The rise of Asia in a changing Arctic: a view from Iceland

Jesse Guite Hastings

To cite this article: Jesse Guite Hastings (2014) The rise of Asia in a changing Arctic: a view from Iceland, Polar Geography, 37:3, 215-233, DOI: 10.1080/1088937X.2014.934315

To link to this article: http://dx.doi.org/10.1080/1088937X.2014.934315

Published online: 08 Oct 2014.

Submit your article to this journal

Article views: 160

View related articles

View Crossmark data
The rise of Asia in a changing Arctic: a view from Iceland

JESSE GUITE HASTINGS*
Department of Geography, National University of Singapore, Singapore
(Received 16 April 2014; accepted 10 June 2014)

Due to both the environmental impacts and the economic opportunities brought about by climate change, interest in the Arctic is rising in Asia. While there is a growing scholarship analyzing Asian interest in the Arctic, Iceland’s reception to this interest has been under-studied. This paper explores Iceland’s rising interest in the Arctic and its linked response to growing Chinese overtures toward Iceland and the region. Data were gathered from peer-reviewed literature, policy documents, popular media articles, participant observation at the Arctic Circle conference, and semi-structured interviews from October to December 2013 with a cross-section of Iceland’s political, economic, and scientific elite. Results indicate that Iceland is trying to capitalize on the increasing global visibility and economic opportunities in the Arctic while working to ensure regional geopolitical and environmental stability. While Iceland generally welcomes Chinese overtures into Arctic political and scientific spheres, the response to economic overtures is more nuanced. Specifically, Iceland is trying to balance a desire for economic gains, Chinese investment in Icelandic industries, and an associated ability to 'scale up' economically with a perceived vulnerability to being dominated by a country which dwarfs Iceland in both size, power, and influence.

Introduction

Perhaps more than any other region, the Arctic is transforming fast due to climate change. Arctic sea ice is disappearing rapidly (UNEP 2013). In the last decade alone, sea ice volume has declined by 36% (Laxon et al. 2013), and in 2012 it reached its lowest extent ever in September (NSIDC 2012). The Greenland ice sheet is melting (Hall et al. 2013) and Arctic permafrost is thawing (Cory et al. 2013). These rapid changes in the Arctic may cause significant global and local environmental impacts, including biodiversity loss, ocean current disruption, and species distribution shifts (Cheung et al. 2009; Morison et al. 2012). Paradoxically, they may also create new regional economic opportunities in shipping, fisheries, offshore oil/gas drilling, and other extractive activities (Gautier et al. 2009; Larsen 2013).

Due both to the environmental impacts and economic opportunities brought by climate change, interest in the Arctic is rising in Asia (Heininen 2012). For example, in September 2013, the Chinese container ship Yong Sheng transited from Dalian China to Rotterdam via the Arctic, the first Chinese commercial ship to do so and illustrating the interest in and potential of the Northern Sea Route (Whitehead 2013). China, South Korea, and Japan have long histories of Arctic exploration, but are now also investing in the region for a variety of reasons, including potential oil and gas reserves, shipping routes, and tourism. In October 2013, China and Russia signed a joint agreement to establish an Arctic joint-voyage research and development center. This marks a significant step in the development of a new Arctic diplomacy and economic cooperation framework.

*Email: geojgh@nus.edu.sg
research but are now expanding linkages with research centers in Norway, Iceland, Sweden, Canada, and elsewhere (Solli, Rowe, and Lindgren 2013; Stokke 2013). Many Asian countries recently applied for observer status at the Arctic Council (AC); Japan, South Korea, India, China, and Singapore’s applications were accepted at the May 2013 Ministerial meeting in Kiruna, Sweden (Myers 2013). Observer status allows these Asian countries guaranteed access to AC meetings and its six working groups and grants them an insight into Arctic decisions that affect Asia (Young 2009a).

While there is a growing volume of scholarship analyzing Asian interest in the Arctic (Ho 2011; Jakobson 2012; Sakhuja 2013; Stokke 2013 to name a few), the reception of Arctic states to these overtures has been under-studied. A recent paper in *Polar Geography* explored the reception of Norway, Russia, and the USA to Asian states’ applications to be observers in the AC (Solli, Rowe, and Lindgren 2013). This paper was an important contribution since – notwithstanding chatter about a new Arctic Treaty (Young 2009b) – the AC remains the main body for Arctic intergovernmental and intersectoral cooperation. However, an emphasis on overtures toward the AC, or the reception by these three states alone, is incomplete.

This paper explores Iceland’s rising interest in the Arctic and its linked response to growing Chinese overtures toward Iceland and the Arctic region. A focus on Iceland may seem illogical compared to focusing upon Arctic ‘heavyweights’ such as Canada, Russia, and the USA that have the geopolitical or economic heft to fundamentally drive Arctic affairs. However, strategically located in a climate-changing Arctic, Iceland may become an increasing important Arctic player in the decades ahead. For example, Iceland has discussed as a possible location for a trans-shipment port as polar sea ice melts (Borgerson 2008) and considers itself ideally situated to be an Arctic search and rescue hub as well as a base from which to service economic activities in Greenland and the far North (Interview #11). The Icelandic response to Chinese overtures is analyzed because to Icelanders, China is the most visible Asian state pursuing Arctic goals in the region and in Iceland specifically.

