ARCTIC CONFLICT POTENTIAL

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Juha Käpylä & Harri Mikkola

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Juha Käpylä
Researcher
The Finnish Institute of International Affairs

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Harri Mikkola
Researcher
The Finnish Institute of International Affairs

- According to a popular notion, huge natural resource reserves located in the Arctic region will lead to a conflictual "gold rush" when Arctic states compete to claim these reserves for themselves.
- More precisely, there is the potential for interstate conflict in the Arctic area related to unresolved border issues, control of the Arctic maritime routes, and demarcation of the resource-rich continental shelves under the Arctic Ocean.
- However, Arctic states have little to gain by letting the Arctic dynamics slip into a conflict state that would create an unfruitful investment environment in the region.
- Relatively well-functioning regional and international governance mechanisms further defuse the interstate conflict potential in the region. Despite the divergent political interests of various players, the intra-Arctic conflict potential remains low.
- Should interstate conflict surface in the Arctic, the source is most likely to be related to complex global dynamics that may spill over to the region and which cannot be addressed with existing Arctic governance mechanisms. This extra-Arctic perspective should be increasingly taken into consideration by scholars and policy-makers.

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Introduction[1]

The Arctic is changing from a peripheral region to a global arena with important geo-economic and geopolitical dynamics. The key driver behind this is the rapid and exceptional warming of the Arctic, which has resulted in an intensified melting of the icy region. This, in turn, has meant that substantial mineral and hydrocarbon resources as well as new cost-effective and time-saving maritime routes between East-Asia and Europe are becoming more easily exploitable.

With its huge potential, the opening Arctic may have major implications for energy security, trade policy, power relations and the environmental concerns of several nations, inside and outside the region itself. As a result, issues, actors and stakes concerning the Arctic development agenda are about to multiply and turn more complicated. This also means that managing the Arctic may face more severe governance and policy challenges in the future. At the same time, existing regional challenges remain to be resolved. With still unsettled disputes, the opening Arctic offers an arena where major global power dynamics are displayed and different actors are trying to influence Arctic governance.

An often-heard notion is that the huge natural resource reserves located in the Arctic will lead to some kind of "gold rush" or "land grab" when states compete to claim these reserves. Indeed, alarmist outlooks show remarkable persistence in predicting that the growing geopolitical and economic relevance of the area will lead to a new Cold War and military build-up in the Arctic.[2] This rhetoric characterizes the area as a *terra nullius,* defined by a forthcoming economic bonanza and realpolitik that together could create a "perfect storm" leading to an interstate Arctic conflict.

However, during the past few years the Arctic paradigm has shifted from the "new Cold War" to "Arctic cooperation". This paper agrees with recent scholarly observations that one should not exaggerate the intra-Arctic conflict potential nor follow the myth of the conflictual Arctic that continues to permeate popular imagery.[3] To this effect, this paper begins by highlighting three potential intra-Arctic sources of interstate conflict: territorial borders, maritime routes and continental shelves. After that, the paper provides practical and critical insights into why the assumed endogenous conflict potential in the Arctic is relatively low. The paper concludes that if there is a significant conflict in the Arctic, the most likely – and complex – source for it will be beyond the region itself.

Intra-Arctic conflict potential: Key disputes and governance challenges

There are three potential endogenous sources of conflict in the Arctic. They all involve the key question of ownership – who owns and controls what in the region – and thus fall under a broad category of state sovereignty. First, there are unresolved border issues. However, these territorial disputes are few in number and mild in severity. The US and Canada remain locked in disagreement over a small slice of the Beaufort Sea, whereas Denmark and Canada have differing views on the ownership of the tiny Hans Island, located between Canada and Greenland. Despite significant hydrocarbon prospects in these disputed areas, the countries in question are all close allies and NATO members, and any serious conflict potential between them over these territorial issues is close to zero.

A second, and more prominent, endogenous source of conflict concerns disagreements over the control

1 This briefing paper was drafted as a part of a broader research project Towards Geopolitics of Flows, funded by the Finnish Scientific Advisory Board for Defense and National Emergency Supply Agency.

