

# Geopolitics and the Northern Sea Route

MARGARET BLUNDEN

With the world's maritime transport system at the forefront of globalization, the emergence of a new sea lane would have global consequences. The major trading powers of Europe and Asia, particularly Germany and China, are preparing their strategies and capabilities in anticipation of the possible opening of one such new sea lane, the Northern Sea Route (NSR), to regular commercial transit. Although the obstacles are formidable, current trends in the melting of the sea ice on the Arctic Ocean, the projected increase in commercial maritime traffic to 2018, and piracy and potential political instability along the existing route through the Suez Canal are all prompting the major players to hedge their bets. The NSR across the top of Russia—not one single clearly defined route, but a number of alternative passages between Novaya Zemlya and the Bering Strait—is likely to become operational before the less developed North-West Passage through the Canadian archipelago, since the ice is receding more quickly for shipping routes off Siberia than on average across the Arctic as a whole. Current intercontinental transit traffic between western Europe and Asia is minuscule, but the shipping of raw material exports from Russian ports along the Route both to western Europe and to China has multiplied since 2000.<sup>1</sup> Regular intercontinental transit of this route would depend not only on continued climate change: technological innovations in ice-capable shipping will be encouraged by the physical limitations of the Suez Canal for increasingly large vessels and could be precipitated, even in unfavourable climatic conditions, by disruption to this existing trade route.

Soviet traffic on the NSR peaked in 1987 and declined rapidly afterwards, with associated deterioration of the infrastructure, following the collapse of the Soviet/Russian economy. The route was formally opened for foreign vessels in 1991, and the Russian government is anxious to promote its international use. Commercial considerations are gaining ground at the expense of preoccupations with national security. National economic priorities, and the commercial interests of big companies close to the Russian state, are now driving the country's Arctic policy.<sup>2</sup> Consequently, Russia's Arctic region is evolving from a closed security bastion to

<sup>1</sup> Kimmo Juurmaa and Delta Marin, 'Some developments after AMSA', presentation at Royal United Services Institute, London, 12 April 2011, DeltaMarin.

<sup>2</sup> Kristian Atland, 'Russia's armed forces and the Arctic: all quiet on the Northern Front?', *Contemporary Security Policy* 32: 2, Aug. 2011, p. 282.

'a vast marine area more open for use, and, potentially, integrated with the world economy'.<sup>3</sup> Russia's Arctic doctrine states that it will build and develop infrastructure, including ports, customs facilities and marine checkpoints, along its 17,500 kilometre Arctic coastline in the period 2011–15. Local politicians see development of the NSR as vital to the social and economic interests of the indigenous peoples.<sup>4</sup> There is as yet little sign of the prior investment necessary to generate sufficient income for the sea lane to meet its running costs, as the Russian government hopes it will, nor is it apparently willing to allow international participation in its management. Nevertheless, ambitious plans have been mooted by Russian federal ministries, including projected new marine infrastructure along the Arctic coast and Russian-built satellite systems for the north. Should serious problems arise with the alternative cargo route through the Suez Canal, the picture could change dramatically. There could be more upfront investment in infrastructure and more pressure for international participation in the management of the sea lane. Meanwhile, a recent academic analysis of bulk shipping concluded that 'for innovators and risk-takers, the Northern Sea Route appears as a possible market niche and opportunity to gain market share'.<sup>5</sup>

The NSR is a contested waterway, Russian claims of sovereignty conflicting with the official US and EU position that it passes through international straits. Most interested parties have so far not challenged Russia's de facto control, buttressed by its regional military superiority, or its regulatory regime. The increasingly widespread adoption of the Russian name, the Northern Sea Route, rather than the North-East Passage (the earlier European term), is significant in itself. However, Chinese academic analysts have suggested that China could consider contesting Russian and Canadian sovereignty over, respectively, the Northern Sea Route and the North-West Passage.<sup>6</sup>

Changes in transport routes have historically been associated with seismic shifts in the balance of economic and political power. The drive to secure port bases and the deployment of naval forces have historically followed in the wake of the merchant ships. The development of the NSR for routine intercontinental transit, a possibility not ruled out in Germany and China, would signal a dramatically changed geopolitical environment. One possible scenario of Chinese naval vessels, tasked with protecting Chinese merchant ships, in the seas north of Russia or in the North Atlantic, would confront Russia and NATO with a challenging new security environment.

As the nineteenth-century American geo-strategist Alfred Thayer Mahan demonstrated, the use and control of the sea has been a decisive factor in history.

<sup>3</sup> Lawson W. Brigham, 'Russia opens its maritime Arctic', *Proceedings of the US Naval Institute*, Annapolis, MD, May 2011, volume 137/5/1, p. 299.

<sup>4</sup> See Sergey Kharyuchi, chairman of the State Duma of the Yamal–Nenets autonomous district, 'Opening of the Arctic sea routes: economic/commercial possibilities and environmental challenges', Seventh Conference of Parliamentarians of the Arctic Region, Kiruna, Sweden, 2–4 Aug. 2006.

<sup>5</sup> Halvor Schøyen and Svein Bråthen, 'The Northern Sea Route versus the Suez Canal: cases from bulk shipping', *Journal of Transport Geography* 19: 4, July 2011, pp. 977–83.

<sup>6</sup> David Curtis Wright, 'The Panda Bear readies to meet the Polar Bear: China debates and formulates foreign policy towards Arctic affairs', Canadian Defence and Foreign Affairs Institute, Calgary, March 2011.

