

The Asian Role in the Arctic's Development

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Abstract

Due to the Arctic's warming climate, the region is developing at a record pace. Fueled by the Northern Sea Route (NSR) and natural resources, commerce in the Arctic is expanding to include non-Arctic states, most notably China, South Korea, and Japan. This paper examines the factors that facilitate Asian involvement in the Russian Arctic. The paper finds three major factors: the Asian demand for energy and Russia's willingness to supply energy; Russia's increasing business ties with Asian industries for Arctic equipment and investment; and each country's regard for United Nations Convention on the Law of the Sea (UNCLOS) and the Arctic Council. The paper concludes that these trends are likely to continue for the near future and that Asia's involvement in the Russian Arctic will be an enduring feature of Arctic politics.

Introduction

In August 2012, the Polar Science Center at the University of Washington reported that the Arctic Ocean's summer sea ice had reached its lowest volume since measurements of the ice began.¹ The findings, confirmed by the American National Snow and Ice Data Center, marked a sobering milestone for the High North. While news of the dwindling summer ice sheet substantiated climatologists' worst fears, news of the Arctic's transformation foreshadowed a future in which the region is crisscrossed by trade routes and dotted with oil and gas platforms.

In the past five years two events aside from the profound physical and biological changes have done more than any other to propel the region into the international spotlight: the launch of China's icebreaker Xuelong (Snow Dragon) and Artur Chillingarov's planting of the Russian flag on the North Pole in 2007.² Both events provided a glimpse at major issues to come for the region: non-Arctic nations involved in Arctic development, the outcome of sub-sea territorial claims, and the nature of international cooperation in the region. But these two events also raised broader questions about the shape that Arctic development will take: Is Asia's going to become increasingly involved in the Arctic?

Asia's interest in the Arctic is clear. Along with China's icebreaker, South Korea, also a non-Arctic country, signed a Memorandum of Understanding (MoU) with Norway in September 2012, a document that laid the foundation for bilateral cooperation between the two countries in the field of Arctic energy development and garnered support for South Korea to become a

¹ Polar Science Center, "Arctic Sea Ice Volume Anomaly, version 2," University of Washington, <http://psc.apl.washington.edu/wordpress/research/projects/arctic-sea-ice-volume-anomaly/>, see Figure 1, "Arctic Sea Ice Volume Anomaly and Trend from PIOMAS."

² Thomas Nilsen, "Beijing sends icebreaker to Barents," Barents Observer, March 13, 2012, <http://barentsobserver.com/en/arctic/beijing-sends-icebreaker-barents>.

permanent observer on the Arctic Council.³ Norway announced that it would support China's bid to become a permanent observer on the Arctic Council in late January 2013.⁴ Japan has also shown interest in the Arctic. Recently, Japan signed deals with Gazprom, the Russian state-owned gas company, to import shipments of natural gas from Eastern Russia, energy shipments that might originate from Russia's Arctic resource base.⁵ Also, like China and South Korea, Japan is currently applying for permanent observer status on the Arctic Council.⁶ Asia's increasing bi-lateral ties to the Arctic region are increasing steadily.

Articles that detail the legal framework for the Arctic and the United Nations Law of the Sea (UNCLOS) in the Arctic abound.⁷ This paper draws on a few major articles on the Arctic. *The Geopolitics of Arctic Melt*, a research paper published in the *International Affairs* journal on the geopolitical consequences as a result of the Arctic's opening, suggests that Arctic development will draw non-Arctic countries to pre-existing, intergovernmental institutions like the Arctic Council.⁸ Another article this paper draws on is *Economic Foundations of the Law of the Sea*, a journal article published in *The American Journal of International Law*.⁹ Finally,

³ Jae-soon, Chang, "S.Korea, Norway agree on partnership for Arctic development, Yonhap News Agency, September 12, 2012, <http://english.yonhapnews.co.kr/national/2012/09/12/57/0301000000AEN20120912008951315F.HTML>

⁴ People's Daily Online, "Norway supportive to China's bid for permanent observer to Arctic Council," *Xinhua News*, January 22, 2013, <http://english.peopledaily.com.cn/90883/8101803.html>.

⁵ Tsuyoshi Inajima and Toru Fujioka, "Noda Signs Preliminary Deal With Putin on Vladivostok LNG Plant," *Bloomberg News*, September 8, 2012, <http://www.bloomberg.com/news/2012-09-07/japan-russia-set-to-decide-on-vladivostok-lng-plant-this-year.html>

⁶ Arctic Council website, "Observers," <http://www.arctic-council.org/index.php/en/about-us/partners-links>.

⁷ UNCLOS is For example, Eric Posner and Alan Sykes, "Economic Foundations of the Law of the Sea," *American Society of International Law*, Vol. 104, No.4 (October 2010), pp. 569-596.

⁸ Charles Ebinger and Evie Zambetakis, "The Geopolitics of Arctic Melt," *International Affairs* 85:6 (2009) 1215-1232, http://www.brookings.edu/~media/research/files/papers/2009/11/arctic%20melt%20ebinger%20zambetakis/11_arctic_melt_ebinger_zambetakis.pdf.

⁹ Eric Posner and Alan Sykes, "Economic Foundations of the Law of the Sea," *The American Journal of International Law*, (October 2010) Vol. 104, No. 4: 569-596.

Dmitri Trenin's article on Russia's new foreign policy objectives, *Russia redefines itself and its relations with the West*, published in *Washington Quarterly* provides an excellent resource for merging Russia's Arctic policy with Russia's foreign policy objectives in the Arctic.¹⁰ This paper also draws upon a large pool of newspaper articles, many of which are published online for various news outlets.

This paper examines the roles of Japan, China, and South Korea in the Russian Arctic. The paper also identifies avenues for development in the Russian Far East, particularly connected to the Arctic's development. In particular, the paper attempts to provide a framework for understanding how Japan, China, and South Korea are involved in the Russian Arctic and the prospects for future involvement. The paper is organized into three main sections: 1) background on the Russian Arctic region; 2) Asia's Arctic ambitions; 3) Russia's Arctic policy as it applies to Asian involvement in the region; 4) conclusion on the factors facilitating Asia's Arctic involvement and a forecast of future developments.

The paper begins with a background section that provides an overview of the most important developments in the Arctic region. This section covers the United Nations Convention on the Law of the Sea (UNCLOS), territorial claims, natural resources in the Arctic, and the Northern Sea Route (NSR). This first section also provides an overview of the Arctic Council's role in Arctic geopolitics.¹¹ The next section builds on the background to focus on South Korea, China, and Japan's Arctic ambitions and programs. This section includes the nations' standing in

¹⁰ Dmitri Trenin, "Russia redefines itself and its relations with the West," *Washington Quarterly*, 30 no 2 (2007).

¹¹ Although the Arctic Council is a relatively young forum, authors have suggested that the Arctic politics will continue to play out on the Council. See article by Vincent Gallucci, Donald Hellmann, and Nadine Fabbi, "Geopolitics, Arctic Council, and Arctic Resources," in Lowell Wakefield Fisheries Symposium, and Courtney Carothers, "Fishing people of the North cultures, economies, and management responding to change," Fairbanks, Alaska: Alaska Sea Grant, University of Alaska Fairbanks, 2012, <http://seagrant.uaf.edu/conferences/2011/wakefield-people/index.php>.

the Arctic Council and the nations' approach to the UNCLOS. This section explains the Asian states' interests and activities in the region, focusing specifically on those activities in the Russian Arctic. The next section begins with a history of Russia's Arctic policy and outlines Russia's Arctic policy and its stance toward Asian involvement in the region, including examples of Russian-Asian cooperation in the Arctic. The next section examines development prospects in Russia's Far East in order to identify how the Arctic region and the Far East might develop in parallel. The last section concludes on the political and economic factors driving Asia's involvement with the Arctic. The final section also presents a brief look ahead at the future of Asian nations in the Arctic region.

This paper argues that Asian engagement in the Arctic will be an enduring feature of Arctic politics due to three major economic and legal factors. First, the Arctic's status as a resource-rich region is attractive to both Asian markets and Russian oil and gas producers. While Asia's demand for energy provides a market for much of the oil and gas operations in the Barents Sea and in the Russian Arctic, the Russian government is relying on exporting its energy to Asia in order to continue to reap the rewards of Asia's high energy prices. This Arctic-Asia energy trade is likely to flourish if Asian countries continue to invest in infrastructure for importing liquified natural gas (LNG). Second, the NSR, a sea route that runs over Russia from Northern Europe to North East Asia, is receiving more interest from shipping companies for its benefits over traditional shipping routes from East Asia to Europe. Although higher ship insurance costs, adverse weather conditions in the Arctic Ocean, frequent ice floes, a lack of ice-class shipping vessels, and navigational hazards along the route are impediments discouraging use of the NSR, the NSR is a shorter alternative to routes fraught with politically volatile choke points. This

second factor is important, especially considering Asia's exports to Europe. Finally, the increased commercial activity in the Eurasian Arctic proceeds hand-in-hand with legal norms governing the region. UNCLOS, of which Russia, China, South Korea, and Japan have all ratified, is clear in its protection of sovereignty and rights in the Arctic Ocean. Rather than a race for the Arctic, Asia's willingness to engage in the region and abide by international legal conventions will continue to be an important characteristic of the Russian Arctic.

Key Developments in the Russian Arctic: #1 The Northern Sea Route

As falling levels of sea ice increase the amount of navigable ocean, the changes will encourage more marine transportation and the formation of shipping networks across the Arctic.¹² The shipping routes, shown in Figure 1, shorten the distance between Northwestern Europe and Northern Asia—China, South Korea, and Japan, by nearly a third compared to traditional routes that run through the Suez Canal.¹³

¹² V.C.Khon, I.I.Mokhov, M.Latif, V.A.Semenov, W.Park, "Perspectives on Northern Sea Route and Northwest Passage in the twenty-first century," *Climatic Change* (2010) 100:757-768.

¹³ Jerome Verny and Christophe Grigentin, "Container shipping on the Northern Sea Route," *International Journal of Production Economics* 122 no 1 (November 2009), 107-117.

