The New Geopolitics of the Arctic

Russia's and China's Evolving Role in the Region

Stephanie Pezard

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The New Geopolitics of the Arctic: Russia's and China's Evolving Role in the Region

Testimony of Stephanie Pezard¹ The RAND Corporation²

Before the Standing Committee on Foreign Affairs and International Development Canadian House of Commons

November 26, 2018

hairperson Levitt, Deputy Chairperson O'Toole, Deputy Chairperson Laverdière, and other distinguished members of the committee, thank you very much for the opportunity to appear before you this afternoon. I am a Senior Political Scientist at the RAND Corporation, where I have conducted research and authored several publications on the Arctic, with a focus on the geopolitical implications of the region's changing physical environment. While RAND's research does not address specific policy recommendations for the Canadian government, my goal for today is to provide the committee with information to support its decisionmaking.

My contribution today will focus on two changes that have altered the geopolitical environment in the Arctic over the past five to ten years. One change is the increased assertiveness of one Arctic nation, Russia, in the region. The second change is the rising presence of non-Arctic states—including, but not limited to, China—in a part of the world that used to be almost exclusively of interest to Arctic states. I will examine the origins and implications of both developments, focusing on the challenges—and, at times, opportunities—that they pose to Arctic states and to Canada in particular.

Russia's Relations with Other Arctic Nations: Tense but Still Mostly Cooperative

Russia's Arctic region is strategically important for the Kremlin for a number of reasons. First, it contains major population centers: With 350,000 inhabitants, Arkhangelsk is the largest

¹ The opinions and conclusions expressed in this testimony are the author's alone and should not be interpreted as representing those of the RAND Corporation or any of the sponsors of its research.

² The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest.

Arctic town, followed by Murmansk, with 300,000 inhabitants. In comparison, the largest town in the North American Arctic is Nuuk, Greenland, which has a little more than 17,000 inhabitants.³ Under the leadership of Vladimir Putin, the Russian Arctic has been emphasized as a patriotic and nationalistic theme.⁴

Secondly, Russia's economy relies heavily on its oil and gas industry, and such resources are heavily present in the Arctic, including in the Yamal region, where Russia has recently developed a massive liquified natural gas (LNG) plant and terminal. Russia has already shown it is particularly sensitive to security issues around energy infrastructure, as illustrated by its strong reaction to the 2014 climbing by Greenpeace activists of the Prirazlomnoye oil rig.

Thirdly, the Northern Sea Route (NSR)—which runs along Russia's northern shore, between the Kara Sea and the Bering Strait—is becoming increasingly navigable. While it is far from becoming a major transit route, as navigation remains hazardous—only 27 vessels transited the NSR in 2017⁵—it is important for destination shipping. A record 9.74 million tons of goods—particularly gas, oil, grain, and coal—transited the NSR in 2017.⁶ The NSR is a major economic artery of Russia, which it intends to protect and keep under its control.

Fourth, Russia—the only non-North Atlantic Treaty Organization (NATO) Arctic coastal state—sees the Arctic as central to the protection of its territory. Seasonal sea ice makes Russia's northern coastline largely inaccessible, although it is becoming more accessible every day as ice recedes. Russia's Northern Fleet is based in the Kola Peninsula, near Murmansk, and contains two-thirds of Russia's nuclear submarine fleet, with the result that the Arctic is at the same time the body of water that protects Russia's strategic deterrent and the gateway that allows a sizable share of its Navy to reach the northern Atlantic.

Russia's military capabilities in the Arctic have steadily increased over the past ten years. Russia has opened new airfields and refurbished old ones; created a dedicated northern command for the region; and set up two Arctic brigades. It also is planning to substantially increase its icebreaker fleet, which is already by far the largest in the world.⁸ Russia's new military base on Aleksandra Land is touted as the "largest building in the entire circumpolar high Arctic." Russian Defense Minister Sergey Shoygu argued in 2015 that the Arctic required a "constant

³ Caitlyn Antrim, "Geography and Jurisdiction in the Maritime Arctic," *Geographical Review*, Vol. 107, No. 1, 2017, p. 28.

