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# COMMENT

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## **The Return of Realpolitik?** The deepening crisis in Ukraine may spill over to the Arctic

The Arctic is not shielded from global dynamics in general and political crises in particular. The crisis in Ukraine may potentially have profound direct and indirect effects on Arctic cooperation and development.

During recent years, the discourse concerning the ongoing transformation in the Arctic has been based on the paradigm of “Arctic cooperation” in the Arctic states’ official policy statements and in expert analyses. The Arctic has been perceived as an area for cooperation between Russia and the West.

In large part, this paradigm has been based on various confidence-building measures by the Arctic states themselves. One of the most important was the Ilulissat Declaration in 2008 by the Arctic Ocean coastal states, where the states committed themselves to settling their Arctic disputes in accordance with the provisions of the United Nations Convention on the Law of the Sea (UNCLOS). The commitment has been reaffirmed on several occasions since then.

However, two recent events have called into question the validity of the Arctic cooperation paradigm. The first major event was the Greenpeace protest at the Prirazlomnoye oil rig in the Pechora Sea. This case was an eye-opening event where the actual limitations and drawbacks of the UNCLOS as a conflict arbitration mechanism became increasingly clear. The event also raised doubts about Russia’s commitment and willingness to support the UNCLOS

when its vital national interests, such as resource exploitation, are threatened.

The second, and even more significant event is the ongoing and deepening crisis in Ukraine. This may potentially have profound direct and indirect effects on Arctic cooperation.

Speaking in the context of the Crimean crisis, former US Secretary of State Hillary Clinton has criticized Russia’s reopening of old Soviet military bases in the Arctic, which according to her threatens to militarize the region. Iceland’s Prime Minister, Sigmundur Gunnlaugsson, has also stated that Russia’s actions in Ukraine will have a ripple effect and could cause problems for Arctic cooperation.

A more direct and tangibly crippling effect of the crisis vis-à-vis the Arctic is the cancellation of the Northern Eagle naval exercise between the Norwegian, Russian and US navies. The event was called off after the US announced that it would be cancelling its participation as a result of the events in Ukraine. The military cooperation between Russia and NATO countries, such as Norway and the US, has been one distinctive and exceptional Arctic feature. For instance, Norway has invested heavily in building a good

bilateral and regional relationship with Russia. The deepening crisis in Ukraine may nullify the important work achieved in building military confidence between the Arctic states during recent years.

The crisis may also affect Arctic political cooperation, for instance in the context of the Arctic Council. Canada is currently chairing the Arctic Council. In 2015 it will pass the torch to the US, who will chair the Council for two years before the Finnish chairship in 2017–2019. The rapidly worsening relationship between the US and Russia may affect the cooperation in the Council. Furthermore, it is possible that Finland may end up chairing a dysfunctional and crippled Arctic Council and could potentially be sucked into great-power dynamics beyond its control. If this was the case, the chairship, which has thus far been seen as a good opportunity for Finland to promote its Arctic interest, could pose serious political risks. At the very least, the Finnish political goal of transforming the Arctic Council into an official international organization would not be feasible in the foreseeable future.

Arctic cooperation has been based on a certain economic logic whereby the Arctic stakeholders have been promoting the Arctic cooperative

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spirit in order to generate a stable investment environment for the region's development and resource exploitation.

For example, offshore megaprojects in the Russian Arctic Ocean have often taken the form of joint ventures between Russian and international energy corporations, including the American Exxon-Mobil, Italian ENI and Norwegian Statoil. If international sanctions against Russia become more robust, it may also have an impact on these joint ventures.

Even if this wasn't the case, the crisis in Ukraine will affect the Russian Arctic development by increasing the overall risk levels for international investors. Arctic development projects tend to have long lead times, which means that the time between the initial discovery and the actual production phase might be a decade (or more) long. They are also highly capital intensive, and require huge investments at the early project stage. Committing to these long-term development projects will become increasingly difficult because of the increased political risks and the increased possibility that returns on the invested capital may never be realized.

The crisis may also have a long-term impact on Arctic development

by potentially affecting the European energy security considerations. It is likely that activities aimed at reducing European dependency on Russian gas will intensify. For instance, efforts to develop LNG infrastructure in Europe are likely to intensify, as well as the discussion of potential US energy exports to Europe. Moreover, off-shore projects on the Norwegian continental shelf will become politically more legitimate.

The recent events are sober reminders that the Arctic region is not shielded from global dynamics in general and political crises in particular. It may very well be that the economic logic will prevail over the worsening relationship between Russia and the West in the region. However, it must also be understood that the Arctic region is not a closed system, but one political theatre among others where the contemporary great game among major powers is played out.