

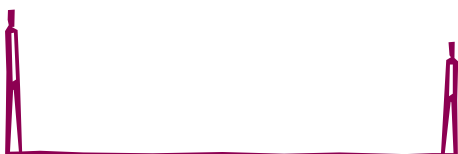
# RUSSIA'S ARCTIC POLICY

73

GEOPOLITICS, MERCANTILISM AND IDENTITY-BUILDING

Pavel K. Baev

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# RUSSIA'S ARCTIC POLICY

GEOPOLITICS, MERCANTILISM AND IDENTITY-BUILDING



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- Russia has re-evaluated the risks of geopolitical competition in the Far North and now prefers a pattern of balanced cooperative behaviour, as exemplified by the maritime border agreement with Norway.
- This cooperative track fulfils Russia's ambitions only to a degree, so Moscow will try to limit globalization of the Arctic, insisting on the privileges of the littoral states and prioritizing ties among the 'Arctic five'.
- Development of the hydrocarbon reserves, particularly off-shore, requires the engagement of Western partners, who remain reluctant to invest due to a poor investment climate and considerable uncertainty over demand, while Gazprom and Rosneft are also in no hurry to launch new projects.
- The main factor undercutting Russia's plans and ambitions for the Arctic in the mid-term would be the scarcity of resources determined by the slow recovery from the massive economic crisis.

The International Politics of Natural Resources and the Environment research programme  
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An encounter in the Arctic: polar bears meet with the attack submarine *USS Honolulu* that surfaced close to the North Pole. Photo: Alphonso Braggs / US Navy.

The maritime border delimitation deal between Russia and Norway sensationally announced by President Dmitri Medvedev in Oslo on 27 April 2010 and signed in Murmansk on 15 September 2010 warrants a re-appraisal of Russia's Arctic policy. The penchant for sensationalism often spills over from the media into policy analysis, which recycles perceptions of the 'struggle for resources' reaching the intensity of a 'great Arctic game' and escalating into a 'new Cold War'.<sup>1</sup> In reality, however, Moscow has not overstepped the rules of international law and has remained committed to the 'club regulations' of several Arctic institutions, so 2010 might set the trend towards a de-escalation of tensions in the High North. It would have been too simplistic to explain away the pronounced emphasis on cooperation in Russia's foreign policy with references to the impact of the economic recession, which has undercut the previous rise of ambitious self-assertiveness. Rather, the Arctic policy is shaped by a dynamic interplay of poorly compatible Russian interests and intentions, and this paper seeks to demonstrate that this interplay cannot be reduced to an equation of security imperatives and economic drivers because immaterial ideas add to its complexity.

### The softening of 'hard security'

The geopolitical perspective on the Arctic interactions typically passes for a 'scientific approach' in Moscow and remains popular among Western

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<sup>1</sup> The most cited anticipation of 'an armed mad dash for its resources' is Borgerson (2008).

adherents to traditional 'realism' (Howard, 2010). There is indeed a certain allure in drawing frontiers and fault-lines, but the solid foundation for such exercises could only be provided by constructing balances of military power, and the High North provides rather unpromising data. The infrequent flights of Russian strategic bombers since mid-2007 have succeeded in capturing media attention, as did a few Caribbean and Mediterranean cruises by the Northern Fleet, but the plain fact is that Russia is firmly set on the trend of Arctic demilitarization, albeit without admitting it.

The ambitious document 'The Foundations of the Russian Federation State Policy in the Arctic to 2020', approved by President Medvedev in September 2008, prescribes 'building groupings of conventional forces in the Arctic zone capable of providing military security in different military-political conditions', but Russian officials have clarified that no increases in any component of military might are planned (Keffrütz, 2010). The brutally radical reform of the Russian Armed Forces executed since autumn 2008 by Defence Minister Anatoly Serdyukov involves significant downsizing and dismantling of the old infrastructure for massive mobilization (Baev, 2010).

The central problem for the Northern Fleet in the short term remains the introduction of the new Borey-class generation of strategic submarines armed with the Bulava SLBM. The Bulava project has been in serious trouble since the mid-2000s, and while the test in October 2010 was successful, the risk of failure remains high. If the missile were to be approved for deployment, the major part of the naval budget for the rest of the decade would go towards



	1980	1990	2000	2010
<b>Strategic submarines</b>	49	38	14	8
<b>Attack submarines</b>	126	120	23	22
<b>Principal surface combatants</b>	73	77	12	10
<b>Patrol and coastal combatants</b>	76	40	26	12

The change in the Northern Fleet order of battle. Source: Military Balance, IISS, 1980–1981, 1989–1990, 2000–2001, 2010.

modernization of the strategic capabilities. The best option is that by 2025 six Borey-class submarines would enter service, while all Delta III-class and Delta IV-class submarines would be retired, so that the numerical strength of this ‘armada’ would be reduced by a half. The worst option is that the Borey-class submarines would be retrofitted for a different missile, with the result that by 2015 only six Delta-IV class submarines would be operational, and further prospects would remain unclear (Myasnikov, 2010).

