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CONFERENCE OF PARLIAMENTARIANS OF THE ARCTIC REGION

THE STANDING COMMITTEE OF PARLIAMENTARIANS OF THE ARCTIC REGION

Fourth draft

**Economic development and capacity building in the North**

A report from the Standing Committee of Parliamentarians of the Arctic Region (SCPAR)

**Introduction**

The people living in the Arctic must be fully involved in the new possibilities arising in the Arctic.

This is why the Standing Committee of Parliamentarians of the Arctic Region (SCPAR) has decided to make a report where we address economic development and capacity building jointly: How can we best prepare the ground for a sustainable economic development in the Arctic which benefits the people in the North?

The Arctic is rich in human and natural resources. The rich natural resources and dramatic results of the changing climate are attracting attention on the global arena. The Arctic fisheries are rich and the region has plenty of fresh water, both resources which are scarce in a global context.

As Arctic parliamentarians we are committed to focus on the people living in the Arctic, experiencing the changes first hand. We must build on the knowledge and experiences of the people in the Arctic to shape a sustainable future for the people and the environment.

In many areas of the Arctic climate change makes the rich natural resources of the Arctic more accessible. Mines are opening up; the potential for rare earth metals is being scrutinized and assessed. Oil and gas deposits are being explored and developed. New commercial shipping routes are opening up and cruise ships are entering more remote areas in the Arctic. This development will change the Arctic in many ways.

The social benefits and costs are potentially huge in many of the development projects, especially related to utilization of natural resources. The impact on small societies when new industry is opening up, with potentially thousands of workers, is dramatic. Non renewable natural resource extraction will unavoidably end, thus use the period of mining to build a society that last beyond the life of the mine is essential. The Arctic countries with its Northern communities must prepare to meet the challenging opportunities.

It’s important that the local communities gain economically from the new activity. Developing natural resources includes additional risks to the local environment and to the societies. For the local people to accept this risk as worthwhile, they need to see direct benefits from the activity. Resource and industrial development must benefit the peoples in the Arctic in the widest possible ways. Thus, strong partnerships between Arctic communities, business and the authorities are crucial. We cannot go into the North and develop the resources without long term gain for the population living there. Good jobs for Northern people are important.

The development of the Arctic must have a human rights approach where the Arctic peoples are the ones determining their future. As much of the Arctic is scarcely populated and covers vast areas, participation in democratic processes is a challenge. The democratic infrastructure should be developed continuously as an important part of the capacity building. Control of your own destiny, the right to self-determination, as well as the gender perspective, are fundamental principles for all peoples.

All economic development must be based upon the cultural-, economic-, environmental- and social sustainability. This is why SCPAR believes in making overall strategies for assessing environmental, social and cultural consequences when developing natural resources in the Arctic, to ensure that any such utilization is based on principles of sustainability.

The economic development in the Arctic needs to be reflected in the official Arctic cooperation. This is why the Arctic parliamentary cooperation put “Economic opportunities in the Arctic” as one main agenda item at its last conference in Akureyri, Iceland in September 2012.

The Standing Committee notes with appreciation that the Canadian chairmanship of the Arctic Council has put “Development for the people of the North” as the overarching theme of their chairmanship and “Responsible Arctic resource development” as one of the main priorities. This is in line with the conference statement from Akureyri.

1. **Economic development**

In addressing the potential for economic development in the Arctic, SCPAR will address infrastructure as fundamental basis for the development and a then point to areas for closer Arctic cooperation.

**Infrastructure**

Necessary infrastructure is a prerequisite for a sustainable Arctic business development.

The increase in activities in the Arctic will require new infrastructure as infrastructure is important for safe development of the resources in the Arctic, for the security of the environment and the people.

There is a big need for infrastructure investments in the Arctic in the coming years. The melting sea ice is attracting shipping companies to use the North East passage for cargo transport. The thawing permafrost is likely to lead more transport from land to water.

Fishing vessels are operating further North. As the ocean is getting warmer and the sea ice retreats, fish stocks migrate further north. Traditional hunting and fishing on the ice is being replaced by fishing and hunting from boats also by Arctic indigenous peoples. The cruise ships have also entered the Arctic.

These increased marine activities are demanding an increase in the Arctic marine infrastructure, for search and rescue, ports and more.

SCPAR is of the opinion that the Arctic countries needs to improve their cooperation and coordination when developing new infrastructure in the Arctic.