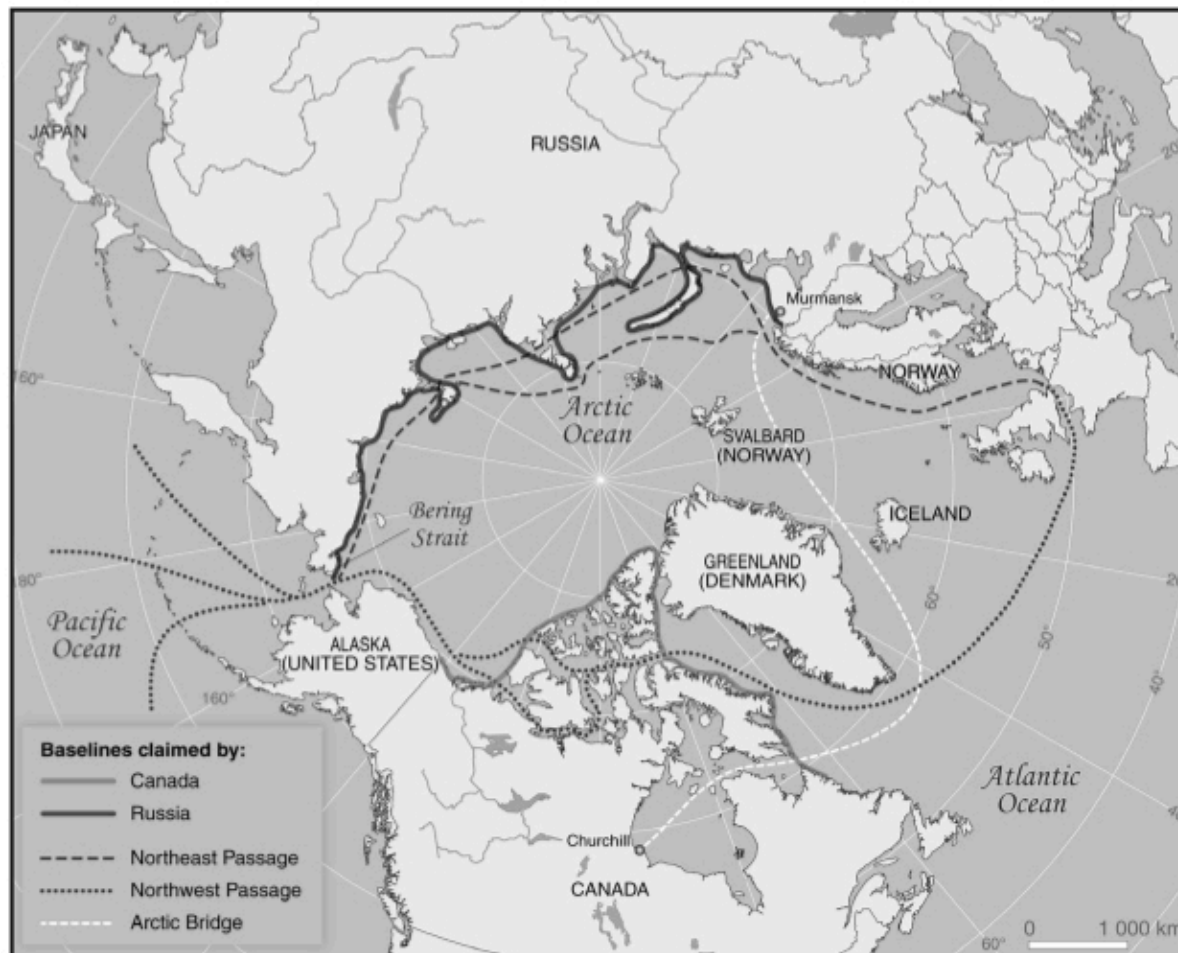


Figure 1: Transport routes through the Arctic. Source: Frederic Lasserre, “Les détroits arctiques canadiens et russes,” reprinted in Frederic Lasserre’s June 2010 article for the Canadian International Council entitled “China and the Arctic: Threat or Cooperation Potential for Canada?”¹⁴

The shortened distance allows shipping companies operating between three of the five world’s largest exporters—France, Germany, and China—to recoup operating costs while increasing their vessels’ efficiency.¹⁵ A shorter sailing distance is one of the NSR’s primary advantages over more traditional routes that carry ships from Northern Europe to Asia. With less

¹⁴ Frederic Lasserre, “China and the Arctic: Threat or Cooperation Potential for Canada?,” *Canadian International Council, China Papers no 11* (June 2010) <http://www.opencanada.org/wp-content/uploads/2011/05/China-and-the-Arctic-Frederic-Lasserre.pdf>.

¹⁵ Malte Humpert and Andreas Raspotnik, “The Future of Arctic Shipping,” *International Journal of Port Technology* 55 (October 2012) http://www.porttechnology.org/images/uploads/technical_papers/The_future_of_Arctic_shipping.pdf.

time spent at sea, ships can reduce their sailing speed, increase their fuel efficiency, and still save time on voyages from Northern Europe to Northeastern Asia.¹⁶

The route's advantages are products of the geography of production centers and consumer markets, the Asia-Pacific region and Europe. Asia's economic "center of gravity" is moving from the Southeast to the North while Europe's economic center of gravity is shifting from the West to the Northeast.¹⁷ With 16 of the top 20 largest ports in the world located in the Asia-Pacific region, eight of which are located in China, the NSR's proximity to these ports is one of the route's advantages over other routes.¹⁸ The strength of the Chinese economy in years to come also highlights the importance of the NSR to China. The International Monetary Fund (IMF) predicts that despite weak external demand, domestic demand in China and in Asia will continue to increase, buoying economic growth in the Asian region to 6 percent in 2012 and 6.5 percent in 2013.¹⁹ The IMF predicts that China's Gross Domestic Product (GDP) is expected to remain above 8 percent for the next two years, fueled by domestic consumption and investment. As Verny and Grigentin point out in their paper on the cost-effectiveness of the NSR, the geographical advantages of the route suit the changing economic centers of gravity in Asia.

The viability of the NSR as a regular, scheduled cargo trade route depends on more than just shifting economic centers and shorter sailing distances, the NSR's success will also lie in geopolitics. The interruption of existing sea lanes in the Middle East or in Southeast Asia, as

¹⁶ Svein Bråthen and Halvor Schøyen, "The Northern Sea Route versus the Suez Canal: cases from bulk shipping," *Journal of Transport Geography* 19 (2011) 977-983.

¹⁷ Verny and Grigentin, "Container shipping on NSR."

¹⁸ American Association of Port Authorities, "World Port Ranking 2008," <http://aapa.files.cms-plus.com/Statistics/WORLD%20PORT%20RANKINGS%2020081.pdf>.

¹⁹ International Monetary Fund, "World Economic Outlook: April 2012," *World Economic and Financial Surveys*, (Washington D.C., International Monetary Fund) p.59, <http://www.imf.org/external/pubs/ft/weo/2012/01/pdf/text.pdf>.

Margaret Blunden notes in her paper on the NSR, “could rapidly change the balance of commercial advantage, accelerate advanced technologies of shipbuilding and navigation, and bring the NSR into operation much faster than currently envisaged.”²⁰ Blunden is correct to point out that the adoption of the NSR as a competitor to traditional sea routes through the Suez Canal and the Red Sea depends on the political stability in countries bordering those routes. Piracy in international waters and sea straits also undermines traditional sea routes and makes the NSR a viable option. The Council on Foreign Relations reports that piracy cost the global economy \$7 to \$12 billion in 2010.²¹ Piracy hotspots include the Gulf of Aden, near Somalia and the Red Sea, near the Nigeria, the Gulf of Guinea, the Malacca Strait, and the waters off of the Indian Subcontinent.²² Piracy especially threatens global choke points like the Malacca Strait. With half of the world’s oil shipments and 30 percent of the world’s trade volume crossing the Malacca Strait annually, the strait is an attractive and lucrative target for pirates.²³ The increase in piracy on traditional shipping routes could make the NSR more attractive due to high insurance costs on those routes. Additionally, due to the climate and nature of geography, the NSR will not harbor piracy along its route.

While the NSR presents geographical advantages over existing non-Arctic routes, the NSR also presents logistical challenges that complicate the route through the Arctic Ocean.²⁴ In

²⁰ Margaret Blunden, “Geopolitics and the Northern Sea Route,” *International Affairs* 88 no 1 (2012) 118.

²¹ Christopher Alessi and Stephanie Hanson, “Combating Maritime Piracy,” *Council on Foreign Relations*, March 23, 2012, <http://www.cfr.org/france/combating-maritime-piracy/p18376>.

²² International Maritime Organization, “Reports on Acts of Piracy and Armed Robbery Against Ships: Annual Report 2011,” *International Maritime Organization*, March 1, 2012, http://www.imo.org/OurWork/Security/SecDocs/Documents/PiracyReports/180_Annual2011.pdf.

²³ Kate Lamb, “Indonesian Pirate Arrest Leads to Broader Network in Malacca Strait,” *Voice of America*, September 26, 2011, <http://www.voanews.com/content/indonesian-pirate-arrest-leads-to-broader-network-in-malacca-strait-130625373/145799.html>

²⁴ Verny and Grigentin, “Container shipping on NSR.”

particular, shipbuilders must design and construct ships capable of withstanding floating ice sheets and extreme conditions. A new fleet of ice-classed container ships would be costly and require long-term investment in equipment, shipbuilding, and navigational tools. In addition to the ice-classed ships, there are no stopovers or ports for ships to stop at along the uninhabited Siberian coastline.²⁵ With no ports along sections of the Siberian coastline for ships in distress, the NSR exacerbates the technological demands placed on the ships and increases the risks taken by the vessel's crew, owners and insurer.²⁶

The uninhabited coastline is visible in the East Siberian Sea in Figure 2.



Figure 2: The Northern Sea Route in detail. Source: Douglas Brubaker and Claes Lykke Ragner, "A Review of the International Northern Sea Route Program (INSROP) - 10 years on."²⁷

²⁵ Verny and Grigentin, "Container shipping on NSR,"

²⁶ Verny and Grigentin, "Container shipping on NSR."

²⁷ Douglas Brubaker and Claes Lykke Ragner, "A Review of the International Northern Sea Route Program (INSROP) - 10 years on," *Polar Geography* (2010) 33:1-2, 15-38.

The risks incurred by a ship sailing over the NSR are difficult to gauge. Brubaker and Ragner point out in a review of a decade-long International Northern Sea Route Program (INSROP)²⁸ that the program's conclusions regarding the commercial viability of the NSR remain unclear.²⁹ INSROP's decade-long study on the feasibility of the NSR yielded little insight into the actual cost of marine insurance over the NSR.³⁰ In addition, Verny and Grigentin concluded that the marine insurance prices would not be prohibitively high but that the real burden for shipping companies operating along the NSR are the operational and shipbuilding costs.³¹

Even with an ice-classed ship, the Arctic Ocean's harsh environment constrains the development of the NSR. Currently the conditions along the NSR preclude the creation of scheduled liner service along the route due to the Arctic climate and restricted navigation through sea ice.³² But while technical constraints do hinder the development of the NSR for commercial activity, experts believe the route is "a real possibility for the near future...as global warming [opens] the door to regular lines on the Arctic Ocean."³³

²⁸ The International Northern Sea Route Program (INSROP) is a multi-disciplinary research program that was founded in 1993. INSROP was a joint project of the Norwegian Fridtjof Nansen Institute, the Japanese Ship and Ocean Foundation, and the Russian Central Marine Research and Design Institute. INSROP's goal was to "build up a knowledge base that is adequate to provide a foundation for long-term planning by governments and private industry for the promotion of rational decision-making concerning the use of the Northern Sea Route for maritime transit and regional development." Source: Edgar Gold, John Cantello, and Peter Wright, "Maritime Insurance for the Northern Sea Route: The Feasibility of a New Risk Regime, *Oceans Institute of Halifax (1997) July. Prepared for presentation to the Annual COonference of the International Union of Marine Insurers in Paris, France on September 15, 1997.*

²⁹ Brubaker and Ragner, "Review of INSROP."

