
Trade development strategy, regional economic development and cooperation: The case of the Murmansk region, Russia

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ABSTRACT

The purpose of the article is to explore the concept of a trade development strategy and to identify its impact on cross-border trade and cooperation. The case focuses on the Murmansk region and cross-border trade with Finland. This study is designed as a qualitative, single-case, embedded study. Primary data collection was executed by means of a survey and semi-structured interviews. The acquired data were analyzed by developing a case description. In this study *trade development strategy* is understood from the practice theory perspective and is defined as a set of strategic activities initiated by formal and informal institutions. The concept of a 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 reveals that the absence of a thoroughly devised international trade development strategy in the Murmansk region does not allow for the streamlining of strategizing activities related to trade development; therefore the activities tend to be uncoordinated and unbalanced.

Keywords: the Murmansk region, trade development strategy, practice theory, strategic activities, periphery, case study

INTRODUCTION

The notion of *trade development strategy* has received scant attention despite its key role in fostering international cooperation (Franke 1991; Ghemawat 2003; Obizhaeva and Wang 2013). However, analysis of a trade development strategy can provide valuable insight regarding future trading perspectives and opportunities in a given area. Additionally, the importance of a trade development strategy is further amplified in the context of the periphery. By cooperating, periphery regions can jointly identify and address specific challenges and opportunities presented by the border between them, further promote regional development in the border areas, improve relations between the participating countries, thus contributing to stability and prosperity, and foster people-to-people contacts, as well as develop networks between local communities and facilitate the generation of social capital, trade possibilities, trust and mutual understanding among the communities on both sides of the border (Ministry for Foreign Affairs of Finland 2011).

The present research attempts to deepen our understanding of trade development strategy and its influence on cross-border cooperation. Focusing on the Murmansk region and Finland as constituent parts of the Barents Region, the study aims to answer the question: *How does the trade development strategy of the Murmansk region influence cross-border trade with Finland?* The choice of this specific context can be explained by several rationales. Trade between Finland and Russia has always played 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 existing business opportunities and makes the process of entering the regional market rather complicated, demotivating prospective Finnish investors.

In this study the authors capitalize on two streams of research – focused on trading strategy and development strategy – and develop the concept of a trade development strategy (TDS). Approached from the practice perspective, a TDS is defined as a set of strategic activities initiated by formal and informal institutions. The concept of trade development strategy includes activities related to (1) intelligent growth (i.e., improvement of trade procedures), (2) trade promotion (i.e., encouraging trade), (3) infrastructure development, and (4) support for market access and international trade cooperation (the reduction of tariffs and non-tariff barriers).

The data for the research were collected by means of semi-structured interviews. A survey among Finnish firms was conducted before the actual research began. Based on the results of the survey, the authors identified those aspects of the trade development strategy in the Murmansk region that are of utmost interest for Finnish business actors and that needed to be addressed specifically in the study. The study is distinguished by a parallel flow of empirical and theoretical investigation since the empirical input from the survey, which was carried out in April–July 2012 and aimed at identifying the key informational needs of Finnish business actors, supported the theoretical conceptualization of the research.

From the theoretical point of view, the use of the practice theory approach in this study contributes to an understanding of the concept of *strategy* as applied to trade development. From the practical point of view, it increases knowledge about trading procedures in the Murmansk region.

The rest of the article is structured as follows: first, the theoretical approach towards the study is illuminated: the concept of a trade development strategy is developed and defined, and its importance in the context of the periphery is discussed, followed by a delineation of the constituent elements of the trade development strategy. Then the methodological part, the analysis of the results, discussion and conclusions, with suggestions for further avenues of research, are presented.

THEORETICAL APPROACH

Trade development strategy: The practice approach

Over the last few decades, many scholars have attempted to define the concept of *strategy*; however, it remains elusive, as there is still no unanimity in the extant literature concerning the essence of this phenomenon (Learned et al. 1969; Shrivastava 1986; Chandler 1962; Harrison 1999; Venkatraman 1989; Pearce and Robinson 1994; Hambrick and Fredrickson 2001; Grant 2008; Katz 1970; Mintzberg 1979; Porter 1996; Hitt et al. 2009; Thomas 1984; Whittington 2001; Knights and Morgan 1991; Fry and Killing 1995; Ginsberg 1988; Johnson et al. 2008; Nag et al. 2007). To overcome this problem Ronda-Pupo and Guerras-Martin (2012) have analyzed multiple definitions coined over the last few decades and, based on this analysis, formulated a generic definition: “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 and Guerras-Martin 2012, 182). Emphasizing the importance of actions, Ronda-Pupo and Guerras-Martin (2012) understand the concept of *strategy* in terms of the practice theory perspective.

