



Trans European Policy Studies Association

TEPSA BRIEFS

JULY 2021

Key dimensions of Arctic economies: subsistence, mixed, market, and their relative context

Lara Johannsdottir and David Cook*

Abstract

The Arctic region is sparsely populated with specific structures of economies operating within certain institutional, environmental, social, and cultural contexts. This Brief explores the different types of Arctic economies and their context that needs to be understood if economic development in the region is to be sustainable and links it to the EU Arctic policy.

Introduction

The warming of the Arctic is happening at a faster rate than the global average. This results, for instance, in issues such as melting of glaciers and the Greenlandic ice cap and loss of sea ice¹, making sea routes and natural resources more accessible than before, wildfires releasing carbon dioxide at record levels, and more².

Economic opportunities consist of exploitation of natural resources, i.e., Arctic mineral resources, which opens opportunities for oil and gas exploration and production and mining, and activities such as sea shipping and logistics, fishing and aquaculture, tourism, and various types of services.

The flip side of economic opportunities, namely risks, range from nano to cosmic³. Risks should not be ignored as the Arctic region does not only center around the need and greed of monetized economies, but if a sustainable development of the region is to be delivered then the coexistence of subsistence, mixed and market economies in a sparsely populated region must be recognized and trade-offs prevented. Subsistence, mixed and market economies operate on scales ranging from local to global, and are embedded within a complexed system of institutional, environmental, social, and cultural contexts.⁴

The context of Arctic economies

¹ Norwegian Polar Institute n.d.

² Witze 2020.

³ Johannsdottir and Cook 2019.

⁴ Vammen Larsen et al. 2019.

The Arctic economies context must be recognized and understood to ensure the sustainable development of the region. This has been emphasized by the Arctic Council, which stated that the:⁵ *...Arctic is changing rapidly in ways that interact and fundamentally affect the region's ecosystems and societies. Climate change is important, but it is not the only driver of rapid changes in the Arctic. In many contexts, social, political and economic drivers may be of greater importance than global warming.*

The main aspects to consider are:⁶⁷

1. **Coexistence of economies.** The subsistence and market economies operate on the different end of the Arctic economies' spectrum. In between are mixed economies, which are partly monetized and partly non-monetized, with different production factors. A mixed economy is closer to the origin of the resources than the market economy, and thus closer to the impacts of production activities.
2. **Scales of actions.** Economic activities are carried out on spatial scales ranging from local to global. Subsistence economies most often exist on smaller local scales, while market economies operate in closer connection to the global economy.
3. **Institutional context.** The institutional context in the Arctic is complicated, with institutions operating on local, regional, national, cross-regional, and global levels. The institutions include corporations, municipalities, tribal councils, indigenous associations, and reindeer herding cooperatives, on local scales. Meanwhile, the United Nations (UN), International Labor Organization (ILO), International

Maritime Organization (IMO), and World Trade Organization are relevant on cross-regional and global levels. The multi-scale role of these various institutions ensures that Arctic economies operate in accordance with local rules, norms and national legislation, as well as international declarations and conventions.

4. **Environmental, social, and cultural contexts.** These domains are so interconnected in the Arctic that they are presented simultaneously. All these domains are collectively a part of the identity of Arctic inhabitants, in particular the Indigenous Peoples. This interconnectedness is evident, for instance, in cases of major disasters, where events such as oil spills with systemic consequences may entail an existential threat (cosmic risk) to the individuals and families on the subsistence level (nano risk).⁸

Understanding the aspects of coexisting economies, scale of actions, the institutional context, and the environmental, social, and cultural context, forms the basis of sustainable economic development in the Arctic.

Understanding the aspects of coexisting economies, scale of actions, the institutional context, and the environmental, social, and cultural context, forms the basis of sustainable economic development in the Arctic.

Subsistence, mixed and market economies

There is a wish for economic development in the Arctic in relation to climate change and the region's marine and vast hydrocarbon

⁵ Arctic Council 2013, p. x.