The profound influence of sea commerce upon the wealth and strength of countries has been intimately linked with the development of sea power: 'the necessity of a navy, in the restricted sense of the word, springs from the existence of peaceful shipping'.<sup>7</sup> Sea power protected vital commercial flows when other, more peaceful, methods had failed. In the seventeenth and eighteenth centuries, Mahan argues, expanding maritime commerce and the associated growth of navies, led to the acquisition of secure bases along the major trade routes. 'It is the wish of every country that [its] shipping business should be done by its own vessels. The ships that thus sail to and fro must have secure ports to which to return, and must, as far as possible, be followed by the protection of their country throughout the voyage.'<sup>8</sup>

Historically, alterations in transport routes have been associated with radical shifts in the balance of economic and political power. The pioneer oceanic voyages of the Portuguese and the Spanish during the 'Age of Discovery' from the fifteenth to the seventeenth centuries, in search of new trade routes to the Indies, shifted the balance of power away from the Mediterranean, both reflecting and accelerating the gradual decline of Venice and the dramatic rise in the wealth and power of the Iberian countries. The pioneers of the new routes, followed closely by French, English and Dutch seamen, created new economic and political opportunities 'which allowed Europeans in due course to acquire the greatest concentration of wealth and power in human history'.<sup>9</sup> It may not be entirely fanciful to compare the potential significance of a new Arctic sea lane, in economic, geopolitical and security terms, with that of the opening of the new sea routes to the Indies during the Age of Discovery.

Historical analogies suggest that the emergence of new sea lanes will not depend only on changing climatic and maritime conditions, as is sometimes implied. The feverish search for new trade routes to the Indies in the fifteenth and sixteen centuries, and an associated surge in innovation, were driven to a large extent by political problems with the existing overland route. The Mamelukes who seized power in Egypt, and the Turks in Asia Minor, brought an end to the existing free trade regime and imposed prohibitively high tariffs. Today the trade routes between Europe and Asia, carrying a volume of trade previously unimaginable, pass through choke-points, from the Strait of Malacca to the Suez Canal, that are highly vulnerable both to congestion and to deliberate or accidental disruption. By 2018, the total world fleet is projected to include 100,000 vessels of 500 dwt or more, compared with the 77,500 in operation in 2008. In terms of volume, the increase is projected to be even more spectacular, reflecting the development of ever larger vessels.<sup>10</sup> Expansion on this scale would have serious implications for congestion, including increased risk of collision, on existing routes. Deliberate or accidental disruption of

<sup>7</sup> A. T. Mahan, *The influence of sea power upon history, 1660–1783*, Project Gutenberg eBook, release date 26 Nov. 2004 (first pub. 1890), p. 29.

<sup>8</sup> Mahan, *Influence of sea power*, p. 28.

<sup>9</sup> James Rogers, *To rule the waves: why a maritime geo-strategy is needed to sustain European Union*, Security Policy brief 6, Egmont Institute (Brussels: The Royal Institute for International Affairs, Jan. 2010).

<sup>10</sup> European Commission, *Strategic goals and recommendations for the EU's maritime transport policy until 2018*, COM (2009), 21 Feb. 2009, para. 4.

existing sea lanes, possibly associated with instability in Middle Eastern states such as Yemen that front the Red Sea/Suez Canal route, could rapidly change the balance of commercial advantage, accelerate advanced technologies of shipbuilding and navigation, and bring the NSR into operation much faster than currently envisaged. Alternatively, innovative developments applied to traditional sea routes, or to rail routes across the Eurasian landmass (such as ideas for a new railway connection from China through Russia and Sweden to the Norwegian port of Narvik), could alter commercial calculations faster than anticipated climate change could open up a direct route for shipping across the North Pole. But whatever may happen elsewhere, the very possibility of future transit through the NSR appears to be affecting the strategies of interested parties now.

The current volume of transit traffic along the NSR between western Europe and Asia is tiny, but experimental voyages are testing out the possibilities every summer season. It was, significantly, a company from Germany, Europe's leading exporter, which in August and September 2009 made the first non-Russian commercial transit voyage, from Ulsan in South Korea to Rotterdam. Beluga Shipping's use of this route, normally open for only a short time each summer, shaved 3,000 nautical miles off the Suez Canal route, making estimated savings of \$300,000 for each of the two vessels involved.<sup>11</sup> In September 2011 the Polarcus Company's seismic vessel *Polarcus Alima* completed the transit of the route from Hammerfest in Norway to the Bering Strait in nine days, en route for New Zealand, giving a glimpse of the potential global possibilities. The expected saving in the full voyage from Norway to New Zealand, compared with the Suez Canal route, is 13 days.<sup>12</sup> International use of the route remains at the experimental level, but there has been dramatic growth in export traffic from Russia's northern ports. The oil and gas resources of Russia's Arctic regions constitute the world's largest energy reserve outside the OPEC countries. The global scarcity and strategic value of the region's natural resources—hard minerals as well as hydrocarbons—are driving the development of marine transport along the route. The Russian mining and metallurgy company Norilsk Nickel delivered its millionth tonne from its Siberian base to Rotterdam in August 2010. The following month the Sovcomflot vessel *Baltica*, the first high-tonnage vessel to use the route from Murmansk to China, delivered its cargo of gas condensate to Ningbo, having completed the 2,500 nautical mile voyage in some 22 days, about twice as fast as the Suez Canal route.<sup>13</sup> Exploration of a new, deep-water route to the north of the New Siberian Islands archipelago, suitable for even larger-capacity vessels, was carried out in 2011 by the Sovcomflot tanker *Vladimir Tikhonov*, carrying 120,000 tonnes of gas condensate. The *Vladimir Tikhonov*, the largest tanker in the history of navigation to use this

<sup>11</sup> 'Beluga Shipping masters first commercial transit of the Northeast Passage', DNV, 5 July 2010, [http://www.dnv.com/industry/maritime/publicationsanddownloads/publications/updates/arctic/2010/01\\_2010/belugashippingmastersfirstcommercialtransitofthenortheastpassage.asp](http://www.dnv.com/industry/maritime/publicationsanddownloads/publications/updates/arctic/2010/01_2010/belugashippingmastersfirstcommercialtransitofthenortheastpassage.asp), accessed 9 Dec. 2011.

<sup>12</sup> 'Polarcus achieves significant transit savings via the Northern Sea Route', 29 Sept. 2011, <http://polarcus.com/en-us/news/polarcus-achieves-significant-transit-savings-via-the-northern-sea-route.php>, accessed 9 Dec. 2011.