2 "Arctic Military Rivalry Could Herald a 21st-Century Cold War", *The Guardian*, June 5, 2012, http://www.theguardian.com/world/2012/jun/05/arctic-military-rivalry-cold-war; "The New Cold War: Militaries Eyeing Arctic Resources", *Fox News*, April 16, 2012, http://www.foxnews.com/scitech/2012/04/16/new-cold-war-as-ice-cap-melts-militaries-vie-for-arctic-edge/.

3 Griffiths, Franklyn (2011) "Arctic Security: The Indirect Approach", in Kraska, James (ed.) (2011) *Arctic Security in an Age of Climate Change*, Cambridge: Cambridge University Press, pp. 3-4; Exner-Pirot, Heather (2013) "Myth of fresh Cold War in Arctic won't die", *Alaska Dispatch*, March 17, 2013, http://www.alaskadispatch.com/article/20130317/myth-fresh-cold-war-arctic-wont-die.

of two major Arctic maritime routes. There is a disagreement between the US (and the EU) and Canada over the status of the North-West Passage (NWP) running through the Canadian archipelago. Similar dynamics remain to be resolved in the Northern Sea Route (NSR) running along the Russian Arctic coastline, although the key issue in the NSR is related to Russian management of the route.

These maritime issues arise in the context of the United Nations Convention on the Law of the Sea (UNCLOS). Drastic environmental changes and increased opportunity for activity in the Arctic have meant that the UNCLOS, as the legitimate global maritime regime, has become increasingly relevant also in the Arctic region. The UNCLOS divides the world's seas into different zones, including internal waters, territorial seas and the Exclusive Economic Zones (EEZs), all with different levels of sovereignty and navigation rights. The NWP in its entirety and the NSR in parts pass through areas that are under the direct jurisdiction of Canada and Russia respectively. No one is contesting Canadian or Russian sovereignty over their maritime areas. Instead, the disputes are about the interpretation of the UNCLOS.

According to the UNCLOS, foreign ships and aircraft are allowed freedom of movement through any nation's territorial sea and EEZ, and through straits used for international navigation. At the North-West Passage, the key issue is the status of the passage: whether the NWP should be seen as internal waters where Canada has complete jurisdiction, or whether it should be seen as an international strait which, according to the UNCLOS, should be open to free maritime passage. The US, in particular, has a stake in this issue. The US wants to avoid establishing an unfavourable legal precedent in NWP that might hinder the free flow of global trade or jeopardize the free movement of the US Navy in other parts of the world.

The status of the Northern Sea Route is potentially a more relevant maritime issue as it is expected to become a significant intercontinental transport route more rapidly. At the NSR, the key issue is the legitimacy of Russian regulation of the route. For the most part, the NSR runs through the Russian EEZ and only passes, at certain points, through Russian internal waters. Russia has nevertheless enacted Article 234 of the UNCLOS related to the possibility that a coastal state may apply special environmental protection requirements within its EEZ in "ice-covered waters" to control the use of NSR, and requires mandatory ice-breaker escort from the Russian breaker fleet for any ship operating on the route. This has caused global concern, most recently in Asian maritime nations and particularly in China, since high fees on ice-breaker services may diminish the potential commercial advantage of the route.

The third endogenous conflict potential stems from unsettled demands concerning the demarcation of the continental shelves under the Arctic Ocean. This is potentially the most significant intra-Arctic source of conflict given the expected hydrocarbon deposits on the Arctic seabed. This issue also arises in the context of the UNCLOS. According to the treaty, coastal states have sovereign economic rights to the water column and seabed resources in their 200 nautical miles (nm) EEZ. Beyond that, the UNCLOS allows for coastal states to seek an extension to their EEZs up to 350 nm through a formal submission to the United Nations Commission on the Limits of the Continental Shelf (CLCS).[4]

The CLCS confirms these claims if the scientific data are sufficient to justify that the extended EEZ correlates with the "natural" extension of the coastal state's continental shelf. In these extended EEZs, coastal states enjoy sovereign rights to the seabed resources, but not to the water column resources, which are part of the high seas without national jurisdiction. After a particular state has ratified the UNCLOS, it has a ten-year timeframe to submit its claims for the extended EEZ to the CLCS. A negative decision by the CLCS, however, is not final, and the state may proceed with collecting additional scientific data to further back up its claim.

