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ANALYSIS OF THE TRADE DEVELOPMENT STRATEGY: THE MURMANSK REGION CASE

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ABSTRACT OF THE MASTER’S THESIS

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Analysis of the trade development strategy: the Murmansk region case

Trade between Finland and Russia plays an important role in the economies of both countries. However, lack or insufficiency of relevant information concerning trading procedures in Russia, and in the Murmansk region in particular, frequently hinders the deployment of the existing business opportunities and makes the process of entering the regional market rather complicated demotivating perspective Finnish investors. To address this problem, the current study explores the trade development strategy of the Murmansk region and identifies its influence on the cross-border trade with Finland.

This study is designed as a qualitative single-case embedded study. Primary data collection is executed by means of a survey and semi-structured interviews. Secondary data collection entails relevant literature analysis, with journal articles, statistics reports, and official documents among others. The acquired data is analyzed by developing a case description.

In this research trade development strategy is understood from the practice theory perspective and is defined as a set of strategic activities initiated by the formal and informal institutions with an aim to positively influence trading. Trade development strategy includes activities related to (1) intelligent growth; (2) trade promotion; (3) infrastructure development; and (4) support for market access and international trade cooperation. This study has revealed that absence of a thoroughly devised international trade development strategy in the Murmansk region does not allow streamlining all the strategizing activities related to the trade development in the region. Accordingly, the activities tend to be uncoordinated and unbalanced. Furthermore, those activities that are implemented are insufficient to cardinally change the situation – either due to the lack of authority or initially low developmental level. As a result, the strategizing episodes that are being currently implemented in the Murmansk region cannot substantially influence or facilitate the international trade between Finland and the Murmansk region.

From the theory point of view, this study utilizing practice theory approach contributes to the understanding of the strategy concept as applied to the trade development, sheds light on the structural peculiarities of the trade development strategy, pinpoints the absence of a commonly devised framework for the trade strategy development and develops a single-case trade strategy analysis framework.

Key words: Practice theory, strategy as practice, trade development strategy, the Murmansk region

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1 INTRODUCTION

1.1 Introduction to the topic

Being a heterogeneous region with a significant number of stakeholders, the Barents area contributes to the European competitiveness not only by means of a networked knowledge-based society, but also via substantial potential in the natural resources and related industries. Furthermore, the Barents region as an important logistics hub plays a key role in the Arctic transportation. As a result, the last two decades have witnessed a constant increase of the global interest towards the Barents area. (The Barents Regional Council 2008.)

The Barents region is a vast area consisting of Kainuu, Lapland and Oulu Region (North Karelia was granted an observer status in 2008) in Finland; Finnmark, Nordland and Troms in Norway; Arkhangelsk, Karelia, Komi, Murmansk and Nenets in Russia; Norrbotten and Västerbotten in Sweden. To utilize developmental potential of the participating countries, the possibilities of economic, political and cultural co-operation are to be sought and exploited. However, to effectively use the opportunities offered by these northern regions a number of obstacles is to be dealt with. First, there is a strong and obvious need for the competences’ development in cross-border cooperation due to the unique cultural diversity of the involved countries. Second, sustainable growth and economic cooperation in the Barents region is heavily dependent on transport possibilities and infrastructure. Inadequate infrastructure hinders economic development and the opportunities to fully utilize raw material potential. This problem is especially relevant for the Murmansk region where efforts should be made to improve the local infrastructure in all forms of transportation including roads, railways, flight and sea routes. Furthermore, a number of projects is planned to be implemented in the Murmansk region that require greater logistics expertise, e.g. the development of the Murmansk transportation hub and the Shtokman gas field. Likewise, many communication and operational systems are still quite old-fashioned in Russia. To facilitate an even progress and development of the
Barents region, there is a clear need to bring the best Finnish, Swedish and Norwegian practices to the Murmansk region.

To address the above described issues, **Barents Logistics II project** is being currently implemented. It originates from a Barents Logistics I pre-project executed in 2007 by the University of Oulu, Luleå University of Technology (LTU) and Murmansk State Technical University (MSTU). Its main goal was to co-operate in the field of logistics, to plan joint actions in education and research and to prepare a joint project application for Kolarctic ENPI CBC Programme 2007–2013.

Barents Logistics II project unites the University of Oulu, Oulu Business School, city of Oulu and city of Kemi as the lead partners and Port of Kemi, Lapland; Port of Oulu, Northern Ostrobothnia; Luleå University of Technology, Norrbotten; Socium +, Murmansk oblast; Arctic Center, Murmansk oblast; Association of Suppliers for Oil and Gas Industry “Murmanshelf”; the Ministry of Economic Development of the Murmansk region as other partners.

*The main project goal* is to develop competencies and deepen educational cooperation between the universities and educational institutions together with public and business organizations in the Barents region, thereby developing a wide network of business, education and institutional actors. Under this umbrella goal, the project fosters research aimed at promotion of concrete cooperation and personal contacts, raising awareness of business opportunities in the neighboring countries.

**The current study was implemented within the framework of the Barents Logistics II project.** The initiation of this research was preconditioned by several factors. First, it contributes to the achievement of the major project goal by providing an analysis of the trade development strategy of the Murmansk region, thereby revealing its impact on the cross-border cooperation between the two countries and pinpointing perspectives for the mutual cooperation. Additionally, an analysis of the regional trade development strategy allows discerning potential problems in the trading procedures, thereby allowing the international business partners to jointly address them.
Second, owning to the cultural differences, language barriers and consequences of the long period of the Soviet Union isolation from the international business arena, there is a great information insufficiency and subsequent demand for the business- and society-related information among the project partners, and Finnish business actors in particular. And all this despite the fact that Russia is one of the most important trade partners of Finland. In 2011 18, 66% of the total Finnish imports and 9, 41% of the total Finnish exports went to Russia. In comparison to 2010 the total imports from Russia have grown by 22% and exports to Russia – by 13%. (Tullihallitus 2012.) More than 40 international projects between the two countries funded by TEKES were implemented during 2006-2010 (Setälä 2010: 7).

Third, the analysis of a trade development strategy of the Murmansk region is not deeply presented in the current scientific literature revealing a research gap. Yet, recent trade research reports have pointed to the importance of trade development and trade facilitation strategies in boosting trading activities (Dennis 2010: 1753). Wilson et al. (2004) observed a $377 billion increase in global trade of manufacturing goods arising from improvements in trade facilitation. Djankov et al. (2006) using a gravity model found that each additional day that a product is delayed prior to being shipped reduces trade by more than 1%. Similarly Nordas et al. (2006) also found that the time for export has a negative impact on both the probability to export and the exported volumes. Hence, the necessity and benefits of trade development and trade facilitation have been widely confirmed in the trade literature.

Fourth factor is connected with the author’s personal interest in the cross-border cooperation and desire to contribute to the development of the business relations between the Murmansk region and its northern neighbors. Moreover, this research is needed to ensure that the international companies originating from the Barents region countries are equally represented on the Murmansk region market to stimulate local competition and development. Therefore, the current study is primarily targeted for the Finnish and Swedish business representatives as the Norwegian business has already gained strong presence on the regional market. However, it can be relevant for the Norwegian partners as well since it provides valuable insights into the trade environment of the Murmansk region. The research points out possible benefits and complications that can be encountered by the foreign business in the region allowing
to proactively answering the local challenges. Furthermore, it represents a number of potential business opportunities and highlights the mechanisms that are available in the Murmansk region aimed at facilitating cross-border trade. This study is also beneficial for the Russian partners since it emphasizes the problems in the Russian business reality that are especially difficult for the foreign partners to manage, thereby highlighting the areas where the appropriate measures are to be taken to improve the situation.

Being implemented within the Barents Logistics II project, this study is guided by the needs of the project being, therefore, rather descriptive in nature and providing a helicopter overview of the research questions that are presented in subchapter 1.3.

1.2 Defining the research gap

During the last decades the phenomenon of international trade has received attention of both those involved in international business transactions and those who analyze the practices in this field (Mirus & Yeung 1993: 409–410). However, to the best knowledge of the author, such important aspect of the international trade as trade development strategy has received little attention by the scholars and business practitioners, not to mention its analysis with regard to certain geographical areas. The current situation and lack of the theoretical knowledge regarding constituent parts of a trade development strategy can be partly attributed to the unique nature of a strategy, i.e. it seems to be impossible and impractical to develop a general framework of the trade development strategy since every strategy is contextual and is devised according to the specific needs. Nonetheless, an analysis of the trade development strategy provides valuable insight regarding future trading perspectives and opportunities in a given area.

Examination of a trade development strategy of the Murmansk region allows defining its impact on the cross-border trade with Finland revealing its future potential. Following practice theory approach, in the current study trade development strategy is viewed as a set of strategic activities initiated by the regional formal and informal institutions with an aim to positively influence trading with Finland. Therefore, the research gap is concretized through the need to first discern the main
components of a trade development strategy, thereby developing a framework for the regional trade development strategy analysis; second – to analyze the trade development strategy of the Murmansk region applying the analysis framework; third – to identify the impact of the trade development strategy on the cross-border trading between Finland and Russia.

In short, the study through analyzing trade-related strategic activities in the Murmansk region – trade development strategy of the Murmansk region – aims to evaluate their impact on the cross-border trade with Finland, thereby covering the existing research gap and simultaneously providing the Finnish business actors with the necessary information.

1.3 Research questions and objectives

As pointed out earlier, trade between Finland and Russia plays an important role in the economies of both countries. However, lack or insufficiency of the relevant information makes the process of establishing trade operations rather complicated demotivating perspective foreign investors. Therefore, the first research objective is to present unbiased analysis of the trade development strategy of the Murmansk region, thereby revealing whether it actively facilitates international trade between the two countries or it is insufficient and does not impact trade in any way. The second objective is to give a clear idea for the foreign partners concerning trading mechanisms with Russia.

Given the objectives of the study, the central question that is explored can be described as follows: How does trade development strategy of the Murmansk region influence the cross-border trade with Finland?

The main research question is answered through investigation of a set of sub-questions:

1. What is a trade development strategy?
2. What are the main elements of a trade development strategy?
3. What are the specific trade-related strategic activities implemented by the Murmansk region institutions aimed at influencing the cross-border trade with Finland?

Answering the first question, an overview of the trade development strategy concept is to be provided to outline a perspective from which this concept is viewed in this study; by this means, a common understanding of the core concept is formed to avoid potential misinterpretations. Second sub-question aims at distinguishing key constituent elements of a trade development strategy based on the already implemented strategies on the international, national, as well as regional levels; thereby, realized practices in the trade development field are identified enabling benchmarking and developing a framework for a trade development strategy analysis. This framework includes the most important and frequently observed areas where trade-related strategic activities are initiated and implemented. The next step entails analyzing strategizing activities in the Murmansk region according to the areas selected and incorporated into the analysis framework; thereby empirical application of the developed framework in the trade context of the Murmansk region is realized. The investigation of the sub-questions permits answering the main research question, i.e. identifying how the implemented trade-related strategic activities support trading between the Murmansk region and Finland.

1.4 Research approach

This study is designed as a qualitative single-case embedded study. It is believed that the case study method proves to be an appropriate design choice in settings where contextual conditions are pertinent to the phenomenon under inquiry. Unlike an experiment, which separates the phenomenon from its context, case study strategy is effective in capturing the social phenomena with its different dimensions and the interconnectedness of these dimensions in a specific context (Creswell 1998, Yin 1994). On the other hand, qualitative research has increasingly been proving its worth in studying social phenomena (Patton 2002). Social phenomena are not concrete, but are the projections of human imagination. Qualitative research techniques are powerful in capturing human imagination because they enable direct
involvement of the researchers in pursuit of the meaning of social phenomena. (Morgan & Smircich 1980.)

A number of rationales has spoken in favor of a single-case design. First, the subject of the study, i.e. the trade development strategy of the Murmansk region, represents a unique case which is worth documenting and analyzing owing to the exclusive combination of the external business context, environmental factors and the Barents Logistics II objectives. Second, there is a situation when the investigator has an opportunity to observe and analyze a phenomenon previously inaccessible to the inquiry, mainly due to the communication difficulties. Third, a single-case design lays the foundation for the future possible longitudinal research allowing following the changes in the trade development strategy of the Murmansk region and tracking positive amendments to it aimed at further trade facilitation between Finland and Russia.

Down to the fact that the single-case study involves more than one unit of analysis, an embedded single-case research design has been chosen. Even though the case study is about the Murmansk region only, the analysis includes multiple elements of the regional trade development strategy.

Primary data collection is executed by means of a survey and semi-structured interviews. The survey was carried out in April–July 2012 with an aim to identify what aspects of trade development are of utmost interest for the Finnish business actors (see Appendix 1). The interviews in the Murmansk region took place in October–November 2012 (see Appendix 2). Semi-structured interviews has allowed the participants not only to answer in a matter-of-fact manner but also to share their own opinions about the events and propose insights in the occurrences forming the basis for further inquiry and consequently potential future research (Yin 1994: 107). Secondary data collection entails relevant literature analysis, with journal articles, statistics reports, and official documents among others. The acquired data is analyzed by developing the case description according to the proposed theoretical framework.
1.5 Research case

Case study research methodology has a relatively long history within the social sciences and humanities, and has been found to be especially valuable in such practice-oriented fields as education, management, public administration and the human services. Nonetheless, case study research has received perhaps the least attention among various methodologies – only a few texts deal with it as a central subject. As Yin (1994) laconically expressed it, “the body of literature in case study research is primitive and limited”. (Yin 1994, Mills et al. 2010, Remenyi 2012.) Though being extensively used, neither a commonly agreed upon definition, nor specific case requirements are clearly defined.

According to Shuttleworth (2008), a case study is an in-depth investigation of a particular situation. Therefore, a unit of analysis lies at the heart of any case study research forming its basis. According to Rowley (2002), it may be an individual person (such as a business leader, or someone who has had an experience of interest), or an event (such as a decision, a programme, an implementation process or organizational change), or an organization or team or department within the organization. Rowley (2002) further emphasizes that it can sometimes be difficult to identify the boundaries of the unit of analysis. A key issue is that the case study should only ask questions about the unit of analysis, and any sub-units. (Rowley 2002.) Additionally, case studies are particularly relevant for investigating contemporary phenomenon in a real-life context.

In case of the current study, the basic unit of analysis is the trade development strategy of the Murmansk region, and its implementation process. The geographical locality forms the background and specifies the context of the study. Following the practice theory approach, the trade development strategy of the Murmansk region in the case is understood and consists of a sum of strategizing activities that are being planned or implemented in the region to support and promote the international trade relations. The structured examination of these initiatives is executed by means of the analysis framework that is developed and presented in Chapter 3 and 4.
Selecting an appropriate case for the study is of critical importance for the success of the whole study predefining potential constraints for further research. These include, among others, information accessibility, resources and time available. (Rowley 2002, Yin 1994, Shuttleworth 2008.) Owning to the time and resource limitations, insufficient information accessibility, the current study focuses only on four areas where the regional trade development activities are being implemented – intellectual growth, trade promotion, infrastructure development, support for market access and international trade cooperation. In short, the case of the research is the trade development strategy of the Murmansk region which constituent elements are categorized into four groups presented above and analyzed by means of an analysis framework developed in Chapter 3 and 4.

1.6 Main concepts

A clear definition is essential for understanding the essence of any concept. To understand the essence of the strategic trade development, a perspective on its central concept – strategy – is required.

Scholars in this discipline recognize that its emergence as an academic field of research began in the early 1960s. Since then it has grown rapidly and today is quite diverse. (Ronda-Pupo & Guerras-Martin 2012: 162.) Ketchen et al. (2008) point out that, despite its wide diffusion and the application of central models and concepts, there are many definitions of the strategy concept and strategic management, most of which lack an integrating nature. Although strategy is one of the most taught and studied concepts, it is paradoxically also one of the least understood. In short, the literature regarding strategic management comprises a large amount of subject matter and topics that tend largely to be fragmented and lack a coherent identity. (Ketchen et al. 2008.)

For the purpose of this study, the concept of strategy is approached from the practice theory perspective and conceptualized as all the various strategic activities or instances of strategizing involved in strategy realization: strategy is the walk and talk, doing and saying of strategy practitioners themselves (Schatzki 1996, Whittington 1996) who are the strategy’s prime movers.
Due to the nature of the study that involves trade relationship analysis mainly between Finland and Russia, the concept of trade is perceived from its international dimension, i.e. trade is understood as constituent of exports, imports and transit trade. Whereas transit trade refers to the combination of an export and an import contract in one transaction between three partners from three different countries. Transit traders reside neither in the exporting, nor in the importing country but operate from a third country. (Grafers & Schlich 2005: 19.)

Development from a trade perspective can be defined as trade-led development for trade gains. This definition focuses on everything that can enable countries to ‘trade and deal’ in the local and global market forum – from liberalization, to trade facilitation, competitiveness, production and service efficiency, investment promotion and enterprise development; and building trade capacity for these through human, institutional and infrastructure capacity, trade financing, aid for trade, and technology transfer. (Schwarz 2009: 59.) Therefore, in this research trade development strategy is viewed as a set of strategic activities and/or measures initiated by various institutions with an aim to influence trade positively.

1.7 Outline of the study

The structure of the study follows from the theoretical and empirical objectives of the research (see Figure 1). Chapter 1 includes the introduction, states the research gap, research objectives and questions, research approach and describes the research case and defines the main concepts. Chapter 2 reviews the development dynamics of the strategy concept, explains the perspective of this study on the concept of strategy and emphasizes the importance of the trade development strategy for the regional competitiveness. Chapter 3 focuses on the theoretical basis of the research. It describes the process of strategy development, explores the structure of a trade development strategy and closes with the development of the analysis framework of the Murmansk region trade development strategy. Chapter 4 explains the analysis framework and provides its extended model for the empirical research. Chapter 5 deals with the methodology used in the study. The research approach, design, choices concerning data collection and data analysis, and use of the interview material are discussed. Chapter 6 opens up the empirical part of the research and describes the
research context – the Murmansk region. Chapter 7 presents the data obtained from the interviews thereby offering an understanding of the trade development strategy of the Murmansk region. Chapter 8 ends with the discussion answering the research questions, provides managerial implications, states reliability and validity of the research and gives suggestions as to relevant further research.

Figure 1. Outline of the study
2 CONCEPT OF TRADE DEVELOPMENT STRATEGY

2.1 Trade development strategy as practice

Nowadays, “strategy” is one of the most loosely used concepts in business that encompasses a variety of phenomena. However, as the experiences of most international companies show, it is a concept with enormous practical value. Therefore, being fundamental to performance, no organization can afford fuzzy thinking when it comes to strategy concept. It is true, however, that any attempt to draw sharp bound-areas around abstract terms involves some arbitrary choices. Nonetheless, this concept will remain confusing and difficult to use unless a line is drawn and clear definition is provided. (Margretta 2002: 91–92.)

At the beginning of the 1960s, the concept of strategy emerged to assist managers in evaluating the position of the firm within its environment (Porter 1983). The decade from 1960 to 1970 witnessed a process of theoretical construction around the term ‘strategy’ in the business field. Herrmann (2005) considers this to be the first era of ferment in strategic management as a discipline. This stage was characterized by the appearance of diverse definitions that tried to approximate what should be understood by ‘strategy.’

This diversity is the result of both the different terms used and the central ideas of what each author considers the essence of the concept to be. Thus, some authors emphasize the orientation toward the selection of long-term goals and the choice of programs or plans for achieving them as fundamental elements of the strategy concept (Learned et al. 1969, Shrivastava 1986) through the proper allocation of resources (Chandler 1962, Harrison 1999). Other authors stress the importance of the actions, plans, programs, or orientations needed to attain certain objectives (Venkatraman 1989, Pearce & Robinson 1994, Hambrick & Fredrickson 2001, Grant 2008). Katz (1970) and Mintzberg (1979) understand strategy as a way of linking a firm to its environment. Porter (1996) and Hitt et. al (2003) delineate competitive advantage and company performance as a key constituent of strategy. Whereas one group of authors considers strategy a process through which the firm makes decisions with a view to meeting its objectives (Thomas 1984, Whittington 2001),
others conceive of it as a set of rational techniques for making certain decisions in the firm (Knights & Morgan 1991, Fry & Killing 1995). The idea of change, be it in the environment or in the company, also appears to be important in the strategy concept (Ginsberg 1988). Finally, some definitions attempting to combine several of the above ideas can be considered as more eclectic (Johnson et al. 2008, Nag et al. 2007).

Trying to solve an ontological problem of defining the notion of strategy, Ronda-Pupo and Guerras-Martin (2012) have analyzed 91 definitions of the strategy concept devised during 1962–2008. The authors contend that the consensus level as to the definition of strategy is progressively increasing with the focus gradually shifting over time from achieving the firm’s goals to improving its performance. However, they emphasize that the terms ‘firm’, ‘environment’, ‘actions’ and ‘resources’ remain at the core of the definition of strategy. According to Ronda-Pupo and Guerras-Martin (2012), strategy is the dynamics of the firm’s relation with its environment for which the necessary actions are taken to achieve its goals and/or to increase performance by means of the rational use of resources. (Ronda-Pupo & Guerras-Martin 2012: 166, 180, 182.)

Accordingly, this study builds upon the concept of strategy as understood from the practice theory perspective. In the main, social theorists agree that there is no such thing as a coherent, unified practice theory, only a body of highly diverse writings by thinkers who adopt a loosely defined practice approach (Postill 2010). Practice theorists refrain from explaining behavior wholly in terms of the actions of discrete individuals or structures and social wholes but pay close attention to human activity, often termed as “praxis” (Postill 2010, Vaara & Whittington 2012, Reckwitz 2002).

