

Forum: Economic and Social Council

Issue: Discussing the Economic & Commercial prospects of the Arctic

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Introduction

The Arctic has always been a center for economic activity. Coal mining, whaling, sealing, and other resource exploitation in the Arctic have been going on for decades. Fishing is still a major activity in the Arctic, having been done for more than a thousand years in the area. With an estimated \$615 billion (at purchasing power parity) in GDP as of 2018, the Arctic accounts for 0.7% of global production. This represents a very small contribution to the global economy. With around 75% of the entire output, Russia is the dominant country in this economic sector. Western countries, such as the UK, have pulled out of Russia's economy considerably since its full-scale invasion of Ukraine, particularly in the extractive industries. Fishing, maritime transportation, tourism, the exploitation of oil and gas, and other minerals are the main sources of economic activity in the Arctic. Due to its optimal location for receiving data from satellites in polar orbit, the Arctic is likewise becoming more and more significant in the communication industry. The area has the potential to become a major supplier of vital minerals for the manufacturing of battery cells and other green transition components.



Image 1: The Arctic Circle

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In the Arctic, temperatures are increasing twice as quickly as they are elsewhere in the world. The amount of Arctic sea ice is decreasing quickly; in 2012, it reached its lowest point. It is believed that changes to the Arctic Ocean may have an impact on the weather and climate of Europe. there is increased business activity in the area, which perpetuates more environmental damage. This report aims to address the impacts of the commercial and economic prospects of the Arctic while analyzing the ongoing activity in the area.

Definition of Key Terms

Resource Extraction: The removal of resources from the environment for human use, such as water, rocks, minerals, biomass from deforestation, fishing, and hunting, and fossil fuels (coal, oil, and gas).

Trade Route: A logistical network that is defined as a set of routes and hubs utilized in the trade of goods.

Sustainability: Preventing the depletion of natural resources in order to preserve ecological equilibrium.

Climate Change: The notable change in typical weather conditions over several decades or longer, such as getting warmer, wetter, or drier. What sets climate change apart from normal weather variability is the longer-term tendency.

Economic Development: The process by which the economic condition of a nation and standard of living improve.

International Cooperation: All professional endeavors with the goal of advancing global social, cultural, and economic development.

Background Information

Economic Activity in the Arctic

Due mostly to the mining and petroleum industry, Alaska (US) and Russia have the greatest economy in the Arctic. In Greenland and Northern Canada, areas where traditional subsistence activities like fishing and hunting still hold a significant influence, the gross output value is significantly lower. Similarly, although it does not significantly increase the gross domestic product of these countries, reindeer herding in Russia and Scandinavia

plays a significant role in the lives and livelihoods of those who undertake it, such as the Saami and the Nenets.

The pan-Arctic region's economy now generates more than \$500 billion a year, more than Belgium, Poland, or Thailand combined. It is essential for providing a significant amount of food, minerals, and energy to the planet. Though often disregarded, the Arctic is a global center for biotechnology, cutting-edge science, and notable sustainability accomplishments. Norway and Iceland are two examples of nations that can produce all of their power from renewable sources. It is an indisputable fact that the Arctic plays a significant role in the everyday lives of people all over the world. Its significance will only grow as the region is impacted by climate change, both ecologically and economically. Despite the difficulties brought about by climate change, the Arctic is opening up many new opportunities. Potential year-round navigation of the Northern Sea Route by 2040 might result in more energy-efficient and sustainable international commerce routes. The Arctic of the future presents itself as a new frontier for international trade and economic expansion, with significant potential advantages for mankind.

Soon, the Arctic is expected to drive a bigger share of the world economy. The amount of sea ice in the Arctic has already dropped to 65% of what it was in 1979. Forecasts suggest that the Arctic will become a major hub for international trade in the years to come. By 2030, the Northern Sea Route will carry more than 25% of all container traffic between Asia and Europe. Secondly, it is to make a greater contribution to the world's food production, as over the next 40 years, warmer oceans, sustainable aquaculture practices, and developments in the "blue economy" may cause fisheries harvests to rise by 70% over the current levels.

Moreover, the Arctic may encourage the creation of novel and ecologically beneficial goods. Arctic marine bioprospecting is still revealing and developing new biological uses for industrial, medical, biofuel, and well-being applications. Lastly, although the Arctic is known

to contain around 25% of the world's unexplored gas and oil reserves, renewable energy sources are where its real promise resides. The Arctic is a major participant in the future of renewable energy because of its ability to utilize wind, hydro, tidal, geothermal, solar, and biomass energy. The region's enormous renewable energy resources may be exported to the rest of the globe thanks to submarine cables.

Environmental Impacts

Arctic countries see commercial and economic development as a possibility, while environmentalists and experts warn of dire consequences. The significant environmental consequences of the region's economic utilization raise questions about the fragile Arctic ecosystem. Increased human activity, including mining, shipping, the extraction of oil and gas, and the construction of infrastructure, is speeding up climate change. These activities are causing ice to melt, which not only opens up new avenues for resource exploitation but also lessens the Earth's albedo impact, so accelerating global warming.