What is perhaps the most important issue related to CLCS rulings in the Arctic remains to be settled. This concerns the Russian 2001 claim over the Lomonosov Ridge splitting the Arctic Ocean, which was initially rejected and delayed due to lack of sufficient scientific data. Since then, Russia has engaged in a geological survey and is expected to submit a revised claim to the CLCS by the end of 2013. In addition to Russia, Canada and Denmark also argue that the Lomonosov Ridge is a natural extension of their

4 UNCLOS, Article 76; Annex II.

continental shelf and they are preparing to submit their claims to the CLCS. The fact that these delimitation claims overlap is often seen to indicate some kind of ownership battle between Arctic coastal states, potentially leading to diplomatic disputes or even to the use of hard power as a way of securing the claim to one's "own" continental shelf.

In addition to these substantive considerations, there are also more implicit procedural challenges related to the extension of EEZs that have the potential to further bring about conflict dynamics. First, there are timeframe issues that make the process unpredictable. Not only have certain states encountered difficulties in following the 10-year window for an application, but it is also possible for states to make new and revised submissions to the CLCS, thus delaying a definitive decision on continental shelf extensions.

Secondly, the CLCS has a weak legal mandate. Its decisions are not legally binding rulings; they are only recommendatory in nature and thus the CLCS lacks the mandate and ultimate authority to settle boundary disputes between states. States have to accept the CLCS recommendation in order for it to become final. This makes the ultimate settlement a political matter. In a dispute situation, states are obliged primarily to negotiate a solution by themselves, but they may also subject their claims to international arbitration, for example to the International Tribunal for the Law of the Sea or the International Court of Justice.

Thirdly, the CLCS also has problems related to the transparency of the process. The Commission does not need to publicly justify its decision nor does the coastal state have to make the scientific data behind its claim public. And finally, the UNCLOS also has definitional ambiguities. For example, ambiguity about the notion of "continental shelf" gives scope for different interpretations about the national extensions of EEZs.[5]

These procedural weaknesses may decrease the legitimacy of any CLCS ruling, especially if the ruling is unwelcomed by a coastal state. Overall, they increase the possibility of misunderstandings, disputes and overlapping claims. A failure in the UN process to settle the issues – whether due to a substantive disagreement or a procedural challenge – might pose a serious setback for the Arctic development and could have the potential to shift this development towards more conflictual dynamics.

The Arctic is about cooperation, not conflict

These intra-Arctic challenges exist and need to be addressed. If they are not settled through bi- and multilateral processes, the Arctic cooperation might be jeopardized. However, there are several reasons why the intra-Arctic conflict potential should not be exaggerated.

First and foremost, while there will be intensifying economic competition among major corporations, Arctic states have little to gain by letting the Arctic dynamics slip into a conflict state that would create an unfruitful investment and development environment for Arctic exploitation. Of course, misperceptions and miscalculations are always possible, but for the most part the region's dynamics are increasingly steered by this economic logic.

Secondly, there is not that much to fight over, and even given the amount that exists, Arctic conditions are not conducive to easy exploitation. While there are certain unresolved ownership issues in the region, the Arctic is not reducible to the Arctic Ocean. A large part of the region consists of land areas above the Arctic Circle that are under the uncontested sovereignty of the Arctic states, with national bodies of legislation to govern their respective areas. Furthermore, in the maritime Arctic, the existing 200 nm EEZs from the coastline to the Arctic Basin are to a large extent uncontested and well defined.[6] It is estimated that around 85–90% of undiscovered hydrocarbon reserves are within these undisputed EEZs of Arctic nations.[7] The existence of legitimate sovereign authority over these uncontested areas downplays the notion of the Arctic as a *terra nullius*, claimable by anyone.

5 Hart, Andrew et al. (2012) "Chill Out: Why Cooperation is Balancing Conflict among Major Powers in the New Arctic", *Brookings Report*, p. 11.

