THE GLOBAL ARCTIC 133

THE GROWING ARCTIC INTERESTS OF RUSSIA, CHINA, THE UNITED STATES AND THE EUROPEAN UNION

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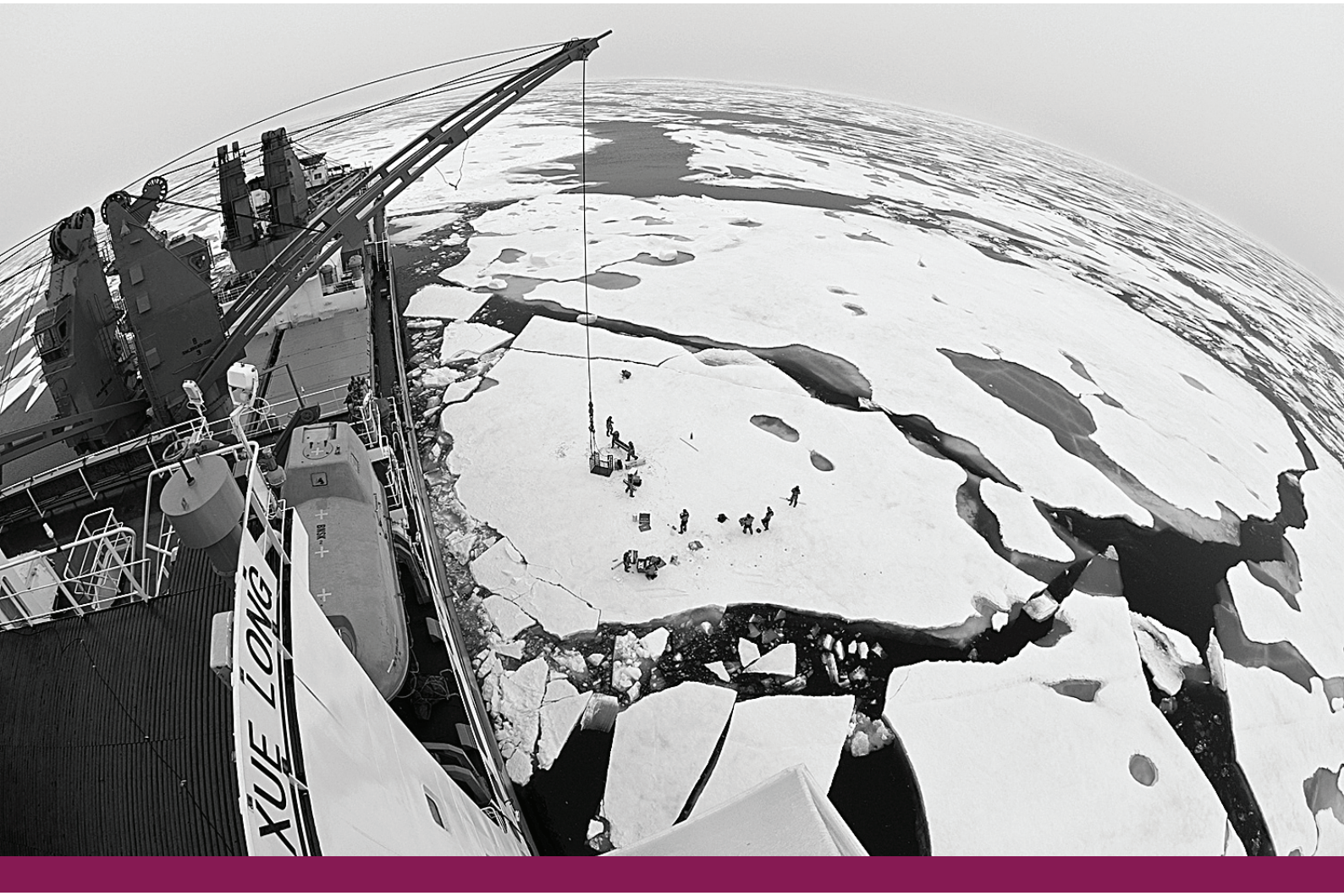