Oil and gas extraction in the Arctic is risky due to the potential for oil spills, which are difficult to clean up in frigid conditions and can have long-lasting effects on marine life. Because of the ice melting, shipping has increased, which raises the risk of oil spills, noise pollution, and the entrance of exotic species. Degradation of habitat and soil erosion are made worse by the construction of infrastructure, such as ports and roadways. Commercial activities such as mining and construction that result in habitat degradation can influence both terrestrial and marine ecosystems. This then affects the biodiversity of the area. The opening of new routes for transportation brings with it the risk of invasive species disrupting local ecosystems. Overfishing in the Arctic may hurt the lives of indigenous people and disturb the delicate ecosystem's equilibrium. The environmental changes taking place in the Arctic have a direct influence on indigenous populations that depend on traditional methods of living. Because of changes in ice conditions, animal extinction, and ecological instability, their traditional practices and food security are at risk. Mishaps like oil spills and shipwrecks are more likely in the harsh Arctic climate because it is harder to

navigate and gather resources securely. Reducing the detrimental environmental consequences of commercial consumption in the Arctic requires regulations, sustainable practices, and continuous monitoring. The loss of pristine environments and distinctive Arctic ecosystems due to climate change or pressures from Arctic economic growth are the primary environmental issues.

The Arctic National Wildlife Refuge (ANWR), a 19 million-acre protected wilderness region in the United States that is home to polar bears, caribou herds, and other animals in addition to a wide variety of fish and bird species, was established in 1980 by the Alaska National Interest Lands Conservation Act. A significant danger of air and marine pollution, especially from oil spills, persistent organic pollutants (POPs), heavy metals, radioactive materials, and ozone layer depletion, is linked to Arctic industrial growth. Shell's activities in the Arctic have been held down following their oil spill barge, the Arctic Challenger, being destroyed and lack of suitable oil spill response mechanisms in place. The increased sea ice loss caused by the heavy diesel fuel used by Arctic marine transport and tourism ships is a source for worry regarding pollution. In Alaska, the mining of gold from minerals has been halted due to worries about contamination caused by the process. Because carbon emissions cause greater harm in the Arctic than anywhere else, climate change externalities are a worry. Methane produced alone from thawing Arctic offshore permafrost would cost USD 60 trillion if mitigation measures were not taken. This amounts to approximately 15% of the average anticipated cost of climate change consequences, which is USD 400 trillion. Mitigation may cut the costs of methane leaks in half. While there are economic repercussions everywhere, the weaker countries of Africa, Asia, and South America bear the brunt of the increasing frequency of catastrophic climatic events, accounting for around 80% of the total.

Social Impacts

Social issues are raised by industrialization and economic growth, as well as by climate change itself. The majority of attention is directed at the native and permanent inhabitants of the Arctic, whose sustenance depends largely on the resources offered by their surroundings. There are fewer options for ice fishing and subsistence hunting for game and marine mammals due to the melting ice sheet and unstable ice pack caused by climate change. Increased rivalry for resource access inside and between industries resulted from economic expansion. In southern-based fisheries, there is more rivalry for fishing resources between coastal trawl and subsistence fishermen. Subsistence herders, oil and gas exploitation (Russia), and offshore oil and gas extraction (Alaska) compete. Enhanced Indigenous and local communities support arctic tourism as long as it is properly managed and maintains animals, other natural landscapes, and coastal areas that are significant to their culture. Due to the "good will" and strong ethical standards of expedition ship companies, this has happened de facto in Arctic Canada. However, because there is no official legislation in place, it might alter with new players joining the market. Some mineral extraction projects have been put on hold due to health risks raised by the indigenous community (e.g., uranium in Alaska). In some areas of Alaska, the mining of minerals has halted due to considerable opposition and concerns from the indigenous people (e.g., gold and coal).

The historical shifts in Russian governance demonstrate how heavily dependent Arctic communities are on a single industry, leaving them vulnerable to government and industry withdrawals with disastrous social ramifications in a setting where job options are scarce.

Countries and Organisations Involved

Russia

Over the past 10 years, Russia's Arctic aspirations have garnered more attention in the West as climate change creates new options for navigation and resource extraction in the area. Moscow, for its part, is cautious about what it perceives as an assault on its standing and objectives inside the North Atlantic Treaty Organization (NATO) by the United States and that organization. Together with its bolstered military posture and large-scale infrastructure and economic initiatives, the Kremlin's rhetoric against Western invasion has grown increasingly aggressive.

Russia's current stance in the Arctic is essential to its broader conflict with the West, in which Europe is the main arena. Threatening rhetoric in the Arctic is motivated by a number of things, including the need to secure nuclear capabilities for a second strike, the need to prepare for the unlikely but potentially disastrous event of war in Europe, and the ongoing competition with the West for resources. Ambitions of great powers, the interests of influential bureaucratic elites, and commercial interests are also involved. The economic activity in the Arctic accounts for twenty percent of the Russian Federation's GDP presently, and its claims would increase its influence and enable more economic growth.¹² Russia has been steadily implementing a plan to build new military stations in the Arctic or renovate old ones during the last five years or more (see figure 4). This endeavor is being made in order to safeguard the Northern Sea Route's commercial interests as well as to protect it as it develops.