The costs of the Borey/Bulava programme are certain to be even higher in 2010–2015 than they were in the late 2000s, so the modernization of the conventional capabilities and the infrastructure of the Northern Fleet would be severely reduced. Further, the much-debated purchase of the Mistral amphibious assault ship will not add to the Northern Fleet’s list of ships (there is no maintenance facility for helicopters), and if more ships of this design are laid up in Russian shipyards, Severodvinsk is hardly going to win this contract. The only element of Russian maritime power which has been strengthened in the last decade is the icebreaker fleet, but its deployment for securing navigation along the Northern Sea route is prohibitively expensive in commercial terms (Zhurenkov, 2010).

The sum total of Russia’s deployable military capabilities in the Northern ‘theatre’ is still greater than the combined forces of its neighbours, but Moscow has good reason to feel vulnerable, particularly as far as its strategic ‘bastion’ on the Kola peninsula is concerned. Hence the pronounced reluctance to interact with NATO on Arctic matters; hence also the negative attitude towards opening talks on tactical

nuclear weapons, which could still be reduced through unilateral initiatives. Overall, Moscow has discovered the risks of geopolitical games in the High North and will most probably seek to demonstrate soberly balanced behaviour.

### The devaluation of resource riches

The perception of the High North as a ‘treasure chest’ of natural resources has become the gospel in both policy-making for and public attitude towards the development of Russia’s vast northern periphery. While visiting a research station in Yakutia last August, Prime Minister Vladimir Putin informed scientists that ‘According to rough estimates, the reserves discovered to date are worth approximately \$5 trillion, including oil, natural gas, coal, gold and diamonds.’ (Putin, 2010). The problem with this statement is not that these estimates are unverifiable, but that the team of Russian and German scientists investigating climate change did not see any relevance in these ‘data’. In fact, there is no minimally reliable Russian assessment of mineral resources beyond the Arctic Circle, so all speculations take as their point of departure the figures from the US Geological Survey, typically grossly misinterpreted.<sup>2</sup>

Russian energy ‘majors’, in particular the state-owned Gazprom and Rosneft, which by law have exclusive rights when it comes to developing

<sup>2</sup> The definition ‘undiscovered’ is usually omitted in Russian references to these data, which are available at (<http://pubs.usgs.gov/fs/2008/3049/>).



The perception of the High North as a 'treasure chest' is partly exaggerated, as estimates of the Arctic hydrocarbon reserves are unverifiable. Photo: Gazprom.

offshore oil and gas fields, presumably operate on the basis of more precise estimates. They are, however, in no hurry to invest in costly projects on the Arctic shelf and have even cut exploration budgets, with Yuri Trutnev, minister for natural resources and ecology, arguing for reforming the legislation and opening the off shore 'green-fields' to foreign investors (Melnikov, 2010). Gazprom and Rosneft can easily block such initiatives, but they cannot make a convincing plan for developing the licences that they have amassed. Speaking at the gas industry conference in October 2010, Putin set a goal to increase production from 650 bcm to 1,000 bcm a year, but Gazprom's track record proves that the giant company is chronically unable to build its 'upstream' base (Putin, 2010b). In the early 1990s, its average annual production was about 550 bcm, and in the mid-2000s it managed to climb to the same plateau, before plunging to 460 bcm in 2009 and making a partial recovery at 500 bcm in 2010.<sup>3</sup>

At the heart of Gazprom's strategic plan is the development of Yamal, principally the giant Bovanenkovskoe gas field. From the company's perspective, this move to the Arctic from its core base at Novy Urengoi just below the Arctic Circle makes little difference in terms of technology or working conditions, and the fragile tundra ecology will suffer just the same devastating damage. What makes this project so hard is the need to build basic infrastructure, and every delay pushes the cost estimates even higher as unfinished work deteriorates. The situation

is very different with the Shtokman project, which for Gazprom is an experimental enterprise generating valuable 'know-how' on the offshore production. Total and Statoil have good reason to doubt the organization of this joint venture, since the conditions that looked attractive in the mid-2000s have become rather less so in the saturated global gas market. Delays over the investment decision are a perfectly rational tactic in an uncertain situation where political risks remain a factor, despite Putin's personal commitment.

