

Russian Arctic Development Strategy and New Possibility for Korea-Russia Cooperation

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Geopolitical and Geoeconomic Significance of the Arctic: from Russia's Perspective

The wilderness filled with the icecaps and extreme cold was the image that the Arctic had in the past. It was often considered a natural obstacle with little chance of human or economic activities. However, the ice in the Arctic sea halved since 1979 with global warming. Today ships can float for 150 days in a year and natural resources in the region are accessible. Naturally, the Arctic is gaining geopolitical importance with the thawing of icebergs in

the post-cold war era. That is, now the ice-free Arctic can serve as a new entrance to the world for Moscow, which was politically blocked from the world after the collapse of the Soviet Union as the Baltic countries gained independence. In addition, the Arctic is emerging as a new cradle of energy resources, with which Russia can sustain its economic development. The opening of the Northern Sea Route is also expected to bring about positive economic effects to the country.

Key Objectives and Priorities of Russian Arctic Development Strategy

Against this backdrop, Russia's Arctic strategies are setup. The "Fundamentals of State Policy of the Russian Federation in the Arctic for the period up to 2020 and beyond" adopted in September 2008 provides Russia's basic principles on the Arctic today. It presents the key objectives on the Arctic as follows; expanding capability to secure hydrocarbon and marine resources in the Arctic in order to be able to meet the domestic demand; maintaining military power in the region; protecting and preserving the ecosystem of the Arctic; establishing an integrated information system; accumulating relevant knowledge by conducting basic and applied scientific research; and creating bilateral and multilateral cooperation mechanism based on international agreements that Russia approved.

Recently, Russia is focusing on laying institutional foundation for the development of the Arctic region by establishing policies and laws. The "Strategy for the Development of the Arctic zone of the Russian Federation and National Security for the period up to 2020(Arctic Development Strategy 2020 hereafter)" was signed by President Putin in February 2013. The six objectives of the policy in 2008 were expressed again in the strategy as priorities, only in different order. That is, military and border protection was mentioned in the latter part. This can be translated that Russia's interest in the Arctic is now more focused on sectors other than security. The similar tendency can be witnessed in the Article 3 Clause 3 of the draft law "on the Arctic zone in the Russian Federation." The fourth clause exhibits the implementation measures for policy objectives including tax exemption, financial support, public-private partnership (PPP) and the like. In

addition, the draft state program "Socio-economic development of the Arctic zone of the Russian Federation for the period until 2020" was submitted in November 2013. This program includes high-value added investment projects, infrastructure for transport, energy, IT and environmental monitoring, support for life in the Arctic and relevant institutions and administrative systems. Some USD 60 billion will be invested for the program between 2014 and 2020.

Border Disputes

Border dispute settlement is one of the key issues in Russia's Arctic development strategy. The issue was emphasized in a number of documents including the "Maritime Doctrine of the Russian Federation 2020(2001)," the "National Security Strategy of the Russian Federation 2020(2009)" and the "Foreign Policy Concept (2013)." This is critical because the availability of energy resources and strategic leverage are determined depending on the range of territorial sea and EEZ. According to the UNCLOS 1982, coastal states can have EEZ of up to 200 nautical miles from the base lines. If the continental shelf exceeds 200 nautical miles, coastal states can have the right to explore or develop natural resources under the seabed for up to 350 nautical miles.

Russia concluded 40-year long border disputes in the Barents Sea with Norway in 2010. Still, there remain disagreements among the Arctic states. Canada, Denmark and Russia are arguing their authorities over the Lomonosov Ridge, which is known to hold 25% of the world's total hydrocarbon resources. They claim that their continental shelf reaches the Ridge therefore, the authority of the seabed belongs to them. Yet, none of them has proved their rights with sufficient scientific evidence. Russia submitted an application for extended outer limits of its continental shelf in 2001 to the Commission on the

Limits of the Continental Shelf. However, it was declined and Russia plans to hand in the application again by the end of 2014.

Natural Resources

Developing natural resources is another core issue in Russia's Arctic policy. The issue is stated in the "National Security Strategy of the Russian Federation 2025(2008)" and the "Energy Strategy of the Russian Federation 2030(2009)." The latter document emphasizes the importance of public-private partnership (PPP) and international cooperation in financing, drilling and mining. The "Arctic Development Strategy 2020" specifies plans and measures for natural resources development in the Arctic.

Russia's oil and gas major corporations, namely Gazprom, Rosneft, among others, are working on oil and gas fields in the Arctic including Shtokman and Yamal projects. The development of the Arctic fields is ongoing through international collaboration because it requires advanced polar mining technology and huge capital investments. Global oil majors, such as Total, Statoil and ExxonMobil are participating in the projects. Currently, the construction of relevant infrastructure, including LNG storage and gas pipelines is under discussion.

