

After the ice - The Arctic and European security

EXECUTIVE SUMMARY

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For most of the three decades since the end of the Cold War, the Arctic has been a zone of low tension, a glacial oasis of multilateral cooperation and a geopolitical backwater.

That relative harmony is now under growing strain chiefly because of the resurgence of great power competition worldwide against a backdrop of accelerating global warming which is melting the polar ice cap at a record pace. This threatens disaster for the environment and the indigenous peoples of the Arctic, but also whets appetites for new shipping routes and access to undeveloped oil, gas and mineral resources.

“The world has come closer to the Arctic,” says Nina Buvang Vaaja, director of the secretariat of the Arctic Council, the intergovernmental forum that promotes cooperation, coordination and interaction between the eight Arctic states. (1)

Greater global interest is a distinctly mixed blessing. US Secretary of State Mike Pompeo turned up the heat in a forceful speech in Finland in May 2019, declaring: “We’re entering a new age of strategic engagement in the Arctic, complete with new threats to the Arctic and its real estate, and to all of our interests in that region.”

Pompeo used the normally consensual Arctic Council diplomatic forum to denounce China’s claim to be a “near-Arctic state”, saying that entitled it to “exactly nothing”. Beijing’s pattern of investing in critical infrastructure and beefing up its scientific research presence “raise doubts about its intentions”, he said. He also attacked what he called “a pattern of aggressive Russian behaviour” in the Arctic, including Moscow’s moves to control access to the waters of the Northern Sea Route. He even took a swipe at Canada, a NATO ally, over sovereignty in the North-western Passage. (2)

To some, Pompeo was merely tearing away a veil of political correctness to spotlight the changing reality in the High North. To others, the US secretary, who blocked a joint statement of priorities by Arctic Council states to prevent any mention of climate change, was wilfully exaggerating security and economic threats to fit a global narrative of US-China confrontation.

To be sure, the size and frequency of Russian and Western military exercises in the European Arctic have increased sharply in the last two years. Yet despite the gruff new tone from Washington, media headlines about a new Cold War over the North Pole, or a looming High Noon in the High North seem overblown. So too are expectations of new East Asia-to-Europe polar shipping highways to rival the Suez and Panama Canals, or of an Arctic hydrocarbons bonanza, at least in the near to medium term and perhaps ever.

This report will consider the implications of the changing strategic and physical environment in the Arctic for European and Euro-Atlantic security. It will seek to disentangle fact from hype, examine the functioning of regional institutions, consider possible triggers for conflict and explore whether more can be done to defuse tensions and build confidence in the region.

“A LOT OF HYPE”

“There’s a lot of hype about how the Arctic is heating up and the Cold War is back,” says former Icelandic president Ólafur Grímsson, founder of the non-profit Arctic Circle organisation which hosts the largest annual international dialogue on the region. “If you ask yourself the question: who is creating this new security situation in the Arctic? It is not the Chinese. It is not the Russians. It’s primarily the Trump administration. And nobody knows if that policy will still exist after the next election because all three previous American presidents didn’t see it that way.” (3)

The Arctic states – Russia, Canada, the United States, Norway, Denmark, Finland, Sweden and Iceland – have collaborated pragmatically since the 1990s on issues ranging from border delimitation to fisheries, maritime safety, polar science, tourism, the rights of indigenous peoples, environment protection, people-to-people contacts and sustainable development. The five Arctic coastal nations agreed in Ilulissat, Greenland in 2008 to settle overlapping claims to continental shelves peacefully within the United Nations Convention on the Law of the Sea (UNCLOS).

An array of toothless but functional bodies such as the Arctic Council, the Barents Euro-Arctic Council and the Northern Dimension, promote cooperation in civilian affairs, though none addresses hard security. While bilateral and unofficial channels exist to discuss emerging security questions, the region lacks any formal structure or collective organisation to manage these geopolitical issues.