This paper will proceed through three parts. First, it will give an overview of Iceland’s rising interest in the Arctic, both describing the ‘what’ and also exploring the geopolitical, economic, and scientific factors driving this interest. Iceland’s Arctic interests have been detailed by some scholars inside and outside of Iceland (Cela 2010; Bailes and Heininen 2013; Bailes and Thorhallsson 2013; Dodds and Ingimundarson 2012; Huijbens and Alessio 2013) and this section will complement these efforts. Second, it will explore Iceland’s embryonic engagement with and response to Chinese Arctic overtures. Taking the perspective of Iceland, this paper will not focus upon Chinese Arctic policy, as this is available in other literature (Heininen 2012; Jakobson 2010, 2012). Finally, the paper will analyze Iceland’s response to Chinese Arctic overtures through the lens of small-state studies. Small-state studies provides an appropriate analytical framework due to Iceland’s size (in population, GDP, and geopolitical/economic power) and its preference for, like many small states, engaging with world affairs vis-à-vis multilateral institutions and taking a pragmatic approach toward alliances with more economically and politically powerful actors (Bailes and Heininen 2013).
Methods

Data for this paper were gathered via document analysis, participant observation at the Arctic Circle conference in Reykjavik, and semi-structured interviews. Documents analyzed included peer-reviewed literature, Iceland Arctic policy documents, and popular media articles. Peer-reviewed literature is the gold standard in secondary data, and literature on Iceland’s and China’s interest in the Arctic is beginning to emerge. However, the fast-changing nature of Arctic affairs in a climate-changing world means that more contemporary material was needed, so a range of publicly available Arctic policy documents and popular media articles were analyzed.

Qualitative methods are ideal for developing in-depth knowledge on a complex topic and drawing data from events and informants with specialized knowledge (Wengraf 2001). Participant observation at the inaugural Arctic Circle conference from 12 to 14 October 2013 in Reykjavik gave informant access, provided background information on Arctic engagement strategies of both Icelandic and Chinese stakeholder groups, and offered insight into a visible, high-profile Arctic event. Notes were taken at relevant plenary and breakout sessions, complemented by informal discussions during sessions, networking events, and meals. Strategies to gather data at the Arctic Circle conference could be described as similar to that of event ethnography (Brosius and Campbell 2010).

Semi-structured interviews with 23 informants in Iceland provided the bulk of the qualitative data. Informants were selected based upon their closeness to the research topic and expected insight into Arctic processes and came from across the political, economic, and scientific sectors (Table 1). Most, if not all, of these informants...

<table>
<thead>
<tr>
<th>Informant #</th>
<th>Organizational sector (Focus)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government (Foreign Affairs)</td>
</tr>
<tr>
<td>2</td>
<td>Government (Foreign Affairs)</td>
</tr>
<tr>
<td>3</td>
<td>Government (Foreign Affairs)</td>
</tr>
<tr>
<td>4</td>
<td>Government (Transport)</td>
</tr>
<tr>
<td>5</td>
<td>Government (Transport)</td>
</tr>
<tr>
<td>6</td>
<td>Government (Environment)</td>
</tr>
<tr>
<td>7</td>
<td>Government (Research, General)</td>
</tr>
<tr>
<td>8</td>
<td>Government (Research, Arctic)</td>
</tr>
<tr>
<td>9</td>
<td>Private (Transport)</td>
</tr>
<tr>
<td>10</td>
<td>Private (Transport)</td>
</tr>
<tr>
<td>11</td>
<td>Private (Collaboration and Promotion)</td>
</tr>
<tr>
<td>12</td>
<td>Private (Collaboration and Promotion)</td>
</tr>
<tr>
<td>13</td>
<td>Private (Collaboration and Promotion)</td>
</tr>
<tr>
<td>14</td>
<td>University (Research and Education)</td>
</tr>
<tr>
<td>15</td>
<td>University (Research and Education)</td>
</tr>
<tr>
<td>16</td>
<td>University (Research and Education)</td>
</tr>
<tr>
<td>17</td>
<td>University (Research and Education)</td>
</tr>
<tr>
<td>18</td>
<td>University (Research and Education)</td>
</tr>
<tr>
<td>19</td>
<td>Non-governmental Organization (Scientific Collaboration)</td>
</tr>
<tr>
<td>20</td>
<td>Non-governmental Organization (Scientific Collaboration)</td>
</tr>
<tr>
<td>21</td>
<td>Non-governmental Organization (Scientific Collaboration)</td>
</tr>
<tr>
<td>22</td>
<td>Intergovernmental Organization (Arctic Science and Governance)</td>
</tr>
<tr>
<td>23</td>
<td>Intergovernmental Organization (Arctic Science and Governance)</td>
</tr>
</tbody>
</table>
informants could be described as ‘elites,’ as they held professional positions in organizations with significant influence over Icelandic or Arctic affairs. Informants were interviewed in-person, by telephone, or via Skype interviews between October and December 2013. After informed consent was given, the author either took notes on or recorded the interviews. Interviews lasted between 30 minutes and 1.5 hours and proceeded from a general interview guide which was altered based on informant position. After transcription, interview text was coded using the strategy of grounded theory (Strauss and Corbin 1990). Coding was done using computer-assisted qualitative data analysis software QDA Miner 4.0., and the emergent themes revealed by the coding contributed to the insights detailed in this paper.

**Iceland as an Arctic actor**

Iceland is an island located in the North Atlantic just south of the Arctic Circle. With a population of 315,281 as of 2013 and a total land area of approximately 100,250 km², Iceland is one of the most sparsely populated countries in the world (www.cia.gov). Iceland has a strong Nordic identity. The original settlers of Iceland during the ‘Saga Age’ (870–1056) hailed from Norway and Iceland retains close cultural, economic, and political linkages to other Nordic countries as well as Northern Europe more generally. Economically, Iceland is closely linked to the EU: 80% of Iceland’s trade goes to the EU/European Economic Area (EEA) (Bailes and Thorhallsson 2013).

