

Arctic Bridge Summit 4-6 May 2017

Conference note

On May 4th-6th 2017, the Centre for European Reform, together with AIG and the East Office of Finnish Industries and supported by Cinia Group and Marsh, held the first Arctic Bridge Summit in Levi, Finland. The conference brought together policy-makers, business leaders and researchers to discuss political and economic developments in the Arctic. How could the Arctic be prevented from becoming a victim of broader geopolitical tensions? Would the Arctic come to represent a model for multilateral co-operation or another theatre of conflict? What was in store for future economic development of the Arctic? Would trans-Arctic shipping challenge other intercontinental routes, or would it remain a niche activity? What infrastructure investment was needed to unlock the region's economic potential? In the Arctic's fast changing vulnerable ecosystems, how could sustainable development take place, if at all?

Speakers included: Baroness Pauline Neville-Jones (Britain's House of Lords), Juha Jokela (Finnish Institute of International Affairs), Timo Koivurova (Arctic Centre), Raymond Arnaudo (US Department of State), Richard Barrons (Joint Forces Command British Army), Elisabeth Braw (Atlantic Council), Ethan Corbin (NATO Parliamentary Assembly), Esko Aho (East Office of Finnish Industries and former prime minister of Finland), Brian Peters



(AIG), Andris Spruds (Latvian Institute for International Affairs), Karmenu Vella (European Commission), Geir Westgaard (Statoil) and Andrey Zagorskiy (Primakov Institute of World Economy and International Relations). What follows is an unattributed summary of the discussions.

The Arctic security dilemma

Several participants agreed that a common understanding of the region's challenges and opportunities could allow the Arctic to act as a bridge between the East and West. Developments in the Arctic had been mischaracterised by international media as a race for resources. The size of the Arctic endowment had been inflated and the accessibility and price competitiveness of Arctic resources was still in question. Instead of posing a rising security threat, there had been a slow and steady improvement in the governance of the Arctic.

Other participants made the point that the ongoing crisis between the East and the West called co-operation in the arctic into question. In recent years, strained relations between Russia and the West had raised concerns about a spill-over of tensions into the Arctic

region. Some pointed to a considerable increase of military capabilities stationed in the Arctic. Russia was revamping its Soviet legacy military infrastructure in the region and expanding its building of new bases, airfields and ports. One panellist made the point that the Russian military build-up did not constitute a major shift in military realities, but was largely limited to building infrastructure to eventually support commercial transit in the Arctic.

However, many others pointed out that Russia was using international media to actively promote its military activities in the Arctic. It wanted to demonstrate its presence as an influential player in the region. From that arose a security dilemma for Western states that felt the need to respond but were wary of escalating tensions. Participants agreed that the greatest risk was a misinterpretation of intentions by both sides, caused by a lack of dialogue. Military channels of communication needed to be re-opened. One panellist noted that re-opening the Arctic security forum, which had become a victim of Crimea, should be a priority.

Co-operation in the Arctic

Several participants remarked that, as the Arctic ice was melting, conditions in the region would become even tougher, requiring more research co-operation. The main area of common concern was the impact of climate change: countries needed to pool their resources to come up with mitigation strategies. One panellist pointed out that scientific research co-operation between the East and the West had been significant during the Cold War and could function as a bridge today as well. A growing amount of tourism in the Arctic meant that there was a need for co-operation on search and rescue, where Russia had a significant amount of infrastructure.



There was some discussion of a plan, supported by the Finnish government, to build a new fibre optic telecommunication cable connecting Asia with Europe via the Arctic North-East Passage. The underwater section of the cable would stretch around 10,500 km from Japan and China to Kirkenes in Norway and the Kola Peninsula in Russia. From Kirkenes, the fibre cable would cross into Finnish Lapland and then move south to Central Europe. The project would significantly speed up

telecommunications between Europe and Asia and respond to increasing global capacity needs. Many agreed that this type of technical co-operation project could help ease tensions between the East and the West.

The Arctic Council

Participants agreed that the Arctic Council remained a forum where co-operation was accepted and respected. But many remarked that the Council was a discussion forum, rather than a decision-making forum; a taker, not a shaper of developments. Debate in the Arctic Council informed decisions taken by member-states, or other international organisations, like the International Maritime Organisation.

Several participants suggested that it was time for the Arctic Council to develop institutionally. One asked whether the Council needed to become more inclusive as the number of Arctic stakeholders grew, and more countries were granted observer status. Others wondered whether the Council should become more political, possibly even starting to cover security matters. But others rejected proposals for institutional change, stressing the importance of preserving the isolated machinery of decision-making in the Arctic Council, warning that enlarging the group of member-states would not enhance co-operation but rather import tensions.



The EU in the Arctic

One speaker laid out the EU's three main interests in the Arctic. First, the EU's focus on climate change and environmental regulation in the Arctic, which was closely related to the EU's frontrunner role in the Paris COP21 agreement; second, the EU's economic interests in the region: the EU was the main destination for energy exports from the Arctic; third, the EU's interests in preserving freedom of navigation in the Arctic. While there had been a general shift in the EU's rhetoric towards pursuing a more interest-based foreign policy, the Union's Arctic policies still had a distinctively normative, soft power-edge, stressing the promotion of multilateral co-operation. The objective of sustainable development remained a number one priority for the EU in the Arctic.