³⁰ Brubaker and Ragner, "Review of INSROP."

³¹ Verny and Grigentin, "Container shipping on NSR."

³² Verny and Grigentin, "Container shipping on NSR."

³³ Verny and Grigentin, "Container shipping on NSR."

Key Developments in the Russian Arctic: #2 UNCLOS & the Arctic Council

In many articles written about the Arctic the phrase “race to the Arctic” is often used to drum up excitement.³⁴ That phrase, however, is misleading. In reality, the Arctic falls under the jurisdiction of international law. UNCLOS is a major component of cooperation in the Arctic.³⁵ UNCLOS, a convention that resulted from the 1982 United Nations Conference on the Law of the Sea, sets out a framework for codifying the law of the sea.³⁶ Part II, Section 1 of UNCLOS holds that the territorial sea extends 12 nautical miles from a coastline while Part V, Article 57 sets out exclusive economic rights to the state extending for 200 nautical miles into the sea, an Exclusive Economic Zone (EEZ).³⁷ UNCLOS also includes an innocent passage provision in Section 3 of Part II.³⁸ The innocent passage provision grants the right for any ship to pass through a state’s EEZ, an important consideration for a ship operating in the NSR.³⁹ Article 77 in UNCLOS grants coastal states exclusive rights to exploit the natural resources in their

³⁴ For examples see:

Paul Reynolds, “Russia ahead in Arctic ‘gold rush,’” *BBC*, August 1, 2007, <http://news.bbc.co.uk/2/hi/6925853.stm>.
 Elisabeth Rosenthal, “Race Is On as Ice Melt Reveals Arctic Treasures,” *New York Times*, September 18, 2012, http://www.nytimes.com/2012/09/19/science/earth/arctic-resources-exposed-by-warming-set-off-competition.html?_r=0.

Ben Leapman, “Denmark joins race to claim North Pole,” *The Telegraph*, August 12, 2007, <http://www.telegraph.co.uk/news/worldnews/1560121/Denmark-joins-race-to-claim-North-Pole.html>.

³⁵ Betsy Baker, “Law, Science, and the Continental Shelf: The Russian Federation and the Promise of Arctic Cooperation,” *American University International Law Review* (2009) 25, no.2: 251-282.

³⁶ United Nations, “Law of the Sea Convention,” *United Nations*, http://www.un.org/Depts/los/convention_agreements/texts/unclos/closindx.htm.

³⁷ United Nations, “Law of the Sea Convention.”

³⁸ United Nations, “Law of the Sea Convention.”

³⁹ United Nations, “Law of the Sea Convention,” Part II, Section 3, Article 17.

continental shelf.⁴⁰ But UNCLOS also allows for a coastal state to extend its continental shelf up to 350 nautical miles from the coastline.⁴¹

While UNCLOS does provide a legal framework for creating EEZ boundaries and territorial waters, there are entire sections of the Arctic Ocean that are unclaimed, this section of the Arctic Ocean is named the Arctic “Donut Hole.”⁴² The Arctic donut hole is a

Five states control territory in the Arctic Ocean: Norway, Denmark,⁴³ Russia, the United States, and Canada. As stipulated in the UNCLOS, these five littoral states have the exclusive right to develop resources within their EEZ, as well as develop resources on the seafloor within their EEZ. This legal distinction constitutes the deepest disparity between Arctic nations with legal grounds to Arctic territory and non-Arctic nations.

In addition to UNCLOS, the Arctic Council provides a framework for cooperation in the Arctic. The Council consists of eight Arctic States: Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden, and the United States.⁴⁴ The Council is a high level intergovernmental forum that was established by the Ottawa Declaration in 1996.⁴⁵ The Council provides a means for promoting cooperation and interaction among the eight Arctic States, as well as Indigenous

⁴⁰ United Nations, “Law of the Sea Convention,” Part VI, Article 77.

⁴¹ United Nations, “Law of the Sea Convention,” Part VI, Article 76. Russia has submitted two proposals on extending the country’s subsea claims. Russia claimed that undersea ridges extending out of its continental shelf are a part of the country’s continental shelf and that the country’s subsea claims should be enlarged to reflect this. The United Nations Commission on the Limits of the Continental Shelf has not yet ruled on this. For more, see United Nations, “Law of the Sea Convention,” Annex II.

⁴² Vince Gallucci, Donald Hellmann, and Nadine Fabbi, “Geopolitics, Arctic Council, and Arctic Resources,” in Lowell Wakefield Fisheries Symposium. See note 11.

⁴³ Greenland is a protectorate of Denmark.

⁴⁴ Arctic Council, “About the Arctic Council,” <http://www.arctic-council.org/index.php/en/about-us/members>.

⁴⁵ Arctic Council, “Establishment of the Council,” <http://www.arctic-council.org/index.php/en/about-us/history>.

communities.⁴⁶ In general, the Arctic Council's focus revolves around "...issues of sustainable development and environmental protection in the Arctic."⁴⁷

Unlike UNCLOS, the Arctic Council does not employ binding international law to its members. As discussed earlier, the domestic laws of Arctic states govern the majority of the Arctic. Although domestic laws reflect international environmental commitments, the level of commitment and design are not uniform among the Arctic states.⁴⁸ The Arctic Council is a useful, "soft law" framework for coordinating Arctic-specific environmental policy recommendations among its members.⁴⁹ China, South Korea, and Japan are all *ad hoc* observers trying to gain permanent observer status. Norwegian Arctic policy expert Liev Lunde of the Fridtjof Nansen Institute points out one factor driving the Chinese to apply to the Arctic Council is simply the better facilitation of scientific understanding on the Polar region.⁵⁰ Lunde also notes that cooperation and involvement in the Arctic Council are in the long-term economic and environmental interests of China.⁵¹ The fact that the Asian countries recognize the importance of the Arctic Council, and want to become permanent observers, suggests that the Arctic Council facilitates these countries' interests in the Arctic.

But an application for permanent observership on the Arctic Council does not necessarily mean that the observer's interests are parallel with the interests of a littoral country's. This

⁴⁶ Arctic Council, "Establishment of the Council."

⁴⁷ Arctic Council, "Establishment of the Council."

⁴⁸ Tavis Potts and Clive Schofield, "Current legal developments in the Arctic," *International Journal of Marine and Coastal Law*, (2008) Vol.23 No.1: 151-176.

⁴⁹ Potts and Schofield, "Current Arctic legal developments."

⁵⁰ Levon Sevunts, "Arctic Council has tightrope to walk in potential decision to admit China," *Alaska Dispatch*, January 28, 2013, <http://www.alaskadispatch.com/article/arctic-council-has-tightrope-walk-potential-decision-admit-china>.

⁵¹ Levon Sevunts, "Arctic Council tightrope to walk."

simple fact is a key issue of the Arctic Council. The distinction between Arctic states and non-Arctic states is critical from the perspective of international law but the distinction is blurred on the Arctic Council. If, for instance, the NSR becomes a transport route for international shipping between European ports and Asia, Asian countries will be forced to seek a more active role in Arctic Council proceedings and deliberations by becoming permanent observers on the Council, a status that they do not hold currently. The framework of the Council could prove troublesome in the future, especially if the Council's members are split over divisive, geopolitical issues. The Council's inability to employ binding international law upon its members is a serious issue for future Arctic development. Though Asian countries show interest in the Council, with no Arctic territory of their own they might not share the Arctic nations' interest in preserving strict environmental restrictions or shipping restrictions. Increased development in the Arctic by non-Arctic countries could pose a threat to the Council's efficacy by undermining the "soft law" capabilities of the Arctic Council and shaking its members' faith in the Council's future. In the future, geopolitics could come to challenge the Arctic Council. Although uncertainties exist on the Arctic Council's horizon, the Council remains an important nexus for Arctic issues.⁵²

Key Developments in the Russian Arctic: #3 Arctic Resources

The Arctic's potential as a "resource base" is perhaps the most exciting component for the Asia-Pacific region.⁵³ In a well-known survey conducted by the United States Geological Survey (USGS) in 2008, the agency estimated that the Arctic held 1670 trillion cubic feet (TCF) of

⁵² Eve Zambetakis and Charles Ebinger's "The Geopolitics of Arctic Melt" notes that the Arctic Council's future is clouded with uncertainty. Vincent Gallucci, Don Hellmann, and Nadine Fabbi's article on the Arctic Council also notes that the Arctic Council's function as a forum for Arctic issues cannot be underestimated. Perhaps it is too early in the Arctic's development to know exactly how geopolitical issues would challenge the Arctic Council's future.

⁵³ The term "resource base" was used in the Russian Government's official policy document for the Arctic. In the document, Russia describes the Arctic is a strategic resource base for supplying energy to the country's socio-economic development. See note 7.

natural gas and 90 billion barrels of oil.⁵⁴ Under the USGS estimate the Arctic holds roughly 13 percent of the world's undiscovered oil and 30 percent of the world's undiscovered gas, a tremendous opportunity for Asian industries, international energy companies, and shipbuilding.⁵⁵ The region has already produced roughly 40 billion barrels of oil, 1136 trillion cubic feet of natural gas, and 8 billion barrels of natural gas liquids.⁵⁶ Although much of the deposits are already observed, some energy deposits included in the report were new to the industry due to the fact that they lie underneath sea ice.⁵⁷

Arctic resources, according to the UNCLOS treaty, fall to the jurisdiction of the Arctic coastal states. Under UNCLOS the United Nations Commission on the Limits of the Continental Shelf (CLCS) establishes the outer limits of the continental shelves under the UNCLOS treaty.⁵⁸ Russia has submitted claims to an extended continental shelf in the Arctic in 2001.⁵⁹ Russia's claims were denied in 2002. Many of the energy deposits discovered by the USGS are located within Russia's territorial and EEZ boundaries in the Arctic.⁶⁰

⁵⁴ Kenneth Bird, Ronald Charpentier, Donald Gautier, David Houseknecht, Timothy Klett, Janet Pitman, Thomas Moore, Christopher Schenk, Marilyn Tennyson, and Craig Wandrey, "Circum-Arctic Resource Appraisal: Estimates of Undiscovered Oil and Gas North of the Arctic Circle," *U.S. Geological Survey Fact Sheet 2008*, U.S. Department of the Interior, <http://pubs.usgs.gov/fs/2008/3049/>.