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- With exciting economic opportunities and serious environmental challenges, the Arctic is transforming and re-emerging as a geopolitically important region.
- Major global players within and without the Arctic are paying greater attention to the region.
- While Russia is a traditional Arctic state with significant economic and security interests in the region, China, the US and the EU have also expressed their Arctic interests more explicitly. They are keen to tap into the economic potential and have a say in the way the region becomes accessed, exploited and governed.
- As a result, the Arctic is no longer a spatially or administratively confined region, but is instead taking its new form in the midst of contemporary global politics.
- The globalization and economization of the Arctic will most likely downplay environmentalism and reduce the relative influence of the indigenous people and small Arctic states in Arctic affairs. Arctic governance is also likely to turn more complex and complicated as the economic and political stakes are raised.

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Introduction[1]

Kiruna, the northernmost city of Sweden located in Swedish Lapland, hosted the eighth biannual ministerial meeting of the Arctic Council (AC) on 15 May, 2013. Traditionally, the AC has been a regional cooperative forum with a limited mandate on issues of sustainable development and environmental protection. This not only constructed the Arctic as an "internal affair" of the AC member states[2] and non-state representatives, but also excluded "high politics", most notably economy and security, from the AC agenda.

From this perspective, two outcomes of the Kiruna meeting were notable. First, the meeting decided to grant several extra-Arctic players – China, India, Italy, Japan, the Republic of Korea, Singapore and conditionally the EU – the status of permanent observers. This decision went against the trend of self-imposed exclusion of the AC from the extra-Arctic world, previously reaffirmed only two years ago in the 2011 Nuuk ministerial meeting, and legitimized new stakeholders in Arctic affairs.

Second, the Kiruna meeting placed important new emphasis on the economy for the Arctic Council. The Kiruna Declaration stated that the AC "recognize the central role of business in the development of the Arctic, and decide to increase cooperation and interaction with the business community to advance sustainable development in the Arctic".[3] Compared to the previous environmental emphasis, this new focus in the official discourse is highly significant.

The Kiruna decisions reflect the new dynamics that the Arctic region is facing today. As an opening geopolitical frontier with exciting economic opportunities and serious environmental challenges, the Arctic is gaining an increasing amount of attention from a range of political actors, both within and without the Arctic itself. As a result, the "Arctic" can no longer be understood as a confined region or as a set of specific "soft" issues dealt with by the Arctic states and local communities themselves. Instead, it is emerging both as a global space and as an instantiation of contemporary global politics.

This paper investigates the key Arctic interests of four major global players that are paying increasing attention to the opening northern region: Russia, China, the US and the EU. In so doing, the paper illuminates some of the key drivers behind the "globalization" of the Arctic. The paper concludes with some remarks on the global nature of the contemporary Arctic and its consequences.

Russia: The key player in the Arctic

Russia is the most important player in the Arctic, with significant economic, security and governance interests in the region. This is primarily because of natural resources. Over 20% of undiscovered global hydrocarbon reserves are located in the Arctic area and most of them in the Russian Arctic.[4] These natural resources are vital to Russian national security and economy; oil and gas alone account for roughly 20–25% of Russian GDP.[5] Russia's domestic social programmes, infrastructure investments, and military modernization are all critically dependent on revenues from natural resource export.

Similarly, hydrocarbons provide important leverage for Russian foreign influence. This is especially the case with energy-dependent Europe, where a third of the natural gas consumed is imported from Russia.[6] The Arctic plays an increasing role in this equation as a strategically vital resource base for Russia. So far, the Russian Arctic has been responsible for

1 This briefing paper was drafted as a part of a broader research project Towards Geopolitics of Flows, funded by the Finnish Scientific Advisory Board for Defense and National Emergency Supply Agency.

2 Canada, Denmark (Greenland), Finland, Iceland, Norway, the Russian Federation, Sweden and the United States of America.

3 Arctic Council (2013) The Kiruna Declaration, http://www.arctic-council.org/index.php/en/document-archive/category/425-main-documents-from-kiruna-ministerial-meeting.