Iceland has been involved in Arctic affairs for decades. During the cold war, Iceland was home to the Keflavik air base used by the USA for interception and monitoring of Soviet aircraft in the North Atlantic and Arctic (Hafthendorn 2011). The country was an original adopter of the 1991 Arctic Environmental Protection Strategy (AEPS) and a founding member of its 1996 successor, the AC. Iceland successfully held the chairmanship of the AC from October 2002 to November 2004 and, during this time, oversaw the production of the Arctic Human Development Report (www.svs.is/ahdr/) and the Arctic Climate Impact Assessment (www.acia.uaf.edu/). The country has also long been home to Arctic-focused research institutes or involved in Arctic-focused partnerships, including the Stefansson Arctic Institute (founded in 1998), the University of the Arctic (founded in 2001), the International Arctic Science Committee (founded in 1990), and the Northern Research Forum (founded in 2000).

Iceland began further deepening its Arctic engagement in the late 2000s, after the withdrawal of the USA from Keflavik air base and the global financial crisis that hit Iceland hard in 2008. When a left-wing coalition of the Social Democrat Alliance and the Left-Greens came to power in 2009, they initiated two foreign policy processes: an application for EU membership and a stronger pivot towards the Arctic. While the application for EU membership was contentious at the time and remained so until a new right-wing government led by the Progressive and Independence party put a halt to EU negotiations in August 2013, the stronger pivot to the Arctic was met with an unusually high level of elite consensus in a normally acrimonious Icelandic political landscape (Bailes and Heininen 2013). A flow of consequential Arctic reports, conferences, and policy documents which had begun in the mid-2000s took on new urgency, with a report entitled ‘Ísland á norðurslóðum’ (Iceland in the High North) released by the Ministry of Foreign Affairs in 2009 (Ministry of Foreign Affairs 2009) and a parliamentary resolution
on Iceland’s Arctic policy passing unanimously in March 2011 (Ministry of Foreign Affairs 2011).

Iceland’s current Arctic strategy emphasizes open and inclusive Arctic dialogue, the use of multilateral institutions and international conventions, achieving Arctic ‘coastal state’ status, ensuring scientific cooperation, and promoting environmentally sustainable economic development — all areas that speak directly to the country’s comparative advantages and serve Iceland’s ambitions to be an equal player (or at least less unequal) in an Arctic filled with superpowers such as Russia and the USA. Iceland has shown interest in being a key player on the AC: two of the council’s working groups are based in Akureyri (Protection of the Arctic Marine Environment (PAME) and Conservation of Arctic Flora and Fauna (CAFF)) and Iceland was instrumental in pushing for the legally binding oil-spill response and search and rescue agreements signed by AC member states in 2013 and 2011, respectively (Bailes and Heininen 2013). Iceland also made a bid to host the AC’s first permanent secretariat in Reykjavik, which was ultimately lost to Tromsø, Norway (Nielsen 2011).

A new center-right governmental coalition came to power in April 2013, but there is no movement to change Arctic strategy in any substantive way (Interview #1, #2). Rather, effort is being expended to ensure a deepening of effort and better coordination between governmental ministries, businesses, and civil society on Arctic matters (Interview #1). The year 2013 brought the designation of Ambassador Thorsteinn Ingolfsson (a high-level official which has been serving as Iceland’s Ambassador to North Atlantic Treaty Organization (NATO) since 2008) as the Senior Arctic Official (SAO) at the AC, the establishment of a ministerial-level committee to coordinate the Arctic issues, and the hosting of several internationally visible Arctic conferences, including the Arctic Energy Summit (Akureyri) and the Arctic Circle (Reykjavik) in October. As of 2013, there is a five-person team coordinating Arctic policy in the Ministry of Foreign Affairs (Interview #1).

The interest in the Arctic amongst Iceland’s policy-makers has been met or equalled by a growing interest throughout the Icelandic scientific community. Iceland has established or expanded Arctic-related research programmes and redoubled efforts to connect to like-minded research institutions domestically and abroad. For instance, the last few years saw the establishment of the University of Akureyri’s Polar Law Masters Program (2008), the University of Iceland’s Centre for Arctic Policy Studies (2013), and the Iceland Arctic Cooperation Network (2013). The latter two organizations specifically have building Arctic collaborations and linkages domestically and abroad as part of their mission (Interview #21). These efforts complement the existing scientific linkages built through older institutions and partnerships, such as the Stefansson Arctic Institute and the Northern Research Forum.

Iceland’s business community is also showing a strong interest in the Arctic. Interest is emanating from individual companies but also being coordinated and magnified through multisectoral umbrella organizations such as the Iceland Arctic Chamber of Commerce and Arctic Services, an organization which promotes Icelandic services and infrastructure to those involved in Arctic operations. Opportunities of particular interest are those which leverage Iceland’s favorable geographic location: establishing a transhipment hub for Arctic shipping, providing logistical support for mining in Greenland, expanding Arctic tourism, supporting oil exploration in Iceland’s own Dreki (Dragon) field and other energy
exploration opportunities, and/or creating a hub for Arctic search and rescue efforts are commonly mentioned ambitions (Interview #3, #4, #5, #9, #10, #11, #15, #18, #23). Many of these opportunities remain theoretical rather than realized at the moment; however, Arctic tourism and support for new mining ventures getting under way in Greenland are more near-term, with Iceland already becoming a more popular port of call for Arctic cruise ships (Fay and Karlsdóttir, 2011) and Akureyri offering itself as a logistical hub for mining rare-earths and potentially uranium in Greenland in the near future (Interview #11).