⁵⁵ Jad Mouawad, "Oil Survey Says Arctic Has Riches," *New York Times*, July 24, 2008, <http://www.nytimes.com/2008/07/24/business/24arctic.html>.

⁵⁶ Donald Gautier, Kenneth Bird, Ronald Charpentier, Arthur Grantz, David Houseknecht, Timothy Klett, Thomas Moore, Janet Pitman, Christopher Schenk, John Schuenemeyer, Kai Sørensen, Marilyn Tennyson Zenon Valin, and Craig Wandrey, "Assessment of Undiscovered Oil and Gas in the Arctic," *Science* 29 (May 2009). See also Elisabeth Rosenthal, "Race Is On as Ice Melt Reveals Arctic Treasures," *New York Times*, September 18, 2012, http://www.nytimes.com/2012/09/19/science/earth/arctic-resources-exposed-by-warming-set-off-competition.html?_r=0.

⁵⁷ USGS, "Circum-Arctic Resources."

⁵⁸ United Nations, "Oceans and Law of the Sea: Commission on the Limits of the Continental Shelf: Purpose, functions, and sessions," http://www.un.org/Depts/los/clcs_new/commission_purpose.htm.

⁵⁹ United Nations, "Submissions, through the Secretary-General of the United Nations, to the Commission on the Limits of the Continental Shelf, pursuant to article 76, paragraph 8, of the UNCLOS of 1982," http://www.un.org/Depts/los/clcs_new/commission_submissions.htm.

⁶⁰ USGS, "Circum-Arctic Resources."

With European economies burdened by sovereign debt, Russia's economy is looking to the east for future growth. Russia's concern with energy security in the Asia-Pacific is tied to Asian countries' growing demand for energy. China's domestic energy needs represent a large market for Russian energy suppliers. The International Energy Agency's (IEA) World Energy Outlook for 2011 suggests that China's oil demand would rise to 12.2 million barrels a day (mb/d) in 2020 and roughly 15 mb/d in 2035.⁶¹ With 7000 kilometers of oil pipelines built since 2005, China's infrastructure is scrambling to handle the demand for oil.⁶² China's appetite for natural gas is also increasing. The IEA predicts that as gas use in China shifts to use for power generation and heating plants, natural gas will become a critical component of China's overall energy imports, accounting for 37 percent of total gas demand by 2035.⁶³ With the development of natural gas pipeline networks, China's demand for natural gas increased from 24.5 bcm in 2000 to 130 bcm in 2011.⁶⁴ The IEA predicts that by 2035 China's annual demand for gas will run over 500 billion cubic meters (bcm), a long-term source of demand for Russia's Arctic resource base.⁶⁵

The APEC summit marked a turning point for Russia's foreign policy and economic policy, a shift to Russia's east. Putin, in an interview with Russia Today, noted, "two thirds of our territory is located in Asia, and yet the bulk of our foreign trade—more than 50 percent—comes

⁶¹ International Energy Agency, "Oil and Gas Emergency Policy-China 2012," Country Review, 2012, <http://www.iea.org/publications/freepublications/publication/name,28189,en.html>, 5.

⁶² IEA, "China 2012 Oil and Gas Report," 8.

⁶³ IEA, "China 2012 Oil and Gas Report," 15.

⁶⁴ IEA, "China 2012 Oil and Gas Report," 15.

⁶⁵ IEA, "China 2012 Oil and Gas Report," 15.

from Europe, whereas Asia only accounts for 24 percent.”⁶⁶ Putin’s speech at the summit stressed how new transport infrastructure like the NSR would ensure Russia’s reliability of energy export to Asian nations.⁶⁷ In Russia’s case the NSR is a route for cargo trade as well as for energy shipments from Russia to Asian markets, a major component of Russia’s transport infrastructure for connecting Russian, European, and Chinese markets.

Asia’s Ambitions for the Arctic: In or out?

Unlike the five Arctic littoral nations, UNCLOS does not grant Asian countries claim to any territory in the Arctic. Based on their lack of territory in the region, South Korea, Japan, and China can not be permanent members of the Arctic Council. Although South Korea, Japan, and China have each applied to become a permanent observer to the Arctic Council in the past five years, none of them have gained observer status. Instead, they are considered *ad hoc* observers and are required to request permission for attendance from the Council for each subsequent Arctic Council meeting.⁶⁸ South Korea, Japan, and China are at a disadvantage because they have neither membership to the Arctic Council nor territory in the Arctic.⁶⁹ The increased level of activity in the Arctic region requires legal and regulatory frameworks, frameworks that will coordinate dialogue and mutual understanding among countries in the Arctic.⁷⁰ The implementation of legal commitments for Arctic-specific policies will attract investment in the

⁶⁶ David Herszenhorn, “Putin’s Ambitions Turn to the Far East,” *New York Times*, September 6, 2012, http://www.nytimes.com/2012/09/07/world/europe/at-asia-pacific-meeting-putin-focuses-on-the-far-east.html?_r=0.

⁶⁷ Timothy Heritage, “Russia’s Putin warns on global economy, looks east,” *Reuters*, September 7, 2012, <http://www.reuters.com/article/2012/09/07/us-apec-summit-putin-idUSBRE8860QY20120907>.

⁶⁸ Arctic Council website, “Observers,” <http://www.arctic-council.org/index.php/en/about-us/partners-links>.

⁶⁹ Jakobson, Linda, “Preparing for an ice-free Arctic,” *China Dialogue*, April 23, 2010, <http://www.chinadialogue.net/article/show/single/en/3577>.

⁷⁰ Charles Ebinger and Evie Zambetakis, “The Geopolitics of Arctic Melt,” *International Affairs* 85:6 (2009) 1215-1232, http://www.brookings.edu/~media/research/files/papers/2009/11/arctic%20melt%20ebinger%20zambetakis/11_arctic_melt_ebinger_zambetakis.pdf.

region as well as foster the Arctic's development. Despite the observer status of China, South Korea, and Japan by the Arctic Council, each country remains active in Arctic politics through bilateral relationships with Arctic states.

South Korea's Arctic Ambitions: Dry dock for the North?

As a global leader in shipbuilding, South Korea has an interest in the NSR and in furthering its cooperation with Arctic nations. In September 2012 South Korea's President Lee Myung-bak met with Norway's Prime Minister Jens Stoltenberg in Oslo to sign two Memorandums of Understanding (MoU) encompassing shipping in the High North, shipbuilding, and further bi-lateral cooperation in the Arctic.⁷¹ Trade between Norway and South Korea has increased more than 70 percent in 2012, further highlighting the importance of the NSR to South Korea.⁷²

Shipbuilding is also a large component of Russia's relations with South Korea and a factor in South Korea's involvement in the Russian Arctic. Russia's state-owned maritime shipping corporation Sovcomflot announced that it had agreed to a deal with Gazprom Global LNG Limited for a long-term charter of two ice-class LNG tankers.⁷³ The tankers "Veliky Novgorod" and "Pskov" are the leading vessels of a new series of Atlanticmax LNG vessels equipped for low-temperature conditions.⁷⁴ To build these new tankers, Sovcomflot, the world's largest operator of ice-class LNG tankers, signed a shipbuilding contract with South Korea's

⁷¹ The Royal Norwegian Embassy in Seoul, "President Lee met with Norwegian Prime Minister," Embassy of Norway in Korea: Norway-Korea relations: Press release, September 17, 2012, http://www.norway.or.kr/News_and_events/koreanorway/President-Lee-met-with-Norwegian-Prime-Minister1/.

⁷² Royal Norwegian Embassy in Seoul, "Norway-Korea relations."

⁷³ Sovcomflot, "SCF develops its LNG fleet: time charter agreement for two new ice-class LNG-carriers signed with Gazprom Global LNG," Sovcomflot: Press Release, June 16, 2011, <http://www.sovcomflot.ru/npage.aspx?did=82306>.

⁷⁴ Thomas Nilsen, "New Ice-classed LNG carrier."

STX Offshore & Shipbuilding Co., a company that partnered with Russia's state-owned United Shipbuilding Corporation, for the provision of two ultra-modern LNG tankers.⁷⁵ Sovcomflot, Royal Dutch Shell, and United Shipbuilding Corporation also entered into a strategic partnership aimed at organizing the construction of LNG vessels in Russian shipyards.⁷⁶

Although the economic and financial crisis of 2008-2009 wreaked havoc on shipbuilding, partly due to tightening ship financing and volatility in the European capital markets, the Global Shipbuilding Market Report for 2012 reports that the shipbuilding industry is undergoing structural changes that favor shipbuilding for energy-related industries over the production of cargo ships, a measure that favors South Korean shipbuilding industries. Indeed, the recent spate of demand for ice-class ship orders for Sovcomflot, United Shipbuilding Corporation, STX Offshore & Shipbuilding Co., and Samsung Heavy Industries illustrates the shift. One example of ice-class ships ordered for operation in the Barents Sea includes Arctic Shuttle Tankers, highly maneuverable tankers that can also break ice and withstand Arctic conditions.⁷⁷ Arctic business in the near term is excellent for South Korea, Samsung Heavy Industries expects to receive 20 orders for Arctic Shuttle Tankers by 2015.⁷⁸ South Korea's shipbuilding industry is quickly becoming a leader in ice-classed vessel construction.⁷⁹ The country's political and industrial engagement in the Arctic, as evidenced by the implementation of MoU with Norway and the

⁷⁵ Sovcomflot, "Time charter agreement."

⁷⁶ Sovcomflot, "Time charter agreement."

⁷⁷ Samsung Heavy Industries, "Arctic Shuttle Tanker," Samsung Heavy Industries Press Release: Arctic Shuttle Tanker.

⁷⁸ Samsung Heavy Industries, "Arctic Shuttle Tanker," Samsung Heavy Industries Press Release: Arctic Shuttle Tanker, <http://www.shi.samsung.co.kr/Eng/Flash/showRoom/6.swf>.

⁷⁹ Shipbuilding Tribune, "South Korea: Hyundai Mipo Launches Panamax Ice Class Bulker," *Shipbuilding Tribune*, January 23, 2013, <http://shipbuildingtribune.com/2013/01/23/russia-hyundai-mipo-launches-panamax-ice-class-bulker-ns-yakutia/>.

recent cooperation with Russia's Sovcomflot, are key components of South Korea's Arctic ambitions. These components also facilitate further political and commercial linkages with the Arctic nations.

