

THE ARCTIC: THAW WITH CONFLICT POTENTIAL

The thawing of the Arctic ice shield opens up new possibilities: access to raw materials is eased, and shipping distances may decrease. The meddling of an increasing number of non-regional players in Arctic affairs is resulting in closer cooperation among the Arctic coastal states. The potential for conflict exists mainly where sovereign and exploitation rights cannot be conclusively clarified under existing international law. The risk of a military escalation, however, remains low.



US Coast Guard icebreaker in the Arctic Ocean, 10 July 2011

REUTERS/NASA

Until just a few years ago, the Arctic attracted little international attention. To be sure, this enormous territory of 21 million square kilometres between the North Pole and the Arctic Circle was of considerable importance to the navies of both the US and the Soviet Union during the Cold War, since they could conveniently hide their submarines under the thick ice shield. Also, the shortest flight trajectories for intercontinental ballistic missiles between North America and the Russian mainland are across the North Pole. All the same, the Arctic remained a marginal region in global politics and economics. Being sparsely populated with about 4 million inhabitants on account of its harsh natural environment, it barely made headlines.

The recently surging interest in the Arctic has much to do with climate change. The Arctic did experience periodic warming

and cooling phases in the past, but its surface temperature has been rising steadily over the last 45 years. Since measurements began in 1979, the sea ice has been shrinking. This development is set to continue. Recent projections predict ice-free summers for the 2030s.

Even though problems such as persistent darkness and extreme cold in winter will remain, the melting of the ice mass in the Arctic is associated with both economic and strategic opportunities. Of particular interest are the deposits of raw material in the Arctic and the opening of shorter shipping routes. Unsurprisingly, these new possibilities are whetting the appetite of a growing number of states.

The crowding of non-Arctic players into this region is strengthening the incentives for cooperation among the Arctic coastal

states (Denmark, Canada, Norway, Russia, and the US). But there are also new causes for conflict, in particular regarding the lack of agreement on territorial sovereignty issues in certain regions. With the changes in the Arctic and its growing international importance, the coastal states also face new challenges in terms of national defence.

Oil and gas

The Arctic mainland is believed to hold vast deposits of mineral resources. Current debates are largely focusing on the oil and gas reserves, however, for which more precise estimates are available. The US Geological Survey reckons that the Arctic's share in the global conventional resources yet to be found amounts to 13 per cent for crude oil and 30 per cent for natural gas. These resources are probably offshore for the most part (84 per cent). Of the Arctic's natural gas resources, 70 per cent are attributed to the Russian exclusive economic zone (EEZ). Large gas fields have already been discovered in this 200-nautical-mile zone off the coast line, where the littoral nation holds exclusive exploitation rights.

There is no reliable information on regions outside the EEZs of the coastal states at this stage. The probability of the presence of large oil and gas reserves outside these zones is very low, however, according to current geological knowledge. Most of the presumed fields thus appear to be located within the existing EEZs – which reduces the potential for conflict.

Despite the changing climate, economic activity in the Arctic region will continue to involve high exploitation and transpor-

tation costs and considerable environmental risks. The warming of the Arctic will admittedly lead to an enlarged ice-free ocean area in summer and a prolonged ice-free period, but climate change will also bring about more frequent weather extremes such as storms and increasing iceberg drift. Oil and gas extraction in the Arctic Ocean and transportation of the raw materials will continue to prove very difficult even in littoral areas due to both economic and technological obstacles.

The boom of unconventional oil and gas in more temperate regions (see Strategic Trends 2012 [↗](#)) adds further doubts as to the profitability of Arctic extraction. Indeed, there are cases where the development of already explored fields (such as the Shtokman field or the gas reserves of the Beaufort Sea) has been repeatedly postponed. Nevertheless, the depletion of resources in non-Arctic regions will likely prompt some countries increasingly to exploit Arctic oil and gas.

Shorter trade routes

The changing climate also brings about new opportunities for Arctic shipping along the Russian and North American coasts, which are increasingly ice-free during summertime. In particular, this applies to the North East Passage across the Russian Arctic, where favourable sea currents result in a thinner ice cap. Both routes would shorten the distance from Europe to Asia by about one third and would allow circumventing shipping lanes threatened by piracy. If the ice cap were to melt away completely in the summer months, an even shorter route directly across the North Pole is conceivable that would involve less complex conditions of navigation.

