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Executive Summary Report

Historically, the Arctic merited limited geostrategic attention as the extensive ice coverage significantly limited economic development and transit. During the Cold War, there was competition in the Arctic between the U.S. and the USSR, but this was largely restricted to the military domain. However, a current and future look at the Arctic presents a broadening array of increasingly interconnected and irreversible regional issues with global implications, along with the potential for significant competition and possible conflict.

The Trump Administration places high priority on homeland defense and securing the borders; the Arctic creates multiple threat challenges to the United States, as well as to several of our allies. These threat vectors range from Russian bombers and submarines operating off U.S. coasts, to joint Russian/Chinese military exercises, to Chinese spy balloons, and investment attempts. Greenland has recently gained prominence with the President's concerns that China could develop infrastructure in Greenland and/or secure natural resources, thus damaging the national security of the U.S. and its allies.

There are other challenges to the Arctic, such as impacts from climate change and global warming, which affect resources, research, governance, diplomacy, and security. The influence of climate change and global warming on the Arctic has caused its ice mass and thickness to reduce by 25 percent and 40 percent, respectively, since 1980. The ice is receding so quickly that some project most of it could be gone by 2050. Unabated, this rate of ice reduction has implications for rising water levels and potential global coastal migrations.

Despite the challenges, there are also new opportunities in the Arctic. As ice decreases in the Arctic, more people can access, inhabit, and transit the Arctic. Arctic commercial transit can capitalize on one of three shorter and quicker routes: the Northwest Passage, the Northeast Passage, and the Northern Sea Route, reducing time and distance by 30 percent or more. Access to the Arctic also affords access to significant resources, including 30 percent of the world's natural gas, 13 percent of untapped oil, and other valuable resources like diamonds, phosphate, bauxite, iron ore, nickel, and copper. Increased presence on the part of regional and global players will call for increased clarity in governance, security, and economic considerations.

Governance:

Governance in the Arctic is complicated and non-definitive. Foremost in terms of governance, each of the eight nations that are in the Arctic (Canada, Denmark, Finland, Iceland, Norway, the United States, Russia, and Sweden) has national authority over their sovereign lands, waters, and airspace. Russia has the largest stake in the Arctic, as its landmass spans 11 time zones, with 53 percent of the Arctic Coast and 2.5 million inhabitants above the Arctic Circle (about 50 percent of the total Arctic population).



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There is also the Arctic Council, an intergovernmental forum formed in 1996, comprised of the aforementioned eight nations, along with many observers. But this body, while important for discussing issues and disagreements, has no formal authority. The council's chairman is responsible for setting the agenda and establishing work priorities, with the chairmanship rotating every two years. Russia, by chance, had the chairman position when it invaded Ukraine in 2022. Russian actions were condemned by the other seven Council members and they also boycotted the Council, pausing Arctic cooperation with Russia. However, work eventually resumed with Norway currently sitting in the chairman position, though certainly tentative with Russia remaining an antagonist.

The United Nations plays a role in the Arctic as well, but it has no formal authority. The UN Convention on the Law of the Sea (UNCLOS) attempts to establish global maritime standards to include in the Arctic, but it does not enjoy U.S. support, hence, its conventions have limited effects. While the U.S. observes most of UNCLOS' customs, it is a political hot potato, with some believing it is essential for the U.S. to ratify the treaty and others thinking it would limit U.S. sovereignty and hurt its self-defense. The UN also has agencies such as the United Nations Environment Program and the UN Framework Convention on Climate Change involved in Arctic issues, but these programs do not significantly increase governance or cooperation in the Arctic.

Security Assessment:

As interest increases in the Arctic, so does the potential for miscalculation and conflict. In the near term, Russia presents the most significant threat in the Arctic. In statements made by the United States Department of Defense (DoD) in 2024 as part of the new DoD Arctic Strategy, "Russia's presence in the Arctic, including its military presence — the largest of all Arctic nations — can hold U.S. and allied territories at risk. At the same time, Russia is increasing its presence in the Arctic by reopening Soviet-era military installations."