Japan's Arctic Ambitions: A Convenient Stop along the NSR

In November 2012, Gazprom chartered an LNG tanker to sail from Norway's Snoehvit LNG plant in the Barents Sea to Japan.⁸⁰ The new route through the NSR was estimated to save three weeks compared to the traditional non-Arctic route from Europe to Asia. Although Russian icebreakers will escort the tanker en route from the Barents Sea, the voyage is notable for two reasons. First, a voyage in November has never before been possible due to the icepack along the route. Second, this voyage is the first time a loaded LNG tanker sailed the NSR in November.⁸¹ The voyage is a watershed for Russia and Japan's plans to ship energy from the Arctic resource base to Asian markets.

Japan is also an *ad hoc* observer on the Arctic Council and is an active participant. The country ratified UNCLOS in 1996.⁸² is also a potential Asian market for Arctic resources. After the Fukushima disaster shook Japan's faith in its nuclear power industry, the country increased its reliance on imports of energy to generate power.⁸³ Although Japan's existing natural gas suppliers are stepping up their exports to the island nation, the demand for cheaper fuel in Japan

⁸⁰ Oleg Vukmanovic, "Gazprom tests LNG trade route via Arctic waters," *Reuters*, November 8, 2012, <http://www.reuters.com/article/2012/11/08/russia-lng-arctic-idUSL5E8M8I1Z20121108>.

⁸¹ Thomas Nilsen, "New ice-classed LNG carrier," *Barents Observer*, November 8, 2012, <http://barentsobserver.com/en/energy/new-ice-classed-lng-carrier-08-11>.

⁸² United Nations, "Chronological lists of ratifications of, accessions and successions to the Convention and the related Agreements as at 23 January 2013," *Ocean and Law of the Sea*, United Nations, January 23, 2013, http://www.un.org/Depts/los/reference_files/chronological_lists_of_ratifications.htm.

⁸³ Aaron Sheldrick, "Gazprom Vladivostok LNG terminal final say early next year," *Reuters*, September 19, 2012, <http://www.reuters.com/article/2012/09/19/gazprom-terminal-vladivostok-idUSL4E8KJ5BM20120919>.

has led Gazprom, Russia's state-owned gas company, to propose the construction of LNG export plans aimed at capturing some of the Japanese market. In addition to a Yakutia-Khabarovsk-Vladivostok gas pipeline and a gas liquefaction plant in Vladivostok.

Japan bases its case for Arctic involvement on the UNCLOS.⁸⁴ The Japanese Ministry of Foreign Affairs also launched an Arctic Task Force to establish a multi-sectoral approach toward the foreign policy on the Arctic.⁸⁵ The Japanese Arctic Task Force has not published anything yet, but according to the Ministry of Foreign Affairs press release, the Task Force is focused on new shipping routes, development of natural resources, and the role of international law in the Arctic.⁸⁶

China's Arctic Ambitions: A Future Polar Dragon?

The People's Republic of China, the largest of the three Asian nations in this paper and a nation with no Arctic territory, maintains an active role in the region. Scientific research has historically constituted the bulk of the country's activity in the Arctic. Although China does not espouse any specific Arctic political framework, the country's growing wealth and power have political and economic implications for the Arctic region.⁸⁷

In the past decade China pursued scientific research in the Arctic and Antarctic in four main fields: biology, atmospheric science, glaciology, and oceanography.⁸⁸ China boasts

⁸⁴ Canadian International Council and Munk-Gordon Arctic Security Program, "Interests and roles of Non-Arctic states in the Arctic," October 2011, http://www.opencanada.org/wp-content/uploads/2011/11/arctic_seminar_background_brief.pdf.

⁸⁵ Ministry of Foreign Affairs of Japan, "Launching of the "Arctic Task Force," Press Release, September 2, 2010, http://www.mofa.go.jp/announce/announce/2010/9/0902_01.html.

⁸⁶ Ministry of Foreign Affairs of Japan, "Arctic Task Force."

⁸⁷ Jakobson, "Preparing for an ice-free Arctic," China Dialogue.

⁸⁸ Frederic Lasserre, "China and the Arctic: Threat or Cooperation Potential for Canada?," *Canadian International Council, China Papers no 11* (June 2010) <http://www.opencanada.org/wp-content/uploads/2011/05/China-and-the-Arctic-Frederic-Lasserre.pdf>.

numerous organizations and institutes that focus on the Arctic region. The Polar Research Institute of China (PRIC) carries out its research objectives in three research stations—two in the Antarctic and one in the Arctic, and an icebreaker, the M/V Xuelong.⁸⁹ Although China does not have a government document that specifies the country’s approach to the region, it does have numerous polar institutes that focus on the polar regions. The China Institute for Marine Affairs (CIMA) focuses on the Arctic in the context of international maritime law and China’s ocean development strategy while the Institute of Oceanography operates under the Chinese Academy of Sciences and focuses on multidisciplinary marine sciences in Arctic waters.⁹⁰ The Yellow River Arctic Station (YRAS) is located in Ny Aalesund, the international base for research in the Arctic on Norway’s Spitsbergen Archipelago.⁹¹ The Chinese Arctic and Antarctic Administration (CAAA) founded YRAS in July 2004 as “a multi-discipline and integrative research base... enhancing international exchange and cooperation.”⁹² In 1997, China joined the International Arctic Science Committee (IASC), an international organization that organizes Arctic research.

Despite the broad scope of China’s research in the region, none of the institutes focused on exclusively polar politics until 2012.⁹³ The first Chinese-funded research center for Arctic

⁸⁹ Polar Research Institute of China, “Research Facilities,” www.pric.gov.cn (accessed June 4, 2012)

⁹⁰ Jakobson, “China and the Arctic,” 4.

⁹¹ Svalbard, of which Spitzbergen is an part, belongs officially to Norway but the Svalbard Treaty of 1920 places several restrictions on sovereignty over the island. The Svalbard Treaty stipulates that although Norway has complete sovereignty over Svalbard, no military activities of any kind are allowed. The treaty also stipulates that signatory countries have the same rights to fishing, mining, research, and other commercial activities as citizens of Norway do. For more on Svalbard and its treaty see the Norwegian Polar Institute’s page at <http://www.npolar.no/en/the-arctic/svalbard/index.html>.

⁹² Chinese Arctic and Antarctic Administration, “Stations and Vessels: Chinese Arctic Yellow River Station,” <http://www.chinare.cn/en/index.html?pid=stations&st=yellow> (accessed on June 5, 2012).

⁹³ Jakobson, “China and the Arctic,” 5.

cooperation was announced at a Chinese-Icelandic workshop in August 2012.⁹⁴ The new institute, founded by PRIC with the support of an Icelandic research center, operates out of Shanghai. *Xinhua News Agency* reported that the “Sino-Northern Europe cooperation and research institute for Arctic studies will cover issues like adaptation to climate change and sustainable development, cooperation between Northeast Asia and North Europe on Arctic economic development and cooperation strategies and policies.”⁹⁵ The institute represents China’s first step on researching the Arctic’s influence on regional politics, excluding a handful of Chinese scholars who published on Arctic geopolitics.⁹⁶ China’s interest in the Arctic also extends to its bilateral relationships with Arctic countries.

In the past five years Chinese diplomats have pursued close bilateral relations with Iceland, an Arctic country and permanent member of the Arctic Council.⁹⁷ In 2012, China and Iceland signed two Memorandum of Understandings (MOU) on bilateral cooperation on Arctic affairs.⁹⁸ The agreements, according to the Icelandic Foreign Minister, provide opportunities for increased cooperation on Arctic research and general cooperation between China and Iceland in the Arctic.⁹⁹

⁹⁴ Xinhua News, “China to open international institute for Arctic studies,” Xinhua News Agency, August 18, 2012, http://news.xinhuanet.com/english/sci/2012-08/18/c_131793870.htm.

⁹⁵ Xinhua News, “China Arctic institute.”

⁹⁶ Jakobson, “China and the Arctic,” 5.

⁹⁷ Hook, Leslie and Ward, Andrew, “Iceland’s president welcomes Chinese interest,” *The Financial Times*, September 2, 2011, <http://www.ft.com/intl/cms/s/0/4716d5c2-d57f-11e0-9133-00144feab49a.html#axzz2KFwHjNT1>.

⁹⁸ Embassy of the People’s Republic of China in the Republic of Iceland, “Chinese Premier Wen Jaibao Pays Official Visit to Iceland,” <http://is.china-embassy.org/eng/xwdt/t926273.htm>.

⁹⁹ Icelandic Prime Minister’s Office, “Prime Minister of Iceland and Premier of China Meet in Reykjavik,” Office of the Prime Minister of Iceland: News and Articles, April 20, 2012, <http://eng.forsaetisraduneyti.is/news-and-articles/nr/7146>.

China's closer relationship with Iceland has not been without its pitfalls. One incident in particular aroused suspicion among Icelandic politicians and business leaders. When Chinese billionaire Huang Nubu's offered to purchase 300 square kilometers of land in Iceland at the height of Iceland's financial crisis, Icelandic politicians cried foul.¹⁰⁰ Although Nubu's stated intention was to develop the land into an Arctic resort, the Icelandic authorities expressed concern about foreign ownership of such land due to the fact that it would allow foreign access to deep-water ports in the Arctic and potentially access to mineral rights in the Arctic.¹⁰¹ Though the first deal with Nubu was scuttled, he resubmitted his proposal in September 2012.¹⁰²

Although Nubu was not officially a proxy of the Chinese state, his interest in purchasing land in Iceland, as well as the Icelandic government's refusal of Nubu's offer, highlight the value of Arctic territory. But Iceland's refusal to sell the land reflects a hurdle for foreign businessmen and foreign states' entry into the Arctic. Linda Jakobson, an expert on China's Arctic activity at the Stockholm International Peace Research Institute, concludes that despite China's scientific prowess in the region the country's Arctic activity reflects a cautious "wait-and-see" approach.¹⁰³ China's Arctic activity so far has been inline with UNCLOS and the Arctic Council.

Russia's Arctic: A History

The Arctic plays a central role in Russia's geography and sovereignty. That Russia's influence extends to its Arctic borders is natural, given that the Arctic, according to many

¹⁰⁰ Bloomberg Businessweek, "Chinese Billionaire Won't Give Up On Iceland Plan After Snub," Bloomberg News, December 2, 2012, <http://www.businessweek.com/news/2012-12-02/chinese-billionaire-won-t-give-up-on-iceland-plan-after-snub>.

¹⁰¹ Bloomberg Businessweek, "Chinese Billionaire's Iceland Plan."

¹⁰² Bloomberg Businessweek, "Chinese Billionaire's Iceland Plan."

¹⁰³ Linda Jakobson, "China Prepares for an Ice-Free Arctic," *SIPRI Insights on Peace and Security* 2010 no 2 (March 2010), <http://books.sipri.org/files/insight/SIPRIInsight1002.pdf>.