**Interests driving Iceland’s Arctic engagement**

Iceland’s cultural identity is primarily Nordic and the country is strongly economically linked to the EU/EEA. Iceland has historically considered itself not an Arctic but more of a North Atlantic nation, and Icelanders do not generally consider themselves Arctic people (Interview #17). So why is Iceland deepening its engagement in the Arctic now? Iceland’s Arctic interest can be explained by three intertwined factors: (1) the search for a foreign policy and economic focus after the reshaping of the Iceland–USA relationship in the mid-2000s and the global financial crisis, (2) the desire to embrace new economic and scientific opportunities in an increasingly globally visible, biophysically changing region, and (3) the need to manage environmental, civil security, and geopolitical risks resulting from increasing Arctic activity by other actors.

Iceland’s increased Arctic interest can be seen proximally as a response to the reshaping of the USA–Iceland relationship in the mid-2000s and the economic stress caused by the global financial crisis in 2008. While Iceland did certainly engage in the Arctic before this time, the overall strategy was relatively unfocused; in the 1990s and early 2000s major foreign policy energy was focused on maintaining the USA–Iceland relationship and keeping the USA at Keflavik (Interview #18). Once the Americans unilaterally withdrew from Keflavik and the 1951 USA–Icelandic bilateral defense agreement was altered based on a ‘joint understanding’ in 2006, Iceland’s political establishment was forced to focus its foreign policy energy elsewhere. After the global financial crisis left Iceland economically stressed and ‘the country more divided then ever over an external strategy’ (Bailes and Heininen 2013, 74), the Arctic appeared to be an obvious arena where Iceland could engage and leverage its geographical competitive advantage.

Iceland is primarily interested in the Arctic due to the potential to achieve economic gains therein. Iceland has long emphasized being a ‘coastal state’ in official documents and pronouncements in part because of the term’s connection to United Nations Convention on the Law of the Sea (UNCLOS) and associated increased economic rights (including fishing and continental shelf rights) resulting from this designation (Dodds and Ingimundarson 2012); the emphasis on being an Arctic coastal state took new prominence after the 2008 Illulissat Declaration where Canada, Norway, Russia, Denmark (in respect of Greenland), and the USA met separately to emphasize the stewardship role of the five Arctic coastal states and pointedly excluded Iceland (along with Finland and Sweden) from both the meeting and the declaration (Denmark Ministry of Foreign Affairs 2008; Dodds 2013). Just as Iceland has officially encouraged the phenomenal growth of tourism arrivals from abroad (Huijbens and Alessio 2013) to promote economic growth, so too have
the economic opportunities in the Arctic been talked up both domestically and internationally. Iceland sees embracing Arctic economic opportunities as having the potential to drive countrywide economic growth, encourage foreign direct investment, and help address regional employment disparities between Reykjavík and the rest of the country (Interview #15). Rural Iceland is losing both jobs and population (Karlsson 2013), and an embrace of Arctic opportunities (such as the building of a transhipment port) is seen as helping to reverse this trend. An Icelandic researcher based in Akureyri explains why Iceland is interested in the Arctic:

To build employment. To tackle regional disparities. One of these is that regions of Iceland are struggling. Many of the regions that you look at on the map are struggling, they are losing population, they are losing out in economic terms. And lots of means have been pursued in terms of economic diversification – like building the aluminium smelters, etc. In many ways, a lot of the Arctic emphasis seems to be about that. People are looking towards what possible employment benefits and jobs we can create around the Arctic.

Iceland’s interest in the Arctic has been further buoyed due to the increasing global visibility and external indications of valuable opportunities in the region. Media articles, sensationalist public relations stunts (like the Russian submarine planting a flag on the seabed at the North Pole), business investment, publication of urgent scientific findings on melting sea ice, and increased knowledge of Northern Sea Route opportunities and others have signaled to key Icelandic stakeholders that the Arctic is important and has opportunities worth pursuing (Interview #20). An Icelandic Government official expands on this idea when he says:

It is only in the latest couple of years, 3, 4, 5 years that we have seen a lot more activity because of international interest. For example from Singapore and other Asian nations. So, the spectrum of the subject itself has broadened and widened and deepened. Which involves more work for us, while at the same time it is of course a government policy priority. So we are very happy to take on that extra work.

While Iceland’s scientific community is not acting under an economic incentive (apart from the increased availability of international grants for research on Arctic topics), it too is responding to an increasing interest in the Arctic from abroad and using this increased global visibility as an opportunity to expand scientific prestige and networks. As mentioned previously, Iceland has recently created or expanded Arctic partnerships in the last few years, with the aim to further expand internationally collaborative Arctic-related research projects. Individual scientists in Iceland are also re-categorizing research that had previously been defined as Icelandic research as Arctic research to fit with trends and funding. An Icelandic academic says:

Here in this research centre we do a lot of research that is Arctic research. I think 95% of what we are doing we can define as Arctic research. We didn’t realize that until we got people from other countries coming in, presenting their Arctic research. They were doing the same things we were doing, but we didn’t call it Arctic research. We were just doing research about our country and different aspects of it. It can be about fish or governance or plans or changes in geography or different things.

While Iceland sees the opportunities in the changing Arctic, it also recognizes that the full embrace of economic opportunities entails environmental and geopolitical
risks that threaten both the region’s biodiversity as well as the country’s economic interests. For instance, Arctic oil spills could threaten Iceland’s fisheries resources (Interview #14) and cruise ship disasters could overwhelm negligible existing search and rescue capabilities (Interview #23). Engagement in the Arctic offers a way to create governance frameworks and finance infrastructure which minimizes these risks. This sort of engagement has already begun; as noted, Iceland was instrumental in pushing for the 2013 and 2011 oil-spill response and search and rescue agreements in the AC and is currently involved in the development of the International Maritime Organization (IMO) polar code (Interview #4, #5). Embracing Arctic opportunities is also a form of economic hedging; climate change is already impacting Icelandic weather patterns as well as contributing to glacial melt, and increased Arctic economic returns ‘compensate’ for these costs (Interview #14).