Arctic coastguard commanders meet annually to discuss safety at sea, environmental clean-ups, law enforcement and mutual assistance with search and rescue. An annual Arctic Security Forces Roundtable was created in 2011 at the initiative of the US European Command to build trust through military-to-military dialogue, but Russia has not been invited since 2014 due to its annexation of Crimea. The same applies to a Northern Chiefs of Defence Conference convened at Canada’s initiative in the same period.

Arctic states have long discouraged outsiders from interfering in their affairs, wary of attempts to internationalise Arctic governance or constrain their economic development in the name of nature conservation or ‘global commons’. By contrast, China and the European Union, while respecting the territorial rights of the Arctic states, assert the international community’s shared responsibility to protect the endangered ecosystem. Effectively, Beijing and Brussels concur that the Arctic is too important to be left to the Arctic states alone.

The sparsely populated region cannot remain permanently immune from inter-state disputes present elsewhere. Yet none of the Arctic nations would appear to have an interest in triggering a conflict in the High North or importing one. Increased engagement by China, the world's second-largest economy and a rising military power, creates new dynamics. The reality of the Chinese presence and investment in the Arctic is far smaller than the rhetoric around it, especially when compared to Beijing's massive involvement in Africa and central and southern Asia.

The 2020 coronavirus pandemic and the resultant global economic recession, slump in oil prices and shrinkage and uncertain outlook for world trade make any forecasting hazardous. One possible side-effect of COVID-19 may be to reduce the economic interest and available investment for the Arctic, given other more pressing priorities and uncertain returns.

That, however, does not guarantee greater stability. States that are not driven primarily by market forces may double down on strategic investments regardless of medium-term profitability. If Russia fails to harvest the economic and strategic benefits it has been pursuing at great cost in its vast northern region, it may become more brittle internally and perhaps more inclined to use hard power externally to compensate for a loss of status and influence.

THE IBSEN FACTOR

The Arctic community of nations, says Ulf Sverdrup, director of the Norwegian Institute of International Affairs (NUPI), is a bit like the cast of one of 19th century Norwegian dramatist Henrik Ibsen's plays. "A dysfunctional family with dark secrets is shaken up by the intrusion of an outsider who triggers processes of interaction and introspection," he said. "In some sense, we are now in such a drama. China is that external actor, and technology is the catalyst." (4)

Others argue that climate change is the biggest catalyst.

The opening of a shipping channel from East Asia to Europe along Russia's north coast, navigable several months a year, has spurred Chinese interest in a significantly shorter and potentially cheaper alternative to the traditional passages through the Suez and Panama Canals that would be less prone to US control, and free of queues and pirates. As a rule of thumb, costs fall with the number of days at sea. However, the commercial viability of the Northern Sea Route appears questionable, other than to transport Russian oil, gas and minerals. Western shipping lines insist they have no plans to use it for technical, environmental and business model reasons.

Beijing, on the other hand, is encouraging its enterprises to build infrastructure and conduct trial voyages to develop a maritime 'Polar Silk Road' as part of its global Belt and Road Initiative (BRI) of east-west trade and digital connections. Chinese companies are also eyeing a major undersea digital cable project from Norway to China via the Arctic.

Ambitious plans are on the drawing board for a rail connection from Norway's Arctic coastline to European industrial and population hubs and to Mediterranean BRI terminals, via Finland and the Baltic states, although the proposed mega-project may be hard to finance and faces resistance both from environmentalists and from Saami people in Finnish Lapland. It may well never be built.

China has probed for investment opportunities in mineral exploration and airports in Greenland, port infrastructure and real estate in Iceland, and mobile phone networks across the Nordic region, notably

in the thinly populated Faroe Islands, a strategically located archipelago midway between Iceland and Norway. Nordic governments have deflected many of these approaches, often due to pressure from the United States.