<sup>13</sup> Maritime Information Centre, 'SCFBaltica completes her voyage from Murmansk to Ningbo (China)', 9 Sept. 2010, [http://www.micportal.com/index.php?view=article&id=4337%3Ascfb-baltica-completes-her-voyage-from-murmansk-to-ningbo-china&option=com\\_content&Itemid=32](http://www.micportal.com/index.php?view=article&id=4337%3Ascfb-baltica-completes-her-voyage-from-murmansk-to-ningbo-china&option=com_content&Itemid=32), accessed 9 Dec. 2011.

route, completed the transit from the Kara Sea to the Bering Strait in a record time of 7.5 days, en route for Thailand. Sovcomflot President Sergey Frank claimed that, by opening up a new, commercially viable route across the Northern Sea, his group was effectively providing a 'floating sea bridge' linking the high-potential offshore fields of Russia to major international energy markets.<sup>14</sup>

As the sea lane comes increasingly to help feed China's voracious appetite for raw materials, the Chinese are beginning to collaborate with the Russians. In November 2010 the China National Petroleum Corporation signed a strategic agreement with Sovcomflot, according to which the companies will coordinate their efforts in utilization of the NSR—the agreement envisages trans-Arctic shipments during the summer season—and will cooperate in the shipping of hydrocarbons from Russia's offshore fields. Also, Sovcomflot will train Chinese mariners in Arctic navigation.<sup>15</sup>

Whether the NSR will become a regular transit route between Asia and Europe, as well as a channel for regional export traffic, depends to a large extent on developments elsewhere. The Panama and Suez canals are both approaching their carrying capacity. The ever larger and faster vessels in which shipping companies are now investing will not be able to pass through the Suez Canal in its present form, and an increasing proportion of commercial traffic between Asia and the North Atlantic already travels the lengthy and expensive route round the Cape of Good Hope. The possibilities of blockage or accidents at existing marine choke-points (both straits and canals) and of instability in the region bordering the Red Sea, and the threats of piracy off the Aden coast, or linked piracy and terrorism in South-East Asia, could impede future commercial traffic. The modern maritime economy relies on integrated supply chains and just-in-time management techniques which place a premium on secure and prompt delivery. New forms of piracy are estimated to be costing between 0.01 per cent and 0.2 per cent of maritime commerce, amounting to about \$8 trillion, every year.<sup>16</sup> The heightened risk of piracy raised the cost of insurance for ships travelling via the Gulf of Aden towards the Suez Canal more than tenfold between September 2008 and March 2009.<sup>17</sup> Attacks in the Malacca Strait have declined after determined coordinated regional action to prevent them, but piracy has now increased in the South China Sea. Even with risks at present levels, the development of a new main sea highway linking Asia and Europe would greatly enhance the security of international shipping.

However, it would take something beyond the scope of piracy—such as political interference, the outbreak of war, or violent civil unrest in the volatile regions bordering the existing route—to shift existing global trade patterns and accelerate the technological and other innovations necessary for mass commercial utilization of the NSR. The present unrest in Yemen could contribute to the formation of an

<sup>14</sup> Sergey Frank, quoted in 'Northern Sea Route transit success', *Tanker Operator*, 2 Sept. 2011, <http://www.tankeroperator.com/news/todisplaynews.asp?NewsID=2926>, accessed 15 Dec. 2011.

<sup>15</sup> 'China's new foothold on Northern Sea Route', *Barents Observer*, 26 Nov. 2010.

<sup>16</sup> Rob de Wijk, 'The new piracy: the global context', *Survival* 52: 1, Feb.–March 2010, p. 39.

<sup>17</sup> Linda Jakobson, *China prepares for an ice-free Arctic*, *SIPRI Insights on Peace and Security*, no. 2010/2, March 2010, p. 8.

arc of instability extending from northern Kenya through Somalia and the Gulf of Aden to Saudi Arabia. There is now a real possibility that not just piracy but other organized crime and violent Jihad could escalate, with serious implications for the security of vessels carrying oil and other commodities through the Suez Canal, the transit route for much of the trade between Asia and Europe. Lawlessness on both shores of the Bab al Mandab strait would, at the very least, increase shipping insurance costs.<sup>18</sup> Developments such as these, no longer unthinkable, would provide a powerful incentive to overcome the present obstacles to the commercial use of the NSR.

Shifts in economic geography are also favouring the development of the NSR as a potential transit route linking Asia to the consumer markets of Europe. Distance is an important factor in the balance of advantage between trade routes. Hong Kong is equidistant from Rotterdam and other ports in northern Europe via either the NSR or the Suez Canal. The NSR is therefore shorter for all ports north-east of Hong Kong, and longer for those south of it. It is significant, in this context, that the economic centre of gravity in both Europe and Asia is moving northwards, in Europe from the west to the north-east, with the development of Central and Eastern Europe and the German economic boom, and in Asia from the south-east to the north, with the growth of China.<sup>19</sup> It is said that Asian mother ships, that is ships providing facilities and supplies for smaller vessels, are gradually abandoning South-East Asia for northern China.<sup>20</sup> Shifts of this kind in economic centres of gravity favour development of the NSR, and regular use of this route would further stimulate the economic growth of the northern European and Asian areas, in a self-sustaining feedback loop.

Whatever the obstacles for regular intercontinental commercial transit of the NSR, its mere possibility appears to be affecting the calculations of the major exporters of northern Europe and the EU, particularly Germany, and of northern Asia, particularly China. German policy analysts are predicting hard struggles for influence in the far north—a new ‘great game’.<sup>21</sup>

### *Europe and the Northern Sea Route*

Shipping has been one of the stepping stones to economic growth and prosperity throughout European history. Although the world share of the EU-27 flagged fleet has fallen quite markedly in the past 30 years, it remains at about 20–21 per cent of the world fleet. In 2009, maritime transport in the EU-27 was predicted to grow from 3.8 billion tonnes in 2006 to 5.3 billion tonnes in 2018.<sup>22</sup> The German-controlled share of the container fleet is growing rapidly. Germany’s imports from

<sup>18</sup> ‘Yemen crisis: the issues at stake’, *Risk Watchdog*, 23 March 2011, <http://www.riskwatchdog.com/2011/03/23/yemen-crisis-the-issues-at-stake/>, accessed 9 Dec. 2011.