The new routes are not only of interest from an economic viewpoint, but also have the potential to fundamentally change the framework of naval strategy. Traditional choke points, such as the Strait of Malacca or the Suez Canal, may lose some of their strategic importance. Conversely, the significance of the Bering Strait would increase. As a result, European and Asian navies could gain in flexibility.

Despite these promising perspectives, it is worth noting that the use of the northern routes still faces numerous problems. These include a lack of navigation aids, inadequate coastal infrastructure, and the poor predictability of ice drift and storms.

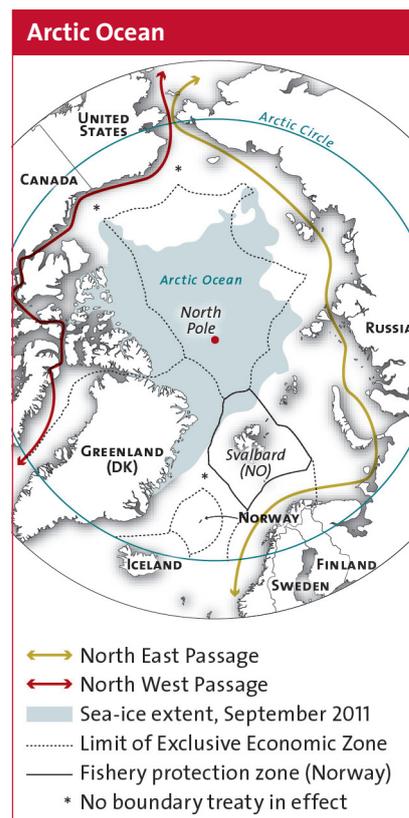
The ensuing uncertainties regarding route planning and transit times do not meet the just-in-time requirements of globalised production chains. Improving the infrastructure and developing Arctic naval capabilities will require a long timeframe and will not be feasible without a clear balance between national and international jurisdictions and stable national legal frameworks.

Players: Diverse interests

Three different groups of countries with an interest in the Arctic can be identified today: first, the five coastal states already mentioned above; second, the coastal states plus Finland, Iceland, and Sweden, which combine into the eight Arctic nations exercising sovereign rights within the Arctic Circle; and third, a heterogeneous group of non-Arctic states such as China, India, South Korea, and a number of European countries that have asserted various interests in raw materials, research, shipping routes, and Arctic infrastructure.

Of the five coastal states, Russia and Norway attach strategic importance to the Arctic. Moscow views the Arctic from an energy perspective as well as in geostrategic terms. Russia’s best access to the Atlantic and the Pacific is from the Arctic Ocean. If the ice cap of the Arctic were to lose its importance as a natural barrier, this would enormously spur Moscow’s maritime ambitions. However, any such ambitions are impeded by persistent legal uncertainties, limited administrative capacities, and a lack of technology. An interesting aspect of Russia’s Arctic policy is that the Russian elite tries to use “Northernness” as an element of identity-building in an effort to define Russia as distinct from the West and from Asia. Yet, this is a largely abstract endeavour, as only 1.5 per cent of Russians are living in the Arctic. Unlike Scandinavian countries, Russian society does not have a particularly Northern identity.

For Norway, the Arctic is of relevance in security terms as well as economically. The massive Russian military presence in the Arctic is located near Norway’s north-eastern border. Oslo’s response to this has been a mixture of deterrence, reassurance through NATO, and cooperation with Moscow. From an economic viewpoint, Arctic gas and oil are priorities for the world’s second-largest gas exporter, as fields further south are becoming depleted. In this respect, Norway is in the comfortable position of being a world leader in offshore



extraction technology. The Arctic’s importance for Norway also stems from the fact that one-third of its territory (inhabited by almost ten per cent of the Norwegian population) lies north of the Arctic Circle.

For Canada, the changes in the Arctic constitute a major challenge. The country’s Arctic territories are thinly populated and, accordingly, hardly developed. Canadian politicians also try to use “Northernness” as an identity-building factor, with the public showing a high sensitivity for Arctic sovereignty issues. But Canada has been reluctant to invest the resources that would be necessary to enhance its presence in the Arctic and implement its grand development schemes for the region. With regard to Denmark, the problems of the Arctic are determined above all by its relationship with Greenland, which – although belonging to the Kingdom of Denmark – enjoys a large degree of autonomy and may possibly seek independence in the future. Denmark accordingly seeks to increase its activity in the Arctic so as to make the case for Greenland’s association with the Kingdom. As for the US, some interest in the Arctic has been aroused, especially among oil companies. The possible opening of new Arctic shipping routes has also been on the agenda in Washington, but truly strategic interests have not been linked to the region so far.

