

The Arctic and New Security Challenges in Asia*

Stephen Blank and Younkyoo Kim

The most under-reported aspect of the Arctic's growing importance is its impact upon Asia's international relations. There is an enormous need for energy due to the rise of China and other Asian countries as the most dynamic region of the global economy. The introduction of the Arctic into the Asian equation could enhance Russia's role. This article explores a process of interaction between the Arctic and Northeast Asian issues, like Sino-Russian relations, and between the Arctic and Southeast Asian issues, like the struggles over the South China Sea. In Southeast and Northeast Asia, local governments from South Korea to India are all building up their fleets. We can also see a generalized trend in tying fleet construction to missions connected with the defense of energy sources or of energy transit through international and national waters.

Key words: *Arctic, Russia, China, Asia, maritime borders, South China Sea.*

The globalization of trade, climate change, and the discovery of huge energy stocks in the Arctic, as stated in 2006 by the US Geological Service, have combined to create a series of issues and opportunities that are clearly international in scope, embracing both Asia and Europe. As international interest and activity grow, military interest and activity grow with them. Most of the discussion about the Arctic has been made by the Arctic Council, Western European countries, the United States, Canada and Russia. However, the Arctic is no longer just a European issue. Recently, Asian countries have entered the discussion and the agenda has changed into a truly global one. The recent decision of the Arctic Council to grant China and several other Asian states observer status represents an epochal decision for both Arctic and Asian affairs. China, Japan, India, South Korea, Singapore, and Italy all won observer status and this decision recognizes the commercial importance of Asia as the Arctic becomes open to commercial exploitation due to climate

* The authors are appreciative to the research fund of the National Research Foundation of Korean government (NRF 2012S1A3A2033350), which have supported elements of the work reported here.

change.¹ This decision also means that Asian voices will be heard for the first time in decisions regulating Arctic use and commercial exploitation as that ocean becomes more accessible. The Asia–Pacific region is undergoing a set of potentially epoch-shaping processes of power transition. There is no doubt that China’s rise is the primary factor. This article attempts to place that rise in the context of other trends of significant import, like Russia’s energy-driven recovery to which the exploration of the Arctic is an essential precondition of future success. The introduction of the Arctic into the Asian equation could enhance Russia’s role. This article explores a process of interaction between the Arctic and Northeast Asian issues, like Sino–Russian relations, and between the Arctic and Southeast Asian issues, like the struggles over the South China Sea.

The Recent Debate on the Arctic

In 2006, former Secretary of State Condoleezza Rice made a now famous observation that nothing had so “warped” contemporary international politics as energy. Trends in the Arctic certainly validate her assessment of energy’s importance. There are four factors that are driving the change in the discussion about the Arctic on the European and North American side. First, there is climate change, which is making it possible to expand the use of the Arctic as a commercial transport passage, the Europe–Asia highway. In many parts of the world, climate change might become a new source of conflict.² The earliest and most intense climate changes are being experienced in the Arctic region.³ The Arctic sea ice reached its lowest annual level during September 2012. Recent estimates predict a 2020–2040 timeframe for an Arctic free of ice during the three summer months.⁴ As commercial navigation and the likelihood of greater extraction of the Arctic’s energy and mineral wealth become easier, the Arctic’s importance and international contentions about it will probably increase.⁵ Its accessibility to international trade is already growing. Already in 2012 the number of overall vessels sailing the Northern Sea Route (NSR) increased from 34 in 2011 to 46 and the amount of

1. “China Gets Observer Status on Arctic Council,” *South China Morning Post* (16 May 2013).

2. James Kraska, ed., *Arctic Security in an Age of Climate Change* (Cambridge and New York: Cambridge University Press, 2011), p. 47.

3. *Ibid.*

4. Linda Jakobson and Syong-Hong Lee, *The North East Asian States’ Interests in the Arctic and Possible Cooperation with the Kingdom of Denmark* (Stockholm: Stockholm International Peace Research Institute, 2013), p. 1; Oran R. Young, Jong Deog Kim, and Yoon Hyung Kim, eds., *The Arctic in World Affairs: A North Pacific Dialogue on Arctic Marine Issues* (Honolulu: East-West Center, 2012); Hooman Peimani, ed., *Energy Security and Geopolitics in the Arctic* (Singapore: World Scientific Publishing, 2013).

5. Malte Humpert and Andreas Raspotnik, “The Future of Arctic Shipping Along the Transpolar Sea Route,” in Lassi Heininen, ed., *The Arctic Year Book 2012* (Northern Research Forum, 2012), pp. 281–307; Margaret Blunden, “Geopolitics and the Northern Sea Route,” *International Affairs*, 88-1 (Summer 2012), pp. 115–129.

cargo transported through the Arctic increased by 53 percent to 1, 261, 545 tons.⁶ It will still be a difficult and dangerous place in which to operate, but increasingly less so. The costs of the trans-continental shipping decrease as the Arctic becomes more navigable, the risks become more manageable, and the importance of the Arctic route will increase.