Accordingly, the present study builds upon the concept of *strategy* as understood from the practice theory perspective. Reckwitz (2002, 249) differentiates between *practice* (praxis) and *a practice*, defining the former 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, background knowledge in the form of understanding, know-how, states of emotion and motivational knowledge. (Reckwitz 2002)

Generally, *practice* or *praxis* describes the whole of human activity, the feasible actualization of habitual practices; *a practice* refers to shared routinized behaviour; and agents or practitioners perform an activity by carrying out practices associated with it. 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, the doing and saying of strategy practitioners themselves (Schatzki 1996; Whittington 1996), who are the strategy’s prime movers. These include not just senior executives but also strategy consultants, financial institutions, state agencies, the business media and business schools (Whittington 2006, 619; Whittington et al. 2003; Vaara and Whittington 2012).

In the present 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 the building of a competitive advantage. The practice approach makes it possible to consider the roles of both formal and informal institutions in the implementation of strategizing practices and to discern 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 the aim of positively influencing trade with Finland.*

Regional development and cooperation

In order for regional development to occur, certain preconditions are needed for the success and growth of local business life, the public sector and other actors. Regional public actors and authorities can support businesses in their internationalization process and networking. Additionally, regional activities can foster foreign investment and the establishment of new businesses in the region. One of the aims of regional development is to ensure competitiveness and economic growth and create an attractive business climate. This is implemented through regional policies, strategies, implementation plans, programmes and projects predicting future steps and necessary resources (Pelkonen 2009, 3-7; Regional Council of Central Finland 2013). Public policies and measures encourage especially new and established firms to internationalize and seek opportunities outside the domestic markets.

Internationalization support services are also essential for regional development. Previous research in this field has focused on export support services, excluding other modes of internationalization, and there have been discussions about the relevance of such services (Crick 2009, 465; Bell, McNaughton, Young and Crick 2003, 348; Wright, Westhead and Ucbasaran 2007, 1023-1024). Studies have acknowledged the existence of regional variation in business opportunities and firm performance (Svanström and Boter 2012, 340; Audretsch and Lehmann 2005, 1193). However, there has been criticism of regional and spatial strategies regarding concrete actions, influences and the implementation of imposed strategic objectives (Luukkonen 2011, 253; Rouge-Oikarinen 2009, 230-237; Healey 2009, 439-441).

The special attention that has been paid to trade development strategies in cross-border areas can be explained by the potential vested in cross-border cooperation, by its ability to transform borders into possibilities to foster regional development. This is particularly important in the case of regions on the external borders of the European Union (EU). Through cooperation, these regions can jointly identify and address the specific challenges and opportunities presented by the border between them. Other activities comprise the further promotion of regional development and the improvement of relations between the participating countries. These activities contribute to stability and prosperity. Networking between local communities and fostering people-to-people contacts are important ways to express and focus on regional issues. These kinds of tools and actions facilitate the generation of social capital, trade possibilities, trust and mutual understanding among communities on both sides of the borders (Ministry for Foreign Affairs of Finland 2011). In turn, cooperation requires trust and the willingness

to share knowledge. Transparency of actions, structures and processes is also needed, as well as familiarity with history. Cooperation requires learning and the commitment of management and decision-makers (Spekman, Isabella and MacAvoy 2000, 211-214).

Trade and cooperation within the countries of the Barents Region vary. Bilateral trade activities and investments have varying levels of importance in the region. For instance, Norway has invested significantly in business cooperation with the Russian part of the Barents Region; concurrently there is a lack of support structures and funding mechanisms for small and medium enterprises (SMEs) on the Russian side to utilize foreign investments (Rautio, Bambulyak and Hahl 2013, 9).