Russians, lies within Russia's "traditional sphere of interests."¹⁰⁴ Lev Voronkov, an expert on international relations at the Moscow State Institute of International Relations, argues that the Arctic was a part of Russia's core strategic interest for centuries.¹⁰⁵ It was only recently that, as Voronkov writes, the discovery of riches and the possibility of new global trade routes in the region elevated the status of the Arctic, bringing the region to the attention of the international community.¹⁰⁶ Although non-Arctic nations have an interest in the Arctic's development, according to Voronkov, Russia and the other Arctic states play the leading role in the region's evolution. Despite the fact that the Arctic is in Russia's "traditional sphere of interests," Russia's designs for the region are rooted in international law.¹⁰⁷ Although heightened Russian military presence in the Arctic is not a key pillar of Russian Arctic policy—unlike during the Cold War, the provision of Russia's "defense and security of the national border of the Russian Federation" is a central tenant of Russia's Arctic policy.¹⁰⁸ This, however, is a natural border security measure and not a signal of Russia's Arctic intent.

Russia's claims to Arctic territory extend back to Czar Alexander I's imperial order over the waters of the Bering Sea in 1821.¹⁰⁹ The Union of Soviet Socialist Republics (USSR) reestablished Russia's Arctic psyche in April of 1926 with the Soviet Central Executive

¹⁰⁴ Лев Воронков, *Интересы России в Арктике*, МГИМО Университет, Август 30, 2012, http://russiancouncil.ru/inner/?id_4=732. [Lev Voronkov, *Russia's interests in the Arctic*, Moscow State Institute of International Relations, August 30, 2012.]

¹⁰⁵ Voronkov, *Russia's interests in Arctic*.

¹⁰⁶ Voronkov, *Russia's interests in Arctic*.

¹⁰⁷ Voronkov, *Russia's interests in Arctic*.

¹⁰⁸ Президент Российской Федерации Д. Медведев, *Основы государственной политики Российской Федерации в Арктике на период до 2020 и дальнейшую перспективу*, III.6.б, 18 сентября 2008г. <http://www.scrf.gov.ru/documents/98.html>. [President of the Russian Federation D. Medvedev, *Foundations of the Russian Federations' policies in the Arctic until 2020 and future perspectives*, III.6.b, September 18, 2008ж

¹⁰⁹ Roger Howard, *The Arctic Gold Rush: the new race for tomorrow's natural resources*, (London: Continuum, 2009), 142.

Committee's decree over Arctic territory. The Central Committee staked out the area between the meridians 32. 04'35"E longitude and 168 degrees 49'30"W longitude to the North Pole as territory belonging to the USSR.¹¹⁰ While the committee's decrees extended Russia's borders over new geography, the country's claims reflect Russia's natural geography. Over 20% of Russia lies above the Arctic Circle and six major Russian rivers feed into the Arctic Ocean. Regions north of the Arctic Circle provide as much as 20 percent of Russia's Gross Domestic Product (GDP).¹¹¹

The Cold War left the Arctic as one of the most heavily militarized regions of the world.¹¹² The Soviet Union's geopolitical interests and national security concerns dominated Russia's policies toward the Arctic. As the opportunities for business in the Arctic grew, however, the Russian government left the policies of the Cold War behind. In a speech given in the northern Russian port of Murmansk in 1987, Mikhail Gorbachev spoke of the Arctic as a "zone of peace."¹¹³ Gorbachev reaffirmed the importance of peaceful cooperation in the development of the resources of the Arctic, inviting an "exchange of foreign states' experience and knowledge."¹¹⁴ Gorbachev proposed that countries interested in developing oil and gas reserves in the Arctic should pool their technology and create joint enterprises. He also promised

¹¹⁰ Leonid Timtchenko, "The Russian Arctic Sectoral Concept: past and present," *Arctic* 50, no 1 (1997) <http://pubs.aina.ucalgary.ca/arctic/Arctic50-1-29.pdf>.

¹¹¹ Russian Federation President D. Medvedev, *Speech at Meeting of the Russian Security Council on Protecting Russia's National Interests in the Arctic*, September 17, 2008, The Kremlin, Moscow, http://archive.kremlin.ru/eng/text/speeches/2008/09/17/1945_type82912type82913_206564.shtml.

¹¹² Kristian Atland, "Russia's Northern Fleet and the Oil Industry: Rivals or Partners?," *Armed Forces and Society* 35 no 2 (2009) <http://afs.sagepub.com/content/35/2/362>.

¹¹³ USSR Chairman Mikhail Gorbachev, *Speech at the ceremonial meeting on the occasion of the presentation of the Order of Lenin and the Gold Star to the City of Murmansk*, Novosti Press Agency, October 1, 1987, http://www.barentsinfo.fi/docs/Gorbachev_speech.pdf.

¹¹⁴ Gorbachev, *Murmansk Speech*.

to change the Soviet Union's NSR policy to allow foreign ships passage across the NSR with the aid of Russian icebreakers.¹¹⁵

Russia's Arctic: The Policy

The Arctic has expanded its role within Russia's domestic political field in the past decade. In August 2007 Artur Chilingarov, a Russian politician, United Russia party member, and polar scientist, planted a flag under the North Pole at the bottom of the Arctic Ocean.¹¹⁶ Decked in pageantry and evoking 15th Century buccaneers, the mission marked the genesis of Russia's political reorientation towards the Arctic.¹¹⁷ Putin himself commissioned the mission as part of Russia's plan to secure "its strategic, economic, scientific, and defense interests" in the Arctic.¹¹⁸ The mission, though not legally establishing Russia's claim to the North Pole, was met with jubilation by Russians and within circles of Russia's political elite.

In addition to throwing his support behind Chilingarov, Russian President Vladimir Putin refocused Russia's gaze on its northern stretches through a series of documents and projects. Russia's Arctic policy in the modern era flows from a government document entitled *The Foundations of Russia's Politics in the Arctic until 2020 and beyond*.¹¹⁹ This document, published in 2008, lays out Russia's objectives in the Arctic and articulates the country's "strategic priorities and the mechanisms for their realization" in the region.¹²⁰

¹¹⁵ Gorbachev, *Murmansk Speech*.

¹¹⁶ BBC, "Russia plants flag under North Pole," BBC News, August 2, 2007, <http://news.bbc.co.uk/2/hi/europe/6927395.stm>.

¹¹⁷ Canadian Foreign Minister Peter MacKay criticized Russia's North Pole claim by stating that "This isn't the 15th Century." He added that, "you can't go around the world and just plant flags and say 'We're claiming this territory.'"

¹¹⁸ Putin's quotes from Ariel Cohen, *Russia's Race for the Arctic*, Heritage Foundation, August 8, 2007. <http://www.heritage.org/research/commentary/2007/08/russias-race-for-the-arctic>.

¹¹⁹ Medvedev, Russian Federation Arctic Document.

¹²⁰ Medvedev, Russian Federation Arctic Document, I.1.

Russia's guiding Arctic policy document, the 2008 Arctic Strategy Document lays out the "preservation of the Arctic as a zone of peace and cooperation" as a key national interest achieved through the rule of law and Russia's international agreements.¹²¹ The commitment to preserve the Arctic as a region of multilateral cooperation offers an avenue for Asian nations to participate in its development. As noted in Russia's policy document, the opening of the Arctic has economic consequences for Russia. The document's inclusion of a timeline for objectives reflects the rate of climate change in the Arctic. The *Foundations* document lays out four national interests of Russia: the use of the Arctic as a strategic resource base for the social and economic development of Russia; the preservation of the Arctic as a zone of peace and cooperation; the conservation of the unique ecological system of the Arctic; the use of the NSR as a national transport route in the Arctic.¹²² These four interests underpin the entire document's policy objectives. The document proposes ambitious policies on a shortened time frame, a defect that, according to Dr. Katarzyna Zysk, harkens back to Russia's 2001 Arctic policy document.¹²³ Given that the Russian government plans to use the resource-rich Arctic as a "strategic resource base," a resource base that ensures the "socio-economic development" of the country, Russia's future economic prosperity is tied closely to the Arctic's development.¹²⁴ As Dr. Zysk points out, rather than reflecting an index of strategies for the Arctic, the document's language and content reflect Russia's major priorities and interests in the region—to develop the Arctic in a way that benefits Russia's economy and people.

¹²¹ Medvedev, Russian Federation Arctic Document, II.4.6.

¹²² Medvedev, Russian Federation Arctic Document, II.4.a, б, в, г.

¹²³ Katarzyna Zysk, "Russia's Arctic Strategy: Ambitions and Constraints," *JFQ* 57 no 2 (2010) <http://www.ndu.edu/press/lib/images/jfq-57/zysk.pdf>.

¹²⁴ Medvedev, Russian Federation Arctic Document, II.4.a.

Russia's main interest in the Arctic is economic, not geopolitical, a fact that could bolster Asian countries' relations with Russia in the Arctic.¹²⁵ Dmitri Trenin, a leading expert on Russia at the Carnegie Endowment for International Peace, suggests that for modern Russia "geopolitics is important as it affects economic interests," adding that "private and corporate interests are behind most of Moscow's major policy decisions."¹²⁶ Trenin's points apply to Russia's approach to the Arctic following the Cold War. In a Kremlin where business concerns have replaced ideological concerns, the Arctic represents a major business opportunity. With many top Kremlin insiders and Russian ministers active in the leadership of state-owned corporations, many of which are active in developing the Arctic, the Russian leadership shares a common objective—the maximization of state corporations' share of activity in the region. The evolution of the Arctic as a resource base for economic gain from the Soviet Union's militarized Arctic stands as an example of Russia's policy transformation.

Russian President Dmitri Medvedev also emphasized the Arctic's importance to Russia's national security strategy when in September 2008 he remarked that the Arctic "has a strategic significance for our country" and that "resolving long-term tasks of developing the state, and its competitiveness on the global market, is directly tied to [the Arctic's] development."¹²⁷ Medvedev went on, "our first and main task is to turn the Arctic into a resource base for Russia in the twenty-first century...using these resources will guarantee energy security for Russia as a whole."¹²⁸

¹²⁵ Dmitri Trenin, "Russia redefines itself and its relations with the West," *Washington Quarterly*, 30 no 2 (2007).

¹²⁶ Dmitri Trenin, "Russia Redefines Itself and Its Relations with the West," *Washington Quarterly* 30 no 2 (2007).

¹²⁷ Seattle Times, "Medvedev: Arctic Resources are key to Russia's future," The Seattle Times, September 18, 2008, http://seattletimes.nwsourc.com/html/nationworld/2008187217_russia18.html.

¹²⁸ Seattle Times, "Arctic resources key."

