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Report on Economic West Nordic Arctic Cooperation Between Faroe Islands, Greenland and Iceland

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Executive summary

A joint West Nordic Arctic strategy to move the region's cooperation forward

There is immense potential for increased Arctic cooperation between Iceland, Greenland and Faroe Islands to unleash the West Nordic region's potential as a player of geostrategic/-economic significance by utilizing Arctic economic opportunities.

The West Nordic Arctic has immense opportunities for economic cooperation

Many of the opportunities have in common that they are based on maritime resources and expertise with tangible value-creation, including expansion of sectors such as energy, mining, tourism, research, transportation, infrastructure, services and seafood.

Establishing a West Nordic free-trade zone to strengthen the regional economy

The three countries have an opportunity to strengthen their subsidized (Greenland and Faroe Islands) and in debt (Iceland) economies by establishing a West Nordic free-trade zone, pooling West Nordic Arctic resources for its well-established transportation networks and new far-away markets, ideally through the Arctic Ocean.

Presenting the West Nordic Arctic's potential at the Arctic Circle

The West Nordic Council can raise international interest in the West Nordic Arctic by conveying sessions at the Arctic Circle assembly, providing an excellent venue to introduce West Nordic Arctic opportunities for global investors and policy-makers.

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1. Ideas for Recommendations on Economic West Nordic Arctic Cooperation

Below ideas for recommendations on economic Arctic cooperation between Iceland, Greenland and Faroe Islands will be presented. The aim of this report is to provide the West Nordic Council with economic recommendations that can contribute to a joint West Nordic Arctic Strategy and are relatively straightforward in implementation.

All three countries are searching ways to strengthen their economies by realising Arctic opportunities¹. Admittedly, the West Nordic parties are to some degree in

¹<http://www.althingi.is/altext/raeda/142/rad20130610T194228.html?leito=nor%F0ursl%F3%F0ir%0nor%F0ursl%F3%F0%0nor%F0ursl%F3%F0a%0nor%F0ursl%F3%F0anna%0nor%F0ursl%F3%F0ar%0nor%F0ursl%F3%F0arinnar%0nor%F0ursl%F3%F0in%0nor%F0ursl%F3%F0ina%0nor%F0ursl%F3%F0inni%0nor%F0ursl%F3%F0ir%0nor%F0ursl%F3%F0irnar%0nor%F0ursl%F3%F0um%0nor%F0ursl%F3%F0unum#word1>;

www.mfa.fo/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiler%2ffragreidingar%2fFaroes+and+Arctic+Summary+web.pdf;

http://naalakkersuisut.gl/~media/Nanoq/Files/Pressemeddelelser/ARCTIC_CIRCLE_presentation_FINAL_EN.pdf

competition with each other for business opportunities such as transshipment hubs for shipping, search and rescue centres, research funds, fishing in newly opened international waters, tourism and so forth. Overall, however, there are more possibilities for cooperation than conflict between the various stakeholders in the West Nordic region.

Effective use of these opportunities are of the utmost importance to the economies of the West Nordics, which all have to gain from identifying Arctic issues of joint economic gains, as Iceland is still recovering from the 2008 Western Financial crises and Greenland and Faroe Islands receive subsidies from Denmark. With Greenland's block grant counting for 3,555 DKK million in 2011, or 30.7% of GDP², while the Faroe Islands grant from Denmark was 615 DKK million in 2011, just 4.7% of GDP.³

1.1 A Joint West Nordic Arctic Strategy

The formulation of a joint West Nordic Arctic Strategy would at the very least provide the regions Arctic cooperation with a good foundation, while providing valuable input to each of the West Nordic countries independent Arctic strategies, as well as contributing to an upcoming Nordic Council Arctic strategy and to the work of the Arctic Council. It should not be underestimated that a joint West Nordic Arctic Strategy could be hard to put into practice, as interests between the three parties are not always aligned.

This becomes evident when discussing with stakeholders in Greenland, where some made it clear that they and Faroe Islands (and for some parts also Iceland) are not compatible in "Arctic terms", as they are often not facing the same challenges/opportunities or at least not at the same scale. However, there are even more arguments that support the idea for a joint West Nordic Arctic strategy and below a few of the economic rationales for West Nordic Arctic cooperation are listed,

²<http://www.stat.gl/publ/en/GF/2013/pdf/Greenland%20in%20Figures%202013.pdf>

³http://www.arcticfrontiers.com/index.php?option=com_docman&task=cat_view&gid=302&Itemid=306&lang=en

with a special emphasis placed on (1) a West Nordic Arctic Free-Trade Zone and a (2) West Nordic session at the Arctic Circle assembly.

