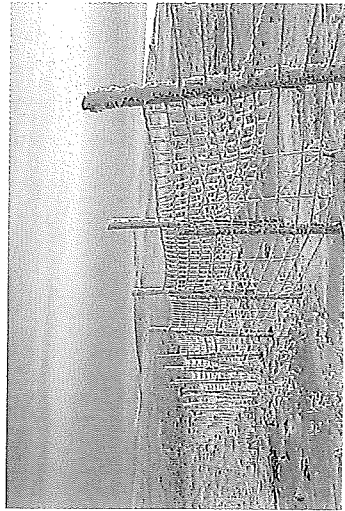


Finnish strategy for operations in the arctic

POLAR COMISSION OF FINLAND



Introduction



In 1992, the Finnish Polar Commission accepted a Polar programme for the period 1993-1997. Operations in the Arctic have increased rapidly since then. In particular, the strategy for operations in the Russian Arctic region and the Barents Euro-Arctic region is considered to be needed. The strategy has a timescale of 10-15 years.

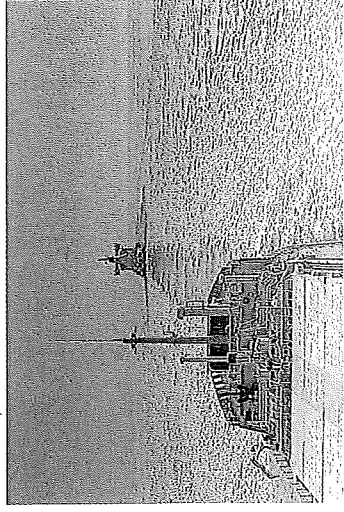
Arctic regions have attracted wide international interest in recent years. One of the main reasons for this is the intention to benefit from the existence of extensive natural resources. The global view of the environment and the need to protect the environment have also attracted attention. Finland has taken an active part in the initiation and execution of international cooperative activity in the Arctic.

Western investment and technology are needed for new commercial and industrial projects created by the new circumstances in Russia. Suitable projects for western companies arise particularly from those Arctic areas where natural resources abound. Finnish participation in the development of the Russian Arctic region and cooperation with Russian organisations has long traditions. Because of the changes in Russia cooperation should be increasingly with local organisations. On the Finnish side,

POLAR COMMISSION OF FINLAND	
Ministry of Trade and Industry <i>Alpo Kuperinen (chairman)</i> <i>Riitta Mansikkoski</i>	
Finnish Institute of Marine Research <i>Pentti Mälekki (vice chairman)</i>	
Ministry for Foreign Affairs <i>Timo Kienanen</i> <i>Heikki Puurunen</i>	
Ministry of Education <i>Hannes Junttanen</i>	
Ministry of Communication <i>Raimo Kurki</i>	
Ministry of Environment <i>Olli Paasivirta</i>	
Ministry of Defence <i>Matti Vuorio</i>	
Geological Survey of Finland <i>Boris Winterhalter</i>	
Technical Research Centre of Finland <i>Tuomo Kärrä</i>	
Technological Development Centre of Finland <i>Yeli-Pekka Saarnivaara</i>	
Academy of Finland <i>Elisabeth Helander</i>	
Confederation of Finnish Industry <i>Pauli Junttanen (Finnish Barents Group)</i> <i>Kaj Riska (Arctic Offshore Research Centre)</i>	

companies, research organisations and government organisations have taken part. At the present time, Finnish activities need clear targets, long-term planning and better mutual coordination. Relevant observations and recommendations are detailed below.