4 Zysk, Katarzyna (2011a) "The Evolving Arctic Security Environment: An Assessment", in Blank, Stephen J. (ed.) (2011) *Russia in the Arctic*, Carlisle: Strategic Studies Institute, pp. 96-97.

5 Simola, Heli et al. (2013) *Perspectives on Russia's Energy Sector*, BOFIT Online, 3/2013, p. 4.

6 Ratner, Michael et al. (2012) "Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification". CRS Report for Congress, March 15, 2013.

about 10–15% of Russian GDP and 25% of its foreign exports[7] and there are systematic efforts to increase these figures.

Russia's increasing northward focus is also due to the fact that Russia's mature hydrocarbon sources in Western Siberia are slowly drying up. Recent hydrocarbon activities in the Russian Arctic have taken place primarily through onshore projects in key locations such as the Yamal Peninsula and in nascent offshore projects on the Arctic sea bed in the Barents, Pechora and Kara Seas. These offshore projects have often taken the form of joint ventures between Russian and international energy corporations. This signals Russia's need to seek investments and technological know-how through international cooperation.

However, key offshore projects – such as the Shtokhman gas field and Prirazlomnoye oil field – have turned out to be extremely challenging and have been suffering from continuous delays and shuffling of foreign partners up until today. Russia has also set its sights on resource bases outside its territorial borders and submitted a claim for the extension of its continental shelf to the UN Commission on the Limits of the Continental Shelf (CLCS) process as early as 2001.

In order to access, exploit and deliver Arctic natural resources to global markets, Russia also aims to develop critical infrastructure in the Northern Sea Route (NSR), including ports, search-and-rescue (SAR) centres, route administration, ice-breaking capability, and oil spill response capabilities. In addition, non-maritime parts of the Arctic transport system – pipelines, aviation routes, railways, and roads – and the overall socio-economic conditions of the region require development and modernization.

Russia also has security interests in the Arctic. Russia seeks to project its sovereign authority in its wide Arctic region through improved border control (FSB), to provide safety and security especially in the NSR, and to maintain credible forces to secure critical infrastructures. Russia also seeks to maintain, develop and project a credible military force – primarily naval, aerial and missile assets – in the region in order to be able to react in various politico-military scenarios, as well as to deter the expansion of unwanted foreign military presence into the (Russian) Arctic.

Russia also has strategic military forces in the Arctic, most notably the Northern Fleet and its ballistic-missile submarines (SSBNs). These mobile forces are of increasing strategic importance due to the challenges that Russian land-based intercontinental ballistic-missile capability faces today.[8] However, developments in Russian hard power in the Arctic have been relatively modest, especially if compared to the Cold War era, and there is widespread agreement that instead of re-militarization or the potential for a hot conflict, Russia is seeking to govern its increasingly busy northern front and secure its interests therein.[9]

While Russia seeks to modernize and project hard power in the Arctic, it is a pragmatic player that has relied on international cooperation to maintain stability conducive to economic activity in the region. It has resolved long-standing border disputes through bilateral negotiations and endorsed multilateral governance in the Arctic. It has also endorsed the Arctic Council as the legitimate institutional governance framework, including its recent Kiruna developments. Even if Russia is likely to harbour concerns about the growing role of China in the region and its governance, on the whole, Russia seems to have little to lose in the AC co-operation as the forum cannot produce independent and binding resolutions without Russia's consent.

Russia has also supported the United Nations Convention on the Law of the Sea (UNCLOS) as the legitimate multilateral legal framework for governing the Arctic Ocean, including the resolution of maritime boundary issues, resource disputes on the continental shelves, and maritime navigation disagreements. The key question that remains,

7 Zysk (2011a), p. 97.

8 Golts, Alexandr' (2011) "The Arctic: A Clash of Interests or Clash of Ambitions", in Blank (2011); Zysk, Katarzyna (2011b) "Military Aspects of Russia's Arctic Policy: Hard Power and Natural Resources", in Kraska, James (ed.) (2011) *Arctic Security in an Age of Climate Change*. Cambridge: Cambridge University Press.

9 Lasserre, Frederic et al. (2012) "Is there an arms race in the Arctic?", *Journal of Military and Strategic Studies*, 14 (3/4).

however, is how committed pragmatic Russia is to supporting multilateral governance in the Arctic, for example in the event of a potentially unfavourable CLCS decision regarding Russia's claim to extend her continental shelf.