As the majority owner of the Arctic landmass, Russia has significant geographic benefits compared to other nations in the world. Russia also has a major advantage in ice breaker capability and capacity, which dwarfs the collective numbers of ice breakers of all other nations. Russia has 57 icebreakers, with eight of them powered by nuclear reactors. Thus, Russia remains the dominant player to keep the Northern Sea Route open, and Putin looks to expand capacity by striking a deal with India to build additional Russian ice breakers to operate in the North Sea. The United States, Canada, and Finland have responded to the strategic disparity in ice-breaking capabilities by signing an agreement in July 2024 to collaborate on ship building to increase their ice breaker fleets. Today, the U.S. has only one heavy icebreaker (which is 50 years old) and one medium icebreaker (but it is primarily used for scientific work), both operated by the U.S. Coast Guard. The U.S. is completing designs for a new heavy-class icebreaker, but it is unclear how many will be produced. Although ice breakers are a necessary tool to maneuver in the Arctic, they have little utility in military operations. They do have tremendous utility, however, in the economic capacity of the Arctic to keep commercial sea lanes open as long as possible, as the polar ice continues to melt.

Russia's infrastructure and physical air, land, sea, and cyber capabilities present many challenges in the Arctic. According to CSIS, over the past decade, Russia has invested in opening and modernizing a Cold War base that is more than 50 years old, to include the reopening of bases in

the Arctic that include radar, aviation, and port infrastructures. That said, many of these bases were not in the best shape during the Cold War, much less so after years of neglect, so the Russians probably have many years of work to improve them. Further, the drain on resources from the Ukraine-Russia War has probably limited infrastructure improvements to a crawl. In addition to hard assets and presence, what concerns the chiefs of the Arctic nations, according to the United States Naval Institute (USNI) reporting, is “It’s not only about the capabilities of the technology, it’s about the intention...” Russia has been more aggressive and signaling its willingness to take more risks. In a statement of Admiral Caudle to UNSI, the Commander of U.S. Fleet Forces Command, “a concern of the Arctic nations is that...Russia wants to make Arctic waters its own...similar to what China has done in the South China Sea.”

Russia has the most submarines in the world, followed by the United States, with China a close third. While Russia enjoys a quantitative advantage in submarines in the Arctic, there is more to the story – today and into the foreseeable future, the U.S. retains the qualitative advantage in submarine capabilities, with a powerful combination of stealth and nuclear-powered boats. As highlighted above, Russia enjoys several military advantages in the Arctic, but it has vulnerabilities too. Similar to the United States’ qualitative advantages in submarines, the U.S. also has the world’s best Navy (surface and sub-surface) and Air Force (bombers, fighters, tankers, and reconnaissance), all of which can hold at risk much of Russia’s northern-tier bases and infrastructure.

The United States and the other Arctic nations, noting that all are NATO members except that of Russia, are taking the strategic investments, positioning, and military presence behaviors of Russia seriously as reflected in the latest U.S. Defense Strategy for the Arctic and the recent conference of Arctic Defense Chiefs of Staff in Iceland. Going forward, the strategic objectives of the U.S. and its NATO partners are to “remain peaceful, stable, prosperous, and cooperative.” To deter further Russian aggression and promote peace, stability, prosperity, and cooperation, the Arctic NATO nations will increase domain awareness in the Arctic, will enhance engagements with Allies and partners, and will exercise NATO’s presence in the Arctic.

Also, within NATO, there is consideration to expand the area of responsibility of the Supreme Allied Command of Europe to include the Arctic or to create a new “Arctic Command.” With the increasing competition in the Arctic that includes several NATO nations, such arrangements would enhance cooperation, coordination, integration, and strategic deterrence. The evolving Arctic landscape requires a more integrated approach to security, encompassing military, civilian, and scientific cooperation.

In addition to an increased exercise presence, the U.S. is also investing in capabilities to include deep water ports in Nome, AK, base improvements in Greenland, such as at Pituffik Space Base (formerly Thule Air Base), and a rotational presence in Iceland at Naval Air Station Keflavik. Though Russia remains the paramount threat to the Arctic, a newcomer, China, is doing its best to take advantage of opportunities in the Arctic. According to China’s policy on the Arctic, its goals are “to understand, protect, develop and participate in the governance of the Arctic, to safeguard the common interests of all countries and the international community in the Arctic, and promote sustainable development of the Arctic.” While some of China’s policies may be true, more likely, China sees an opportunity to alter the international order and global economics with a bias to China’s interests, and the Arctic is merely another region to compete and potentially dominate.

In 2018, China declared itself a “near-Artic Power,” though no such international designation exists. China successfully lobbied to become a “permanent observer” of the Arctic Council mentioned earlier – it is likely just a matter of time before China will attempt to become a formal member. Under normal circumstances, Russia would counter China’s efforts to expand into the Arctic. But with China’s steady rise, Russia’s power and influence diminish, and there is little that Russia can do. Ukraine may very well serve as a key marker in the decline of Russia as a great power. China’s role through the course of the war has changed. China has been the senior partner in the relationship for some time, however, the relative power gap between the two has widened since the war started. China is now significantly stronger than Russia and starting to demand more from its junior partner.