A strengthened Arctic cooperation on developing the infrastructure will also most like improve the possibilities for travelling east-west in the North, be it by plane or railway.

One good example is the ongoing work on a Barents transport plan which looks at in the Barents region (North of Norway, Sweden and Finland, and the Northwest Russia) and the cross-border needs for joint infrastructure development.

Satellite surveillance- and communications is area where the Arctic needs improved coverage. Satellites are in many ways ideal for the remote and sparsely populated Arctic area. Improved satellite coverage would be important for inter alia communication, environmental surveillance and safety in the Arctic.

The Arctic lacks charts. Large areas remain uncharted and many of the charts are poorly updated. The increased marine activity will make the need for better charts imperative.

SCPAR believes joint efforts in mapping the Arctic Ocean and making updated, reliable charts is vital for a secure development in the Arctic. The cooperation between the five Arctic Coastal states must be given priority on this matter.

**Sustainable societies**

The rich resources in the Arctic contribute to create prosperous and sustainable societies. The rich fisheries are an important food source for the worlds growing population, and the mineral- and petroleum resources create big revenues for companies and the nation states in the Arctic. The members of the Standing Committee find it vital that these revenues are contributing to build sustainable societies in the North.

In many small societies around the Arctic the development of the natural resources will create new opportunities for the people of the North. Most importantly it will create new jobs which all societies are dependent of today.

However, a positive development depends on cooperation and understanding with the people living in the Arctic. The development must take place in cooperation between the governments, the companies and the peoples. The traditional use of the resources in the North must be taken into account when developing the North. It could be traditional fisheries by the local people or potential mining in areas traditionally used for reindeer herding.

The members of the Standing Committee find it important that the Arctic countries exchange experiences and good practices of how the countries manage to work to start new industrial projects at the same time as the traditional livelihoods in the area are allowed to continue to prosper.

One of the main challenges for many northern societies is the cost of energy. The development of new energy resources, energy efficiency and more is addressed in further detail later on in this report.

**Sustainable tourism**

The nature and the traditional way of living for the Arctic indigenous peoples attract an increasing number of tourists to the Arctic. More people want to experience the Northern light, the midnight sun and spectacular scenery in the Arctic. Although the competition in attracting tourists between of the Arctic countries is strong, there is room for increased cooperation.

Many tourists are interested in learning more about the indigenous peoples living in the Arctic. Whether the tourists arrive by airplanes or cruise ships, they create many of the same challenges and opportunities for small arctic societies.

The traditional ways of living and hunting, and the culture of the Arctic indigenous peoples attracts tourists to the Arctic. Festivals with indigenous artists bring people to the North. Cooperation on how to develop Arctic tourism generally, and exchange ideas on how to develop cultural tourism across the Arctic, would foster new businesses in small communities.

This is why SCPAR reiterates the call from the Arctic parliamentary conference in Akureyri 2012 for a closer Arctic cooperation on tourism. SCPAR supports the Canadian initiative to establish “guidelines for sustainable tourism and cruise-ships operations”.

1. **Capacity building**

The people living in the Arctic have been the focus of the Arctic parliamentary cooperation since its inception in 1993. The Standing Committee believes the time is right for a concerted effort to connect the economic development with human development for the future of the Arctic region.

Climate change is influencing the livelihood of northern peoples in both positive and negative ways. These changes, and the new opportunities they have created, have turned the Arctic into an increasingly important region.

The people living in the Arctic take the biggest risks when developing the rich Arctic resources. The same people must clearly see and feel that they share the advantages, see long term benefits, and take part in the economic development happening in their homeland.

Many of the challenges and opportunities facing the peoples of the Arctic are similar. This is why SCPAR calls for a broader cooperation between the Arctic states to enable local residents to make use of new opportunities in the Arctic.

**Education**

Knowledge is the key to sustainable development of the North. Use and development of traditional and conventional knowledge is vital for the people living in the North to build resilient communities able to make use of the opportunities in for example the extractive industries or tourist development.

The Arctic parliamentary cooperation strongly supports capacity building, particularly through education, to ensure that local communities will benefit from economic development. It is however vital that the courses and classes are rooted in the north and relevant for the people living in the North, and that there is a link between the economic opportunities and the education system.