In addition, Russia also has a primarily economically related interest in Arctic research, for example in studying its continental shelf. Russia has been less concerned than Western nations with the theme of "sustainability" in its Arctic policy, and its environmentalism has manifested mostly in an interest to clean up nuclear and other waste in the Arctic area. Russia's expressed interest in the indigenous people also seems peculiar given the recent developments in its tightened NGO legislation in general and its attention to the leadership issues of the Russian indigenous NGOs (e.g. RAIPON) in particular.

China: Preparing for the Arctic opening

China approaches the Arctic as a global power and an "Arctic stakeholder" affected by Arctic developments. China's interests towards the Arctic have been growing steadily and it has become a part of Chinese strategic discourse. Overall, however, the Arctic remains a relatively minor aspect of China's official foreign policy.[10] China's growing Arctic interest must thus be understood primarily as future-oriented, reflecting its aspiration to be prepared for the Arctic opening and its consequences.

The primary motive for China's gradually increasing Arctic interest is the economy. As a growing economy and a non-littoral Arctic stakeholder, China aims to secure access to opening Arctic shipping routes, which could offer substantial savings in maritime transport and diversify Chinese security of supply. China also seeks to strengthen its ability to access Arctic resource bases, including rich fishing waters in the Arctic Ocean, rare mineral deposits in Greenland, and hydrocarbons in Russia.[11]

To promote these interests, China has upgraded its diplomatic representation in the Nordic region; signed numerous bilateral agreements, such as the 2013 Free Trade Agreement with Iceland; supported Chinese private investments, such as in the mining industry in Greenland; acquired offshore stakes and a share in the Yamal LNG project in Russia for its national energy company; and even leased a port in North Korea for a potential hub for Arctic transport in the future.

Global and Arctic warming offers not only economic opportunities, but also brings about complex challenges for China. For example, due to changing weather patterns China will experience rising sea levels and food security problems. Consequently, China has an interest in deepening its knowledge on climate change in the Arctic in order to be able to mitigate and adapt to the effects it will have on Chinese society. This has led China to both invest in national research capability and promote international co-operation in scientific research on environmental and Arctic issues.

Participation in Arctic governance is also a growing interest for China. The UNCLOS serves as the key legal framework that China recognizes in the Arctic. As China lacks direct access to the Arctic Ocean, it also recognizes the sovereign rights of Arctic littoral states. However, China emphasizes that international maritime law guarantees it certain rights in the Arctic maritime environment, such as the right of scientific research, the freedom of navigation, and also potentially the right to exploit natural resources – such as hydrocarbons and fishery – in the international waters of the Arctic Ocean.[12]

That said, China continues to have a vital national interest in foregrounding the importance of sovereignty and territorial integrity for two specific reasons: first, to prevent external interference in its own domestic affairs; and second, to defend its own sovereignty claims in the South and East China Seas that do not rely on the UNCLOS procedure.

While endorsing the UNCLOS in the Arctic, China has nevertheless expressed two particular concerns. First, China is concerned that the extension of sovereign territory, and especially national Exclusive Economic Zones (EEZs), risks shrinking international waters in the Arctic, thus possibly

10 Jakobson, Linda and Peng, Jingchao (2012) "China's Arctic Aspirations", SIPRI Policy Paper No. 34, November 2012.

11 Jakobson, Linda (2012) "Northeast Asia Turns its Attention to the Arctic", NBR Analysis Brief, December 17, 2012.

12 Jakobson and Peng (2012), pp. 16–18.

weakening its right to benefit from hydrocarbon and fish resources in those "common" waters. Second, China has also been concerned about the Russian management of the NSR and especially about the high ice-breaker service fees that Russia demands with reference to UNCLOS Article 234. As the world's largest shipping nation with over 40% of its GDP derived from the shipping industry, China fears that the potential commercial advantage of the NSR could shrink considerably if Russia continues to impose high service fees on the voyage.[13]

China has also actively sought, and was recently granted, permanent observer status in the Arctic Council. This reflects China's view that Arctic states do not have a monopoly on Arctic issues due to their global nature, and that the AC without China would be an inadequate institutional body to deal with Arctic issues. The permanent observer status confers only limited rights on China in the AC, and it will have no voting rights, for example. However, China most likely considers that observer status not only transforms it into a legitimate Arctic player, but also that permanent observers themselves may well gain more influence in the AC in the long run, thus enhancing Chinese Arctic influence over time.