Reckwitz (2002: 249) differentiates between practice (praxis) and a practice defining practice (praxis) as “a term to describe the whole of human action (in contrast to ‘theory’ and mere thinking). ‘Practices’ in the sense of the theory of social practices, however, is something else. A ‘practice’ is a routinized type of behavior which consists of several elements, interconnected to one another: forms of bodily activities, forms of mental activities, ‘things’ and their use, a background knowledge
in the form of understanding, know-how, states of emotion and motivational knowledge.” (Reckwitz 2002.)

Schatzki (1996) identifies two central notions of practice: practice as a coordinated entity (praxis) and practice as performance (a practice). The first notion is of “practice as a temporally unfolding and spatially dispersed nexus of doings and sayings. Examples are cooking practices, voting practices, industrial practices, and recreational practices. To say that the doings and sayings forming a practice constitute a nexus is to say that they are linked in certain ways. Three major avenues of linkage are involved: (1) through understandings, for example, of what to say and do; (2) through explicit rules, principles, precepts and instructions; and (3) through ‘teleaffective’ structures embracing ends, projects, tasks, purposes, beliefs, emotions and moods.” Thus, practice as coordinated entity unites doing and saying interlinked by means of understandings, procedures and engagements and suggests that analysis is to be concerned not only with practical activity but also its representations. (Schatzki 1996: 89.)

The second sense, practice as performance, refers to the carrying out of practices, the performing of the doings and sayings (Schatzki, 1996: 90). As Reckwitz (2002: 249–50) puts it “a practice represents a pattern which can be filled out by a multitude of single and often unique actions reproducing the practice...The single individual – as a bodily and mental agent – then acts as the ‘carrier’ of a practice – and, in fact, of many different practices which need not be coordinated with one another. Thus, she or he is not only a carrier of patterns of bodily behavior, but also of certain routinized ways of understanding, knowing how and desiring. These conventionalized ‘mental’ activities of understanding, knowing how and desiring are necessary elements and qualities of a practice in which the single individual participates, not qualities of the individual.” Therefore, practices are thus coordinated entities that require performance for their existence. A practice actualized in performance, consequently, presupposes practice (praxis). As Vaara and Whittington (2012) succinctly expressed it, for the practice theory practices are the “substructure beneath the busy surface of events”.

To sum up, practice or praxis describes the whole of human activity, feasible actualization of the habitual practices; a practice refers to shared routinized behavior; and agents or practitioners perform the activity through carrying its practices. The three concepts of practice, practices and practitioners provide a consistent vocabulary for the practice tradition. (Whittington 2006.)

Following practice theory in general, practitioners are seen as the critical connection between praxis they realize and practices they rely on in this realization. Practitioners’ reliance on these practices is not simply passive since the practitioners have the possibility of changing the ingredients of their praxis owning to the characterization of the contemporary world as marked by open social systems, plural practices and reflexive actors. (Whittington 2006: 620, Giddens 1991.) By reflecting on experience, practitioners are able to adapt existing practices; by exploring plurality, they are able to synthesize new practices; by taking advantage of openness, they introduce new practitioners and practices (Whittington 2006: 620). Therefore, by revealing deliberate, as well as emergent quality of the practices, a concept of praxis can be widened to include not only routine and formal but also non-routine, informal and creative practices.

Accordingly, from the practice theory perspective, strategy can be conceptualized as all the various strategic activities or instances of strategizing involved in strategy realization. Strategy is the walk and talk, doing and saying of strategy practitioners themselves (Schatzki 1996, Whittington 1996) who are the strategy’s prime movers. These include not just the senior executives but also strategy consultants, financial institutions, state agencies, the business media, and business schools, etc. (Whittington 2006: 619, Whittington et al. 2003, Vaara & Whittington 2012).

Strategic practices from the practice theory perspective include, for example, strategic planning itself, various kinds of analytical, socio-material practices and discursive practices of strategy. Emphasizing the social nature of strategy, socio-material practices include strategy meetings, workshops, team briefings, projects, and simple talk (Mezias et al. 2001, Vaara & Whittington 2012). Discursive practices refer to, for example, problematization, rationalization, objetification, reframing, and naturalization of strategy. Thus, strategy practices approached from the practice
theory perspective are complex, flexible and polyvalent not devoid of emergent and non-routine qualities. Vaara and Whittington (2012) contend that these practices go beyond simple rational strategy analysis, involving the social and the material as well. They do not impose rigid constraints, but instead enable iteration and adaptation. (Vaara & Whittington 2012.)

Of importance, considering strategy within the practice tradition allows analyzing practice effects or outcomes, such as economic or political consequences of particular strategizing episodes, or the effects of strategy tools, or the involvement of particular types of practitioner. Furthermore, the broader explanatory remit of the practice theory, allows examining strategizing efforts backed up by a wider range of institutions – formal, as well as informal. (Vaara & Whittington 2012).

The preceding strategy definitions overview has revealed the shift in conceptual understanding of strategy phenomenon from being conceived simply as a rigid plan or programmes to achieve certain goals to more complex and descriptive interpretations not necessarily presupposing the existence of a written-in-stone plan. The practice theory that has seen proliferation over the past few decades allows defining strategy as a set of practices or instances of strategizing that can be of a sporadic or sequential character.

In the current study, the concept of strategy is viewed from the practice theory perspective and is understood as a set of strategizing practices that form the basis of performance success and allow building competitive advantage. The practice approach permits considering formal and informal institutions in strategizing practices implementation and allows discerning their influence and outcomes. Therefore, trade development strategy is viewed as a set of strategic activities and/or measures initiated by formal and informal institutions with an aim to positively influence trading with Finland.
2.1.1 Formal and informal institutions

As was mentioned earlier, approaching strategy from the practice perspective distinguished by broad explanatory power allows analyzing strategizing actions of a wide range of actors including formal and informal ones. For the purposes of this research, it is important to clarify how a concept of institution is understood in the current study and discuss institutional typology since it has direct implications for the interviewees’ selection and data analysis.

Institutions are widely referred to as an important conceptual category in understanding regional development (Kepe & Scoones 1999) and institutional capacity building has traditionally been seen as a key entry point for attempts to foster beneficial development outcomes. Within this, the role of institutions and the relationship between formal and informal relationships are often highlighted. (High et al. 2005.)

In order to determine what institutions are, it is necessary to define precisely what is meant by the term “institution” (Leković 2011: 359). Helmke and Levitsky (2004) contend that the most frequently used definition in the literature is given by North who sees institutions as the “rules of the game” in one society, or more precisely, “the humanly-devised constraints that shape human interaction” (Leković 2011: 359). In the words of Helmke and Levitsky (2004: 727), “institutions are rules and procedures both formal and informal that structure social interaction by constraining and enabling actors’ behavior. Human interaction is structured and shaped within formal and informal organizations that act as agencies transmitting socially devised rules and procedures.” Thus, the two phenomena – institutions and organizations – are closely interrelated being mutually complementing and reinforcing. For the purposes of this study, a state-societal approach that integrates agency into the institution concept is adopted and formal institutions are understood as state agencies and state-enforced rules, norms and strategies, whereas informal – as rules and organizations within civil society (Helmka & Levitsky 2004: 727).

Logically, institutions do not exist in isolation but interact in a variety of ways within the institutional system forming certain institutional architecture (High et al. 2005,
Leković 2011). Depending on the outcome convergence of the formal and informal institutions and effectiveness of the relevant formal institutions, formal-informal institutional relationships can be captured by four types of informal institutions (see Table 1) (Helmka & Levitsky 2004: 728).

Table 1. A typology of informal institutions (Helmka & Levitsky 2004: 728)

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Effective formal institutions</th>
<th>Ineffective formal institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convergent</td>
<td>Complementary</td>
<td>Substitutive</td>
</tr>
<tr>
<td>Divergent</td>
<td>Accommodating</td>
<td>Competing</td>
</tr>
</tbody>
</table>

Outcome convergence refers to the results that are expected from a strict and exclusive adherence to formal rules: where following the informal rules leads to a substantively different outcome, formal and informal institutions diverge; otherwise – converge. The second dimension is the extent to which rules and procedures that exist on paper are enforced and complied with practice. Effective formal institutions constrain or enable actors’ choices sanctioning noncompliance; where formal rules and procedures are ineffective, actors perceive enforcement probability as low. (Helmka & Levitsky 2004: 728).

In case of informal institutions coexisting with effective formal institutions, actors expect the rules existing on paper to be enforced. Effective formal rules combined with convergent outcomes result is complementary informal institutions. Such institutions “fill in gaps” either by addressing contingencies not dealt within the formal rules or by facilitating the pursuit of individual goals within the formal institutional framework. (ibid.)

Effective formal institutions and divergent outcomes correspond to accommodating informal institutions. These informal institutions induce the behavior that alters the substantive effects of formal rules, but without directly violating them. Accommodating informal institutions are aimed for reconciliation of the informal actors’ interests with the existing formal institutional arrangements. (Helmka & Levitsky 2004: 729.)
Informal institutions concurring with ineffective formal institutions produce competing informal institutions. In such cases, formal rules and procedures being not systematically enforced enable actors to ignore or violate them. These informal institutions structure incentives in ways that are incompatible with the formal rules: following one rule automatically entails violation of another. Clan politics and corruption are among the most familiar examples of such informal institutions. (Helmka & Levitsky 2004: 730.)

Ineffective formal institutions and compatible outcomes bring to life substitutive informal institutions that seek outcomes compatible with formal rules and procedures but exist in environments where formal rules are not routinely enforced. Hence, substitutive informal institutions achieve what formal institutions were designed, but failed, to achieve. Substitutive institutions tend to emerge where state structures are weak or lack authority. (ibid.)

The above detailed discussion on the meaning of the institution concept and types of the informal institutions is particularly important in the frame of the current research. First, this study is concerned with analyzing strategies and strategizing activities initiated and planned by formal (the Murmansk region government) and informal institutions (local organizations, primarily of complementing and substitutive character). Of note, being subordinate to the national level strategies, region-level strategies serve a two-faceted purpose: first, they assist in reaching developmental goals set by the national government, and second – facilitate the regional growth. Second, institutional approach allows selecting the relevant interviewees: the actors are to pursue goals convergent with the goals of the formal institutions, i.e. with the goals of the Murmansk region government, even though it may not be necessarily efficient in all the areas of strategizing. Third, categorization of the interviewees enables proper interpretation and analysis of the answers.

2.2 Importance of the trade development strategy for the regional competitiveness

The foregoing extensive discussion about strategy, and actors formulating them poses several legitimate questions relating to the reasons why it is important to
devise a trade development strategy to ensure economic success and why to focus on the regional level, in other words, how a regional trade development strategy can facilitate economic performance.

Particular emphasis on the regional level has been elicited not only by the case specifics – the Murmansk region as a primary level of analysis – but also by the contemporary trends of the global economics. The nature of advanced economies and societies is characterized by the shift to knowledge-based capitalism where intelligence and intellectual labor displace physical labor as the fundamental source of value and profit. (Nonaka 1991, Florida 1995.)

Florida (1995) further emphasizes that this shift involves the development of new inputs and a broader infrastructure at the regional level converting regions into key economic units in the global economy and focal points for knowledge-creation and learning. Ohmae Kenichi (1993) goes as far as suggesting that regions, or what he calls region-states, are coming to replace the nation state as the centerpiece of economic activity:

“The nation state has become an unnatural, even dysfunctional unit for organizing human activity and managing economic endeavor in a borderless world. It represents no genuine, shared community of economic interests; it defines no meaningful flows of economic activity. On the global economic map the lines that now matter are those defining what may be called region states. Region states are natural economic zones. Sometimes these distinct economic units are formed by parts of states. At other times, they may be formed be economic patterns that overlap existing national boundaries. In today’s borderless world, these are natural economic zones and what matters is that each possesses, in one or another combination, the key ingredients for successful participation in the global economy.” (Kenichi 1993.)

The uniqueness of the case being analyzed in this study is emphasized, on one hand, by an opportunity to investigate the Murmansk region as an economic zone which boundaries fall within the geographical limits, on the other – as a part of the larger Barents region where the Murmansk region acts as a major mineral resource supplier. The focus of the current study on the trade and trade development strategy requires combining both perspective to discern those regional advantages that allow the region to operate successfully in the Barents region and consequently, on the global
arena. Hence, the emphasis on the regional level is necessitated by the fact that in the contemporary knowledge-based economy a region is a major center for learning, knowledge accumulation and value creation.

The next question relates to why a special emphasis is to be put on having a thoroughly devised trade development strategy in order to succeed on the international market. Multiple studies have advocated positive effects of the dynamically growing international trade on the economic growth, productive capacity, infrastructure (physical and social), trade facilitation, human resource development, diversification, value addition of production and exports, employment generation, financial and investment climate, competition culture, technological advances, transmission and creation of knowledge, to name just a few (Kali et al. 2007: 249). In the case of our study, international trade boosting the regional competitiveness generates the above mentioned positive effects. In other words, international trade is an instrument to improve regional competitiveness and those positive effects are spillovers of the increased competitiveness.

Petrović et al. (2008) define the international competitiveness of a region as a “region’s capability for most rational use of resources in accord to the international specialization and trade in such way that results, as a final goal, in growth of living standard and domestic product (so that growth should be founded on real basis but not on external indebtedness)”. Competitiveness comprises the capability for achieving high level of productivity, upgrading of human capital, effective use of capital and other factors of production. (Petrović et al. 2008: 1–2.)

Following Michael Porter (1990) who contends that the concepts and ideas of his theory of national advantage determinants can be readily applied to political or geographic units smaller than a nation, regional competitiveness depends on local factor conditions, demand conditions, related and supporting industries, firm (in our case regional) strategy, structure and rivalry (see Figure 2).
Figure 2. Determinants of regional competitiveness (adopted from Porter 1990)

The above figure prompts an idea that by influencing the major determinants, international trade impacts an overall regional competitiveness level.

According to Porter (1990) factor conditions or factors of production include those inputs necessary to compete in any industry, such as labor, arable land, natural resources, capital, and infrastructure. The Murmansk region is widely known as being rich in natural, especially mineral resources. More than sixty large mineral deposits have been found and developed on the peninsula, the most valuable of which are copper-nickel, iron, apatite-nepheline ores and ores of rare metals. Of importance are the mica and gemstones deposits, availability of the raw materials for the construction and ceramics production. (Kola Encyclopedia 2008.) Additionally, the region is distinguished by a developed infrastructure, though of a poor condition, and comparatively cheap labor force. However, pure factor endowment, though substantially contributing to the regional competitiveness level, is insufficient to ensure sustainable competitive advantage from factors as it primarily depends on how efficiently they are deployed. International trade by enabling the exchange of capital goods, diffusion of state-of-art technology and knowledge allows to constantly improve available resources and create new ones, thereby increasing regional competitiveness.
The most important influence of home demand on competitive advantage is through the mix and character of home buyer needs (Porter 1990: 86). By effectively utilizing the dissimilarities among nations in the nature of home demand, the Murmansk region by means of international trade can successfully overcome the problem of a limited home market by exporting goods that are in demand in the neighboring countries, namely natural resources. Additionally, international trade can facilitate achieving economies of scale, encourage the regional business to further invest in the large-scale facilities, technology development, and productivity improvements.

Since the Murmansk region is resource-dependent, local competitiveness is largely based on the above described conditions. However, the system of the regional advantage determinants is mutually reinforcing implying that the effect of one determinant is contingent on the state of others. Advantages in one determinant can also create or upgrade advantages in others. (Porter 1990: 72.) Therefore, a thoroughly devised trade development strategy as one of the determinants allows not only to positively impact factor and demand conditions, but also to strengthen the diamond as whole, thereby qualitatively improving the regional competitiveness level.
3 STRUCTURE OF THE TRADE DEVELOPMENT STRATEGY

3.1 Process of strategy development

According to Johnson et al. (2008), there are two broad explanations of strategy development. The conventional ration-analytic view suggests that strategies are developed through rational and analytical processes in a linear fashion. According to this view, strategies are intended, i.e. the product of deliberate choices. The emergent strategy approach represents an alternative broad explanation of how strategies evolve. In this view, strategies often do not develop as intended or planned, but tend to emerge in organizations over time as a result of ad hoc, incremental or even accidental actions. (Johnson et al. 2008: 16–17.)

Johnson et al. (2008) further explain that the two views are not mutually exclusive. Intended strategies can frequently succeed, especially in a stable environment. However, it is advisable to be open as well to the possibilities of emergence since inflexible plans can hinder learning and prevent seizing of opportunities. Besides, strategic choices are not always a result of simple rational analysis: cultural and political processes in organizations can also induce strategic change. (Johnson et al. 2008.)

Although strategy development process admits the possibility of the emergent strategy evolvement, at the level of governmental authorities the conventional ration-analytic approach predominates underpinned by the sequential strategic decision-making process. According to Shrivastava (1983: 177), strategic decision-making process refers to “the set of activities performed by organizational members and their associates from the time they identify and formulate the strategic problems until the time they make a final commitment of available resources for resolving these problems. These activities include a diverse set of sub-processes like planning, information acquisition, evaluation, argumentation, persuasion, negotiation, training, recruitment, etc., which occur at multiple levels of the organization, through the participation of many stakeholders” (Shrivastava 1983: 177).
According to Mintzberg (1976), the strategic decision-making process proceeds in three sequential steps of (1) problem formulation, (2) the generation and evaluation of alternative courses of action and (3) the selection of a feasible solution. The problem formulation process involves identifying an overall strategic problem and reaching a consensus on the relative importance of sub-problems or delineating the priority for solving them. The generation of alternatives entails considering a set of possible courses of action, evaluating their relative merits, demerits and implementation feasibility. The final choice of the solution presupposes selecting a feasible alternative which satisfies the organization’s needs, and the ratification of this solution by the dominant stakeholder groups. (Mintzberg et al. 1976.) Once the final choice is made, the strategic decision may be implemented through the sanctioning of appropriate resources which fund the action programmes implied by the decision (Shrivastava 1983: 178).

This brief description of the complex decision-making process is obviously too simplistic: it serves more as an analytical device for viewing strategic decisions than an accurate description of complex real-life decision situations. In reality the strategic decision-making process is much more complex, involving many conflicting interests and agents, taking long periods of time to make and plagued by numerous interruptions, delays, disruptions, etc. (Johnson et al. 2008: 404.)

The nature of the strategic decision-making process has several important implications for this research. First, each strategy is intrinsically unique owning to the exclusive combination of the external business context and environmental factors wherein a strategy development process is embedded. In other words, being contextually preconditioned, a strategy can be seen as a strategic fit with the business environment.

Second, every enterprise strives to achieve inimitable positioning by selecting a feasible solution; therefore, no two organizations, whether it be public or private, chose to follow the same developmental path due to the inherent differences in the long-term orientation, key resources and competences, values and expectations. Hence, while developing a competitive strategy, each company focuses on those business areas that are of vital importance for its survival and success. Although,
there is a wide range of common tools facilitating the strategy development process, each strategy concentrates on the various business fields and consequently includes different building blocks.

The above discussion reveals a major difficulty for this research since there is no any commonly accepted approach for the strategy analysis. Therefore, it is required to develop a single-case framework to investigate the trade development strategy of the Murmansk region.

### 3.2 Structure of the trade development strategy

As it was emphasized earlier, each strategy is unique; hence, the situational elements of a strategy vary depending on the nature of the strategic problem and outer context. Accordingly, the exclusive combination of the external business context and environmental factors in the Murmansk region require devising a separate conceptual model for the analysis of the regional trade development strategy. The proposed analysis framework described in Chapter 4 benchmarks and builds upon the Strategy of Trade Development in the Russian Federation for 2010–2015, the trade development strategy of the European Union, the UN Organization, the World Bank, strategies of the Finnish regions, plus particular relevant interest areas for the Finnish business actors are addressed that were revealed during the survey carried out in April–July 2012 (see Appendix 1).

#### 3.2.1 The Strategy of Trade Development in the Russian Federation for 2010–2015

As has been stated above, there is no separate regional trade strategy; therefore, the Strategy of Trade Development in the Russian Federation for 2010–2015 sets the major guidelines for the Murmansk region in the trade development area. The goal of this strategy is to create the efficient infrastructure in line with innovative development of the Russian Federation which satisfies the needs of the population in trade (Global trade alert 2010).

The strategy sets up the following aims: (1) to increase the efficiency of the trade
regulation inside Russia; (2) to develop trade infrastructure; (3) to stimulate the creation of trade in small and removed villages; (4) to reduce the work deficit in trade field, as well as to increase the level of the professional skills of the people working in the field of wholesale and retail trade; (5) to create conditions for the competition; (6) to support small and medium enterprises; (7) to stimulate the development of the distant trade, as well as to improve the traditional forms of trade. (see Figure 3). (Global trade alert 2010.)