⁶ Vammen Larset et al. 2019.

⁷ Heininen et al. 2017.

⁸ Johannsdottir and Cook 2019.

resources, the potential for shorter shipping routes, tourism, and more, serving local and global economies. This requires an understanding of different types of economies, namely subsistence, mixed and market economies, co-existing in the region. This section explains the key aspects of different Arctic economies:

1. **Subsistence economies.** The backbone of subsistence (non-monetized) economic activities is hunting, whaling, fishing, caribou and reindeer herding, animal husbandry, trapping, gathering and traditional food processing.⁹ This means supporting oneself and one's family and/or community at a minimum level in terms of food, clothing, and shelter. It should also be recognized that subsistence economies possess a critical cultural and community identity, and help to forge an essential link to the natural environment.¹⁰
2. **Mixed economies.** Key characteristics of mixed economies, also known as dual systems, are that they combine elements of subsistence and market economies, relying on subsistence resources to fulfill social needs as well as traditional trading and bartering using capital to achieve social aims. Mixed economies have the advantages and disadvantages of other subsistence and market economies. There may be efficient allocations of resources and production, while social welfare is simultaneously improved. An example of mixed economic activities is reindeer herding, which includes both the production and private use of meat and raw materials, such as bones, horns and skins, and revenues created and taxed through the selling of reindeer products.
3. **Market economies.** This is a type of economic system where investment

decisions, production and distribution of goods is based on price signals from the market, brought about by a supply and demand for products and services. Private ownership is a characteristic of market economies, as well as self-interest, freedom of choice, competition, limited government regulation, and the profit maximization aim.

Subsistence, mixed and market economies each have their pros and cons, depending on who is the stakeholder, what is at stake, and to what extent they can influence and benefit from the development. A conflict of interest may arise between different economic activities. These conflicts, where subsistence, mixed and market economies coexist, must be recognized. What may be seen as an economic opportunity for market economies, may be seen as a major risk for subsistence and/or mixed economies in the Arctic.

The EU and sustainable Arctic development

The Arctic region is increasingly becoming a focus of economic and political interest. The EU Arctic Policy states the importance of the EU in meeting challenges now facing the region. Its role is based on successful regional or multilateral cooperation with Arctic member states so that the region can develop in a sustainable, safe, stable, and prosperous way. This is not only important for the Arctic region, but also for the EU and other regions of the globe, as it makes the Arctic a blueprint for sustainable development in other regions. To achieve this development, the EU offers funding opportunities for various stakeholders, through educational and environmental programmes, and these stakeholders range from young people and Indigenous People's groups to researchers, entrepreneurs,

⁹ Glomsrød et al. 2017.

¹⁰ ICC, 1992.

business, and local and regional authorities¹¹. The link between the updated EU Arctic policy and the European Green Deal, furthermore, ought to be strengthened, and a long-term perspective emphasized while “unsustainable practices that undermine Arctic ecosystems, inhabitants and species” must be discouraged¹². This suggests a holistic approach to the development of the region where Arctic-specific context is recognized, including its different types of economies.

Conclusion

This policy brief has discussed different types of Arctic economies and their context. It also brings forth the possibility of conflicts of interest, as it depends on who is the stakeholder, what is at stake, i.e., the extent of risks involved when economic development of the region is considered, and the well-being of inhabitants, including how the sharing of economic wealth is determined. The opportunities identified and utilized must also be developed within planetary boundaries and ecological thresholds so that the development of the region is sustainable.

Trade-offs between the different types of economies and activities may arise between reindeer herding and energy production, mining, forestry, and/or tourism, or between subsistence and commercial fisheries. If trade-offs between different economies and economic activities arise, the question becomes who will benefit? Who will be compensated and in what way?; and Who will lose the battle? Therefore, a strong dialogue, collaboration, and participatory approach which enables bridging between stakeholders is essential. This process may have to be facilitated through the institutional and political systems on which the economies are based, and requires an entrepreneurial

mindset, innovation, dialogue, and collaboration between different stakeholders across multiple spatial and temporal scales, where the environmental sensitivities of the Arctic are accounted for.