1.1.1 Fisheries

There are ample of opportunities for cooperation between the three parties in regards to utilizing opportunities for fish catches in a sustainable and economic manner and to present joint West Nordic interests towards international conflicts. There are also large opportunities to market the regions seafood jointly for international markets and to improve the processing of seafood in the region. It is very important to align West Nordic forces in regards to the seafood industry, as it is of the utmost significance to the West Nordic economies. With fish and fish products counting for 88% of merchandise exports from Greenland⁴, 40,6% of those from Iceland⁵ and 94% of those from the Faroe Islands⁶, while it accounts for much less in neighboring Arctic countries, e.g. approximately 6% of Norway's and less than 1% of the export earnings of the United States and Russia.⁷

1.1.2 Trade and Investments

It is of high importance for the West Nordic region to pool its resources for international markets and to increase inter-regional investments where capital and expertise can stimulate each other economies. This can best be done by establishing a West Nordic free-trade zone, see part *1.2 West Nordic Free Trade Area* of this report.

1.1.3 Increased West Nordic Inter-Governmental Cooperation on Arctic Affairs

The West Nordic countries governments' gain from promoting regional West Nordic interests when international collaboration and/or disputes calls for promoting the region, e.g. by holding joint ministerial meetings and arranging joint initiatives. One opportunity to promote West Nordic interests towards the international community is at the Arctic Circle; see part *1.3 Arctic Circle - West Nordic Arctic Business Council*.

⁴<http://www.stat.gl/publ/kl/GF/2011/takussutissiat/Greenland%20in%20Figures%202011.pdf>

⁵<http://www.statice.is/lisalib/getfile.aspx?itemid=14331>

⁶<https://www.cia.gov/library/publications/the-world-factbook/geos/fo.html>

⁷<http://www.chathamhouse.org/sites/default/files/public/Research/Energy,%20Environment%20and%20Development/0412arctic.pdf>

1.1.4 Transportation and Infrastructure

It is of high importance to strengthen the logistical network within the West Nordic region and its connections with N-America and N-Europe. The region's trade with goods is based on the logistical network and infrastructure in place and the West Nordic area can play an even more significant role in the world's logistical system in the future given its central location in the North Atlantic between North America and Europe, with Arctic shipping also connecting the region's logistical system with Asia.

1.1.5 Search and Rescue Center

It is of high importance that the West Nordic region has a center with search and rescue capabilities for the large but scarcely populated region. Especially with increased shipping traffic in the region be it commercial vessels, cruise ships or fishing vessels etc. It is furthermore of fundamental importance that cooperation is strong in regards to health services as many of the towns in the West Nordic Regions do not have a large amount of hospital beds, where a large-scale accident to take place or even when it comes to the efficiency on where to send patients from Greenland with Iceland being its closest neighbor, equipped with both a national and regional hospitals.

1.1.6 Ice and Harsh Climate Transportation Training Center

While Iceland and Faroe Islands have more or less ice-free ports all-year round, Greenland would make for an excellent location to locate a ice training center for Arctic shipping, which is growing quickly and attracting interests from regions such as Asia. Where few crew members on board vessels have any experience of sailing in ice conditions or of working in conditions such as icing. Here the West Nordic shipping companies have valuable experience and Greenland has almost unmatched training facilities provided by natural conditions.

1.1.7 Oil and Gas

Although, all three countries exclusive economic zones have shown great promises for offshore oil/gas reserves no production has still taken place. There are however high hopes of commercial production of petroleum in the region, especially in Greenland and Faroe Islands waters, while licenses in Iceland's Dragon area by the

Jan Mayen Ridge are more recent developments. As offshore oil is already a mature industry it is of great importance to learn from the experience of others that have been in similar situations as the West Nordics are today, including their Arctic neighbours in Norway, Alaska and Canada, as well as the United Kingdom. The West Nordics could especially gain from cooperation with Norway, where oil has been produced from similar geological areas as can be found in the West Nordic Arctic. It is furthermore important to develop strong service sectors for oil exploration and production in the closest and most convenient, realistic, option to the petroleum fields, and that all the licensed areas have attracted international attention with technologically capable and capital-strong partners entering.

1.1.8 Hydropower and Geothermal Energy

Both Greenland and Iceland are especially rich of economically viable renewable energy sources. With Iceland generating almost 100%⁸, and Greenland over 70%⁹, of its household electricity from hydropower and geothermal energy. In the future it is well possible that energy from Greenland's and Iceland's renewable energy sources could be transferred by an ocean electric cable to other markets. For example, by starting with the Faroe Islands reducing the latter's dependency on imported non-renewable energy sources for electricity production (Faroese climate policy aims that 75% of electricity production must be based on renewable energy by 2020¹⁰), and at the same time increasing the regions overall energy security. Other potential markets for renewably produced energy have been identified in the United Kingdom and other European Union (EU) Member States, in the light of the EU's ambitious goal of drawing 20% of its energy usage from renewable sources by 2020 (as against 12.7% in 2010) and making renewable energy the largest source of energy supply by 2050.¹¹

1.1.9 Tourism

The West Nordic region can gain as a whole from marketing the region together internationally in cooperation between Iceland, Greenland and Faroe Islands to

⁸ http://www.os.is/gogn.os-onnur-rit/orkutolur_2012-enska.pdf

⁹ http://naalakkersuisut.gl/~media/Nanoq/Files/Pressemeddelelser/ARCTIC_CIRCLE_presentation_FINAL_EN.pdf

¹⁰ http://um.dk/en/~media/UM/English-site/Documents/Politics-and-diplomacy/Arktis_Rapport_UK_210x270_Final_Web.ashx

¹¹ http://ec.europa.eu/energy/renewables/doc/communication/2012/comm_en.pdf

increase its awareness and by increasing cooperation on aviation for both passenger flights to the remote and larger regions of the area.

