
What is the European Union?

Growing from six Member States in 1952 to 15 by 1995, the European Union today embraces more than 370 million people, from the Arctic Circle to Portugal, from Ireland to Crete. Though rich in diversity, the Member States share certain common values. By entering into partnership together, their aim is to promote democracy, peace, prosperity and a fairer distribution of wealth.

After establishing a true frontier-free Europe by eliminating the remaining barriers to trade among themselves, the Member States of the European Union have resolved to respond to the major economic and social challenges of the day – to establish a common currency, boost employment and strengthen Europe's role in world affairs. In so doing, they will consolidate the foundations of a European Union that answers the needs of its citizens and is already preparing for the further enlargement to include European countries to the south and east.

Decisions within the European Union are taken by common institutions, of which the most important are:

The **European Council**, composed of the fifteen Heads of State and Government, meets at least twice a year to set priorities and trace out the political road to follow. The Presidency is taken in turn by each Member State for a period of six months.

The **Council of Ministers** is the decision-making body. It meets in different forms. For example: the Council of Ministers for Agriculture, the Council of Ministers for Transport, etc – which are attended by the Ministers in question, one per Member State. The Ministers meet to take decisions about the matters at hand and to coordinate national policies.

The **European Commission**, headed by 20 Commissioners, is the motor of European integration. It suggests the policies to be developed and also implements them. The Commission is the executive instrument of the European Union. It sees to it that the Member States adequately apply the decisions taken and situates itself in the middle of the decision-making process of the European Union. The Members of the Commission operate with a clear distribution of tasks. For example, Mr Hans van den Broek has overall responsibility for external relations with European Countries and the New Independent States.

The **European Parliament** represents the people of Europe. It examines law proposals and has the final word on the budget. It is highly involved in the cooperation and codecision procedures with the Council of Ministers. In the recent past it has, in relations with Russia, promoted themes as: cross border cooperation, initiatives to strengthen democracy, cooperation in higher education, projects to protect the environment and to promote free press.



The Barents Region – across the European Union’s North-Eastern border



The Barents region and its people

The Barents region comprises the northernmost part of the Nordic countries Finland, Sweden and Norway, which together are known as the “North Calotte”; and the Murmansk and Archangelsk provinces as well as the Karelian Republic in North-West Russia. The region belongs to the arctic and sub-arctic area, which makes its environment particularly fragile. Its large land area covers about 1.3 million square kilometres, which is larger than that of France, Spain and Portugal combined. Its population is just 4.4 million, nearly 80 per cent of whom live in Russia.

The region is home to the indigenous people of the Samis and Nenets. The Samis are concentrated in the region’s northern parts with about 45,000 residing in Norway, 5,000 in Finnish Lapland, and 3,000 in the northernmost Swedish province Norrbotten. The Nenets mostly live in the Nenets Autonomous Region in the Russian Federation’s Archangelsk Province where they account for around 12 per cent of the 54,000 inhabitants.

Natural resources

The Barents region is rich in natural resources, such as forests, fishing waters, mineral deposits, oil, gas and hydroelectric power. Over one third of the North Calotte area and more than half of the Russian part of the Barents region is forested. Commercial forests are located in particular in Lapland, Norrbotten, Karelia and the southern parts of the Murmansk and Archangelsk provinces. Commercial agricultural potential, apart from reindeer husbandry, is insignificant because of the cold climate and scarcity of arable land. Mushrooms and game found in the forests have been a traditional resource for the local people, as well as a wide range of berries, whose commercial potential is starting to be realised. The region is also one of the most important fisheries in the world.

Mineral deposits are widespread in the Barents region. In the Kola peninsula, which is the most important mineral resources area in all of Russia, more than 700 different minerals have been found - one quarter of all the mineral types known. The Archangelsk province, for its part, has valuable diamond deposits. Immense oil and gas resources in the Barents and Kara seas and Archangelsk province are only now starting to be exploited commercially. Significant strikes have been made in the Timan-Pechora area, which is located partly in the Nenets area and partly in the Komi autonomous republic. The oil and gas resources of the region are vital to the future of the northern provinces as well as significant for their national economies.