<sup>19</sup> Jerome Verny, ‘Container shipping on the Northern Sea Route’, OECD, International Transport Forum for a Global Economy, Leipzig, May 2009.

<sup>20</sup> Verny, ‘Container shipping’.

<sup>21</sup> German-Foreign-Policy.Com, ‘Bridgehead to the Arctic’, 13 May 2009, <http://www.german-foreign-policy.com/en/fulltext/156246>, accessed 9 Dec. 2011.

<sup>22</sup> European Commission, *Strategic goals and recommendations*, 2009, para. 6.

China soared from about a third in 2000 to nearly half the total in 2009; in the latter year 22 per cent of German exports were destined for China, compared with just 9 per cent in 2002.<sup>23</sup> Maritime transport services are essential in helping the European economy and European companies to compete globally, and marine industries are an important source of revenues and jobs.

The European Commission believes that it is in the EU's interest to explore and improve conditions for gradually introducing Arctic navigation, while promoting stricter safety and environmental standards and avoiding detrimental effects. It finds it necessary to emphasize that the EU and its member states should defend the principle of freedom of navigation and the right of innocent passage in the newly opened routes and areas.<sup>24</sup> The Commission notes in its *Strategic goals and recommendations for the EU's maritime transport policy until 2018* that increasing the number of navigable waterways, along with extending capacity on existing routes, will inevitably attract traffic through the NSR, with what it calls its 'special requirements'. Any expansion of the Suez Canal would mean larger vessels and more traffic across the Mediterranean, with bigger risks.<sup>25</sup>

Heightened awareness of the importance of new Arctic sea lanes, and of the potential accessibility of Arctic hydrocarbon and mineral resources, has sensitized the European Commission, and pre-eminently Germany among the member states, to any suggestion of exclusion from the governance of this vast marine area. The Ilulissat Declaration of May 2008, issued by the five countries fronting the Arctic Ocean—Canada, Denmark (for Greenland), Norway, Russia and the United States—touched a sensitive nerve in this respect. The coastal states claimed that, by virtue of their sovereignty, sovereign rights and jurisdiction over large parts of the Arctic Ocean, they were in a unique position to address its possibilities and challenges. Existing legal frameworks, they argued, provided a solid foundation for responsible management by the five coastal states; there was no need for any new comprehensive legal regime.<sup>26</sup> The Ilulissat Declaration gave the impression that the coastal states wished to exclude not only the non-Arctic states but also Finland, Sweden and Iceland, members of the eight-country Arctic Council not fronting the Arctic Ocean.

A European Commission communication issued a few months later under the title *The European Union and the Arctic* signalled its ambition to play a greater role in the Arctic region and to shift Arctic policy beyond the inner circle of Arctic Ocean powers to make it an international issue. The 2010 report on *New Arctic shipping* commissioned by the European Parliament appeared to offer some support to this aspiration. Unlike the earlier Commission report on maritime transport policy, which envisaged use of the NSR as inevitable, it suggested that shipping

<sup>23</sup> Optimar, 'Benchmarking strategic options for European shipping and for the European maritime transport system in the horizon 2008–2018', 2010 update, p. 21, [http://ec.europa.eu/transport/maritime/studies/doc/2010\\_optimar\\_study.pdf](http://ec.europa.eu/transport/maritime/studies/doc/2010_optimar_study.pdf), accessed 15 Dec. 2011.

<sup>24</sup> European Commission, *The European Union and the Arctic*, communication from the Commission to the European Parliament and Council, Brussels, 20 Nov. 2008, COM (2008) 763 final.

<sup>25</sup> European Commission, *Strategic goals and recommendations*, 2009, 4.2.

<sup>26</sup> The Ilulissat Declaration, Arctic Ocean Conference, Ilulissat, Greenland, 27–9 May 2008, <http://oceanlaw.org/downloads/arctic/Ilulissat/Declaration.pdf>, accessed 15 Dec. 2011.

companies might increasingly focus on the possibility of routes straight across the Arctic Ocean, avoiding the problems stemming from national jurisdictions.<sup>27</sup> Such a development, requiring resolution of a series of issues concerning safety, the environment and navigation, would be of a truly international character, requiring the active participation of the EU. However, for the present the EU collectively continues to have little traction on Arctic governance. The Arctic Council has for the past two years put on hold the EU's application for permanent observer status. EU member states individually have limited influence. Denmark's control of the foreign affairs of Greenland has already weakened, as the world's largest island moves towards independence and possible greater integration into the American sphere of political and economic influence. The Finnish shipbuilding industry has a long history of building Arctic vessels for the Soviet Union and Russia, and the Finnish foreign minister has suggested working with Russia on marketing the NSR.<sup>28</sup> However, Finland, like Sweden, is disadvantaged by the lack of an Arctic coastline.

The Ilulissat Declaration caused particular alarm in Germany, Europe's leading trading nation. The policy institutes reacted strongly to what was identified as a serious threat to German interests. Roderick Kefferpütz and Danila Bochkarev of the Heinrich-Böll-Stiftung saw the declaration as an attempt by the five coastal states 'to insulate the region from other interested parties and feared that the Arctic was being carefully cordoned off'.<sup>29</sup> Inge Winkelmann of the German Institute for International and Security Affairs (SWP) concluded that the five Arctic coastal powers were emphasizing their supremacy in the area, and that it would probably not be easy to persuade them to become more open to participation by third parties in addressing the coming challenges in the Arctic region.<sup>30</sup>

The German government needs no reminder of the importance of the sea lanes on routes to Asia. Trade between Germany and China could double within five years, according to Wen Jiabao, China's prime minister.<sup>31</sup> German policy-makers are aware that a potential shorter maritime trading route through the Arctic would bring Germany high profits, estimated—for large vessels—at up to half a million euros per trip.<sup>32</sup> German transport vessels are already supplying western Siberia, and German shipyards are building more ships than ever before capable of navigating the northern routes.

