



# INTERESTS AND ROLES OF NON-ARCTIC STATES IN THE ARCTIC

## REPORT

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CANADIAN INTERNATIONAL COUNCIL  
CONSEIL INTERNATIONAL DU CANADA

*National Capital Branch  
Chapitre de la Capitale nationale*



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# **INTERESTS AND ROLES OF NON-ARCTIC STATES IN THE ARCTIC**

**Seminar presented by the National Capital Branch of the Canadian International Council and  
the Munk-Gordon Arctic Security Program**

**Ottawa, October 5, 2011**

## **REPORT**

### **Introduction**

The Seminar was held on the basis of the “Chatham House Rule”; accordingly, this overview of the one-day discussion is without attribution to any of those attending. The seminar agenda is attached as Annex A. The Host Organisations are listed in Annex B.

The day first focused on examining the sectoral and commercial interests of eight major non-Arctic players in the Arctic: China, Japan, Republic of Korea, India; and the European Union (as institution), Germany, the United Kingdom, France. This was against the backdrop of a five-year forecast of their overall geo-political postures. The second element was a response by participants to the implications of those interests and roles, especially what it might mean for policy-makers.

Two lead speakers dealt with Europe and Asia respectively (see Annex A). They were followed by a speaker offering an Inuit point of view, then three speakers on Russian, Nordic, and Alaska/USA views. Discussion among participants including speakers followed after an informal lunch.

Participants were invited to consider the following questions, among others of their own:

- What are the principal commercial, trade, resource, shipping and other sectoral interests of non-Arctic states in the Arctic and how do they relate to their present and anticipated global geopolitical aims and relationships? To which of their interests will they give priority?
- How can the interests of northern peoples be best assured in the face of non-Arctic state objectives and activities?
- What is the potential for inter-state conflict as a result of non-Arctic states pursuing their interests? In what contexts and fora are those interests likely to surface or best be addressed (including informal, bilateral, plurilateral and multilateral)?
- Will the application of Canada's (or any other Arctic state's) domestic jurisdiction be more difficult as a result of non-Arctic states pursuing their interests in the Arctic? What policy considerations will be paramount in addressing those interests?
- What are the implications for Canadian policy-making over the next five years or so? Is there further work that needs to be done to strengthen the Canadian position?

### **Common Themes**

The discussion covered a range of issues, but a number of common themes emerged which are worth noting. It became clear from the discussion that there are multiple actors and “institutional overlaps” involved in the topic: nation states; international regional organizations, pre-eminently the Arctic Council but also the European Union (EU); multilateral organizations, such as the North Atlantic Treaty Organization (NATO), the International Maritime Organization

(IMO) and the Convention on International Trade in Endangered Species (CITES), national and regional Indigenous organizations such as Inuit Tapiriit Kanatami (ITK) and the Inuit Circumpolar Conference (ICC), plus provinces, states, municipalities, NGOs and corporations. The continuation of the Arctic Five meetings (meetings of the Arctic Coastal states outside the Arctic Council), was noted with approval by some participants and questioned by others.

This complexity perhaps explains why national or regional views were often described as lacking coherence or heavily nuanced. Caution was also expressed, particularly in the case of the EU, about ensuring that views expressed are authoritative and not personal to the interlocutor. The challenge of separating myths from interests in dealing with non-Arctic states was underlined. In that connection the importance of working with accurate assessments of the effects of climate change on melting sea ice was stressed.

The Arctic is a vast area and the Arctic populations are quite variable in numbers and composition from one country to the other. For example, the population of just part of the European Arctic vastly outweighs the combined population of Canada's three territories. The role and recognition of Indigenous peoples also varies, but their presence in the Arctic requires that we should be concerned not just with Arctic and non-Arctic states, but also with non-state and sub-state actors. Interest in Arctic science is one area that unites Arctic and non-Arctic states. The actual and future importance of Arctic resources is another area of common interest as is Arctic shipping, potentially using Russia's Northern Sea Route or Canada's Northwest Passage.

### **Europe**

There is no such thing as a "European view" of the Arctic. Europe means more than just the EU and views within that organization differ among the Commission, the European Council, member states and the European Parliament. Arctic states have overlapping membership in the EU, NATO and the Arctic Council, and some prefer to deal with Arctic issues on a bilateral basis. European interests are also multidisciplinary embracing security, research, commerce and energy—there is not one "core" issue. As a result, views and policies from Europe are often incoherent and lacking clear objectives. Those who shout loudest may, for awhile, occupy the policy space. While it is an open question as to which of the EU institutions or individual member states will lead on which Arctic issues, there is agreement on one point—the need to maintain the freedom of Arctic navigation.

