Explaining the “Arctic Exception” in European Union–Russia Relations: What is Missing?

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Abstract: The European Union (EU) and Russia have a strategic partnership while also co-operating extensively in the framework of various northern regional institutions. However, their relatively low-key mutual relations in the Arctic have so far constituted an exception to this pattern. At the same time several actors, among them the EU, display increasing interest towards the Arctic. This article sets out to explain the “Arctic exception” in EU-Russia relations by scrutinizing the institutional environment of Arctic interaction. This examination will concern in particular how informal institutions—principles, norms, and rules—condition and shape the fundamental structure of that interaction. It is found that the institutions of sovereignty and great power management most significantly constrain the EU-Russia relationship in the Arctic and also narrow the scope of activities under the diplomacy institution. The trade and environmental stewardship institutions are essentially more integrative but cannot at present break the re-emerged set of more traditional institutions, in particular sovereignty and great power management. The article makes use of earlier research, documents, and policy-maker interviews and concludes by outlining what needs to change in the institutional set-up for the Arctic exception to cease to exist, and what co-operation formats from Europe’s North could consequently be emulated in the Arctic.

In this article I scrutinize the “Arctic exception” in European Union (EU)–Russia relations. By this I mean how the Arctic constitutes an exception in EU-Russia relations in general and in the context of EU-Russia relations in the North in particular. In other words, this exception concerns the conspicuous lack of EU-Russia co-operation in Arctic policy-making seen against the background of their otherwise highly institutionalized strategic partnership on a more general plane, as well as their extensive co-operation in the context of northern institutions. Moreover, this Arctic exception is even more striking when considering how central a position the Union occupies in northern policy-making in general.
It should be admitted upfront that this Arctic exception appears as an exception mainly when contemplated from certain European locations—in particular Brussels and the northern EU member states Finland and Sweden, as well as their active partners in co-operation with Russia (such as Norway).\(^2\) For them, EU involvement in northern policy-making institutions is natural and its extension deep into the Arctic a logical corollary. My analysis will concern precisely this bias.

In contrast to Europe’s North, in the wider Arctic the most salient perspectives are not EU or Nordic biased but include those of the Arctic great powers Canada and the United States (US), and Russia, which for many reasons holds the key to the region’s future (Griffiths 2011, 3). At the same time, when moving from the European North further up to the Arctic, the institutional landscape changes dramatically. In Northern Europe we have a plethora of international institutions—on the intergovernmental, regional, and sub-regional levels, many of which view the EU as a key partner and point of reference. In the Arctic, by contrast, we only find a single major international institution, the Arctic Council (AC) with a relatively limited mandate and minuscule role for the EU.

Why does the Arctic exception exist? What needs to change if the region’s states and the AC wish to erase it? What policy-making options could consequently open up? To address these questions, in this article I introduce a “deep” institutional approach. This approach stresses the centrality of institutions for social interaction. Institutions are taken to include both formal organizations such as the AC, its constituent states, and interest groups such as the Indigenous peoples’ organizations that are represented in the AC’s work; and informal institutions reflecting more deep-seated principles, rules, and norms underwriting and conditioning the work of formal institutions (cf. Buzan 2004, 184–7). This means that formal and informal institutions are “nested” (North 1990, 83). They exist on several interrelated levels, needing to be interlocked with each other so that the work of formal organizations proceeds in accordance with the established principles, rules, and norms of international conduct in a given context (see Aggarval 1998, 5–8). By referring to more deep-seated informal institutions, we can explain what types of factors have so far hampered the EU in the Arctic. By referring to the more durable, yet formidably consequential informal institutions, we can explain why the centrality of the EU-Russia relationship and some of its co-operation formats characteristic of the North are not, so far, seen much in the Arctic.

The deep institutional approach and its focus on informal institutions complement the existing research on Arctic international relations that has
been coloured by varieties of realist and liberal approaches (Dittmer et al. 2011). In crude terms, realists stress the role of national interests, great powers, and their drive for relative gains to gain an advantage over other states. Varieties of liberalism stress economic or trade interests in the interaction of various actors, including states and transnational actors, while these studies also address the governance of that interaction. The two explanations are sometimes combined either directly or indirectly (e.g., Palosaari 2012; also Griffiths 2011). The value added of the institutional approach utilized here is its capacity to treat both great power politics and trade interests in the same comprehensive framework. They are understood as historically developed informal institutions alongside other ingrained practices that today condition and inform the policies of Arctic actors. Although the set of informal institutions is usually relatively resilient, it allows for incremental change and evolution (cf. North 1990, 5-8). This means that the Arctic actors concerned have choices to make. Better awareness of the institutional constraints of these choices can help actors to overcome the limitations of either realist or liberal approaches and associated institutional practices. To inquire into the institutional dynamics understood in this way I will make use of policy documents, earlier research, as well as thirty-nine expert and stakeholder interviews conducted with northern and Arctic policy-makers.

In the following section, I will discuss the Arctic exception in EU-Russia relations in more detail by reviewing the existing research. In the second section I move to explaining its existence by referring to the underlying structure of informal institutions. The task in the final discussion is then to consider briefly what could follow in Arctic international relations should the exception cease to exist.

The Arctic Exception

The Arctic exception in EU-Russia relations is best understood against the background of what is the rule in Northern Europe. The rule can be summarized into three main claims appearing in the research so far.