Structure of a trade development strategy

The situational elements of a strategy vary, depending on the nature of the strategic problem and the external context. The Strategy of Trade Development in the Russian Federation for 2010–2015 sets the major guidelines for the Murmansk region in the area of trade development. The goal of this strategy is to create an efficient infrastructure in line with the innovative development of the Russian Federation which satisfies the needs of the population in so far as trade is concerned (Global Trade Alert 2010). 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 new global challenges and to the new strategy for the sustainable growth of the EU by 2020 (Ciccaglione 2010). Russia's accession to the World Trade Organization effects global trade relations and in particular trade relations with the EU countries.

According to the United Nations (2002, 1), the main purpose of a trade development strategy is “to develop and expand sustainable trade flows to support the country's economic development”. Therefore, the key areas of focus in a trade development strategy are: (1) trade facilitation, (2) infrastructure development, (3) trade promotion, and (4) trade relations management. These areas of focus are also reflected in the World Bank trade strategy aimed at responding more effectively to the increased demand of clients for follow-on analysis, project identification and delivery (The World Bank Group 2011).

The WTO (1998) introduces the term *intelligent growth* instead of *trade facilitation*, describing it as modernization, standardization, simplification and harmonization of

trade procedures. It includes the following issues: revenue collection fees (the collection of customs duties, taxes, payment of duties and fees), safety and security (export licenses), environment and health (phytosanitary, veterinary and hygiene controls), and trade policy (bilateral cooperation). In sum, intelligent growth is slightly larger in scope than the mere facilitation of trade.

Trade promotion refers to the encouragement of the progress, growth and acceptance of trade (McCracken 2005). According to Jaramillo (1992), export promotion and development activities can be grouped into four broad categories: product and market identification and development, trade information services, specialized support services, and promotional activities. Product and market activities are directed towards the accumulation of knowledge concerning 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. Support services help firms increase their expertise in foreign trade techniques covering a wide range of subjects. They help new exporters in particular understand the procedures required to deal with export operations, product quality, export packaging, publicity, free zones and similar issues. Promotional activities include, among others, trade fairs, sellers' missions, inviting foreign buyers to visit local producers, and promoting subcontracting for export (Jaramillo 1992).

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 (Segal Advisors 2012). Therefore, infrastructure development comprises programmes and initiatives aimed at improving the constituent elements of the infrastructure.

International trade relations management involves developing cordial trade relations with other countries in order to safeguard a country's trade interests and to ensure market access for its products and services. It also includes strategies for responding to restrictions placed on products by importing countries (The United Nations 2002).

The trade development strategies discussed above serve as vivid evidence of the uniqueness of each strategy and prove its dependence on the external context and the nature of the strategic problems. These strategies present examples of the existing practices, allowing for benchmarking and the utilization of accumulated experience. A thoroughly

devised trade development strategy is an essential prerequisite for succeeding in the international market, facilitating regional economic growth, and boosting small and medium-sized firms and businesses.

The framework for the analysis of the trade development strategy for the Murmansk region has been developed by the authors of the present study, taking three key factors into consideration: (1) the objectives reported in the Strategy of Trade Development in the Russian Federation for 2010–2015, (2) the principal areas of interest for Finnish business actors that are relevant for the present discussion, and (3) the above described existing practices aimed at trade development (see Figure 1).