When Russia placed a flag on the sea floor of the North Pole in 2007, the Arctic became a media issue pushing not only European countries but also others, like Canada, to react. In Europe it started a debate within the EU as to who speaks on Arctic questions. Neither Germany nor the United Kingdom has an official Arctic strategy, although both are engaged in Arctic research. France has an Ambassador "pour les pôles", former Prime Minister Michel Rocard, but he speaks "dans l'intérêt général" and not for the French Government. Recently the European Commission applied for Observer status at the Arctic Council, an application that is still pending. At the same time, the European Parliament had discussions on the development of an Arctic Treaty modeled on the Antarctica Treaty system—this contributed to misunderstandings on Europe's views. Since then there has been a "recalibration" among Europeans, with the EU and member states placing more emphasis upon the sovereign rights and interests of Arctic states. The EU is the largest contributor to Arctic research and is looking for inspiration to Norway's High North

Strategy that identifies its North as linked to the rest of the country, northern Europe and the whole continent. The EU views the Arctic as the key to its energy security. At present it obtains 44% of its oil and 58% of its natural gas from Norway and Russia. With Russian and Norwegian oil and gas production in the Arctic expected to increase (from its present relatively low base), Europe will become more dependent on the Arctic as a broad hydrocarbon region.

Key UK interests in the Arctic are energy and minerals. With the decline in North Sea supplies, the UK already has gas pipeline links to Norway; if the Norwegian pipeline system is extended to the Arctic, British supplies from Norway would include an increasing share of Arctic natural gas. BP and Shell have Russian interests. The British Antarctic Survey is increasingly interested in the Arctic. The UK also has vital interests in maritime trade and in a sea-based nuclear deterrent, and is unlikely to support measures which would limit its freedom of manoeuvre. The UK shares intelligence with Norway. There remains a question about which institution in the UK Government should be leading on the Arctic.

France has limited military capability in the Arctic but does have maritime interests in shipping. There is also a substantial commercial investment in the Russian Arctic on the part of Total SA, which represents 12% of the French stock market. Germany has invested a good deal in scientific research on the Arctic and is a major shipping nation. The first two commercial transits of the Northern Sea Route in 2009 were by German vessels. There is a very large German corporate investment in the Nord Stream pipeline (although this is in the Baltic Sea, not normally included in Arctic discussions, it is relevant in regard to European energy security since much of the gas comes from the Russian Arctic).

Overall, the Europeans have extensive interests but their approach to the Arctic lacks coherence. Questions remain: Do they have the means and the will to be a player in the Arctic? Do they want the European Union to be their voice? Canada needs to monitor carefully the manner in which their thinking evolves.

### Asia

While Russia has been described as an enigma, that word could also be applied to China insofar as its Arctic activities are concerned. As far as one can tell, Chinese citizens appear to be more nationalistic than their government lets itself appear. They are rising and they know it. Their leadership looks further ahead in time, and thinks bigger, than most other governments. Individual opinions expressed internationally that might differ from those of the Chinese Government are hard to find. (However, it is interesting that, on Arctic issues, the military and academia have publicly dissented from the government's position, an unusual occurrence for China; see *China Prepares for an Ice-Free Arctic* by Linda Jakobson, SIPRI No. 2010/2.)

One hundred million people live in what might be called China's "North" along Russia's Siberian border. There is much illegal Chinese immigration across the border, a previously agreed upon line that the Chinese Government is increasingly questioning. Along with Japan and South Korea, China has applied to be an Observer at the Arctic Council. China is particularly resentful about the lack of an immediate positive response to its application although the issue may be resolved in 2013 under criteria recommended in 2011 by Senior Arctic Officials.

Like Europe, Asia is energy hungry. China, Japan and South Korea all have an interest in Arctic gas prospects. All are interested in the potential of Arctic shipping routes, whether across the top of Canada or, more likely, the top of Russia, which could cut 5,000 miles off the current journey to Europe through the Indian Ocean. China's interest in sea routes relates to the fact that 46% of its GDP is shipping-related and 85% of its oil imports come from abroad. Japan, still the world's third largest economy, has been supplied with Liquefied Natural Gas (LNG) from Alaska's North Slope for the past three decades. South Korea, the world's largest shipbuilder, already has a significant Arctic shipbuilding capacity and is interested in transporting Arctic LNG to Asia. All three have Arctic-related institutes conducting both Arctic and Antarctic research.