Russia's Arctic: Recent Developments

The flurry of developments and deal making in shipbuilding, port facilities, and energy export routes illustrates not only the economics of the newly-opened NSR to transport energy from Russia to Asia, but also Russia's political openness to foreign investment in the Arctic. At the 2012 Saint Petersburg International Economic Forum Putin stressed that Russia will welcome foreign investment in the country's energy sector, a sector that had previously plagued foreign investors with uncertainty.¹²⁹

The development of port facilities along the NSR and gas liquefaction plants in Russia's Far East also plays a vital role in accelerating the energy trade between the Arctic and the Asia-Pacific region. In order to export oil and gas to Asia from the massive Yamal Peninsula fields, two major ports and a rail line are being constructed.¹³⁰ With 15 oil and 11 gas and condensate fields, approximately 16 trillion cubic meters (tcm) of estimated gas reserves and 22 (tcm) of in-place reserves, the Yamal Peninsula is a major step for Russia's Arctic development.¹³¹ Gazprom Neft, a subsidiary of Gazprom, owns and operates the Cape Kammeny port. The port is scheduled to begin loading tankers in 2014 when the Novoportskoye field, one of the largest oil fields on the Yamal Peninsula, is tapped.¹³² 400 kilometers to the south of Cape Kammeny lies the port of Sabetta. A joint project of Novatek and the Russian government, Sabetta is a major step towards opening new markets in Asia and diversifying Russia's energy exports. The Russian

¹²⁹ RIA Novosti, "Putin: Russia Open to Foreign Investment in Energy," *RIA NOVOSTI*, June 21, 2012, <http://en.rian.ru/business/20120621/174173405.html>.

¹³⁰ Atle Staalesen, "In Yamal, Novoportskoye field coming up," *Barents Observer*, June 13, 2012. <http://barentsobserver.com/en/energy/yamal-novoportskoye-field-coming>.

¹³¹ Gazprom, "Yamal megaproject: Reserves and Resources of Yamal," Gazprom: Production: Yamal Megaproject, October 23, 2012, <http://www.gazprom.com/about/production/projects/mega-yamal/>.

¹³² Atle Staalesen, "Yamal Novoportskoye field."

government has high expectations for the port. Dmitry Kobylkin, the governor of Yamalo-Nenets Autonomous Okrug, called the port “Russia’s window to Europe and Asia,” noting that there is no better port for transporting Russian gas to Asia and that the port will allow Russia to export metal from Tyumen and the Urals to markets around the world.¹³³ Besides Sabetta and Cape Kammeny, Russia is planning to construct a gas liquefaction plant in the eastern port city of Vladivostok by 2018 in order to meet the demands of Japan and China.¹³⁴ Alexey Miller, chairman of Gazprom, stressed the need for a LNG plant in Vladivostok, noting that Vladivostok should become “...the new center for Russian gas exports to Asia-Pacific.”¹³⁵

On the sidelines of the 2012 APEC summit, Gazprom and a consortium of Japanese companies reached a preliminary deal to build a LNG plant in Vladivostok. The plant, the second LNG plant in Russia, would liquefy natural gas from the Yakutia-Khabarovsk-Vladivostok pipeline for LNG exports to Japan.¹³⁶ The Russian Far East is, according to the Kremlin, the future center of Russia’s economy.¹³⁷

¹³³ ИТАР-ТАСС, “Морской порт Сабетта станет для регионов Урала и Сибири надежным «окном» и в Европу и в Азию, считает губернатор,” сентября 27, 2012, [ITAR-TASS, “The sea port Sabetta will become a window to Europe and Asia for the Urals and Siberia, says governor,” September 27, 2012,] <http://www.itar-tass.com/c145/530749.html>.

¹³⁴ РБК, «Второй завод по сжижению газа появится в России в 2016г.» 29 июня 2012, [Rus Business Consulting, “Second gas liquefaction plant will arrive in Russia in 2016,” June 29, 2012,] <http://top.rbc.ru/economics/29/06/2012/657532.shtml>.

¹³⁵ World Oil News Center, “Russian gas pipeline for Far East exports to be constructed by end of 2017,” *Dow Jones News Services*, November 5, 2012, http://www.worldoil.com/Gazprom_announces_Yakutia_Khabarovsk_Vladivostok_gas_pipeline_to_be_constructed_by_end_of_2017.html.

¹³⁶ Tsuyoshi Inajima and Toru Fujioka, “Noda Signs Preliminary Deal With Putin on Vladivostok LNG Plant,” *Bloomberg News*, September 8, 2012, <http://www.bloomberg.com/news/2012-09-07/japan-russia-set-to-decide-on-vladivostok-lng-plant-this-year.html>.

¹³⁷ Russian Federation Prime Minister Dmitry Medvedev, “Russia must look east,” *Financial Times*, November 2, 2012, <http://blogs.ft.com/beyond-brics/2012/11/02/guest-post-by-dmitry-medvedev-russia-must-look-east/#axzz2CtXYIwLj>.

Russian President Vladimir Putin's trip to China in June of 2012 signaled a new direction for Russia's relationship with China, and the Asia-Pacific as a whole. Putin, abroad on his first trip of his third term as President of Russia, published an article in China's People's Daily where he cited the "strategic nature" of the energy dialogue between Russia and China as a driving force in "diversifying China's energy supply" and "opening new energy export routes from Russia to the dynamic Asia-Pacific region."¹³⁸

Putin stressed strengthening Russia's relations with China and the Asia-Pacific region again in his remarks at the Asia Pacific Economic Cooperation Summit (APEC) held in Vladivostok in September 2012. In his address at APEC Putin observed Russia's integral position in the Asia-Pacific region and stressed "just how important it is now to build bridges between different parts of the world."¹³⁹ As an example, Putin praised the success of the Sakhalin Island energy projects to strengthen both Russia and its Asian partners' energy security.¹⁴⁰

Although the Soviet Union does not exist two decades after Gorbachev gave the Murmansk speech, Russia's commitment to peaceful cooperation in the Arctic continues to guide the country's policies towards the Arctic. A Russian re-securitization of the Arctic beyond border patrol is unlikely. Kristian Aatland, a researcher on Russia at the Norwegian Defense Research Establishment, notes that the interests of the Russian oil industry gradually won out over the

¹³⁸ Владимир Путин, «Россия и Китай: новые горизонты сотрудничества,» *Российская газета*, 5 июня 2012, [Vladimir Putin, "Russia and China: new horizons for cooperation," June 5, 2012, originally published in China's People's Daily newspaper and republished in Russian in Rossiiskaya Gazeta,] <http://www.rg.ru/2012/06/05/putin-statia-site.html>.

¹³⁹ Выступление Владимира Путина на саммите АТЭС, 7 сентября 2012, [Speech by Russian President Vladimir Putin at the Asia-Pacific Economic Cooperation forum, September 7, 2012,] <http://rus.apec2012.ru/news/20120907/462941003.html>.

¹⁴⁰ Vladimir Putin, *Speech at APEC*.

Russian military establishment for control over the Arctic.¹⁴¹ Aatland suggests that Russia's Arctic policies were de-securitized by the evolution of the two entities' strategic partnership. The shift in foreign policy priorities from military security to economic growth reflects modern Russia's political leadership and intentions. The marriage of convenience between the Russian energy industry and Russia's Northern Fleet, as Aatland argues, is not likely to change in the short-term. As long as Gazprom's interest in Arctic shelf activities, offshore and onshore terminal construction, and the use of Russian naval shipyards continues to fuel Russia's economic growth, a re-securitization of the region is unlikely.¹⁴²

Russian Far East: Developments and Prospects

Although literature that connects the Russian Far East (RFE) to Russia's Arctic development is sparse, the RFE region is an important component of Russia's Arctic development. The RFE's largest city, Vladivostok, was stood as the shining example of a cosmopolitan, imperial city.¹⁴³ For a city whose name literally means "Lord of the East," Vladivostok is anything but that now despite its location in the dynamic Asia-Pacific region.

In terms of geography, the RFE is well-suited as a gateway to the Arctic. If shipping on the NSR expands, Vladivostok's deep-water port could serve Arctic shipping industries. Russia's Pacific Fleet is also stationed at Vladivostok, making that port vital for Russia's Pacific Ocean access and power projection in the region. But, while Russian leaders often publicize the RFE's strategic importance and the RFE's importance to Russia's future, the region presents major

¹⁴¹ Aatland, Northern Fleet, 378.

¹⁴² Aatland, Northern Fleet, 379.

¹⁴³ Dmitri Trenin, "Russia can pivot to the Pacific, too," *The Globalist*, Op-Ed, September 7, 2012, <http://carnegie.ru/publications/?fa=49312&lang=en>.

challenges to development.¹⁴⁴ Figure 3 illustrates the general geographic characteristics of the RFE and its proximity to Asia and the Arctic. Though the region accounts for 25,000 kilometers of Russia's sea coast, it is sparsely populated.¹⁴⁵



Figure 3: The Russian Far East. Map taken from the Ministry of Science and Education of the Russian Federation.¹⁴⁶

One of the major challenges of developing the RFE is the region's remoteness. Though the nine provinces of the RFE comprise 36 percent of all of Russia's territory, the RFE remains

¹⁴⁴ For Putin's statements on the importance of Russia's Far East, see note 140.

¹⁴⁵ Rens Lee, "The Far East Between Russia, China, and America," *Foreign Policy Research Institute*, July 2012, www.fpri.org.

¹⁴⁶ For the map details, see <http://ns.mitht.rssi.ru/drofa/1-5-31.html>. (Russian)

“a weak and underdeveloped backwater,” contributing only 5.6 percent to Russia’s GDP.¹⁴⁷ Russia’s maintains a robust political and military stake in the region at the expense of the commercial and financial activity of the region, an imbalance that endangers future development and Russia’s strategic plans for the region.¹⁴⁸

The Kremlin has revitalized regional development projects in the region in the past decade, focusing development initiatives along two major paths: state intervention in the region’s economy, and the invitation of Asia-Pacific economies’ investment to the region.¹⁴⁹ Dmitri Trenin, an expert at the Carnegie Endowment for International Peace, notes that the Russian Pacific should be at the center of Russia’s reforms. Trenin argues that after the Cold War, the RFE has become Russia’s most vulnerable region, politically and economically. But Trenin points out that, with the exception of the APEC 2012, Moscow has been unwilling to pivot to the Pacific.¹⁵⁰ The key to RFE could lie in its Asian neighbors.

Rensselaer Lee, an expert on the RFE, predicts that China is the key to the RFE’s future.¹⁵¹ China’s demand for energy has revitalized Russia-China commercial relations. In 2009, Rosneft, Russia’s state-owned oil company, signed a deal with China’s National Petroleum Corporation for \$30 billion loan-for-supply deal to supply 300,000 barrels of oil a day for 20

¹⁴⁷ Rensselaer Lee, “The Russian Far East: Opportunities & Challenges for Russia’s Window on the Pacific,” *Orbis*, 57, no 2, (Spring 2013). The nine provinces of the region include: Amur, Chukotka, Kamchatka, Khabarovsk, Magadan, Primorye, Sakha (Yakutia), Sakhalin, and the Jewish Autonomous Oblast.