You don’t get less knowledge when you share it with someone else, it increases. This is why SCPAR is a strong supporter of student exchange. We need to strengthen and expand mobility- and exchange programs involving students and young professionals in the Arctic. As countries and regions with strong Northern identities, student exchange is even more beneficial as we share many of the same values and also some of the same challenges. Student exchange strengthens the Northern identity and shared community of the students, they share and learn new skills which are directly relevant for their further studies and work in their home community. Student exchange produces networks that open for new partnership in business, and is efficient use of northern education and trainings capacity resources.

Student exchange is also an important factor to increase innovation, creation of new jobs, and secure long term business opportunities between our countries. It ensures common social, economic, and environmental high standards in doing business and harvesting the natural resources. It also addresses the need to make young people – especially young women - to stay in the North.

We need to find ways to further stimulate Arctic student exchange, continue to learn from each other and together promote prosperous development in our countries. SCPAR proposes to establish a Circumpolar Mobility Program with the University of the Arctic as a key player in cooperation with the Arctic business sector, regional- and state governments.

In this process the inclusion and recognition of traditional and local knowledge into the education program is natural. SCPAR believes it is important to exchange good practices in this field between the Arctic countries.

**Research and innovation**

The International Polar Year 2007-2008 was a huge effort which enhanced our knowledge about the Arctic. The IPY 2012 conference in Montreal had the theme “From Knowledge to Action.” The knowledge from the IPY has strengthened the knowledge base for all fields of society, in the political sector as well as in business.

SCPAR believes it is especially important to anchor knowledge accumulated from Arctic research in the Arctic. This science can improve local capacity building in education, new research, policy making, local governance, business development and more. We should continue to improve the interplay and complementary relationship between traditional knowledge and conventional science.

Many communities in the Arctic struggle with increased cost of living, and the price of energy is high. The constantly increasing prices are creating big constraints on the people. Development of infrastructure and research into renewable energy resources which could reduce the cost of living in the North would be of great importance to ensure sustainable societies in the North.

We need joint research to develop renewable energy suitable for the Arctic region. This would reduce the emission of black carbon (sot) and have positive effect on the environment as well as on the human health.

The research needs to address the needs in the Arctic. In order to improve capacity in the event of oil spills and other environmental accidents we need closer cooperation on challenges related to oil drilling and transportation of oil and other hazardous goods in Arctic waters.

SCPAR is convinced that the Second Arctic Human Development Report will be an important tool in understanding the needs of the arctic societies.

**Cooperation between authorities and business sector**

The big economic opportunities are important drivers of change in the Arctic region. The business sector will make a big impact on the future development of the Arctic. As the governments in the region are formulating the regulations for business activities, the companies are interested to learn about the legal framework for their activities. A good dialogue between the governments and the business sector will be mutual beneficial.

The business sector is an important partner in creating sustainable societies, also in the North. Business development in the Arctic is very diverse - from the selling of handicrafts to big scale industrial projects.

Corporate Social Responsibility – CSR – was put on the Arctic agenda by the Swedish chairmanship of the Arctic Council. Internationally the UN and other forums have focused on the interplay between business development and human rights, resulting in initiatives such as the UN Global Impact. The conclusion made by the Arctic Council so far is that the governments should use these existing international CSR guidelines and work on information about the guidelines and their implementation in the Arctic.

CSR is fundamentally linked to the concept of sustainable development: businesses need to integrate the economic, social and environmental impact in their operations. CSR could be part of the solution to make more of the profits remain in the Arctic, and a platform for dialogue between the business sector, governments and local residents.

SCPAR believe the Arctic Council should continue to explore the possibilities which lie in developing CSR as a in the Arctic region.

The idea of creating an Arctic Chamber of Commerce was adopted by the Arctic parliamentary cooperation at the conference in Akureyri in September 2012. A Chamber of Commerce could be a partner for the governments on developing business activities in the Arctic. A first meeting could be initiated by the governments, but further activities must be business driven.

The idea has been picked up by the Canadian Chairmanship of the Arctic Council which aims at establishing a Circumpolar Business Forum during its tenure. SCPAR believes that the initial face needs to be open and inclusive as the contact with business representatives needs to clarify the interest and possibilities of a Circumpolar Business Forum.

To improve the cooperation with the business sector SCPAR believes the Arctic Council should initiate a framework mentorship and mobility program, in cooperation with universities and scientific- and business communities. One possibility is to establish such a program within a specific industry – for instance mining. SCPAR believes mentorship and mobility programs should be further utilized as a tool for building capacity and strong communities in the North.

1. **Proposals**

(Directed to the Arctic Council )