The United States: From a reluctant to an emerging Arctic player

The US has traditionally been a "reluctant Arctic power"[14] that has paid a limited amount of policy attention to the region, and only primarily to its own Arctic backyard, Alaska. Lack of public awareness, long distances, the low-threat environment, budgetary concerns, and more pressing global issues have all ensured that the Arctic has remained in the background of policy-making.

While the Arctic continues to be a relatively minor topic on the overall US foreign policy agenda today, the US has started to pay closer attention to the region with the publication of key strategic documents and high-profile participation in Arctic affairs. In short, the Arctic has gradually emerged as a "new" foreign policy frontier in the US.[15]

The exploitation of natural resources – gas, oil, and minerals – is the primary driver of contemporary US policy in the Arctic. To enhance US energy security and the economy, the Obama administration has encouraged the responsible development of domestic oil and gas production. In recent years, due to a declining trend in production in existing oil fields on the Alaskan North Slope coupled with a lack of new onshore sites, there has been domestic pressure to explore offshore oil in the Beaufort and Chukchi Seas.[16] Major energy corporations from the US and abroad have acquired licences for offshore production blocks. These efforts, however, have been challenging and beset with delays due to US administration pressure after recent environmental accidents. In addition, advances in unconventional gas and oil production have reduced the urgency to go Arctic.

Secondly, the US also has a range of security interests in the Arctic. Importantly, parts of US strategic deterrence, global missile defence and early warning architecture are situated or operational in the Arctic region. The issue of freedom of navigation in the Arctic is another important security interest for the US. This is because accessible and open international maritime routes are arteries of the global and US economy and key enablers of flexible power projection by the US military.

Consequently, the US is adamant about defending freedom of navigation and open sea lanes globally, including on maritime routes in the Russian (NSR) and Canadian (NWP) Arctic. This puts the US at odds with various littoral nations that emphasize their respective sovereignty in their adjacent maritime area. The status of Arctic maritime routes is a matter of global strategic significance due to the wider implications that an unfavourable precedent in the region would have for the principle of freedom of navigation in general.[17]

13 Conley, Heather (2012) "New Security Architecture for the Arctic: An American Perspective", A Report of the CSIS Europe Program, p. 40; Jakobson and Peng (2012), p. 18.

14 Huebert, Rob (2009) "The United States Arctic Policy: The Reluctant Arctic Power", SPP Briefing Papers 2 (2), May 2009.

15 Conley, Heather (2013) "The New Foreign Policy Frontier: U.S. Interests and Actors in the Arctic", A Report of the CSIS Europe Program.

16 Conley (2012), p. 3; Huebert (2009), pp. 4-7.

17 Conley (2012), pp. 20-23; Kraska, James (2011) "The New Arctic Geography and U.S. Strategy", in Kraska (2011), pp. 258-262.

The US also has an interest, though currently inadequate capability, in providing safety and law enforcement in the increasingly busy and navigable Arctic maritime environment. That said, the US Arctic border does not rank as high in strategic importance as its southern borders do, and American policy-makers have been relatively content to have Canada upgrade its Arctic capability to govern the North-American Arctic.