China has a large icebreaker and nuclear submarines. It has also started to question the United Nations Law of the Sea Convention (UNCLOS), which it has ratified, arguing that the Convention was negotiated in the 1970's-80's before China was represented by skilled negotiators. At the same time, it has made claims to the South China Sea that do not take into account the interests or claims of neighbouring states. These factors raise the question of how benign China's Arctic interests might be.

Since China will likely be the first or second trading partner of key Western nations, its economic clout will likely be reflected in the pressures it can apply in the Arctic. China now accounts for about 50% of demand for Canada's minerals, is the largest purchaser of timber from British Columbia and has already invested in mining in Nunavut and Yukon. China has the capacity to become the leading foreign investor and trading partner for Canada's Arctic regions, particularly in resources, but not limited to resources.

Of Asia's major nations, India's geographic location has given it the most tenuous Arctic links. India's polar activities are largely in Antarctica, which is only two days away by ship. India is in the process of acquiring nuclear submarines.

Asia will be a part of the Arctic's future. Accordingly, it was suggested by several, the wisest course to follow is to integrate Asian states, particularly China, in the governance of the Arctic where appropriate, rather than keep them out.

### **Indigenous Views**

It is important to recognize that beyond the roles of state actors, be they Arctic or non-Arctic, there are important non-state and even sub-state actors that form integral parts of the governance structure in the Arctic. For example, the Canada's Inuit are represented in such Canadian organizations as the ITK and Nunavut Tunngavik Inc. (NTI). The emphasis on Indigenous Peoples varies across the Arctic and is most intense in Canada and Alaska, due in part to land claims settlements which have given native communities ownership rights and enabled them to participate in northern economic development. The role of the Inuit is also important in Greenland, which has gained home rule from Denmark and is not part of the EU. The ICC is composed of Inuit representatives from Canada, the United States (Alaska), Greenland and Russia. The ICC has an executive office in each country; the Russian one requires additional financial assistance. ICC's General Assembly meets every four years to develop cohesive policies for Inuit around the Pole.

While agreements, including economic impact agreements for specific projects, call for consultation with Indigenous groups, a speaker stated that consultation is frequently badly managed, sometimes treated as *pro forma*. Proposed mining developments, such as Baffinland Iron Mines Corporation's huge iron ore mine, will have enormous impacts. The Inuit possess useful knowledge that can be used to mitigate these impacts and, by the same token, they must be adequately briefed and consulted. Genuine consultation requires not just transmission of information but actual accommodation. The Inuit are only beginning to understand the power they possess. Last year the Inuit successfully challenged a license granted by the Federal Government for seismic testing in Lancaster Sound on the basis that their constitutional right to consultation had not been meaningfully respected.

The Indigenous Peoples have an important role to play. The international aspects of agreements with the Inuit, largely focused on wildlife conservation, and other land claims agreements provide the potential for greater indigenous participation in the conduct of Canada's foreign affairs. Inuit land claims and hunting patterns bolster Canada's Arctic sovereignty, particularly those over ice-covered sea areas. Inclusion of non-Arctic states to a greater extent in the Arctic Council, depending upon how it was structured, could affect the influence wielded by Permanent Participants. Some Indigenous northerners are concerned they could lose more than they gain by giving non-Arctic states a greater role in the Arctic and its governance structures.

Food security, education (78% of Nunavut young people do not finish high school), infrastructure, and regulations governing Arctic research and Arctic shipping are key issues for Canada's Inuit. With the intersection of political, economic/commercial and academic interest in the North, the Inuit have to be well informed to be at the table and advance and protect their interests. A case in point is the EU's seal products ban. The ban, despite EU claims, is not a conservation issue since the seal stock is being well managed. But it impedes Inuit self-sufficiency and has implications for Inuit physical, emotional, cultural and psychological health.

### **Other Arctic Players**

Russia views non-Arctic state interests in the Arctic through its own overarching priorities for the Arctic. Today the region generates 14 % of the country's GDP and 25 % of total exports. By 2020, Russia aims to increase this share by transforming the Arctic into the country's foremost base for natural resource development. According to official estimates, up to 90 % of hydrocarbon reserves found on the entire Russian continental shelf are located in the Arctic, 66.5 % of which are in the western part, mainly in the Barents and Kara Seas. Russian Arctic interests are related to both its security and its economy. There are two basic sub-state interest groups with opposing views on consequences of opening of the Arctic to foreign actors, including non-Arctic states. On the one side are large parts of the security and military establishment whose members are skeptical of foreign involvement in strategic elements of the national economy and see a potential increase in foreign presence in the region as a security challenge. On the other side are more pragmatically oriented government circles responsible for the economy, and business players, who see foreign technology and investments (especially the former) as a prerequisite to meet the state's economic development goals in the Arctic. Russia is also promoting its Northern Sea Route as a main Eurasian maritime shipping channel. Increased international interest in the Arctic has given the Russian leadership incentives to reassert the country's positions and interests in the region using various means, including political-diplomatic and military ones, as well as strengthened economic presence. Russia's position on the

involvement of non-Arctic states in the region's governance is that in the foreseeable future efforts of Arctic states would be sufficient to address the regional issues.