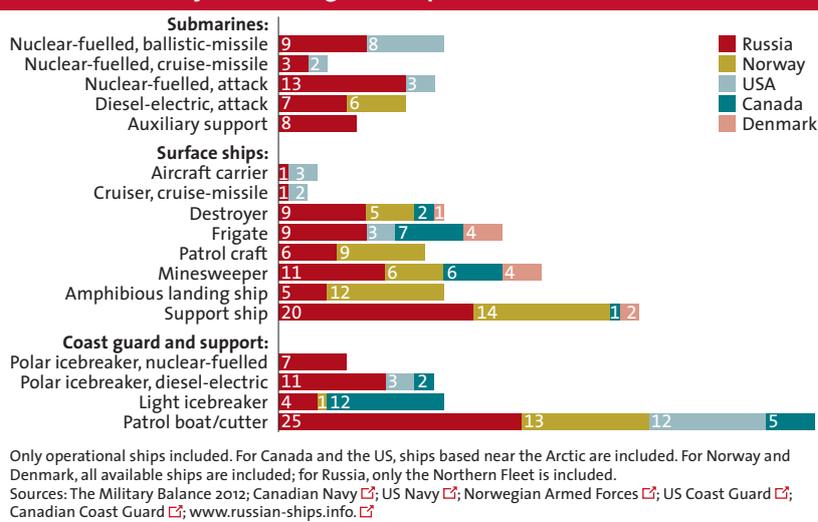
The other three Arctic countries are unable to influence developments to the same extent as the coastal states. They are, however, taking great interest in the political processes of the region and their multilateralisation. Accordingly, they are especially intent on pointing out new “soft” security concerns, such as increased environmental dangers, and are highlighting the advantages of international cooperation in this respect.

In the light of the new opportunities in the Arctic, an increasing number of non-Arctic states are also attempting to mark their presence in the region. In this regard, China, India, and South Korea have established research stations at Svalbard over the past decade. They expect their research activities to give them a greater say in Arctic matters. South Korea already has a modern icebreaker at its disposal, while China has bought a used icebreaker and is building a new one. Beijing emphasises access to raw materials as an important determining factor of its Arctic policy. India, for its part, is claiming scientific interest. For South Korea, the interests of its own shipbuilding industry are pivotal, since it already controls many specialist European shipyards and sees new business opportunities. Just like most European governments and the EU, these non-Arctic players make the case for multilateral governance in the Arctic as a means of safeguarding their respective interests.

Prospects for cooperation

Against the background of the changes in the Arctic, this region is occasionally identified as a potential area of future conflict. However, it is important first to point out that there is much scope for cooperation. This is particularly apparent when considering “soft” security concerns such as environmental pollution resulting from the extraction of raw materials. The threats that arise for humans from the exceptional climatic situations are pushing actors towards cooperative approaches, too. Many of these issues are taken on by the Arctic Council. Founded in 1996, the Council is a forum to promote coordination among the eight Arctic countries. Representatives of indigenous peoples have a consultative role. One concrete result of the Arctic Council is a binding agreement on maritime search and rescue activities. For 2013, an agreement on standards for oil spill preparedness and response is expected, which will reinforce the current non-binding offshore oil and gas guidelines.

Arctic Ocean navy and coast guard ships



Cooperation among the littoral states is also advancing in the sensitive area of national sovereign rights. The 2010 border treaty between Russia and Norway indicates that bilateral agreements are possible – even though the power asymmetry between the two countries is reflected in a deal advantageous to Russia. International maritime law and the pressure of non-Arctic countries are also fostering multilateral cooperation, at least in areas where all parties can still gain further sovereign rights. The United Nations Convention on the Law of the Sea (UNCLOS) allows for the extension of the continental shelf towards the North Pole, which would extend the mining privileges of the coastal states at the expense of the interests of non-Arctic states. The water column and the animals living in it, by contrast, would continue to enjoy international status. In the Ilulissat Declaration adopted in 2008, the coastal states declared their intention to settle any territorial conflicts within the framework of UNCLOS. By signing the declaration, the US – which has not ratified UNCLOS – has signalled its willingness to observe it within the Arctic. What is more, the coastal states have been collaborating for a long time in the exploration of the sea bed. Provided that there are no major conflicts among these countries, non-Arctic players will hardly be able to assert themselves in this context.

