

## Briefing Note

# Less EU in the Arctic Region After 2020

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With three EU Member States (Denmark, Sweden, Finland) and an additional two European Economic Area members (Norway and Iceland) being Arctic states, the EU has a strategic interest in the Arctic remaining a low-tension area, with ongoing cooperation ensured by the Arctic Council, a well-functioning legal framework, and solid political and security cooperation. Therefore the EU tends to contribute to this through enhanced work on climate action and environmental research, sustainable development, telecommunications, and search and rescue, as well as concrete cooperation with Arctic states, institutions, Indigenous peoples and local communities.

For quite a long period, the EU provided a significant amount of funding through various initiatives to Indigenous peoples and local populations in the Arctic region. Funding programmes during the 2007-2013 co-financing period amounted to 1.14 billion EUR, or 1.98 billion EUR including the co-financing of EU Member States. Over 1 billion EUR from the European Structural and Investment Funds will be invested in the area over the current 2014-2020 financing period in strategic fields such as research and innovation, support to small businesses and clean energy.

### **Serious Change After 2020**

However, this will change seriously with the next EU financial period starting in 2021. From 2021 on, the EU will have to reduce and focus its financial engagements in external relations for a variety of reasons:

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### ***Brexit***

Following the decision of the United Kingdom to withdraw from the EU, its contribution to the EU budget – currently around 15 percent of the total budget – will end. Since there is no realistic scenario that the remaining Member States could take over this amount, the total available budget for the EU will be remarkably reduced from 2021 on. Even when the current proposal from the EU Commission increases the EU budget for the period 2021-2027, at the end the final amount has to be agreed between all (at this time) 27 Member States and the European Parliament. Already now several Member States indicated that they are not willing to pay more into the EU budget. With a view to the current Brexit negotiations, there could be another budget relevant irritation: If the British withdraw from the EU ends in a “hard Brexit” (e.g. without an agreement before 29 March 2019), the envisaged financial remunerations and paybacks from the United Kingdom in the EU budget – for the moment discussions over an amount of 60 billion EUR are ongoing – would not be done.

### ***Greenland***

For the moment Greenland is one of the EU Overseas Territories and Countries (OCT) and therefore eligible for funding from the EU’s general budget through the EU-Greenland Partnership. For the current financial period 2014-2020 an overall amount of 217.8 million EUR is foreseen for the cooperation with Greenland. Education, vocational training and post-elementary school systems have been chosen as the concentration sectors for cooperation between the EU and Greenland for the period 2014-2020. In addition, in 2015 an ‘umbrella’ framework document for the post-2013 EU-Greenland relations, a Joint Declaration on relations between the European Union, on the one hand, and the Government of Greenland and the Government of Denmark, on the other, has been signed. By this legally and financially non-binding document the EU confirms its long lasting links between with Greenland and reiterates the geostrategic importance of Greenland for the EU.

The new proposal for an EU Council Decision on the Association of the Overseas Countries and Territories with the European Union including relations between the European Union on the one hand, and Greenland and the Kingdom of Denmark on the other (so called “Overseas Association Decision”) comes in the context of the 2021-2027 Multiannual Financial Framework proposal from the EU Commission. It focuses on consistency with existing policy provisions in the policy area.

The mid-term review report (December 2017) on 10 EU external financing instruments, including the Greenland Decision and the 11th European Development Fund (EDF), which includes programming for the other OCTs, concluded that the external financing instruments were ‘fit for purpose’. However, both the report and the consultations conducted highlighted the need for increased flexibility, simplification, coherence and performance. This has led to a proposal for a future Neighbourhood, Development and International Cooperation Instrument, which will draw on lessons learned to help streamline the Union’s external action architecture.

The Overseas Association Decision and the Greenland Decision cannot be included in the new Neighbourhood, Development and International Cooperation Instrument or in any other legal act subject to ordinary legislative procedure. This is because they both have a specific adoption

procedure: an EU Council Decision by unanimity, following consultation of the European Parliament.

However, to streamline the number of programmes it is proposed that both Decisions be merged into a single Decision regrouping all OCTs, including Greenland.

When Greenland decides to become totally independent from Denmark, the current privileged status as an OCT ends automatically. An independent Greenland would mean that Denmark is no longer a member of the Arctic Council. The EU would lose one of its members in the Arctic Council and the only EU member in the group of the Arctic Five.

### ***Iceland***

Iceland applied for EU membership in July 2009. The EU Commission issued a favourable opinion in February 2010, and the EU Council decided in June 2010 that accession negotiations would be opened. After a new government took over in May 2013, Iceland put the accession negotiations on hold. At the time of this decision 27 of the negotiating chapters had been opened, of which 11 were provisionally closed. In March 2015 Iceland's government requested that "Iceland should not be regarded as a candidate country for EU membership".

However, Iceland is highly integrated with the EU through membership in the European Economic Area (EEA), the Schengen Area and the European Free Trade Association (EFTA). It is also a signatory of the Dublin regulation on asylum policy and a partner in the EU's Northern Dimension policy to promote cooperation in Northern Europe.

Through the EEA Iceland participates in the single market and contributes financially towards social and economic cohesion in Europe. A significant proportion of the EU's laws are applied in Iceland today. Iceland also participates, albeit with no voting rights, in a number of EU agencies and programmes, covering areas including enterprise, environment, education and research.

Iceland has a bilateral Free Trade Agreement with the EEC since 1972. Two thirds of Iceland's foreign trade is with EU Member States.

With a view to the Arctic engagement of the EU, the withdrawal of Iceland's request for EU accession weakens the EU position. Iceland becoming an EU Member would have increased the number of EU states in the Arctic Council.

### ***New External Priorities***

Finally, the EU is currently reorganizing its external priorities. A strong focus will be laid to the so called "close neighbourhood" in Eastern Europe and northern Africa. The growing security interest of the EU in these areas will call for additional funding.

The current proposal for the EU Multiannual Financial Framework 2021-2027 sets the main priorities and overall budgetary framework for EU external action programmes under the heading 'Neighbourhood and the World', including the establishment of the so-called Neighbourhood, Development and International Cooperation Instrument. The objective of the Neighbourhood, Development and International Cooperation Instrument is to uphold and promote the Union's values and interests worldwide in order to pursue the objectives and principles of its external action. The proposal provides for a date of application as of 1 January 2021 and is presented for a Union of 27 Member States, in line with the notification by the United Kingdom of its intention

to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union received by the European Council on 29 March 2017.

Each regional envelope under the new instrument will be adapted to the needs and priorities of the regions in question, which reflect the EU's strategic priorities, notably in the EU's neighbourhood and Africa. Within the 75 page document the Arctic is only mentioned once: in footnote 17 as an *inter alia* example for "other policy documents". Already this indicates that the Arctic region will not be high ranked within the new external priorities of the EU in the period 2021-2027.

## Conclusion

For the moment it is unclear how the envisaged new external priorities will be framed and to what extent they are going to change the EU financial framework of the post-2020 EU budgets. Already, the Arctic topic is unlikely to be anywhere close to the top of the agenda for the EU in the coming years. In summary, from 2021 onwards it is expected that the EU will have less financial funding available and will strengthen its external engagements in regions of the world other than the Arctic.

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