**Iceland, China, and the Arctic**

Asian interest in the Arctic is rising, but it is not new. Besides migratory connections stretching back to prehistory, Asian states have been involved in Arctic research since the early 1990s (Stokke 2013). However, it is incontrovertible that Asian interest in the Arctic has risen as biophysical changes have made economic opportunities increasingly possible. The accession of several Asian countries to the AC in May 2013 is just one sign of this increasing interest. China is the most visible and powerful among many Asian states interested in Arctic opportunities (Heininen 2012; Hong 2012; Jakobson 2010, 2012).

There is a diplomatic history between Iceland and China. China has been sending delegations to Iceland since the 1980s and 1990s, Chinese tourism to Iceland has been steadily growing in the last decade, and major Icelandic political figures such as President Grimsson have for years been interested in strengthening scientific and technical ties with China as well as other BRICs. However, since the mid-2000s, Iceland’s engagement with China over Arctic matters has both accelerated and deepened. Realized engagement includes the signing of a bilateral Chinese–Iceland free trade agreement (FTA) in April of 2013, the opening of an Iceland–China Aurora Borealis observatory near Akureyri (Interview #7), the inauguration of a Chinese–Nordic Arctic Research Center (Interview #7), the establishment of an oil exploration partnership between Eykon Energy and Chinese National Offshore Oil Corporation to explore the Dreki area of the Jan Mayen ridge, Chinese financing of Icelandic aluminum smelters, and an agreement signed between Orka Energy of Iceland and China’s Xianyang Municipal People’s Government and Sinpoe Petroleum to develop geothermal resources (Orka Energy 2014). Preliminary discussions are ongoing between Icelandic and Chinese shipping companies about trans-Arctic partnerships (Interview #9, #10). Most visibly, Chinese real estate developer Huang Nubo and Chinese Investment Group Zhongkun made an attempt to buy, and then lease, a large group of farms in Northeast Iceland for an eco-tourism resort in 2012 and 2013 (Huijbens and Alessio 2013).

The Icelandic response to Chinese overtures toward Iceland and the Arctic has varied based upon the nature of the overtures. Overtures that could be categorized as political in nature have received a favorable, even enthusiastic, reception from the Icelandic elite. For example, Iceland strongly supported the applications of China, along with other countries, to become observers on the AC (Interview #3). Large public conferences (such as the Arctic Circle and Arctic Energy Summit) have
been held with strong, invited, and uncontroversial Chinese participation (Tan 2013). The Iceland–China relationship is held in high regard; for instance, high-level official Counsellor Ragnar Baldursson, the previous SAO, went almost immediately from being SAO to a position as Minister-Counsellor at the Icelandic embassy in Beijing, illustrating the relationship’s diplomatic importance.

This enthusiastic reception to political overtures is due to several factors. First, there is a strong, widely held belief amongst the Icelandic elite that the changes in the Arctic are ‘everyone’s business’ – that while climate change impacts such as sea ice melting are most visible in the Arctic, climate change impacts, as well as climate change-related economic opportunities, will be increasingly global in nature (Interview #1, #3, #6, #7, #16, #17, #18, #19, #20, #21, #23). Asian countries such as China will be adversely impacted by sea level rise and climatic shifts but also will be interested in embracing new Arctic opportunities. Asian involvement in the AC and broader engagement in the region gives Asian stakeholders such as China a voice in how the region develops from a geopolitical, biophysical, and economic standpoint. An individual involved with the University of Akureyri Polar Law Program summarizes the dominant feeling when they say:

But I do meet a lot of Asian academics and [other] Asians with different backgrounds including government people in various countries. I find it very natural. Of course, they do they have and they should have an interest in the Arctic. And it relates to many things – of course it is a geopolitical question, it is a question of natural resources, access, exploitation, especially when you see the numbers about how much there is of unexploited natural resources up north … And I think it is perfectly normal that they are interested and I think it is to the benefit of everybody that they take part. Because they will be using these shipping routes, they will be looking for these resources … I think there is every reason to see them observe in the [Arctic Council] or otherwise participate in meetings like this Arctic Circle now.

Second, there is the belief that Asian involvement in the Arctic will increase the region’s global visibility and thus strengthen Arctic institutions (Interview #1, #3, #14, #18). For instance, Asian use of Arctic sea routes makes the routes ‘global’ in a way that the Arctic and European nations’ use cannot (Interview #10, #20). Asian involvement in the region draws attention and strength to Arctic consultative bodies. A professor at the University of Iceland:

I think they [Iceland] thought, by … because of this geopolitical interest in the area, it would raise the profile of the Arctic Council itself also, very much. It would … reflect the area’s growing importance … it would also prevent bilateral deals between Asian countries and individual Arctic states [and] prevent an alternative forum. They were afraid of that also. Because big powers like China, they are not going to … if they are showing a real interest in the area, they want to have some say, not about how it is run but have some say because of transport or whatever, they will do what is needed whether it is bilaterally or otherwise.

