russian Chamber of Commerce (NRCC) was established in 2003. The NRCC is a non-profit, non-governmental organization. The NRCC currently has 170 members from both Russia and Norway, which makes it the biggest chamber of commerce in Norway. The aim of the NRRC has been to “stimulate and improve business relations between Norwegian and Russian companies regarding import, export, shipping, business development, tourism or investment activities”, as well as to “enhance the understanding of each others’ business culture, market developments and other socio-economic developments of importance”. The NRCC is today an important forum for Russian-Norwegian business networking. The chamber frequently organizes various events; seminars, and courses. Every year the NRCC also arranges a Russian-Norwegian Business Forum.

Economic relations in the border region
Economic CBC in the border region has very little significance for the national economies of Russia and Norway. First, as we have seen, the overall Russian-Norwegian trade relations are insignificant, except from for a few sectors. Secondly, the border region is economically marginal compared to the southern and central regions of Norway and Russia.

In 2011 business with Norway contributed to 4.2% of the value of export and import combined for Murmansk Region. Norway was the main foreign investor in Murmansk Region in 2012 (30% of the total investments which equals 6.24 million USD).

Norway was thus ranked 4, below the Netherlands, the United States of America and

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6 Norwegian-Russian Chamber of Commerce (NRCC): [www.nrcc.no](http://www.nrcc.no)
China.\textsuperscript{8} The import to Murmansk Region from Norway was worth 88 million USD in 2012 (14% of the total import of the region). In 2012 the total export from the three North Norwegian counties (there is no statistics for Finnmark only) to Russia was worth 400 million EUR. Seafood products accounted for as much as 80% of this export.\textsuperscript{9}

Inertia marks the Russian-Norwegian economic CBC within the border region today. Some years ago the CBC in the region was somewhat more intense because of the great anticipation of the development of the Shtokman gas field. During the early 2000s several Norwegian companies established offices in Murmansk. The majority of these companies specialized on supplies and services to the oil and gas sector. As the Shtokman project was indefinitely postponed many of these companies pulled out, however. The number of Norwegian companies with employees in the Russian parts of the Barents Region has decreased by 25% since 2006. Today 30 Norwegian companies with a total of 945 employees are active on the Russian side. The Norwegian companies are mainly involved in banking, real estate, hotels, consultancy services and fisheries (Rautio, Bambulyak & Hahl 2013). All Norwegian companies on the Russian side operates from Murmansk. There is, perhaps surprisingly, not a single Norwegian company operating in the border municipality of Pechenga.

There are only 14 active Russian companies in all of Northern Norway (the counties of Nordland, Troms and Finnmark). These companies are small, employing less than 30 people altogether. The Russian companies in Northern Norway are mainly involved in the sectors of fisheries, aquaculture and tourism. The investors are mainly from Murmansk (Ibid.). Russian investments in Northern Norway are considerably smaller than in the southern parts of the country.

For Norwegian companies CBC with Russian partners is generally not considered to be an asset. Cooperation with Russian partners is regarded as much more difficult and more challenging than cooperation with partners from Sweden and Finland, or from other EU countries.

Within the framework of the twin town cooperation between Sør-Varanger and Pechenga a few seminars intended to stimulate CBC between companies from the two border municipalities have been organized. The Association of Businessmen of

\textsuperscript{8} Barents Monitoring, Murmansk Region 2011, page 10.
\textsuperscript{9} Statistics Norway: www.ssb.no
Pechenga and Kirkenes Næringshage (Business Park) have been taking part in these seminars. The seminars have, however, not resulted in any concrete plans or strategies. In the town of Kirkenes local business actors do not see the need of cooperating with partners from Pechenga, except for cooperation that could increase the number of Russians available for work in Norway. The Pechenga enterprises are regarded as being too weak to become true business partners.

Informal and illegal trade in the border region

Informal and illegal cross-border trade is not very prevalent in the Russian-Norwegian border region. There are currently no major social problems (prostitution, drugs et cetera) related to the border traffic. The criminality in the region is not related to the proximity of the border.