1.1.10 Research

Research cooperation between the West Nordic Countries can be improved, focusing on maritime research cooperation (including changes in the migration patterns of fish species), research projects on Arctic affairs and joint project such as the West Nordic Studies programme¹², which is expected to be launched in 2015.

1.1.11 Culture

Cultural cooperation within the region has been rising and is of a positive nature in order to increase cross-cultural awareness and promoting events that are built on West Nordic art cooperation.

1.2 West Nordic Free Trade Area

Trade and international cooperation are of fundamental importance for West Nordic cooperation and there is a great opportunity to strengthen the regions economy by creating a West Nordic free-trade zone, either by extending the existing Hoyvik agreement to the whole area or by adopting a new trilateral agreement, both of which would provide Greenland with its first free-trade agreement and have the fundamental goal of strengthening West Nordic regional interests towards the global economy.

This would fit with Greenland's government's coalition agreement for 2013-2017, which states that "[t]rade with our neighboring countries should be strengthened" and "focus should be turned to new markets for fish, seals, water etc."¹³ There have been some concerns in Greenland that Iceland would be too powerful for the Greenlandic businesses to compete with if for example the Hoyvik agreement were to be extended to the whole West Nordic area, but the emphasizes could rather be on how the region can enhance its common goals towards outside interests by cooperating on economic issues.

¹² <http://westnordicstudies.net/>

¹³ [naalakkersuisut.gl/~media/Files/Koalition%20Agreement%202013_2017%20ENG.pdf](http://naalakkersuisut.gl/~media/Files/Koalition%C3%A9n/Coalition%20Agreement%202013_2017%20ENG.pdf)

By creating a West Nordic free-trade zone the three countries have immense potential to utilize their natural resources in a sustainable manner and capitalize on their strategic geographic location, as a gateway and service center in the Arctic bridging the world's largest economies with new Arctic trade routes opening and the regions natural resources more accessible than previously. One aspect of how such a West Nordic trade coalition could work would be by utilizing the free-trade agreement signed between the governments' of Iceland and China. Pooling West Nordic resources for markets in the fastest rising economy in the world and importing products straight from Asia to the West Nordic region, thus also decreasing the cost of trade, ideally through the Arctic Ocean.

It is also important that a West Nordic investment agreement would follow an FTA in order for the three parties to cooperate extensively in the regions economic development. In the future it might be possible that Norway, due to similarities between the West Nordic islands with coastal N-Norway, could be interested in joining a West Nordic Free-Trade Zone.

1.3 Arctic Circle - West Nordic Arctic Business Council (WNABC)

The past few of years a vast number of business/economic platforms have been established to enhance dialogue and promote the opportunities for the Arctic's economic development. These include new initiatives, sub-groups within established forums, and some are integrated into Arctic conferences.¹ One of these Arctic conferences is the Arctic Circle, where the West Nordic Council could promote its regional interests by conveying its own business/economic forum for an international audience presenting the immense West Nordic Arctic opportunities.

In order for such an event to be useful it is important that Arctic interests between the West Nordic stakeholders are aligned, in order to promote the area jointly in regards to its offerings, and then in open forums that have the potential of attracting attention from both local and international investors for projects in the region. The West Nordic Council would be an excellent conveyor for such a platform as it has an extensive experience of working in the West Nordic region with local stakeholders and as a

parliamentary cooperation it could also bring together local politicians, civil society and investors interested in economic development in the West Nordic region.

The West Nordic Arctic Business Council (WNABC) could for example be conveyed by the West Nordic Council, ideally as a part of the Arctic Circle assembly, which in its 2013 assembly had a very strong participation from the West Nordic governments and business communities, as well as it could attract more international attention if it WNABC had the Arctic Circle stamp. The West Nordic Arctic Business Forum would be complimentary to the West Nordic Council's annual meeting and theme conference, aligning West Nordic interests in an international setting and providing an additional opportunity for the West Nordic leaders to organize meetings on the regions affairs.

At the Arctic Circle assembly, a plenary session could be on the West Nordic Arctic cooperation in general, with two separate side sessions convened by the West Nordic Council to present (1) the three countries long-standing parliamentary cooperation and (2) the West Nordic Arctic's business opportunities, to an international audience with strong local participation from the West Nordic region governments, businesses and general public. The West Nordic Council could convey the WNABC possibly in cooperation with the Faroese-Iceland and Greenland-Iceland Chamber of Commerce, as well as the Icelandic Arctic Chamber of Commerce¹⁴. The Business Forum's results could furthermore have relevance for the Arctic Council's upcoming *Arctic Economic Council*¹⁵ and more importantly stimulate the West Nordic regions economic development.