![Trade Development Strategy of the Russian Federation](image)

**Figure 3. Strategy of Trade Development in the Russian Federation for 2010–2015 (Global trade alert 2010)**

The achievement of the above mentioned goals entails improvement of government coordination and legal regulation in the trade sphere. For this it is expected: 1) to develop forms and methods of trade support and stimulation of its development; 2) to create conditions for the development of consumer markets and provide regions’ population and municipal entities with trade services; 3) to formulate indicators and indexes of efficiency of governmental authorities in realization of state policy in the trade sphere; 4) to coordinate actions of authorities in realization of state policy in the trade sphere; 5) to harmonize trade legislation with international trade laws. The Strategy presupposes also the development of regional programs of trade development by the constituent entities of the Russian Federation which is to be based on the analysis of financial, economic, social and other indicators of trade development of the corresponding region, on the implementation efficiency of the measures for trade development, and social-economic forecasts. (Sazanov 2012.)
3.2.2 The trade development strategy of the European Union

The European Commission launched a new trade policy in 2010 as a core component of the EU’s 2020 strategy that aims to increase the EU’s competitiveness. It offers a framework to deepen strategic economic relations and defend European interests worldwide. Its objectives are to be adapted to the new global challenges and to the new strategy for the sustainable growth of the EU by 2020. (Ciccaglione 2010.)

The development of an open trade policy and international investment flows is to: (1) contribute to the intelligent growth of the EU and the spread of innovation by removing barriers to international trade in goods and services and to investment; (2) be accompanied by social policies in the EU and worldwide; the EU is to pursue its cooperation with developing countries as regards combating poverty, defending human rights, compliance with international labor standards and good governance; (3) contribute to green growth in the EU and worldwide. Trade agreements should provide for the efficient use of natural resources and the protection of the environment. These objectives can be met by strengthening trade relations between the EU and its strategic partners (see Figure 4). (Trade policy serving the Europe 2020 strategy 2011.)

Figure 4. The trade development strategy of the European Union (Trade policy serving the Europe 2020 strategy 2011)

3.2.3 The UN framework for trade development

According to the UN publication (2002), the main purpose of the trade development strategy is “to develop and expand sustainable trade flows to support the country’s economic development”; therefore, the key focus areas in a trade development
strategy are: (1) trade facilitation; (2) infrastructure development; (3) trade promotion and (4) trade relations management (see Figure 5). (The United Nations publication 2002: 1).

![UN FRAMEWORK FOR TRADE DEVELOPMENT](image)

**Figure 5. The UN framework for trade development (The United Nations publication 2002)**

*Trade facilitation* is often referred to as the “plumbing of international trade” and focuses on the efficient implementation of trade rules and regulations. In its most narrow sense, trade facilitation may be defined as the systematic rationalization of procedures and documentation for international trade. In its wider sense, however, it covers all the regulatory measures that affect the flow of imports and exports. *Infrastructure development* is necessary to allow handling of larger trade volumes and increasing diversification of traded goods and services. It includes the provision of basic utilities such as power and water, but also the development of warehousing, transportation, shipping and information technology infrastructures, and the set up of related administrative bodies and systems. *Trade promotion* consists of programmes and activities to promote and develop trade with other countries. It includes measures facilitating a country’s or firm’s participation in trade fairs, trade missions and publicity campaigns, as well as providing information and advice on overseas market prospects, contacts and access. Specifically, it involves how a country assists its exporters to enter into and expand to markets overseas and how to make its products competitive. *International trade relations management* involves developing cordial trade relations with other countries to safeguard a country’s trade interests and to ensure market access for its products and services. It also includes issues on how to respond to restrictions placed on products by importing countries. (The United Nations publication 2002: 2.)
3.2.4 The World Bank trade development strategy

A major objective of the World Bank trade strategy is to capitalize on the increase in the Bank’s trade efforts by responding more effectively to increased demand of the clients for follow-on analysis, project identification and delivery. It requires improvements in four priority areas: (1) trade competitiveness and diversification; (2) trade facilitation, transport logistics and trade finance; (3) support for market access and international trade cooperation; (4) managing shocks and promoting greater inclusion (see Figure 6). (The World Bank Group trade strategy 2011–2021 2011: vi.)

Figure 6. The World Bank trade development strategy (The World Bank Group trade strategy 2011-2021 2011)

The objective of the trade competitiveness and diversification pillar is to boost competitiveness by assisting countries in diversifying exports, both in terms of new products and in penetrating new geographic markets. Realization of this objective requires a mix of public and private sector activism to address coordination failures and support the entry of firms into new activities. (The World Bank Group trade strategy 2011–2021 2011: 10–14.)

The objective of the second pillar is to reduce the costs of trade-related transport and logistics and increase their timeliness and reliability. To ensure accessibility to trade credit for firms to engage in trade, the measures are taken to realize improvements in trade corridors and regional trade facilitation frameworks, markets for logistics services and border management. (The World Bank Group trade strategy 2011–2021 2011: 14–16.) Tariff and non-tariff barriers reduction and dealing with the impact of
trade-related shocks to allow greater participation in the benefits of trade are the priority areas of the third and fourth strategy elements respectively.

3.2.5 Finnish regional development strategies

The above presented trade development strategies illustrate the examples of the strategies developed on the international and national levels. However, the strategies are being formulated not only on the international and national but also on the regional level. The analysis of the development strategies devised on the regional level allows developing a more detailed framework for the purposes of the current study.

Bachtler and Yuill (2001) suggest that there has been a shift in the paradigm of regional development with respect to policy goals and implementation mechanisms. According to the authors, there are two approaches to the regional development. Traditionally, regional level strategies and policies are prepared by the central governments and implemented using the levers to local firms, infrastructure and public sector activity. In part, this has been superseded by a contemporary approach, characterized by decentralized intervention based on integrated regional development plans and strategies, designed and delivered through partnerships of regional and local actors (Bachtler & Yuill 2001). In other words, the regions nowadays do not only blindly follow the prescriptions imposed by the central government but also implement locally devised programmes and activities ensuring greater responsiveness to the regional needs and contributing to the general governmental goals.

The regional development strategies developed in Finland brightly reflect the paradigm shift described by Bachtler and Yuill (2001). Initially, the regional policy and strategies of the national government in Finland focused on the need to stem out-migration from rural areas and to respond to the destruction of settlements and communities during the war (Bachtler & Yuill 2001). At that time the Finnish regions had a little say in the strategy development process and were obliged to follow the governmental prescriptions. However, the Finnish philosophy towards regional policy has progressively changed in recent years and traditional regional
policy approaches are being re-evaluated, wherein regions are gaining more independence and initiative freedom. Regional policies and strategies are being developed to facilitate the national economic competitiveness, growth and employment. Leveraging local advantages, each region focuses on the most promising areas and develops competences that can most effectively contribute to achievement of the nationally set goals.

Thus, there is no trade development strategy in the Finnish regions as such. Instead, the focus is being placed on the strongest regional competences which development influences the overall regional development including trade development. Therefore, emphasizing the importance of knowledge and constantly improving local competences, the Finnish regions have become the focal points for learning creation and strategy implementation becoming important sources of economic growth.

The current long-term Regional Development Strategy 2020 proposed in 2007 steers Finland’s regional development work and measures to be taken in the coming years. It serves as a foundation for the decision-making concerning regional development and outlines the strategy guidelines and principles to steer the preparation and implementation of regional strategies and strategic programmes devised by Regional Councils in cooperation with Centers for Economic Development, Transport and Environment. (Finland’s Regional Development Strategy 2020 2010:13.)

According to the overall vision for regional development, in 2020 Finland is to provide its inhabitants with the conditions necessary for a safe and good life; a comfortable, eco-efficient, and functional living environment that encourages creativity and good meaningful opportunities for work, participation, and learning. Finland becomes multicultural and immigrants are integrated into the Finnish society as equal citizens. In global competition, Finland has its own special role, based on efficient utilization and continuous development of regional competencies and other resources. Finland has started the transition into an economy of low emissions and sustainable use of natural resources. (Finland’s Regional Development Strategy 2020 2010:13.)
Taking an example of Lapland, to support the overall national vision for the regional development, the Regional Council of Lapland has formulated a regional development strategy that addresses six broad areas: energy, well-being, construction of broadband networks, tourism, creative industries and youth. The objective of the energy strategy is to strongly emphasize the importance of the energy-related matters in the regional strategic planning and continue developing the sector. The well-being programme of Lapland is a shared effort to develop the well-being in the region. Construction of broadband networks focuses on drafting preliminary project plans, as well as coordinating and managing the project planning in the individual municipalities. The tourism strategy guides the development of tourism sector in Lapland by defining the starting points and focus areas for the development. The objective is to promote the competitiveness and growth of the tourism industry in the region, support the development work of the tourist centers and areas, and increase the effect of the public funding allocated for the tourism development. The strategy for the creative industries in Lapland aims at improving the operational conditions of businesses and at increasing the attractiveness of the region. The youth programme brings forth the vision of young people and people working with the youth. The programme presents the issues important to young people, the commitment of the people working with youth, the focal operational points and suggested activities (see Figure 7). (Lapin Liitto 2012.)

![Graph showing the strategic development programme of Lapland](image-url)

*Figure 7. Strategic development programme of Lapland (Lapin Liitto 2012)*
3.2.6 Framework for the analysis of the Murmansk region trade development strategy

The above discussed trade development strategies serve as a vivid evidence of strategy uniqueness and prove its dependence on the outer context and the nature of the strategic problem. These models present the examples of the existing realized practices allowing for benchmarking and utilizing accumulated experience.

The framework for the Murmansk region trade development strategy analysis is developed considering three key factors: (1) the objectives reported in the Strategy of Trade Development in the Russian Federation for 2010–2015; (2) the principal interest areas for the Finnish business actors relevant for the present discussion; (3) the above described realized practices aimed at trade development. Figure 8 represents a unified framework according to which the trade development strategy of the Murmansk region is to be analyzed.

![Figure 8. Analysis framework of the Murmansk region trade development strategy](image)

3.3 Summary: trade development strategy in a nutshell

Broadly speaking there are two generic ways to approach strategy development process. Conventional explanations of strategy development contend that strategies are developed in a deliberate ration-analytic fashion; whereas emergent strategy approach emphasizes the importance of incremental, frequently unplanned or accidental actions which totality embodies an adopted strategy. Of importance, the two approaches are not mutually exclusive but complementary allowing utilizing a wider opportunity range.
Strategic decision-making proceeds in several generic steps – problem formulation, generation and evaluation of available courses of action and solution selection – which nature and content is, however, unique in every instance of decision-making due to the necessity to find a solution for a distinctive problem in a specific context. Therefore, each strategy or strategic decision is inherently exclusive implying the nonexistence of commonly accepted frames or approaches for the strategy analysis irrespective of its nature – trade, business, development, economic, etc. Accordingly, the structure of a strategy varies form case to case.

In order to discern the areas relevant for the trade development in the Murmansk region and within which the strategic activities are to be addresses, a number of trade development strategies implemented on international, national and regional levels have been analyzed allowing for realized practices benchmarking. Taking into account the informational needs of the Finnish businesses revealed during the survey (see Appendix 1) and the available realized practices, relevant areas, where the strategic activities aimed at improving trading procedures between Finland and the Murmansk region are to be addressed, have been selected forming the analysis framework for the trade development strategy of the Murmansk region.
4 FRAMEWORK ELEMENTS FOR THE ANALYSIS OF THE MURMANSK REGION TRADE DEVELOPMENT STRATEGY

4.1 Intelligent growth

*Intelligent growth* is primarily concerned with the trade facilitation phenomenon and can be defined as modernization, standardization, simplification and harmonization of trade procedures. The term ‘trade facilitation’ is largely used by institutions seeking to improve the regulatory interface between government bodies and traders at national borders. (Grainger 2008: 17.) It is defined by the WTO as “the simplification and synchronization of international trade procedures where trade procedures are the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade” (WTO 1998).

Trade environment sets a wide field for trade facilitation including multiple trade procedures targeting goods, the vehicles that move them (e.g., ships, planes and trucks) or their operators (e.g., drivers, seafarers, flight crew). Control objects include: revenue collection; safety and security; environment and health; consumer protection; and trade policy. In the majority of countries a significant share of these controls is performed by customs or under customs supervision. (Grainger 2007.)

Commercial arrangements within international trade are no less complex including a number of operational steps: packing, storage, haulage to the port, port entry and customs clearance, and loading onto a vessel. Once arrived in the port of destination, operations include off-loading, storage, release from the port and customs clearance, delivery to the buyer, unpacking, after-sales services (e.g., assembly, warranties and guarantees) and more. (Grainger 2008: 18.)

In most instances a wide range of intermediaries is employed for goods movement such as transport operators, trucking and haulage companies, freight forwarders, customs brokers, banks and finance companies, insurance companies, port operators and stevedores, and IT systems suppliers. It is not unusual for intermediaries to further subcontract. (Persson 2012.)
Compliance with customs and trade procedures demands a great deal of coordination between various business entities involved in moving goods. Rarely each party has full view or knowledge of all operational steps. At each stage of the movement different types of data are generated and different types of information (often containing the same or similar data) are submitted to customs and other government agencies. (Grainger 2008: 19, Strachan 2009.)

Every time one of the parties within the supply chain is required to submit information to government agencies, trade transaction costs – direct or indirect – occur; for instance, costs associated with processing information required to prepare and submit documents (paper or electronic), costs resulting from delay at the border, uncertainty about procedures and requirements, and missed or lost business opportunities. (OECD 2003, Grainger 2008.)

Trade facilitation seeks to remedy trade transaction costs recognizing that they are wasteful and undesirable for both business and government. Advocates of trade facilitation argue that its principles can increase business competitiveness, as well as improve efficiency and control. (Business line 2007, Grainger 2008: 19.)

Although being an important factor in trade procedures optimization, the implementation of trade facilitation principles is confronted with obstacles such as conflicting interests, institutional limitations and lack of knowledge (Grainger 2008). The necessity to deepen the understanding of cross-border operations, its inherent dynamics and institutional limitations among various business actors is another reason for considering trade facilitation in the Murmansk region within the current research. Table 2 represents the areas to be addressed with regard to the trade facilitation measures and activities in the Murmansk region.

Table 2. Trade facilitation measures in the Murmansk region (adapted from Grainger 2007)

<table>
<thead>
<tr>
<th>Category</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue collection</td>
<td>Collection of customs duties, taxes, payment of duties and fees;</td>
</tr>
<tr>
<td>Safety and security</td>
<td>Export licenses;</td>
</tr>
<tr>
<td>Environment and health</td>
<td>Phytosanitary, veterinary and hygiene controls;</td>
</tr>
<tr>
<td>Trade Policy</td>
<td>Bilateral cooperation;</td>
</tr>
</tbody>
</table>
4.2 Trade promotion

The world of international trade is changing very rapidly: the rules of the trade game are being redefined, markets are liberalizing and globalizing, international business practices are changing and competition is becoming much more intense. (Belisle 1999: 16.) As a result, in the context of today’s super-competitive world and the radical changes being brought about by the new information technologies, the importance of trade promotion is naturally coming to the forefront (Belisle 2000: 4). McCracken (2005) understands trade promotion as encouragement of the progress, growth, or acceptance of trade.

Although being critical for the commercial success and internationalization, there is no common understanding of the trade promotion phenomenon and its constituent elements. Furthermore, the trade promotion concept is being frequently used with the reference to the consumer promotion. (Partch 1998: 130.) Whereas consumer promotion is generally associated with a set of activities or marketing campaign to influence pricing, sales and profitability of a good or service, trade promotion consists of programmes and activities to develop trade with other countries or regions within a country. It includes measures that foster a country’s or firm’s participation in trade fairs, trade missions and publicity campaigns, as well as provide information and advice on overseas market prospects, contacts and access (The United Nations publication 2002: 2).

Some trade promotion activities necessary for any type of promotional effort can be considered as basic, while others may be optional. According to Jaramillo (1992), export promotion and development activities can be grouped in four broad categories: product and market identification and development; trade information services; specialized support services and promotional activities.

Products and markets activities are directed towards knowledge accumulation concerning the products that should be promoted and the features of the main foreign markets for these products. Centralized trade information services aim to increase familiarity with foreign markets at the producer and exporter level and ensure full use of the data available. (Jaramillo 1992: 18, 20–21.)
Support services help companies increase their expertise in foreign trade techniques covering a wide range of subjects. They assist new exporters in particular in understanding the procedures required for carrying out export operations, product quality, export packaging, publicity, free zones, etc. Promotional activities include trade fairs, sellers’ missions, inviting foreign buyers to visit local producers, promoting subcontracting for export, etc. (ibid.)

Due to the space and time constraints only selected areas within the trade promotion domain in the Murmansk region are to be considered. The choice of the specific fields is dictated by the informational needs of the Finnish business actors. Table 3 represents the key domains and questions to be discussed within the framework of this research.

<table>
<thead>
<tr>
<th>Domain</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products and markets activities</td>
<td>Market profile</td>
</tr>
<tr>
<td>Trade information services</td>
<td>Availability</td>
</tr>
<tr>
<td>Support services</td>
<td>Availability, range, business networks, marketing channels;</td>
</tr>
<tr>
<td>Promotional activities</td>
<td>Long-term regional strategy, business events, fairs, seminars;</td>
</tr>
</tbody>
</table>

4.3 Infrastructure development

From an economic perspective, infrastructure can be loosely defined as public goods and services that act as a lever for economic activity and/or provide spillover economic activities. According to Dieter Helm, infrastructure is what lies between companies and markets, and between consumers and essential services. It incorporates the core network utilities – like transport, energy, water and communications. But it also extends further – into social infrastructure – the educational networks, the health services, broader social supports and law and order. (Segal Advisors 2012: 1.) Therefore, infrastructure development comprises programmes and initiatives aimed at improvement of its constituent elements.

In the wake of the current global economic crisis, investment in infrastructure has received significant attention, figuring prominently as stimulus for the economic
growth. (Segal Advisors 2012: 1). The relationship between infrastructure and economic development has been well-established at the national and international levels. Already in 1989 Aschauer proved empirically that declining productivity growth in the US and other nations can be explained by a shortfall in infrastructure. (Aschauer 1989: 177.) His findings were supported by further studies within the academic community that generally verify the conclusion of close interdependence between economic performance and the level of infrastructure development (Munnell 1990, Hulten & Schwab 1991, Lynde 1992).

Rives and Heaney (1995) single out several ways in which physical infrastructure stimulates economic development. First, infrastructure enters the production function of firms as an unpaid input and augments the productivity of other inputs with an example being a well-built highway system increasing the productivity of truck transport. (Rives & Heaney 1995: 66.)

Second, infrastructure influences the location decisions of firms and households. Rives and Heaney (1995) illustrate this with an example of a food processing plant that is not likely to consider locating in a community unless there is a sewage system sufficient to handle the capacity of its plant. Finally, infrastructure makes the construction of housing possible increasing the urban land value. (Rives & Heaney 1995: 67.)

Infrastructure development has not only a substantial impact on the economic performance but also plays a central role in achieving sustainability objectives. Collective quality of life, the sustainability of human society, and the sustainability of the environment are directly dependent upon the services provided by infrastructure (Cleveland 2012: 4).

From the perspective of the current research, the above discussion reveals the critical role of the infrastructure development at the regional, as well as national levels and justifies the necessity to include its investigation into the analysis framework of the Murmansk region trade development strategy. However, infrastructure development is rather broad concept uniting the issues related but not limited to transportation, logistics, communication, power generation, residential and commercial buildings,
processing facilities, electric and gas utilities, water and sewage facilities, etc. Considering the informational needs of the Finnish business actors that are among the main stakeholders of the research at hand, it is planned to consider the most critical issues in the infrastructure development domain in the Murmansk region. Table 4 represents the key domains and questions to be discussed within the framework of this research.

Table 4. Infrastructure development in the Murmansk region: field domains and questions

<table>
<thead>
<tr>
<th>Domain</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation systems and logistics</td>
<td>Current state, development projects, rail and transit facilities, including tracks, stations, and maintenance facilities;</td>
</tr>
<tr>
<td>Communications networks</td>
<td>General characteristic, relevant statistics, development of e-commerce;</td>
</tr>
</tbody>
</table>

4.4 Support for market access and international trade cooperation

Support for market access and international trade cooperation is primarily focused on the tariff and non-tariff barriers reduction to improve access to markets for goods and services. A country's ability to use trade to advance its development objectives depends in part on the market access conditions being confronted with by trade partners and on the extent to which it is affected by agreements that limit its ability to use specific policies. National trade policies can impose externalities, both positive and negative, on other countries. Identifying negative spillovers and inducing trading partners to attenuate these is a major challenge for many countries. (The World Bank Group trade strategy 2011–2021 2011: 16.)

The main research priority in this area is to investigate the business potential of the special port zone in the Murmansk region established in 2010 and to examine the outcomes of the already completed work in respect to this issue. A special emphasis on this particular issue is preconditioned by the fact that Murmansk SEZ establishment can have important implications for the foreign businesses. A special port zone is a specific type of special economic zones (SEZ). A SEZ is referred to designated areas in countries that possess special economic regulations that are different from other areas in the same country. Moreover, these regulations tend to contain measures that are conducive to foreign direct investment. Conducting
business in a SEZ usually means that a company will receive tax incentives and the opportunity to pay lower tariffs. (Investopedia 2012.)

In 2005–2007, Russia passed several laws related to SEZs, and hence, there are six main types of SEZs in Russia: innovative, manufacturing, tourism, port, gambling and so-called “old” zones, i.e. zones of the 1990’s that do not operate under the general legislation on SEZs passed in the middle of this decade but they follow their own legislation passed in the 1990’s. (Liuhto 2009: 6.)

The port zones have been established to develop logistical hubs in Russia. These logistics hubs can be established around sea and river ports plus airports (RIA 2008). These zones are meant to offer customs benefits and tax privileges to both the Russian and foreign companies that operate in the privileged ports (Liuhto 2009: 7–8).

The figure below (see Figure 9) summarizes the discussion concerning the elements of a trade development strategy presented in the preceding chapters. It synthesizes a systematic framework for an empirical analysis of the trade development strategy of the Murmansk region.