In the 1990s Russian prostitutes were active on the Norwegian side of the border. Today, due to stricter regulations on the Norwegian side and a comparatively much better living standard on the Russian side, prostitution has almost disappeared from the borderland. Smuggling of drugs and other illegal products has, according to the Norwegian and Russian police, never been a big problem along this border. The lack of illegal trade across the Russian-Norwegian border can be explained by three factors. First, the border is located in a peripheral area, far away from any big city with a great demand for illegal products like drugs. Second, the border is not easy to penetrate illegally owing to the many barriers (fences, sand traps et cetera) and the extensive surveillance on both sides. Moreover, the border guards and custom officers on both sides act professionally and communicate well with each other.

A certain informal cross-border trade has existed since the early 1990s. Russian trader-tourists regularly cross the border to buy large quanta of goods in demand on the Russian side (for instance diapers, special brands of coffee and tea, ice cream, sports gear, and various luxury goods). The goods are brought into Russia in private cars or minibuses where they are sold through various networks (Tvedt & Sørensen 2013). The importance of this trade is hard to assess but it is probably not very significant for the overall economy of the border region.

The labour market
The Russian-Norwegian border region is neither destination for nor origin of any significant labour movement. That Norway is a signatory of the Schengen Acquis stipulates that citizens of the EU Schengen area must have first right to jobs that may be available in Norway. This may, however, change if major industrial developments (either in the petroleum sector or in the mining industry) take place. Current low commodity prices of oil, gas, iron ore, and other minerals has led to no changes in hiring policies.

There is currently a labour shortage in the border region. On the Russian side there is a lack of skilled as well as unskilled workers. On the Norwegian side, where the unemployment is extremely low, there is a lack of workers in most fields. On both sides of the border a “brain drain” is a problem. Young specialists and graduates tend to leave for the south.

The labour market on both sides of the border is generally well regulated. The scale of illegal work is very low on the Norwegian side of the border. On the Russian side illegal labour is more widespread. The most common type of illegal labour is unregistered free-lance work.

There is hardly any labour commuting taking place across the Russian-Norwegian border. Owing to the lower salaries in Russia and the low unemployment at home, Russia is hardly an option for Norwegian workers. Some Russians (mainly men) from Murmansk Region go to Norway to work, either in the petroleum industry (usually far away from the border region) or in the fishing processing industry in one of the coastal towns of Northern Norway. In some places, like the town of Båtsfjord in Finnmark, the Russians workers have contributed significantly to the local economy over the last decades. Kimek in Kirkenes, which offers services in the fields of ship repair and ship services, have actively been training and recruiting around 60 Russian welders for jobs on installations in Norway as well as abroad.

The interest among Russians in finding work in Norway is, unfortunately, exploited by criminals. Reportedly, fake agencies that promise their customers assistance in finding jobs in Norway have been set up in Murmansk Region.

Work permit regulations are the main obstacle for labour mobility across the border. EU regulations make it very difficult to employ Russian workers in Norway. In 2009 Norway started, however, to issue two-year work permits for unskilled workers from
the Russian parts of the Barents Region (including Murmansk Region). Work permit rules for skilled workers have also been eased in recent years. Russia’s rather complicated regulations for work permits continue to cause troubles for Norwegian companies operating there. The situation has, however, improved here too when Russia introduced a simplified application system for foreign skilled workers in 2010.

The need to increase labour mobility across the border has been acknowledged by the municipal authorities of Sør-Varanger and Pechenga. Since 2006 the labour and welfare administrations of the two municipalities have cooperated actively and several joint planning meetings have been organized. NAV (the Norwegian labour and welfare administration) in Sør-Varanger has introduced a special trainee program for recruitment of school or kindergarten teachers from Pechenga (see section 6.7). There is also an ongoing cooperation on regional level between NAV and the State Employment Service Department of the Murmansk Region.

Tourism

The Russian-Norwegian border region is, in a European context, not an important destination for mass tourism. In 2013 the number of nights spent in Finnmark by all visitors was 379,958. For Murmansk the number was 537,087.¹⁰ Finnmark and Murmansk receive a much lower number of tourists than the neighboring Finnish region of Lapland (2,403,104) or the Swedish county of Norrbotten (2,152,202). Only a few destinations, like North Cape in Finnmark and the alpine resort of Kirovsk in Murmansk Region, attract a considerable number of tourists every year.