United States of America

Because of Alaska's location at the heart of this rapidly changing area, the United States is officially an Arctic nation. Therefore, weakness in this area might potentially have a significant effect on its economy.

Fisheries, rare-earth metals, coal, oil, and gas are present across the Arctic. Together with a plethora of other resources, it is believed that the region has 13% of the world's undiscovered oil and 30% of its gas. The United States of America (USA) is therefore particularly interested in utilizing these to promote economic growth and create income. Sea ice retreat and glacier melt are increasing the accessibility of these resources for Arctic and the USA. The USA is becoming more competitive with other countries as a result of its desire to get this richness of minerals and energy. In order to secure the exclusive right to utilize these resources, all Arctic states have staked claims outside of their exclusive economic zones on the outer continental shelf.

Arctic Council

The Arctic Council is the leading intergovernmental platform for discussing matters pertaining to the Arctic Region, having been established in 1996 by the Ottawa Declaration. The eight Arctic States—Canada, Denmark, Finland, Iceland, Norway, Sweden, the Russian Federation, and the United States—are members of the Arctic Council. Echoing the peaceful and cooperative spirit of the Arctic Region, the Arctic Council is an international forum that functions on the basis of consensus rather than an institution founded on treaties. The council has signed many treaties regarding regulations that should be implemented. Meetings are held regularly in order to track the economic activities and developments.

Timeline of events

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| <p>1996</p> | <p>The Arctic Council was formed. The purpose of the Arctic Council is to provide a venue for discussion of regional concerns among Arctic governments, such as environmental preservation and sustainable development.</p> |
| <p>2000s-Present</p> | <p>Increased ice-melt brought on by climate change accelerates economic activity in the Arctic, including mining, transportation, and oil and gas exploitation.</p> |
| <p>2007</p> | <p>The Russian Arctic Expedition takes place. Russia raises a flag on the seafloor of the Arctic, signifying its territorial claims and igniting a global discourse on Arctic sovereignty.</p> |
| <p>2010s-Present</p> | <p>The policies in the region surrounding economic activities started changing. National policies defining objectives and priorities in the Arctic have been released by Arctic states such as the United States, Canada, Denmark, Norway, and Russia.</p> |
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Previous Attempts to Solve the Issue

The Arctic Council

The council serves as a platform for member governments to collaborate on problems about environmental preservation and sustainable development in the Arctic. Although it lacks total regulatory authority, it provides a forum for discussion and agreement-making.

United Nations Convention on the Law of the Sea (UNCLOS)

The 1982 adoption of UNCLOS creates a thorough legal framework for the use and administration of all seas, including the Arctic Ocean. The treaty lays forth each country's obligations and rights with regard to using the oceans and exploiting marine resources.

The Arctic nations are parties to UNCLOS, including those with coasts in the Arctic. The treaty offers a foundation for creating rules for the exploitation of living and non-living resources in the Arctic, settling disputes, and defining maritime borders.

Declaration Concerning the Prevention of Unregulated High Seas Fishing in the Central Arctic Ocean

Ten nations—Canada, China, Denmark (for Greenland and the Faroe Islands), Iceland, Japan, Norway, the Republic of Korea, Russia, and the United States—signed the "Agreement to Prevent Unregulated High Seas Fisheries in the Central Arctic Ocean" in 2018. As a party, the European Union also joined. This agreement intends to stop unrestricted commercial fishing in the central Arctic Ocean's high seas until enough scientific data on the ecosystems of the area and the possible effects of fishing operations are available. It is an example of a team effort to handle resources sustainably and with prudence.

Possible Solutions

A thorough and well-rounded strategy is needed to address the many issues related to the economic and commercial exploitation of the Arctic. This entails implementing sustainable development strategies that put the welfare of nearby communities, biodiversity preservation, and environmental preservation first. It also requires developing and implementing international agreements that address particular issues like unregulated fishing and shipping routes, as well as bolstering international cooperation through platforms like the Arctic Council to involve Arctic states, indigenous communities, and stakeholders. Local communities should actively participate in the development of economic operations, with an emphasis on incorporating traditional knowledge and cultural traditions, and indigenous rights must be given priority in decision-making processes. Before sanctioning Arctic projects, transparent environmental impact evaluations are essential to take into account the cumulative impacts on ecosystems and reduce possible dangers to species. A deeper comprehension of the Arctic ecosystem and prompt solutions to new issues depend on funding scientific research and putting monitoring programs in place. Furthermore, because of the Arctic's susceptibility to temperature rises, international measures to prevent climate change are essential. Reducing greenhouse gas emissions is necessary to halt the melting of Arctic ice and other environmental impacts. Finally, a comprehensive and cooperative strategy that addresses the distinct environmental, social, and cultural aspects of the Arctic region while fostering sustainable economic and commercial activities can be achieved by raising public awareness of the significance of the Arctic and the need for sustainable practices, as well as by implementing education and outreach initiatives for the general public, policymakers, and businesses. New and sustainable ways of pursuing economic paths in the region must be found in cooperation with scientists.

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