The Rule in Northern Europe

First, several studies note how the EU has assumed a pivotal role in Northern Europe’s main intergovernmental institutions created in the early 1990s. The Union is a member of the Norwegian-initiated Barents Euro-Arctic Council (BEAC) together with the Nordic states and Russia. In the BEAC the EU is represented by the European External Action Service (EEAS) created in 2009 to strengthen the Union’s voice, weight, and unity in international relations. The EEAS also represents the Union in the Council of the Baltic
Sea States (CBSS) that extends southwards towards the Baltic states (Estonia, Latvia, and Lithuania), Germany, and Poland; originally, the Council was a joint Danish–German initiative. The more exclusive, well-resourced Nordic Council of Ministers (NCM), founded in 1971, has assumed an active role and committed tangible resources for the implementation of the Union’s Strategy for the Baltic Sea Region of 2009 (Commission 2009).

The Union’s involvement in and its generous co-financing available for the activities of these northern institutions—in some cases offering up to twenty times more funding than the previously central NCM funds (Mariussen 2001, 225)—has transformed Northern Europe’s regional co-operation into an EU-funded and EU-designed landscape. Although the Union started in a low-key role in the BEAC and CBSS, by the mid-2000s it had become dominant in Northern Europe’s regional co-operation (Browning 2011). Today in northern Europe, actors frequently weigh up their policy proposals against their own EU obligations or those of their partners, as well as the anticipated positions of the Union (Aalto 2006; Etzold 2010; Mariussen et al. 2000).

Second, it can be suggested that the Union’s relationship with Russia is the main axis in Northern Europe’s regional co-operation. The BEAC links the EU and Russia in northern regional co-operation; it especially works on the initiator country Norway’s sphere of interests on the Kola Peninsula. The NCM is originally an intra-Nordic institution but today, in many policy sectors, it has to take into account its members’ EU commitments while also engaging in extensive regional co-operation with Russia’s northwest through the NCM’s regional offices in Russia. The EU and NCM also frequently co-finance projects.

Alongside these institutions we find the Northern Dimension (ND), which constitutes the main interface between the EU and Russia in the North (Aalto, Blakkisrud, and Smith 2008). This policy was renewed on Finland’s initiative in 2006 to become a regional expression of the EU-Russia “Common Spaces” and to support their strategic partnership on this level. Both the strategic partnership and the ND are based on equality, even though the ND includes as partners on par with the EU and Russia the considerably smaller Iceland and Norway. To adapt to the new institutional context shaped by the renewal of the ND, the CBSS and NCM have both sought to coordinate their activities with it to avoid overlaps, for example in the cultural, health, and social sectors. The NCM also liaises with the ND in the transport and logistics sectors (Aalto et al. 2012). Further, it has been suggested that by reinforcing the Union’s ties with Iceland and Norway and including an
“Arctic window” as part of its renewed agenda, the ND helped to constitute the EU’s Arctic policies (Powell 2011, 110–111, 120).

Third, on a more general plane it has been noted how the Union’s presence in Europe’s North has been reinforced by the enlargement rounds of 1995 and 2004 that incorporated Finland, Sweden, the Baltic states and Poland (e.g., Aalto 2006; Browning 2010; Hubel 2004; Mälksoo 2010). Iceland and Norway have been part of the European Economic Area (EEA) since 1992, making them full participants without voting power in the Union’s common market. Iceland has started EU accession negotiations, but in 2013 stalled the process due to domestic issues. In short, all northern European states are integrated with the EU in various degrees while Russia is not unaffected either as the Union’s strategic partner.

While this brief survey of the existing research highlights the Nordic countries in particular as the key policy entrepreneurs and funders of the activities of the BEAC, CBSS, NCM, and ND, it also suggests that the EU and its relations with Russia form the most pivotal constellation against which Nordic and other northern policies must be weighed. This means that the rule in Northern Europe’s international policy-making institutions is that the EU is involved; that it is expected to take an active role; and, most centrally for the purposes of this article, that its relationship with Russia is crucial.

...And the Exception

The Arctic exception to the rule concerns the vague representation of the otherwise close Northern linkages of the EU and Russia in the Arctic context. This exception was also implicated in the Union’s failure to be invited to assume permanent observer status in the AC in May 2013. The EU had sought such a status since the European Commission’s first Communication on the Arctic of November 2008 (Commission 2008), which made reference to the European Parliament’s recommendations to apply for the status (Powell 2011, 115). This failure to gain institutional recognition in the Arctic was ultimately due to the Union’s disagreements with Canada on the Union’s ban on seal products. On Canada’s part this ban was regarded as an insult to the traditional livelihoods of the Arctic’s Indigenous peoples, whose cause the Union has claimed to champion as part of its Arctic policies. However, well before that in the AC’s Nuuk Ministerial meeting in 2011, Russia had vetoed any decision on the Union’s application (interview with an EU policy-maker, June 2011, Brussels). In the US, reservations regarding the EU’s application have also been expressed among the policy studies community although no official objections have been raised (e.g., Coffey 2013).
The Canadian and Russian apprehensions regarding the Union’s aim to obtain institutional recognition in the Arctic manifest a wider tendency in the politics of knowledge of EU foreign policy. At issue is a gap in the perceptions between the Union and “third countries” (an often used term in the EU) that is grounded in the activities of an epistemic community of EU foreign policy scholars and practitioners. It has been suggested that knowledge production on EU foreign policy is strangely so EU-centric that the surrounding realities are poorly understood (Wegge 2012, 24). These studies construct an image of the EU as an “ideal power,” which is at odds with the perceptions of its interlocutors in the neighbourhood and beyond as seen, for example, in the normatively motivated ban on seal products. From academia the problem diffuses, via think tanks and socialization in education, to EU foreign policy-makers and hence becomes reflected in the making of EU foreign policy (see Cebeci 2012, 564–73).

