

CANADA'S ECONOMIC OPPORTUNITY IN THE ARCTIC

Opening Statement

As trade intensifies and diversifies globally, shipping routes have been, and will continue to be, of great importance. To date, the Panama Canal is the only viable water route used to ship goods between the east and west coasts of North America. With the melting of ice in the Arctic region there are companies that have begun using the Northwest Passage (NWP) as a viable transportation corridor.¹ In addition to the NWP becoming an increasingly viable shipping route there are immeasurable resources (e.g., gas, oil, minerals, fisheries, tourism, etc.) under Arctic ice that will become accessible over the next century. Rather than a single conversation about the Russian military invading Canada's North (though important), the geopolitical conversation about Canada's Arctic sovereignty should include a focus on a long-term economic strategy.

Background

There are two routes connecting the Pacific and Atlantic Oceans. That is, the Northeast Passage (hereinafter NEP) and the NWP (see in Fig. 1). The NEP, also called the Northern Sea Route (NSR), is comprised of the marginal seas of the Eurasian Arctic (i.e., Chukchi, East Siberian, Laptev, Kara and Barents). The NSR makes up approximately 90% of the NEP.



Source: <http://eatingjellyfish.com/?tag=northwest-passage-ownership>

The NWP runs between Greenland and Newfoundland in the Atlantic Ocean and along the north coast of Canada and Alaska, ending in the Bering Strait. The Bering Strait is 85 km wide and separates Russia and Alaska, between the Arctic Ocean and Bering Sea (part of the Pacific Ocean).

The Arctic has become a region of intensifying global interest. Climate change has led to an emerging, accessible open water at the top of the world. That factor, coupled with the region's well-established mineral potential, prospective gas resources, increasing capacity to transform global maritime trade physical geography and epicentre for climate science, is transforming the Arctic from a frozen afterthought to a region of immense global geostrategic and economic significance.²

¹ 2014, Dongqin, Gyei-Kark Kyoungheon, Sangjin, An Economic Analysis of Container Shipping Through Canadian Northwest Passage

² <https://www.ourcommons.ca/Content/Committee/421/FAAE/Brief/BR10185960/br-external/ShadianJessica-e.pdf>

Unlike the well-developed Nordic Arctic and re-developed Russian Arctic, the Canadian portion of the Arctic has seriously lacked a persistent economic strategy.

In the Canadian Arctic infrastructure, including roads, housing, ports, SAR, fibre optic cable, and other necessary components of an effective economy have been underdeveloped (at best) and in many instances are lacking altogether. The Canadian national discourse about its own North and the significant infrastructure deficit that persists is rarely, if ever, discussed in the context of the environmental, cultural and economic value the North has to offer. The economic potential of the North and how it can fit into Canada's role in the world is woefully disregarded.

This lack of infrastructure in the Canadian North, consequently, contributes directly to astronomical costs associated with food and transportation in the North. Many Arctic Canadian families cannot even meet their basic food needs. Seven out of 10 Nunavut Inuit preschool children are food insecure and have limited access to fresh foods. Likewise, many Northerners are reliant on substandard K-12 education, have insufficient access health care, suffer from severe housing shortages, have little or no Internet, rely on rationed diesel for energy, and lack potable water.

The Canadian North is also home to a wealth of natural resources from expected gas reserves, rich fisheries and mineral resources such as cobalt, nickel, copper and others that are becoming increasingly accessible and are critical for a transition to a global renewable resource economy; however, the combination of a lack of infrastructure, reliance on diesel and limited internet connectivity increases the costs of the North's mineral production by 30 percent, rendering much of this potential uncompetitive in global markets and unavailable to help foster prosperous and self-sufficient Northern economies.

According to the U.S. investment firm Guggenheim Partners, the Arctic will require close to \$1-trillion USD of infrastructure investment over the next decade, including transportation, telecommunications and social services, to support a new era of economic opportunity from energy, fishing and mining, to defence and tourism.

From an economic perspective, most of Canada's major banks and pension funds have not been provided an opportunity see the Canadian Arctic as an emerging economy, much less learn of its strategic value as a place for investment. Consequently, not a single major bank or pension fund has developed an internal infrastructure investment strategy or invested any capital into the Canadian or North American Arctic. Recognizing the critical importance of indigenous reconciliation, finding ways to encourage the Canadian financial sector to invest in the North would go a very long way in contributing to the Federal Government's aims of economic reconciliation and towards offering meaningful solutions to enhance and stimulate economic prosperity and sustainability in the North.

China, India, Japan, Singapore and South Korea have all shown increasing interest in the Arctic in recent years. In 2013, all five Asian states were granted observer status on the Arctic Council and many have since developed Arctic strategies, committed resources, sent ships through Arctic waters and developed Arctic-related research programs. Like China, some may partner chose to partner with Russia as it asserts its presence in the Arctic.

Russia's sustained interest in the Arctic contrasts sharply with Canada's ebb-and-flow commitment to the region. However, in May 2019, Canada filed its full submission to the Commission on the Limits of the Continental Shelf regarding its claim to sovereign territory in the Arctic Ocean. Prime Minister Justin Trudeau has also announced the purchase of two additional Arctic and offshore patrol ships for the Coast Guard. Canada should press forward in keeping Arctic-Asia relations front and centre, notably in engaging Indigenous peoples and organizations and focusing on environmental issues, scientific research, and infrastructure investment.

Should Canada fail to immediately develop the necessary strategic plans and long-term commitments necessary to develop its North and rely instead on the ongoing implementation of response-based solutions, Canada faces the very real threat of relinquishing economic resources and geopolitical power to other countries more committed to northern investment.

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Create an economic investment strategy focused on the Canadian Arctic that includes feasibility studies, priorities for development, economic climate models, risk analyses, models for public-private-partnerships, role of artificial intelligence and smart infrastructure, transportation and a detailed roadmap with specific metrics and timelines identified to ensure that the Government meets identified investment needs.

Written by the Surrey Board of Trade