The policy institutes have agonized about how Germany, a country disadvantaged by geographical distance from the region, could best assert its Arctic claims. The influential SWP has argued that Germany can claim a certain standing in

<sup>27</sup> European Union, Directorate-General for External Policies of the Union, Directorate B, Policy Department, 'Opening of new Arctic shipping routes', 31 Aug. 2010, EXPO/B/AFET/FWC/2009-01/Lot2/03 PE433792, para. 5.

<sup>28</sup> 'Finland expands Arctic cooperation with Russia', *Barents Observer*, 10 Feb. 2011.

<sup>29</sup> Roderick Kefferpütz and Danila Bochkarev, 'Expanding the EU's institutional capacities in the Arctic region', Heinrich-Böll-Stiftung, EU regional office, Brussels, Nov. 2008.

<sup>30</sup> Inge Winkelmann, 'Fixed rules of play for dividing up the Arctic Ocean', German Institute for International and Security Affairs, *SWP Comments*, no. 18, July 2008, p. 30.

<sup>31</sup> Wen Jiabao, quoted in 'Chinese leader's visit to Germany ends with large trade deals', *Global Business*, 28 June 2011.

<sup>32</sup> German-Foreign-Policy.Com, 'Ice Cold War', 11 June 2008.

Arctic affairs on the basis of its long years of Arctic research, its participation on various Arctic committees and its allegedly 'justifiable maritime interests'.<sup>33</sup> Advisers suggest that the government could help achieve its aim to have Arctic resources declared international property by advancing the formula that 'the Arctic should remain open for the participation of all those states that clearly use philo-climatic policies for the benefit of all'.<sup>34</sup> The SWP has suggested that, because of the importance of scientific findings for the allocation of sovereignty rights, Berlin could use the German research institutes, the Federal Agency for Geological Studies and Natural Resources and the Alfred Wegener Institute for Polar and Marine Research, as sources of influence.<sup>35</sup> There is particular concern that German research in the Arctic, which is of political as well as scientific importance, may be jeopardized by restrictions imposed by the Arctic states, particularly Russia, which are highly resistant to the German view of the region as 'the common heritage of mankind'.<sup>36</sup>

German diplomatic and defence policy has also been brought into play. Germany is broadening its military cooperation with the Nordic–Baltic countries, a cooperation which could include joint military manoeuvres in the far north. A recent meeting of the relevant defence ministers focused on 'the control of maritime routes along Europe's northern coastline', and a German minister described the Arctic Ocean as the most profound maritime challenge of the near future.<sup>37</sup> Germany is nurturing its traditionally close connection with Denmark and its strategically important relations with Norway. The German government is urged by its advisers to emulate the Chinese in cultivating relations with Iceland, whose sea area enjoys a central position in the region where Arctic traffic is projected to grow. Carsten Schymik of the SWP noted in May 2009 that 'Iceland, due to its strategic location, could become a strategic bridgehead into the increasingly important Arctic region', and argued that it would be to Germany's advantage to support Iceland's application to join the EU, even if, in the event, the application failed. Bilateral relations in the long term would benefit in any case, as they had done in the parallel case with Norway.<sup>38</sup> In spite of widespread scepticism towards EU enlargement in general, all five of the major German parties supported the start of Iceland's membership negotiations.

Greenland, en route for independence from Denmark, is also seen by German policy institutes as a strategic bridgehead into the Arctic. Whereas in Iceland the main competitor for influence is China, in Greenland it is the United States, whose diplomats have advised their government to commit itself to 'shaping Greenland's future' in such a way as to guarantee American interests, taking the unique opportunity presented by the emergence of this independent nation.<sup>39</sup>

<sup>33</sup> German-Foreign-Policy.Com, 'Cold War at the North Pole', 3 Dec. 2009.

<sup>34</sup> German-Foreign-Policy.Com, 'Cold War at the North Pole'.

<sup>35</sup> German-Foreign-Policy.Com, 'Cold War at the North Pole'.

<sup>36</sup> German-Foreign-Policy.Com, 'Ice Cold War'.

<sup>37</sup> German-Foreign-Policy.Com, 'Militarizing the Arctic', 15 Nov. 2010.

<sup>38</sup> Carsten Schymik, 'Iceland on course for the EU', *SWP Comments*, 5 May 2009.

<sup>39</sup> 'Wikileaks cables confirm Arctic oil rush', 18 May 2011, <http://climatechangesocialchange.wordpress.com/2011/05/18/wikileaks-cables-confirms-arctic-oil-rush/>, accessed 9 Dec. 2011.

German advisers, for their part, have urged that the EU should actively support Greenland's legitimate pursuit of independence, while reinforcing relations for which the foundations are already laid in the 2007–14 EU–Greenland agreement. The European Parliament would like to increase its cooperation with Greenland and perhaps forge an even closer relationship.<sup>40</sup>