Receding ice will ease access to vast but hitherto hard to exploit offshore hydrocarbon reserves, rich fishing waters and rare earth minerals, both in Greenland and in Russia's exclusive economic zone, in which China is keen to invest. Some 13% of the world's undiscovered oil and 30% of undiscovered gas are estimated to lie under the Arctic, prompting some to speak of a "second Middle East". (5)

Climate change, accelerating faster in the polar regions, is also opening new areas to tourism and economic development, but magnifying the risks of devastation to the environment, indigenous populations and wildlife.

RUSSIA'S BASTION

For geographical and historical reasons, the Arctic has always had a special place in the hearts and minds of Russians.

Russia, which has by far the longest Arctic coastline spanning seven time zones from the Bering Strait to the Barents Sea, has re-fortified its 'bastion' defences in the Kola Peninsula, home to its crucial second-strike nuclear submarine force and strategic bombers. Since 2014, it has rebuilt a chain of coastal military bases abandoned after the Cold War, deployed troops in some of them, refurbished airfields, reopened ports and substantially modernised its Northern Fleet.

Moscow has upgraded its nuclear and conventional submarine force, tested hypersonic missiles that could drastically reduce early warning time before striking an adversary, and developed ultra-deep-diving submarines and unmanned underwater vehicles.

With Chinese assistance, Russia is investing heavily in oil, gas and coal extraction in its Arctic region. But relations between Moscow and Beijing, which see themselves as strategic partners against US hegemony, remain tinged by mutual suspicion and divergent national and commercial interests. Chinese plans to increase a \$15bn investment in Russia's giant Yamal peninsula gas liquefaction project have been slowed by differences over ownership and transport rights.

Moscow is building up its fleet of nuclear-powered icebreakers and requiring that commercial vessels that wish to ply the Northern Sea Route apply for permission, comply with its safety and insurance regulations, be escorted by a Russian pilot and icebreaker and pay fees to the Russian state. It also insists that Russian oil, gas and coal extracted in the Arctic be shipped only on Russian-flagged vessels.

After a French navy ship sailed from Norway to the Bering Strait without requesting permission in 2019, Moscow issued a decree demanding 45 days' notice of any passage of foreign naval vessels. Pompeo called these demands illegal. The United States has vowed to uphold freedom of navigation in international waters, including on the Northern Sea Route. China too does not accept the Russian claims in principle, although it has complied with them in practice.

Russia sent a letter of complaint to Norway on the centenary of the Svalbard Treaty in 2020 expressing dissatisfaction with the way Oslo manages the archipelago, restricting Russian helicopter, fisheries and economic access. China also operates a research centre on Svalbard.

Norway is drilling for oil and gas in the Barents Sea, right up to its maritime border with Russia. Military analysts differ over whether the Russian build-up in the High North is largely defensive or more menacing. NATO and US military commanders are concerned that Moscow is developing capabilities to interdict the reinforcement of Europe from North America by sea and air, and to cut vital underwater cables on which the West's internet connections rely. A senior NATO commander, US Admiral James Foggo, has said a "Fourth Battle of the Atlantic" is already underway – so far non-violently – in and beneath the seas that border Europe, from the Arctic to the Mediterranean.

Other military thinkers say Moscow's objectives and means are more modest and its aim is not to cut North Atlantic sea lines of communication but to hold economic targets and NATO reinforcement hubs in western Europe at risk without having to traverse the so-called Greenland-Iceland-UK gap, the key hunting ground for submarines during the Cold War. Russia has bolted longer-range cruise missiles onto its naval platforms, greatly increasing its ability to strike European ports, airfields and rail hubs without having to sail far beyond the Barents Sea.

NATO AWAKENS

While the United States, Russia, China, Canada, France, Germany, Norway, Sweden and Finland have all published Arctic strategies in the last few years, and some are about to update them, NATO has yet to adopt a strategy for the region. The alliance has long been vague about how far north its area of responsibility stretches, not least due to differences among its member nations.

Canada, which has the second-longest Arctic coastline, was reluctant to permit any discussion of the Arctic in the North Atlantic Council. Norway too has been keen to avoid antagonising Russia, its north-eastern neighbour, while ensuring it has visible NATO solidarity.