¹⁴ <http://iacc.is/>; <http://fois.is/>; <http://www.glis.is/>

¹⁵ <http://www.arctic-council.org/index.php/en/resources/news-and-press/news-archive/824-circumpolar-business-forum-tf-meets-in-helsinki>

2. Appendix

2.1 Background

The project was accepted at the WNC's annual meeting, which took place in August 2013 in Narsarsuaq and builds on the WNC's thematic conference in 2012, which explored the topic "The West Nordic's Geopolitical Position, Focussing on the Arctic" and led to the adoption of *Recommendation No. 2/2012*¹⁶ by the WNC on a common West Nordic strategy for the Arctic:

The West Nordic Council recommends to the Faroese Government, Greenland's Government and Iceland's Government to take the initiative in strengthening the countries' co-operation on Arctic issues, and to consider and work on creating a common West Nordic Strategy for the Arctic, pertaining to those areas where the countries share common interests and can unite on such a strategy. The Council furthermore urges the governments to organize regular meetings of their Foreign Ministers to discuss Arctic matters, as well as other West Nordic common interests. These meetings would optimally be annual, but at least every other year. The meeting should preferably take place in connection with the West Nordic Council's annual meeting.

The recommendations presented here shall identify and define Arctic cooperation opportunities in the West Nordic region where the three countries have joint economic interests, from a regional and global perspective. This report will mainly present the opportunities, although it is of high important to understand that there are also many challenges entailed to the demographic, climate and technological etc. factors that the Arctic push is built on.

This report builds on a literature review of West Nordic cooperation, as well as discourse analysis of medias and open-sourced documents (including governmental papers and business presentations), and a field trip to Greenland in October 2013

¹⁶ www.vestnordisk.is/doc/2686?download=true

where the author conducted interviews with politicians, businesspeople and scientists on West Nordic Arctic cooperation. Results from this work already includes a briefing note in the Arctic Yearbook 2013¹⁷, a working paper to be published by the Center of Arctic Policy Studies (CAPS) at the University of Iceland, as well as presentations at the first Arctic Circle assembly¹⁸ and the University of Greenland¹⁹.

The report is structured in the following manner. First, recommendations on how the three countries can strengthen its Arctic cooperation are put forward, e.g. by establishing a West Nordic free-trade area and by presenting the West Nordic Arctic in terms of common interests at the Arctic Circle assembly. Second, background information for the recommendations is provided through a short summary of West Nordic cooperation and its increased Arctic focus. Finally, a case is put forward how the West Nordic region can strengthen its regional economic interests in accordance to the increased global attention Arctic affairs are demanding.

3. West Nordic Region and the Global Arctic

The West Nordic Parliamentary Council of Cooperation was formed at Nuuk, Greenland, in 1985 and launched a formal cooperation between the parliaments of the three West Nordic countries: Iceland, Greenland and the Faroe Islands²⁰. Its name was changed in the year 1997 to the West Nordic Council (WNC) and its main objectives today are²¹:

- To promote West Nordic (north Atlantic) interests.
- To be guardians of north Atlantic resources and north Atlantic culture and to help in promoting West Nordic interests through the West Nordic governments – not least with regards to the serious issues of resource management, pollution etc.

¹⁷<http://arcticyearbook.com/ay2013/#/366/>

¹⁸ <http://www.arcticcircle.org/agenda>

¹⁹http://www.google.is/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CC8QFjAB&url=http%3A%2F%2Fold.uni.gl%2FPortals%2F0%2FEgill_Thor_Nielsson_ofentligt_foredrag_2013_10_08.pdf&ei=M2nSUsX5M8OM7AakroGQBQ&usq=AFQjCNHV0EemCB2Tnq1DPaD8fM8Enk96UA&sig2=k561-qer_HWsfOkIO6X1Lw&bvm=bv.59026428,d.ZG4&cad=rja

²⁰ <http://www.althingi.is/vefur/vnr.html>

²¹ <http://www.vestnordisk.is/id/1456>

- To follow up on the governments' West Nordic cooperation.
- To work with the Nordic Council and to be the West Nordic link in Nordic cooperation.
- To act as the parliamentary link for inter-West Nordic organisations, including Arctic parliamentary cooperation.

These goals are best realized through intense regional cooperation and a joint stance towards Arctic opportunities that today attract global interests, not the least from emerging economies in Asia that are often scarce of natural resources and high in population and capital. The WNC offers its three members an important platform for increasing their economic cooperation and developing their external diplomacy, not least concerning Arctic affairs. For Greenland the WNC provides one of few venues where it can engage in international cooperation without Denmark's supervision. The idea behind the WNC's work on an Arctic strategy is that the three sparsely populated neighbour islands are stronger when standing together than separately. Thus, they should increase co-operation on Arctic affairs in fields where they have common interests, including a common stance regarding outside interest in the West Nordic region.