Structure of the economy

About 7 per cent of the work force is employed in the primary sector of agriculture, forestry, fishing and reindeer husbandry. Manufacturing accounts for 55-70 per cent of gross domestic product (GDP) in North-West Russia, while in North Calotte it accounts for 13-33 per cent. Energy production is also a major industry. Hydroelectric power is produced in almost all parts of the region. The Murmansk province’s main source of electricity is the Kola nuclear power station which enables it to export electricity to the Karelian Republic and Finland. Public services account for a large proportion of the economy in the North Calotte area, but private services, particularly tourism, have increased greatly in recent years. Private services are still underdeveloped in the Russian areas of the Barents region.

Barents Sea

Education

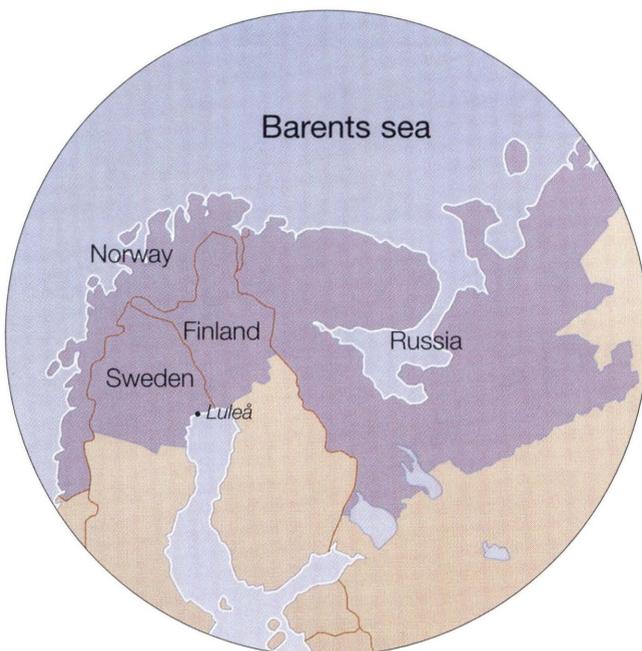
Educational levels are high. The percentage of people who have completed a post-school qualification varies from 52 per cent in Lapland to 71 per cent in Murmansk. The region has two universities/colleges in North-West Russia and three in North Calotte (Tromsø, Luleå and Rovaniemi). Research is important to business and industry in the Barents region and cooperation between the institutions is growing.

Transport and infrastructure

Transport links between countries in the Barents region are variable. Roads and border crossings between Norway, Sweden and Finland are generally quite good, but connections to Russia require some redevelopment. The network is rather sparse. No east-west railway links currently exist between the North Calotte and the Russian parts of the Barents region, although a rail connection to Russia from Kemijärvi in Finland existed until about fifty years ago. Sweden and Norway have only one rail link in the Barents region between Narvik and Luleå. Feasibility studies on future rail links have been carried out. Finland and Russia use the same railway gauge, but Finland and Sweden do not. A gauge conversion project is currently being undertaken between them.

The region has a number of major ports, which form important links in the region's transport network. Murmansk is northern Russia's largest all-year port, whose importance for commercial shipping is increasing. Other important ports include Severodvinsk, Archangelsk, Kandalaksha, and Narvik, as well as Kemi and Luleå on the Gulf of Bothnia.

Telecommunication networks in the Nordic countries are highly developed. In contrast, the capacity of the telecommunication network in North West Russia remains limited, and the cost of using telecommunications within Russia as well as that of cross-border services between the Nordic countries and North-West Russia remains extremely high.