Chinese overtures that are seen as mainly scientific have also seen a positive reception. The Iceland–China Aurora Borealis observatory was realized through a partnership between the Icelandic Center for Research (RANNIS), the Polar Research Institute of China, and the Arctic Portal, established on a farm near Akureyri, and had an official start in late 2013. Icelandic research institutions are
enthusiastically seeking connections with Asian scientists (Interview #6), and a Chinese–Nordic Arctic Research Center was inaugurated in December 2013 with full support from RANNIS. Scientific engagement is seen as a way to leverage existing scientific resources and increase scientific knowledge of global climate change trends (Interview #7, #17, #18, #20, #21, #23). An individual at RANNIS makes a case for connecting with Asian scientists:

the Chinese scientists … they have [presented] very compelling evidence how global warming has an impact on weather systems and things like that, on a global level. And of course applies to other scientists, but it is strengthening this … I would say that Chinese scientists have done this in quite a comprehensive way. They look at the whole globe, because they are also situated in Antarctic so they can link that to evidence from there.

Finally, Chinese overtures that could be categorized as mainly economic have also seen a positive reception from many Icelandic elite. Iceland is desperate for foreign direct investment after the impact of the global financial crisis, but is finding it hard to attract not least because of its post-crisis foreign exchange controls. In an economy with a GDP of $13.47 billion USD (www.cia.gov), cash-rich Asian actors such as China have the potential to provide significant investments into the flagging Icelandic economy. Iceland alone is not able to finance massive Arctic infrastructure projects or extend its industrial reach in the Arctic. For instance, the much-discussed Arctic transhipment hub could not be built without outside financing (Interview #1); and trans-Arctic shipping cannot be sustainably developed utilizing only the assets of an Icelandic shipping company (Interview #10, #20). Since Iceland’s own search and recuse assets are minimal, any facility built for that purpose would also have to rely on larger players’ willingness to contribute their assets and know-how. Respondents interviewed believe that connections with Asian (particularly Chinese) actors are potentially critical because investment can help ‘scale up’ important Icelandic industries, diversify investment away from Reykjavik, and enable wider Icelandic ambitions (Interview #1, #4, #5, #8, #10, #14, #18, #20, #23). An individual at the Arctic Portal explains:

For example trans-arctic shipping and if we just focus on trans-arctic shipping. It is a global thing, it will not happen because [Iceland] decides to start trans-arctic shipping. It is not going to be economical in that context … It has to include Asian countries, it has to include America. And if not it will never happen because it will never be economical in a sense. It requires investments that are totally outside the scope of Iceland. So, the better cooperation they have with these countries the more they will benefit our country in the long run.

However, while Chinese political and scientific overtures are either invisible to or seen as irrelevant by the Icelandic public, Chinese economic overtures into Iceland and the Arctic are not. Specifically, the highly visible case of Huang Nubo and Chinese Investment Group Zhongkun suggests that interest in Chinese economic engagement with Iceland and in the Arctic may be an elite preoccupation or one held only by certain segments of the population. The (ongoing) Huang Nubo case was well documented in both international media (Bloomberg 2012; Higgins 2013; Naidu-Ghelani 2013 to name a few) as well as Icelandic media (Fontaine 2012a; Fulton 2013). In brief, Huang Nubo’s bid to acquire a group of farms for an eco-tourism venture (totaling 300 km² or 0.3% of the whole country) in Iceland received
a decidedly different reception than other expressions of Chinese interest. The Minister of the Interior in the left-wing Icelandic Government at that time, Ögmundur Jónasson, rejected the bid to buy the land, and the local media in Iceland were at times openly hostile to the investment idea (Interview #11, #20, #23). Stated concerns hinged on possible ecological damage as well as the historic and cultural importance of the Grímsstaðir site and a general aversion to offering such assets to foreigners. Even after Huang Nubo switched to a strategy of only leasing land that would be owned by a coalition of municipalities and local landowners, public opinion on the investment was still decidedly mixed (Fontaine 2012b).

Why was there this public reaction to the Huang Nubo bid and not as strongly to other Chinese Arctic overtures? Huang Nubo himself – disappointed with how the bid played out – suggested the response was due to racism or xenophobia, a point of view held by some Icelandic respondents as well (Interview #20). Others within Iceland point to differing economic goals between the Icelandic countryside and Reykjavik (Interview #15), an aggressive traditional and online media that whipped up opposition to the bid (Interview #11), and the fact that the Huang Nubo bid was for land, meaning it was received more viscerally than more ‘abstract’ investments in infrastructure or science (Interview #17, #23). A related belief was that Huang Nubo’s bid was opposed because many Icelanders feel threatened by the difference in scale between the two countries. An Icelander involved in government-sponsored Arctic research says:

But in terms of the size and the power and the ability to influence things, the difference between Iceland and China is enormous of course. And in terms of everything, whether its investment or politics or whatever. So I think a lot of people are quite wary of this development. And I think it is very simply common sense that a sovereign, small sovereign democratic micro-state like Iceland should be very much, should be very careful with commitments and what kind of relationships and how it chooses its friends, so to speak.

The new center-right governmental coalition is studying a revision of investment laws that prohibit ownership of land by non-EU citizens, in direct response to this case (Valdimarsson 2013, Interview #11). There are no signs that Huang Nubo has abandoned his Iceland ambitions, meaning that a change in the laws would likely mean that the deal would proceed. As of April 2014, the Huang Nubo story is still ongoing.