The tourists visiting the Russian part of the borderland are mainly from Russia, while those visiting the Norwegian side come from all over the world, including Russia. Since 2005 the number of Russian visitors to North Norway has increased nearly four times.¹¹ From 2011 to 2012 the number doubled. In 2012 Russian tourists stayed 28,000 nights in North Norway. Still, the number of Russian tourists in Norway is only about one tenth of the number of Russian tourists visiting neighboring Finland. Russian visitors are most prevalent in Kirkenes. The town has become an important destination for Russian cross-border shoppers from all over Murmansk Region. On the Russian side of the border, in Pechenga, tourism is not very developed. Currently there are, however, plans to build a tourist village here. The complex, called

¹⁰ See Patchwork Barents: www.patchworkbarents.org
¹¹ Statistics Norway: www.ssb.no
Russkaya Sloboda, will be located on the shore of a small lake only a few kilometres from the Norwegian border. The village will, if realized, become the biggest investment project in the area. The project has a private investor but it will also receive financial support from the Murmansk Regional government.

So far CBC within the field of tourism has not been very much developed. In 2012, during the meeting of the Russian-Norwegian Commission on Economic, Industrial and Scientific Cooperation in Moscow, the Russian Federal Agency for Tourism and Innovation Norway’s tourism department signed a joint action plan for tourism, however. The plan includes fields such as tourist exchange, tourism promotion, tourism legislation, tourism investments, and tourism safety. Tourism is, on both sides of the border, seen as a field of potential for future CBC on a bilateral level.

The twin city cooperation agreement between Pechenga and Sør-Varanger refers to common tourism development as a “field of priority”. There is currently some cooperation between Radius, one of the tour operators in Kirkenes, and Barents Travel, a tour agency in Pechenga. Radius brings tourists across the border, either for a snowmobile trip or for a visit to a typical Russian “dacha”. On the Russian side Barents Travel takes care of all the practicalities. Both partners are so far very satisfied with the cooperation and express a wish to develop it further.

For some time there have been discussions about establishing a regular cruise line connection between Norway and Russia (see section 3.4). The Ministry of Transport and Communications of Murmansk Region and the Federal Agency of Sea and River Transport, together with private investors, are now working to realize the project “Arctic Harbor”, which will facilitate cruise ship traffic to Murmansk. According to the plans the pier for long-distance cruise liners should be ready to accommodate vessels with a length up to 160 meters by 2016.

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12 *Barents Observer* 12 November 2012.
Tourists visiting the Norwegian part of the borderland rarely cross the Russian border, even if they would very much have liked to do so. The border itself represents a considerable barrier for tourism development. First, the visa regime makes border-crossing a cumbersome, time-consuming, and costly process. Secondly, the entire Russian border zone is a restricted area, accessible only with special permits from the FSB (Federal’naya sluzhba bezopasnosti Rossiyskoy Federatsii or Federal Security Service of the Russian Federation), Russia’s primary security agency. This regulation makes cross-border tourism along the borderline difficult, if not impossible.

**Fisheries and hydroenergy – two success stories**

Economic cooperation in the borderland seems to work best when there is a clear and uncomplicated win-win situation for both parties. Two fields where we observe such a mutual benefit are hydroenergy and fisheries.

Hydroenergy is another field where Russian-Norwegian economic CBC has been successful. Norway and the Soviet Union signed an agreement for joint utilization and development of the hydropower of the Pasvik River as far back as in 1959. During that time there was an increasing need for energy on both sides of the border. The hydropower development began in the 1960s. Over two decades no less than seven power plants were built in the Pasvik river system. The two sides agreed to share and jointly distribute the energy produced by the plants. Today, two energy companies – the Russian TGK-1 (a daughter company of “Gazprom”) and Norwegian “Varanger Kraft” cooperate in running the hydroelectric plants along the Pasvik River.

The Russian trawler fleet has, since the 1990s, been delivering fish to Norwegian port facilities and used them as places for repair. Norwegian ports are considered to be more cost-effective and they have a less bureaucratic regime than the Russian ones. The deliveries from the Russian fleet have been important for several smaller ports along the coast of Finnmark. Russian customers have been crucial for the economic development of Norwegian companies specializing in port related services.

**Barriers for economic cross-border cooperation**

Many stakeholders mention poor infrastructure as the main barrier for economic CBC. There is a need for improved cross-border infrastructure and transport links; better roads, a border-crossing point with increased capacity, regular cross-border flights or regular public transportation between Sør-Varanger and Pechenga.

Another barrier that is often mentioned is the current legislation on work mobility in the two countries. Norwegian companies in the borderland would like to see the law changed so that Russian citizens can freely commute across the border, live on the Russian side and work in Norway.