Targets



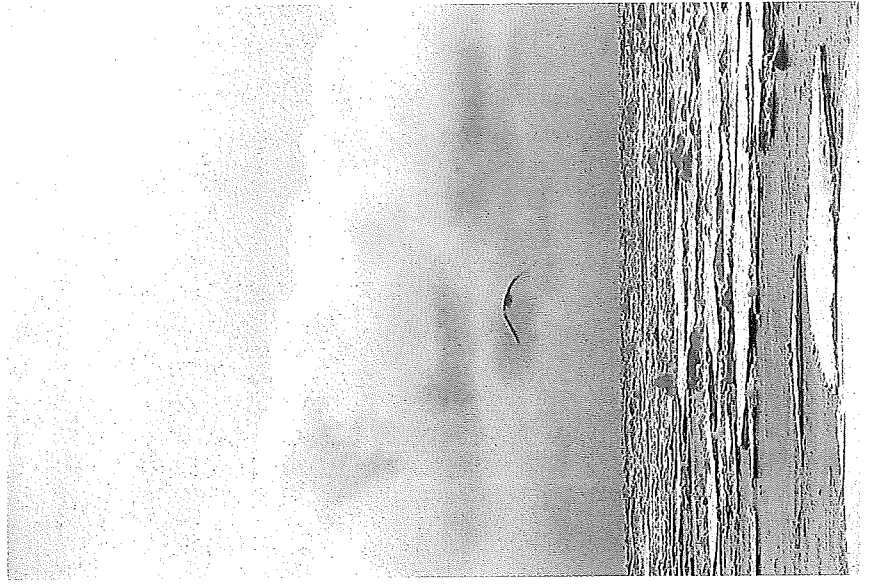
Foreign policy

The policy pursued by Finland in the Arctic aims at the development of arctic cooperation in different fields on a wide basis with a view to attaining well-functioning cooperation with avoidancing overlap. The main starting points lie in activities as called for sustainable development in harmony with the fragile nature the north, maintaining the ecological balance for future generations. A part of Finland's policy in the Arctic consists of preserving the culture of the indigenous peoples and the natural conditions required for this.

The Arctic Environment Protection Strategy (AEPS), the so-called Rovaniemi-process initiated by Finland, and the Barents Euro-Arctic Council play a central role as fora for international cooperation. Active participation in these undertakings is politically significant.

The influence of Finland's possible membership of the European Union should also be taken into account. The membership of the Nordic countries would increase the significance of the northern regions in the EU. In all activities and programmes of the EU directed to the development of cooperation with Russia, Finland should act as an active partner.

These are the basic points for promoting also the economic interests of Finland while advancing the arctic cooperation. This activity is conducive to supporting of favourable development in



North Western Russia, and it is expected to have a stabilizing effect on the whole country. Therefore the development of the above mentioned forms of cooperation and active participation in them constitute an important part of Finnish foreign policy.

Accordingly, foreign policy preconditions for supporting the efforts of Finnish enterprises in the arctic regions of Russia are good. Promotion commercial activities is related to our policy towards Russia and the Baltic States which has a high priority in the Finnish foreign policy.

Environmental policy

Environmental policy is a central concern of international cooperation in the Arctic and it has to be taken into account during the planning of different projects which will affect the environment. In addition to the significance of foreign policy, the environmental policies of the already mentioned Rovaniemi-process and Barents Euro-Arctic Council are of considerable significance. From the Finnish point of view, the promotion of environmental protection in the Arctic, including nuclear safety in the Barents region, is especially important.

The prime targets of Finnish environmental protection in the Arctic are: the preservation of the environment; sustainable use of renewable natural resources; prevention of the detrimental exploitation of non-renewable natural resources; preservation of indigenous cultures; increased knowledge and the use of this in decision making; together with the development of environmental administration and agreements.

There is insufficient basic information about the environment of the Arctic area. An important task is therefore to promote environmental baseline studies of the Russian Arctic region. In Finland it is considered very necessary to participate in the process of developing environmental technology and environmental protection of the industry and oil and gas fields in the Kola and Arkhangelsk areas and in the Barents Sea. In the future, Environmental Impact Assessment (EIA) will become an essential part of projects.

Transportation and communication policy

Development of transportation and communication systems in the Russian Arctic region is essential to assist the development of industry



and commerce. Finns and Russians are attempting to identify the most important development needs through training, technology transfer and cooperative studies. Improvement of infrastructure is a central goal. There are good opportunities for Finnish companies to take part in the planning and execution of transport and information system-related projects.

Use of the western section of the Northern Sea Route is one of the targets of the Barents Euro-Arctic Council. Finland should continue its current active role.