The Arctic's global importance has increased in recent years through a combination of four factors: (1) demand for natural resources, (2) climate change, (3) globalization and (4) demographic trends²². The Arctic has been called "the last emerging market" and with increased accessibility of Arctic resources and shipping lanes, due to technological advances and climate change, business interest has surged. Geo-economic and geo-strategic motives have started to play a larger role in the Arctic's development, with Arctic investments estimated to reach over 100 billion USD or more over the next decade, mainly driven by the oil and gas, mining and shipping industries. Some regional prospects for Arctic investments almost dwarf the original Lloyd's assessments of the Arctic's being "likely to attract substantial investment over the coming decade, potentially reaching \$100bn or more"²³, with the "Eastern Arctic", "the Northern areas of Finland, Sweden, Norway and regions of Murmansk

²² Smith, L.C. (2010). *The World in 2050: Four Forces Shaping Civilization's Northern Future*. New York: Dutton

²³<http://www.chathamhouse.org/sites/default/files/public/Research/Energy,%20Environment%20and%20Development/0412arctic.pdf>

and Arkhangelsk in Russia hold only this decade on going and planned investments worth of over more than 119 billion euro”²⁴ and with Mead Treadwell, Lieutenant Governor of Alaska, assessing that “[b]etween new oil fields, gas pipelines, ports, icebreakers, airfields, roads and mines, we may be looking for over \$100 billion in investments in the next 20 years”²⁵. These two latter assessments notable do not include the West Nordic region and Arctic Canada, as well as having different time frames. It would however be relevant to make a similar study for the West Nordic Arctic in terms of investment potential for Arctic projects,²⁶ although such a forecast are at best a benchmark given the high uncertainties involved.

What is clear is that the perception of the Arctic is significantly different today from what it was a century ago, or as Olafur Ragnar Grimsson, President of Iceland, put it:

*[U]p to the 1900s or so the Arctic was largely, both to us in the Arctic and definitely to the rest of the world, an unknown part of the world. By 2000, we had made it our Arctic. But I believe now, in this new century, it has already become the global Arctic. We can witness this almost every day.*²⁷

In political terms, the Arctic Council (AC) where the West Nordics must primarily advance their Arctic interests now represents almost half the world’s population, including 10 out of 11 of the world’s largest economies world (the missing one is Brazilⁱⁱ) (Icelandic Ministry for Foreign Affairs, 2013c). This illustrates the global importance attached to the Arctic in an increasingly globalised world. The AC’s Ministerial meeting at Kiruna in May 2013 sent a clear message for its global aspirations by accepting six new Observer Statesⁱⁱⁱ to the council, including China, Japan and India (Arctic Council, 2013a). There has been a tendency in the general discourse to focus mainly on the larger and more powerful Arctic players (Russian Federation, United States, Canada and potentially China), while sparsely populated

²⁴ <http://www.arcticbusinessforum.com/>

²⁵ <http://ltgov.alaska.gov/treadwell/press-room/full-press-release.html?pr=136>

²⁶ For example, built on similar principles as this overview:

<http://www.arcticbusinessforum.com/index.php/yearbook>

²⁷ http://english.forseti.is/media/PDF/2012_08_26_ArcticImperativeSummit_speech.pdf

territories such as Iceland, the Faroe Islands and to a lesser extent Greenland are seldom addressed.

Yet as Arctic affairs move further into the geo-economic foreground, these resource-rich West Nordic islands are strategically located in the North Atlantic Ocean, at a crossroads between Europe, North America and Asia and the Arctic shipping lanes linking them. Although, the West Nordic countries are in fact all very sparsely populated, with a combined population of 426,424^{iv}, the West Nordic countries are however relatively large in Arctic terms, as they count for about 10,5% of the circumpolar Arctic (AHDR, 2004; Arctic Council, 2012) and their landmass covers around 1.5% of the earth's land surface (almost solely thanks to Greenland, the earth's largest non-continental island, which covers a land area of 2,166,086 sq. km.)²⁸. The West Nordic regions central position to all three Arctic Shipping Lanes in the North Atlantic/Arctic Ocean is of high importance as the region has potential to become a transshipment hub for a new market space with ample opportunity for profitable and rapid growth, as well as favourable cost terms. With the Arctic Shipping Routes (ASR) that offer potential to lower cost, decrease CO2 emissions, save time and connect world's four top economies^v more closely than before, shaving between 30% - 60% of the total distance, taking down to only half of the "normal" shipping time and saving up to 20% of fuel consumption. It is of course important to note that transits through the ASR are still few and the competition between the most used ASR, the North East Passage (NEP), which during its five month opening in 2013 saw record number of 71 vessels transit with 1,355,897 tonnes of cargo²⁹, is still a non-contest with its rival the Suez canal that in 2012 was used by 17,225 vessels carrying 928,452,000 tonnes of cargo³⁰.