Stakeholders repeatedly mention differences in regulations and laws, business climate and business culture as reasons for the current lack of economic CBC. The differences are indeed great and they make it very challenging to do business on the other side of the border. According to interviewees it “takes years of practice and failing” to get to know how things actually work on the other side. Legal requirements for establishing an enterprise in Russia are, according to Norwegian actors, too demanding and bureaucratic. Russians say the same about the Norwegian system. On both sides there is generally very little knowledge about each other’s system.

Corruption is not a big problem in Norway but on the Russian side of the border it seems to be an obstacle for foreign investors. Norwegian companies frequently complain about the “unpredictability”, “lack of transparency” and “lack of a rule of law” on the Russian side.

Ironically, the unpredictability of the Russian side may in fact encourage Russian companies to establish themselves in Norway. One Russian businessman we spoke to mentioned that the lack of security on the Russian side was the main reason for his decision to move some of his business activities to the Norwegian side.

Language is another major obstacle. There is a considerable language gap between the two sides. Russians lack the necessary knowledge of English and very few Norwegians command Russian well enough to use it professionally. For larger companies these challenges can of course be overcome, but for small enterprises they represent a considerable barrier.

The business structure of the region is another obstacle for fruitful cross border economic development. In the border region we find very few large and resourceful
companies. Most companies (on both sides of the border) are small or medium-sized enterprises which lack the know-how and resources that are necessary for successful internationalization.

Lack of funding is rarely mentioned as a reason for the lack of economic CBC. A recent report on economic CBC in the Barents Region concludes that “with an average of 900 000 EUR per year directly to commercial enterprises, and 1.5 million EUR per year to promote Norwegian business and cross-border business cooperation in the Northwest Russian market, the situation for Norwegian businesses can hardly be considered as very difficult.” (Rautio, Bambulyak & Hah 2013).

According to the same report the Norwegian companies which are most active on the Russian side of the border have (with few exceptions) received little financial support from the public funding mechanisms. Economic CBC has been encouraged through several Norwegian funding programs. During the last few years the funding instruments of the Norwegian Ministry of Foreign Affairs, the Norwegian Barents Secretariat, Innovation Norway, Kolarctic ENPI, and the Norwegian counties have spent about 24 million EUR financing 476 business development projects, including 171 commercial ones in the Russian part of the Barents Regions (ibid.). Furthermore SIVA16, the Industrial Development Corporation of Norway, has established a branch in Murmansk that aims to increase Russian-Norwegian economic cooperation in the border region. The corporation has organized so-called “business safaris” for Russian companies to Northern Norway and organized “matchmaking events” for companies from both sides of the border.

On the Russian side of the border the situation is very different. Here there are no available funding mechanisms for companies seeking internationalization. The only financial support from the Russian side goes through the country’s financial contributions to the Kolarctic ENPI. Thus, Russian enterprises depend unfortunately to a large extent on Norwegian support, if they want to develop cross-border economic ties. Consequently, Russian companies involved in CBC have to rely on the support their Norwegian partners can get access to.

**The future of economic cross-border cooperation**

Russian-Norwegian economic CBC, because of its poor state, is more often referred to in terms of potentiality than reality. The long-term hopes for development rest, to
a large extent, on the development of so-called “mega projects”, particularly of petroleum development projects and the Northern Sea Route.

The Treaty on Maritime Delimitation and Cooperation in the Barents Sea and the Arctic Ocean is considered an important step towards an exploitation of the rich deposits of petroleum in the Barents Sea. The development at sea will also have an effect on land as there will be a need for supply ports and transport infrastructure along the shore. Petroleum is a field where Norway and Russia would have a lot to gain from cooperating and the treaty itself in fact encourages such cooperation. It will, however, take a long time (10-20 years) before full production can be instigated in the area. The Northern Sea Route represents another opportunity for the future, but it is still uncertain if the route will ever be realized.

The mining industry is developing rapidly on both sides of the border. The need for effective transshipment of extracted minerals could lead to a more efficient cross-border infrastructure in the High North.

Finally, tourism, and particularly cross-border tourism, is frequently mentioned as an economic sector which could grow significantly in the future. Tourism development faces, however, many challenges, like lack of infrastructure, cumbersome visa-regimes, inaccessible border zones, et cetera.