6 Young, Oran R. (2009) "Whither the Arctic? Conflict or Cooperation in the Circumpolar North", *Polar Record* 45 (232), p. 77.

7 Hart et al. (2012), p. 7.

Nevertheless, there remains a disputed and undivided geographical area around the North Pole with potentially substantial hydrocarbon resources. However, the operating environment around the North Pole is multi-dimensionally harsh, making hydrocarbon exploitation there highly difficult and expensive. As a result, the economic potential of the area is extremely difficult to realize and Arctic hydrocarbon exploitation is likely to happen within the limits of the EEZs in the foreseeable future.[8] This makes heated disputes related to the hydrocarbon exploitation in this distant area highly unlikely – at least in the mid-term future.

Thirdly, the Arctic area is not a governance void. The agenda of issues in Arctic governance is manifold, ranging from environmental protection and indigenous people all the way to economic and even military activities. This range of issues does not fall under the mandate of any single governance structure or organization, but is dealt with instead through multiple mechanisms. As such, contemporary Arctic governance does not constitute an integrated system. So far, Arctic governance and cooperation mechanisms have been evolving incrementally in situations where sectoral and practical issues have required some kind of governance solution and structure. As a result, Arctic governance has emerged as a fragmented and sectoral mosaic of national, regional, international and global governance arrangements, standards, laws, and treaties.[9]

In this situation, some actors have stressed the need for an Arctic Treaty, a comprehensive and definitive legal regime similar to the Antarctic Treaty System, to demilitarize the Arctic region and protect its environment. However, this is unfeasible given the obvious differences between the Antarctic and the Arctic. Whereas the Antarctic is an unpopulated continent surrounded by an ocean, the Arctic consists of an ocean surrounded by populated continents. As such, the Arctic area is under the direct jurisdiction and ownership of various sovereign countries. Consequently, all Arctic states have emphasized that there is no need for a comprehensive Arctic Treaty, and that existing national and regional governance structures are adequate. In short, there is no political impetus to generate a new pan-Arctic regime.

Moreover, the UNCLOS treaty provides a complementary multilateral legal framework for settling intra-Arctic sovereignty issues regarding maritime routes and continental shelf extensions. While the UNCLOS remains unproven in the Arctic and is plagued by some procedural ambiguities, so far there are no indicators that the treaty and its procedures would not be able to resolve disputes in the Arctic. In fact, when compared to the situation in the South China Sea, which shares similar dynamics (hydrocarbon resources, undefined boundaries, major power interests), the Arctic states have been remarkably successful in combining national interests and peaceful cooperation. The Arctic states have committed themselves to settling their maritime border disputes via the UNCLOS processes, most recently in the Arctic Council's 2013 Kiruna ministerial meeting. All Arctic rim states, with the exception of the US, have ratified the UNCLOS treaty, but even the US has affirmed its de facto commitment to the Law of the Seas on several occasions. These statements are important illustrations of the cooperative nature of Arctic dynamics.

Of course, the UNCLOS is not the only international framework to govern the Arctic. A good example of more sectoral multilateral governance is the work of the International Maritime Organization (IMO). One important element in maintaining mutual trust in the Arctic is the mitigation of the possibility of a major environmental accident. As economic activities in the Arctic are multiplying, the possibility of a major environmental incident will become increasingly imminent. A major accident would not only hinder the economic development of the area, but could also feed political mistrust between the Arctic stakeholders, for example in the case of inability or reluctance to respond adequately to the situation.

The IMO has a key role to play in making risky Arctic shipping safer. Currently, the organization is preparing a mandatory "Polar Code" for Arctic shipping. This new safety regime will regulate the design, construction and use of vessels in Arctic waters, and will most likely have a positive impact on the possibility of the Arctic maritime passages becoming important global transport routes. That said, even if the Arctic shipping industry becomes more

8 Young (2009), p. 75.

9 Humrich, Christoph and Wolf, Klaus Dieter (2012) "From Meltdown to Showdown? Challenges and Options for Governance in the Arctic", PRIF Report No. 113, p. ii.

regulated and standardized, and hence increasingly "safe", the increase in activity will nevertheless increase the overall risk of accident, whatever the regulation.