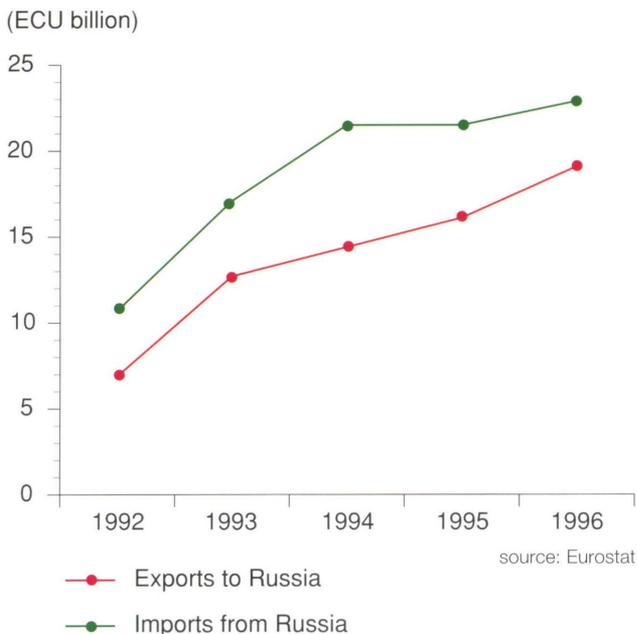
The European Union and its neighbours in the North-East

Relations between the EU and the Russian Federation

The Partnership and Cooperation Agreement (PCA) governs the relations between the EU and the Russian Federation. The PCA is a framework for political, commercial, economic and cultural cooperation and sets down the legal basis for the development of trade and investment links. The Agreement, which entered in force in December 1997, establishes regular political dialogue and supports the transition to a market-oriented economic system. The areas of cooperation outlined in the Agreement are supported through the European Union's Tacis Programme.

Significantly, trade between the EU and Russia is growing at a 10% annual rate and the EU is Russia's largest trading partner, accounting for 40% of Russia's exports and 38% of Russia's imports. The EU is supporting Russia's bid for WTO membership as this is an important step to secure further economic reform.

Trade between the European Union and the Russian Federation



Relations between the EU and Norway

The EU's relations with Norway are based on the European Economic Area (EEA) agreement. This means that for most purposes, Norway is effectively part of the European Union's single market, the major exception being the fisheries and agricultural sectors, which are only partially covered by the EEA agreement. Within the EEA framework, no barriers exist between the EU and Norway to hamper the freedom of movement of goods, services, people and capital. However the EEA is not a Customs Union, and customs procedures, in particular regarding trade in products from third countries, are maintained between Community Member States and the other EEA countries.

After Finland's and Sweden's entry into the EU, Norway became a partner in the INTERREG cooperation programmes which those two countries jointly finance with the EU in the Barents region and which build on existing Nordic co-operation. Norway is involved in projects in North-West Russia which are being part-financed by the EU's Tacis Programme, including projects to improve air and water quality and to dispose of nuclear materials. Developments in the oil industry are also key areas of mutual interest between the EU and Norway.

Regional Co-operation in the Barents area

The Barents Euro Arctic Council and the Barents Regional Council

The process of regional co-operation plays a key role in furthering the development of the Barents region. This process was formalised in 1993 through the creation of the Barents Euro-Arctic Council (BEAC) and the Barents Regional Council (BRC), reviving long-standing traditions of cooperation and good neighbourliness among the peoples of the region.

The BEAC was established in 1993 on Norway's initiative. In this forum, the four countries directly concerned - Finland, Norway, the Russian Federation, and Sweden - meet on a regular basis, together with Denmark, Iceland, and the European Commission. Canada, France, Germany, Italy, Japan, the Netherlands, Poland, UK, and the USA are observers to this process.