Perceptions of the border, the border location and regional development

The border location is generally perceived as something favourable, providing the region with special opportunities for development and for economic, cultural and institutional CBC. From a Russian point of view the border location is favorable because it provides easy access to Europe. The proximity of the Norwegian border also, at least according to some Russian stakeholders, helps to make the Murmansk Region more “European” (which here is to be understood as “civilized”, “modern” and “developed”). On the Norwegian side the border location is referred to as something exciting and exotic, that makes the region attractive. People we have interviewed see opportunities both for cooperation and/or consumption on the other side of the border. The border location gives a unique access to the neighboring country’s goods and services, and offers special opportunities for economic, cultural and institutional CBC. According to our informants the border location is a factor that
makes life richer and more interesting. The proximity of the border makes it possible to “enter another world just outside your doorstep”, as one informant put it.

Stakeholders perceive the border as a bridge, but they also acknowledge that it has divisive functions. Stakeholders do not fail to mention the cumbersome visa regime, the long and thorough control on the border, and the fact that the Russian border zone is closed. Still, our informants generally see the border as an opportunity rather than a hindrance. In Kirkenes the proximity of the border is often mentioned as an asset in the competition with other towns for tourists and workers.

No major negative aspects of border location have been identified. Nevertheless, on the Norwegian side some stakeholders express a concern for the pollution (including radioactive pollution) on the Russian side and worry about the current political development in Russia.

Some people, on both sides of the border, do feel more insecure after the border was opened. On the Russian side of the border, in Pechenga in particular, some informants expressed a certain nostalgia for the time when the border was closed. At the time there were “no drugs and crimes” in the town, it was “nice and quiet”, they claimed. In Kirkenes too, such attitudes are sometimes expressed, especially among elderly people.

On the Norwegian side some people involved in CBC worry about the political development in Russia which many claimed have taken an “authoritarian” turn. Some fear that this may lead to a re-securitization of the border regime. There are also fears of pollution (including radioactive pollution) from the Russian side. A few informants also express worries about the petroleum development that may harm the fragile environment of the region.

Borderlanders perceive the border in a more positive way now than five years ago, and certainly in a more positive way than 20 years ago. (Espiritu and Viken, 20 The image of the border as a “bridge” has been strengthened. During the last years the liberalization of the visa regime (the introduction of special visa regulations for citizens of Murmansk oblast (Pomor Visa), the establishment of the BTZ and new visa centers in Kirkenes and Murmansk have had a positive effect. The twin town agreement between Nikel and Kirkenes has also had an important symbolic effect. The European integration may indirectly be considered a factor. The transnational
integration and region-building in the north, particularly the establishment of the Barents Euro-Arctic Region in 1993, was very much inspired by parallel region-building processes instigated by the EU.

Informants on both sides of the border believe that a more open border, perhaps an extended BTZ, will stimulate CBC. Several informants described a common Russian-Norwegian labour market as a desirable possibility. Much of the regional development depends on the political support for cross-border cooperation as well as on bilateral dialogue and negotiations. There is therefore a hope for continued interest and support from national as well as regional and local authorities.

Our informants referred to the border as an asset and an opportunity in strategic documents on regional level on both sides of the border. In the current investment plan of Murmansk Region the proximity of the border is, for example, mentioned as the foremost advantage and most attractive feature of Murmansk Region. Both the Norwegian and Russian governments acknowledge that they must enhance economic cooperation with each other as well as globally. There is a hope to turn the border region into a hub for shipping on the Northern Sea Route from Europe to Asia as well as into a petroleum province of global importance. These developments are expected to be sparked by and, in turn, spark CBC.

The role of the European Union in the borderland

Membership in the European Union is now and for the near future highly unlikely for Russia as well as for Norway. The support for membership is very low in both countries and neither Norway nor Russia has any plans for joining the union. The role of the EU is therefore also very limited in the Russian-Norwegian border region. Bilateral (Norwegian and Russian) polices are much more important than EU policies for regional development.

The Barents Euro-Arctic Region is (by far) the most important framework for cross-border cooperation in the Russian-Norwegian border region. A large number of smaller CBC projects are financed through the Barents cooperation, mainly by the Norwegian Barents Secretariat. The EU plays, however, a certain role as a facilitator for regional cross-border cooperation through the Kolarctic ENPI program. The Kolarctic is one of the ENPI financing instruments of the EU that are being

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17 The Economic Development Strategy of the Murmansk region.
implemented along the external borders of the union. The Kolarctic program area roughly corresponds to the Barents Euro-Arctic Region. Kolarctic ENPI has granted financing to a total of 50 projects during the program period 2007-2013. The program supports public and private organizations involved in CBC within a wide range of fields. During the last program period three project priority areas were defined: “economic and social development”, “people-to-people cooperation and identity building” and “common challenges”.