"So far there has been a lot of reluctance, at least during my tenure. The Canadians were very opposed to discussing an Arctic strategy within NATO," said Anders Fogh Rasmussen, a former Danish prime minister who was the alliance's secretary-general from 2009 until 2014. (6)

Many of those reservations fell away after Russia's seizure and annexation of Crimea and military destabilisation of eastern Ukraine in 2014. That prompted a major pivot of NATO's priorities back to territorial defence and away from far-flung crisis management. Moscow's use of force in Crimea to change borders in Europe for the first time since 1945, led to a sustained increase in allied defence spending and the deployment of a small rotating NATO presence in the Baltic states and Poland, as well as a new emphasis on readiness and reinforcement.

NATO has created a Joint Forces Command for the Atlantic based in Norfolk, Virginia, which was home to the alliance's supreme Atlantic headquarters during the Cold War, while the United States has resurrected its decommissioned Second Fleet, initially with a headquarters staff but no permanently assigned ships. A double-hatted US commander is in charge of both. Several NATO nations have made enhancements to their monitoring and situational awareness capabilities in the High North without new permanent bases, but with an increased tempo of exercises in Arctic conditions at sea and on land, and more frequent anti-submarine warfare patrols.

NATO conducted its largest transatlantic reinforcement exercise since the end of the Cold War – Trident Juncture – in central Norway in 2018, including bringing a US aircraft carrier into the Arctic. Russian warships entered the exercise area in international waters and carried out missile drills. US and UK warships and aircraft staged an exercise in the Barents Sea in May 2020, just off Russia's strate-

gic Kola Peninsula, to “demonstrate the strength, flexibility, and commitment of the NATO Alliance to freedom of navigation throughout the Arctic and all European waters.” (7)

Norway did not participate and maintains restrictions on how close to the Russian border NATO ground and air forces may operate, as it tries to strike a delicate balance between deterrence and reassurance towards Moscow. Oslo says there are no permanent allied bases on its soil, but it has hosted a rotating US Marines training presence since 2017, increased to 700 soldiers in 2019, as well as pre-positioned US equipment stored at Norwegian bases.

Russian aircraft frequently buzz Norwegian airspace. In an incident that Moscow initially hushed up, 14 people died in a fire aboard a secret nuclear-powered Russian submarine which had been surveying the seabed in the Barents Sea in July 2019. Western officials said the dead included senior military intelligence officers.

Such tensions co-exist with historic patterns of cooperation between Oslo and Moscow, including annual search and rescue exercises, a rarely used hotline between their northern military headquarters, economic exchanges, cross-border movement of people and collaboration among local authorities. European Nordic states are all increasing defence spending, modernising their anti-submarine warfare capabilities and stepping up vigilance, but they are keen to preserve a low-tension environment in the High North.

President Trump’s startling suggestion in 2019 that the United States might buy Greenland from the Kingdom of Denmark, which drew instant rebuffs from Nuuk and Copenhagen, highlighted both the growing strategic importance of the Arctic in US eyes and Washington’s frustration at the status quo. The US has since reopened a consulate-general in Nuuk and given Greenland \$12.1mn in aid for education and economic projects – less than one-third of what the Greenlanders receive every year from the European Union, despite having voted to leave the EU. Washington has also budgeted over \$100mn to modernise aircraft shelters and reception facilities at its former military base in Iceland, now a civilian international airport.

For several reasons, members of the Arctic Council are keen to keep security and military issues out of the remit of the organisation, which operates by consensus. The Council includes representatives of indigenous peoples, and several non-Arctic states, including China and India, have observer status.

The European Union has so far failed to secure a full seat at that table, even as an observer, due initially to Canadian reluctance and more recently to Russian objections. Brussels would like to extend its regulatory influence in the region to fight climate change on Europe’s northern flank, but of the three Arctic EU member states, only Finland seems keen to see the Union take a much bigger role.