The BRC is a body at sub-regional level which was established in parallel to the BEAC. The BRC consists of representatives of the regional administrations of the provinces which constitute the Barents region - Lapland in Finland; Norrbotten in Sweden; Nordland, Troms and Finnmark in Norway; Murmansk, Archangelsk, the Karelian Republic and the Nenets Autonomous Region in the Russian Federation - along

with a representative of the Sami indigenous people. The BRC has also recently accepted the provinces of Oulu in Finland and Västerbotten in Sweden as members. The BRC deals with issues of local and regional significance, and co-ordinates projects agreed upon with local authorities and other bodies, particularly in the fields of rail, road and sea transportation; telecommunications; energy; the environment; border facilities; and health matters. It helps in the planning of projects and in organising finance, either from the Nordic countries' bilateral programmes with Russia, the EU's Tacis or INTERREG programmes, and other sources such as the World Bank and the EBRD.

From the outset, the partners in the Barents co-operation have been clear about their priorities. Their main objective is to promote sustainable development in the region, giving particular attention to the environment including nuclear safety, economic co-operation, regional infrastructure, energy, people-to-people contacts, educational and cultural exchange and the situation of the indigenous peoples. Special attention is devoted to the development of the Russian part of the Barents region.



The scope of European Union involvement in the Barents Region

Following the accession of Sweden and Finland to the EU in 1995, the Barents area became the European Union's northernmost region. The Barents region is of special significance to the Union not only for its economic potential and great environmental value, but also as the Union's only direct border with the Russian Federation. The EU is involved in this region in many different ways.

The EU helps to stimulate regional development, both in the sparsely populated Nordic areas and in North-West Russia. One of the major aims is to attract investment to the region and to maintain a sustainable population level in this regard.

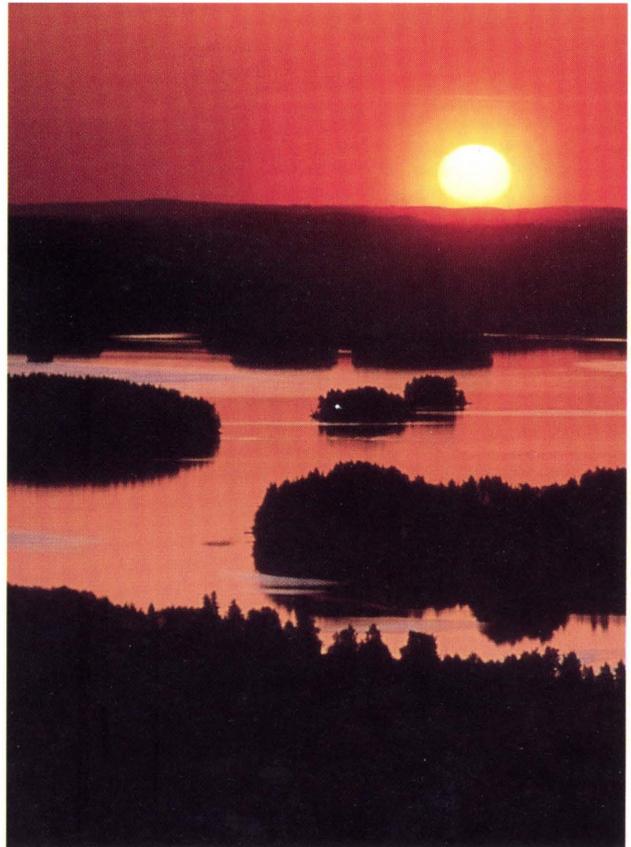
The EU encourages trans-frontier co-operation, both across its internal borders in the Barents region and across its borders with Norway and Russia. The essence of such co-operation is to create a framework in which trade and communications can grow, developing and reinforcing traditional links.

The EU contributes to preserving the region's environment and nuclear safety, and devotes particular attention in this regard to the situation in North-West Russia.

The EU is active in promoting the development of a regionally integrated transport network in the framework of the Barents Euro-Arctic Pan-European Transport Area, as endorsed by the Pan-European Transport Conference in Helsinki in June 1997.