Having adopted the practice theory approach and assumed that strategy is a range of strategizing activities, the framework incorporates the most frequently observed and important areas where trade-related strategic activities are implemented. It is the lenses through which the researcher observes the locally formulated and implemented programmes and activities aimed at improvement and facilitation of the trade procedures focusing on the international northern dimension. Each area – intelligent growth, trade promotion, infrastructure development, support for market access and international trade cooperation addresses several question that were of the utmost interest to the Finnish business actors (see Appendix 1). The framework might seem to some extent general and large that can be attributed to the project nature and its objectives – it is required to provide a helicopter view of the trading process in the Murmansk region thereby raising awareness of the potential business opportunities, laying ground for joint cooperation and simultaneously outlining the prospects of the future research. The framework serves two-faceted purpose: first, it
allows to logically structure the research, and second, to exclude the measures and initiatives irrelevant for the purpose of this research.

The initiatives to be analyzed are being mostly suggested and developed on the level of regional authorities. However, it is to emphasize that a traditional authoritative approach towards policy and strategy making is still prevalent in Russia echoing the Soviet Union tradition. In contrast to the considerable self-sufficiency of the Finnish regions, the Russian subjects, though some of them being autonomous republics, are nevertheless dependent on the national government and lacking not formal autonomy but initiative and independent thinking resulting in most development programmes still being formulated at the national level and inflicted on the regions.

Figure 9. Extended analysis framework of the Murmansk region trade development strategy
“It seems obvious that a given problem in most cases can be approached better by a suitable combination of methods than by one single method.”
- Johan Galtung

5 RESEARCH METHODOLOGY

This study represents a research involving quantitative and qualitative aspects. More specifically, it is a combination of a qualitative embedded case study, used for the analysis of the trade development strategy of the Murmansk region, with quantitative research employing statistical analysis. Quantitative data sets the context and supports the findings from the qualitative findings.

5.1 Research approach and method

This study represents a qualitative research involving quantitative aspects based on the assumption that qualitative and quantitative methodologies are not mutually exclusive (Maanen 1979: 10). The choice of this particular approach was preconditioned by several considerations.

As stated in the introduction, the main objective of the current research is to identify how trade development strategy of the Murmansk region influences the cross-border trade with Finland. Thus, the research is aimed at detailed investigation of a particular subject within a specific context. In other words, the study seeks to explain the current situation only in the Murmansk region that can be done by means of qualitative research that allows studying things in their natural setting. Additionally, Creswell (1998) and Yin (1994) contend that in settings where contextual conditions are pertinent to the phenomenon under inquiry, the case study method proves to be an appropriate design choice.

Additionally, the need to understand the research problem based on complex and holistic picture, i.e. to develop an analysis framework presented in section 4.4, favored the use of qualitative research approach. The quantitatively oriented part of this study is related to the analysis of the relevant statistical data to provide another perspective on the trade development strategy of the Murmansk region.
Within this approach a model of research in business and management suggested by Myers (2009) is employed (see Figure 10). With respect to this study, the research gap identified in the introduction is bridged by the empirical evidence collected during the interviews adding to the existing body of knowledge in business discipline.

![Body of knowledge in business & management discipline (theories, concepts, models, beliefs, etc.)](image)

![Empirical evidence (qualitative and quantitative data)](image)

**Figure 10. Model for research in business and management (Myers 2009: 12)**

### 5.2 Research design

According to Yin (1994) research design is a “logical sequence that connects the empirical data to research questions and finally to the conclusions of the study. In other words, the research design is a logical plan how to get from here to there.” (Yin 1994: 20.)

This study is designed as a single-case embedded study that excels at bringing us to understanding of a complex issue or object by extending experience or adding strength to what is already known through previous research. Case studies focus on the detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines. Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations providing the basis for the application of ideas and extension of methods. (Soy 1997.) According to Yin (1994), a case study is “an empirical inquiry that
investigated a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident”.

A number of rationales has spoken in favor of a single-case design. First, the subject of the study, i.e. the trade development strategy of the Murmansk region, represents a unique case which is worth documenting and analyzing due to the current informational need of the Finnish business. Long frontier with the EU, rich mineral and natural resources, peculiar geographical position and ice-free port are among those features that make the region unique, as well as business attractive. Second, there is a situation when the investigator has an opportunity to observe and analyze a phenomenon previously inaccessible to the inquiry, mainly due to the communication difficulties. Third, a single-case design lays the foundation for the future possible longitudinal research allowing following the changes in the trade development strategy of the Murmansk region and tracking positive amendments to it aimed at further trade facilitation between Finland and Russia.

Owing to the fact that the single-case study involves more than one unit of analysis, an embedded single-case research design has been chosen. Even though the case study is about the Murmansk region only, the analysis includes multiple elements of the regional trade development strategy. Figure 11 illustrates overall research design logic of the current study.
Figure 11. Research design logic of the current study (adapted from Yin 1994)
5.3 Data collection techniques

A case-study research entails 3 main generic data collection techniques, i.e. analysis of documents, archival records, artifacts; direct and participant observation; interviews. Case studies are likely to be more convincing and accurate if they are based on several different sources of information, following a corroborating mode. (Colorado State University 2012.) According to Petersen et al. (1984), methods of indirect observation provide only an incomplete reflection of the complex set of processes involved in composing; therefore, a combination of several such methods should be used to gather data in any one study. It can be said then that cross-checking data from multiple sources provides a multidimensional profile of a phenomenon in a particular setting (Colorado State University 2012). Merriam (2009) suggests “checking, verifying, testing, probing, and confirming collected data as you go, arguing that this process will follow in a funnel-like design resulting in less data gathering in later phases of the study along with a congruent increase in analysis checking, verifying, and confirming.” In this study the major data sources are a survey, interview, statistical reports and legal documents.

This research is distinguished by a parallel flow of the empirical and theoretical investigation since the empirical input from a survey carried out in April–July 2012 and aimed at identifying the key informational needs of the Finnish business actors (see Appendix 1) supports the theoretical conceptualization of the research. Such systematic combining (Dubois & Gadde 2002) facilitates the evolvement of the theoretical framework when confronted with an empirical study. A questionnaire¹ has been sent to the Finnish, as well as Swedish companies that are involved either in the Barents Logistics II project or Kolarctic project. The acquired data has been analyzed using Surveymonkey service. The answers were categorized into four groups – questions related to the trade facilitation between Sweden, Finland and the Murmansk region, infrastructure development in the Murmansk region, trade promotion in the region and other interest areas. At the next analysis stage the common interest areas of the Finnish and Swedish partners in relation to the

Table 5. Trade development strategy of the Murmansk region: survey results

<table>
<thead>
<tr>
<th>Areas of interest related to the trade strategy in the MR</th>
<th>Informational needs of the Finnish &amp; Swedish business actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade facilitation between Finland/Sweden and the MR*</td>
<td>E-commerce, organization of international trading process, taxation, customs, relevant legislation;</td>
</tr>
<tr>
<td>Infrastructure development in the MR</td>
<td>Current status of the infrastructure (esp. communications &amp; IT), regional projects, logistics &amp; transportation;</td>
</tr>
<tr>
<td>Trade promotion in the MR</td>
<td>Long-term regional strategy, perspectives of e-commerce, marketing channels, business networks, business events, fairs, seminars;</td>
</tr>
<tr>
<td>Other interest areas</td>
<td>Activity checklist and list of contacts to initiate trading, references, Russian partners interested in doing business in Finland, industries;</td>
</tr>
</tbody>
</table>

*The MR – the Murmansk region

international trade development in the Murmansk region were identified (see Table 5). The generalized interest areas enable to tailor the empirical research specifically to the project stakeholders needs.

The empirical research has further continued with the semi-structured interviews carried out in Murmansk in October–November 2012 (see Appendix 2). The choice in favor of semi-structured interviews was preconditioned by several considerations. First, this particular interview type allows the participants not only to answer in a matter-of-fact manner but also to share their own opinions about the events and propose insights in the occurrences forming the basis for further inquiry and consequently potential future research (Yin 1994: 107). Therefore, though giving an opportunity to open up a topic, a semi-structured interview does not allow deviating much from a predefined theme. Second, interviews enable better understanding of individual behaviors and attitudes (Sunnari & Ylitapio 2007).

The analysis framework that was developed and described in Chapter 3 and 4 comprises several broad fields of inquiry, i.e. legislation and regulations related to the customs and international trade procedures (intellectual growth), marketing and promotional activities (trade promotion), infrastructure development and trade cooperation (support for market access). Despite being related and interconnected, the above mentioned areas are distinguished by a number of peculiarities and pitfalls.
requiring to find and interview an expert in each particular field. Therefore, a set of questions, including open-ended question, was developed for each area of inquiry and relevant interviewees were selected and interviewed (see Appendix 2, Table 6).

Owing to the fact that this study is carried out within a framework of the Barents Logistics II project, the interviewees were chosen among the project participants: one representative of a formal institution – the Murmansk region government and three – the informal institutions. In total four interviews were carried out that took place in Murmansk in October–November 2012 (see Table 6). Interview questions were sent a week before an actual interview took place. The interviews were conducted in Russian – in the mother tongue of all the interviewees – and were translated into English for the purposes of this research.

Table 6. Summary of the interviews

<table>
<thead>
<tr>
<th>Date</th>
<th>Field of inquiry</th>
<th>Interviewee</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.10.2012</td>
<td>Intellectual growth; infrastructure development;</td>
<td>Representative of Finpro in Murmansk</td>
<td>1h 2 min</td>
</tr>
<tr>
<td>24.10.2012</td>
<td>Infrastructure development;</td>
<td>Representative of the Ministry of Transport and Communication of the Murmansk region</td>
<td>~ 40 min</td>
</tr>
<tr>
<td>26.10.2012</td>
<td>Infrastructure development (logistics);</td>
<td>Representative of Kola Carrier Union</td>
<td>~ 55 min</td>
</tr>
<tr>
<td>2.11.2012</td>
<td>Intellectual growth; trade promotion; trade cooperation; infrastructure development;</td>
<td>Representative of Murmansk Region Chamber of Commerce</td>
<td>1 h 48 min</td>
</tr>
</tbody>
</table>

As seen from Table 6, each field– building block of the analysis framework – is discussed with at least two interviewees to avoid subjectivity and provide additional or different insight into the subject-matter. Two interviews were recorded – with the representative of Finpro in Murmansk and representative of Murmansk Region Chamber of Commerce; written documentation was made during the interviews with the representative of the Ministry of Transport and Communication of the Murmansk region and representative of Kola Carrier Union as the interviewees seemed to feel reluctant to be recorded. Finpro, Murmansk Region Chamber of Commerce and Kola Carrier Union are the examples of complementary informal institutions; the Ministry of Transport and Communication of the Murmansk region is a formal institution (for more information see Appendix 3).
Secondary data collection entails relevant literature analysis, with journal articles, statistics reports, and official documents among others. The use of multiple sources of evidence allows an investigator to address a broader range of issues and triangulate the lines of inquiry (Yin 1994). Ghauri (2004) defined triangulation as the collection of data using different methods. By means of triangulation more validity is gained (Mathison 1988), the findings and conclusions are likely to be more accurate if based on several sources of information (Yin 1994). The current study combines such type of data as the survey, interviews and journal articles, statistics reports, and official documents.

5.4 Data analysis

A compelling feature of case study research is a frequent overlap of data analysis and data collection giving a researcher an opportunity to take advantage of flexible data collection and make adjustments during the data collection process. In addition, the case study method, with its use of multiple data collection methods and analysis techniques, provides researchers with opportunities to triangulate data in order to strengthen the research findings and conclusions. (Soy 1997.)

Analyzing the data is the heart of case study research but it is also the most difficult and least codified part of the process. Published studies generally describe research sites and data collection methods but give little space to discussion of analysis resulting in a chasm separating data from the conclusions. (Eisenhardt 1989.)

In this study the data is analyzed in a two-stage process. First, the collected primary and secondary data is classified according to the categories identified in the analysis framework. Second, the case description according to the proposed theoretical framework is developed.
6 MURMANSK REGION: GENERAL CHARACTERISTICS

In this study the Murmansk region (see Figure 12) acts as a natural context or background against which strategic activities are initiated and implemented. Understanding contextual specifics allows not only discerning the local needs but also interpreting regionally implemented strategic activities and comprehending motivation behind them. Therefore, the following chapter describes in detail current social and economic situation in the region.

Figure 12. Map of Finland and Russia (Barentsinfo 2012)

Studies of strategy as practice confront themes of management and organizational planning process with the social practices of the subjects involved in it (Silva et al. 2012: 7). Orlikowski (2000), for example, has investigated how people interact with technology in their practices and how they establish structures to influence the use of technology itself. In this and other studies, the focus on the micro-social level – the everyday practices inside organizations – came to be advocated as suitable for investigations on strategy (Silva et al. 2012: 7). Inclusion of the social dynamics in
the process of the strategy shaping brings a new perspective into understanding of the strategy phenomenon allowing interpreting it as a social practice. Therefore, reflecting the Johannisson’s idea (1997) that entrepreneurship is a social practice that must be contextualized, localized and situated, strategy and strategic activities as a social practice require to be contextually embedded since social context shapes and predetermines the process and outcomes of the strategic decision-making. Embeddedness refers to a process of becoming part of the structure that involves understanding the nature of the structure, enacting or reenacting this structure which forges new ties, and maintaining both the link and the structure (Jack & Anderson 2002: 467–468). In other words, only contextually embedded strategy or strategic activities are able to satisfy the specific need of the local situation.

The Murmansk region is one of the largest regions of the European North of Russia. The region is situated on the Kola Peninsula washed by the Barents and White seas and it has the area of 144,900 km². Almost all its territory lies beyond the Arctic Circle. Its maximum length from the north to the south is 400 km, from the west to the east is 500 km. The Murmansk region borders on two states – Norway and Finland in the west, in the south – on the Karelia Republic. (Kola Encyclopedia 2008.)

The deep-sea port of all-the-year round navigation, substantial biological and mineral resources, as well as high level of educational, scientific, technological and innovation potential have positioned the region as one of the most economically advanced and strategically important subjects of the Russian Federation. Military and geopolitical significance of the region is further amplified by the Northern Navy base located in the region which is especially important in the context of the constantly increasing competition for the Arctic resources. (Murmansk region in XXI century: tendencies, factors and development problems 2009: 7.)

The region is distinguished by its relative proximity to the major economic centers of the country – Moscow and St. Petersburg – that has ensured the development of the multi-sector local industry and basic infrastructure during comparatively short time. (History of the Murmansk region 2011.) The port of Murmansk, railway and marine transport, including the nuclear icebreaker fleet, embody the key elements of the
Northern Russia transportation system. Murmansk is the beginning of the Northern Sea Route, a transportation artery guaranteeing access to the natural resources of the Far North, Siberia and the Far East, as well as to the transit routes from the Atlantic to the Pacific Ocean.

The region is remarkable for its rich natural resources. Water resources are represented by more than thousand lakes and approximately twenty thousand rivers and creeks. River and lake water is characterized by low mineralization level and is used for civilian an industrial water supply. Biological resources are concentrated in the fresh (lakes and rivers) and marine (the Barents and the White seas) waters of the region. Additionally, the Kola Peninsula has extensive recreational resources represented by a variety of landscapes including not industrially affected areas (the eastern part of the region).

More than sixty large mineral deposits have been found and developed on the peninsula, the most valuable of which are copper-nickel, iron, apatite-nepheline ores and ores of rare metals. Of importance are the mica and gemstones deposits, raw materials for the construction and ceramics production. (Murmansk region in XXI century: tendencies, factors and development problems 2009: 8.) The Barents Sea shelf contains large gas and oil deposits, with the Shtokman gas field being of strategic significance not only at the regional but also at the national and international levels.

According to the Federal State Statistics Service of the Murmansk region (2012), in the sphere of material production, metallurgy, mining, power and fishing industries generate more than 60% of the regional GDP. The same industries form also the basis of the regional export potential.

The Murmansk region is a constituent part of the Northwestern Federal District and amid eleven district members the region is ranked as one of the district leaders. Production structure of the Northwestern Federal District is distinguished by its complementarity presupposing active inter-regional cooperation. The region supplies raw materials, metallurgical products, as well as power to the regions of the Northwestern Federal District; from the regions of the Northwestern Federal District
the Murmansk region imports technical products, machinery and mass consumption products, including food. (The Federal State Statistics Service of the Murmansk region 2012.) Further, the region plays a notable role in the Russian economy, covering part of the national demand in non-ferrous metals, iron ore, fish products, phosphates and transportation services.

The region is a member of the Barents Euro-Arctic Council, the Nordic Council of Ministers and the Arctic Council. The economic structure of the Barents Euro-Arctic Council is of similar nature that alongside mutual cooperation development leads to a relatively fierce competition in fishing industry, transportation and tourist services. Among the countries of the Barents Euro-Arctic Council the Murmansk region has the most substantial human, resource and industrial potential that preconditions constantly growing interest of the participants towards the region and available cooperation opportunities (Portsel 2011). However, the greatest potential on one hand implies rather low level of the current development on the other.

Proximity to the industrially developed European countries, possibility of an all-year-round navigation and availability of competitive products have supported the dynamic development of the regional international relations. The region has more than 80 economic partners, primarily European countries, however, trade relations with Japan and China are being actively developed as well. The regional place in the international labor division is connected with the export of metals, apatite concentrate, fish products and transportation services. The availability of energy resources allows regional transformation into a major center for mining, processing and transportation of fuel and power resources to Asia, Europe and the USA.

6.1 Natural resource potential

The basis of the regional economic development is formed by the considerable natural resource potential, mineral and marine biological resources being of key importance. The local mineral resources base is represented by a variety of minerals including ferrous, non-ferrous, rare and precious metals, non-metallic minerals (phosphates, ceramics, mica) and a range of construction materials. During the last decades this base has been enriched by fuel and energy resources that have not been
earlier at the regional disposal. The majority of the above listed resources belong to the strategic mineral resources. Of the key importance are nickel, copper, phosphorus, iron, platinum, titanium, aluminum, zirconium ores and other rare metals, as well as mica and construction materials. The most of these ores are located in the economically developed regional areas and represent the raw materials base for mining and processing industries. Additionally, more than 100 solid minerals deposits (e.g. platinum, kyanite, aurum, molybdenum, etc.) ensure the future developmental perspectives of the regional raw materials base (Murmansk region in XXI century: tendencies, factors and development problems 2009: 9). Rich oil and gas fields have been found on the Barents Sea and Pechora Sea shelves including the world-famous Shtokman gas condensate field which is located in the central part of the Barents Sea at the distance of 600 kilometers to the north-east from Murmansk. According to the Industrial Development, Ecology and Nature Management Committee of the Murmansk region (2012), an estimated field capacity is about 3,7 trillion m³ of gas and more than 31*10⁹ tons of gas condensate. Development of the unique hydrocarbon resources on the Arctic shelf changes fundamentally the future perspectives not only of the Murmansk region but also of the whole country. (Mineral potential of the Murmansk region 2012.)

Despite diversity and substantial developmental potential of the regional resource base, there is a number of problems, i.e. resource depletion, deterioration of geological and geo-technical conditions, geological exploration reduction and subsequent shrinkage of the mineral resource base, degradation of geological exploration infrastructure that requires re-equipment with the state-of-art machinery and qualified personnel, absence of cardinal qualitative improvements with regard to the mineral resources processing and usage. (Mineral potential of the Murmansk region 2012.)

Fishing industry potential is predetermined by the accessible raw materials volumes, fleet availability, its structure and condition. The basis of the fishing catches in the Murmansk region is formed by the aquatic organisms of the Northeast Atlantics which fish stocks are characterized as satisfactory. According to the expert assessments, the present condition of the biological resources allows forecasting an increase in the fishing volumes and consequent assortment improvement due to the
augmented proportion of the demersal species. (Murmansk region in XXI century: tendencies, factors and development problems 2009: 9.)

Water resources include surface water and groundwater. Water management comprises a wide spectrum of water usage – melioration and agriculture, hydropower engineering, industry, shipping, municipal services, etc. According to the Industrial Development, Ecology and Nature Management Committee of the Murmansk region (2012), the region is distinguished by high fresh water availability. On the Kola Peninsula there are approximately 20000 rivers, 10 water reservoirs totaling 342,200 ha, as well as 111600 lakes of 922,700 ha. As far as underground waters are concerned, there are 14 developed deposits, 4 of which are being exploited. To the north of Monchegorsk there is a unique deposit of mineral water that is the only one in the region. (Industrial Development, Ecology and Nature Management Committee of the Murmansk region 2012.)

The Murmansk region forest is highly affected by the harsh climatic conditions: hilly terrain, stony soils, short vegetation period, and nutrients’ insufficiency precondition long growing period and a limited assortment of tree and shrub species suitable for cultivation. Forest land area comprises 9455,500 ha or 65,3% of the total Murmansk region territory. According to the purpose, the local forest is classified into protection and exploited forests that constitute 64,5% and 35,5% of the total forest area respectively. (Industrial Development, Ecology and Nature Management Committee of the Murmansk region 2012.)