The Nordic members of the Arctic Council, Norway, Iceland, Finland and Sweden, tend to favour expanding the number of Council Observer states, with a view to engaging in bilateral commercial and educational co-operation. Finland has cutting-edge navigation technology and know-how, which it markets to states and companies. Norway wants the EU to become more familiar with Arctic realities. Telecommunications interests in Finland (Nokia) and Sweden (Ericsson) impel these countries to increase trade with Asia; and Iceland is trying to market itself as an Arctic transportation hub. The latter three all have spoken out against the creation of an Arctic Five. Denmark diverges from the Nordic countries on account of its tie with Greenland.

Alaska has much in common with Canada's northern territories but there are differences. The United States is not party to UNCLOS, something that Alaska favours, and efforts to obtain accession have been delayed. The State's tribal groups and the regional corporations set up by the different land claim settlements are often not aligned. The latter find themselves in agreement with commercial interests on economic development and shipping questions, although there are certainly concerns over ship safety. Alaska leans in favour of giving the Arctic Council more of a development orientation. The roles and interests of multinationals in the Arctic should not be forgotten. For example, Shell's Arctic spending dwarfs that of many governments. Alaska thinks the Arctic Council should have three concentric rings: an inner circle with eight participants; a new layer of Arctic partners who bring resources to the table; and a third ring of observers.

### Discussion

There was a lively discussion with a variety of views expressed (not fully elaborated in this brief report).

With growing international interest in the Arctic, one participant argued that Canada should take a step back to separate the "myths" from real interests. Expressions from non-Arctic states often overlook the Arctic's history, its people and geography. Not everyone can be involved in Arctic governance—institutions exist and it is fair to ask, "where are the gaps" before trying to devise new structures. An "interest" in the Arctic does not equate with a right to make decisions as to how the Arctic is governed. There is no conventional military threat in the Arctic. The model of the Antarctic Treaty system is not applicable to the Arctic. Regular transits of the Arctic by commercial shipping are unlikely to be a reality within the five-year time frame of the seminar. The ice is not disappearing as quickly as some might think and the Northwest Passage is still not a viable passage. Russia's Northern Sea Route is different. Even if thousands of miles can be shaved off sea routes, ice laden and isolated northern passages remain a concern to maritime shippers. While climate change might eventually open sea-lanes, it is a double edged sword since thawing permafrost on land can restrict development, particularly roads. Climate change is often the reason given by non-Arctic states for an interest in the Arctic but, in reality, commercial considerations drive such interest.

There is a great deal of misunderstanding over the status of an Observer in the Arctic Council. Criticism has been directed at Canada for excluding others. The Council's rules allow for a category of *ad hoc* Observers, who have to apply for each Council meeting, and another of Observers. The Arctic Council has now set clear criteria for the latter and applications will be

considered during the 2013 Swedish presidency. There are other ways to get involved in Arctic activities. The IMO has a role on Arctic shipping issues and CITES on marine mammals. In that regard, Canada has to demonstrate to the international community that it is fulfilling conservation obligations or pressure for international involvement will increase. It is important to note that there is no fundamental difference among Arctic Council members regarding Observers; no one wants them to have a decision-making role.

There is also a developing interest in Arctic fisheries in the 2.8 million square kilometres beyond the exclusive economic zones (EEZ) of the five adjacent states. While the fishery is not yet viable, the melting sea ice has encouraged the Arctic Five to consider fisheries management approaches, which will have to involve a wider group of states.

Canada's Northern Strategy, it was suggested, takes an *à la carte* approach by focusing on a number of issues. The High Arctic Research Station is a project that should receive priority. The Strategy appears, however, to be lacking an overall strategic view to advance Canada's interests beyond the five-year period of discussion. How do we channel the interests of non-Arctic states in the Arctic in a positive way? Canada should encourage the EU to pay more attention to Indigenous issues in the Arctic; the EU could start by developing a more considered approach to the seal products ban. It might well be in Canada's interests to nurture the interest of other countries in the Arctic as part of Canada's overall geopolitical approach.