Finally, while competition exists, Arctic states have expressed their interest in international cooperation and have backed this up with high-profile confidence-building measures. Most notably, this was the case after the famous 2007 Russian flag planting stunt at the North Pole that was not followed by intensified competition, but instead by measures that sought to demystify and defuse the situation – including the 2008 Ilulissat Declaration by the five Arctic littoral states. To reinforce this trend, Arctic states' Chiefs of Defence have begun to meet biannually, and there are also annual Arctic military exercises between Norway (NATO member) and Russia. There are also biannual cross-boundary emergency exercises in the region by various national authorities. While certain Arctic states (e.g. Norway, Russia, Canada) have increased their military presence and capability in the Arctic, there is widespread agreement that Arctic states are primarily interested in monitoring and governing the opening area and their respective sovereignties in the region. As such, there is little indication of a hostile re-militarization of the Arctic.[10]

All Arctic states have also produced remarkably convergent Arctic strategies and policies that emphasize the need for cooperation in Arctic issues. Moreover, all Arctic Council member states, as well as its permanent observers, have endorsed Arctic multilateralism. Most recently, the Arctic Council's Kiruna Declaration reinforced the status of the Council as the leading forum for international cooperation in the Arctic. Of course, official policy statements may only pay lip service to cooperation and downplay actual points of friction, for example with regard to differing economic or security policy interests. That said, the Arctic cooperation discourse continues to shape the common sense of Arctic governance towards interstate peace and cooperation.

It is also important to note that while both circumpolar (Arctic Council) and regional (Barents Euro-Arctic Council, Nordic Council, Baltic Sea Council) frameworks are important in Arctic governance and cooperation, they are not the only platforms where the Arctic states interact. Various international forums play a role, too. All Arctic nations are OSCE members, while some belong to NATO and others to the EU. Participation in these frameworks may involve crippling policy competition and power politics, but it can also foster an important confidence-building element between actors. In any case, international forums are important platforms to address international issues that have – for better or worse – implications for the Arctic area (such as military and security policy issues). Of course, it is the role of NATO in Arctic cooperation that is especially problematic due to Russian antipathy towards the organization in general and in Arctic governance in particular. For the most part, NATO has decided not to demonstrate a strong presence in the region, and in so doing, has fostered a cooperative atmosphere on its part.

The Arctic has also seen the birth of various bilateral agreements on several issues and in several sectors. Most notably, Norway and Russia managed to resolve their longstanding border dispute in the 2010 delimitation treaty on the disputed maritime area in the Barents Sea. Somewhat similarly, while the US and Canada do not agree on the status of the NWP, the 1998 US-Canadian agreement has nevertheless stabilized the situation and mitigated the tension at the passage. In the agreement, the US agreed not to send ships through the NWP without Canada's consent, while Canada promised to grant that consent always. Many of the Arctic agreements are precisely like this: "unofficial" deals where actors "agree to disagree" in order to be able to make a practical compromise that enables them to develop or utilize a particular resource without losing their sovereignty or prestige – even if the dispute remains officially unsettled.[11]

Conclusion: Extra-Arctic dynamics and their consequences

So far, endogenous conflict dynamics among Arctic states have been defused by either bi- or multilateral

10 Lasserre, Frederic et al. (2012) "Is there an Arms Race in the Arctic?", *Journal of Military and Strategic Studies*, 14 (3/4).

11 Hříž, Zdeněk and Chrášťanský, Filip (2012) "Existing Conflicts in the Arctic and the Risk of Escalation: Rhetoric and Reality", *Perspectives* 20 (1), pp. 123-124, 131.

cooperation, and they have been limited primarily to economic, legal and scientific argumentation. In order to ensure peaceful and cooperative dynamics in the region, governance mechanisms that are legitimate and confidence-building remain vital in managing intra-Arctic dynamics. As a result of high incentives for stability in combination with relatively well-functioning Arctic governance, the potential for a major inter-state Arctic conflict due to endogenous sources is quite low and there is little reason to presume that this will change any time soon. While recognizing the political interests of various players, one must be careful not to "sex up" the intra-Arctic conflict potential, as this might generate self-fulfilling prophecies and reinforce conflict dynamics.