Northern Sea Route and Infrastructure

Russia views the development of the Northern Sea Route and infrastructure as a package. This attitude is reflected in the "Russian Foreign Policy Concept 2013," highlighting that the commercialization of the route is closely related to regional development. The "Arctic Development Strategy 2020" also enumerates plans regarding this. Indeed, in order for the Route to perform its function, relevant infrastructure such as icebreakers, ports along the route, navigation and safety system and other necessary facilities should be constructed. Thus

the Russian government has recently fleshed out its plans for shipbuilding, establishing rescue and research centers, developing and introducing satellite systems (Arktika), and constructing ports. Although these plans seem challenging, they are likely to be achieved given that Russia is slowly but actually making steps.

After the success of the Beluga Shipping's commercial transit via the Arctic Ocean, the use of the route has been greatly increasing. In 2012 alone, 46 ships crossed the sea. If commercialized with a reasonable fee for the services of icebreakers and others, it can compete with the Suez Canal with economic and ecological benefits. Specifically, it is a lot shorter than the current route from Asia to Europe, which means reduced cruising time and efficient energy use. Of course, this will be true only when Arctic technology and infrastructure against harsh and vulnerable Arctic environment are readily available.

Arctic Policies of Major Countries and Bilateral Cooperation with Russia

Arctic Countries

The Arctic was not a priority of the U.S. policy. The Bush administration belatedly adopted the Arctic Policy Directives (NSPD 66/HSPD 25) in 2009 after Russia's installment of its titanium flag in the seabed of the Arctic in 2007. The document defined the U.S. as an Arctic nation for the first time and argues that international passage should be guaranteed in both the Northern Sea Route and the Northwest Passage. This is where the U.S. and Canada largely disagree on. In addition, the document presents the U.S.'s accession to the UNCLOS 1982 as a task in order to fully exercise the rights as an Arctic nation.

The cooperation between Russia and the U.S. in the Arctic has ups and downs depending on sectors. Sea border problems have not been fully settled until now, despite the Baker-Shevardnadze agreement signed by both sides in 1990. However, there are developments in the cultural and scientific research fields. They agreed to protect the natural and cultural heritage of the Bering Sea region. The Russian-American Long-term Census of the Arctic (RUSALCA; mermaid in Russian) has been conducted since 2003. Although finding the common ground is not easy, Russia and the United States are making efforts to collaborate in possible areas.

Canada's interest in the Arctic has been growing since 2006. The country approaches to the Arctic with a "use it or lose it" attitude. The country claims its jurisdiction over the Northern West Passage. In December 2009 the House of Commons passed the law to rename the sea route to the "Canadian Northwest Passage." Regarding the authority of the Arctic sea routes, Russia and Canada share the same position. Canada strongly supports the participation of indigenous people. This can be witnessed from the nomination of Leona Aglukkaq for the Chair of the Arctic Council in May 2013.

Collaboration between Canada and Russia is necessary to manage and control activities in the Arctic, such as disaster rescue operations and accident prevention, construction of infrastructure and satellite information system, protection of the indigenous, and many others. However, efforts for cooperation have been limited. Recently, the Russian and Canadian governments began to discuss cooperation in designing the "Arktika" system. Russia seems to be proactive in attracting Canadian corporations to participate in the project, but there are no visible results yet.

The Arctic is a priority in Norway's diplomacy.

The "High North Policy" in 2006 was the first Arctic policy among those of the Arctic countries. Norway updated its policy twice with "New Building Blocks in the North" in 2009 and then with "The High North – Visions and Strategies in 2011." An interesting fact is that Russia is clearly and often mentioned as a strategic partner in these documents. Recently, Norway is trying to extend its Arctic cooperation with non-littoral nations including Korea.

Although Oslo and Moscow settled 40-year long border disputes in the Barents Sea, there still are remaining issues including the border problem in the Svalbard region. In addition, Norway wants to deal with Russia's overfishing in the Barents Sea. Some efforts were made intermittently, but they did not bring intended outcomes yet. To solve the issue, Norway and Russia may need an additional agreement on fish quota. On the other hand, there are some successful cooperation cases. In June 2013, Rosneft and Statoil agreed to carry out joint oil and gas exploration in the Barents Sea and the Okhotsk Sea. The Norwegian company will support with technology and personnel. Also, Russia and Norway decided to organize a joint working group for development of the Russian fish farming industry in September 2013.

Non-Arctic Territories

The EU announced the Arctic Resolution in 2008, arguing that global warming, environmental degradation and changes in the Arctic are critical issues to the Union. Also, securing the European Arctic region became a priority in its Northern Dimension Policy because the Arctic countries are members or strategic partners of the Union. The EU's "Joint Communication" in 2012 elaborates plans to participate in the Arctic through activities such as, developing technology, forming knowledge base, cooperating in investment projects, conducting environmental research and others. It also

stresses the importance of collaboration with littoral and non-littoral states.