⁴ Marlène Laruelle, *Russia's Arctic Strategies and the Future of the Far North*, New York: M.E. Sharpe, Inc., 2014, pp. 9–12.

⁵ NSR Information Office statistics for 2017, available on the Northern Sea Route Information Office website, Statistics, accessed October 2017.

⁶ "Boom Times for Russia's Arctic Ports," *The Maritime Executive*, January 18, 2018.

⁷ Alexander Sergunin and Valery Konyshev, "Russian Military Strategies in the Arctic: Change or Continuity?" *European Security*, Vol. 26, No. 2, 2017, p. 185.

⁸ United States Coast Guard, "Major Icebreakers of the World," developed and maintained by the USCG Office of Waterways and Ocean Policy (CG-WWM), last updated May 1, 2017, accessed November 2018.

⁹ Thomas Nilsen, "Take a Look Inside Russia's Northernmost Arctic Military Base," *The Barents Observer*, April 18, 2017.

military presence," ¹⁰ and the Arctic was mentioned as Russia's second priority area in Russia's 2015 Maritime Strategy (after the Atlantic, but before the Pacific). ¹¹ In its 2017 Maritime Strategy, Russia underscored its perception of severe military threats against its interests in the Arctic. ¹²

Unsurprisingly, Russia presents the development of its Arctic-based military capabilities as defensive—which they certainly are, at least to some extent. Yet since Russia's annexation of Crimea and proxy war in eastern Ukraine, Russia's intentions cannot be assumed to be benign, bringing the issue of what it might be able to do with these new capabilities into sharper focus. Most of the capabilities that Russia is deploying could be used for defensive or aggressive purposes—or to protect Russia from retaliation after an aggressive move. Russia is upgrading radar stations, deploying ground-to-air and anti-ship missile systems, and considering deploying military jets (possibly MiG-31s or SU-34s) on its northernmost base in Aleksandra Land. In October 2017, NATO's Parliamentary Assembly brought attention to Russia's increased ability to "limit or deny access and control various parts of the region." Norway, in particular, is concerned about Russia's ability to create an anti-access/area denial "bubble" that would cover a significant portion of their territory and prevent NATO from coming to its defense. Russian exercise Zapad 2017, which demonstrated some of these capabilities, only increased that concern.

While these developments are arguably of concern, three important points should be raised. First, tensions with Russia tend to focus on the European Arctic, rather than the North American Arctic. From Canada's viewpoint, therefore, the main sources of tension with Russia would be potential confrontation with NATO and the claim that Russia has presented before the Commission on the Limits of the Continental Shelf (CLCS), which will likely overlap with the one that Canada is expected to submit in early 2019. However, cooperation on these claims seems to have prevailed so far, with Canadian and Russian scientists sharing some of each other's data along the way. 18

¹⁰ Thomas Nilsen, "Russia Erects Huge Military Trefoil on Franz Josef Land," *The Barents Observer*, October 20, 2015.

¹¹ Russia Maritime Studies Institute, *Maritime Doctrine of the Russia Federation, 2015*, trans. Anna Davis, Newport, R.I.: U.S. Naval War College, 2015.

¹² Dmitry Gorenburg, "Russia's New and Unrealistic Naval Doctrine," War on the Rocks, July 26, 2017.

¹³ Andrew Osborn, "Putin's Russia in Biggest Arctic Military Push Since Soviet Fall," Reuters, January 30, 2017.

¹⁴ NATO Parliamentary Assembly, "NATO and Security in the Arctic," Report, Sub-Committee on Transatlantic Relations, October 7, 2017, p. 6.

¹⁵ Alex Tiersky, "First Person: Arctic Security in Flux," *Committee on Security and Cooperation in Europe*, June 11, 2018.

¹⁶ Tiersky, 2018.

¹⁷ Levon Sevunts, "Canada to File Arctic Continental Shelf Submission in 2019: Global Affairs Canada," Radio Canada International, September 17, 2018.

¹⁸ Elizabeth Riddell-Dixon, "Canada and Arctic Politics: The Continental Shelf Extension," *Ocean Development & International Law*, Vol. 39, No. 4, 2008, p. 351.