The EU encourages educational and cultural exchange and the strengthening of links between higher education institutions throughout the Barents region.

The EU contributes to the development of basic research in the arctic, in particular in the Barents region and Spitzbergen, including environmental research related to global change and its impact on ecosystems and society.



Throughout its activities in these various fields, the EU supports the development of regional cooperation in the Barents area, as a means to promote stability, security and prosperity, complementary to the EU's bilateral relations with its neighbours in the region.

The Barents Sea - Willem Barents



The Barents Sea is named after the famous Dutch discoverer and cartographer Willem Barents (1550-1597), who piloted three expeditions to the Arctic in the 1590s.

On the third expedition (1596-97) Willem Barents died. The present map is based on Willem Barents' third expedition and was published in The Hague in 1599, by the Dutch discoverer Jan Huygen van Linschoten (1563-1610)

European Union support in the Barents region

The EU supports regional development and cooperation in the Barents region through a range of Community instruments. Broadly, they comprise the Structural Funds, for projects situated on the EU side of the border, and the Tacis Programme, for activities that take place within the Russian part of the region. In drawing on these instruments in a regional context, special attention is given to co-ordination and the creation of synergies, as well as to coordination with the EIB, the EBRD and other international financial institutions.

Structural Funds

The European Union's Structural Funds - European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Guarantee and Guidance Fund (EAGGF) - jointly finance several development programmes in the North Calotte part of

the Barents region. The main actions are the Objective 6 Programmes and various INTERREG cross-border cooperation programmes.

The Objective 6 Programmes are aimed at the general development of the sparsely populated areas of northern and western Sweden and northern and eastern Finland. Between 1995-1999, the EU contributes ECU 252 million in Sweden and ECU 460 million in Finland to programmes with a budget of ECU 635 million and ECU 1,326 million respectively. The EU will spend around ECU 70 million in Norrbotten (northern Sweden) and ECU 110 million in Lapland (Finland).

Under the Objective 6 programmes everything from business to R&D, technology transfer, training and diversification of agriculture are supported. Business projects being financed include the development of winter sports centres and the funding of new businesses



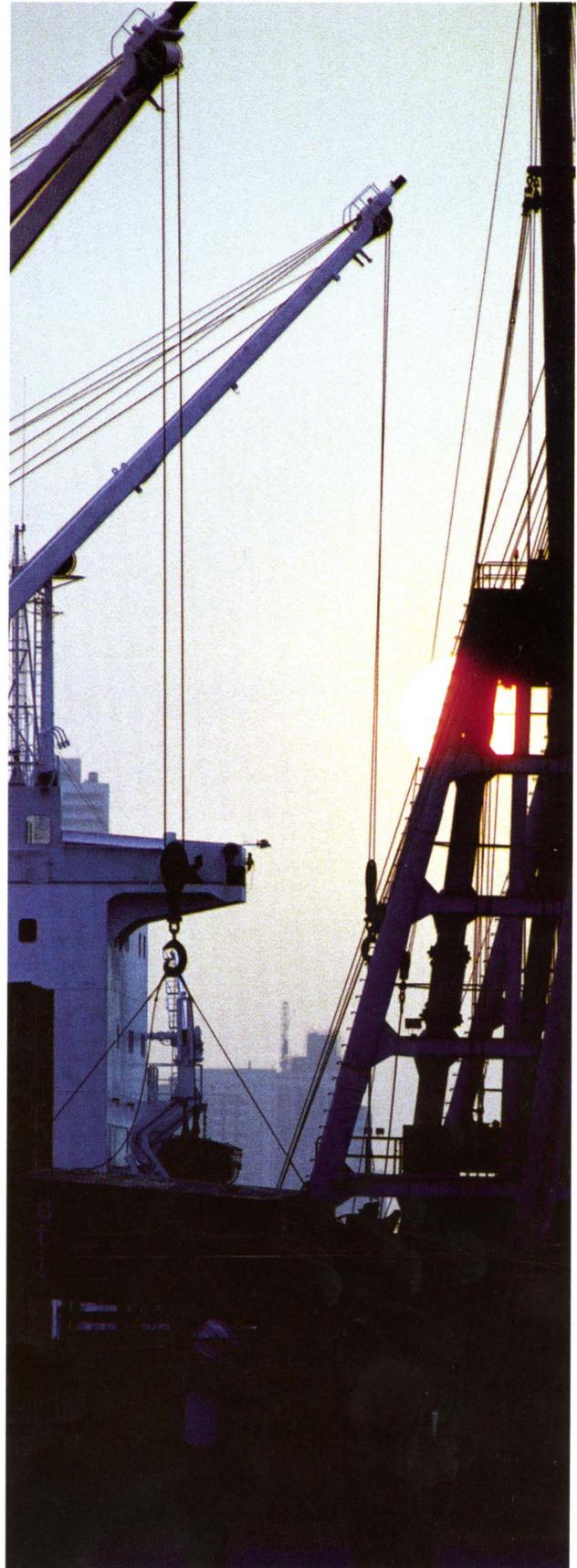
in sectors such as environmental technology and private services. Major research and higher education projects such as the Kiruna space and environmental research centre and the Lapland University Arctic Centre are also being funded. The building of a large Sami museum in Inari, Lapland, is another recent project partially funded under Objective 6.