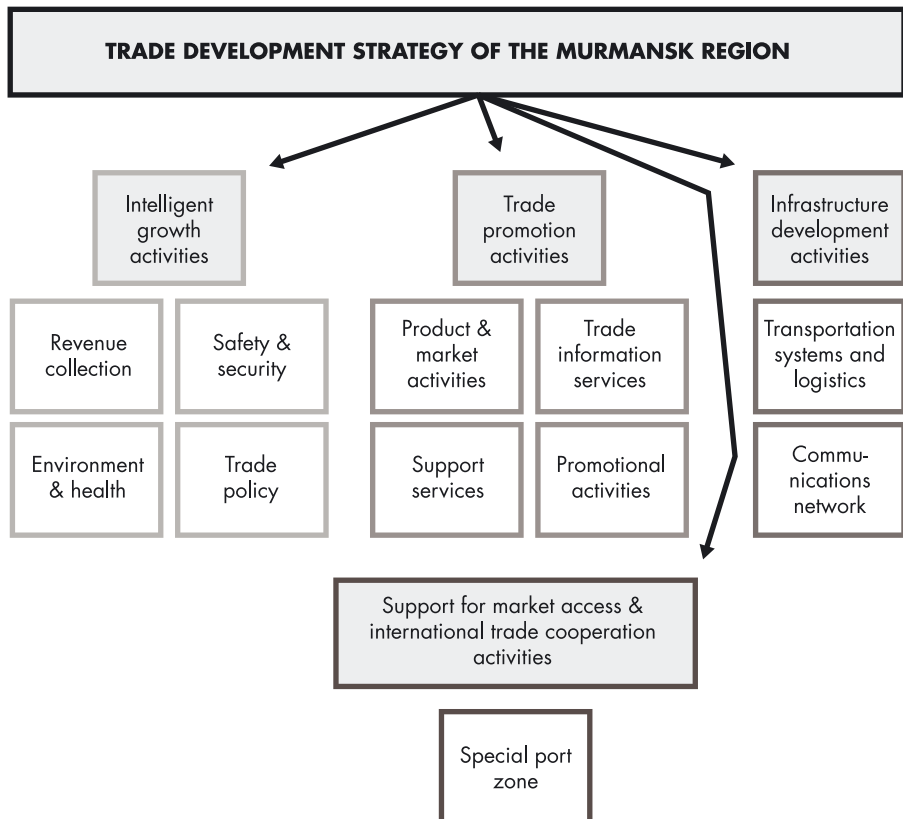


Figure 1. Extended analytical framework of the trade development strategy for the Murmansk region.

The framework might seem, to some extent, to be general and broad, which can be attributed to the nature of the project and its objectives: it is necessary to provide a helicopter view of the trading process in the Murmansk region, thereby raising awareness of potential business opportunities, laying the ground for joint cooperation and simultaneously outlining the prospects for future research. The framework serves two purposes: it makes it possible to logically structure the research and to exclude measures and initiatives that are irrelevant for the purposes of this research.

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

METHODOLOGY

This study is designed as a single-case embedded study that provides “an understanding of a complex issue or object by extending experience or adding strength to what is already known through previous research” (Soy 1997, 1). A number of rationales speak in favour of a single-case design. First, Creswell (1998) and Yin (1994) contend that in settings where contextual conditions are pertinent to the phenomenon under inquiry, the case study method is an appropriate design choice. Second, the subject of the study – i.e., suggestions for a trade development strategy for the Murmansk region – represents a unique case which is worth documenting and analyzing due to the current informational need of Finnish businesses. The long border with the EU, rich mineral and natural resources, the special geographical position and an ice-free port are among the features that make the region unique as well as attractive to businesses. Third, the chosen method of study gives the researcher an opportunity to observe and analyze a phenomenon that was previously inaccessible to research, mainly due to communication difficulties. Finally, a single-case design lays the foundation for future possible longitudinal research, making it possible to follow the changes in the trade development strategy of the Murmansk region and track positive changes aimed at the further facilitation of trade 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 focuses only on the Murmansk region, the analysis includes multiple elements of the regional trade development strategy.

The present study is distinguished by the parallel flow of 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 Finnish business actors supports the theoretical conceptualization of the research. This “systematic combining” (Dubois and Gadde 2002) facilitates the evolution of the theoretical framework when confronted with an empirical study. A questionnaire was sent to Finnish companies that are involved in the European Union’s neighbourhood programmes (Kolarctic ENPI CBC). The questionnaire was sent to twenty companies, and ten responses were received. The questions were categorized in four groups: questions related to the facilitation of trade between Finland and the Murmansk region, infrastructure development in the Murmansk region, trade promotion in the region, and other areas of interest. The acquired data were analyzed using the SurveyMonkey service and made it possible to identify issues that are of interest for Finnish business actors concerning trade with Russia and the Murmansk region in particular.

The empirical research continued further with semi-structured interviews. The choice 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 in question and propose insights into the occurrences, forming the basis for further inquiry and consequently potential future research (Yin 1994). Therefore, though it provides the opportunity to open up a topic, a semi-structured interview does not allow much deviation from the predefined theme. Secondly, a semi-structured interview provides better understanding of individual behaviours and attitudes (Sunnari and Ylitapio 2007).