Second, Russia's new or upgraded military capabilities in the Arctic need to be understood against the larger background of broader military reform and restructuring efforts initiated by former Russian Defense Minister Anatoly Serdyukov.¹⁹ These efforts extend to all regions of Russia—not just the Arctic. It is also important to note that Russia's Arctic capabilities remain largely below what they were during the Soviet era; military equipment and infrastructure located in the Arctic fell into disarray in the 1990s, and Russia's remilitarization of the Arctic therefore is starting from a low point.²⁰

Third, cooperation at the working level remains high, as evidenced by the international and bilateral conventions negotiated with and signed by Russia since 2014, including most recently the 2017 Agreement on Enhancing International Arctic Scientific Cooperation and the U.S.-Russian proposal (approved by the International Maritime Organization) to create six two-way routes enabling safer shipping in the Bering Strait. These achievements show that Arctic states can still join forces on issues of importance to them, such as safety and good stewardship of the region.

More broadly, Russia still has strong incentives to cooperate with other Arctic nations. Its extractive industries benefit from a secure environment that brings in investors such as China—even if the pool of investors has diminished due to sanctions. In 2014, it received a positive CLCS decision in the case of its continental shelf claim in the Sea of Okhotsk, ²² and therefore benefits from the authority conferred by the United Nations Convention on the Law of the Sea to such decisions. Its Arctic equities are best served by cooperation with other Arctic nations in areas as diverse as search and rescue, marine safety, environmental protection, and scientific exploration.

That being said, Russia's increased assertiveness in the Arctic has already brought some small, but important changes for other Arctic nations. First, Russian assertiveness is bringing other Arctic states closer together. Sweden and Finland are not NATO members, but their signing in 2016 of host-nation support agreements make them closer to the Atlantic alliance than they have ever been. In May 2018, both countries signed a trilateral statement with the United States affirming their willingness to cooperate further, including through exercises.²³ Norway is

¹⁹ See Pavel Baev, *Russia's Arctic Policy and the Northern Fleet Modernization*, Paris: Institut Français de Relations Internationales (IFRI), Paris, August 2012.

²⁰ Lincoln E. Flake, "Contextualizing and Disarming Russia's Arctic Security Posture," *Journal of Slavic Military Studies*, Vol. 30, No. 1, 2017, p. 20; Stephanie Pezard, Abbie Tingstad, Kristin Van Abel, and Scott Stephenson, *Maintaining Arctic Cooperation with Russia: Planning for Regional Change in the Far North*, RAND Corporation: Santa Monica, Calif., RR-1731-RC, 2017, pp. 14–16.

²¹ "IMO Approves US-Russian Proposal on Bering Strait Shipping Routes," World Maritime News, May 23, 2018.

²² Dmitry Gorenburg, "Russian Interests and Policies in the Arctic," War on the Rocks, August 7, 2014.

²³ Aaron Mehta, "Finland, Sweden and US Sign Trilateral Agreement, With Eye on Increased Exercises," *Defense News*, May 9, 2018.

increasing the number of U.S. Marines that it will host on a rotational basis, so as to abide by its commitment to Russia not to station foreign troops on its territory unless faced with a threat.²⁴

Second, these developments are bringing NATO as a whole closer to the Arctic—albeit cautiously, to prevent a tense situation from getting worse. ²⁵ Only five out of NATO's 29 members are Arctic states. Yet the Arctic is the gateway to the north Atlantic, and NATO is concerned with Russia trying to interdict access or interfering with sea lanes and undersea communication in the area. The creation of a new North Atlantic planning and strategy command, with a "focus on protecting the transatlantic lines of communication" as well as the reactivation, by the United States, of its Second Fleet—previously de-established in 2011 further highlights NATO's intent to keep a close eye on Russian movements, train for Arctic conditions, and reassure northern NATO allies. ²⁶ These developments are of particular importance to Canada, which has been reluctant to see NATO get involved in Arctic security, as illustrated by its opposition to the inclusion of the Arctic in NATO's 2010 Lisbon Declaration and Strategic Concept.²⁷ However, Canada's position has evolved in recent years, and the June 2017 Canadian Defense Policy mentioned the possibility of a NATO exercise in the Arctic.²⁸ Deterring without provoking and managing rising interest from non-Arctic nations in a region where Canada has sovereign rights are the two key challenges that Canada faces in relation to an increased NATO role in the Arctic.