Of note, the Industrial Development, Ecology and Nature Management Committee of the Murmansk region (2012) reports that there is a number of problems in the forestry sphere. First, forest resources are being substantially underutilized due to the high forest procurement costs. Second, poor forestry management, delays in the forest restoration activities, extensive industrial pollution and wildfires cause the disappearance of 2000 to 4000 thousand ha of forest annually.
6.2 Prevailing settlement pattern, demographic and migration trends

The main settlement axis of the Murmansk region has been formed following the meridian direction in the close proximity to the key transportation arteries – Oktyabrskaya Railway and federal road of interregional importance connecting Murmansk and St. Petersburg. The length of the settlement framework from north to south is 262–284 km; the width is from 2 to 30 km. Currently, the settlement system of the Murmansk region is represented by 5 areas – Murmansk, Pechenga, Monchegorsk, Kovdor and South areas that cover 99,4% of the total regional population. The city of Murmansk – the regional center – is the only large city on the Kola Peninsula in terms of territory and population. According to the Federal State statistics Service (2012), in 2012 the population of the city of Murmansk was 305034 people. Among other 15 cities of the region, 2 are medium and 13 are small-sized. Currently on the territory of the region there are 136 rural settlements with 8,5 % of the total regional population. (The Federal State Statistics Service of the Murmansk region 2012.)

According to the Federal State Statistics Service of the Murmansk region (2012), there are several negative tendencies and problems with respect to the regional settlement pattern. First is a crisis state of the most regional town-forming enterprises that require supportive financing from the regional and local budgets, thereby the other territories are being underfinanced. Furthermore, the state of the regional transportation infrastructure is extremely unsatisfactory reducing population mobility. Additionally, the region lags behind in urban planning in comparison to the other regions of the Northwestern Federal District.

During the last decade the regional population has reduced by 104, 6 thousand people and in 2012 decreased to 787,9 thousand people from 892,5 thousand people in 2002 largely due to the high migration level (see Figure 13). The population structure is characterized by the gradual reduction of the number of people under the working age (2000 – 19,3%; 2007 – 15,7 %), and increase of the number of working-age (2000 – 67,7%; 2007 – 69,4 %) and above working-age people (2000 – 13%; 2007 – 14,9 %). (The Federal State Statistics Service of the Murmansk region 2012.)
Regional demographic situation is generally characterized by the overall population aging, low level of generation replacement (average number of children born by a fertile-aged woman in 2007 equaled only 2.15 which is hardly sufficient to replace both parents), relatively high infant mortality in comparison to the other countries of the Barents region (3.9 deaths per 1000 born), intensive depopulation and active outmigration processes. The region is distinguished by low life expectancy level – in 2007 an average life expectancy was 66.6 years that is 10 years less that an internationally accepted critical value of 76.7 years. (The Federal State Statistics Service of the Murmansk region 2012.)

Demographic problems predetermine the population shrinkage and consequently inhibit the socio-economic development of the Murmansk region. To ensure and improve the regional competitiveness, there is an acute necessity to guarantee the population growth or at least its stabilization.

6.3 Human potential, human resources and regional labor market development

Human potential is a chief factor for the successful regional development. The concept of human potential refers to the population quality and is defined as a system of physical and mental abilities of a person, social group or society as a whole, which utilization enhances the life quality of an individual and community (The Federal
According to the Federal State Statistics Service of the Murmansk region (2012), during the last decade the Murmansk region has experienced notable loses in the human potential sphere, primarily due to the intensive outmigration processes and natural population shrinkage (in total by 90,2 thousand people, including 68,2 thousand people by reason of outmigration), overall health level and life expectancy decline.

A complex index, devised by the UN to observe the social progress – Human Development Index (HDI) – is an average of three parameters, i.e. an index of estimated life expectancy, educational level and regional GDP. The closer HDI to 1 is, the higher the development of the human potential is and the closer life standards in a given region to the generally accepted welfare criteria are. (Human development report 2011). Over the last decade the regional HDI has shown a steady growth and in 2011 equaled 0,71 improving the regional ranking from 42nd place in 2003 to 21st in 2011 (HDI in Russia 2011). However, in comparison to the other countries of the Barents region, the Murmansk region is characterized by the lowest HDI with Norway scoring 0,943 in 2011, Sweden – 0,904, Finland – 0,882 (Human Development Report 2011).

The region is characterized by developed educational infrastructure and high educational level of the regional population. There are 202 educational establishments in the region including 2 state universities, 2 private universities and 37 professional colleges. The national population census carried out in 2010 has revealed that the proportion of specialists with higher education has increased from 15,5% in 2002 to 22,5% in 2010; at the same time the proportion of people having only secondary or primary education has decreased by 3% and 1% respectively. (National population census 2010.)

Availability of human resources has been ensured during the Soviet period by means of high inflow of specialists from all over the country guaranteeing high quality of
labor force. However, the crisis in the 1990s has influenced the characteristics of the regional human potential triggering a number of tendencies observed in the labor market over the last decade. First, the number of economically active population has been gradually reducing largely due to the active outmigration processes. However, the level of economic activity reflecting the proportion of economically active population of the total regional population aged between 15 and 72 years old, is higher in the region than country’s average (more than 70% in the region against 65% in Russia). The unemployment rate is gradually reducing. The problem of structural unemployment that has been especially acute in the 1990s and in the beginning of 2000s has been effectively addressed, though not completely solved (see Table 7, Figure 14). (The Federal Statistics Service of the Murmansk region 2012.)

On the whole, human potential as a factor of socio-economic development, regardless of some negative trends, retains its role as a leading force in the regional development. Educational level of the local population – one of the most important human potential constituents – is relatively high and corresponds to the country’s average and is comparable with the European educational levels. However, low life expectancy and health indices in comparison with the country’s average and European standards remain to be a major constraint to the regional development. Labor force reduction and deterioration of employees’ professionalism are key factors limiting regional economic development, especially with respect to the large-scale projects.
Figure 14. Employment structure by economic activity, % of the total number of employed in the respective year (The Federal Statistics Service of the Murmansk region 2012)
Table 7. Level of economic activity, employment and unemployment (The Federal Statistics Service of the Murmansk region 2012)

<table>
<thead>
<tr>
<th>Year</th>
<th>Level of economic activity (economically active population to the total population of the 15–72 age group)</th>
<th>Employment level (employed population to the total population of the 15–72 age group)</th>
<th>Unemployment level (unemployed population to the total population of the 15–72 age group)</th>
<th>Level of registered unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>72,1</td>
<td>81,6</td>
<td>62,5</td>
<td>70,4</td>
</tr>
<tr>
<td>2005</td>
<td>73,0</td>
<td>81,3</td>
<td>66,6</td>
<td>74,1</td>
</tr>
<tr>
<td>2006</td>
<td>72,2</td>
<td>79,8</td>
<td>67,3</td>
<td>74,3</td>
</tr>
<tr>
<td>2007</td>
<td>70,7</td>
<td>78,6</td>
<td>66,1</td>
<td>73,4</td>
</tr>
<tr>
<td>2008</td>
<td>73,9</td>
<td>81,5</td>
<td>68,7</td>
<td>75,6</td>
</tr>
<tr>
<td>2009</td>
<td>75,0</td>
<td>83,0</td>
<td>69,3</td>
<td>76,8</td>
</tr>
<tr>
<td>2010</td>
<td>74,9</td>
<td>82,8</td>
<td>68,3</td>
<td>75,1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>77,6</td>
<td>82,9</td>
<td>68,1</td>
<td>72,8</td>
<td>12,3</td>
<td>12,2</td>
<td>2,9</td>
</tr>
<tr>
<td>2005</td>
<td>75,7</td>
<td>80,7</td>
<td>68,4</td>
<td>73,0</td>
<td>9,7</td>
<td>9,5</td>
<td>3,2</td>
</tr>
<tr>
<td>2006</td>
<td>77,3</td>
<td>82,5</td>
<td>71,9</td>
<td>76,8</td>
<td>7,0</td>
<td>6,9</td>
<td>2,9</td>
</tr>
<tr>
<td>2007</td>
<td>73,9</td>
<td>78,9</td>
<td>68,8</td>
<td>73,7</td>
<td>6,9</td>
<td>6,6</td>
<td>2,7</td>
</tr>
<tr>
<td>2008</td>
<td>78,9</td>
<td>83,0</td>
<td>72,0</td>
<td>75,9</td>
<td>8,6</td>
<td>8,5</td>
<td>2,4</td>
</tr>
<tr>
<td>2009</td>
<td>79,5</td>
<td>84,3</td>
<td>73,9</td>
<td>78,7</td>
<td>6,9</td>
<td>6,7</td>
<td>3,1</td>
</tr>
<tr>
<td>2010</td>
<td>78,5</td>
<td>83,8</td>
<td>70,8</td>
<td>75,7</td>
<td>9,8</td>
<td>9,7</td>
<td>2,5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Women</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>66,7</td>
<td>80,1</td>
<td>56,9</td>
<td>67,7</td>
<td>14,6</td>
<td>15,5</td>
<td>4,4</td>
</tr>
<tr>
<td>2005</td>
<td>70,5</td>
<td>82,0</td>
<td>65,0</td>
<td>75,4</td>
<td>7,8</td>
<td>8,0</td>
<td>4,3</td>
</tr>
<tr>
<td>2006</td>
<td>67,3</td>
<td>76,9</td>
<td>62,9</td>
<td>71,4</td>
<td>6,5</td>
<td>7,1</td>
<td>4,0</td>
</tr>
<tr>
<td>2007</td>
<td>67,6</td>
<td>78,2</td>
<td>63,4</td>
<td>73,0</td>
<td>6,2</td>
<td>6,6</td>
<td>3,3</td>
</tr>
<tr>
<td>2008</td>
<td>69,1</td>
<td>79,7</td>
<td>65,5</td>
<td>75,3</td>
<td>5,2</td>
<td>5,6</td>
<td>2,5</td>
</tr>
<tr>
<td>2009</td>
<td>70,8</td>
<td>81,4</td>
<td>64,9</td>
<td>74,6</td>
<td>8,4</td>
<td>8,3</td>
<td>3,3</td>
</tr>
<tr>
<td>2010</td>
<td>71,5</td>
<td>81,5</td>
<td>65,8</td>
<td>74,4</td>
<td>7,9</td>
<td>8,7</td>
<td>2,7</td>
</tr>
</tbody>
</table>

6.4 Standard and quality of life

Over the last decade the standard and quality of life have substantially improved that is reflected in stable growth in real income, wages, purchasing power and low stratification degree of the population by income and poverty reduction (see Table 8, 9, 10).
Table 8. Main socio-economic indicators of living standard in the Murmansk region (The Federal Statistics Service of the Murmansk region 2012)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average per capita income, rub. per month</td>
<td>3550,1</td>
<td>10373,2</td>
<td>12580,0</td>
<td>15221,3</td>
<td>18773,2</td>
<td>21351,4</td>
<td>24273,6</td>
</tr>
<tr>
<td>Average nominal monthly wages, rub.</td>
<td>3746,9</td>
<td>12509,6</td>
<td>15162,0</td>
<td>18581,0</td>
<td>23762,8</td>
<td>26591,7</td>
<td>29307,8</td>
</tr>
<tr>
<td>Coefficient of income inequality, in times</td>
<td>11,6</td>
<td>11,9</td>
<td>12,3</td>
<td>13,3</td>
<td>13,6</td>
<td>13,6</td>
<td>13,7</td>
</tr>
</tbody>
</table>

Table 9. Actual final consumption of households at current prices, million rubles (The Federal Statistics Service of the Murmansk region 2012)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>84392,2</td>
<td>100420,5</td>
<td>120867,3</td>
<td>150962,6</td>
<td>165621,8</td>
</tr>
<tr>
<td>Final consumption expenditure of households</td>
<td>67620,2</td>
<td>80312,8</td>
<td>96237,7</td>
<td>120251,7</td>
<td>131956,0</td>
</tr>
<tr>
<td>Shopping</td>
<td>45980,9</td>
<td>53451,4</td>
<td>65669,7</td>
<td>84975,4</td>
<td>93300,4</td>
</tr>
<tr>
<td>Service payments</td>
<td>21385,2</td>
<td>26408,4</td>
<td>30146,5</td>
<td>34902,5</td>
<td>38344,7</td>
</tr>
<tr>
<td>Other</td>
<td>17256,6</td>
<td>20994,1</td>
<td>25444,6</td>
<td>31429,7</td>
<td>34260,8</td>
</tr>
</tbody>
</table>

Table 10. Distribution of population by average per capita income as a percentage of total population (The Federal Statistics Service of the Murmansk region 2012)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average incomes, rub. per month</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 3500,0</td>
<td>10,8</td>
<td>6,8</td>
<td>4,6</td>
<td>2,6</td>
<td>1,7</td>
<td>1,1</td>
</tr>
<tr>
<td>3500,1 – 5000,0</td>
<td>12,8</td>
<td>9,6</td>
<td>7,1</td>
<td>4,7</td>
<td>3,4</td>
<td>2,4</td>
</tr>
<tr>
<td>5000,1 – 7000,0</td>
<td>17,3</td>
<td>14,7</td>
<td>11,8</td>
<td>8,7</td>
<td>7,0</td>
<td>5,4</td>
</tr>
<tr>
<td>7000,1 – 10000,0</td>
<td>20,5</td>
<td>19,6</td>
<td>17,6</td>
<td>14,7</td>
<td>12,7</td>
<td>10,7</td>
</tr>
<tr>
<td>10000,1 – 15000,0</td>
<td>19,7</td>
<td>21,8</td>
<td>22,2</td>
<td>21,5</td>
<td>20,3</td>
<td>18,7</td>
</tr>
<tr>
<td>15000,1 – 25000,0</td>
<td>18,9</td>
<td>18,3</td>
<td>22,0</td>
<td>25,4</td>
<td>26,8</td>
<td>27,4</td>
</tr>
<tr>
<td>25000,1 – 35000,0</td>
<td>n/a</td>
<td>9,2</td>
<td>14,7</td>
<td>11,3</td>
<td>13,3</td>
<td>15,0</td>
</tr>
<tr>
<td>&gt; 35000,0</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>11,1</td>
<td>14,8</td>
<td>19,3</td>
</tr>
</tbody>
</table>

Although, a steady growth in incomes and wages has been recorded during the last decade, the growth rates are slower than the country’s average (The Federal Statistics Service of the Murmansk region 2012). Inter-regional and territorial differentiation in the level of wages and low average salary that does not compensate for the high living cost in the region constitute additional developmental challenges.

As far as quality of life is concerned, it is primarily assessed with reference to the estimated life expectancy. Noteworthy, over the last decade this parameter has been gradually growing reaching in 2007 the value of 66,6 years indicating improvements
in the life quality. However, the growth rate is slower than the country’s average. Additionally, high death rates among middle-aged man and infants, significant health deterioration among women and children, growth in social abnormalities, i.e. alcoholism and drug abuse, impact negatively the regional standard and quality of life. (The Federal Statistics Service of the Murmansk region 2012.) Hence, even though there are some positive trends, the above described problems do not allow ranking the region as one with high standard and quality of life. There is still much to be done before this parameter can stimulate and contribute to the regional progress.

6.5 Regional infrastructure

Ground-based communications network is represented by railway and automobile roads. Railroad tracks are supervised by the Murmansk branch of the “Oktyabrskaya” Railway company. The total length of the railway network within the regional borders is 891 km, out of which 355,3 km (~41%) constitute the main meridian oriented railway line. Murmansk, Apatity, Olenegorsk and Kandalaksha belong to the key railway nods (The Federal Statistics Service of the Murmansk region 2012). The southern part of the railway (Apatity–Louhi) is equipped with the parallel railroad to ensure free movement of encountering trains; in the northern part there are specially designed double-track inserts for the same purpose. The main railway line is electrified. Currently, the local government is actively realizing a number of projects to further develop the railway network. Specifically, a project aimed at electrifying the railway line connecting Murmansk and Vologda to ensure the Murmansk port accessibility is being implemented. A number of new railway tracks is planned to be constructed within Murmansk transportation hub project and the total capacity of the Apatity – Murmansk railway line is to be increased. (Murmansk region in XXI century: tendencies, factors and development problems 2009: 34).
The total length of the automobile roads at the end of 2006 was 3405 km, out of which 537 km of federal roads (The Federal Statistics Service of the Murmansk region 2012). The regional roads are managed by Murmanskavtodor but the federal road “Kola” (the Murmansk part of the road connecting Murmansk and St. Petersburg) – by a road management company “Kola”. Obviously, such organization system is not rational, however, despite multiple attempts of the Murmansk region government to resolve the situation with the Russian Ministry of Transport, an optimum solution has not been found yet (Murmanskavtodor 2012).

Low quality and fragility of the regional roads are the acutest problems. Approximately 80% of the public roads do not comply with the quality and safety standards. Only 460 km of roads are in the satisfactory condition; 895,7 km of roads and 60 bridges need to be repaired or overhauled; 679,9 km require complete reconstruction. This fact lowers considerably regional competitiveness, causes economic loses and road accidents. On the whole, the regional transportation network is highly developed in comparison with the other northern regions but its condition and quality limit the development opportunities. (Murmansk region in XXI century: tendencies, factors and development problems 2009: 35.)

Regional electro-power system unites 17 hydro-power stations, 2 thermal power station and one nuclear power station that not only fully cover regional demand for electricity but also allow exporting to the other Russian regions, Finland and Norway. Hydro-power stations generate 43% of total electricity output, the nuclear power station – 47%. (Murmansk region in XXI century: tendencies, factors and development problems 2009: 36.)

1 Russian roads’ typology includes the roads of federal, regional, municipal, local and private roads. Federal roads are the property of the Russian Federation and are financed from the country’s budget; regional roads – the property of the Russian subjects and are financed from the regional budgets; municipal and local roads – the municipal property and are financed from the municipal budgets; private roads are the private property and financed by the private persons.
On the whole, assessing the condition of the regional electric power industry, excessive energy production in combination with the unique electricity generating structure create favorable conditions for improving regional competitiveness. However, condition of the electric power industry in the region constraints already now the economic development of some areas due to the considerable machinery depreciation, insufficient capacity and incompliance with the safety standards. The same situation is observed in the regional heating system where highly centralized supply scheme, old machinery and predominant use of oil threaten stable sector functioning. (The Federal Statistics Service of the Murmansk region 2012.)

According to the Federal Statistics Service of the Murmansk region (2012), regional housing that is publicly managed, i.e. under the regional authority, is currently in a pre-crisis state: 24.8% of housing has been already depreciated by more than 50%. If this tendency remains, by 2025 already 54% of total housing is to be more than 50% depreciated and if depreciation reaches 60% threshold, houses become irreparable. Yet construction activity in the region remains one of the lowest in the Northwestern Federal District and generally in Russia. Nearly all the housing does not comply with the heating consumption standards resulting in the constantly increasing prices of the housing services.

The Federal Statistics Service of the Murmansk region (2012) further reports that regional utilities are in exceptionally bad condition with an average depreciation of 59% making quality and reliability of the municipal services especially low. Owning to the high depreciation level, heat loses amount to 30% of total produced thermal energy. Condition of the city and pedestrian road is characterized as unsatisfactory, even though 69.5% of road maintenance budget is allocated for the road repairs and overhaul. Federal financial support and emergence of the low-rise construction are those scarce positive aspects in the development of the regional housing and utilities.

6.6 Current economic structure

Regional economy has been gradually developing during the last decade evidenced by the steady growth of the GRP (see Figure 15).
The regional economy structure can be illustrated by means of two indices: proportion of various economic activities in the GRP and in employment structure. Figure 16 clearly indicates that processing industry, mining, transport and communication, wholesale and retail trade play the most important role in the GRP structure of the Murmansk region.

The situation changes when the regional employment structure is analyzed. In 2010 most of the economically active population was employed in the wholesale and retail
trade – 16,8%; transport and communication – 12,67%; processing industry – 10,5%;
construction – 5,4%, power, gas and water management – 4,85%; mining industry –
4,5%; metallurgy – 2,14%. (The Federal Statistics Service of the Murmansk region
2012) Therefore, in the GRP structure material production prevails, whereas in the
employment structure – service sector.

Analyzing development trends of the regional economy over the last decade, the
proportion of such sectors as processing, wholesale and retail trade, as well as real
estate has been gradually increasing in the structure of GRP. Additionally, during the
last several years the importance of social insurance sector has also notably increased
amounting to 9,7 % of total GRP in 2010. (The Federal Statistics Service of the
Murmansk region 2012.) On the whole, the most dominant regional economic sectors
are processing industry, trade, transportation and communication.

6.7 Summary: General characteristic of the Murmansk region

Strategy and strategizing activities do not exist in isolation but are to be embedded
into a specific context to satisfy the specific need of the local situation. The region is
distinguished by considerable natural resource potential, with mineral and marine
biological resources being of key importance, favorable geo-political location, high
educational level of the local population, gradually reducing unemployment,
improving quality and life standard, relatively developed transportation and energy
infrastructure, steady growth of the GRP. The deep-sea port of all-the-year round
navigation, substantial biological and mineral resources, as well as high level of
educational, scientific, technological and innovation potential have positioned the
region as one of the most economically advanced and strategically important subjects
of the Russian Federation.

The regional acutest problems include depopulation, outmigration, ageing, low life-
expectancy and wage levels, loss of human potential, crisis state of the most regional
town-forming enterprises, limited population mobility, underdeveloped urban
planning, poor state of physical infrastructure, depreciation of fixed assets

1 Complete SWOT analysis of the Murmansk region is presented in Appendix 4
insufficient capacity and incompliance with the safety standards in the energy sector, 
regional housing and regional utilities are in exceptionally bad condition. However, 
combination of the regional strengths and external opportunities allows discerning a 
number of strategic perspectives. Border and maritime location of the Murmansk 
region, its proximity to the Northern Europe and the European Union, in combination 
with intensifying international trade processes and globalization, facilitate the 
regional development as a key transportation hub of international importance. 
Mineral, biological, power and recreational resource potential supported by the 
country’s economic growth lay ground for favorable investment climate creation, 
further development of the leading industries facilitating the growth of the region as 
a large competitive economic center in the Northern Russia. High human resource 
potential and educational level in the region, emphasis on the innovation 
development and science advancement allows forming regional innovation system 
ensuring the shift to the post-industrial economic model.