Analysis – Iceland as a small state in an increasingly visible region

Determining what is a ‘small state’ and the dividing line between small states, ‘middle powers’, and ‘great powers’ has long been a preoccupation in the international relations and small-state studies literature. States have been categorized as small or not because of attributes like population, economic GDP, physical extent, military reach, or even the size of their diplomatic corps (Archer and Nugent 2002; Asgrimsson 2003; Keohane 1969; Vayrynen 1971; Vital 1967). Regardless of the specific dividing line, being an island in the North Atlantic with just over 315,000 people, no military, and a GDP ranked #143 in the world (www.cia.gov) would under almost any definition make Iceland a small state.
Small-states studies have a long history with significant ongoing theoretical debates and disagreements. This paper does not seek to dive into the debate here (for a useful reader, try Ingebritsen et al. 2006), but rather proceeds from the basic assumption that small states like Iceland are fundamentally constrained in world affairs due to limitations in resources, power, and/or bureaucratic capacity. Not being able to use abundant resources or unilateral military or economic power to achieve its aims in the international obliges a small state to choose between several strategies. These strategies include (1) seeking to strengthen and use multilateral institutions (Bailes and Heininen 2013; Hey 2003; Keohane 1969; Martin 1992; Vital 1967; Wivel 2005), (2) responding quickly and flexibly to changing geopolitical or economic circumstances (Bräutigam and Woolcock 2001; Briguglio et al. 2006; Browning 2006; Kauto et al. 2001; Thorhallsson 2011), and (3) making the choice to either increase influence through cooperation with great powers or maintain autonomy (but increase vulnerability) through unilateral measures (Cela 2011; Rickli 2008; Wivel 2005).

Iceland’s response to Chinese Arctic overtures seems very much in keeping with its own interests and these small-state strategies (Table 2). The most typical small-state strategies, and how Iceland’s response to Chinese overtures fits within them, are analyzed below.

Table 2. Does the Icelandic reception to Chinese Arctic overtures make sense vis-à-vis the small-state analytical framework?

<table>
<thead>
<tr>
<th>Icelandic response to Chinese overtures</th>
<th>Strengthen multilateral institutions</th>
<th>Nimbleness to changing circumstances</th>
<th>Expand influence through cooperation and alliances</th>
<th>Seek to protect sovereignty and autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcoming to political overtures</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Welcoming to scientific overtures</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Welcoming to economic investments</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Negative public response to Huang Nubo bid</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

**Small states seek to strengthen multilateral institutions**

Small states seek to strengthen multilateral institutions as they see these institutions as creating norms which constrain the behavior and ambitions of great powers (Martin 1992). Institutions help create a more level playing field where smaller states can be (closer to) equal and can more effectively push their interests versus bilateral arrangements (Bailes and Heininen 2013; Wivel 2005). While an institution may put unwelcome constraints on great powers to the point that where they leave...
and weaken it (Cela 2011), for small states the ability of institutions to create binding international norms makes this a risk worth taking.

Iceland has put much emphasis on the AC, a multilateral institution that had its origins in a non-binding agreement (AEPS) focused upon environmental issues, but is now the dominant body for cooperation in the Arctic and perhaps even moving toward a policy-making body (Kao, Pearre, and Firestone 2012; Koivurova 2010). The very first principle of Iceland’s Arctic policy consists of ‘promoting and strengthening the AC as the most important consultative forum on Arctic issues and working towards having international decisions on Arctic issues being made there’ (Ministry of Foreign Affairs 2011). Iceland’s focus on the AC was perhaps cemented after the 2008 Ilulissat Declaration and the rise of the ‘Arctic Five’. While the threat of an institutionalized ‘Arctic Five’ has receded since the change of administration in the USA (Pedersen 2012), Iceland’s Arctic strategy is still very much aimed at avoiding exclusion from Arctic discussions and pushing for the AC (where it is included) to be the preeminent Arctic forum (Interview #1).

The welcoming reaction of Icelandic elites to Chinese political overtures into the Arctic and Iceland are directly in line with these interests and a reflection of the small-state strategy of seeking to strengthen multilateral institutions. Iceland supported Asian states including China as observers in the AC because Asian involvement helps to legitimize this institution and ensure it remains the main Arctic consultative body for the foreseeable future (Interview #3). Conversely, excluding Asian actors from the AC would have decreased the AC’s relevance, encouraging bilateral deals and harming Iceland’s interests (Interview #18). Asian involvement in the region generally helps to increase the Arctic’s visibility, making Arctic issues global and further drawing attention to the AC (Interview #14).

Small states act quickly in response to changing circumstances

In the 2000s, small-state scholars moved to looking for examples of how small states benefited from their size. Smallness began to be seen as potentially associated with innovation and smartness (Browning 2006), nimbleness (Bräutigam and Woolcock 2001) and even economic resilience if matched with good governance and high levels of social development (Briguglio et al. 2006). The flexibility of a small-state’s bureaucracy was seen as a key contributor (Thorhallsson 2000). As such, small states could more quickly change tack in response to changing geopolitical or economic circumstances and grab opportunities as they arose.

Iceland suffered from both a foreign policy and an economic shock in the 2000s – the (arguably unilateral) alteration of the USA–Iceland relationship and the 2008 financial crisis which led to a complete banking collapse. However, in the following years, Iceland has managed to pivot relatively quickly from focusing foreign policy exclusively on staunching the bleeding to developing a coherent Arctic policy and devoting governmental resources toward exploring opportunities in the region. As mentioned, Iceland now has a ministerial-level coordinating committee in addition to a five-person Arctic team at the Ministry of Foreign Affairs (Interview #1, #20). The government has given official support to cross-sectoral Arctic institutions such as the Iceland–Arctic Chamber of Commerce and the Iceland Arctic Cooperation Network which promote Arctic economic, political, and scientific goals. While the feeling in Iceland that the ‘Arctic is everybody’s business’ reflects
biophysical realities, it also serves as the justification which underpins and encourages Iceland’s welcoming of new actors into the Arctic.