¹⁴⁸ Rensselaer Lee, “RFE: Opportunities and Challenges.”

¹⁴⁹ Rensselaer Lee, “RFE: Opportunities and Challenges.”

¹⁵⁰ Trenin, “Russia Pivot.”

¹⁵¹ Rensselaer Lee, “RFE: Opportunities and Challenges.” Lee points out that China’s population in the three provinces bordering the RFE outnumbers the Russian population in the region 16:1.

years.¹⁵² In 2013, Rosneft petitioned China's National Petroleum Corporation for a \$30 billion loan as part of Rosneft's financing for the acquisition of TNK-BP, a move linked to possibly doubling the volume of oil that Russia exports to China.¹⁵³ Lee predicts that China's economic footprint in the region will grow due to what he names the Russia-China entente, the acceleration of commercial and political relations between the two countries.¹⁵⁴ Natural gas has also factored into Russia's energy ties to China. Figure 4 illustrates Russia's planned energy export routes to China, routes that include gas development on Kamchatka by Gazprom, the Sakhalin-Khabarovsk-Vladivostok gas pipeline, and the Sakhalin Shelf gas projects

¹⁵² RT, "Rosneft could double oil supplies to China," Russia Today, February 14, 2013, <http://rt.com/business/rosneft-double-oil-supplies-china-237/>.

¹⁵³ Dmitry Zhdannikov and Vladimir Soldatkin, "Russia plans \$25-\$30 billion oil-for-loans program with China," *Reuters*, February 13, 2013, <http://www.reuters.com/article/2013/02/13/us-rosneft-china-idUSBRE91COTB20130213>.

¹⁵⁴ Rensselaer Lee, "RFE: Opportunities and Challenges."

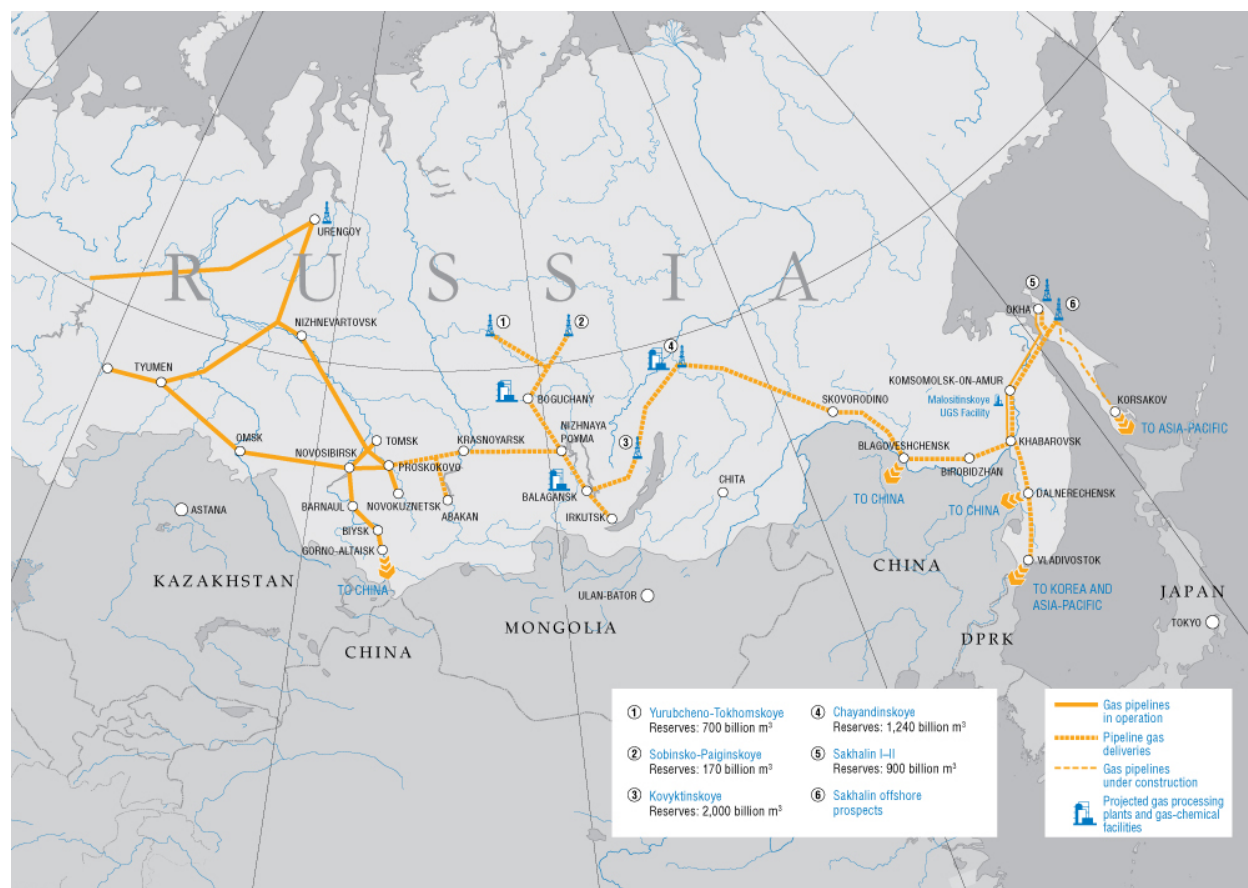


Figure 4: Map of Russia's current and planned gas export routes to China. Map taken from Gazprom's Eastern Gas Program.¹⁵⁵

But despite the opportunities in the economic arena, the RFE faces demographic problems that undermine the region's development. In the past two decades Russia's Far Eastern regions have suffered from a major population migration out of the region.¹⁵⁶ With Chinese provinces along the Russian border heavily populated compared to the sparsely populated RFE, China's demographic advantage presents a major challenge for Moscow.¹⁵⁷ Though fears of mass

¹⁵⁵ For more details of the Eastern Gas Program, see Gazprom's site: <http://www.gazprom.com/about/production/projects/east-program/>. (English)

¹⁵⁶ Демографический ежегодник, "7.12. Коэффициенты миграционного прироста по субъектам российской федерации," 2010, http://www.gks.ru/doc_2010/demo.pdf. (The Demographic Yearbook of Russia, "7.12. Net migration rates by regions of the Russian Federation," 2010.)

¹⁵⁷ Rens Lee, "The Far East Between."

migrations of Chinese into RFE territories stir up fears in Moscow and in Vladivostok, Moscow's development initiatives for the region will not prevent against population migrations in the region.¹⁵⁸ The demographic problem for the RFE undermines future development of the region due to the fact that Russia's demography does not allow for a migration of Russian workers to the RFE. Within Russia, the movement of population out of the RFE has been dramatic. Lee notes that the outflow of population from the RFE has increased to 25 percent of the region's population since the 1990s.¹⁵⁹

Although of the literature written about the RFE does not include the Arctic as a component of RFE development, both regions represent two major issues for Russia in the decades to come. The RFE region could develop in tandem to Russia's Arctic, especially with the renewed commercial and financial ties between Asia and the RFE region. On paper Russia's strategic objectives for the RFE are grand, but in reality the RFE faces major obstacles.

Conclusion: Asia in the Arctic

Whether through the energy trade, port construction, project financing, or the NSR, economic ties between the Arctic and the Asia-Pacific region are set to increase as the Arctic climate warms. Political willingness on the part of the Russian leadership also opens the Asia-Pacific region to Arctic energy, trade, and industry. Russia's Arctic ambitions are consistent with the country's economic shift to the east, a shift that is facilitated further by providing energy to the Asia-Pacific. Under a Russian foreign policy that promotes the profit of state-owned corporations and growth of strategic industries like shipbuilding and energy extraction, Asia-

¹⁵⁸ Thomas Grove, "Russia's Medvedev hints of Chinese threat to Far East," *Reuters*, August 9, 2012. <http://www.reuters.com/article/2012/08/09/us-russia-china-territory-idUSBRE8780Y320120809>.

¹⁵⁹ Rens Lee, "The Far East Between."

Pacific's relations to the Arctic will increase as investment in ships and energy contracts increase. Though demographic problems continue to hamper the Russian Far East's economic development, Asian investment in "Russia, Inc." could allow Russia to develop its Far Eastern territory with state-run development initiatives.¹⁶⁰

Japan, China, and South Korea are seeking out both political and business agreements in the Arctic and with Arctic states, a trend that is likely to continue as the Arctic warms. Ice-class ships and tankers are essential for the development of energy trade between the Asia-Pacific region and the Arctic. As a result of these business opportunities in the development of the region, Asian industries are likely to seek out agreements with Russian enterprises in the Arctic, one trend that will increase the political ties between Asia-Pacific and Russia. In the case of Chinese shipbuilding and China's national oil companies, for example, the industry's profit is just as much motivated by domestic politics as it is by the companies' financial gain.¹⁶¹ Due to the convergence of Asian economic interests with a Russian foreign policy that emphasizes bureaucratic capitalism and the profits of state-owned corporations, Asian countries are more likely to establish business relations in the Arctic.

As Linda Jakobson notes in her article on China's position on the Arctic, China "has adopted a wait-and-see approach to the region, wary that active overtures would cause alarm in other countries due to China's size and status as a rising global power."¹⁶² The "wait-and-see approach," Jakobson suggests, is not an official state policy but rather an approach to the region

¹⁶⁰ The term "Russia, Inc." is taken from Dmitri Trenin's article on Russia's new, profit-driven foreign policy. See footnote 38: Dmitri Trenin, "Russia Redefines Itself."

¹⁶¹ Øystein Tunsjø, "Hedging Against Oil Dependency: New Perspectives on China's Energy Security Policy," *International Relations* 24 no 1 (2010).

¹⁶² Linda Jakobson, "China and the Arctic," 2.

that originates from China's respect for states' sovereign rights and emphasizes the possibilities of bilateral cooperation in the region. Indeed, China, Japan, and South Korea ratified the United Nations Law of the Sea (UNCLOS).¹⁶³ Due to the fact that the vast majority of resources lie in the undisputed Exclusive Economic Zones (EEZ) of the Arctic littoral states, China's observation of states' sovereign territory in the Arctic decreases the likelihood that China will claim Arctic territory from a littoral state. At the moment, respect for the rule of law and the commitment to preserving the Arctic as a zone of peace are features of Russia's policy that are shared by China, Japan, and South Korea, the Asian heroes of the first act. As the Arctic ice continues to melt, the Arctic drama heats up.

¹⁶³ UN, *Oceans and Law of the Sea Declarations and Statements: China*, Division for Ocean Affairs and the Law of the Sea, http://www.un.org/Depts/los/convention_agreements/convention_declarations.htm#China after ratification.