On the whole, the internal and external environments of the Murmansk region 
contain substantial potential for the successful progress. Therefore, the activity of the 
local government is to be concentrated on utilization of available strengths and 
opportunities, simultaneously managing existing weaknesses and potential threats.
7 TRADE DEVELOPMENT STRATEGY OF THE MURMANSK REGION

The main objective of this research is to identify how trade development strategy of the Murmansk region influences the cross-border trade with Finland. Utilizing the practice theory and institutional approaches, in this research trade development strategy is conceptualized as a set of strategic activities and/or measures initiated by various institutions with an aim to influence trade positively. To filter, select and categorize regional activities, projects, initiatives and measures, several already implemented trade development strategies have been analyzed allowing for benchmarking and developing a framework to analyze trade development initiatives.

This framework represents the lenses through which the researcher observes the locally formulated and implemented programmes and activities aimed at improvement and facilitation of the trade procedures focusing on the international northern dimension. The framework serves two-faceted purpose: first, it allows to logically structure the research, and second, to exclude the measures and initiatives irrelevant for the purpose of this research.

The empirical results are represented according to the extended analysis framework presented in Chapter 4.4:

1) regional measures supporting intellectual growth;
2) trade promotional activities;
3) regional measures facilitating infrastructure development;
4) regional measures assisting in trade cooperation and easing market access;

The inquiries about the above described categories were accompanied with some general questions related to the trade sphere in the Murmansk region (see Appendix 2) to better understand the context and motivation for the locally-implemented trade-related activities. It is of importance to emphasize that the conducted empirical research has revealed that regional strategic activities do not address directly the problem of facilitating cross-border trade between Finland and the Murmansk region. However, the spillover effects of the locally planned or implemented strategizing instances indirectly influence trading between the two countries.
7.1 Intellectual growth

Intelligent growth refers to simplification, harmonization, standardization and modernization of trade procedures seeking to remedy trade transaction costs recognizing that they are wasteful and undesirable for both business and government (Grainger 2008: 17). The questions addressed with regard to intellectual growth in the Murmansk region include bilateral cooperation, phytosanitary, veterinary and hygiene controls, export licenses, collection of customs duties, taxes, payment of duties and fees.

“...the agreements related to the bilateral cooperation between the countries are signed at the level of the national governments. As Finland is a member of the EU, its trading relations are subject to the EU regulations and agreements. The current agreement between Russia and the EU is the Partnership and Cooperation Agreement (PCA).” (Representative of Murmansk Chamber of Commerce)

The PCA was signed in 1994 and came into force in 1997, regulating political, economic and cultural matters between the two subjects of international law. As it can be seen from the article 106 of the agreement, the PCA was originally meant to be in force for 10 years. Yet the same norm refers to the automatic renewal of the agreement if neither of the parties explicitly declares the denunciation of the agreement six months in advance of the expiry. Although there have been attempts to start the negotiations concerning the prospect of a new PCA, no considerable breakthrough has yet been made, therefore, the current PCA is still in effect. However, after Russia has become a member of the World Trade Organization, a new PCA should further strengthen bilateral co-operation in trade related aspects and ensure maximum regulatory convergence and legislative approximation including technical regulations and sanitary and phytosanitary measures. (Aruoja 2010.)

Additionally,

“...there are some general agreements regulating cooperation between Finland and Russia, for instance, an agreement to avoid double taxation, to protect capital investments and some other...” (Representative of Finpro)
An agreement between the Government of the Union of Soviet Socialist Republics and the Government of the Republic of Finland on the promotion and mutual protection of investments (Helsinki, 1989) postulates that investments made by investors of either contracting party is to enjoy full protection in the territory of the other contracting party. Neither contracting party shall adopt in its territory compulsory measures of nationalization, requisition or other measures to expropriate investments made in its territory by investors of the other contracting party, except in cases where the interests of the state so require. Should this occur, the procedure established by the legislation in force in that territory shall be applied and appropriate compensation paid. The agreement aims also to promote the creation of favorable conditions for joint ventures established by natural persons or corporate bodies on the basis of investments made under the provisions of this agreement. Particular attention is to be given to the profitability and self-financing of joint ventures and the production of modern goods that are competitive on the world market. In order to achieve these goals, appropriate conditions for the commercial activity of joint ventures shall be created, including, in particular, the provision of raw materials, energy, manpower, transportation and financial billing services. (Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the Republic of Finland on the promotion and mutual protection of investments 1989.)

An agreement between the Government of the Russian Federation and the Government of the Republic of Finland on Trade and Economic Cooperation (Helsinki, 1992) aims to promote trade and other forms of economic cooperation between Finland and the Russian Federation on a mutually advantageous and long-term basis. According to this agreement, the export and import of goods and services between Finland and the Russian Federation are carried out through the conclusion of contracts by individuals and corporate bodies in accordance with the legislation in force in each country. (Agreement on Trade and Economic Cooperation between the Government of the Russian Federation and the Government of the Republic of Finland 1992.)

An agreement between the Government of the Russian Federation and the Government of the Republic of Finland for the Avoidance of Double Taxation with
Respect to Taxes on Income (Helsinki, 1996) and protocols to them apply to taxes on income imposed in a either of the states, irrespective of on behalf of which authorities or of the manner in which they are levied. This agreement applies to persons who are residents of one or both of the states. (Agreement between the Government of the Russian Federation and the Government of the Republic of Finland for the Avoidance of Double Taxation with Respect to Taxes on Income 1996.)

An agreement between the Government of the Russian Federation and the Government of the Republic of Finland to facilitate cross-border cooperation between the Russian Federation and the Republic of Finland has been signed in April 2012 and directly addresses the necessity to facilitate cross-border cooperation between the two countries.

“...this agreement reflects that the governments of both countries fully realize the importance of mutually beneficial cooperation...” (Representative of Finpro)

In the field of cross-border cooperation, the Parties and the competent authorities of the Parties cooperate in the following areas: development and implementation of development strategies of the border regions; formation and implementation of regional policy focusing on strengthening cross-border cooperation and socio-economic development of the border regions; investment activity increase in the border regions; innovation development in the areas as a development priority of the border regions; addressing common problems of border regions; promoting the establishment and development of contacts between the public authorities and local authorities; contributing to strengthening business contacts between border regions; promotion of communication among people living in the border regions. (Agreement between the Government of the Russian Federation and the Government of the Republic of Finland to facilitate cross-border cooperation between the Russian Federation and the Republic of Finland 2012.)

Of note, before Russia’s accession to WTO, relations between Russia, the EU and Finland in particular were not based on any firm legal instruments that gave a rather wide possibility for the parties to interpret the norms as they want, as well as settle
disputes, making Russia a rather unreliable partner. These shortcomings are to be overcome by means of the WTO compulsory legal framework and binding dispute settlement mechanism. Russia’s WTO membership was approved on 16 December 2011 implying that the country will be gradually integrated into the obligatory system and trade relations with Russia will become rule-oriented. The country has been granted an access to the central trading organization; hence, strict rules and a more efficient system for solving disputes will be implemented in the country.

With regard to the collection of customs duties, taxes, payment of duties and fees, there is no any preferential treatment for the goods imported from or exported to Finland. However,

“...there is no any tax holidays, breaks or anything that would make the tax burden for the Finnish businesses easier but there is no any tariff controls or restrictions imposed on the Finnish products either. Finland follows the same guidelines as most of the EU countries. There are no any special licenses or documents that the Finnish businessmen need to obtain prior to starting exporting to the Murmansk region. Of course, there is a standard set of documents but it is mandatory for all the exporting companies.” (Representative of Finpro)

As far as phytosanitary, veterinary and hygiene controls are concerned, the interviewees were unanimous: this is a very acute problem that causes

“...a lot of logistics...ehm...complications, to put it mildly.” (Representative of Finpro)

“...products delivered to the Murmansk region and requiring phytosanitary and veterinary control have to be transported via Norwegian-Russian border-crossing point where there is a veterinarian unless we are talking about the container transportation. All the containers from Finland are shipped to Russia via St. Petersburg which is also not the best possible logistics solution. There was an initiative to appoint a veterinarian to Salla border-crossing point but it is just not working.” (Representative of Murmansk Chamber of Commerce)

In sum, analyzing the interview discourse on the intelligence growth related questions, one can draw a conclusion that neither regional formal nor informal institutions can exercise significant impact on the bilateral cooperation, phytosanitary, veterinary and hygiene controls, export licenses, collection of customs
duties, taxes, payment of duties and fees. These are issues within national
government authority and the region has to comply with them not being able to bring
substantial changes. In the main, there are no any specific requirements inflicted on
the goods imported from Finland but there is no any preferential treatment either
which seems to be rather unnatural owning to the close and intensive business
connections between the two countries.

7.2 Trade promotion

In this study trade promotion refers to the encouragement of the progress, growth, or
acceptance of trade (McCracken 2005). Obviously, trade promotion activities are of
key importance for the trade support and facilitation on the regional, national, as well
international levels. According to Jaramillo (1992), export promotion and
development activities can be grouped in four broad categories: product and market
identification and development directed towards knowledge accumulation
concerning the products that should be promoted and the features of the main foreign
markets for these products; trade information services; specialized support services
and promotional activities.

Analysis of the interview material prompts a general supposition that the trade
promotional activities in the region are rather unbalanced: there is a wide range of
promotional activities, whereas trade information services and specialized support
services remain underdeveloped.

“...there is quite a lot of seminars, business events and fairs organized on the
yearly basis in the region to promote international trade and export activities.”
(Representative of Murmansk Chamber of Commerce)

“...there are several important exhibitions and conferences that are held on the
yearly basis and aimed for the international business network development,
Resources. Technologies.” (Representative of Finpro)

Most of the seminars and conferences, however, tend to be devoted or associated
with the development and exploitation of natural and mineral resources promoting
the region as one of the major resource suppliers in the region with strong export
orientation. A conference “Arctic Shelf Development: Step by Step” deals with the current issues associated with the development of the oil and gas fields on the Arctic Shelf. *SevTEK* exhibition (Northern Fuel and Energy Complex) aims to contribute to the development of fuel and gas complex, transport net and infrastructure of the Arctic region of Russia. It is organized in joint cooperation between the Murmansk Region Government, Murmansk Region Ministry of Economic development, Murmansk Region Ministry of Energy and Housing Maintenance and Utilities, Murmansk Region Ministry of Transport and Communications, Murmansk Region Union of Industrialists and Entrepreneurs.

“Sea. Resources. Technologies” exhibition organized by the Government of the Murmansk region, Russian Union of Industrialists and Entrepreneurs and the Union of Industrialists and Entrepreneurs of the Murmansk region fosters fishery industry development. The exhibition unites the representatives of ship building, ship repairing, catching and processing of fish and sea products, ship and technological equipment, ship electronics and radar equipment, scientific research and technologies, lifesaving equipment and protective means, fish breeding, fishing gear, port economy, logistics and ship supply providing an opportunity for the informational exchange, new product display and its market launch, negotiations, conclusion of mutually beneficial contracts. The exhibition promotes the exchange of scientific and research experience, attracting investments, development of business international links and fosters mutually beneficial cooperation.

Information about the regional consumer market profile and major development trends is provided by “Kola partneriat” universal international industrial exhibition. It is organized by the Government of the Murmansk region and the Union of Industrialists and Entrepreneurs of the Murmansk region. The main purpose of this forum is to establish and develop new business contacts between enterprises and entrepreneurs in the Murmansk Region, North-West Russia and neighboring foreign countries. Thematic sections include engineering and metalworking, telecommunications, information technology, energy and electrical transportation, tourism and services, education, trade, food, manufacturing, banking, leasing and investment. Yet, market research services are scarce in the region:
“...only one company springs in my mind that provides such [marketing research] services – Socium +.” (Representative of Finpro)

Furthermore, the availability and variety of trade information and support services tend to be also rather limited:

“...in terms of information and support there are two prime contact points in the region for the Finnish companies – Finpro and Murmansk Chamber of Commerce. Even though there are only two of us we can provide all the necessary internationalization support and help in developing business in the region. We can provide all the required assistance starting from simple information provision to legal support.” (Representative of Finpro)

Additionally informational support can be received from the Union of Industrialists and Entrepreneurs of the Murmansk region and Norwegian Business Association (NBA) which is the only network of the foreign entrepreneurs in the region. NBA is a cross-over business network focusing to establish the best possible business climate for the member companies and actively contribute to Norwegian - Russian business development (NBA 2012).

In sum, trade promotional activities in the region are distinguished by their versatility. They are organized jointly by formal and informal institutions. Yet, there is no general strategic direction as to international trade promotion; additionally, variety and availability of international trade development services is very limited. Information and support services are still in their infancy, and those scarce available services are largely provided by the informal institutions. Logically, insufficient and underdeveloped trade promotional services cannot exercise substantial impact on the cross-border trade between Finland and Russia. Thus, a paradox arises: the regional formal and informal institutions direct a lot of efforts towards international trade promotion through organizing various events, yet, the instruments and mechanisms, i.e. support or information services, aimed at assisting international companies in entering, establishing and operating on the regional market remain considerably underdeveloped.
7.3 Infrastructure development

Infrastructure or more precisely its quality and development level play a key role in a country’s local and international trade performance. It includes multiple elements including transportation and telecommunication networks. A special emphasis on logistics and telecommunications as part of the physical infrastructure was preconditioned by several factors. First, they play a critical role in moving goods and services between Finland and the Murmansk region since poor transport infrastructure or inefficient transport services are reflected in higher direct transport costs and longer time of delivery; whereas insufficiency of telecommunication networks impedes with a flawless information exchange that is a key input in all economic activities. Second, Barents Logistics II project strives to deepen logistics-related competences among the project participants, and in the Murmansk region in particular, that requires a clear understanding of the current situation for tailoring specific competence development activities.

The following sections include an analysis of the strategizing activities implemented in the Murmansk region in the area of transport infrastructure (roads, railways, airports, seaports etc.) and the services provided by the transport and logistics sector, and telecommunications networks and determine its influence on the cross-border trade between Finland and Russia.

7.3.1 Transportation system and logistics

All the interviewees have admitted a critical role of transportation systems and logistics in facilitation of cross-border trade between Finland and Russia. During the interview with the representative of the Ministry of Transport and Communication of the Murmansk region it was emphasized that the transport infrastructure in the Murmansk region is distinguished by rather high development level:

“...The Murmansk region is distinguished by the most developed transport infrastructure in the northern macro-region and in the Arctic zone.”  
(Representative of the Ministry of Transport and Communication of the Murmansk region)
It was also admitted that there are obviously some problems but they were not accentuated and the attention was directed towards describing the prerequisites that exist in the Murmansk region and that favor further development of the regional transportation and logistics systems compliant with the international standards:

“...The Murmansk region possesses all the necessary prerequisites that are required for the development of the modern transportation infrastructure. First, favorable economic, geographical and geopolitical location of the region; second, the ice-free seaport which operations are not constrained by the straits as at the Black and Baltic Seas and which implies a invaluable possibility of a year-round navigation; third, availability of versatile transport infrastructure – roads, railways, seaport, airport, and what is more important – substantial transit potential: direct access to the world’s oceans, a frontier with Finland and Norway, access to the major federal transportation connections, possibility to utilize international transportation corridors such as “Sevmorput”, “Transsib” and “North-South”...” (Representative of the Ministry of Transport and Communication of the Murmansk region)

The representatives of Finpro, Kola Carrier Union and Murmansk Chamber of Commerce focused, on the contrary, on the problems that seem to be abundant in the regional transportation and logistics and that confirm the previously discussed statistical information:

“...the roads are in a very poor condition, especially close to the border. There is no excuse for the officials’ inaction and corruption that have led to such situation. It is a national shame...” (Representatives of Kola Carrier Union)

“...Poor road conditions and small railway capacity constrain traffic and touristic flows...” (Representative of Finpro)

“Airport facilities require up-grading. There are no direct connections between Murmansk and major Finnish cities that substantially reduces possibilities to establish new contacts and conduct business...there is no a railway connection between the Murmansk region and Finland. And all this can be largely attributed to the insufficiency of the political will, lack of interest and finance and what is more important, in general people do not understand what economic and business benefits could bring simple development of the roads and railways. ” (Representative of Finpro)

“All the containers, to and from the Murmansk region, can be transported only via St. Petersburg that leads towards massive overload of that transfer hub and makes container transportation rather complicated.” (Representative of Murmansk Chamber of Commerce)
“Products that are subject to phyto- and veterinary control are to be transported via customs in Storskog (Norway) since only there customs clearance for such goods can be performed. And there is no reasonable explanation why it is not possible just to appoint a veterinarian to the customs posts in Salla or Raja-Jooseppi.” (Representative of Finpro)

And the representative of Murmansk Chamber of Commerce continues:

“There was a government decree to enable transportation of goods that require phyto- or veterinary control via Salla but it is just not working...Logistics services providers are very few in the region. This business is not developed at all.” (Representative of Murmansk Chamber of Commerce)

The different focuses in the interviewees’ answers – problems or perspectives – can be partially attributed to the fact that they represent different institutional types: formal or informal. Nevertheless, even though the perspectives are different, one can draw a conclusion that problems, as well as perspectives in the sphere of regional transportation and logistics are numerous and they are being addressed by both institutional types through a number of strategically significant activities.

All the interviewees have mentioned the implementation of the Murmansk Transportation Hub project as a major strategic activity that allows not only attending to the range of problems in the regional transportation and logistics but also to increase local international trade performance. The scope of the project includes construction and reconstruction of port facilities on the Kola Peninsula, including building terminals for transshipment of coal, oil and petroleum products on the west bank; construction of a container terminal on the east coast, reconstruction of the coal terminal, construction of a warehouse and distribution zone associated with the container terminal; creation of a logistics center; development of railway infrastructure, including construction of rail line output “Lavna”, reconstruction of gridiron port stations, reconstruction of the railway approaches (the Volkhov station); development of road infrastructure, including development of the road network in Murmansk and reconstruction of the road "Kola. The project has been initiated in 2007 and is planned till 2020. However, to date “only preliminary preparation work has been done – nothing has been constructed or build yet” (Representative of Finpro).
This large-scale project is included in a number of federal and regional programmes, e.g. The Federal Program “Development of Transport System of Russia (2010-2015)”, subprogram “Development of export of transport services”; Transport Strategy of the Russian Federation until 2030; Strategy for Socio-Economic Development of the Murmansk Region 2025 (Invest in Russia 2011). Therefore, this project is to be considered as a formal institutional level initiative.

At the informal institutional level, the branch of Finpro in Murmansk has initiated the negotiations with a Dutch air charter company to establish the feasibility and possibility of launching direct flight connections between Murmansk and Rovaniemi, thereby an acute transportation problem is addressed. However, a question concerning economic profitability of such flights arises. Attempts to establish direct flight connections between Murmansk and a number of Finnish cities have been already undertaken and failed due to a low demand level. For instance, in 2007 the company Aeroflot-Nord cancelled the flights from Arkhangelsk via Murmansk and Ivalo to Luleå (BaltInfo 2009). Yet, the representative of Finpro in Murmansk is convinced that the flights between Murmansk and a Finnish city can operate successfully:

“...first, due to the specifics of the flights – charter flights are organized differently than regular scheduled connections; second, these flights are to be in high demand in a low season period, since during public holidays, especially Christmas and New Year holidays, people tend to use road transport.” (Representative of Finpro in Murmansk)

Obviously, direct flight connections between the two countries that are mutually important trading partners would boost substantially international trade cooperation and business cooperation in general. This initiative, however, does not address the need of technical upgrading of the local airport. In the main, the airport network is the weak link in Russian air transport system. Ten years of economic crisis both in the sector and in the country drastically stunted the growth of the aviation industry. The situation is gradually improving, however, a mismatch between the growth in air traffic and infrastructure development is the biggest challenge currently faced by the Russian aviation, and nowhere is this more acute than in the case of smaller, regional airports. To develop the airports at the desired level, it is imperative that both the
federal government and private sector join hands in providing much-needed capital to resuscitate the sector. Overall investments in the development of Russian airport complexes before 2020 are estimated at EUR 31 bln. Investments before year 2015 will reach EUR 24 bln: almost 64 % (15.5 bln. EUR) is to be provided by the federal budget, a third – from the regional budgets and 3.7 % from private-state partnerships (Loon & Destree 2008: 4–5). Yet, this is a project initiated at the federal level where formal and informal institutions of a regional level play a rather modest role and operate like supporting rather than leading actors.

Another problem within the regional transport sector that has been heavily emphasized during the interview with the representative of Murmansk Chamber of Commerce is insufficiency of logistics service providers:

“...there are only a few small, though rather successful, companies in the region that provide logistics services, they are practically nonexistent. There is an acute demand to develop this business sector...” (Representative of Murmansk Chamber of Commerce)

A legitimate question arises as to the reasons that justify the necessity to develop the sector of logistics support services. Transport and logistics services providers act as inter-mediators matching exporters and importers. They provide logistics services that reduce transaction costs of international trade and are, therefore, also trade-supporting infrastructural services. (World Trade Report 2004.)