The importance of the opening of the Arctic Sea Routes should however not be underestimated as notable voyages in 2013 included the first Container ship on NEP, COSCO's M/V Yong Sheng, which carried 16,740 tons of general cargo from Busan in China to Rotterdam in the Netherlands, as well as the First Commercial transit since 1969 on North West Passage (NWP). Nordic Bulk Carriers, owners of M/S Nordic Orion that transited NWP, with 15,000 metric tons of coal, reported 80,000

²⁸ <http://www.stat.gl/publ/en/GF/2013/pdf/Greenland%20in%20Figures%202013.pdf>

²⁹ <http://www.arctic-lio.com/node/209>

³⁰ <http://www.suezcanal.gov.eg/TRstat.aspx?reportId=3>

USD in fuel savings, while the ship shaved off 1,000 nautical miles from its sailing distance between Vancouver, Canada, and Pori, Finland, as well as being able to carry 25% more cargo than possible through Panama Canal³¹. It is also of importance to note that approximately 80% of the world's trade volume is within the Northern Hemisphere³² and about 90% of world trade is by sea³³, making Arctic shipping a very interesting possibility for the West Nordic Arctic.

The global interest in Arctic issues calls for stronger regionalisation within the West Nordic region, as the three Arctic nations increase both internal and external cooperation to express and promote their own interests. In order to promote West Nordic Arctic interests both the WNC has increased its Arctic engagement and the countries have also developed their own Arctic strategies, which include section on West Nordic Cooperation.

4. West Nordic Arctic: Presence and Policies

The WNC has in recent years extended its activities to a broader range of West Nordic, Nordic, European and Arctic cooperation frameworks and issues than before. It has formalised its relationships through agreements signed (a) in 2002, on cooperation between the WNC and the governments of the West Nordic nations, (b) in 2006, giving the WNC more influence within the Nordic Council (NC) through increased representation and more NC consideration of WNC recommendations, and (c) in 2008, when the WNC agreed with the European Parliament on regular information and cooperation meetings.³⁴

This trilateral cooperation has a solid base in the steady advance of relations between each pair of participants. These include a comprehensive bilateral free-trade agreement between Iceland and Faroe Islands (the Hoyvik Agreement, ratified in 2006)^{vi}, which “applies to trade in goods and services, movement of persons and right of residence, movement of capital and investment, competition, state aid and public

³¹ <http://www.nordicbulkcarriers.com/nwp-project>

³² Shufeng He (2013). *World trade structure and strategic value of Arctic sea routes* [presentation]. Delivered at the 1st China-Nordic Arctic Cooperation Symposium.

³³ <http://business.un.org/en/entities/13>

³⁴ <http://www.althingi.is/altext/141/s/0970.html>

procurement”³⁵, and with both countries opening of consulates respectively in Reykjavik and Torshavn in 2007³⁶. Discussions have taken place on Greenland possibly joining the Hoyvik agreement,^{vii} thus creating a full West Nordic free-trade zone. Both a Faroese-Iceland and a Greenland-Iceland Chamber of Commerce were established in 2012³⁷,^{viii} and in 2013 Iceland became the first country to establish a Consulate-General in Greenland^{ix} (opened by the Icelandic Foreign Minister in November³⁸), at that occasion the Premier of Greenland and the Minister for Foreign Affairs of Iceland signed a joint declaration on Arctic cooperation³⁹, which amongst other things emphasised developments in the Arctic as of fundamental importance to Iceland and Greenland. Citing the economic benefits activities such as resource utilisation, transportation and tourism have for the citizens of the countries, while underscoring the importance to commit to safeguarding the Arctic’s fragile ecosystem and basing economic development on the highest environmental and safety standards. Faroe Islands and Iceland have also pledged to increase the two countries Arctic cooperation.⁴⁰ Faroe Islands and Greenland have also recently pledged closer cooperation in areas of common interest⁴¹, while the two countries primarily cooperate on Arctic issues within the Danish realm.

The West Nordic countries have already adopted various joint or individual Arctic strategies. The Kingdom of Denmark’s *Strategy for the Arctic 2011-2020*⁴² is an update of Denmark’s first, 2008 strategy, but differs from the former in being based on an “equal partnership” between Denmark, Greenland and the Faroe Islands and being co-signed by both the latter. It defines the Kingdom’s aim as being to maintain the Arctic as a peaceful, secure and safe region in political terms, whilst promoting both sustainable growth and development economically. The strategy has an international outlook with a strong focus on international cooperation and economic

³⁵ <http://www.mfa.is/media/nordurlandaskrifstofa/A-Parliamentary-Resolution-on-ICE-Arctic-Policy-approved-by-Althingi.pdf>

³⁶ <http://www.utanrikisraduneyti.is/frettaefni/raedurISG/nr/3861>

³⁷ <http://fois.is/>; <http://www.glis.is/>

³⁸ <http://www.forsaetisraduneyti.is/frettir/nr/7611>

³⁹ www.utanrikisraduneyti.is/media/sendiskrifstofur/Joint-Declaration-Iceland-Greenland.pdf