MIRAGES AND REALITIES

As this report will illustrate, it is unlikely, though not impossible, that an armed conflict would start in or over the Arctic. But a conflict that flared elsewhere — say, in the Baltic or Black Sea regions — might spread to the High North, chiefly because Russia has so much at stake there, and so much of its military capability resides in and around the Kola Peninsula.

The so-called ‘Arctic great game’ is often exaggerated. The first task is to distinguish between mirages and realities.

SEA MIST - A commercially viable round-the-year Northern Sea Route for anything but bulk cargo and hydrocarbons may be decades away. The route will remain unattractive to Western shipping companies, not least because it does not suit the omnibus business model of container transport serving major population centres en route. Russia will use it to export commodities, mostly in its own ships. China's state-owned shipping giant COSCO may use it for non-commercial reasons, to build strategic ties with Russia and diversify away from US-policed choke points in the Straits of Malacca, Bab al-Mandab and the Suez Canal. In that case, Beijing would have to subsidise the likely higher cost. In the very long run, if global warming is not curbed, sea routes will open across the mid-Arctic Ocean. But life on earth will have changed so much by then that this is hardly an investable prospect.

OILLUSIONS - While deposits are abundant, Arctic hydrocarbons and minerals are unlikely ever to give rise to a 'second Middle East' due to the high cost and technical difficulty of extraction, especially in a lower-for-longer price environment, and with the industrialised world transitioning to cleaner energy.

Arctic oil and gas projects have exceptionally high break-even costs compared to other locations, and Russia's face the additional handicap of sanctions over Crimea denying access to advanced Western drilling technology and capital. US hydrocarbon development in and off Alaska's North Slope remains slight despite fiscal and regulatory incentives from the most drilling-friendly president in recent history. Big Oil can do the math and is not convinced of the economic return.

If COVID-19 durably reduces consumption of fossil fuels due to recession, permanently reduced air and oil-fuelled car travel and a faster transition to electric vehicles and renewable energy sources, much of the Arctic's reserves may stay in the ground or beneath the sea as stranded assets.

Risks may emanate from an economically weaker Russia dragged down by a failed High North hydrocarbons/minerals strategy, rather than from an overmighty Russia pumped up on oil, gas and missiles. Or perhaps from a toxic combination of the two: a muscle-bound Russia facing economic and demographic decline and political instability.

TALKING BIG, ACTING SMALL - The US at times talks like a revisionist power in the High North, but it has yet to match its Arctic rhetoric with much money. Washington is focusing most of its defence dollars on preparing to confront China in the Indo-Pacific region, with a modest insurance policy against Russian aggression in central/eastern Europe, leaving small change for the Arctic. While Washington has threatened to conduct freedom-of-navigation patrols on the Northern Sea Route, it has not done so in practice, not least because it would be embarrassingly dependent on Russian search-and-rescue if anything went wrong.

China is looking for ways into the Arctic geopolitical game with a very long-time horizon and so far with a relatively modest, largely civilian face. Investments in infrastructure, mining, oil and gas extraction and transport, plus participation in scientific work, seem to be the preferred entry points. When it encounters pushback, Beijing tends back off.

Arctic policy does not appear to have strong top leadership prestige attached to it and is receiving nothing like the financial resources allocated to investments in Africa, central Asia, southeast Asia or southern Europe. Actual Chinese investment in the Arctic – as opposed to highly publicised sniffing around – doesn't add up to much, except in Russia's Yamal gas liquefaction venture.

TRIGGERS AND DEFUSERS

Without stretching political fiction too far, there are a handful of imaginable triggers for Arctic incidents that might escalate:

- an aggressive US freedom of navigation operation in the High North that got into trouble and/or encountered Russian obstruction;
- an incident between Russia and Norway over the application of the Svalbard Treaty;
- a standoff over search-and-rescue or disaster relief involving an Arctic cruise liner, or a shipping accident, a major oil spill or radiation leak;
- heightened geopolitical tension over Greenland's quest for independence from Denmark;
- an unclaimed sabotage attack on undersea communication cables or a military accident caused by jamming or spoofing of satellite navigation equipment.