China's Role in the Arctic: What Impact Can So-Called "Near-Arctic States" Have on the Region?

NATO's renewed, albeit still cautious, interest in the Arctic is yet another example of what Arctic states might see as a growing trend in the region—the increased interest of non-Arctic states in Arctic issues. The most powerful and significant of these newcomers is China.

To be fair, China's interest in polar issues is not new. China has a strong track record of research and scientific expeditions in Antarctica since the 1980s, and in the Arctic since the

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²⁴ Lindsay Rodman, "Baby Steps in the Snow: Getting the Marine Corps Cold-Weather Ready in Norway," *War on the Rocks*, December 7, 2017; Gwladys Fouche, "Norway to Invite More U.S. Marines, For Longer and Closer to Russia," Reuters, June 12, 2018.

²⁵ See Kristian Åtland, "Interstate Relations in the Arctic: An Emerging Security Dilemma?" *Comparative Strategy*, Vol. 33, No. 2, 2014, pp. 145–166; Stephanie Pezard, "Providing Reassurance or Risking Escalation? NATO's Role in the Arctic," paper presented at the Annual Meeting of the International Studies Association, San Francisco, April 2018.

²⁶ NATO, *Brussels Summit Declaration*, issued by the Heads of State and Government Participating in the Meeting of the North Atlantic Council in Brussels 11–12 July 2018, July 11, 2018; U.S. Navy, "CNO Announces Establishment of U.S. 2nd Fleet," press release, Navy Office of Information, May 4, 2018.

²⁷ Helga Haftendorn, "NATO and the Arctic: Is the Atlantic Alliance a Cold War Relic in a Peaceful Region Now Faced with Non-Military Challenges?" *European Security*, Vol. 20, No. 3, 2011, p. 342.

²⁸ Andrea Charron, *NATO, Canada and the Arctic*, Canadian Global Affairs Institute/Institut Canadien des Affaires Mondiales, September 2017, p. 1.

1990s.²⁹ Its range of interests in the Arctic has since widened and is becoming more focused on extractive, commercial, and shipping domains. In 2017, 11 of the 27 vessels that transited through the NSR originated from or were going to a Chinese port.³⁰ In January 2018, China issued its first Arctic policy, which highlights in its very first paragraph China's most fundamental belief when it comes to the region: The Arctic is a global issue that cannot be left to Arctic states alone.³¹ China describes itself as a "Near Arctic State," a term that it defines as "one of the continental States that are closest to the Arctic Circle."³² China also makes clear that it sees the Arctic as an area of economic and investment potential, envisioning a "Polar Silk Road" integrated to its larger Belt and Road Initiative.³³

So far, China has remained within the boundaries of existing treaties and principles regulating Arctic affairs, and its Arctic Strategy reaffirms the authority of these rules.³⁴ Increased Chinese interest also presents precious opportunities for Arctic communities, many of which are in dire need of investment and infrastructure. Yet this interest also raises various concerns. Based on China's aggressive behavior in the South China Sea, China might similarly try to impose its own interpretation of maritime international law in other regions, if the stakes are high enough.³⁵ In addition, China's large investments need to be secured, and economic involvement might eventually lead to some form of military presence.³⁶ China's political leverage through economic investments might have destabilizing consequences, for instance on the delicate Greenland-Mainland Denmark relationship—last March, Greenland shortlisted a Chinese company to develop three of its airports, to the dismay of the Danish government³⁷—or in relation to environmental or labor regulations. Chinese investments in certain areas, such as communications, media, and new technologies, potentially create opportunities for undue political influence or uncontrolled transfers of sensitive data or technologies. For example,

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²⁹ Linda Jakobson, *China Prepares for an Ice-Free Arctic*, SIPRI Insights on Peace and Security No. 2010/2, March 2010, p. 3.