Foreshadowing US President Donald Trump's decision to withdraw from COP21, participants noted that changes in US climate policies could lead to the EU taking a more substantive Arctic role. The EU, currently only an ad hoc observer in the Arctic Council, could increase its presence in the region through investment in infrastructure networks or scientific co-operation. Many participants, however, were sceptical about a greater role for the EU. One noted that a crisis-ridden and introverted EU had seen an erosion of its soft power and hence questioned if it was realistic for the EU to play a larger role in Arctic governance. Others argued that the EU did not need Arctic Council membership, with

one noting that the representation of three EU member-states on the Council was sufficient. Any EU Arctic policy would, in any case, be shaped to a significant extent by the EU's Nordic member-states.

Climate change in the Arctic

There was a discussion about the origin of climate change, with one speaker stressing that there was no evidence it was man-made. One participant wondered if the distinction mattered, urging others not to waste time on the question, and instead focus on taking steps to reduce emissions. Others disagreed however, stressing how important it was to state publicly that the science was clear about climate change being man-made. One participant pointed out that people might be less likely to act against climate change if they thought that natural forces would offset any human efforts.

Discussion then focussed on how US climate policy might change under President Trump. Participants agreed that Trump would concentrate more on the economic opportunities than climate risks in the Arctic. Several asked whether there would be a comprehensive regulatory roll back in the field of energy and environment, such as for example a reversal of the freeze on new drilling established under President Obama. One participant said that even if Trump were to roll back US involvement in climate agreements and

regulations, the industry would still be aware of internationally agreed legal restrictions. Therefore, even if Trump were to push for unregulated exploitation of the Arctic, big industry players might not go along with that policy change. Similarly, businesses recognised the challenges of climate change and would continue investing in technological innovation. The US would be left behind if it ignored the research and established science in this field.



Risk management in the Arctic

One panellist noted that despite vast uncertainty over the impact of climate change on the region, Arctic states were pursuing a precautionary approach. They had started to manage risks very early, acknowledging that there was a need to act before vested interests came into play. For example, in addition to the non-binding Polar Code, states had already in 2010 started to negotiate rules for navigation in the Arctic marine areas. Similarly, fishing regulations in the Arctic had already been formalised in a declaration, despite the current uncertainty over whether there would ever be commercial fishing in the region.

However, for some participants, the problem was that sectoral regulations did not work in concert: holistic ecosystem based management was needed to tackle risks to marine ecosystems. While the Arctic Council had worked a lot on this, as an inter-governmental forum it could only regulate the territory of its member-states. But one panellist recalled that the Council had been founded because of broad recognition that environmental problems in the Arctic needed to be confronted through a regional organisation rather than bilateral discussions. The Council had already convened a so-called Task Force on Arctic Marine Co-operation to address the issue.

The discussion then turned to how infrastructure, such as pipelines, would be heavily disrupted once the permafrost starts to melt. Any investment in the region would have to take these and other disruptions into account, but there was so much uncertainty over the impact of climate change on the Arctic ecosystem; it was hard to determine how to prepare for it.



Economic development in the Arctic

One speaker noted that as Arctic ice continues to melt, routes over the North Pole could open for ice-breaking cargo ships by 2030. At the same time, demand for Arctic energy from Europe and the US would increase, as countries sought to reduce dependency on Russia and the Middle East. Economic development required managing a host of risks, including difficult and changing climatological circumstances, contested maritime and territorial boundaries and an uncertain geopolitical landscape. Two factors would determine exploration of oil and gas in the Arctic: the commerciality of exploration, which was linked to the global price for oil, and public perceptions of the environmental risks of exploration. Several speakers addressed the fact that economic opportunities from the exploration of the Arctic often came at the expense of healthy marine ecosystems, and there was broad agreement that regulation was needed to manage these risks.

While oil and natural gas would continue to remain critical to meet future energy demands, businesses would have to acknowledge the worldwide climate change consensus and adapt and develop in accordance with COP. Participants agreed that industry-wide collaboration was an important driver of innovative solutions and best practice. However, one speaker pointed out that European firms were struggling to stay competitive while reducing their carbon dioxide emissions and energy consumption; the Chinese government was heavily subsidising firms that used energy far less efficiently. He argued that environmental regulations and climate change policies in the Arctic needed to go hand in hand with fair trading practices.

Debate then turned to the question of whether coastal Arctic states should enjoy greater rights to the region than non-Arctic states. Some argued that, while the Arctic should



not be closed to other countries, Arctic states should have the right to decide the rules of governance in the region. Others stressed that access should not be determined by geographic proximity, but that rights to the Arctic should be limited to those who contribute to scientific research co-operation in the region. Participants agreed that this question of the future rights of non-coastal states with economic interests in the Arctic should be discussed in detail at a future conference.

(Pictures of the event can be found here: <http://www.cer.org.uk/events/cereast-officeaig-arctic-bridge-summit>).