These critical remarks on how normative knowledge informs the Union’s foreign policies, not least in the Arctic context, are not to deny what the Union has learned along the way. The EU’s Arctic policies started from a global vision whereby an ambitious new international treaty regime was proposed, inspired by the governance of Antarctica. Although the Commission’s Communication of 2008 was less assertive than the European Parliament’s preceding declaration (2008), it portrayed the Union as an obvious leader in the region, interested in shaping its policies on climate change and energy resources (Powell 2011, 114–116). These policy challenges, fuelled by better navigability of Arctic seaways owing to climate change, and expedited by the melting of the Arctic ice cap, opened up the necessary policy window that the Commission sought to exploit with the active lobbying of Norway. The latter’s provision of Arctic expertise finally persuaded the Union in 2012 to drop all pursuit of a new treaty and instead recognize the primacy of existing international law in the Arctic—the United Nations Convention on the Law of the Seas (UNCLOS) (Wegge 2012, 23–24). This treaty offers the five Arctic coastal states—Canada, Denmark, Norway, Russia, and the US—the legal basis to define their extended continental shelves beyond their 200 nautical miles exclusive economic zones via a multilateral process, thereby establishing which Arctic resources in the sea bottom and below it they can control. UNCLOS represents the consensus starting point for the Arctic policies of the “Arctic Five,” which as a grouping have emerged since 2008 as a de facto rival institution to the AC.

The ongoing saga of the Union’s struggles with its status in relation to the AC is a problem of its own and of secondary interest in the present article. The more important matter is to explain the dynamics between the
Union’s policies and the wider institutional context of the Arctic; and what is
lost when the EU has remained unable to transfer its experiences of northern
coopera tion and EU-Russian relations to the Arctic. To embark on this task
I will next analyze the region’s informal institutions. In this exercise I will
draw upon recent work in the English School of international relations
theory (ES), which provides insights into how informal institutions function
on the international level, conditioning relations among states and other
international actors (Buzan 2004). As such, the School’s recent work can also
be read alongside work in institutional economics, where the distinction
between informal institutions and formal organizations or institutions
originates (cf. North 1990; Meulen 2009). Today such “deep” approaches
interlinking formal and informal institutions exist in many fields, including
political science, organization studies, and environmental studies (see e.g.,

Informal Institutions Conditioning Arctic Interaction

In traditional English School scholarship informal institutions are
called “primary institutions” as they account for and help to explain the
underlying structure of interaction among powers. In more recent writing
these institutions have been theorized in more detail as conditioning both
interaction among states as well as transnational actors (Buzan 2004). For
the latter, the Arctic is emerging in a new way. The exploitation of natural
resources, prospects of expanded shipping, and the potential environmental
consequences of increased commercial activities make the involvement
of multinational companies, consultancies, and advocacy coalitions
unavoidable alongside the states, scientific communities, and Indigenous
peoples and NGOs that since the 1990s have dominated Arctic international
relations.

For Barry Buzan, a key figure in this more recent ES scholarship,
primary institutions are “durable and recognized practices rooted in values
held commonly … embodying a mix of norms, rules and principles.” They
represent informal practices shared by the states and transnational actors,
and have “a constitutive role in relation to both the pieces/players and the
rules of the game” (Buzan 2004, 181). ES authors go on to debate the precise
set of such informal institutions that presently condition and enable policy-
making in the Union and the wider European area. The key point here is
how within the Union this set increasingly diverges from that in its wider
neighbourhood and beyond, owing to the results of regional integration
(Diez, Manners, and Whitman 2011). This divergence also merits a further
look at what the Union encounters in the Arctic—or should encounter, if it were approaching this regional context attentively.

The main informal institutions underpinning Arctic international relations include sovereignty, great power management, diplomacy, trade, and environmental stewardship. I will first discuss each institution and how it operates in the Arctic, and then assess the fit with the Union’s understandings with the help of some examples.

Sovereignty

Sovereignty is a master institution that establishes a distinction between the internal order within states and the international order among them. It is about the states’ capacity to order their own domestic polities and to decide on their foreign policies, which, however, must be adjusted to the surrounding international context. With regard to this wider international context, the English School draws attention to how sovereignty helps to sustain other crucial derivative institutions: international law, which pertains to the regulation that sovereign states have agreed upon to frame their mutual relations; and the non-intervention institution that protects states from the unrestrained exercise of sovereign foreign policies of others (Buzan 2004, 184).

In the Arctic context, Griffiths relates the internal ordering facet of sovereignty to possession goals—land, waters, and the resources they contain (2011, 7). The Canadian conservative government elected in 2006, which continued to hold office as of autumn 2013, accentuated control over the country’s resources, especially fossil fuels and other minerals, as well as Arctic waters and seaways, and in particular the Northwest Passage, which links the Atlantic and Pacific oceans through the Canadian Arctic Archipelago. The government further consolidated that position by making the possession of these resources a matter of national identity and territorial integrity (Perreault 2011). Similar possession goals are often said to characterize the Russian position (Griffiths 2011, 12; Käpylä and Mikkola 2013, 3–4). Both Russia and Canada identify potential sovereignty problems in the increasing Arctic interests of actors lacking such “natural” Arctic possessions. Such tensions are crucial for Arctic politics overall (Wegge 2011, 7–11). The EU’s failure to properly recognize the centrality of this informal institution in the Arctic draws a bitter reaction:

At the moment Russian interests here are 100% in line with the interests of ... coastal states of the Arctic. We do not have controversies, which are difficult to resolve. Sometimes we have
disagreements, in most cases it happens when the European Commission is attempting to make other actors play according to its rules. That bewilders regional actors and becomes a subject for discussion. (Interview with a Russian policy-maker, Summer 2011)

In its most recent Communication on the Arctic, the Union fails to mention sovereignty even once. Instead it claims to pursue its involvement “based on existing international law, international conventions and agreements, and in cooperation with international bodies, such as the UN, the Arctic Council and the International Maritime Organization (IMO)”; and in “full compliance with international law and principles as defined in UNCLOS, including the principles of freedom of navigation and the right of innocent passage” (Commission 2012, 12, 17). In this document the Union did, however, abandon its previous, controversial references to reforming “Arctic governance” that had irritated Canada and Russia in particular (see Wegge 2012, 20, 25).

Underpinning the Union’s silence on sovereignty is the transformed character of this institution within the Union itself, where in most policy sectors it is shared and pooled by the Union and its member states (Diez, Manners, and Whitman 2011). The Union firmly recognizes the international law corollary of the sovereignty institution, but does not directly acknowledge how the two are crucially interlinked for Canada and Russia, as well as for the rest of the Arctic Five, as seen in their Ilulissat Declaration:

> By virtue of their sovereignty, sovereign rights and jurisdiction in large areas of the Arctic Ocean the five coastal states are in a unique position to address these possibilities and challenges. In this regard, we recall that an extensive international legal framework applies to the Arctic Ocean as discussed between our representatives at the meeting in Oslo on 15 and 16 October 2007 at the level of senior officials. (“The Ilulissat Declaration” 2008, 1)

**Great Power Management**

This informal institution is closely linked to the sovereignty institution but can be analytically separated from it owing to the privilege it accords to great powers. This means that great powers have a special responsibility for the maintenance of international order (Bull 1977, 207); and that the sovereignty of small powers both benefits and suffers from the exercise of this responsibility (Aalto 2011).

In the Arctic context the US is too globally oriented and as such pays too little attention to the Arctic to be counted as a key member of a group
of powers assuming special responsibilities in this context. Moreover, the US has not ratified the UNCLOS agreement, which makes it at least partly unrecognized as such a member with order maintenance responsibilities, although on the practical level it closely observes the treaty. Norway’s policy entrepreneurship and recent military build-up allegedly cannot compensate for its small power nature. The same concerns Denmark, while its Arctic policy is increasingly its Greenland policy owing to the autonomous regime. This leaves us Canada and Russia out of the Arctic Five (Exner-Pirot 2011, 19). At the same time, the Arctic is increasingly becoming a global region (Powell 2011, 122). China, India, Japan, and several EU Member States and emerging powers have become permanent observers of the AC. The 2013 rejection of the Union’s permanent observer bid left it to negotiate bilaterally on the sealing ban issue with Canada, while the EU’s U-turn on the UNCLOS treaty in 2012 persuaded Russia to drop its previously outright opposition to the Union’s upgraded status in this institution.

It must be noted, however, that Russia’s Arctic strategy of 2008 only mentions the Union in connection with “interparliamentary interaction within the framework of the Russia-European Union partnership” and otherwise only refers to the AC, the Barents Euro-Arctic Council and “Arctic” states, existing international fora and agreements (Russian Federation 2008, 2). Russia’s 2013 “Strategy for the Development of the Arctic Zone of the Russian Federation and National Security up to 2020” in addition mentions regional co-operation with the wider group of “northern countries” in developing Arctic climate and energy policy (Russian Federation 2013, 14). It also lists several reasons for international co-operation in order to develop Russia’s Arctic resources and solve Arctic problems in general (Heininen, Sergunin, and Yarovoy 2013). The Russian position vis-à-vis the EU nevertheless remains cautious. The remaining reservations are well communicated by Russia’s interlocutors in the AC:

Russia does not want the EU there … we feel the Russians are very reluctant to discuss these things at all and they are always wary about the EU and kind of afraid ‘oh, now the EU will come here as the big bloc again, directed against us.’ (Interview with a Norwegian policy-maker, June 2011, Oslo)

By contrast, the EU’s policy planning proceeds from the fact that three of the EU member states are Arctic, and that two of them in particular advocate a stronger Arctic role for the Union (Finland and Sweden). Concomitantly,
the Union’s defensive interests vis-à-vis competence division issues in the EU are underlined:

The position that the Union would assume an Arctic role and start funding all those activities, but Arctic states would continue to make all substantial decisions is not sustainable even legally. Even though the Union is not a member of the AC, the Lisbon Treaty [of 2008] obliges Finland, Sweden and Denmark to coordinate all the positions they take with the Union. And because these countries are Arctic states and Member States of the EU, it follows that the EU is also an Arctic actor … The third point is that, as I recall, 85 percent of what the AC does falls within Community competence—transport, sea rescue, and so on. (Interview with an EU policy-maker, June 2011, Brussels)

The EU officially states that it has “responsibility” as a major consumer of resources and goods from the Arctic, as well as a contributor to climate change that is perceived to decisively shape the Arctic. Therefore, it is looking to build “stable and long-term partnerships with suppliers such as Canada, Norway, the Russian Federation and other relevant partners” (Commission 2012, 3–4, 8–9). Vis-à-vis the great power roles of Canada and Russia in the Arctic, despite its continued efforts, the EU is not yet even in the small power league of Norway and Denmark, and may struggle for a long time to achieve such a status in this region. This is a most exceptional situation for the Union in its neighbourhood, not least in relation to its otherwise central northern role.