At the informal institutional level, this issue is being dealt with by Murmansk Chamber of Commerce that is actively engaged in the Barents Logistics II project. Murmansk Chamber of Commerce disseminates information accumulated by the project with regard to the logistics competence development and provides versatile support including legal and advisory for the new start-up companies. In addition, Murmansk Chamber of Commerce negotiates a possibility of establishing a direct transport corridor between Port of Murmansk and Port of Lübeck to optimize transportation flows that would benefit the Finnish partners as well – containers could be directly dispatched to Murmansk and not via St. Petersburg.
7.3.2 Communications network

The unprecedented growth in telecommunications over the last decades has changed the way all businesses function. Nowadays, business including cross-border trade largely depends on telecommunications as a transactional channel which considerably reduces the communication and operational costs. (Bojnec & Fetrö 2011: 65.) Effective telecommunications provide a low-cost channel for searching, gathering and exchanging information linking business partners and customers which, in turn, is a key input in all economic activities. Hardly any business today can operate without telecommunications. For many industries the telephone is the primary point of selling, and the Internet is an increasingly important channel for marketing, and for sales for some industries. (World Trade Report 2004.) Therefore, modern telecommunications infrastructure is of key importance for business success and economic development on the national, as well as international level.

The Murmansk region is distinguished by rapidly developing communications networks being the leading subject of the Russian Federation in terms of mobile services penetration. Yet, there are still a lot of problems and challenges:

“Communications is certainly rapidly developing sector of the regional economy. Especially intensive mobile, Internet and IT-services are developing. However, the overall development level remains quite low. For instance, only approximately 25% of the regional population has Internet access. Communications services tend largely to be expensive and of low-quality. And postal services are state-monopolized, e-commerce and e-services are still in their infancy. Rather small number of people buys something in the Internet or uses e-services.” (Representative of Murmansk Chamber of Commerce)

“Availability and variety of e-services is very limited. And those services that exist are usually not used – people still prefer old traditional ways.” (Representative of Finpro)

Generally, however, the usage rate of telecommunications services is steadily growing. To further facilitate the development of telecommunications, the regional government is currently implementing a number of strategic activities which are, however, tend to be frequently one-sided: efforts are directed at specific areas or sectors, e.g. to ensure Internet access for the educational establishments or increase
the number of e-services provided by the regional government or public organizations. There is no unifying regional programme or strategy for the telecommunications sector development and all the efforts, though, large-scale tend to be uncoordinated not producing maximum possible results.

In the main, most of the strategic activities in the telecommunications sphere are initiated by the regional government with a very limited or no involvement of the informal institutions. Absence of the sector strategic programme leads to the situation when “...some efforts are done here and there which scattered and uncoordinated nature does not bring any synergetic effects” (Representative of Murmansk Chamber of Commerce). Accordingly, even though telecommunications sector and the usage rate of telecommunications services are steadily growing, lack of organization, planning and coordination does not allow utilizing its full potential for the international trade.

7.4 Support for market access and international trade cooperation

Support for market access and international trade cooperation is primarily focused on the tariff and non-tariff barriers reduction to improve access to markets for goods and services. A country's ability to use trade to advance its development objectives depends in part on the market access conditions being confronted with by trade partners and on the extent to which it is affected by agreements that limit its ability to use specific policies. (The World Bank Group trade strategy 2011–2021 2011: 16).

Over the last several years a wide network of horizontal connections and contacts in the Barents region facilitating interaction between separate organizations, regional business structure, representatives of public authorities and non-governmental organizations has developed (Buch 2012: 20). Yet there is still a number of limiting factors constraining the operations between the Murmansk region and other Barents region countries:

“...Sadly there are still some customs, infrastructure, logistics and legislative barriers. However, there are no any special tariffs for the goods imported from Finland.” (Representative of Finpro)
Absence of special tariffs can be interpreted in two ways: logically, it is beneficial for the Finnish business not being obliged to pay extra or higher customs duties, but on the other hand, imports from Finland do not enjoy any preferential treatment, even though Finland is the main partner of the Murmansk regions with regard to the import operations. Finnish share in imports amounts to 26.1% followed by Belorussia (16.3%), Norway (15.5%), Ireland (9.6%), Czech Republic (4.8%), Sweden (4.1%), Germany (3.7%), Japan (3.2%), Guinea (3.2%) and China (1.9%) (Buch 2012: 21). Of note, even though the presence of Norwegian business is rather strong, Norway is not the prime import country.

Low work quality of customs authorities, underdevelopment of customs logistics and e-declaring, absence of veterinarian service at checkpoints, slow customs clearance process and high customs duties for some goods are the most frequently cited non-tariff customs barriers (Representatives of Finpro and Murmansk Chamber of Commerce). Additionally, logistics and transport centers in the Murmansk region practically do not exist and temporary storage warehouses are poorly equipped.

“...yet the prices for the warehousing services are very high due to the monopolistic nature of the temporary storage warehousing market.” (Representative of Kola Carrier Union)

As far as the legislative barriers are concerned, the interviewees agree that the international trade legislation of the Russian Federation is unnecessarily complex and perplex, and frequently more complicated than in other European countries. Additionally,

“...very often it happens that some amendments in the legislation have been done but companies dealing with cargo transportation have not been timely informed causing additional problems at the customs clearance.” (Representative of Kola Carrier Union)

Despite the legislation being so complicated, the intermediary services assisting customs clearance process remain undeveloped. Obviously, accession of Russia to the World Trade Organization is to simplify customs clearing, however,
“...it is still necessary to develop an algorithm of actions for the companies involved in Finnish-Russian trade and Finpro can actively help with this.” (Representative of Finpro)

In the main, according to Alexander Stubb, “Finnish companies will benefit from Russia being accepted as a member of the World Trade Organization through removing trade barriers and will make it a more reliable trading partner. Russia is Finland’s third-largest export market after Sweden and Germany, and Finland exports large quantities of paper, cardboard, medical and pharmaceutical products, iron, steel and industrial machinery to Russia…” (Helsinki Times 2011.)

To address the above described problems and to reduce a negative impact of the non-tariff barriers on the regional market accession, in 2010 the local government signed an agreement on the establishment of a special economic zone (SEZ) in the Port of Murmansk. If the accession to the World Trade Organization is managed by the federal formal institutions, establishment of SEZ in the Port of Murmansk is purely regional initiative:

“...the idea to establish a SEZ in the Port of Murmansk originates from the local government. “ (Representative of Murmansk Chamber of Commerce)

However, it has been recently reported that a decision to close down the project is to be taken within a few months. The zone will still operate a few more months. Inability of the project stakeholders to arrive at the unanimous decisions and to attract residents was mentioned as the main reasons for the project failure. (Barentsnova 2012.)

The representative of Murmansk Chamber of Commerce has commented on the situation:

“...in my opinion, the major reason for the project failure is the fact that it was largely implemented on the level of formal authorities without engaging local business. And such large scale-projects can be implemented only in close public-private cooperation...”
Despite the reported decision, the representative of Murmansk Chamber of Commerce is convinced that the establishment of SEZ in the Port of Murmansk is still very likely in the future:

“...SEZ is of utmost importance for the regional economic growth and it took serious efforts to establish a management company for the economic zone and to find solutions on land allocation and formalities. Besides, it is very important for the development of the Murmansk Transport Hub project. I don’t think that the government can abandon the whole undertaking so easily. There was one agreement in 2010. There will be another agreement.”

(Representative of the Murmansk Chamber of Commerce)

Additionally, SEZ in the Port of Murmansk is an optimum solution to address the whole variety of existing non-tariff barriers and to improve the local infrastructure. Establishment of the SEZ entails tax and customs benefits, as well as the reduced administrative obstacles.

In sum, analyzing the interview discourse, one can admit that even though there are no any tariff-related barriers in the Finnish-Russian trade, the multiple non-tariff obstacles makes the internalization process to the Murmansk region market rather complicated. Establishment of the SEZ in the Port of Murmansk can substantially improve the accessibility of the regional market addressing most of the existing problems and eliminating the barriers. However, the future of this project remains unknown. If the zone is able to attract the residents in the near future, the project is more likely to continue, though, it is much of a political decision.

Tables 11 and 12 provide a general overview of the empirical results. Table 11 summarizes the strategizing instances related to the trade development strategy of the Murmansk region and referred to by the interviewees.

Some of the above provided citations have not addressed directly the issue of the currently implemented strategizing activities in the region but pinpointed the existing problems, thereby implicitly or explicitly referred to strategizing activities that need to be planned and implemented to improve the present situation. Table 12 provides an overview of the required strategizing activities.
Table 11. Empirical results summary: Strategizing activities implemented in the region

<table>
<thead>
<tr>
<th>TRADE DEVELOPMENT STRATEGY OF THE MURMANKS REGION</th>
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<tbody>
<tr>
<td><strong>Intelligent growth activities</strong></td>
</tr>
<tr>
<td>Revenue collection</td>
</tr>
<tr>
<td>Safety &amp; security activities</td>
</tr>
<tr>
<td>Environment &amp; health</td>
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<tr>
<td></td>
</tr>
<tr>
<td>1. Absence of activities aimed at fostering</td>
</tr>
<tr>
<td>cross-border trade with Finland; Finland is to</td>
</tr>
<tr>
<td>comply with the general rules designed for the EU</td>
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<tr>
<td>countries exporting to Russia.</td>
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<td></td>
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<tr>
<td>1. Insufficient number of companies involved in</td>
</tr>
<tr>
<td>marketing research &amp; related activities;</td>
</tr>
<tr>
<td>2. Insufficient number of companies providing</td>
</tr>
<tr>
<td>transport and logistics services;</td>
</tr>
<tr>
<td>Insufficient number of companies involved in</td>
</tr>
<tr>
<td>marketing research &amp; related activities;</td>
</tr>
<tr>
<td>1. Absence of a unified trade promotion strategy</td>
</tr>
</tbody>
</table>
Table 12. Empirical results summary: Required strategizing activities

<table>
<thead>
<tr>
<th>Intelligent growth activities</th>
<th>Trade promotion activities</th>
<th>Infrastructure development activities</th>
<th>Support for market access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue collection</td>
<td>Products &amp; markets activities</td>
<td>Trade information services</td>
<td>Transportation systems &amp; logistics</td>
</tr>
<tr>
<td>Safety &amp; security</td>
<td>Trade information services</td>
<td>Support services</td>
<td>Communication networks</td>
</tr>
<tr>
<td>Environment &amp; health</td>
<td></td>
<td></td>
<td>Special port zone in the Port of Murmansk</td>
</tr>
<tr>
<td>Trade policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Equip the border-crossing points with veterinarian and phyto-control services;</td>
<td>1. Intensive development of market research, support and trade information services;</td>
<td>1. Development of the logistics and warehousing service providers;</td>
<td>1. Lobby the decision in favor of the Murmansk port SEZ;</td>
</tr>
<tr>
<td>2. Resolve the dispute on the export and import duties on trade with Russia after its accession to WTO;</td>
<td>2. Developing of business networks and increasing their accessibility and visibility;</td>
<td>2. Organization of container transportation directly to Murmansk;</td>
<td>2. Necessary to develop an algorithm of actions for the companies involved in Finnish-Russian trade;</td>
</tr>
<tr>
<td>3. Introduction of the intermediary services at the customs assisting in customs clearance;</td>
<td></td>
<td>3. Upgrading of airport facilities;</td>
<td></td>
</tr>
<tr>
<td>1. Intensive development of market research, support and trade information services;</td>
<td>1. Development of a unified trade promotion strategy</td>
<td>1. Development of IT-services, introduction of the latest technologies to the regional market;</td>
<td></td>
</tr>
<tr>
<td>2. Developing of business networks and increasing their accessibility and visibility;</td>
<td>Development of a unified infrastructure development strategy</td>
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</tbody>
</table>

Development of a unified trade promotion strategy
Development of a unified infrastructure development strategy
8 CONCLUSIONS

The key objective of this study is to present an analysis of the trade development strategy of the Murmansk region, thereby revealing how it influences international trade between the two countries. In the next chapter concise answers to the research questions forming the study theoretical contribution are provided, managerial implications, validity and reliability of the research are discussed and suggestions as to the further research are outlined.

8.1 Theoretical implications

Given the objective of the study, the central research question is concerned with the mechanisms of the trade development strategy that influence the cross-border trade with Finland and is formulated as follows: How does trade development strategy of the Murmansk region influence the cross-border trade with Finland? The main research question is answered by means of three sub-questions.

The first sub-question deals with the definition of the trade development strategy concept, i.e. what a trade development strategy is. The evolution of the strategy concept is well documented in the scientific literature; however there is no any definition of strategy as applied to the trade development sphere.

The concept of strategy emerged in the 1960s from the outcry over the need to help managers (particularly general managers) translate the chaos of events and decisions they faced on a daily basis in an orderly way to evaluate the position of the firm within its environment (Porter 1983). The decade from 1960 to 1970 witnessed a process of theoretical construction around the term ‘strategy’ in the business field. Herrmann (2005) considers this to be the first era of ferment in strategic management as a discipline. This stage was characterized by the appearance of diverse definitions that tried to approximate what should be understood by ‘strategy.’ This diversity is the result of both the different terms used and the central ideas of what each author considers the essence of the concept to be. Having analyzed 91 definitions of the strategy concept coined during 1962–2008, Ronda-Pupo and Guerras-Martin (2012) emphasize while the terms ‘firm’, ‘environment’, ‘actions’ and ‘resources’ make up
the core of the definition of strategy, it is significant to highlight how the focus has
shifted over time from understanding strategy simply as a rigid plan or program to
achieve certain goals to more complex and descriptive interpretations emphasizing a
company’s performance not necessarily presupposing the existence of a written-in-
stone plan. (Ronda-Pupo & Guerras-Martin 2012: 166, 180, 182.) One of such
interpretation is suggested by the practice theory where strategy is conceptualized as
all the various strategic activities or instances of strategizing involved in strategy
realization. Strategy is the walk and talk, doing and saying of strategy practitioners
themselves (Schatzki 1996, Whittington 1996) who are the strategy’s prime movers.
The practice approach permits considering formal and informal institutions in
strategizing practices implementation and allows discerning their influence and
outcomes. Therefore, from the practice theory perspective strategy as applied to the
trade development is a set of strategic activities and/or measures initiated by formal
and informal institutions with an aim to positively influence trading. Logically the
second research sub-question concerning the main elements of a trade development
strategy arises.

Each strategy is intrinsically unique owning to the exclusive combination of the
external business context and environmental factors wherein a strategy development
process is embedded. In other words, being contextually preconditioned, each
strategy concentrates on various business fields and consequently includes different
building blocks. Thus, the decision concerning strategic areas to be addressed within
a trade development strategy is precondition by a unique combination of contextual
factors.

The trade development strategy examples presented in Chapter 3 clearly illustrate the
idea that depending on the contextual preconditions, various elements are included in
a trade development strategy and no general trade development strategy framework
has been developed yet. Therefore, logically for the purposes of this research a trade
development strategy specifically devised for the Murmansk region and addressing
the local needs is to be employed. However, the local government has not explicitly
addressed the problem of international trade development and there is no any
detailed strategic document related to the international trade development. The above
discussion reveals a major difficulty for this research since there is neither any
commonly accepted approach for the trade development strategy analysis, nor the trade development strategy of the Murmansk region. Therefore, it is required to develop a single-case framework to investigate the trade development strategy of the Murmansk region. The proposed analysis framework benchmarks and builds upon the Strategy of Trade Development in the Russian Federation for 2010–2015, the trade development strategy of the European Union, the UN Organization, the World Bank, strategies of the Finnish regions, plus particular relevant interest areas for the Finnish business actors are addressed that were revealed during the survey carried out in April–July 2012 (see Appendix 1).

Having adopted the practice theory approach and assumed that strategy is a range of strategizing activities, the framework incorporates such areas as intelligent growth, trade promotion, infrastructure development, support for market access and international trade cooperation. Within the intelligent growth area strategizing activities related to the revenue collection, safety and security, trade policy, environment and health are addressed; within trade promotion – products and markets activities, promotional activities, trade information and support services; within infrastructure development – communications networks and transportation systems and logistics; within support for market access – special port zone. The analysis framework represents the lenses through which the researcher observes the locally formulated and implemented programmes and activities aimed at improvement and facilitation of the trade procedures focusing on the international northern dimension. It might seem to some extent general and large that can be attributed to the project nature and its objectives – it is required to provide a helicopter view of the trading process in the Murmansk region thereby raising awareness of the potential business opportunities, laying ground for joint cooperation and simultaneously outlining the prospects of the future research. The framework serves two-faceted purpose: first, it allows to logically structure the research, and second, to exclude the measures and initiatives irrelevant for the purpose of this research.

The third research sub-question deals directly with the analysis of the strategizing activities implemented by formal and informal institutions in the Murmansk region and is formulated as follows: What are the specific trade-related strategic activities
Answering the second research sub-question has allowed discerning the analysis areas and sub-areas. Intelligent growth area includes the analysis of the strategizing activities related to revenue collection, safety and security, trade policy, environment and health. Revenue collection refers to the collection of customs duties, taxes, payment of duties and fees. This study has revealed that there is no any preferential treatment for the goods imported from or exported to Finland, i.e. there is no any tax holidays, breaks or any tax burden reductions for the Finnish businesses. However, any tariff controls or restrictions for the Finnish products do not exist either. Finland follows the same guidelines as most of the EU countries. Regrettably, this study has not revealed any current or planned strategic activities aimed at easing the tax regime for Finland.

The research has revealed that to start exporting Finnish companies are not required to obtain any special additional licenses – only a standard document set, mandatory for all the EU countries exporting to Russia, is required. However, goods requiring phytosanitary or veterinarian control are to be transported via Norwegian-Russian border-crossing point staffed by a veterinarian. Container transportation is executed only via St. Petersburg.

However, Russia’s accession to WTO in December 2011 implies that trade relations between the two countries will be largely regulated by the WTO legal framework. Russia will be gradually integrated into the obligatory system and trade relations with Russia will become rule-oriented making Russia a more reliable trade partner. The country has been granted an access to the central trading organization; hence, strict rules and a more efficient system for solving disputes will be implemented in the country.

This study has revealed that the area of intellectual growth, though important for the region, is largely under the federal control, and neither local formal, nor informal institutions are authorized to substantially influence or change it. This situation can be partially explained by a traditional authoritative approach towards policy and strategy making that is still prevalent in Russia echoing the Soviet Union tradition. The Russian subjects, though some of them being autonomous republics, are nevertheless dependent on the national government and lacking not formal autonomy but initiative and independent thinking resulting in most development programmes still being formulated at the national level and inflicted on the regions.

Trade promotion refers to the analysis of the strategizing measures related to promotional activities, trade information and support services. In the main, the study revealed that regional formal and informal institutions actively cooperate in the sphere of trade promotion: there is a wide variety of seminars, conferences and exhibitions being organized in Murmansk on the yearly basis that can be largely attributed to the strong export-orientation of the region. Most of the seminars and conferences, however, tend to be devoted or associated with the development and exploitation of natural and mineral resources promoting the region as one of the major resource supplier in the region.

Analysis of the interview material prompts a general supposition that the trade promotional activities in the region, though versatile, are rather unbalanced: there is a wide range of promotional activities, whereas trade information services and specialized support services remain underdeveloped. Information and support services can be obtained from Finpro in Murmansk and Murmansk Chamber of Commerce. Additionally informational support can be received from the Union of
Industrialists and Entrepreneurs of the Murmansk region and Norwegian Business Association.

In sum, trade promotional activities in the region are distinguished by their versatility. They are organized jointly by formal and informal institutions. Yet, there is no general strategic direction as to international trade promotion; additionally, variety and availability of international trade development services is very limited. Information and support services are still in their infancy, and those scarce available services are largely provided by the informal institutions. Logically, insufficient and underdeveloped trade promotional services cannot exercise substantial impact on the cross-border trade between Finland and Russia. Thus, a paradox arises: the regional institutions direct a lot of efforts towards international trade promotion, yet, the instruments and mechanisms aimed at supporting international companies in entering, establishing and operating on the regional market remain considerably underdeveloped.

With regard to the infrastructure development, this study focuses on analyzing strategizing activities associated with, communications networks, transportation systems and logistics. A special emphasis on logistics and telecommunications as part of the physical infrastructure was preconditioned by several factors. First, they play a critical role in moving goods and services between Finland and the Murmansk region since poor transport infrastructure or inefficient transport services are reflected in higher direct transport costs and longer time of delivery; whereas insufficiency of telecommunication networks impedes with a flawless information exchange that is a key input in all economic activities. Second, Barents Logistics II project strives to deepen logistics-related competences among the project participants, and in the Murmansk region in particular that requires a clear understanding of the current situation for tailoring specific competence development activities.

The study has revealed that the regional transport infrastructure is distinguished by reasonably high development level that includes roads, railways, air and sea transport. However, its condition remains rather poor. Approximately 80% of the public roads do not comply with the quality and safety standards. Only 460 km of
roads are in the satisfactory condition; 895,7 km of roads and 60 bridges need to be repaired or overhauled; 679,9 km require complete reconstruction. (Murmansk region in XXI century: tendencies, factors and development problems 2009: 35.) Railway capacity does not satisfy the needs of the international trade; air and seaports require upgrading. Furthermore, regional logistics and transportation services are still in their infancy. However, the region possesses the necessary prerequisites that favor further development of the regional transportation and logistics systems compliant with the international standards: favorable economic, geographical and geopolitical location of the region; the ice-free seaport with a possibility of a year-round navigation; versatile transport infrastructure – roads, railways, seaport, airport, access to the major federal transportation connections, possibility to utilize international transportation corridors such as “Sevmorput”, “Transsib” and “North-South”. The study has revealed that the implementation of the Murmansk Transportation Hub project is a major strategic activity being currently implemented that allows not only attending to the range of problems in the regional transportation and logistics but also to increase local international trade performance. Additionally, at the informal institutional level, the branch of Finpro in Murmansk has initiated the negotiations with a Dutch air charter company to establish the feasibility and possibility of launching direct flight connections between Murmansk and Rovaniemi.