Likewise, Iceland’s deepened engagement with Asian actors including China in the scientific and economic spheres has been relatively fast and could be seen to reflect a certain small-state nimbleness. As domestic scientific funding in Iceland has become scarcer due both to economic and political reasons and Arctic science increasingly requires global collaboration, the Icelandic scientific community has quickly responded by looking for scientific collaborations from abroad and with China in particular. For example, the Chinese–Nordic Arctic Research Center moved from an idea in June 2012, to a signed agreement in June 2013, to an official inauguration in December 2013, a total time of only one-and-a-half years. Private businesses in Iceland have likewise moved from looking primarily to other Nordic countries and the EEA for partnerships to looking more extensively at cash-rich Chinese actors.

Small states choose between cooperation and risks to sovereignty or autonomy and risks of vulnerability

While great states can impose their will on others through military force or economic sanctions, small states have the choice to either ‘maximize their influence through cooperation or maximize their autonomy by taking up a defensive policy’ (Cela 2011, 59; Rickli 2008; Wivel 2005). This is an either–or proposition: cooperation, especially with great powers, creates alliances but potentially erodes sovereignty, while seeking autonomy creates vulnerability and risks economic and political isolation in time of crisis.

The split response of elites versus the general public to Chinese Arctic overtures illustrates the fundamental tension between these two choices. The response to Chinese overtures by the Icelandic elite has primarily reflected the first choice. Many of Iceland’s welcoming moves toward China and other Asian actors – from supporting Asian countries on the AC, to signing a bilateral FTA with China, to creating scientific collaboration frameworks, to looking for Chinese investors in Arctic infrastructure – are intended to not only provide resources but to develop a wider range of allies who can offer greater opportunities and support for the country in times of need. Iceland is certainly not bereft of strong alliances. As mentioned, it shares cultural roots with other Nordic states and has excellent geopolitical and economic relationships with them. However, these alliances with other small states do not provide the same insurance against geopolitical and economic shocks potentially offered by alliances with great powers. The idea of building strategic alliances with ‘unorthodox’ great powers to balance or complement alliances with traditional allies has a long history in Icelandic politics, including during the cold war when Iceland had relaxed political and economic relations with the Soviet Union. Iceland felt abandoned by some of its traditional allies by the closing of Keflavik air base and in the heat of the Icelandic financial crisis (Gissurarson 2008), and Iceland and Europe are perhaps drifting apart (Bailes and Thorhallsson 2013) with the country in 2013 suspending its EU accession negotiations. Asian allies such as China may be seen at least by some Icelandic strategists as filling a vacuum and helping to ensure that Iceland will not be abandoned again by great powers if another crisis arises.
Iceland’s alliance building with China can also be seen as part of a broader Arctic cooperation strategy. This strategy also includes strengthening existing alliances with Western Nordic countries, including Greenland and the Faroe Islands (Interview #14). For example, the Icelandic Government has put more emphasis on the West Nordic Council in recent years, growing its importance, strength, and popularity (Nielsson 2014). While the West Nordic countries including Iceland have differences in size, politics, and even culture, they nonetheless are united in the desire to explore Arctic economic opportunities as well as determining jointly how to respond to overtures from outside the region, including (ironically) those from China.

However, the reaction of a sizeable portion of the Icelandic public (as well as some parts of the Icelandic political establishment) to the Huang Nubo bid more strongly reflects the second choice – to maximize autonomy and avoid alliances that put this autonomy at risk. Iceland’s small size drives alliance building but simultaneously creates a certain hesitance to enter into arrangements which threatens its national identity. The feeling that Iceland ‘should be very careful with commitments and what kind of relationships and how it chooses its friends’ is clearly present in the Icelandic psyche. Particularly because the Huang Nubo bid was for buying land as opposed to investing in infrastructure, and because Huang Nubo was seen (either rightly or wrongly) as representing the Chinese Government, the bid tapped into public fears related to the difference in scale between Iceland and China. Both Iceland’s suspension of EU accession negotiations and the reaction to the Huang Nubo bid may indicate that certain segments of Icelandic society prefer autonomy and the risk of vulnerability to cooperation that entails risks to national identity.

Conclusion

This paper has described Iceland’s Arctic interests while also detailing and analyzing Iceland’s response to Chinese Arctic overtures using the lens of small-state studies. The Icelandic elite welcome political, scientific, and (generally speaking) economic Arctic engagement with China as well as other Asian actors. Especially, since the financial collapse of 2008, economic connections to Asia have been perceived as crucial to both revitalize the Icelandic economy and enable Iceland’s Arctic ambitions. However, the Huang Nubo case illuminates significant fault-lines in Icelandic society and suggests that public enthusiasm for economic engagement with Chinese as well as possibly other Asian actors may be more limited than commonly perceived. Iceland is trying to thread the needle between cooperation and autonomy, but little is known about how different stakeholder groups within Iceland beyond elites perceive Chinese, and more broadly Asian, overtures into Iceland and the Arctic. Further research has the potential to fill this gap and help inform Iceland’s future path in a climate-changing region.

Acknowledgments

Many thanks are due to Professor Alyson Bailes for reviewing drafts of this manuscript, as well as to all informants within Iceland which made this research possible.
Notes
1. Negotiations over the FTA did not start out primarily due to an Arctic focus, but rather because China was looking for European partners to introduce it to the EU-style trading system. However, the FTA took on more of an Arctic tinge over time as both Iceland and China evolved to see the region as a place of mutual economic interest. For text of document, see http://www.mfa.is/foreign-policy/trade/free-trade-agreement-between-iceland-and-china/.

Funding
This work was supported by the National University of Singapore’s Staff Research Support Scheme FY2013.

References


PÆDERSEN, T., 2012, Debates over the role of the Arctic council. Ocean Development & International Law, 43(2), 146–156.


YOUNG, O.R., 2009a, Whither the Arctic? Conflict or cooperation in the circumpolar north. Polar Record, 45(232), pp. 73–82.