Diplomacy
This informal institution subsumes both bilateral and multilateral diplomacy. Sometimes “para-diplomacy” is also counted—the cross-border activities of sub-state regions, cities, and other localities, and the ties and alliances between them; and the responses of states in relation to such activities (Aldecoa and Keating 1999).

In the Arctic context all three facets of diplomacy are present. Although the US acts unilaterally globally, in the Arctic it has assumed a more restrained posture. Owing to the fact that the Arctic Five as well as the remaining AC members accept diplomacy as the primary tool for solving differences in policy issues, many close observers view the region as one of the most peaceful in the world and forecast more of the same (Palosaari 2012, 21–22). This is due not least to the strict observance of diplomacy by the Arctic’s
main actors, a practice to which the English School has on a more general level drawn attention. It is indeed possible to stress the resilience of Arctic diplomacy against warnings of a “strong possibility of military tensions in Arctic crises” and of how a “great game over the Arctic has already begun” (see Järvenpää and Ries 2011, 140). Even the allegedly most belligerent actor, Russia, mentions bilateral and multilateral diplomacy in addition to its marked emphasis on international law, which, admittedly, is also salient due to the status that the UNCLOS treaty confers on Arctic coastal states. Russia raises the preservation of the Arctic as a zone of peace and co-operation among the foundational interests of its Arctic strategy (Russian Federation 2008, 1). In the 2013 document, Russia refers to international co-operation as a priority of its own, also including cross-border co-operation (Russian Federation 2013, 4, 14). Simultaneously, it should be noted how the Arctic Five have reduced the scope of para-diplomacy by disregarding the AC. By implication, they have also disregarded Indigenous peoples as diplomatic interlocutors who are represented there but are missing in the Arctic Five framework (see Young 2011, xxv).

For the EU, as a matter of principle it is not difficult to fit into the context of Arctic diplomacy. The EU exercises bilateral and multilateral diplomacy and funds regional cross-border activities sometimes amounting to para-diplomacy. It does not use military power unilaterally, has limited coercive security and defence capabilities, and is averse to using them. In what has become a conciliatory tone, it will “seek to step up its cooperation in Arctic matters in its bilateral dialogues with all its Arctic partners” and recognizes “the remarkable international cooperation already established between Arctic states and within different Arctic fora.” This is because “maintaining good international cooperation in the Arctic region and supporting the region’s stability is a key interest of the European Union” (Commission 2012, 11). However, on the eastern and southern fronts of its neighbourhood, the Union is known as a hard negotiator that is not averse to requiring conditionality and its partners to conform to its own principles even though it itself also concedes that the results are often thinner than expected (Commission 2013a). Such willingness to “dictate” cooperation as seen in other contexts underlies the Russian, and also Danish, apprehensions towards granting the EU a stronger role in Arctic diplomacy (interview with two Danish policy-makers, May 2011, Copenhagen). For these reasons EU-Russian diplomacy regularly ends up in disputes over various issues. Yet the increasing acceptance in the 2010s of the long-term significance of mutual energy diplomacy, coupled with a simultaneous lowering of mutual
expectations, has created a more realistic environment for EU-Russian diplomacy (see e.g., Judah, Kobzova, and Popescu 2011).

**Trade**

The trade institution can be divided into at least two derivatives. On the one hand, there are free markets and competition that are espoused, within certain limits, by formal institutions such as the European Commission and the World Trade Organization (WTO). On the other hand, an increasingly important force in contemporary international relations is state capitalism, which “is a system in which the state functions as the leading economic actor and uses markets primarily for political gain” (Bremmer 2009, 40). Of these two variants, the market in principle constrains the exercise of the sovereignty, great power management, and diplomacy institutions in their traditional formats (cf. Buzan 2004, 185, 194); state capitalism, for its part, more clearly supports that traditional set-up.

All AC members are parties to the WTO after Russia finally joined in 2012. All others, except Canada, Russia, and the US, are also parties to the EU’s single market, including Norway and Iceland through the EEA. Canada and Russia, for whom sovereignty, great power management, and the associated military issues remain most crucial among Arctic states, are simultaneously interested in the region’s trade prospects (see e.g., Baev 2010; Griffiths 2011; Järvenpää and Ries 2011, 139; Russian Federation 2008). Of these two actors, the Russian economy vacillates between marketization and state capitalism, depending on market segment (e.g., oil, natural gas, electricity)—which is not abnormal for large fossil fuel exporters. Russia is the EU’s third most important trade partner and ships two-thirds of its exports to the Union (European Commission 2013b). Canada holds twelfth place, Norway fifth, and the US first. This all shows the extensive trade ties AC members have with the EU, although only for Russia and to an extent for Norway do these ties have a pronounced Arctic dimension. The strong trade interdependencies in the EU-Russia relationship can in principle serve as a counterbalance to the constraining qualities of the sovereignty and great power management institutions that have so far kept the two apart in the Arctic.