In total, four interviews were carried out in Murmansk in October–November 2012 with experts in the field of international trade, internationalization and investment development organization, ministry, trade union and regional authority. Secondary data collection entailed the analysis of relevant literature, including journal articles, statistical reports and official documents, among others. The acquired data were analyzed by developing a case description. The data were analyzed in a two-stage process. First, the collected primary and secondary data were classified according to the categories identi-

fied in the analysis framework. Secondly, the case description was developed according to the theoretical framework shown in Figure 1.

ANALYSIS AND RESULTS

This study reveals that the problem of international trade development has not been specifically addressed by the local government and there is no specific strategic document in the Murmansk region to guide the actions of formal and informal institutions in pursuing consistent international trade development. There are only sporadic strategizing episodes addressing separate aspects of international trade development; these episodes are frequently uncoordinated and unaligned, which does not allow for the utilization of their full potential (see Appendix 1).

Intelligent growth

According to a representative of a trade organization in the Murmansk region, all aspects of intelligent growth – revenue collection, safety and security, trade policy, environment and health – are under the authority of the federal government, and local institutions have no choice but to follow directions imposed from above. Even though Finland and Russia are important trading partners, the Russian government has not agreed on any preferential treatment for Finnish businesses: Finnish firms have to follow the general guidelines developed for EU countries exporting to Russia with regard to the required licenses, customs fees and tax payments:

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

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 in the northern areas:

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

Trade promotion

All of the interviewees agree that the absence of a common promotional programme leads to a tendency for trade promotion activities, though rather intensive due to the strong export orientation of the region, 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: regional institutions direct a great deal of effort towards international trade promotion, yet the instruments and mechanisms aimed at supporting international firms in entering, getting established and operating in the regional market remain considerably underdeveloped:

There are quite a lot of seminars, business events and fairs organized on a yearly basis in the region to promote international trade and export activities. (Representative of a trade organization in the Murmansk region)

There are several important exhibitions and conferences that are held on a yearly basis and aimed at developing international business networks: for instance, “Arctic Shelf Development: Step by Step”, SevTEK, “Sea. Resources. Technologies.” (Representative of a trade promotion organization in the Murmansk region)

The interviewees also agree that trade promotional activities in the region are distinguished by their versatility. They are organized jointly by formal and informal institutions. However, there is no general strategic direction for the promotion of international trade; additionally, the variety and availability of international trade development services are very limited. Information and support services are still in their infancy, and those scarcely available services are provided largely by informal institutions. It is evident that insufficient and underdeveloped trade promotional services cannot have a substantial impact on the cross-border trade between Finland and Russia.

Infrastructure

Infrastructure – or, more precisely, the quality and level of development of the infrastructure – plays a key role in a country's local and international trade performance. It includes multiple elements such as transportation and telecommunication networks. In the present study, a special emphasis on logistics and telecommunications as part of the physical infrastructure was preconditioned by several factors. Logistics and telecommunications play a crucial role in moving goods and services between Finland and the Murmansk region since poor transport infrastructure or inefficient transport services lead to higher direct transport costs and longer delivery times; insufficient telecommunication networks impede the smooth flow of information that is crucial to all economic activities. It was admitted in the interviews conducted for the present study that there are some obvious problems, but these problems were not accentuated; attention was directed towards describing the prerequisites that exist in the Murmansk region and that favour further development of the regional transportation and logistics systems in compliance with international standards.

According to a representative of the local authorities of the Murmansk region, transport infrastructure is distinguished by a reasonably high level of development:

The Murmansk region is distinguished by the most highly developed transport infrastructure in the northern macro-region and in the Arctic area. (Representative of the local authorities of the Murmansk region)

However, according to other interviewees, the condition of the transport infrastructure is rather poor:

Poor road conditions and a small railway capacity constrain traffic and touristic flows. (Representative of a trade promotion organization in the Murmansk region)

All the interviewees mention the implementation of the Murmansk Transportation Hub project as a major strategic activity that will make it possible to attend to a range of problems in regional transportation and logistics as well as to improve local international trade performance.