The second factor is the United Nations Convention on the Law of the Sea (UNCLOS), which stimulated the change by asking the states to file their claims to the economic exclusions provided by the UNCLOS. Russia has already been making its own claims. However, the United States has not signed the UNCLOS treaty.

The third factor is that there is an enormous amount of hydrocarbons and other minerals in the Arctic Ocean, as was revealed in the US Government Geological Survey (USGS) of 2006. USGS estimates of 2008 suggest that 13 percent of the world's untapped oil and 30 percent of natural gas reserves lie beneath the ice caps.

The fourth factor is that Russia has named the Arctic as a vital state interest. In tandem with this growing accessibility of the Arctic to world trade, what we might call the securitization of the Arctic, namely attempts to place all discussions about the Arctic under the framework of national security, are growing. Michael Klare has recently analyzed the global and external trend impinging upon all Arctic contenders, whereby littoral powers "are displaying fresh resolve to retain control over contested offshore territories," often by force.⁷ Michael Ruhle has called the economization of security, a trend that places greater importance upon economic interests and the securing of them rather than traditional security imperatives.⁸ Indeed, to the degree that states perceive vital economic interests as being somehow at risk, particularly in a context where security of assets and security in general – for example, territorial integrity, access to energy or other vital interests – is less safe than was previously the case or is so perceived, then, these issues will not only be more securitized but also militarized.⁹ While this trend towards the economization of security manifests itself in diverse ways, it certainly finds reflection in the growing competition, not only in the Arctic, for natural resources. That competition in turn breeds, if not arms races, competitive modernization of military forces: mainly, but not exclusively, naval and air forces.

Moreover, this trend towards securitization implies a further emphasis on military instruments of power and invocation of military threats by interested parties to secure their interests there. Thus while most commentary on the Arctic's role in world politics apparently predicts a non-military resolution of outstanding issues

6. Trude Petersen, "China Starts Commercial Use of Northern Sea Route," *Barents Observer* (14 March 2013).

7. Michael Klare, "The Growing Threat of Maritime Conflict," *Current History* (January 2013), p. 26.

8. Michael Ruhle, "The Economization of Security: A Challenge to Transatlantic Cohesion," *American Foreign Policy Interests*, 35-1 (Winter 2013), pp. 15–20.

9. *Ibid.*

there, every analysis of the Arctic admits that there is the possibility if not the reality of a race between the political and potentially military resolution of those issues. And some even expect an increasingly confrontational process to develop there.¹⁰

The Arctic and Asian Security Agendas

The most under-reported aspect of the Arctic's growing importance is its impact upon Asia's international relations. The Arctic agenda bears considerable and arguably growing relevance to Asian states' security issues, particularly those revolving around contested maritime and energy zones, and the search for new energy access.

There is an enormous need for energy due to the rise of China and other Asian countries as the most dynamic region of the global economy. Also, there are multiple security challenges taking place in Asia. The set of issues is similar in the South China Sea as in the Arctic, but the role China plays in the South China Sea is the opposite to its role in the Arctic – and vice versa for Russia. China has claimed that nobody owns the Arctic and wants to exploit it for commercial purposes, which makes Russia wary concerning China's objectives. However, China is equally wary about Russia's presence in the South China Sea and its partnership in energy exploration and arms trade with Vietnam. The South China Sea is seen as a possible energy resource in the future, just as the Arctic, even though commerce remains the most important issue at the moment.

India, too, has a lot at stake in the Arctic. With its massive lack of energy supply, India is trying to find all possible energy sources, but risks losing out to China in the race. However, India has been negotiating with Russia about energy exploration in Sakhalin.

Energy assets continue to rise in importance, as does the issue of energy security for consumers who want reliable but diversified sources, and for producers who want assured markets and prefer restricting the number of sellers. This has produced not just a worldwide scramble for reliable sources and suppliers of energy, it has also revived global international interest in maritime borders, exclusion zones as defined by the UNCLOS Treaty. Naturally but perhaps unfortunately this has led to the development of naval power in Asian countries to ensure energy security for both suppliers and consumers. A situation where two states may be both rivals and partners simultaneously is therefore not inconceivable.