Arctic trade prior to the global interest in it mainly concerned supplies to Arctic populations and the extraction of raw materials from the region. Of the Arctic waters, the Barents Sea has witnessed the highest maritime traffic volumes. Yet this sea is only an emerging area for Norwegian oil and gas production, which has mainly focused on the North Sea. For Russia, the Arctic is more topical as it generates a fifth of its GDP and a fourth
of its exports, and because Russia’s Arctic resources are tenfold those of Norway. The commercial expectations attached to the greater opening of Russia’s Northern Sea Route are also higher than those attached to Canada’s Northwest Passage, which remains more icebound throughout the year (Mikkola and Käpylä 2013, 5–7). Russia is believed to hold some 40 percent of the Arctic’s oil and 70 percent of natural gas resources, and extracts up to 90 percent of the nickel and cobalt, 60 percent of the copper, 96 percent of the platinoids, and all the apatite concentrate in the region (Järvenpää and Ries 2011, 138). In addition to the trade flows and further potential offered by these fossil fuels and minerals, as well as fisheries, Arctic trade interests touch upon the mentioned transport corridors together with the Transpolar Sea Route through the North Pole. However, the huge investment involved in developing navigation aids, port facilities, search and rescue capabilities, and adequate fleets of naval vessels implies a very long-term perspective (Antrim 2011, 114; Mikkola and Käpylä 2013, 7–8).

As a major importer of fossil fuels, buyer of one-third of the Arctic fish catch, and exporter of technology and of industrial and consumer goods, the EU area is of paramount importance to the Arctic’s trade prospects—especially for Norway and Russia. At the same time, the Union’s integrating gas market and common fisheries policy make these two actors wary. Since the EU also ships some 90 percent of its exports through seas, the considerably faster transport routes between Europe and Asia that the Arctic promises are not lost on the Union (Commission 2012, 4, 9–10). With regard to how the Union can realize this potential and operate in the Arctic context, it has a record of comfortably developing trade relations with both pro-market and state capitalist actors. This is witnessed in how countries elsewhere in its neighbourhood, as diverse as Switzerland, Algeria, and Azerbaijan, are also found among the top forty trade partners of the EU, the latter two countries also receiving substantial EU technical assistance contributions each year in addition to their fossil fuels trade proceeds (see e.g., European Commission 2013a; b). This brings us back to the Union’s record of relations with “third countries.” Alongside the US it is the most frequently found party in WTO dispute settlements (O’Shaughnessy 2006, 186). It is known by its Arctic partners and others to be a tough trade negotiator. They also know from other contexts how the EU is all too eager to attempt to force through its own principles:

We have to be clear about the roles, and the EU Commission’s role is to be a guest and an observer, we don’t want them to have a finger on the trigger. And that’s it. They never were interested in
the Arctic before it became clear that there is great potential for oil drilling and gas. We think their motives are different from ours … (Interview with two Danish policy-makers, May 2011, Copenhagen)

This cautionary note notwithstanding, it is clear that trade issues will not impede EU-Russia relations in the Arctic. The EU is finalizing Free Trade Agreement (FTA) negotiations with Canada and decided in June 2013 to open a similar round with the USA. FTA with Russia has been a long-term goal since 1994, but proceeds painfully slowly. This means that the region’s great powers trade extensively with the EU, but do so in the relative dearth of formal institutions apart from the WTO. In the case of EU-Russia trade, the salience of the Arctic region might call for a stronger regional institutionalization of the relationship. In northern Europe, regional co-operation institutions facilitate tackling the infrastructural and environmental challenges and effects of trade, a model that might become relevant given the scale of these issues in the Arctic, as will be indicated below. Overall, the trade institution has integrative power, but so far it has not broken the more exclusive dynamics of the more traditional sovereignty and great power management institutions.

Environmental Stewardship

Of the informal institutions discussed so far, sovereignty, great power management, and diplomacy have a history spanning centuries. The trade institution’s market derivative, in its neo-liberal mode characteristic of the Commission’s marketization drive, originates in the 1970s and 1980s (Buch-Hansen and Wigger 2011). The environmental stewardship institution is part of this more recently emerging context of international relations. Although in its widest sense it can concern a plethora of issues related to the economic, social, and ecological aspects of sustainability, here the main focus will be on the ecological aspects.

A major cornerstone of Arctic international relations has, since the 1990s, been the environmental stewardship institution approached from the scientific point of view in the context of regional co-operation (see e.g., Palosaari 2012, 15–17). It has framed the work of the AC in various sectors, while the new interest in the Arctic nowadays shown by non-Arctic states is similarly often framed in terms of sustainable development. However, frequently the interest of non-Arctic states in this matter remains superficial. At the core for them is rather the promotion of trade interests facilitated by
the melting ice due to climate change (Young 2011, xxiv). For the EU the
question is with which group it aspires to be associated.

The Union puts environmental expertise as the first item on its agenda. It
claims to “support every effort to ensure the effective stewardship of
the fragile Arctic environment” and “work with others to combat climate
change.” With regard to concrete measures it “is committed to establishing
a legally binding global instrument to cover the life-cycle of mercury use,”
a substance which poses major health and food supply risks in the region.
The EU also wants to share environmental information collected by satellites
and support the Shared Environmental Information System initiative and
Sustained Arctic Observing Network. Moreover, it boasts of having allocated
200 million euros for Arctic research and is committed to an 80–95 percent
cut in climate change inducing emissions by 2050 (Commission 2012, 4–7,
15). These are examples of measures and initiatives that Arctic states and
populations could legitimately expect from a major pollutant of the Arctic,
which the EU is, also emitting a fifth of global greenhouse gases. Yet the
Union’s climate commitments in particular go further than the actions of the
Arctic’s great powers.