Thirdly, the US remains unshielded from the effects of global climate change. To understand and respond to complex environmental challenges, the US has invested in scientific research on Arctic environmental dynamics. In fact, the US has been a forerunner in international climate research, with notable climate scholars and established and prestigious research institutes.[18]

The US approach to Arctic governance has been ambivalent. While de facto adhering to the UNCLOS, the continuing failure to ratify the treaty hampers US leadership in Arctic multilateral governance. Non-ratification also denies the States a legitimate legal framework to ensure freedom of navigation and settle disputes in the maritime environment, most notably in the NWP and NSR. Non-ratification also works against US economic interests by denying the country a legitimate legal framework to seek an extension to its Arctic EEZ. To date, the US has followed President Truman's unilateralist proclamation that resources in or below the US continental shelf are the sole property of the United States.[19]

The US policy on the Arctic institutional governance has also been ambivalent. Initially, during the 1990s, the US saw the Arctic Council as having only limited political importance, status, and role. Later on, due to a growing awareness of the economic prospects and geopolitical stakes of the warming Arctic, the US was willing to consider the group of five Arctic littoral states (the "Arctic Five") as a format to discuss topical issues, including those related to sovereignty and security in the Arctic. This emphasis de facto marginalized the prospects of the AC further. However, in recent years, the US has reversed its policy on the Council and now regards it as the "pre-eminent forum for international cooperation in the Arctic".[20] After a long silence, the US has also endorsed the inclusion of new observers – including China – in the AC. This not only reaffirms US commitment to multilateralism in the Arctic, but also expresses increasing US willingness to strike new bargains with rising powers, such as China, within the parameters of the post-hegemonic liberal multilateral order.

The European Union: The Arctic gets closer to Brussels

The European Union has started to show increasing interest in Arctic affairs. The EU is intimately connected to the Arctic region through its Arctic Member States as well as various EU competences, policies and regulations with a direct bearing on the Arctic in areas such as the environment, climate change, trade, energy, research, transport, and fishery. That said, the EU has never been a forerunner in Arctic governance, nor has it been accepted as a legitimate "stakeholder" by all Arctic states. This was mostly because of the EU's politically insensitive stance towards sealing and whaling and because of the European Parliament's politically unfeasible initial position, which suggested a comprehensive international treaty to govern the Arctic region on the basis of the Antarctic Treaty.[21]

Over time, however, the EU has come to adopt a more politically aware and conciliatory tone in its Arctic policy.[22] Today, the EU's Arctic policy maintains that Arctic governance should be built on existing multilateral frameworks – the UNCLOS, the Arctic Council, and the International Maritime Organization (IMO) – instead of a new Arctic treaty, while simultaneously bearing in mind and respecting the sovereignty and national interests of Arctic states themselves. Due to the influence of various member states with divergent interests, the EU continues to lack a coherent Arctic strategy and

18 Conley (2012), pp. 27–28.

19 Cohen, Ariel (2011) "Russia in the Arctic: Challenges to U.S. Energy and Geopolitics in the High North", in Blank (2011), p. 11.

20 See Pedersen, Torbjørn (2012) "Debates over the Role of the Arctic Council", *Ocean Development and International Law* 43, p. 149.

21 Wegge, Njord (2012) "The EU and the Arctic: European Foreign Policy in the Making", *Arctic Review on Law and Politics* 3 (1), pp. 15–17.

22 Ibid., pp. 17–18.

moves forward at the level of policy statements. While the EU has sought a greater role in the Arctic, it has come to recognize that the Arctic states are the primary actors in the region and that the EU should focus its growing engagement on supporting existing successful co-operation and providing assistance in meeting new challenges in the region.

The first EU Arctic interest relates to global climate change, which has various environmental, social, economic and geopolitical implications for the Arctic region as well as for Europe. While the EU has tackled climate change at the global level, its emerging Arctic climate policy has started to emphasize up-to-date knowledge of regional climate dynamics and the need to invest in Arctic environmental research. These efforts are identified as requiring coordination between the EU, Arctic states and Arctic stakeholders.

Secondly, the EU also has significant economic interests in the Arctic. Europe is a major destination for Arctic resources. Around 25% of Arctic oil and gas output is destined for Europe, and 80% of the fish caught in Iceland and 60% in Norway are sold in the EU.[23] Consequently, the EU seeks to secure access to Arctic resource bases in the context of intensifying global competition, and to influence policy development in the Arctic states towards favourable resource exploitation and management.