Potential for conflict

The scope of sovereign rights in the maritime area around the Svalbard archipelago, believed to be rich in oil and gas, is a question that is not easy to resolve. On the one hand, the archipelago and the surrounding 200-mile zone are an undisputed part

of Norwegian territory. On the other hand, Norwegian sovereignty over the archipelago is substantially limited by the Svalbard Treaty of 1920. All 40 signatory countries have the right to exploit natural resources and to conduct research. The treaty also states that the archipelago must not be used for offensive military purposes. Likewise, the right to levy taxes is limited to the administrative requirements of Svalbard. It was only later under UNCLOS that the EEZ emerged as an institution. Hence, it remains unclear whether the Svalbard Treaty also applies to this zone. Countries such as Russia, Iceland, and the UK assume this to be the case. Norway takes the opposite view. Nevertheless, Oslo has not declared a full EEZ in this area, but established a fisheries protection zone instead. It concedes fishing privileges to Russia, Iceland, and other nations. This has never been explicitly acknowledged by these countries, but is usually accepted in practice.

The modus vivendi has so far provided stability as it has served Russian interests too, with the fisheries protection zone granting privileges to Russian fishing interests over other signatory states. Moreover, Russia has sufficient oil and gas reserves at its disposal on its own territory. Norway, by contrast, has a strong interest in opening up the area for oil and gas exploration. Such an opening, however, would undermine the current fragile balance and encourage other signatory states to question openly the scope of the Treaty. Even if Norway were to take no action, other nations could try to push for an opening of the area for exploration with reference to the Treaty. Due to the variety of the players concerned and the absence of internation-

al rules, the issue can ultimately only be resolved at a political level.

Interests and positions diverge concerning the issue of sovereignty over the new sea routes as well. Again, even the Arctic coastal states do not agree on the legal status: Russia and Canada regard the routes as internal waterways in what is a very broad interpretation of UNCLOS. This implies that ships flying foreign flags must request permission for transit. Other coastal nations, such as the US, and non-Arctic players like the EU and presumably China, however, consider these to be international waterways for which no authorisation for transit is necessary.

For the time being, no escalation of this conflict is to be expected, since the commercial navigation routes are competing with non-Arctic sea routes and the use of these routes will correlate with the extent of their opening and the stability of the agreed arrangements. In addition, Russia and Canada depend on the cooperation of foreign non-state and state-owned players in order to attract investments in their inadequate coastal infrastructures. Also, the International Maritime Organisation is working on a binding Polar Code, which will establish clear rules for polar navigation. This will weaken the case for additional national regulations and approval procedures.

Defensive and offensive military capabilities

Following the disarmament of the 1990s, new military capabilities are again being deployed in the Arctic. In many instances, these capabilities are defensive in nature and linked to intensified activities concerning either the extraction of raw materials or new “soft” security issues. Due to the weather conditions, only military or coast guard assets tend to be able to safely operate under Arctic conditions. In light of the new possibilities, there is also a growing awareness of the lack of surveillance capabilities for the territory and the enforcement of sovereignty. Particularly for countries like Canada and Denmark, building up policing and military capabilities serves to avoid the impression that the Arctic is of little national interest.

However, offensive capabilities are also being built up in the Arctic, reflecting global ambitions rather than changing regional dynamics. Since the Arctic Ocean provides Russia’s best access to the world’s main oceans, two thirds of its navy are already

stationed in the Arctic. Instead of upgrading border protection capabilities, Moscow so far has focused on modernising its offensive capabilities for the purpose of power projection. What is more, Russia has resumed patrol flights over the Arctic and submarine patrols previously carried out during the Cold War, albeit at a lower frequency. This testifies to the persistence of a rather traditional Russian threat perception.

Today, the Arctic is characterised by a mixture of cooperation, competition, and conflicts of interest. There are indications that the growing presence of non-Arctic players prompts more cooperation among the coastal states. Open conflicts are unlikely to break out in the foreseeable future: While existing mechanisms for cooperation may be too weak to resolve some conflicts of interest, the costs of military conflict will likely be considered too high in light of uncertain gains. If conflicts were to occur, they would probably be limited

in both time and space, aiming at the enforcement of interpretations of international law. Having said that, as the involvement of all key political players increases, the Arctic is also the scene of overarching geo-strategic competition and conflict. The extent to which the thawing of the Arctic means conflict or rapprochement and cooperation will therefore also depend on the shape of the future world order and the relationships between the different power centres.

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