A reasonably good fit exists between the EU and AC member states
in the case of scientifically based environmental co-operation in the Arctic.
Of existing AC member states the Nordic states continue to assiduously
promote this work, as was seen during the three interlinked Nordic
chairships of the AC in 2006–2012 (Aalto et al. 2012, 14). The region’s great
powers routinely contribute to this work, too, which is also set to continue
during Canada’s chairship 2013–15 (Chairship of Canada 2012). Russia’s
2013 Arctic document attaches more importance to issues of climate
change and environmental stewardship in general than the 2008 strategy
(Russian Government 2013). While these features should portray the EU as
a natural partner for both Canada and Russia, it is noteworthy how today
the environmental stewardship institution offers only one entry point to
Arctic international relations. It may no longer be as central as it once was
given a more traditional institutional set-up has also emerged and given the
environment is increasingly influenced by trade interests.

Discussion: What is Missing?
In this article I have sought to explain why the EU-Russia co-operation in
the North is not extended to the Arctic context. To this end I discussed the
constraining and enabling qualities of informal institutions in this region,
informed by how the English School and other contemporary lines of
research on institutions tackle these deep-seated practices that structure international and other interactions.

With regard to the first question as to why the Arctic exception exists in EU-Russia relations, it can now be stated that the re-emergence of the traditional institutions of sovereignty and great power management have so far hampered the Union in this region. This state of affairs has also to an extent shifted the diplomacy institution towards the bilateral and (limited) multilateral modes at the expense of para-diplomacy that EU activity normally supports elsewhere in the Union’s neighbourhood. With the EU not being a member or permanent observer in the Arctic Council, the chief formal multilateral institution in the region, it is mostly limited to the bilateral track and to conducting multilateral dialogues of its own—which it has indeed done by arranging Arctic stakeholder events in Brussels.

The EU does not properly recognize the sovereignty institution in the Arctic, which is crucial for the Arctic Five as seen in their Ilulissat Declaration and the subsequent meetings. Of the Arctic Five, Canada and Russia are the main actors in Arctic great power management and as such assume special order maintenance responsibilities in this region. This means that the EU’s failure to recognize Arctic sovereignty must predominantly be examined in light of the Canadian and Russian positions. Of these two Arctic great powers, the main interest in this article has been in the case of Russia, which also has more serious sovereignty concerns vis-à-vis the EU than Canada. Russia’s sovereignty concerns are related to its experiences of the EU in northern Europe, EU-Russia relations, and the wider area of the EU-Russia neighbourhood in general. In those contexts, as discussed above, the Union is used for ordering the structure of interaction with self-image of an “ideal power”; the EU is the chief anchor of regional international institutions with which Russia has to deal even though, admittedly, it enjoys a privileged position as the EU’s strategic and regional partner. Although this is not a deplorable situation for the Russian parties, their preference nevertheless is to defend the sovereignty they have left in relation to the EU. The integration and enlargement of the Union, for its part, connotes transforming sovereignty with the sharing and pooling of this institution. The Russian approach to international institutions is more conservative, attempting to preserve the institution unchanged and to contain the prospect of encountering a sovereignty-threatening EU in the Arctic.

The trade institution currently emerging in the Arctic has long-term integrative potential that can unlock the re-emerging traditional informal institutions. However, the relative strength of the trade institution’s state capitalist version for Russia also constrains that integrative potential. The
EU routinely proceeds from the context of supranational governance of gradually liberalizing markets—even though it simultaneously exercises protectionism in the sector of agriculture—and can trade reasonably well with state capitalist powers. Yet the way in which sovereignty, great power management, and state capitalist trade are combined dissociates the Arctic context from the EU-Russia relationship in the North and overall European contexts. In those contexts the EU and Russia are formally equal great powers although the Union is the more pivotal of the two. This prompts Russia to try to safeguard its remaining sovereignty (Haukkala 2012; Prozorov 2006). Russia has found its sovereignty impacted by the logic of the single market, and the encirclement of its Kaliningrad region by the Union’s incorporation of neighbouring Lithuania and Poland, to mention just a few examples. Russia also found great power management not entirely under its control and state capitalism under pressure when the Commission initiated an anti-trust inquiry against the half state-owned Gazprom in the autumn of 2012. In the Arctic context Russia does not want more of the same.

The environmental stewardship institution also, in principle, connotes significant integrative potential. The Union is well positioned to fit with the Arctic context on this plane. However, this informal institution has decreased in relative salience and become more affected by the trade institution and associated wider economic interests, and as such its capacity to act as a door opener to the Union is limited.

Regarding the second question concerning what needs to change for the Arctic exception to evaporate, we can return to the mentioned combination of sovereignty, great power management, and state capitalism. To avoid marginalization, the EU should unequivocally recognize the role of sovereignty in the Arctic. This could pave the way for recontextualizing the debate on Arctic resources, which their possessors rightly see as having a sovereign and unique quality, especially in the case of Russia, and often being suspicious of the EU’s interests in the region in this regard. Russia is the last of the AC member states to join the WTO and is perhaps worst positioned to successfully conclude FTA negotiations with the EU. From the Russian perspective, Arctic energy trade needs to recognize the interests of both energy producers and consumers. This means affirming the sovereignty of Arctic resources and securing a reliable market for them. In turn, a degree of toleration for state capitalism is required as well. In this, the emerging powers with an interest in the Arctic may find it more natural to agree on sovereignty and state capitalism. In a word, the EU needs to become more attentive to how its idea of sovereignty is not quite in tune with the changes in the set of informal institutions the re-emergence of sovereignty is bringing.
Young (2011, xxv) anticipates considerable challenges to Arctic governance outside the Arctic context proper. If this is indeed the case and those challenges do not question the emerging structure of Arctic informal institutions discussed in this article, then the EU will have a hard time trying single-handed to shape that context into one of its liking. Therefore more adaptation than seen so far is required. Such recognition of the core institutions preferred by the Arctic great powers, chiefly Russia and Canada, could remove some of the grounds for exclusive great power management in the region.