Exploiting natural resources

Mapping the natural resources of the Russian Arctic region should be

carried out in cooperation with the Russians and international forums such as the Barents Euro-Arctic Council. Exploitation of the vast natural resources will occur through cooperation with western companies. Finnish companies have the opportunity of taking part in the exploitation of oil, gas and mineral reserves. Projects exploiting natural resources also create opportunities for participation in other aspects of Arctic industry such as transport, the building of infrastructure and a whole variety of service activities.

Research policy

Scientific research should support those projects which are in line with Finnish research policy and which meet the strategic targets outlined in this document.

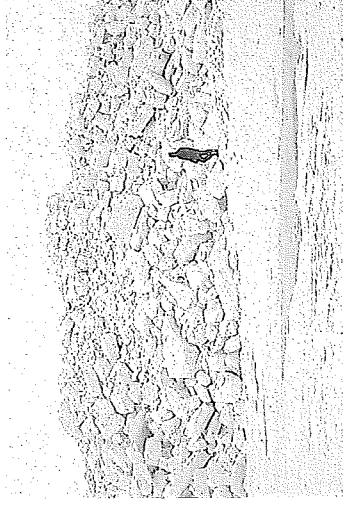
Technological cooperation

The contribution of Russian industry to projects which exploit natural resources (including the contribution of those companies which belong to the military industry complex), is central to both the political and economic viewpoints. The necessity for technological cooperation, the transfer of technology to Russia, and the fact that western companies are operating in Russia, are all factors which are an excellent match to Finnish companies' operating principles and Arctic specialisation. This creates good opportunities for new types of technology projects and commercial undertakings.

Commercial cooperation

Wide-ranging commercial and industrial cooperation connected to the exploitation of natural resources, environmental protection and the conversion of the Russian military industry complex include investment projects, service projects, transport, sales of consumer goods, and investments in Finland. There is a major opportunity for Finland to act as a "gateway" for international companies who are planning to operate in North West Russia. Government measures should improve the operating conditions for these companies by making it attractive for them to move their capital through Finland, developing a variety of service functions and acting to provide a support infrastructure in Finland.

Factors to be observed



Risk factors

Future developments in Russia carry major political and economic risks. For these reasons different regions hold different positions in relation to Russia's own security interests, and proper attention to these may not be taken when project proposals are being prepared. The expected commercial benefits from projects are usually a long way in the future. It is typical for Arctic projects to carry significant technological and environmental risks. Government participation in project support is therefore a reasonable basic requirement. Projects involving major risks should be carried out on an international cooperative basis.

Industrial policy

Industrial operations directed towards the Russian Arctic region carry considerable potential, and this has a wider significance than the commercial targets of the companies taking part. An active industrial policy is therefore required in order to support long-term operations by these companies. Government support and active involvement is also needed to create and maintain relationships in changing conditions. This is normal practice in competing countries.

Companies in the key role

The operative role in technological projects in the Arctic should remain with companies. The government's role can only be that of a participant and co-finance in projects which attempt to achieve a commercial benefit. The government could also choose to create more suitable conditions for company operations.

A tradition of cooperation

The extensive cultural and linguistic research which began in the last century, and the custom of carrying out joint scientific and technical work created a tradition of cooperation between Finland and Russia in the Arctic region. This continued to develop during the time of the Soviet Union through direct company activity, joint commercial organisations and as a result of joint scientific work. The trust built up should be preserved and utilized as international competition for joint commercial projects with Russia increases.