The British and Dutch governments, in contrast to their German counterparts, have been slow to recognize changing geopolitical realities in the Arctic, and the transformed strategic importance of tiny Iceland. Gordon Brown's government initiated what has been called a 'three year cold war' in its aggressive pursuit of the £3.9 billion lost by British and Dutch investors in the failed Icesave Bank.<sup>41</sup> Britain's use of anti-terrorist legislation to freeze the bank's assets in the UK caused great offence in Iceland, where voters twice rejected by referendum deals to repay the debts using taxpayers' money. David Cameron, for his part, warned in June 2010 that the UK could block Iceland's application to join the EU if the country failed to meet its debt obligations. Iceland's President Olafur Ragnar Grimsson indicated in response that long-term strategic interests, not just immediate debt recovery, were at stake. 'Iceland is at the centre of the sea routes that are gradually opening up, linking Asia in a new way with Europe and North America in a similar way as the Suez Canal did.'<sup>42</sup> Even though a resolution of the dispute now seems in sight, the damage to relations between Iceland and Europe will take longer to repair. President Grimsson has explicitly contrasted what he calls the hostility of Europe and the absence of the United States, in the wake of his country's devastating financial crisis, with the constructive helping hand offered by Asiatic powers, and particularly China.<sup>43</sup> The vast majority of Iceland's voters oppose the country's joining the EU, according to the latest opinion polls. Meanwhile, Asia's trading powers appear to be hedging their bets in the event of a new sea lane to the north. Should there indeed be a new 'great game' in the region, the Europeans appear to be losing it.

## Asia and the Northern Sea Route

East Asia has a massive impact on the global movement of goods at sea. Maritime trade and energy shipping underpin the burgeoning Asian economic system. The opening of a new sea lane to the north would change everything, and the major trading powers, each in its own way, appear to be taking precautionary action. Japan, with Asia's largest flagged merchant fleet, applied for membership of the Arctic Council in 2009, citing the importance of maritime questions to the country, and was admitted as an ad hoc observer. While careful not to call in question the existing legal regime in the Arctic, Japan, like other non-Arctic

<sup>40</sup> Lassi Heininen, *Arctic strategies and policies: inventory and comparative study* (Rovaniemi: University of Lapland Press, Aug. 2011), p. 64.

<sup>41</sup> 'Icesave liquidators find money to compensate UK savers', *Daily Telegraph*, 25 Oct. 2011.

<sup>42</sup> Andrew Ward, 'Iceland uses Arctic thaw to turn heat on UK', *Financial Times*, 10 March 2010.

<sup>43</sup> Andrew Ward and Leslie Hook, 'Iceland's president welcomes Chinese tycoon after abandonment by west', *Financial Times*, 3–4 Sept. 2011.

states such as Germany, would like to see the Arctic recognized as part of the common heritage of humankind.<sup>44</sup> The government says it is carefully following the issues related to the Arctic, including its future potentialities, and is funding research into Arctic-class tankers. A recent editorial in the *Japan Times* notes that opening this trade route would force governments to reassess maritime strategies. 'Japan would find itself on the end of two sea lanes, one running north in addition to the traditional passage through the South China Sea.'<sup>45</sup> Shigeki Toriumi of Chuo University is confident that the NSR will have a huge impact on marine commerce across the world. He notes that being close to the Bering Strait, the entrance to the passage, gives Japan an advantage in terms of location as a hub port, compared with Singapore, Hong Kong or Pusan. He urges that the feasibility of the NSR should be carefully considered in determining policy and future business activities.<sup>46</sup> Enthusiasts for the Route were encouraged in late summer 2011 by the successful transit of the Japanese-owned *Sanko Odyssey*, the world's largest ice-class bulk carrier, from Murmansk to China in 23 days, approximately 22 days less than the Suez Canal route.

South Korea, a major Arctic shipbuilder, is, like China and Japan, trying to get permanent observer status on the Arctic Council. This would 'help our government brainstorm policies of development of marine transportation', a ministry official told the *Korea Times*.<sup>47</sup> The country is playing a growing role in Arctic economic development. South Korea has a stake in Arctic research—it has since 2002 been running a station at the Ny-Ålesund research base—but its interest in the Arctic is overwhelmingly commercial. South Korean industry, together with its subsidiaries in Finland, has a vested interest in the development of a trans-Arctic shipping route and associated industry. Samsung Heavy Industries has been responsible for an important technological advance, the development of a double-acting vessel able to move stern forward to break through heavy ice, much in the manner of an icebreaker.

The Asian country with most at stake in the NSR is China—not only in respect of the possibly distant prospect of regular intercontinental transit, but for the immediate supply of raw materials from Russian Arctic ports. IMF projections suggest that Chinese GDP will overtake that of the United States in 2016.<sup>48</sup> China, which replaced Germany as the world's largest goods exporter in 2009, still seems wedded to an economic model dependent on demand elsewhere, and its might and prosperity are based on its growing reliance on the outside world. China leans heavily on international shipping for its economic development—46 per cent of its GDP is shipping-dependent—and any changes to global shipping routes would have a direct impact on its import and export trade, and hence its economy as a

<sup>44</sup> Hidehisa Horinouchi, Deputy Director-General, International Legal Affairs Bureau, Japan Ministry of Foreign Affairs, 'Japan and the Arctic', paper presented to Japan-Norway Polar Seminar, Tokyo, 26 April 2010.

<sup>45</sup> 'Arctic heating up', *Japan Times*, 4 Oct. 2009.

<sup>46</sup> Shigeki Toriumi, 'The potential of the Northern Sea Route', ChuoOnline, <http://www.yomiuri.co.jp/adv/chuo/dy/opinion/20110228.htm>, accessed 9 Dec. 2011.

<sup>47</sup> Kim Se-jeong, 'Korea wants to join Arctic projects', *Korea Times*, 24 Aug. 2008.

<sup>48</sup> IMF, *World Economic Outlook: tensions from a two speed recovery* (Washington DC: IMF, April 2011, ch. 1).

whole.<sup>49</sup> The Middle Kingdom, with its rapidly growing merchant and naval fleets, is evolving from a traditional land-based economy into an ocean country. China is a major operator of container ships, and is on the way to becoming a world-class naval power. The government announced in 2009 a major overhaul and expansion of its naval forces, including the development of a new generation of warships and submarines. It is becoming increasingly involved in out-of-area operations, such as those off the coast of Somalia.