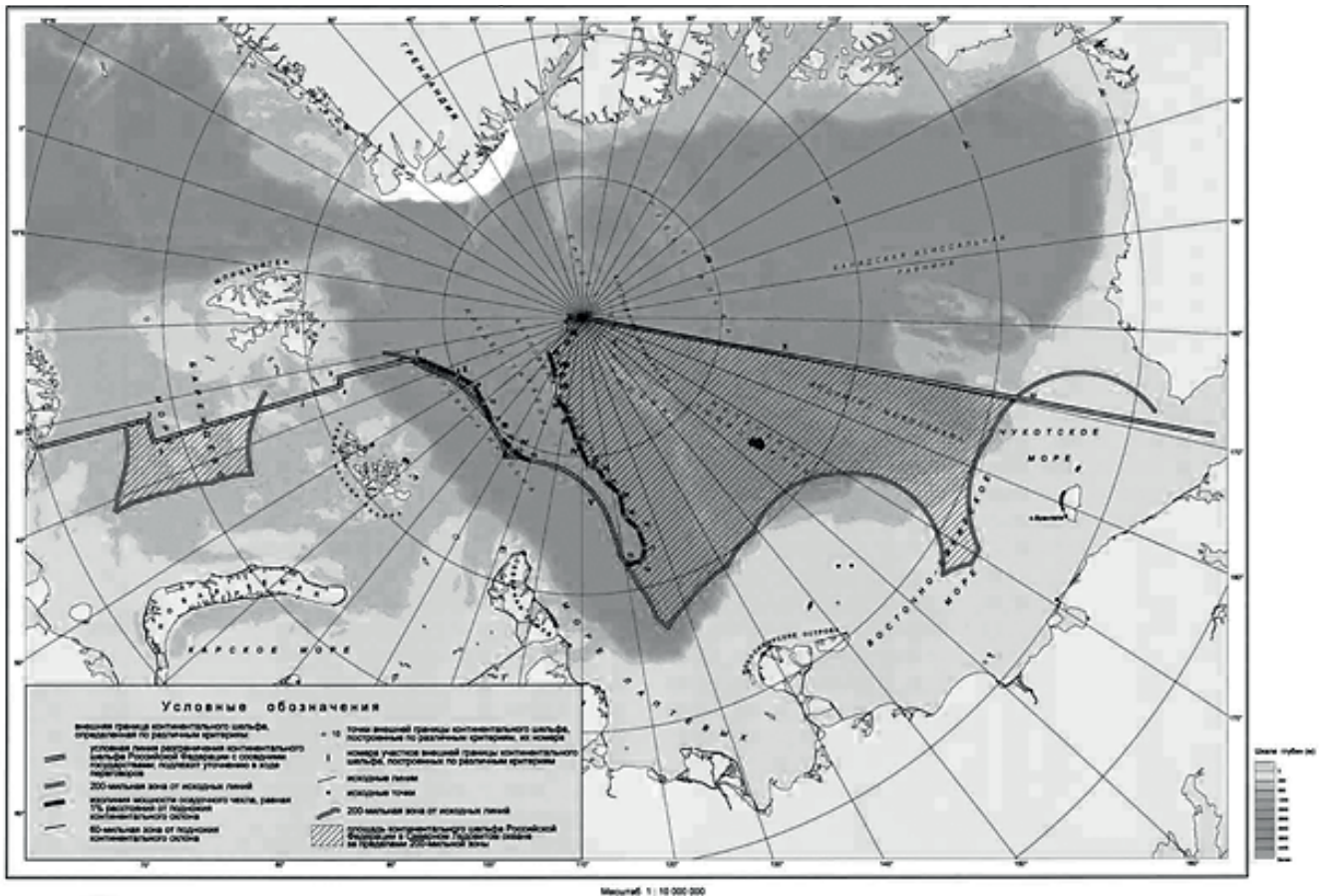
The inflated perceptions of Arctic hydrocarbon 'treasures' are disconnected from the practicalities of the Russian energy policy, which grants a monopoly on exploiting these under-researched reserves to two state-controlled companies that show little interest in tapping into them. What is more, there has been much speculation that Moscow was motivated primarily by oil and gas interests when striking the compromise border deal with Norway, but on closer inspection it is hard to find any 'hidden agenda' (Socor, 2010). Indeed, Gazprom keeps reshuffling the team dealing with Shtokman and remains ambivalent about further stages of the project, while Rosneft is content to let Statoil carry out all the initial exploration. Greed may be a factor in Russia's Arctic policy aimed at preventing others from gaining access to resources that Russia is unable to develop in the foreseeable future, but profit maximization clearly is not.