Despite the continuing growth of regional and international trade and investment in Asia, maritime and overall security tensions (and even arguably militarization or at least securitization of these energy and territorial disputes) are also rising. The

10. Younkyoo Kim and Stephen Blank, "The Arctic: A New Issue on Asia's Security Agenda," *Korean Journal of Defense Analysis*, 23-3 (September 2011), pp. 303–320; David Casey, *Russian Energy Policy and Its Security Implications: The Increasingly Assertive Approach to Arctic Territorial Disputes*, paper presented to the annual Convention of the Australian Political Science Association, Sydney (2009).

Arctic too exemplifies the process. Due to such tensions, academic observers, governments and official and semi-official statements betray a rising sense of alarm in the Asia–Pacific region connected with energy and maritime issues and the same issues also divide the Arctic. Japanese Foreign Minister Fumio Kishida stated that the Asia–Pacific security situation is becoming ever more challenging.¹¹ In April 2013 the ministry’s diplomatic blue book said that the Asia–Pacific environment is becoming increasingly severe.¹² And South Korea’s Research Institute for Strategy’s annual assessment of the strategic balance in Asia for 2012 flatly stated that maritime disputes had never been worse and cannot be resolved in a short period of time. Moreover it is not just the United States and China who are creating new dynamics but also middle powers in their relationships amongst themselves and with these “superpowers”.¹³ And these disputes span Asia from the Sea of Okhotsk to the Spratly Islands, thereby involving all the major and many of the middle or smaller powers of Asia.¹⁴

As a result, we find a pervasive sense of insecurity in both the Arctic and Asia concerning maritime security and the reliability of naval forces in particular. As part of the overall buildup of the Arctic in 2012, Russia allocated air and ground assets that could project power into the sea but it is also establishing several naval infrastructure hubs along the Northern Sea Route as temporary stations for warships and border vessels.¹⁵ A recent Japanese assessment observes that the Arctic’s strategic importance due to climate change is not restricted to energy deposits. It argues that, the Arctic Ocean,

Is likely to become a hot sea involving conflicting interests of coastal countries in the long run both as a shipping lane and in terms of the massive reserve of natural resources said to be lying at the bottom of the sea. Furthermore Russia is intent on expanding its military presence in the Arctic region from the perspective of preparing for the emergence of a new northern strategic front in the Arctic Ocean. This means that the Arctic Ocean is the fourth northern strategic front Russia must be prepared for militarily, in addition to the three strategic fronts of the European front in the west, the Central Asian and Caucasian front in the south, and the Far Eastern front in the east (particularly vis-à-vis China).¹⁶

Similarly a recent Chinese press report, in advance of China’s defense White Paper of April 2013 stated that China’s State Oceanic Administration published a

11. “Remarks With Japanese Foreign Minister Fumio Kishida After Their Meeting” (18 January 2013), at <<http://www.state.gov/secretary/rm/2013/01/203050.htm>> (searched date: 18 May 2013).

12. Tokyo, *Jiji Press*, in English (5 April 2013), *Open Source Center Foreign Broadcast Information Service, Central Eurasia* (Henceforth *FBIS SOV*) (5 April 2013).

13. KRIS, *The Strategic Balance in Northeast Asia 2012* (Seoul: Korea Research Institute for Strategy, 2012), p. 1.

14. *Ibid.*, pp. 55–56

15. “Russia to Set up Naval Infrastructure in Arctic-Patrushev,” *RIA Novosti* (8 June 2012), at <http://en.rian.ru/military_news/20120806/175015455.html> (searched date: May 20, 2013).

16. Yoshiaki Sakaguchi, “Briefing Memo: Russia’s Military Reform and the Navy” (Tokyo: National Institute for Defense Studies, 2013), p. 2.

survey outlining the government's fears of maritime threats from the United States and Japan in the Pacific, India (and increasingly the United States) in the South China Sea and even Beijing's increased concerns about Russian naval activity in the South China Sea.¹⁷ These examples, and one could easily add, Japanese, Indian, US, Australian, and Southeast Asian states' similar perceptions, testify to the increase in perceptions of naval threats throughout the Asia-Pacific and the Arctic (this is in addition to the European threats Russia discerns in the Arctic). These anxieties linking navies, territory, and energy highlight international security trends beyond the transformation of Asia's strategic agenda and geography.