The problem of underdeveloped logistics and transportation services is being dealt with by Murmansk Chamber of Commerce that is actively engaged in the Barents Logistics II project. Murmansk Chamber of Commerce disseminates information accumulated by the project with regard to the logistics competence development and provides versatile support including legal and advisory for the new start-up companies. In addition, Murmansk Chamber of Commerce negotiates a possibility of establishing a direct transport corridor between Port of Murmansk and Port of Lübeck to optimize transportation flows that would benefit the Finnish partners as well – containers could be directly dispatched to Murmansk and not via St. Petersburg.

The Murmansk region is distinguished by rapidly developing communications networks being the leading subject of the Russian Federation in terms of mobile
services penetration. However, the overall development level remains quite low. The study has revealed that only approximately 25% of the regional population has Internet access. Communications services tend largely to be expensive and of low-quality. And postal services are state-monopolized, e-commerce and e-services are still in their infancy. Rather small proportion of the population tends to buy over the Internet or use e-services.

To further facilitate the development of telecommunications, the regional government is currently implementing a number of strategic activities which are, however, tend to be frequently one-sided: efforts are directed at specific areas or sectors, e.g. to ensure Internet access for the educational establishments or increase the number of e-services provided by the regional government or public organizations. There is no unifying regional programme or strategy for the telecommunications sector development and all the efforts, though, large-scale tend to be uncoordinated not producing maximum possible results.

In the main, most of the strategic activities in the telecommunications sphere are initiated by the regional government with a very limited or no involvement of the informal institutions. And even though telecommunications sector and the usage rate of telecommunications services are steadily growing, lack of organization, planning and coordination does not allow utilizing its full potential for the international trade.

Implementation of the special economic zone (SEZ) in the Port of Murmansk is referred to as a main strategic initiative implemented by the regional government to support and ease the access to the regional market as it allows overcoming tariff – in the SEZ substantial tax reductions are planned – as well as non-tariff barriers, i.e. low work quality of customs authorities, underdevelopment of customs logistics and e-declaring, absence of veterinarian service at checkpoints, slow customs clearance process and high customs duties for some goods are the most frequently cited non-tariff customs barriers. Further non-tariff barriers emerge from the absence of regional transportation and logistics centers and cumbersome legislation, the latter being further aggravated by the lack of supporting intermediary services at the customs.
Analyzing the interview discourse, one can admit that even though there are no any tariff-related barriers in the Finnish-Russian trade, the multiple non-tariff obstacles makes the internalization process to the Murmansk region market rather complicated. Establishment of the SEZ in the Port of Murmansk can substantially improve the accessibility of the regional market addressing most of the existing problems and eliminating the barriers.

The above discussed sub-questions allow answering the main research question: *How does trade development strategy of the Murmansk region influence the cross-border trade with Finland?*

This study has revealed that the problem of the international trade development has not been specifically addressed by the local government and there is no any specific strategic document that would guide the actions of formal and informal institutions in pursuit of consistent international trade development. There are only sporadic strategizing episodes that address separate aspects of the international trade development that are frequently uncoordinated and unaligned not allowing utilizing their full potential. All the aspects of intellectual growth – revenue collection, safety and security, trade policy, environment and health – are under the authority of the federal government, and local institutions have no other choice as to follow the direction inflicted from above. Even though Finland and Russia are important trading partners, the Russian government has not agreed on any preferential treatment for the Finnish businesses – Finnish companies have to follow the general guidelines developed for the EU countries exporting to Russia with regard to the required licenses, customs fees and taxes payments. Insufficient attention of the Russian government to Finland as a trading partner has resulted in multiple problems associated with phytosanitary and veterinary control on the Finnish-Russian border – goods requiring an inspection by a veterinarian are to be transported via Norwegian-Russian border-crossing point staffed with a veterinarian. And all the containers from Finland shipped to Russia have to be transported via St. Petersburg.

As far as trade promotion is concerned, absence of a common promotional program leads to the fact that trade promotion activities, though rather intensive due to the strong export orientation of the region, tend to be unbalanced: there is a wide range
of promotional activities, whereas trade information services and specialized support services remain underdeveloped. Thus, a paradox arises: the regional institutions direct a lot of efforts towards international trade promotion, yet, the instruments and mechanisms aimed at supporting international companies in entering, establishing and operating on the regional market remain considerably underdeveloped.

The regional transport infrastructure is distinguished by reasonably high level of development, however, its condition is rather poor. Slightly different situation is observed in the telecommunication infrastructure – it develops rapidly but its level still remains low with just a fraction of population having Internet access, participating in e-commerce or using e-services.

To alleviate the access to the regional market, the local government has initiated the project of the SEZ establishment in the Murmansk region which future remains still rather doubtful.

Therefore, this study has revealed that absence of a thoroughly devised international trade development strategy does not allow streamlining all the strategizing activities related to the trade development in the region. Accordingly, the activities tend to be uncoordinated and unbalanced. Furthermore, those activities that are implemented are insufficient to cardinally change the situation – either due to the lack of authority or initially low developmental level. As a result, the strategizing episodes that are being currently implemented in the Murmansk region cannot substantially influence or facilitate the international trade between Finland and the Murmansk region. The situation can be slightly improved by the Russia’s accession to the World Trade Organization that provides at least the legal framework for the trade partners and may improve the situation with respect to the regional intelligent growth. However, as the study has demonstrated the region possesses profound potential in various areas and in case of a properly devised strategy, the local market can open up for the Finnish business. In case a regional trade development strategy is to be developed, it is to comply with the guidelines set by the national government in relation to the international trade development and to facilitate the regional growth. The administrative decision-making process generally follows the administrative-territorial division of the Russian federation: the government develops the directions
and inflicts them on the subordinates that still echoes to the great extent the Soviet tradition and do not allow for much decision-making freedom for the country’s subjects (see Appendix 5).

In sum, from the theory point of view, this study utilizing practice theory approach contributes to the understanding of the strategy concept as applied to the trade development, sheds light on the structural peculiarities of the trade development strategy, pinpoints the absence of a commonly devised framework for the trade strategy development and develops a single-case trade strategy analysis framework.

8.2 Managerial implications

From the managerial point of view, the major implications emanate, curiously enough, from the regional infrastructure and trade promotion underdevelopment. Insufficient information and support services, immature business networks pose difficulties in finding a reliable partner that is absolutely necessary as only a company registered in Russia can obtain the necessary licenses and organize cross-border transportation of goods. Therefore, it seems to be a viable solution for the Finnish companies to register a company in Russia and become the Russian residents. However, a good Russian-speaking lawyer is essential for future success. Accordingly, internationalization to the Murmansk region market is to start not with exporting but rather with immediate registering of a company in the region.

Registering a company in Russia has also another advantage as it allows avoiding the unfair pricing strategies that some Russian partners may adopt. For instance, simple Valio yogurt is twice as expensive in Russia as in Finland implying 100% margin which seems to be unjustified.

Furthermore, underdevelopment of the regional transportation, communications, and housing opens up opportunities for the Finnish businesses, especially in such industries as logistics, telecommunications and construction. Telecommunications industry is growing remarkably fast forming a promising market. Strong development of the regional mining industry suggests further possibilities for cooperation by introducing the Finnish state-of-art mining technologies.
8.3 Research validity and reliability

Riege and Nair (1997) contend that the realism perspective appears to be the most appropriate for the international business researches. Case studies as one of the qualitative methods commonly follow realistic modes of inquiry, for the main objectives are to discover new relationships of realities and build up an understanding of the meanings of experiences rather than verify predetermined hypotheses (Riege 2003: 76).

In case studies, social reality is assumed to be “emergent, subjectively created, and objectified through human interaction” (Chua 1986: 615). Multiple realities, hence, exist and researchers and participants create understandings jointly. Eriksson and Kovalainen (2008: 294) see the open subjectivity of the researcher and the researcher’s role as an essential research instrument as the starting points of such studies. Consequently, the researchers and their procedures during the research process have become the objects of evaluation (Creswell 1994: 158). Within realism-oriented paradigm, quality of a qualitative research design can be measured against four criteria: credibility, transferability, confirmability and dependability (Yin 1994: 32, Riege 2003: 80). Credibility is analogous to the notion of internal validity in quantitative research, transferability – external validity, confirmability – to construct validity, and dependability – to reliability (Riege 2003: 80).

Reliability refers to “the demonstration that the operations and procedures of the research inquiry can be repeated by other researchers which then achieve similar findings, whereas validity determines whether the research truly measures what it was intended to measure or how truthful the research results are” (Riege 2003: 81, Joppe 2000). Assessment of reliability and validity of a research in the aggregate determine the research quality as a research can be perfectly reliable but not yet valid.

Key operations and procedures in this study refer to the data collection techniques that include a survey, semi-structures interviews and analysis of the secondary data. To guarantee the research reliability these techniques should remain consistent. In case studies research this can raise problems as people are not as static as
measurements used in quantitative research. (Riege 2003: 81). This necessitates documenting each research phase, as well as process auditing (Yin 1994). The report at hand represents a clear description of the whole research process; two interviews were recorded – with the representative of Finpro in Murmansk and representative of Murmansk Region Chamber of Commerce; written documentation was made during the interviews with the representative of the Ministry of Transport and Communication of the Murmansk region and representative of Kola Carrier Union. The audiotaped interviews were transcribed and translated form Russian into English. Appendices contain interview, as well as survey questions. Of note, even though the interview translations have been done by a professional linguist, it may have an impact on the research reliability as direct translation is rarely possible. The sources of the secondary data referred to in this research were critically assessed to avoid bias and subjectivity. Furthermore, the supervisors’ guidance has assisted the researcher in following the research procedures and ensured the use of relevant research techniques and proper theoretical justification. In sum, this study has retold a regular research process ensuring consistency of the research operations and procedures and allowing assessing the research as reliable.

Research validity is evaluated against three dimensions: construct, internal and external validity. Construct validity assesses whether the interpretation of data is drawn in a logical and unbiased manner. Construct validity can be tested by considering whether the study’s general methods and procedures are described explicitly and in detail, whether complete information, including background information, is provided and whether the study data is available for reanalysis by others (Riege 2003: 81). In this study, a separate chapter – chapter 5 – deals with the detailed description of the research methodology and methods used and appendices provide additional information on the data collection process; the importance of contextuality, as well as relevant background information is provided in chapter 6 adding up towards informational completeness; the conducted interviews have been recorded and survey results have been well documented being available for further inquiry. To further increase construct validity, triangulation, i.e. use of multiple sources of evidence, has been employed – interviews, survey data, as well as relevant documents and statistical reports. Additionally, interviews have been conducted with a representative of a formal institution and three representatives of informal
institutions enabling the researcher to compare individual statements and different perspectives to avoid narrowness in data analysis. Furthermore, a chain of evidence in the data collection phase has been established, that is, the verbatim of interview transcripts and observational notes done during the interviews was used to ensure the supply of sufficient citations.

Internal validity, as it traditionally known in quantitative research, refers to the establishment of cause-and-effect relationships, while the emphasis on constructing an internally valid research process in case study research lies in establishing phenomenon in a credible way (Riege 2003: 81). Accordingly, internal validity of this study is ensured by using within-case analysis and results’ cross-checking at the data analysis phase.

External validity, as defined by Yin (1994), refers to the degree of study findings generalization. In the multiple case studies external validity is ensured by replicating the research to a number of cases which is obviously impossible in the single-case research logic where theoretical foundation of the research is advised to be used as a basis for generalization. In this respect two important remarks to be made: first, the conceptual framework developed in this study for the trade development strategy analysis is based on the organizational research reports which even though do not fall into the academic literature domain prove to be reliable; second, the framework was developed for the specific context, therefore, generalizations, though possible, are to be made with a high degree of caution. In sum, the above study evaluation gives ground to assess the current research as reliable and valid.

8.4 Suggestions for further study

In this research a conceptual framework for the analysis of the trade development strategy in the Murmansk region has been developed. This framework, however, can also be applied for other geographical areas where a trade development strategy is concretized not in a stone-written document but in a sum of strategizing instances. Multiple-case analysis, therefore, would allow for greater generalizability and making assumptions about the trade development strategy of Russia on the
international arena. Besides, it would allow improving the analysis framework by incorporating new relevant building blocks.

Another stream of research can be directed towards closer investigation of each constituent part of the conceptual framework that would ensure a deeper understanding of its influence on the cross-border trading. Research embedded in another context can address new issues and areas either within intelligent growth, trade promotion, infrastructure development or support for the market access.

Lastly, in this study the analyzed strategizing instance were initiated and implemented either by regional formal or informal institutions, however, their types, availability, role, importance and influence on the strategy development were not discussed. Closer attention towards local institutional landscape gives an opportunity to acquire valuable knowledge of its effect on the business environment and determine potential required institutional changes. Additionally, deeper understanding of the local institutions would allow the foreign business actors to devise adequate strategies and foresee and proactively respond to the possible complication arising from the institutional landscape specifics.
REFERENCES


Appendix 1

Survey: Trade development strategy of the Murmansk region

Accessible at: http://www.surveymonkey.com/s/D6J8JKB
               http://www.surveymonkey.com/s/Q2FY8KC

1. What would you like to know about trade facilitation between Finland and the Murmansk region (e.g. rules, regulations, etc.)?

2. What would you like to know about the infrastructure development in the Murmansk region (e.g. warehousing, transportation, communications)?

3. What would you like to know about trade promotion between Finland and the Murmansk region?

4. Do you know any trade-facilitating arrangements between Finland and the Murmansk region?

5. What else would you like to know about trading relationships between Finland and the Murmansk region?
Appendix 2

OUTLINE OF A SEMI-STRUCTURED INTERVIEW

Trade development strategy of the Murmansk region

Intellectual growth

1. How important is Finland as a market for the Murmansk region? What are those industries where trade can benefit both countries?
2. What are in your opinion the perspectives of the trade relations development between Finland and the Murmansk region?
3. Are there any agreements between the Murmansk region and Finland aimed at simplifying trade between the two countries?
4. Are there any tax breaks / tax holidays / preferential treatment for the Finnish businesses when exporting to the Murmansk region?
5. How many and what kind of documents (export licenses) are required to start exporting to the region? Where can they be obtained? Are there any organizations in the region that can help the Finnish partners to get the necessary documents?
6. Are the any product restrictions for the Finnish exports? Are there any special requirements for the products imported from Finland?

Trade promotion

1. What products or services are lacking (in high demand) in the Murmansk region?
2. What Finnish products / services could in your opinion succeed on the regional market?
3. Are there any organizations that provide trade information services or support services for the foreign businesses willing to expand to the regional market? If yes, what types of services are available?
4. Are there any associations / networks of the foreign entrepreneurs in the region?
5. Is there a long-term regional strategy aimed at improving the international trade with foreign partners?
6. What kind of business events, fairs or seminars is organized regularly in the Murmansk region?
7. What is the level of development of e-commerce? Do people tend to buy through the Internet?
Infrastructure development

1. What are the main problems associated with transportation and logistics in the region?
2. How logistics is organized (what are the most used routes) from the Murmansk region to Finland? Is the regional transportation capacity sufficient for the international trade? What companies provide carrier services for the foreign companies?
3. What is the level of development of the communication networks in the region? What is the level of the Internet penetration (how many people have connection to the phone line/ the Internet)?
4. What is level of e-commerce development? Do people tend to buy through the Internet?

Support for market access and international trade cooperation

1. Are there any issues that can adversary affect trade flow between the Murmansk region and Finland, i.e. are there any quota restrictions, suspensive regimes, restrictive rules of origin?
2. Are there any trade facilitating bilateral agreements?
3. What is the current situation with the development of the special port zone project?
4. What kind of benefits is planned to provide?
5. Who are the major stakeholders in this project?
## Appendix 3

### Contact information of the regional institutions

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finpro in Murmansk</td>
<td>Andrey Kletrov (Head of the branch) +7 921 662 66 67 <a href="mailto:andrey.kletrov@finpro.fi">andrey.kletrov@finpro.fi</a></td>
</tr>
<tr>
<td>Government of the Murmansk Region</td>
<td>Marina Kovtun (Governor of the Murmansk region) (8152) 486-201</td>
</tr>
<tr>
<td></td>
<td><a href="http://new.gov-murman.ru/">http://new.gov-murman.ru/</a></td>
</tr>
<tr>
<td>Kola Carrier Union</td>
<td>Sergey Shchukin (President) +7 911 303 77 78 <a href="mailto:kolatrans@mail.ru">kolatrans@mail.ru</a></td>
</tr>
<tr>
<td>Ministry of Transport and Communication of the Murmansk region</td>
<td>(815-2) 687-250 <a href="mailto:dptmo@gov-murman.ru">dptmo@gov-murman.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://mintrans.gov-murman.ru/">http://mintrans.gov-murman.ru/</a></td>
</tr>
<tr>
<td>Murmansk Region Chamber of Commerce</td>
<td>Anatoliy Glushkov (President) (8152) 55-47-20 <a href="mailto:ncci@ncci.ru">ncci@ncci.ru</a></td>
</tr>
<tr>
<td>Murmansk Region Union of Industrialists and Entrepreneurs</td>
<td>(8152) 55-11-00 <a href="mailto:info@sppmo.ru">info@sppmo.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://sppmo.ru/">http://sppmo.ru/</a></td>
</tr>
<tr>
<td>Murmanskavtodor (Regional road management company)</td>
<td>(8152) 214-048 <a href="mailto:mavtodor@madroad.ru">mavtodor@madroad.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.madroad.ru/">http://www.madroad.ru/</a></td>
</tr>
<tr>
<td>Norwegian Business Association (NBA)</td>
<td>Ulrich Kreuzenbeck +7 911 30000 99</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:nba-murmansk@russland.ru">nba-murmansk@russland.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.nba-murmansk.net">www.nba-murmansk.net</a></td>
</tr>
<tr>
<td>“Kola” (Federal road management company)</td>
<td>+7(8142)781115 <a href="mailto:kdfad@karelia.ru">kdfad@karelia.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.m18-kola.ru/">http://www.m18-kola.ru/</a></td>
</tr>
</tbody>
</table>
# SWOT analysis of the Murmansk region

<table>
<thead>
<tr>
<th></th>
<th>Significant</th>
<th>Important</th>
<th>Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td>1. Stable functioning of the basic economic sectors;</td>
<td>1. Relatively high educational and qualification level of employed in the economy;</td>
<td>1. Favorable economic-geographical and transport location;</td>
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<tr>
<td></td>
<td>2. Stable political, economic, social and ethnic situation;</td>
<td>2. Sufficiently developed infrastructure (transport, energy, social);</td>
<td>2. Considerable nature resource potential;</td>
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<td>3. Developed customer market, presence of agro-industrial sector that partly meets the local demand;</td>
<td>3. Export orientation of the leading economy sectors;</td>
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<td>4. Presence of the developed scientific and educational complex;</td>
<td>4. Presence of the developed scientific and educational complex;</td>
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<tr>
<td><strong>Weaknesses</strong></td>
<td>1. Primary development of the raw material sector with low value added;</td>
<td>1. Dependency on the large enterprises headquartered outside the regional borders;</td>
<td>1. Low economic and export diversification;</td>
</tr>
<tr>
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<td>2. Unbalanced labor market (lack of specialists having technical background);</td>
<td>2. Low rate of renovation of fixed assets;</td>
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<td></td>
<td>3. Unfavorable demographic situation (health problems, high mortality level, outmigration) and low life quality;</td>
<td>3. Environmental problems;</td>
<td></td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td>1. Active inter-regional and international cooperation;</td>
<td>1. Realization of Federal target programmes in the energy, transport, innovation and social spheres in the Murmansk region;</td>
<td>1. Project realization aimed at Murmansk transportation hub and Shtokman field development;</td>
</tr>
<tr>
<td></td>
<td>realization of joint projects in ecological, economic and humanitarian spheres;</td>
<td>2. Use of the transit potential; embedding the region in international logistics system;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Enhancing role and significance of the region as a large center of extraction and processing of fuel and energy resources and a transport-logistics center in the European North;</td>
<td>3. Development of the Russian economy ensuring demand for the local products;</td>
<td></td>
</tr>
<tr>
<td><strong>Threats</strong></td>
<td>1. Refusal from the policy of social responsibility by large companies working in the region;</td>
<td>1. Concentration of finances in the federal center; lack of local financial resources;</td>
<td>1. Unfavorable market conditions (increasing competition, price decrease for export goods);</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Increased competition for the Arctic resources; political tensions between the countries including Scandinavia;</td>
<td>2. Refusal to implement the Shtokman and Special Economic Port Zone projects.</td>
</tr>
</tbody>
</table>

Appendix 5

Administrative decision-making process in Russia¹

THE RUSSIAN FEDERATION: 83 FEDERAL SUBJECTS

21 REPUBLICS  9 KRAIS  46 OBLSTS  2 FEDERAL CITIES  4 AUTONOMOUS OKRUGS  1 AUTONOMOUS OBLAST

THE MURMANSK OBLAST
(REGION)

Urban districts  Municipal districts