According to the representative of the trade organization in the Murmansk region, a slightly different situation can be observed in the telecommunication infrastructure: it

is developing rapidly, but its level still remains low, with just a fraction of the population having Internet access, participating in e-commerce or using e-services. To improve access to the regional market, the local government has initiated the project of establishing a Special Economic Zone (SEZ) in the Murmansk region the future of which still remains rather doubtful. SEZs are usually distinguished by liberal policies in investment, taxation, trading, quotas, customs, labour regulations and other areas.

Curiously enough, from the point of view of Finnish firms, underdevelopment of regional infrastructure and insufficient trade promotion open up the regional market for foreign investors. However, according to the survey of Finnish firms done during the preparatory stage of this study, insufficient information and support services, as well as underdeveloped business networks cause difficulties in finding reliable partners, which is absolutely necessary, as only a firm registered in Russia can obtain the necessary licenses and organize cross-border transportation of goods. Therefore, it seems to be a viable solution for Finnish firms to get registered in Russia. Furthermore, the underdevelopment of regional transportation, communications and housing opens up opportunities for Finnish businesses, especially in such industries as logistics, telecommunications and construction. The telecommunications industry is growing remarkably fast and constitutes a promising market. The strong development of the regional mining industry suggests further possibilities for cooperation, including the introduction of Finnish state-of-the-art mining technologies.

Trade relations management

Support for market access and international trade cooperation is primarily focused on the reduction of tariffs and non-tariff barriers in order 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 confronted by trade partners and on the extent to which trade is affected by agreements that limit a country's ability to implement specific policies (The World Bank Group 2011). Over the last several years a wide network of horizontal connections and contacts in the Barents region facilitating interaction between separate organizations, regional business structures, representatives of public authorities and non-governmental organizations has been developed (Buch 2012). However, there are still a number of factors limiting 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 special tariffs for goods imported from Finland.

(Representative of a trade promotion organization in the Murmansk region)

All the interviewees agreed that even though there are no tariff-related barriers in Finnish-Russian trade, multiple non-tariff obstacles make the process of opening up the Murmansk region market rather complicated. The establishment of an SEZ in the Port of Murmansk could 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 unclear.

Analysis of the interview data pinpoints the existing problems in the trade development strategy of the Murmansk region, thereby revealing strategizing activities that need to be planned and implemented in order to improve the present situation. Table 1 presents various strategizing activities in four areas – intelligent growth activities, trade promotion activities, infrastructure development activities, and support for market access – that are necessary for the elaboration of a full trade development strategy of the Murmansk region. Intellectual growth activities should include measures aimed at equipping the border-crossing points with veterinary and phytocontrol services, resolving the dispute on export and import duties on trade with Russia following its accession to the WTO, and introducing intermediary services at the customs stations to assist in customs clearance. In order to promote trade effectively, the intensive development of market research, support and trade information services are necessary, as well as increasing the accessibility and visibility of business networks. Infrastructure development should focus on the development of logistics and warehousing services, the organization of container transportation directly to Murmansk, the upgrading of airport facilities, the development of IT services, and the introduction of the latest technologies to the regional market. In sum, the development of unified trade promotion and infrastructure development strategies is essential. Support for market access activities should be concentrated on lobbying for the establishment of an SEZ in Murmansk Port and developing an algorithm of actions for firms involved in Finnish-Russian trade.

| TRADE DEVELOPMENT STRATEGY OF THE MURMANSK REGION | | | | | | |
|--|---|----------------------------|------------------|--|---|---|
| INTELLIGENT GROWTH ACTIVITIES | TRADE PROMOTION ACTIVITIES | | | INFRASTRUCTURE DEVELOPMENT ACTIVITIES | SUPPORT FOR MARKET ACCESS | |
| Revenue collection Safety and security Environment and health Trade policy | Product and market services | Trade information services | Support services | Transportation systems and logistics | Communication networks | |
| <ol style="list-style-type: none"> Equip the border-crossing points with veterinary and phytocontrol services, Resolve the dispute on the export and import duties on trade with Russia following its accession to the WTO, Introduction of intermediary services at the customs stations to assist in customs clearance. | <ol style="list-style-type: none"> Intensive development of market research, support and trade information services, Development of business networks and increasing their accessibility and visibility | | | <ol style="list-style-type: none"> Development of logistics and warehousing service providers, Organization of container transportation directly to Murmansk, Upgrading airport facilities. | <ol style="list-style-type: none"> Development of IT services, introduction of the latest technologies to the regional market. | <ol style="list-style-type: none"> Lobbying for the establishment of the Murmansk port SEZ, Development of an algorithm of actions for firms involved in Finnish-Russian trade. |
| Development of a unified trade promotion strategy Development of a unified infrastructure development strategy | | | | | | |