Scientific and technological resources

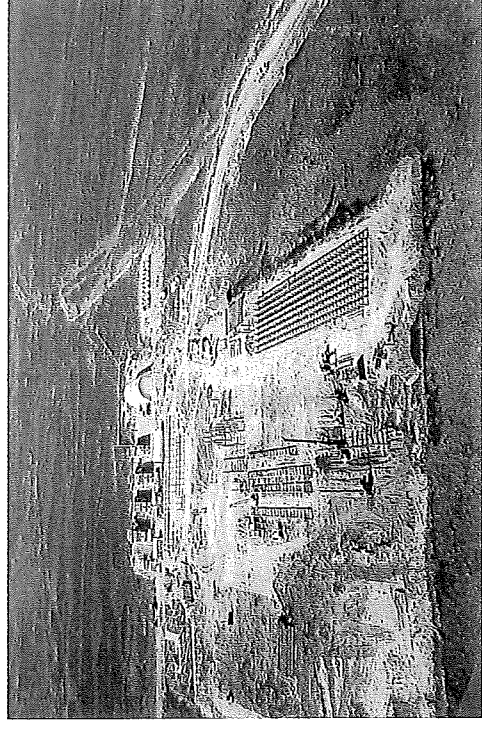
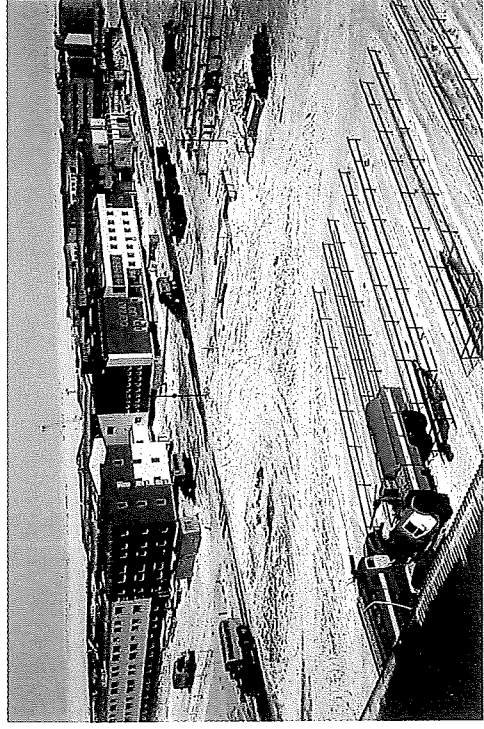
In the Arctic field, Finland's considerable expertise in different areas is internationally recognised. Basic research projects carried out in

cooperation with Russian institutions create opportunities for Finnish companies. The scientific resources in both countries and the joint projects already under way should be used to further develop the traditional cooperation in these areas. Over and above basic research, projects are required in which knowledge already gained is adapted, benefited from and used for practical purposes. Industry has the technical qualifications for participation in northern projects.

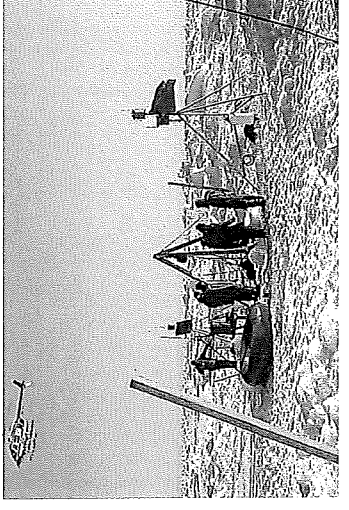
International cooperation

International interest is centred on both scientific and industrial operations in the Russian Arctic region. To a certain extent, these operations are already under way. The possibilities for international finance are many, depending on the project and those taking part. Risk finance for investment projects may also be obtained from international sources.

Finland has taken the political initiative in promoting international Arctic cooperation. For this reason, our country has a duty to be involved in the practical operations. Our existing expertise and connections could also play a significant role in the initiation and execution of joint projects. Finland should also invest in international research projects. This provides support for combining Russian and western skills, promotes our own experience of Russia and also creates a basis for new commercial joint projects.