A strategic approach would take into consideration that symbolism is important for the Chinese, who feel themselves insulted by having to apply every year for *ad hoc* Observer status. Means should be found to channel China's interest. Diplomacy can and should be creative. If the question of Observer or *ad hoc* Observer status is problematical, a participant suggested that perhaps consideration could be given to creating an "Advisory Council" comprised of outside maritime powers. This body could provide advice and opinion to the Arctic Council, perhaps even with a rotating chair. One way or another China will be prominent in the Arctic: integrating China in some sort of governance structure that still allows a primary role for the Arctic states may be much preferable to turning that country into an estranged power with little incentive to follow Arctic community norms.

Participants were left with a strong impression of the growing importance of non-state actors and the amount of innovation in governance going on in the Arctic. Part of the new reality is that non-state actors are working with companies and are engaged in conversations with non-Arctic states. New issues are emerging requiring coordinated responses. The Arctic is subject to multi-layered governance. The Arctic Council is viewed by some as too small to deal with some issues, climate change for example, and too big to deal with others, such as the specific prerogatives of the five coastal states, or energy. Indigenous groups approve of the Arctic Council's structure because it recognizes their role. There is also a place for the Arctic Five. Nevertheless, the Arctic Five, and even the eight-member Council, can be too limiting. As the Arctic continues to attract more international attention its governance structures will come under increasing scrutiny. The question will be whether the Council is the place to deal with some or all of the Arctic's economic, governance and significant other challenges.



## Acknowledgements

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*The photograph on the cover is of the White Pass between Alaska and Yukon, courtesy Gordon Foundation.*

## Annex A: Seminar Program

08:30	Registration
08:40	WELCOME AND INTRODUCTION BY CHAIR
09:00	EUROPEAN INTERESTS AND OBJECTIVES <i>European Union, with concentration on Germany, UK and France</i>
09:40	ASIAN INTERESTS AND OBJECTIVES <i>China, Japan, ROK, India</i>
10:20	PARTICIPANTS' QUESTIONS, REQUESTS FOR CLARIFICATION, ELABORATION
10:45	Break
11:15	INDIGENOUS PEOPLES' VIEWS REGARDING NON-ARCTIC STATE INVOLVEMENT
11:45	OTHER PERCEPTIONS/ASSESSMENTS Russian Views A Nordic View A View from Alaska
12:15	Lunch (Informal)
13:15	NON-ARCTIC STATE INTERESTS AND POLICY RESPONSES <i>Discussion among seminar participants</i>
14:30	Break
14:45	IMPLICATIONS/PRIORITIES FOR CANADA <i>Discussion among seminar participants</i>
16:00	Conclusion

## **Annex B: Host Organisations**

### **Canadian International Council (National Capital Branch)**

<http://www.opencanada.org>

This Seminar was the seventh in a series mounted by the CIC Ottawa Foreign Policy Initiative, a project of the CIC's National Capital Branch. The mission of the Initiative is to bring together senior members of the Public Service of Canada who shoulder international responsibilities with experts from the policy community outside government in order to analyse major foreign policy issues confronting Canada, forecast opportunities and challenges in the medium term and assess the direction and effectiveness of current policy.

At the national level, the Canadian International Council has published various studies and an issue of its journal on the Arctic. A number of these can be found on the CIC website. The CIC's publications include:

- “The Arctic: A Diplomatic Motherlode” in *Open Canada: A Global Positioning Strategy for a Networked Age*.
- “The Arctic Is Hot, Part 1”, *International Journal*.
- Rob Huebert. *Security in a Transforming Circumpolar World*.
- P. Whitney Lackenbauer. *From Polar Race to Polar Saga: An Integrated Strategy for Canada in the Circumpolar World*.
- Franklyn Griffiths. *Towards a Canadian Arctic Strategy*.

### **Munk-Gordon Arctic Security Program**

<http://gordonfoundation.ca>

The Munk-Gordon Arctic Security Program co-sponsored the seminar. A partnership between the Walter & Duncan Gordon Foundation and the Canada Centre for Global Security Studies at the Munk School of Global Affairs at the University of Toronto, the Arctic Security Program is a four-year multidimensional international program to study circumpolar Arctic affairs. As part of this program, they will hold a two-day conference entitled The Arctic Council: its place in the future of Arctic governance. Scheduled for January 17-18, 2012 in Toronto, this conference will discuss ways forward for the Arctic Council. The perceptions and conclusions from the October 5 seminar will *inter alia* inform the discussion in the January conference.

For a breakdown of public attitudes of the Arctic Council States towards non-Arctic states see: Ekos Research Associates Inc. *Rethinking the Top of the World: Arctic Security Public Opinion Survey*.