Under the EU's INTERREG initiative, three five-year (1995-99) cross-border cooperation programmes are operating in the Barents area:

- North Calotte INTERREG programme – which fosters cooperation between the northern zones of Sweden, Finland and Norway,
- Barents INTERREG programme - which supports similar projects between the Nordic countries' northernmost areas and North-West Russia,
- Karelian INTERREG programme - which supports cross-border cooperation between central eastern Finland and the Karelian Republic.

The North Calotte INTERREG programme will mobilise ECU 41.5 million. It comprises ECU 12.2 million from the Structural Funds, which is matched by a similar national amount of public funding from Finland and Sweden, ECU 12.2 million from Norway and private funding. The programme's overall objective is to support balanced development in the area. In the business sector, projects are directed at improving the use of indigenous natural resources, diversification, marketing and networking. Other objectives are to make better use of east-west infrastructures, including tele-communications, and increasing cooperation between the public services and in education and training.

The Barents INTERREG programme's total budget of ECU 36 million includes ECU 10.5 million of EU funding matched by ECU 10.5 million jointly from Finland and Sweden, ECU 6.5 million from Norway, ECU 6 million from Russia, and ECU 2.5 million of private funding. The programme is financing transport and communications projects, business cooperation, training, R&D and public welfare schemes that contribute to the development of cooperation and communications between North Calotte and the Murmansk and Archangelsk regions of Russia.



Examples of projects financed by the Barents INTERREG programme include:

- The construction of facilities and a section of road on the Finnish side of the Salla-Kellosekä border crossing,
- The restoration of salmon stock in the upper reaches of the Tuloma river,
- The improvement of Geographical Information Technology within the Barents region for planning and environmental purposes,
- The 'RUSCA' business cooperation project,
- The "Russian competence" Russian studies courses in Lapland,
- The "Swedish Centre" project – a representation of Nordic countries' businesses in North-West Russia.

The Karelia INTERREG programme's budget of nearly ECU 32 million consists of ECU 13.9 million from the EU, ECU 13.9 million from Finnish authorities and ECU 4 million from the private sector. Projects to be funded include: transport, communications, the environment, INTERREGional administrative and cultural cooperation, training, and business cooperation including tourism. The programme is mainly directed at cooperation with the Karelian Republic, and, secondly with the Archangelsk and Leningrad regions and St Petersburg.