⁴⁰ <http://www.utanrikisraduneyti.is/frettir/nr/7784>

⁴¹ <http://arcticjournal.com/politics/greenland-faroes-pledge-closer-partnership>

⁴² http://um.dk/en/~media/UM/English-site/Documents/Politics-and-diplomacy/Arktis_Rapport_UK_210x270_Final_Web.ashx

activities, including a positive reference to the WNC and other organisations promoting regional or sectoral cooperation.⁴³

The home rule government of the Faroe Islands set up a working party in 2012 to develop its own Arctic strategy on issues lying within its competence, and the resulting report – appearing in April 2013 - recommends among other things that “[a] joint West Nordic approach in Arctic cooperation, together with Iceland, Greenland and Northern Norway, should be promoted and enhanced”.⁴⁴ The report, which contains concrete proposals in the fields of economic development, shipping and fishing, research, pollution defence and emergency management, was laid before the Faroese Parliament for debate in November 2013 with a view to reaching agreement on the lines of a national strategy document. Greenland has not thus far gone through a similar process, but the website of its home rule government also highlights the West Nordic dimension, stating that Greenland’s “[s]pecial cooperation with Iceland and the Faroe Islands is organised through the Nordic Atlantic Cooperation and the West Nordic Foundation”.⁴⁵

Iceland prepared its first explicit Arctic strategy in 2010-11 through a process culminating with Parliamentary approval (*A Parliamentary Resolution for Iceland’s Arctic Policy*)⁴⁶. It places a specific emphasis on West Nordic cooperation, naming Greenland and the Faroe Islands as specific partners,^x and underlining the importance of strengthening cooperation between the three countries so as to promote their shared interests and political position. As the text puts it, “increased cooperation between the West Nordic countries will strengthen their international and economic position as well as their politico-security dimension”.⁴⁷ Much emphasis is put on economic aspects, and the issues identified for Arctic cooperation include trade, energy, resource utilisation, environmental issues and tourism.

⁴³ http://um.dk/en/~media/UM/English-site/Documents/Politics-and-diplomacy/Arktis_Rapport_UK_210x270_Final_Web.ashx

⁴⁴ www.mfa.fo/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiler%2ffragreidingar%2fFaroes+and+Arctic+Summary+web.pdf

⁴⁵ <http://naalakkersuisut.gl/en/About-government-of-greenland>

⁴⁶ <http://www.mfa.is/media/nordurlandaskrifstofa/A-Parliamentary-Resolution-on-ICE-Arctic-Policy-approved-by-Althingi.pdf>

⁴⁷ *ibid.*

Since adoption of the strategy Iceland's emphasis on West Nordic cooperation in an Arctic context has only increased further, as seen in the reports of the Minister for Foreign Affairs to the Icelandic Parliament in recent years.⁴⁸ The programme statement of the new Icelandic government taking office in May 2013 states that "the government will work towards making Iceland a leading power in the Arctic and an engaged participant in West Nordic affairs", with special reference to the opportunities that increased Arctic shipping can create.⁴⁹

The chances for the WNC members to press their case effectively in the AC depend – side from the strength of their common platform - first on the latter surviving as the main Arctic forum, and secondly on their own representation there. On the first point, Denmark was among the prime movers in two separate Ministerial meetings of the five Arctic littoral states (those having significant territories above the Arctic Circle) held in 2008 and 2011. Not only were Iceland, Sweden, and Finland excluded, but the Faroes and Greenland were not explicitly represented and nor were the indigenous peoples of the Arctic who have permanent participant rights at the AC. The excluded Nordic states strongly protested⁵⁰ and as of 2013 the chances of another such high-level meeting being convened looked low.

However, the generally successful Kiruna AC meeting was also a reminder that the West Nordic nations' procedural status lags behind the influence that their strategic Arctic position could potentially give them. Greenland boycotted the meeting altogether because the Swedish chairmanship only allotted one chair to the Danish Kingdom's delegation, while Denmark had three chairs at the table (allowing Faroese and Greenland representatives to sit behind their own flags) during its own chairmanship in 2009-2011. The Greenlandic Premier, Aleqa Hammond, feared that the situation would not change unless drastic measures were taken, and stated she would put Arctic Council involvement on hold until Greenland had the opportunity to join decisions affecting its people's everyday lives at the negotiating table when the Arctic Council's ministers met.⁵¹ At the same Kiruna meeting, the Faroe Islands

⁴⁸ <http://www.althingi.is/altext/139/s/pdf/1416.pdf>; <http://www.althingi.is/altext/140/s/pdf/1229.pdf>; <http://www.althingi.is/altext/141/s/pdf/1007.pdf>

⁴⁹ http://www.stjornarrad.is/media/Rikjandi_rikisstjorn/stefnuyfirlysing-23-3-2013.pdf

⁵⁰ <http://www.mfa.is/news-and-publications/nr/5434>

⁵¹ http://www.nunatsiaqonline.ca/stories/article/65674greenland_walks_away_from_the_arctic_council/%29

participated as part of the Danish delegation and Iceland was the only country not represented by a Minister, as its parliamentary elections were just over and a new Foreign Minister was still to be appointed.