Chinese Arctic policy is still being deliberated, and the Chinese government has to date maintained a relatively low profile in Arctic matters, possibly conscious that a more overt approach might cause alarm about its rising global power. Since Chinese leaders have been cautious about articulating policy, western observers are left trying to draw inferences, necessarily tentative, from the lively debate and analysis taking place among academics, journalists and other non-official sources. The official China News Service did indeed report in March 2010 the outspoken and contentious comments of Rear Admiral Yin Zhuo, former president of the Chinese Naval Strategy Institute, that the Arctic belonged to all the people around the world and that no nation had sovereignty over it. 'The current scramble for the sovereignty of the Arctic among some nations has encroached on many other nations' interests,' he observed, arguing that China should play an indispensable role in Arctic exploration as it had one-fifth of the world's population.<sup>50</sup> Whether the military is pushing the government to be more assertive in the Arctic, or whether the government is using the military to fly its own kite, is not clear. Some China-watchers are taking the admiral's statement to mean that China will in the future take a more forceful stance in the Arctic.

Although no explicit Arctic policy has been announced by China, an implicit policy may be in operation. Like Germany, the EU and other interested non-Arctic states, China is expanding its Arctic research, both in the natural sciences and in policy-related fields. China's participation in scientific research is well established: the country joined the non-governmental International Arctic Scientific Committee in 1996, and set up its Arctic research station Yellow River in the Norwegian Svalbard Islands in 2004. Its polar icebreaker *Snow Dragon*, the world's largest non-nuclear icebreaker, has undertaken regular Arctic expeditions since 2003, including one to Iceland in 2011. Development of commercially or policy-oriented research is more recent. In a rare and little-reported announcement in October 2009 the Chinese government signified its intention to assess the possibilities for commercial shipping through the Arctic.<sup>51</sup> Research relevant to China's evaluation of new Arctic sea lanes is carried out by, among other bodies, the China Institute for Marine Affairs, which researches China's ocean development strategy, and the Research Centre for Marine Developments of China in Qingdao, charged with undertaking 'prospective, strategic and macroscopic research concerning

<sup>49</sup> Joseph Spears, 'China and the Arctic: the awakening snow dragon', *Jamestown Foundation China Brief* 9: 5, 18 March 2009, p. 1.

<sup>50</sup> 'China's Arctic play', *Diplomat*, 10 March 2010.

<sup>51</sup> Reported in Dom Yanchunas, 'Opening the Arctic', *Professional Mariner*, no. 131, Dec.–Jan. 2010.

China's major maritime problems'.<sup>52</sup> From 2007 to 2009 a Chinese government research project entitled Arctic Issues Research, resulting in a report that was not published, embraced a wide range of policy areas including Arctic transportation, Arctic politics and diplomacy, military factors in the Arctic, China's Arctic activities and the Arctic's strategic position.<sup>53</sup> International collaborations in Arctic research—China and Norway have recently begun a major new research collaboration—have potential political as well as commercial and scientific utility.

How far China's expanding scientific research in the region is politically motivated is a matter of contention in the West.<sup>54</sup> However, Chinese researchers, like some in Germany mentioned above, are certainly claiming that Arctic research helps to legitimize the claims of countries geographically distant from the region to participate in Arctic decision-making. For example, Guo Peiqing, a researcher on Arctic politics at the Ocean University of China and advocate of a more active role for his country in Arctic affairs, has identified the political utility of Arctic policy research, noting that 'any country that lacks comprehensive research on Polar politics will be excluded from being a decisive power in the management of the Arctic and will therefore be forced into a passive position'.<sup>55</sup>

Chinese Arctic specialists have anxieties about the country's lack of control over a possible new sea route which would, according to Chen Xulong of the China Institute of International Studies, 'advance the development of China's north-east region and eastern coastal areas'.<sup>56</sup> Some worry that the commercial advantages of the NSR would be substantially reduced if Russia were to charge exorbitant service fees. Li Zhenfu of Dalian Maritime University has voiced fears that 'whoever has control over the Arctic route will control the new passage of world economics and international strategies'.<sup>57</sup> He urges that, in the face of 'out of control' claims by Arctic littoral states, China should consider the possibility of making an open declaration of sovereignty over the Arctic sea routes, as well as territorial claims.

The Chinese government's caution in Arctic matters may be frustrating to its more vociferous specialists, but it is nevertheless taking strategically important initiatives. In 2010 China signed a ten-year lease on the North Korean port of Rajin, giving access to the Sea of Japan, where it is investing \$10 billion in new infrastructure. Such investments, which include strengthening the basic infrastructure along the corridor connecting the port of Rajin with the city of Hunchun, could, it is suggested, provide China with an access point to the Arctic via the La Perouse Strait.<sup>58</sup> Despite Chinese government inscrutability, what are perceived in Russia as China's increasing Arctic ambitions are raising some hackles there, in spite of official denials of any such reaction by President Putin. In October

<sup>52</sup> Jakobson, *China prepares for an ice-free Arctic*.

<sup>53</sup> Jakobson, *China prepares for an ice-free Arctic*.

<sup>54</sup> See Frédéric Lasserre, *China and the Arctic: threat or cooperation potential for Canada?*, Canadian International Council, China Papers no. 11, June 2010.

<sup>55</sup> Jakobson, *China prepares for an ice-free Arctic*.

<sup>56</sup> Jakobson, *China prepares for an ice-free Arctic*.

<sup>57</sup> Jakobson, *China prepares for an ice-free Arctic*.

<sup>58</sup> Russell Hsiao, 'Implications of China's access to the Rajin port', *Defense News* 10: 6, 18 March 2010.