Regarding the third question on what might follow should the EU and Russia be able to work better together in the Arctic, we should first think what the institutional context might allow. Given the resilience of the great power management institution, regional co-operation activities will be more feasible than ambitions of a more strategic nature. There is one such model of EU-Russia regional co-operation in the North that particularly merits brief discussion above others. This is the way in which the trade and environmental stewardship institutions have been linked in the case of the Northern Dimension Environmental Partnership (NDEP). The NDEP relies on a Support Fund for co-operation on nuclear safety and environmental hazards from economic activity and includes work on energy efficiency, which reduces the costs for Russian actors and conserves the country’s energy resources. Since its launch in 2002 (and as of Summer 2013), the NDEP has pooled 342 million euros—165 million for the nuclear safety activities and 177 million for environmental projects, among these wastewater management, energy efficiency, and heating projects (NDEP 2013). Overall, some 2.3 billion euros have been pledged by the owners of this institution.

For the EU side the NDEP helps to release Russian resources for potential imports and reduces transboundary environmental risks and pollution resulting from energy production and consumption, and other economic activity. For the Russian side, NDEP contributes to the infrastructure improvement goals of the government, thereby strengthening the prospects for trade; and for its own part supports the improvement of Russia’s environmental record, Russia having pledged 60 million euros for the NDEP by Summer 2013. Moreover, the NDEP’s Support Fund is an institutional innovation in that it is managed by an international financial institution (IFI)—the European Bank for Reconstruction and Development (EBRD). This institutional structure offers a joint platform for governmental contributions, IFIs, and commercial actors in the implementation of projects. The NDEP moves co-operation into the transnational domain of public-private partnerships, which resonates with the needs of Russia and
the cultivation of which has always been part of the Commission’s tasks in European integration. The NDEP also focuses on practical and non-politicized sectors, diluting any sovereignty and great power concerns. In short, this formal institution seeks win-win combinations made possible by the evolving structure of informal institutions.

The NDEP offers a format and some practical principles that could help to remove some of the current constraints in Arctic co-operation. As long as such an institutional format cannot be tried out in the Arctic, the start of the necessary “learning by doing” experiment that normally characterizes co-operation in northern institutions will be delayed (see Leland and Haakon Hoel 2008). As a decade is a short time for such mutual learning by doing, and the Arctic has a large number of parties whom it should concern, its realization may take some considerable time.

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Notes

1. This article is part of the Academy of Finland project “Energy Policy in European Integration” (Aalto, 2011–14, no. 139686) and Academy of Finland Centre of Excellence “Choices of Russian Modernization” (Kivinen, 2012–17). It also draws upon the project “Coherent Northern Dimension” (Aalto, Espiritu, and Lanko; Ministry of Foreign Affairs of Finland, Ministry of Foreign Affairs of Norway and St. Petersburg State University, 2011).

2. An at least somewhat similar “Arctic exception” prevails in EU-Canadian relations that would deserve a separate study. The EU and Canada have had formally institutionalized relations since the 1970s, hold annual summits, have thriving reciprocal trade, and at the time of writing were set to sign a Comprehensive Economic and Trade Agreement (CETA), having politically agreed on it in the autumn of 2013. They have also co-operated in health matters under the Northern Dimension policy umbrella (for the Northern Dimension, see below in this article). Yet as mentioned in this article, Canada has been hesitant about extending that partnership towards the Arctic context, especially in connection to the Arctic Council. Like Russia, Canada is a central Arctic actor with a long Arctic coastline.

3. The interviews were conducted for the “Coherent Northern Dimension” project (see note 1) and include thirty-six face-to-face interviews and three telephone interviews conducted in June–September 2011 with senior officials of ministries of foreign affairs (MFAs) working closely with the four regional organizations.
or the ND; officials from the organizations’ secretariats; members of the working/expert groups, task forces, or other planning and implementation organs they have set up; and with officials who have worked for the EU on questions of northern regional co-operation. For compiling the interviews I wish to acknowledge the good co-operation with Sarah Kilpeläinen, Aileen A. Espiritu, and Dmitri Lanko.

4. The protection of Indigenous peoples could be considered as a further informal institution, alongside human rights, both drawn from the master institution of equality of people (cf. Buzan 2004, 185–7). Although this institution has frequently been raised by the EU in bilateral talks, the Russian party has preferred not to discuss it in the context of northern policies as is well seen, for example, in how this item has remained a dead letter in the otherwise relatively successful Northern Dimension of the EU, Iceland, Norway, and Russia despite it being mentioned in the policy’s framework document (“Northern Dimension…” 2006, 2–4; see also the final section of this article).

5. The EU has set a ban on seal products, which has had some sovereignty implications vis-à-vis the livelihood of Indigenous people under Canadian jurisdiction, especially when such an “intervention” is coming from the outside of Arctic proper. However, there is no long history or large interconnected group of problems on sovereignty in EU-Canadian relations as there is in the EU-Russia case.

References