³⁰ NSR Information Office statistics for 2017, accessed October 2017. Twelve out of 27 vessels were going from a Russian port to another Russian port. Only four out of 27 presented different patterns (Europe to South Korea; Europe to Japan (two vessels); and Europe to Russia).

³¹ People's Republic of China, State Council, "China's Arctic Policy," White Paper, January 26, 2018.

³² People's Republic of China, State Council, 2018.

³³ People's Republic of China, State Council, 2018.

³⁴ People's Republic of China, State Council, 2018.

³⁵ See Ronald O'Rourke, *China's Actions in South and East China Seas: Implications for U.S. Interests – Background and Issues for Congress*, Washington, D.C.: Congressional Research Service, July 19, 2018.

³⁶ Stephanie Pezard, Abbie Tingstad, and Alexandra Hall, *The Future of Strategic Cooperation in a Changing Strategic Environment: Insights from a Scenario-Based Exercise Organised by RAND and Hosted by NUPI*, PE-268-RC, 2018, p. 15.

³⁷ Teis Jensen, "Greenland Shortlists Chinese Company for Airport Construction Despite Denmark's Concerns," Reuters, March 27, 2018.

China's construction of an observatory for northern lights in Iceland has raised concerns that the facility might be used for surveillance, rather than research.³⁸

So far, Arctic nations have cautiously welcomed China's willingness to play a larger role in the Arctic. China has been an observer state to the Arctic Council since 2013, and it has joint projects with several Arctic nations—particularly Russia, Canada, Greenland, Norway, and Iceland—some of which are at the exploration or prospecting stages.³⁹ Chinese investments are so far relatively modest, with the exception of the Yamal LNG project with Russia.⁴⁰

Arctic nations are also setting limits. In 2011, Iceland blocked the sale of a large plot of land to a Chinese investor; in 2016, Denmark declined to sell a vacant naval base in Greenland to a Chinese mining company; and in that same year, a projected Chinese resort in Svalbard, under Norwegian sovereignty, was canceled.⁴¹ Each Arctic state—often under public pressure—is setting its own limits when it comes to welcoming Chinese presence.

Russia's approach toward China shows a similar mix of interest and caution. China is a key investor in Russia's Yamal LNG project, and Chinese funds are particularly welcome, as Russia has been shunned by some of its more traditional investors since its annexation of Crimea. Russia also welcomes Chinese interest in developing port infrastructure along the NSR. Yet Russia is also very much intent on keeping the NSR under its control. This may eventually create tensions with China, as China sees the NSR as one element of the Belt and Road Initiative and will resent obstacles to its free use of the route (the alternative route, the Northwestern Passage along the northern shore of Canada, is not considered a viable replacement because of poor navigation conditions and a lack of infrastructure). While Russia and China are formally allies through the Shanghai Cooperation Organization, Russia remains wary of China's military power on its southern border and, as an Arctic nation, is irritated by the intrusion in Arctic affairs of non-Arctic states, as evidenced by its long-standing reluctance to grant observer status to these countries in the Arctic Council. 44

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³⁸ "China's Arctic Ambitions Take Shape in Remote Iceland Valley," Associated Press, November 17, 2016; Vala Hafstad," Chinese Research Facility on Icelandic Farmland," *Iceland Review*, July 13, 2016.

³⁹ Stephanie Pezard and Timothy Smith, "Friends if We Must: Russia and China in the Arctic," *War on the Rocks*, May 6, 2016. On the case of Canada, see Adam Lajeunesse and P. Whitney Lackenbauer, "Chinese Mining Interests and the Arctic," in Dawn Alexandrea Berry, Nigel Bowles and Halbert Jones, *Governing the North American Arctic: Sovereignty, Security and Institutions*, Basingstoke: Palgrave Macmillan, 2016, pp. 74–99.

⁴⁰ Christopher Weidacher Hsiung, "China and Arctic Energy: Drivers and Limitations," *The Polar Journal*, Vol. 6, No. 2, 2016, p. 243–258.