To understand the Arctic today, one needs to have a global perspective. The Arctic is not a closed system and regional development is increasingly intertwined with global dynamics. For example, the potential and economic viability of Arctic hydrocarbon exploitation is – and will remain – dependent on international energy prices and fluctuations in the global energy market, among other things due to breakthroughs in energy extraction technology (shale gas). Similarly, political events outside the Arctic may have direct effects on the dynamics in the region. In the war in Afghanistan, the US and Coalition military have been dependent on the supply routes that pass through Russian territory. This most likely means that the US, or NATO, has no overwhelming and immediate desire to demonstrate an increasing presence in the Arctic and challenge Russian interests in the region. Also, the future of cooperation or conflict between Russia and China is bound to affect the prospects of Arctic hydrocarbon and maritime transport activities.

If conflict was to surface in the Arctic, the most likely source would be extra-Arctic, stemming from dynamics outside the region. On the one hand, the forces of globalization and climate change manifest themselves in the contemporary Arctic as regional, sub-state disputes. When the stakes are getting higher in the Arctic, the region has experienced – and is likely to experience increasingly – local disputes between economic/state and environmental actors, multinational companies and indigenous people as well as difficult trade-offs between various economic sectors, such as hydrocarbon extraction and fishery. On the other hand, disputes between Arctic stakeholders over other issues and in other parts of the world might also spill over to the region. This latter exogenous source of conflict, in particular, remains elusive and hard to pinpoint in advance, but would certainly involve complex global conflict dynamics and would require alternative conflict management strategies above and beyond existing Arctic governance structures.

By far the most significant exogenous source of a potential conflict in the Arctic is, however, global climate change. The so-called "Arctic boom" would become possible only in the context of a warming globe. At the same time, activities (e.g. hydrocarbon extraction) and changes (warming) in the Arctic itself feed into the environmental dynamics that further warm the globe. In short, Arctic dynamics are caught up in a vicious circle.

While climate change has severe effects on the biosphere in the Arctic and elsewhere, it also produces a range of security challenges by touching on various aspects of human security around the world. The most severe effects of climate change are expected to take place in regions that are already the most fragile and prone to crisis. Climate change is a "threat-multiplier" that accelerates the existing tensions and conflict dynamics, potentially producing so-called "poly-crises" in which various crisis factors become nested.

The futuristic global scenario where the "Arctic boom" is going to take place will most likely include irreversible damage to the biosphere that results in more severe global competition between states and non-state actors over key resources, such as cultivable farmland, drinkable water, fish stocks and energy. It will most likely also entail serious damage to infrastructure in coastal cities due to an increase in sea levels. Climate change will also increase refugee flows and radicalization, especially in regions that suffer the most from its effects. These and other developments will most likely co-exist with systemic factors, such as economic and political inequality, poverty, lack of democracy, global economic disorder and so on.

It is self-evident – though often overlooked – that the potential economic benefits reaped from the Arctic area pale in comparison with these severe, both humane and economic, effects of global climate change. Moreover, the world where the "Arctic

boom" is expected to take place is likely to be very different from what it is today, and there is no reason to assume that, say, the global economy would function the way it does today. Thus, for example, it is not clear whether the demand for Arctic energy would be the same, or stronger, in this gloomy scenario. Similarly, it remains unclear whether Arctic shipping routes would be utilized to the full if the forces of the global economy moved cheap mass-market production south of Hong Kong or further.

In the end, the future of the Arctic may not be about the economic potential of a melting region. It may be about something much more profound than this. While the paradigm shift from the "new Cold War" to "Arctic cooperation" has aptly captured the intra-Arctic economic reality, there might be an increasing need for another paradigm shift. The next step for policy-makers and social scientists alike is to deepen and popularize the understanding of the Arctic as a part of complex, global dynamics. Whether that means an increase in conflict potential in the Arctic of tomorrow remains an open question. But at the very least, in order to understand the Arctic, one needs to look increasingly elsewhere.

The Finnish Institute of International Affairs
tel. +358 9 432 7000
fax. +358 9 432 7799
www.fiia.fi

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