The European Union has expressed the interest that the Arctic region develops in a sustainable, safe, stable, and prosperous way, and stressed that the linkage between the EU Arctic policy and the European Green Deal must be strengthened, in order to reach this outcome.

¹¹ European External Action Service, n.d.

¹² European Commission, n.d.

References

Arctic Council (2013): “Arctic Resilience Interim Report 2013”. Stockholm: Stockholm Environment Institute & Stockholm Resilience Centre. <https://oarchive.arctic-council.org/handle/11374/1628>.

European Commission (n.d.). Summary of the public consultation on the way forward for the European Union’s Arctic policy, https://ec.europa.eu/oceans-and-fisheries/news/summary-public-consultation-way-forward-european-unions-arctic-policy-2021-01-26_en. Last accessed on July 12 2021.

European External Action Service (n.d.). EU Arctic policy, https://eeas.europa.eu/headquarters/headquarters-homepage/20956/arctic-short-introduction_en_en. Last accessed on July 12 2021.

Glomsrød, S., Duhaime, G. and Aslaksen, I. (eds.) (2017): “The Economy of the North 2015”. Oslo: Statistics Norway. <https://oarchive.arctic-council.org/handle/11374/1946>.

Heininen, L. and Finger, M. (2017): ‘The “Global Arctic” as a New Geopolitical Context and Method’, *Journal of Borderlands Studies*, 33(2), pp. 199–202. doi.org/10.1080/08865655.2017.1315605.

ICC – Inuit Circumpolar Council (1992): “Principles and Elements for a Comprehensive Arctic Policy”. Montreal: Centre for Northern Studies and Research.

Johannsdottir, L. and Cook, D. (2019): “Systemic risk of maritime-related oil spills viewed from an Arctic and insurance perspective”. *Ocean and Coastal Management*, 179 (104853), pp. 1-17, doi.org/10.1016/j.ocecoaman.2019.104853.

Norwegian Polar Institute (n.d.): “Climate change in the Arctic”. Accessed on June 9th, 2021 from <https://www.npolar.no/en/themes/climate-change-in-the-arctic/>.

Vammen Larsen, S., Bors, E., Johannsdottir, L., Gladun, E., Gritsenko, D., Nysten-Haarala, S., Tulaeva, S., and Sformo, T. (2019): “A Conceptual Framework of Arctic Economies for Policy-making, Research, and Practice”. *Global Policy*, 10(4), pp. 686-696, doi.org/10.1111/1758-5899.12720.

Witze, A. (2020): “The Arctic is burning like never before — and that’s bad news for climate change”. *Nature*, 585 (September), pp. 336-337.



Trans European Policy Studies
Association

Rue d’Egmont 11, B-1000
Brussels, Belgium

To know more about TEPSA visit:

www.tepsa.eu

Follow TEPSA on:

 [@tepsaeu](https://twitter.com/tepsaeu)

 [@tepsa.eu](https://www.facebook.com/tepsa.eu)

 [TEPSA – Trans European Policy
Studies Association](https://www.linkedin.com/company/tepsa-trans-european-policy-studies-association)

 [@tepsaeu](https://www.instagram.com/tepsaeu)



University of Iceland

Suðurgata
Reykjavík, Iceland

To know more about the
University of Iceland visit:

<https://www.hi.is>

Follow HI on:

 [@Haskoli Islands](https://twitter.com/Haskoli_Islands)

 [@HaskoliIslands](https://www.facebook.com/HaskoliIslands)

 [Háskóli Íslands](https://www.linkedin.com/company/haskoli-islands)

Co-funded by the
Europe for Citizens Programme
of the European Union



The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.