⁴¹ "China's Arctic Ambitions Take Shape in Remote Iceland Valley," Associated Press, November 17, 2016; Erik Matzen, "Denmark Spurned Chinese Offer for Greenland Base Over Security: Sources," Reuters, April 6, 2017; Atle Staalesen, "No Chinese Resort in Svalbard, After All," *The Barents Observer*, October 21, 2016.

⁴² Nadezhda Filimonova and Svetlana Krivokhizh, "China's Stakes in the Russian Arctic," *The Diplomat*, January 18, 2018.

⁴³ Vasilii Erokhin, Gao Tianming, and Zhang Xiuhua, "Arctic Blue Economic Corridor: China's Role in the Development of a New Connectivity Paradigm in the North, *Arctic Yearbook*, 2018, p. 6.

⁴⁴ Stephanie Pezard and Timothy Smith, "Friends if We Must: Russia and China in the Arctic," *War on the Rocks*, May 6, 2016. On this issue, see also Camilla T. N. Sørensen and Ekaterina Klimenko, *Emerging Chinese-Russian Cooperation in the Arctic*, SIPRI Policy Paper 46, June 2017, pp. 41–42.

Because of the economic and military power that China commands, the level of concern triggered by its interest in the Arctic is without equivalent. However, it is not the only non-Arctic state to develop an Arctic policy and look for a deeper commitment to the region. Most other observer states to the Arctic Council have an Arctic strategy, a polar strategy, or at least some official guidelines regarding their Arctic policy. Most recently, in September 2018, the United Kingdom released a Defense Arctic strategy that highlights a closer training relationship with Norway and intensified surveillance of submarine activity in the Arctic. India is now investing in Russia's extractive industry in the Arctic. It remains to be seen whether, like China, these non-Arctic nations see themselves as "near Arctic states" that cannot leave the leadership of a strategic region to eight nations only; and whether they might find it advantageous to coalesce as a group of like-minded countries to seek more political and decisional weight both within the Arctic Council and in other international fora.

So far, the approach of Arctic states has been to coopt non-Arctic states rather than exclude them. Most have been eventually accepted as observer states in the Arctic Council, and they are participating in the development of new rules for the Arctic. For instance, China—along with Japan and South Korea, as well as the European Union—has participated in the discussions that eventually led to prohibiting commercial fishing in the Central Arctic Ocean. Yet Arctic nations have made clear that the broader legal background for such development should remain the United Nations Convention on the Law of the Sea and other existing principles of international law. As stated in the 2008 Ilulissat Declaration, they reject the development of new international rules specifically for the Arctic—an equivalent of the Antarctica Treaty—as such a treaty would require painful negotiations and would likely be less advantageous for them than the current system.

To conclude, I would highlight what I see as perhaps the biggest change occurring in the Arctic, and the one that is of most significance for Canada and other Arctic states: The Arctic, which used to be the ultimate periphery, is slowly but surely turning into a center—a center of economic activity and investment, a shipping hub, a transit point between areas of strategic interest, and a military chokepoint. The Arctic connects Russia's oil and gas industries to Asian markets; China's manufactured goods to European markets; and Russia's Northern Fleet to the Atlantic sea lanes and, further south, the Mediterranean. This is not a projection but the current situation, and these trends will only become more pronounced over time, as the NSR becomes more routinely navigable; communications and maritime awareness improve; and, eventually, a brand-new Transpolar Route opens. Canada and other Arctic states face the key challenge of balancing their sovereign interests against the ever-growing interest of non-Arctic nations.

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⁴⁵ Vincent-Gregor Schulze, "Arctic Strategies Round-Up 2017," German Arctic Office, October 2017.

⁴⁶ United Kingdom Ministry of Defense, "Defense Secretary Announces New Defence Arctic Strategy," September 30, 2018.

⁴⁷ Stephen Blank, "India Invests in Russia's Arctic Oil and Gas Offshore Industry," *The Maritime Executive*, October 24, 2018.

⁴⁸ Gloria Dickie, "International Accord Bans Fishing in Central Arctic Ocean, Spurs Science," *Oceans Deeply*, December 4, 2017.