Some strategists have speculated that Russia might be tempted pre-emptively to seize a thinly defended slice of coastal northern Norway – as it did in Crimea – in a gamble to show NATO to be impotent, although such a reckless act would risk a collective Article V response to defend an alliance member.

It seems more plausible that a confrontation elsewhere, for example over Georgia's or Ukraine's bids for NATO membership, over frozen conflicts in other former Soviet republics, or over Taiwan or the South China Sea, might escalate horizontally into the Arctic.

None of these scenarios has a high probability, but it is worth doing more now to try to defuse tensions, build confidence, and increase transparency and predictability among Arctic states and other major powers.

TALKING DOWN TENSION

The Arctic Council serves that purpose on civilian affairs but there are strong grounds not to overload a forum that survived the post-Crimea NATO-Russia chill precisely because it does not address military matters. Besides, Arctic nations would not relish discussing hard security questions in the presence of outside observers such as China and India, or of representatives of indigenous peoples.

Though mostly in abeyance since 2014, the NATO-Russia Council is one forum that could be used theoretically to discuss security in the Arctic. But Moscow has never been comfortable with the format, in which it feels in the dock, facing a well-drilled caucus of members of its old nemesis.

There are, however, other existing or dormant bodies – both official and unofficial – that could be revitalised to address Arctic security issues without the need to create yet another institution.

For example, it would make sense to resurrect a much more intensive military-to-military dialogue – regardless of the current impasse in Ukraine and Crimea – by including Russia once again in the Arctic Security Forces Roundtable. This would not be a reward for Moscow, nor signal acceptance of its behaviour in Ukraine. But it would provide an opportunity to explore pragmatic rules of the road to avoid accidents or miscalculations.

Among unofficial forums, the Munich Security Conference's Arctic Security Roundtable, inaugurated in 2017, offers perhaps the most promising venue for track-two diplomacy, including meetings of intelligence officials, and for confidence building. Russian and Chinese officials attend, and it could help

generate proposals for a military code of conduct.

The European Union, NATO and the United States can all do much more to improve the resilience and assist the economic and human development of fragile Arctic territories. Chinese money and infrastructure would be less alluring in Greenland, Iceland, the Faroe Islands and northern Norway if European and American companies and institutions were more willing to invest there. Financial institutions such as the European Investment Bank, the European Bank for Reconstruction and Development and their US and Canadian equivalents should be more active in the region.

Preserving an open, cooperative Arctic as an area of relatively low tension will require more active stewardship by Western institutions while maintaining vigilance towards security challenges. Rather than trying to exclude China or quarantine Russia, Europe and North America should take better care of their own sectors of the Arctic and engage with Moscow and Beijing on common interests such as mitigating climate change and preserving the environment.

Chapter 1 examines the acceleration of climate change in the Arctic and its impact on human security, notably of the indigenous peoples, as well as on shipping, fisheries and the accessibility of new resources. Chapters 2 and 3 consider the economic and energy potential and challenges of the Arctic, the real prospects for new sea routes, and the outlook for mineral extraction, physical and digital infrastructure and tourism. Chapter 4 documents the evolving Arctic policies of the main regional and external actors and the changing political dynamics of their interaction. Chapter 5 analyses military competition in the Arctic, the impact of developments in military technology and capabilities, and the potential triggers for incidents. Chapter 6 contains conclusions and recommendations.

- Interview with the author, May 2020
- Speech to Arctic Council participants by Secretary of State Mike Pompeo, Rovaniemi, Finland, May 6, 2019; <https://www.state.gov/looking-north-sharpening-americas-arctic-focus/>
- Interview with the author, June 2020
- Interview with the author, May 2020
- The term “a second Middle East” was used frequently by former French prime minister Michel Rocard, who was France’s ambassador for the poles from 2009 to 2016; <http://karimbitar.org/geopolitique.pdf>
- Interview with the author, April 2020
- https://www.navy.mil/submit/display.asp?story_id=112907

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