Last year, China and Russia conducted a joint naval exercise in the Arctic called “North-Joint 2024.” On the heels of this exercise, China deployed two of its Coast Guard cutters to the Arctic in a lengthy freedom of navigation mission. China and Russia also made history with their first joint bomber patrol in the Arctic that included China staging its bombers in a Russian Siberian airfield, where, subsequently, China and Russia jointly flew bombers off the coast of Alaska. Without question, the events in 2024 were just the beginning of increased Chinese military activity in the Arctic.

Economic Perspectives:

The Arctic is developing into a new arena of global power competition for the U.S., free market nations, Russia, and China from both a military positioning and an economic perspective. Climate change has provided increased access to the Arctic region, although logistical issues are still significant. For context of shipping routes through the Arctic, please see this link from the Arctic Portal.org: <https://Arcticportal.org/shipping-portal/shipping-routes/central-Arctic-shipping-route>.

The economic perspective of Arctic development is driven primarily by natural resources extraction and new shipping routes. Russia is one of the primary stakeholders economically. Today, Russia’s non-warfare economy is driven by the energy sector, with oil and natural gas exports. Russia’s global positioning as a world power is built on its military position and its energy resources. The Arctic represents a new source of energy resources, which makes it both an economic offensive opportunity and a defensive threat if those energy resources are accessed by other countries.

The natural resources of extensive oil and natural gas reserves, combined with the potential to have greater shipping access through the Northern Sea Route connecting Europe and Asia, provide a tremendous economic opportunity for Russia in the coming decades. The potential to ship more oil and gas directly to Asia through this shipping route also reduces the dependency of Europe as a future market for Russia. The Ukraine War sanctions have caused a significant drop in natural gas demand by Europe, which is unlikely to be recovered in the near term, given the geopolitical tension. In the near term, Russia has partially offset the European demand drop with exports to China, India, and Turkey. The opportunity to have a 12-month access to the Northern Sea Route to reduce logistical costs is a significant opportunity for Russia. Russia also attempts to charge fees to shippers transiting the North Sea Route – apparently, some pay the fees, but most, like the United States, do not, as the route does not cross the sovereign waters of Russia.

Today, the primary economic inputs from the Arctic for Russia's economy are oil, natural gas, metals, stones, and fish harvests, which represent about 10 percent of its GDP and 20 percent of its exports. Russia launched a \$300 billion investment in 2020 to develop infrastructure for the Arctic based on supporting the energy sector and the extraction of oil and gas. The program, funded by the government's ruling elites, is designed to attract foreign investments, including planned investments for towns, power plants, ports, and airports. This aggressive plan has significant risk given the logistical challenges in the Arctic and the cost of funding the Ukraine War, which subsequently escalated.

As mentioned earlier, while Russia is the primary antagonist in the Arctic, China aspires as a "near" Arctic country for resource extraction and Global Power positioning. Its external position is based on science and global cooperation, but its real objectives are more threatening. In addition to its growing military influence in the region described in the previous section, China is expanding its Belt and Road Initiative, or BRI (for a broad review of BRI, please see: [Bancroft GEOIntelligence Executive Summary on China's Belt and Road Initiative](#)), with a spiral to include the Arctic that China labels as the "Polar Silk Road." China's attempts to corner the market with rare-earth minerals are at the heart of President Trump's efforts to increase U.S. presence and security in Greenland.

The Arctic is a new economic strategic frontier for Global Power competition beyond the energy sector and shipping routes. World economies are being impacted by climate change and volatility, which is common ground across the globe. The warming temperatures and rising global sea levels due to Arctic ice melt have broad economic consequences related to global migration, coastal real estate, and financial services, including insurance and corporate strategy. Climate change impact and scientific research in the Arctic are areas where cooperation between world powers could have a positive impact. Additionally, there are humanitarian issues with the indigenous people who reside in the Arctic. Companies with sustainability and corporate social responsibility policies must consider how they view development in the Arctic and its impact on their corporate responsibility targets.

Here is a recap of the overall economic implications of the evolving Arctic:

- Arctic investment for development will require time and significant investment.
- The energy sector is the most impacted given the natural resources supply and shipping route opportunities.
- Russia has the highest risk–reward potential given its non-war economic dependency on energy and new markets for exporting.
- China has an increasing stake in the outcome of the Arctic development in its global positioning.
- U.S. and free-market nation states must be active in the Arctic for strategic military and economic opportunity and deterrence.
- Arctic melt as part of the broader climate has significant consequences for the globe across all sectors and sustainability initiatives.

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