Karelia INTERREG projects to receive funding include:

- improvement of facilities at the Niirala border station,
- health care and education in social services in Karelia involving the training of Finnish personnel,
- a border area cooperation centre for Värtsilä-Niirala covering tourism and business fairs.

The Tacis Programme

The Tacis Programme is the European Union's initiative to provide grant finance for the transfer of know-how to promote market economies and democratic societies in the New Independent States. Since 1991, Tacis has allocated more than ECU 1 billion to the Russian Federation. Close to ECU 90 million of EU funds have been made available to the Russian part of the Barents region.

Tacis supports development in the Barents area through the National Action Programme for Russia which includes a special 1995 Action Programme for North-West Russia (ECU 28 million). Under this Programme, thirteen projects are being financed in a



range of sectors including human resources development, food production, processing and distribution, energy, telecommunications and transport.

The Tacis Nuclear Safety Programme has committed ECU 35 million between 1992-1996 to the Barents region for nuclear waste management, on-site assistance to the Kola nuclear power plant, and activities related to the Lepse project.

The Tacis Cross-Border Cooperation Programme (CBC) finances projects on the western borders of the NIS with the EU and the Central European countries

which have a sustainable impact on both sides of a border. An important factor behind the reinforcement of cross-border cooperation is the need to ensure stability on the common EU/NIS borders. Within this framework, the programme's specific objectives are to improve the efficiency and effectiveness of border controls and transit, to assist border regions in overcoming their specific development problems and to address local transfrontier environmental problems.

Since the creation of the CBC Programme in 1996, ECU 15 million has been allocated to the Barents region for activities related to border crossings, the environment, energy efficiency, and small-scale local actions.

The European Union cooperates with the EBRD and other international financial institutions in the Russian part of the Barents region. Involvement by the EBRD can be assisted through the Bangkok facility, a Tacis instrument which finances the preparation required to apply for an EBRD loan.

Examples of Tacis financed projects are:

Infrastructure and food production, processing and distribution projects

The North-West Regional Transport Development project aims at outlining the North-West Region's future transport infrastructure on the basis of an analysis of the region's economic potential. The project includes the modernisation of the ports of Murmansk and Archangelsk.

Technical Assistance to the Fisheries Complex in Murmansk. The project is designed to assist the fish processing industries to improve outputs from available raw materials and new product developments. The setting up of a pilot fish processing unit and product wholesale market are among the most visible expected outputs.



Nuclear Safety – Lapse

At the Lapse project, spent fuel elements from nuclear-powered ice-breakers are being removed and temporarily stored. Tacis has financed a feasibility study. The framework for co-financing of the actual work with other donors is being finalised; a first project (safety analysis) financed under the Tacis Programme is to be launched.

Kola nuclear power plant

Tacis finances on-site assistance at the Kola nuclear power plant to improve safety conditions by providing adequate equipment and expert advice. The Kola plant also benefits from assistance through the Nuclear Safety Account, managed by the EBRD.

Cross-border cooperation – Salla - Kellosekä border crossing and environmental and health projects

Activities at the Salla border crossing project include the provision of small-scale infrastructure assistance and courses for Russian customs officials on how to deal with international documentation.

On the Finnish side the construction of a stretch of road leading to the border has been financed under the Barents INTERREG programme. The road to the border on the Russian side has been reconstructed with Russian financing. Once the border crossing is fully operational, the corridor linking northern Finland and Sweden with Murmansk will be complete.

The upgrading of water supply and waste water treatment in Karelia. This will reduce immediate health problems as well as improving the quality of waste water flowing into the Baltic and White seas.



Other Tacis projects

Other Tacis financed projects include:

- strengthening of public administration,
- forest resource management,
- development of local energy resources of Karelia and support to improve efficiency,
- know-how for the improvement of postal services, North-West Region,
- support to the implementation of social and health care reform in Karelia,
- North-West Energy Centre project (including Murmansk, Petrozavodsk and Archangelsk).

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