Recommendations

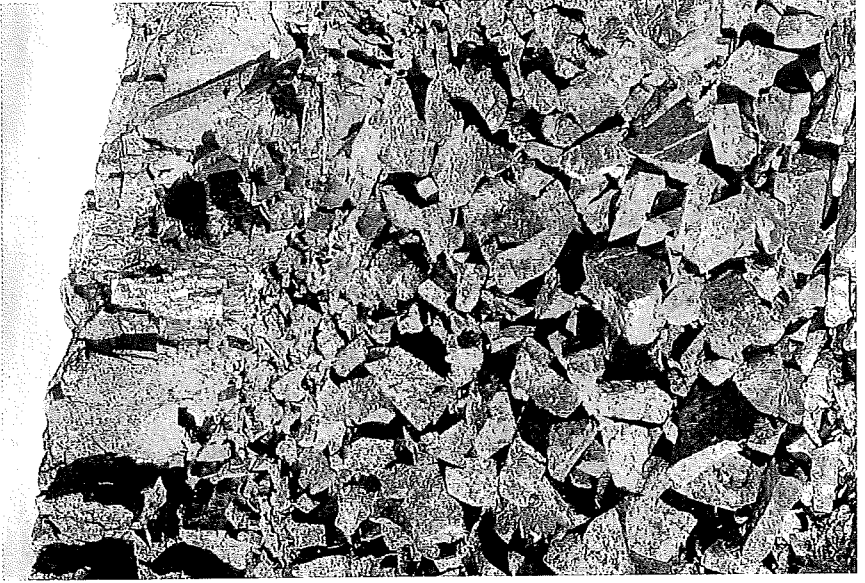


An active industrial policy is essential in the north. The reasons for this are as follows:

- *projects carry risks, but have great potential*
- *projects are long-term*
- *projects presuppose close cooperation between the Russian authorities and western countries*
- *projects are on such a huge scale that, from the viewpoint of national industrial strategy, attempts should be made to combine public and private resources.*

Exploitation of natural resources in the Russian Arctic region creates significant opportunities for Finnish companies to engage in joint projects in the technological, economic and environmental fields. Industrial and commercial projects carry significant risks, and many of these stretch far into the future. Government involvement is therefore essential in the development of operational methods such as the provision of guarantees, preferential financial terms and grants.

When government money is being provided, attention should be paid to the fact that Arctic projects require a long-term financial basis so that companies and research institutes can engage in research and



Energy infrastructure

Projects which aim to exploit Russian gas and oil reserves have, among other things, already brought construction projects to Finnish companies. Projects exploiting energy resources always result in major demand for the construction of infrastructure. There is therefore a wide variety of opportunities for Finnish technological expertise such as the provision of production technology and transportation technology, and participation in supply, maintenance, and service projects, environmental projects and community projects.

development projects which last a number of years. Government finance should, in the first place, be directed to:

- *joint basic infrastructure studies, such as baseline research*
- *preparation of major or nationally significant projects,*
- *developments in new technology, when these appear to carry significant risks,*
- *investments in environmental protection,*
- *supporting local representatives in suitable locations.*

Financial support should in particular be concentrated on those international projects in which Finland has a leading or otherwise significant role. The government should support Finland's role as a gateway country and for this purpose a working group is preparing recommendations.

Before starting to carry out a project, an Environmental Impact Assessment (EIA) must be made. This assessment should be a requirement when making decisions on finance.

Government could also be an active participant in the creation of cooperative relationships where benefits can result for companies' commercial projects.

In addition, it is proposed that the operational model for Finnish-Russian cooperation be developed and clarified in relation to developments taking place in Russia. The starting points for this are:

- *the central role of companies in economic and commercial operations,*
- *sufficient contributions by government and public organisations to questions which involve policy formation, legislation, regional cooperation, maintaining the position of indigenous cultures, cooperation inside Finland, research work and the environment, adequate and mutual coordination of the private and public sectors - provision of sufficient information, financing*
- *the use of political contacts to support commercial projects, in particular projects in the construction industry,*
- *the avoidance of duplication in organisation*
- *a clear operational strategy with respect to international organisations*

The direction of government finance towards Arctic projects in the Polar regions should enjoy a priority position in respect to projects in Antarctica. The level and extent of operations in the Antarctic are being examined elsewhere.

PHOTOS:

Matti Leppäranta (kansli, s. 4, 13)
Erkki Heino (s. 3, 7, 12)
Kaj Riska (s. 5)
Paula Kankaanpää (s. 9)
YIT-Yhtymä Oy (s. 10, 11)