

Preface

Arctic Development: In Theory & In Practice

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Mapping of the Arctic Sea started during the 15th century, as did efforts to trace various Arctic sea routes. A Finnish-born polar explorer, [Adolf Nordenskiöld](#), was the first to navigate the Northern Sea Route in 1878, successfully sailing from Norway through to the Pacific. Nordenskiöld was made a baron but the Arctic was not ready for travel, trade and development. Livelihoods remained based upon traditional fishing and hunting.

Climate change impact in the Arctic area is very significant as the temperatures in the Arctic rise two to three times faster than the rest of the world. This is mostly due to human activity outside the Arctic.

The World Economic Forum has estimated that the Arctic investment potential is around one trillion USD. Approximately 20% of this investment opportunity lies in the Barents Euroarctic Area.

The energy sector is still considered to hold the greatest potential, but it's not just about hydrocarbons. The Arctic holds vast potential in renewables, including wind, hydro, geothermal, and solar. In the European Arctic, around half of the estimated economic potential is in the energy sector, divided 50/50 into hydrocarbons and renewables. Infrastructural potential is significant, too.

There are very big differences in productivity and significance of the Arctic areas in different countries. On one hand, the Russian Arctic provides more than 15% of the country's GDP, and Lapland's productivity in Finland is at a nationally high level. But in other areas the Arctic is still very poorly developed with weak or practically non-existing infrastructure. Unemployment rates are higher and social problems more severe compared to the "Non-Arctic" areas of those countries.

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For the Arctic's trillion-dollar potential to be realized, international financial value chains are a must. The cash is not going to come from Arctic taxpayers' pockets.

Several years ago, the Arctic Council Task Force recommended the establishment of the Arctic Economic Council and envisioned a "Pan-Arctic Free Trade Zone." Indeed, establishing strong market connections and ensuring market access within the region has become very important. As the international community works on outlining a model for Arctic development, this is more timely than ever; protectionism endangers sustainable development of the Arctic by inhibiting free exchange of the best-available technologies and services.

Free trade is not a threat to sovereignty, but protectionism is a threat to sustainability. Fortunately, there are exceptions to the trend – the EU-Canada Comprehensive Economic and Trade Agreement ([CETA](#)) and the EU-Japan Free Trade Agreements are important steps in this development.

The European Union launched its Arctic Policy in Winter 2016. There are three main areas in the policy: Climate Change and Safeguarding the Arctic Environment; Sustainable Development in and around the Arctic; and International Cooperation on Arctic Issues.

China similarly published its Arctic Policy Winter 2018 acknowledging the following goals: to understand, protect, develop and participate in the governance of the Arctic, safeguard the common interests of all countries and the international community, and promote sustainable development of the Arctic.

Both policies acknowledge the importance of international co-operation in decision making. This has become more and more important due to the recent unfortunate developments in international trade of new tariffs and other barriers.

The EU Arctic Policy notes that:

The European part of the Arctic also has significant potential to support growth in the rest of Europe. However, as the EU does not currently have a complete north-south traffic connection, it could explore the merits of strengthening links to the Arctic through trans-European networks, for example from Finland to Norway, providing access to the Arctic Ocean.

Investment and business potential lie in the Arctic, at least theoretically. In practical terms there are many barriers, whereas the most significant one is protectionism. Challenging conditions, Indigenous rights and environmental aspects are important factors in economical and other decision making. The Arctic calls for decisionmakers' support in lowering barriers of trade for the best of sustainable export and import as well as tapping the investment potential of the Arctic.

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