Almost 90% of the EU's trade is carried out at sea. As a result, the EU has a strategic interest in the future development, security and stability of Arctic maritime routes that may become globally important. Most notably, the EU supports the development of the "Polar Code" in the IMO, agreements on search and rescue and oil spill response capability in the AC, as well as the principle of freedom of navigation on Arctic maritime routes. With regard to the NSR, in particular, the EU has expressed its willingness to assist in the development of sustainable shipping on the route.

Thirdly, the EU also seeks to influence the socio-economic development of Arctic states and stakeholders through investment in research and funding for cross-border co-operation in the Arctic region. To foster further regional co-operation, the EU has also engaged in activity in the Arctic area via its Northern Dimension (ND) joint policy with Russia, Norway and Iceland.

The EU also endeavours to have a stronger presence in Arctic governance. The EU is already a member of several relevant regional institutional frameworks, such as the Barents Euro-Arctic Council and the Nordic Council of Ministers. The EU's most likely forthcoming status as a permanent observer in the AC will increase its possibilities to influence the Arctic development, to stay informed on the Arctic development and other Arctic stakeholders' concerns, and to succeed in intensifying and globalizing policy competition with new Arctic stakeholders.[24]

Conclusion: The global Arctic and its consequences

The Arctic is transforming and re-emerging as a geopolitically important region. New economic prospects in energy, mineral and maritime transport sectors offer significant opportunities for the traditional Arctic states, some of which are already active players in the region, such as Russia and Norway, and some of which are slowly turning their attention to the Arctic, such as the US.

New prospects are also attracting the attention of new players that are keen to tap into the economic potential and have a say in the way the region is accessed, exploited and governed, including China and the EU. The net effect of these – and other – developments is that the Arctic today is a global Arctic: it can no longer be perceived as a spatially or administratively confined region, but is instead taking on a new form and dynamics in the midst of contemporary global politics.

While there are unresolved and contentious issues in the global Arctic (e.g. the status of maritime

23 Cavalieri, Sandra et al. (2010) *EU Arctic Footprint and Policy Assessment: Final Report*, December 21, 2010, p. 41; Neumann, Antje and Rudloff, Bettina (2010) *Impact of EU Policies on the High North: The Cases of Climate Policy and Fisheries*, Directorate-General for External Policies of the Union, Policy Department, European Parliament, p.8.

24 Heininen, Lassi and Bailes, Alyson JK (2011) *Strategy Papers on the Arctic or High North: A Comparative Study and Analysis*. Institute of International Affairs, Centre for Small State Studies, p. 93.

passages and extension of continental shelves) that may spark diplomatic disputes or even conflicts, the region is characterized by multilateral cooperation and governance. That said, there are divergent political interests to endorse Arctic multilateralism. Russia, for example, utilizes multilateralism to create a stable investment environment, whereas China relies on it to legitimately access Arctic affairs as a non-aggressive rising power and extra-Arctic state. While a traditionally reluctant Arctic player, the US currently sees Arctic multilateralism as the most prominent tool to establish its presence and promote its interests in the region within the framework of its general smart power strategy. The EU endorses multilateralism in its external policy – in general and in the Arctic – to present itself as a relevant global actor and a normative power in a situation where its global relevance is decreasing.

The globalization of the Arctic and the new focus on the economy will have various consequences in the region. Firstly, the focus on sustainable development in Arctic governance is likely to suffer from a sharper focus on the economy that favours environmentally challenging but globally interesting hydrocarbon extraction and maritime transport industries. Secondly, the indigenous people in the Arctic will most likely lose influence with the introduction of new major players into the Arctic governance. At the very least, it is unlikely that China, for example, would contribute to the enhancement of indigenous influence in Arctic affairs given its economic emphasis, interest in domestic stability, as well as its history with Chinese minorities.

Thirdly, new actors, interests and dynamics are bound to affect the traditional Arctic states. In general, the emergence of new major players will reduce, albeit with exceptions, the influence of traditional and especially small Arctic states. Yet, for some, the appearance of new major players may in fact be a boon. Iceland, for example, may stand to gain from increasing Chinese interest in the region by receiving direct foreign investments after its economic crisis. And lastly, Arctic governance is likely to turn more complex and complicated as the economic and political stakes are raised with the introduction of new global players in the region.

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