Table 1. Summary of empirical results: Necessary strategizing activities

DISCUSSION AND CONCLUSION

The authors argue that the strategizing episodes that are currently being implemented in the Murmansk region cannot substantially influence or facilitate the international trade between Finland and the Murmansk region. This article focuses on strategy work, emphasizing a trade development strategy and its influence on cross-border cooperation. The study demonstrates that the region possesses profound potential in various areas, and if a properly devised strategy is implemented, the local market could open up for Finnish businesses. One potential reason for optimism is that the situation may be slightly improved by Russia's accession to the World Trade Organization, which provides, at least, a legal framework for trade partners and may improve the situation with respect to regional intelligent growth.

From the theoretical point of view, this study's utilization of the practice theory approach contributes to the understanding of the concept of *strategy* as applied to trade development, sheds light on the structural peculiarities of a trade development strategy, pinpoints the absence of a commonly devised framework for trade strategy development in the Murmansk region, and develops a framework for single-case trade strategy analysis. The evolution of the concept of *strategy* is well documented in the scientific literature; however, there is no definition of strategy within the sphere of trade development (Ronda-Pupo and Guerras-Martin 2012; Schatzki 1996; Whittington 1996).

The theoretical approach has proven useful in attending to the research objectives and answering the research question, helping us to understand the phenomenon of a trade development strategy. By utilizing the practice theory perspective, the authors have developed the concept of a trade development strategy, defining it as a set of strategic activities and/or measures initiated by formal and informal institutions with the aim of having a positive influence on trading. The practice approach makes it possible to consider formal and informal institutions in the implementation of strategizing practices as well as to discern their influence and outcomes. The authors argue that this theoretical approach supports the findings of the empirical data and accentuates the need for a trade development strategy in bilateral relationships. The survey and the interviews support this finding, emphasizing the need for a programme to promote trade between the Murmansk region and Finland, the reduction of trade barriers, and a search for new business opportunities in various areas. A trade development strategy would provide an overall view of these needs and challenges.

The review of the existing literature also clearly demonstrates that there is no commonly accepted structure for a trade development strategy (The United Nations 2002; Global Trade Alert 2010; Ciccaglione 2010; The World Bank Group 2011). The current situation and the lack of theoretical knowledge regarding the constituent parts of a trade development strategy can be partly attributed to the unique nature of such a strategy: it seems to be impossible and impractical to develop a general framework for a trade development strategy since every strategy is contextual and is devised according to specific needs. By benchmarking the best practices in the field, the authors have developed a model for a trade development strategy that includes intelligent growth, trade promotion, infrastructure development, support for market access, and international trade cooperation.

The activities in the trade development strategy (see Figure 1) related to intelligent growth, trade promotion and infrastructure development have been viewed as an extended analytical framework in order to understand the context and the phenomenon more deeply. The concept of a trade development strategy provides a strategic tool to develop the business environment, taking special contextual features into account. According to the people interviewed for the present study, there is a need for activities to make the Murmansk region attractive for new businesses and investments. To highlight the findings of the study, the development of infrastructure, knowledge and competences, as well as actions to promote trade, are essential.

If a trade development strategy is to be developed, it must comply with the guidelines set by the national government in relation to international trade development and it must facilitate regional growth. However, in developing such a strategy, the administrative decision-making process generally follows the administrative-territorial division of the Russian Federation: the federal government develops the directions and imposes them on the subordinates, echoing to a great extent the Soviet tradition and not allowing for much decision-making freedom on the part of the country's subjects. In some cases, this can be a barrier for cross-border cooperation in the Barents Region. In other words, there is a need for a trade development strategy in the Murmansk region which would also benefit the Finnish actors by grouping the necessary services and information together and taking further steps to implement trade bilaterally.