The Kolarctic initiative has had a limited but positive effect on CBC, making it possible to realize several larger and important CBC projects in the region. It has been a successful instrument for increasing CBC, particularly among actors such as research institutions.

To this date the Kolarctic program has been mostly relevant for CBC practitioners of a certain size and importance who cooperate on a regional level. These partners are usually not from the near borderland, but from the larger cities of the wider Russian-Norwegian border region, like Murmansk, Arkhangelsk, and Apatity on the Russian side, or Bodø and Tromsø on the Norwegian side. All Russian-Norwegian Kolarctic projects have to involve an EU (Swedish or Finnish) partner as well. Kolarctic projects are therefore more complicated to initiate than projects that just involve Russian and Norwegian partners.

On the municipal level EU-funding has very little (if any) effect. On the Russian side actors tend to have very little knowledge about the possibilities of taking part in EU-funded projects. Some of them are not even aware of these possibilities. On the Norwegian side the knowledge about these forms of funding is slightly better and a few people even have experiences in applying for them, but the capacity and expertise in applying for and winning funding is low, especially when compared with our Finnish neighbours.

Since 2001 Norway has been part of the Schengen area. The Russian-Norwegian border is thus currently a Schengen border. The Schengen agreement limits, to a certain extent, the possibilities for a pragmatic border regulation that take local and regional interests into account. Many local actors would, for instance, like to see a more free flow of labour across the border and believe that this would lead to a good

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18 The Kolarctic ENPI program: [http://www.kolarcticenpi.info/en](http://www.kolarcticenpi.info/en)
19 Ibid.
development for the region as a whole. The Schengen regulations are criticized by some stakeholders for hampering cross-border integration (i.e. work migration and free movement across the border).

Policy Options

As a conclusion, we propose these recommendations based on our findings and interviews with CBC practitioners in the Norwegian-Russian borderland:

- Border-crossing in both directions should be made more smooth and effective. The waiting time for travelers crossing the border should be reduced. The capacity of the border-crossing point should be increased.

- Many CBC stakeholders mention the need for improved cross-border infrastructure and transport links; better roads, a cross-border railway from Russia to Kirkenes, regular cross-border flights, and regular public transportation between Sør-Varanger and Pechenga. The infrastructure in the border region (border infrastructure, road, air, planes, sea routes) should be improved in order to facilitate for further CBC.

- There is a need for a desecuritization of the near borderland. The closed zones surrounding the border should be removed. This will encourage increased cross-border activities, including tourism.

- CBC actors tend to refer to the visa regime as the main obstacle for cross-border contacts. Many of them express a wish for a lifting of the visa requirement. The authorities on both sides of the border should strive to make the visa application process as efficient, inexpensive, and as easy as possible. The visa-free BTZ should ideally be expanded to include all of Finnmark County and Murmansk Region.

- There is a need for a more pragmatic labour market regime in the border. Several CBC actors would like to introduce a common Russian-Norwegian labour market or, alternatively, a more restricted common labour market within the BTZ.
Currently, Norwegian-Russian CBC is, to a large extent, funded solely by the Norwegian side (i.e. the Norwegian MFA through the Norwegian Barents Secretariat). Increased Russian contributions to CBC projects would ensure more symmetric cross-border relations. Russian informants would like to see a better integration of the CBC programs with regional and federal funding programs.

There is a need for a more intensive economic CBC in the region. Funded programs and projects focusing on economic CBC should be encouraged by private businesses as well as public institutions.

EU involvement in the region should be increased (as for now it is minimal). The ENPI Kolarctic program is a good starting point for further EU involvement. The EU should become more visible and active in the region.

There is relatively little knowledge about the EU in the border region. The awareness about EU programs and policies among CBC actors in the region should be raised.

CBC actors on both sides of the border lack the knowledge and skills necessary for applying for EU funding and thus for participating in EU projects with EU partners. Competence- and capacity building among active CBC participants should therefore be prioritized.
References