2010 Senior Admiral Vladimir Vyotsky registered his alarm that 'we are observing the penetration of a host of states which ... are advancing their interests very intensively, in every possible way, in particular China'. Russia, he asserted, 'would not give up a single inch' in the Arctic.<sup>59</sup>

China's increasingly close relations with Norway and Iceland do indeed look very much like a stratagem for advancing its interests in the Arctic. China and Norway have embarked on a formal bilateral dialogue on Arctic issues, and China has become one of Norway's prioritized partners for research collaboration. The Norwegian government recognizes that China is becoming a key player in issues related to the Arctic,<sup>60</sup> and supports China's stalled application for permanent observer status on the Arctic Council. Tiny, troubled Iceland has been much favoured by mighty China. When the President of Iceland, a country with a population of some 316,000 people, paid a state visit to China in 2007 he was received with all the pomp and ceremony of the head of a major state. China gave both public and behind-the-scenes help in Iceland's bid for a seat on the UN Security Council in 2008, and Iceland in return was the first country to grant China market economy status. Iceland's President Grimsson, ever ready to talk up his country's strategic importance, has stated that China was keen to cooperate with Iceland and the other countries in the Arctic on developments in the northern regions and was interested in the implications of the northern sea routes opening up over the next few decades.<sup>61</sup>

There are conjectures that what is driving China's unusual relationship with Iceland is a lively appreciation of the island nation's capacity to serve as a transshipment base for new northern maritime routes. It is suggested that Chinese planners anticipate building giant strengthened container ships able to use the shorter route as the ice melts, and that the Icelandic fjords would be an obvious site for a transshipment port.<sup>62</sup> Iceland does indeed occupy a strategic location, midway between northern Europe and the eastern coast of America. It would be well placed to become a new transshipment hub, and its deep fjords with adjacent available land offer good natural conditions for ports serving large vessels.<sup>63</sup> Unconfirmed reports suggest that China has had very preliminary discussions about establishing a transshipment hub in Iceland, and has been working to develop navigation charts for parts of the Arctic waters.<sup>64</sup> However, not all Icelanders share President Grimsson's enthusiasm for the China connection. Some are wary of the announced intention of a Chinese tycoon to buy 300 square kilometres of wilderness in the country's north-east, and suspect ulterior Chinese government motives behind the proposal.

<sup>59</sup> Reuters, 'Russian navy boss warns of China's race for the Arctic', 4 Nov. 2010, <http://af.reuters.com/article/energyOilNews/idAFLDE6931GL20101004>, accessed 9 Dec. 2011.

<sup>60</sup> Jonas Gahr Stone, Norwegian Minister for Foreign Affairs, speech at China Institute for International Studies, Beijing, 30 Aug. 2010, [http://www.regjeringen.no/eu/dep/ud/whats-newspeeches/-and-articles/speeches-foreign/2010/arctic\\_vierjijing/html?id=613162](http://www.regjeringen.no/eu/dep/ud/whats-newspeeches/-and-articles/speeches-foreign/2010/arctic_vierjijing/html?id=613162), accessed 15 Dec. 2011.

<sup>61</sup> 'Iceland invites China to Arctic shipping', *Barents Observer*, 22 Sept. 2010 (President Grimsson in interview with Norwegian broadcaster NRK).

<sup>62</sup> Robert H. Wade, 'Iceland will play crucial role in Arctic sea route', *Financial Times*, 4 March 2010.

<sup>63</sup> Icelandic Ministry for Foreign Affairs, *North meets North: navigation and the future of the Arctic*, technical report, 2006.

<sup>64</sup> Heather Exner-Pirot, 'What route for Arctic shipping?', *EyeontheArctic*, 25 March 2011, <http://eyeontheartic.rcinet.ca/en/blog/136-heather-exner-pirot/793-what-route-for-arctic-shipping>, accessed 15 Dec. 2011.

As Alfred Thayer Mahan pointed out more than a century ago, where the cargo ships go, the warships are sure to follow. New trade routes spur the acquisition of secure bases along the way. China's determination to secure its key maritime routes to the Middle East and beyond has resulted, in classic Mahan terms, in what is called its 'string of pearls' strategy, the establishment of a political or military presence along the crucial sea routes leading to the Middle East's oil-producing states. Should Chinese naval vessels and submarines start protecting merchant ships along the NSR and in the North Atlantic, or even, as has been suggested, develop 'Northern Pearls' along the new sea lane of communication,<sup>65</sup> a new geopolitical reality would surely have come into play.

## Conclusion

The Northern Sea Route is already an important channel for the regional export of raw materials. Experimental transit voyages along the Route are now constantly breaking new ground. The development of regular transit to the north of Russia, a prospect encouraged by climate change, could be accelerated by overload on, or interruption to, existing routes. Such an eventuality would have wide-ranging global consequences. The EU (in particular Germany) and the Asiatic trading powers (pre-eminently China) appear to recognize that a great deal would be at stake. There is some suggestion of competitive jockeying for influence with the less-populated Arctic countries—Iceland, Norway and the nascent state of Greenland—which are now enjoying an enhanced diplomatic importance. The Chinese government, with more at stake than most, is currently maintaining a low profile, but there are indications of anxieties in the country about its powerlessness over a route of potentially great economic significance.

The Russian government is keen to promote the development of the NSR, and is apparently determined to maintain its exclusive national jurisdiction over it. Other interested states are not currently challenging Russia's claim to sole management of a route through its territorial waters, and are collaborating as their interests dictate. However, should the Route develop into a major sea lane, more fundamental tensions may surface. International pressure to define the Arctic as part of the common heritage of humankind would probably mount, and unusual alignments may well come into play. China's interests, like those of the EU and the United States, in the definition of the Arctic sea passages as international straits, would be set against the resolute position of Russia and Canada that these passages run through territorial waters.

Changes to transport routes have historically entailed redeployment of naval forces and unforeseen shifts in the balance of economic and political power. The opening of the NSR, directing vital national interests towards the high north of the Eurasian landmass, would in this respect run true to historical form.

<sup>65</sup> Lee Willett, 'Low risk but high consequence: security implications of increased international and commercial activity in the Arctic Ocean', paper presented at Third Symposium on the Impacts of an Ice-diminishing Arctic on Naval and Maritime Operations, co-hosted by the US National Ice Center and the US Arctic Research Commission, US Naval Academy, Annapolis, MD, 9–11 July 2009.