Regarding the Arctic, the EU works with Russia mainly in space technology through the 7th Framework Program, its international science research program. The Union considers Russia's "Arktika System" applicable to Europe and is trying to collaborate to develop aeronautical communications technology. Recently, the Russian Space Agency (Roscosmos) proposed to cooperate in upgrading the current "Gonets System" at the EC-Russia Space Dialogue. However, the results have not been revealed yet.

Although China does not have its official Arctic policy, its attitude toward the Arctic can be summarized as "preserve it to use it." In fact, the country has long been involved in Arctic research. In fact, scientific research regarding climate and environment was its main focus until recently. Nowadays Beijing is actively participating in natural resource development projects and is strengthening cooperation with Arctic states, such as Iceland and Denmark. Besides, the government has planned to invest in building icebreakers and Arctic exploration.

Cooperation between China and Russia is vibrant in many fields. This atmosphere can also be spilled over into the Arctic region. In fact, it seems to be happening already. CNPC and Sovcomflot group signed a long-term contract on shipping natural resources from the Arctic in 2010. In September 2013, CNPC signed the agreement on purchase of a 20% equity share in Yamal LNG, which was run by Novatek and Total S.A. The Russian side is going to supply gas from the Yamal peninsula for a period of 15 years in return. In addition, investment collaboration between the two countries is likely to be expanded, considering that Russia necessitates foreign capitals to build infrastructure in the Arctic.

Japan is interested in energy resource development, the Northern Sea Route, and global warming effects. Like China, the country did not publish its Arctic policy yet. However, there were outstanding movements toward the Arctic recently. The Ministry of Foreign Affairs formed the "Arctic Task Force Team" in 2010 and appointed the Arctic Ambassador in March 2013. Japan obtained permanent observer status in the Arctic Council in May. Furthermore, the region became more important for Japan after the Fukushima nuclear reactor incident. That is, the country needs to import natural gas from the Arctic in the near future due to the increased demand. Encouragingly, an LNG tanker's arrival at Kitakyushu Japan via the Arctic Ocean in 2012 exhibited the viability of using the Northern Sea Route and gas imports from the Arctic.

The Abe administration is eager to push ahead bilateral cooperation with Russia. The efforts, so far, seem to be one-sided, but there are already visible results. In June 2012, the transport ministries of both sides shared information regarding the development of shipping through the Arctic. In May 2013, Russian and Japanese companies announced joint resource development plans in the Okhotsk Sea. Japan's willingness to cooperate with Russia in the Arctic appears to be adamant, at least, under the current regime. Thus, its efforts are expected to continue for the short term.

Toward Arctic Cooperation between Korea and Russia

Against the background, cooperation with Russia in the Arctic has significant meaning to Korea for the following reasons. First, the majority of hydrocarbon resources are reserved in the Russian Arctic region. Since Russia is developing the energy fields through international cooperation, Korea needs to consider ways to

participate in such projects. Second, when using the Northern Sea Route, it is inevitable to pass the water under the authority of the Russian Federation and to employ Russian facilities, such as ports and icebreakers. The Russian government's plans to establish infrastructure for development of the Arctic including integrated transport system and ICT network may provide chances to Korean investors. Third, Russia is an influential participant in the Arctic governance such as the Arctic Council, the BEAC, etc. Thus, a close cooperation with Russia can make it easier for Korea to participate in the Arctic governance.

This study suggests that Korea should consider the following measures to strengthen cooperation with Russia. First, apart from the "Comprehensive Arctic Plan," an "Extensive Cooperation Strategy toward Russia" should be devised. The document needs to encompass all possible forms of collaboration and opinions of experts regarding Arctic issues. Second, establishment of the "Arctic Cooperation Committee" under the Korea-Russia Joint Commission on Economic, Scientific and Technological Cooperation and "Korea-Russia Joint Arctic Research Center" will be helpful in developing constructive bilateral cooperation. All the Arctic-related topics between the two nations will be discussed within the Committee. The Center will become a think-tank for Arctic issues. Third, creation of Asia-Pacific-Arctic Council modeled on Barents Euro-Arctic Council jointly with Russia will help intensify regional cooperation. This will enable Korea to more actively engage in the Arctic issues as an active member. Fourth, the opening of the Arctic provides investment opportunities for Korean companies. Participating in consortium or joint investment projects, and technological cooperation with Russian organizations can be a viable way to get involved in the Arctic. Investing in infrastructural projects in particular need to be

considered since Russia's dilapidated ports necessitate new construction or maintenance. Fifth, civil and academic exchange programs will contribute to nurturing Arctic specialists, extending cooperation with indigenous people and promoting Korea's image as collaborator in the Arctic in the long term. KIEP