### **The oddity of identity-building**

Both 'hard security' and mercantilism are certainly prominent in Russia's Arctic policy but neither

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<sup>3</sup> See Inozemtsev (2010) for a critical analysis of Gazprom's performance.



The map that Russia used when submitting its claim to the UN Commission on the Limits of Continental Shelf.

provides an adequate explanation for its remarkable intensity. Putin's visits to Yamal clearly serve Gazprom's interests, but something else is motivating him to travel to places like Franz Josef Land or Tiksi. The persistent desire to 'Go North' cannot be rationalized in terms of cost-efficiency or strategic interests, but makes good sense in the context of images, discourses and other 'intangibles'.

Russia's state identity remains shaky twenty years into its post-Soviet history, and the loudly proclaimed intention to expand its Northern borders by securing control over a million sq km of the Arctic shelf is best understood as an attempt to consolidate it. Strictly speaking, the claim on this inaccessible seabed does not signify any territorial expansion but refers to the rather hypothetical exclusive economic rights. Moscow first submitted it without much political fanfare to the UN Commission on the Limits of the Continental Shelf (CLCS) back in December 2001 and was not really disappointed when it was returned with a request for more data half a year later.

The claim was indeed rather poorly prepared as the attached map illustrates. Immediately after the sensational flag-planting expedition in August 2007,

Putin ordered the document to be re-submitted, but to date the paperwork is still not ready.<sup>4</sup> There are a number of technical problems ranging from the lack of samples of deep-water drilling (there is no equipment) to the lack of good maps (they remain military secrets), but the main issue concerns the objections from the US and Canada. Moscow had pinned its hopes on the ratification of the UN Convention on the Law of the Sea by the US Senate, which could have paved the way for the final settlement of the maritime border question, but the Obama administration has obviously missed its chance to gather the necessary votes for this treaty.<sup>5</sup>

International recognition of Russia's 'ownership' of a huge chunk of the Arctic shelf is not going to

4 An overview of the 52 claims submitted in the last six years can be found on the CLCS website ([http://www.un.org/Depts/los/clcs\\_new/commission\\_submissions.htm](http://www.un.org/Depts/los/clcs_new/commission_submissions.htm)).

5 Visiting Vietnam in July 2010, US State Secretary Clinton confirmed that the Convention 'has strong bipartisan support in the United States, and one of our diplomatic priorities over the course of the next year is to secure its ratification in the Senate'; see Clinton (2010).

happen anytime soon, so Moscow has to tone down its message of ‘conquering the North’, which still resonates with the electorate. There is no simple explanation for this positive public attitude phenomenon, which is rooted in subconscious perceptions of ‘Northernness’ as a key feature of Russia (Medvedev, 2001). The leadership is clearly trying to exploit it, combining Stalinist propaganda methods with modern PR technologies; hence Putin’s patronage over the ‘North Pole – 38’ expedition launched in October 2010 – and hence also his point ‘To be honest, Russia is a northern country’ at the Arctic Forum in Moscow (Putin, 2010b). The problem is that greater political attention to the High North inevitably brings into focus the problems of environmental pollution and decaying infrastructure, and the ability to channel the investments accordingly in a time of protracted recession is doubtful.

## Conclusions

The climate of international cooperation is definitely warming in the Arctic as Moscow is seeking to de-escalate geopolitical tensions and turn the page on the recent quasi-Cold War. The engagement of Western partners is necessary for developing the hydrocarbon reserves in the High North, but this

plain fact does not imply any urgent action: Gazprom and Rosneft are in no hurry to start new projects, and Western oil ‘majors’ are not very tempted to put money into costly joint ventures that could be subject to political pressure. The cooperative track fulfils Russia’s ambitions only to a degree, since the vision of the Arctic as a ‘common heritage’ does not chime with the prevalent Russian perceptions of ‘conquering’ and ‘owning’ the High North. Moscow will try to limit globalization of the Arctic by insisting on the privileges of the littoral states and prioritizing cooperation among the ‘Arctic five’, who should divide the shelf into national sectors and then jointly manage the cross-border problems. Sustaining the high Arctic profile is a task that cannot be accomplished on the cheap, and the ‘scarce resources’ curse might frustrate Russia’s best and worst intentions.

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