The data and analysis in the present study give rise to a variety of empirical and theoretical conclusions and contributions. From an empirical perspective, the study reveals that the absence of a thoroughly devised international trade development strategy does not

allow for the streamlining of all the strategizing activities related to trade development in the region. Accordingly, the activities tend to be uncoordinated and unbalanced: there are a variety of activities aimed at promoting trade, whereas activities related to, for instance, the development of the infrastructure remain scarce. Furthermore, those activities that are implemented are insufficient to change the situation radically – either due to a lack of authority or the initially low developmental level.

The study is strongly connected with the context, namely the Murmansk region, which possesses great potential as part of the Barents Region, and is characterized by the opportunities and challenges of a peripheral region. The research results should be considered as initial findings, and further research on the trade development strategy of the Murmansk Region is needed to ensure a deeper understanding of its influence on cross-border trading.

FURTHER RESEARCH

In this study a conceptual framework for the analysis of the trade development strategy in the Murmansk region has been developed. This framework can, however, also be applied to other geographical areas where a trade development strategy is concretized not in an official document but as the sum of strategizing instances. One of the applications of the research would be to extend the framework to the whole Barents Region. Multiple-case analysis would, therefore, allow for greater generalizability and making assumptions about the trade development strategy of Russia in the international arena. In addition, it would allow for the improvement of the analytical framework by incorporating new relevant building blocks. The primary limitation of this study is that it is context-based and was developed only for one specific region. Another limitation is that no trade development strategy has yet been established in the Murmansk region and there are no data showing how the framework functions as such.

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

Lastly, in this study the strategizing instances analyzed were initiated and implemented by either formal or informal regional institutions; however, the types, availability,

role, importance and influence of these institutions on strategy development were not discussed. Paying closer attention to the local institutional landscape would provide an opportunity to acquire valuable knowledge concerning its effect on the business environment and determine potentially necessary institutional changes. In addition, a deeper understanding of local institutions would allow foreign business actors to devise adequate strategies and foresee and respond proactively to possible complications arising from the specifics of the institutional landscape.

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| TRADE DEVELOPMENT STRATEGY OF THE MURMANSK REGION | | | | | | | |
|--|---|---|---|---|--|--|---|
| INTELLIGENT GROWTH ACTIVITIES | | TRADE PROMOTION ACTIVITIES | | | INFRASTRUCTURE DEVELOPMENT ACTIVITIES | | SUPPORT FOR MARKET ACCESS |
| Revenue collection and Security, Environment and health | Trade policy | Product and market activities | Trade information services | Support services | Promotional activities | Transportation systems and logistics | Communication networks |
| 1. Absence of activities aimed at fostering cross-border trade with Finland; Finland must comply with the general rules designed for EU countries exporting to Russia. | 1. A series of bilateral agreements; 2. Absence of preferential treatment for Finland. | 1. Limited availability and variety; 2. Provided by Murmansk Chamber of Commerce, Finpro in Murmansk, Murmansk Region Union of Industrialists and Entrepreneurs, Norwegian Business Association; 3. Absence of activities aimed at the development of trade information services. | 1. Limited availability and variety; 2. Largely provided by Murmansk Chamber of Commerce, Finpro in Murmansk, Murmansk; 3. Absence of activities aimed at the development of support services. | Versatile seminars, exhibitions, trade fairs. | 1. Implementation of Murmansk Transportation Hub project; 2. Negotiations with a Dutch air charter firm to establish the feasibility and possibility of launching direct flight connections between Murmansk and Rovaniemi; 3. Support of start-ups providing transportation and logistics services; 4. Negotiations concerning the establishment of a direct transport corridor between the Port of Murmansk and the Port of Lübeck. | 1. Incremental, sporadic activities: to ensure Internet access for educational establishments, increase the number of e-services provided by regional government and public organizations. | Special port zone in the Port of Murmansk |
| | | Insufficient number of firms involved in marketing research and related activities. | 1. Insufficient and underdeveloped; 2. Still in their infancy. | | | Insufficient number of firms providing transport and logistics services. | |
| | | ABSENCE OF A UNIFIED TRADE PROMOTION STRATEGY | | | | LACK OF A UNIFIED INFRASTRUCTURE DEVELOPMENT STRATEGY | |

Appendix 1. Summary of empirical results: Strategizing activities implemented in the Murmansk region