The weak representation of the WNC countries in the Kiruna meeting underlines the importance of a strong common West Nordic Arctic strategy giving these small players the ability to influence the Nordic^{xi} and Arctic Councils in a more persuasive way. The strategy should be based on the three members' common interest, with clearly defined goals for the West Nordic nations' Arctic engagement. The members can also strengthen their Arctic position by contributing to other complementary initiatives to the Arctic Council, such as the Arctic Circle assembly that met for the first time at Reykjavik in 2013, attracting over 1200 participants from 40 nations, with the aim "to facilitate dialogue and build relationships to confront the Arctic's greatest challenges".⁵² Such non-governmental fora (which include also research, educational and publicity networks) can provide a valuable venue for both Arctic outsiders and "elbow-children", such as the West Nordic nations.^{xii} It is significant that two of the Arctic Circle's founders were former or current heads of state of West Nordic nations - namely, Ólafur Ragnar Grímsson, current President of Iceland, and Kuupik Kleist, former Premier of Greenland.⁵³

It is of fundamental importance for Iceland, Greenland and Faroe Islands to develop their Arctic opportunities and the following recommendations aim to identify issues of common interests' for the West Nordics.

Conclusions

The West Nordic region has immense opportunities for Arctic development and strengthening its regional cooperation towards international interests in the area. The economic opportunities in the West Nordic Arctic build both on the region vast natural resources and strategic location, but also the excellent cooperation capacity developed through earlier West Nordic cooperation, most notably through the West Nordic Council the past three decades. These are exciting times for West Nordic

⁵² <http://www.arcticcircle.org/>

⁵³ *ibid.*; <http://www.brookings.edu/events/2013/04/17>

cooperation and Arctic opportunities can be expected to play a central role in its economic development. The recommendations provided above are a input in the discourse on where the three countries governments and their companies energy should be focused. The recommendations show that maritime resources and expertise is of fundamental importance the region, as is the establishment of a West Nordic Free-Trade Zone and finally a platform to introduce the regions potential in a coordinated manner, which the Arctic Circle Assembly can provide.

ⁱ *Examples of such new initiatives include:* Arctic Forum: <http://eu-arctic-forum.org/>; Arctic Policy and Economy Forum: <http://apeforum.org/>
Examples of sub-groups within established forums: World Economic Forum, Global Agenda Council on the Arctic 2012-2014: <http://www.weforum.org/content/global-agenda-council-arctic-2012-2014>; Arctic Council, Arctic Economic Council: <http://www.international.gc.ca/arctic-arctique/chairmanship-presidence.aspx?lang=eng>

ⁱⁱ Brazil is currently considering when it will formally apply, according to President Grímsson's remarks at an event hosted by the Brookings Institute (2013).

ⁱⁱⁱ Namely, China, India, Italy, Japan, Republic of Korea and Singapore

ⁱⁱⁱ In the Nordic Council and Council of Ministers, Greenland and the Faroes (as well as the Åland Islands) have an unchallenged right to their own seats and delegations.

^{iv} Iceland has the largest population of the three islands with 321,857 inhabitants (Statistics Iceland, 2013), while Greenland has 56,370 (Statistics Greenland, 2013) and the Faroes 48,197 (Statistics Faroe Islands, 2013). All three population counts are from January 2013.

^v The European Union, United States of America, People's Republic of China and Japan.

^{vi} "Relations between Iceland and the Faroe Islands have been close in most areas, particularly in the field of culture and business. The entry into force of the Hoyvik Free Trade Agreement, which is the most extensive trade agreement ever made by Iceland, has been a turning point in relations between the countries for the last three years" (Althingi, 2011: 8).

^{vii} This possibility was discussed within the WNC e.g. at the Council's annual general meeting in Gjógv, Faroe Islands, 3–7 September 2012, when some of the Greenland MPs declared interest in making Greenland a member of the Hoyvik Agreement (Althingi, 2013a). The parliament of Greenland is currently an observer of the Hoyvik Agreement's parliamentary committee (Althingi 2013c).

^{viii} There have also been some interesting debates recently in Iceland on private investment opportunities in Greenland (see VIB, 2013). "Relations between Iceland and Greenland have intensified in recent years through more frequent political consultation and increased trade. Air services between the countries have grown, contracting businesses from Iceland are working in Greenland and cooperation on health care issues has been successful." (Althingi, 2011: 8).

^{ix} These developments strengthen the possibility of Greenland's joining the Hoyvik Agreement, as Gunvør Balle, an MP in the Faroese delegation and former head of the Faroe Islands office in Iceland, pointed out during the West Nordic Council's annual general meeting 2012. She argued that it is important for Greenland to open consulates in other West Nordic Countries at the same time, or before, it becomes part of the Hoyvik Agreement (Althingi, 2013a). The Faroe Islands and Iceland both have consulates-general in each other's capitals.

^x Not including coastal Norway as a West Nordic partner.