As Arctic issues enter into the energy and overall security agenda of Asian states they reinforce a tendency already seen by some scholars. Nick Bisley observes that China's rise has stimulated the quest for new security arrangements but, again, this is not the only factor reshaping Asia.¹⁸ As he explained,

there have been broader uncertainties that have been generated by the perception that the region is undergoing a set of potentially epoch-shaping processes of power transition. From Russia's hydro-carbon fuelled resuscitation to India's dramatic growth, America's economic and strategic problems, and, of course, China's extraordinary economic and strategic advances, the rapid transformation of the domestic prospects of so many key powers has prompted a wide-ranging perception that the region is in flux and that new approaches to security are necessary to respond to these complex challenges. Of these processes there is no doubt that China's economic transformation, and its concomitant military and diplomatic heft, is the most important for Asian states.¹⁹

Indeed, he explicitly notes that Russia's energy sector plays a key role here. Whether or not observers agree with his assessment that China's rise is the primary factor, his analysis has the virtue of at least placing that rise in the context of other trends of significant import, like Russia's energy-driven recovery to which the exploration of the Arctic is an essential precondition of future success. The introduction of the Arctic into the Asian equation could enhance Russia's role, even if it is an object of others' policies in the future, rather than a major player in its own right. These connections grow out of the complex Russo-Chinese energy relationship.

Indeed, not only is the Arctic's future disposition entering into the agenda of Asian international relations, the problems posed by the opening up of the Arctic due to climate change, and the expectations of expanded commercial exploitation of its waters along with expectations of an energy bonanza also create interesting parallels to other energy issues in Asia. The agenda of Arctic issues curiously parallels, though often in reverse or inverted images, other key Asian issues, particularly those connected with the South China Sea. It is therefore possible that

17. Taipei, *World China Times*, in English (5 April 2013), *FBIS SOV* (5 April 2013).

18. Nick Bisley, "China's Rise and the Making of East Asia's Security Architecture," *Journal of Contemporary China*, 21-73 (January 2012), p. 21.

19. *Ibid.*, p. 27.

what develops in the South or East China Sea might serve as a precedent or counter-argument for the impact of Asian actors, especially China, upon the Arctic. Alternatively Arctic precedents involving China and other Asian states might serve as precedents or counter-arguments for the resolution of energy issues in those contested seas. This is particularly important with regard to the delimitation of maritime exclusive economic zones under the UNCLOS. In an essay on Indian–ROK relationships, David Brewster recently wrote that,

The strategic history of Asia has been one more of disjunction rather than interaction between different parts of the continent, particularly between South Asia and Northeast Asia. China's size and power have served to strategically divide the region rather than unite it.²⁰

Even if one does not see enhanced economic–political ties between these states primarily as a common quest for balance against China, these ties can be conceived of as representing the gradual merging of hitherto separate security regions or so-called regional security complexes, as coined by Buzan,²¹ in South, Southeast, and Northeast Asia. In other words, conjunction is replacing disjunction, and this trend is greatly affected by China's rising power leading to enhanced ties between both Japan and South Korea with India and ASEAN.²²

As the quest and exploration for energy assets moves farther and farther into seas, gulfs, and even oceans, such conflicts over the demarcation of territories (the Arctic Ocean, the South China Sea, East China Sea, Caspian Sea, etc.) are multiplying and becoming more susceptible not just to a process of securitization, but also of militarization.²³ Still newer examples of this trend are appearing in the Falkland/Malvina islands, the Eastern Mediterranean around Cyprus and Israel, and even in the Caribbean near Nicaragua and Colombia.²⁴

In other words, the linkage between energy security, territorial claims and naval forces is a global phenomenon, another way in which the Arctic poses all too familiar issues for international security. Just as these conflicts are susceptible to displays of naval forces, e.g. the Turkish and Russian cases of gunboat diplomacy around Cyprus, so too do we see such trends reflected in the British naval and air buildup around the Falklands, Argentina's attempt to block access to their ports by British cruise ships, and in the Arctic.²⁵

20. David Brewster, "India's Developing Relationship with South Korea: A Useful Friend in East Asia," *Asian Survey*, L-2 (2010), p. 403.

21. Barry Buzan, "Asia: A Geopolitical Reconfiguration," *Politique Etrangere*, 2 (2012), pp. 1–13.

22. David Brewster, *op. cit.*, pp. 424–425.

23. Niclas D. Weimar, "Sino-Indian Power Preponderance in Maritime Asia: A (Re-) source of Conflict in the Indian Ocean and South China Sea," *Global Change, Peace & Security*, 25-1 (2013), pp. 5–26; Andrew Phillips, "A Dangerous Synergy: Energy Securitization, Great Power Rivalry, and Strategic Stability in the Asian Century," *The Pacific Review*, 26-1 (2013), pp. 17–38.

24. Michael Klare, *op. cit.*, pp. 25–30.

25. *Ibid.*

Arctic energy and Arctic security issues are now fully ensconced in the agenda of energy and maritime rivalries that dot the Asia–Pacific region and cannot be disentangled from that region’s larger agenda. This trend highlights some important issues in the overall conceptualization by experts and practitioners of Asian security taking into account such issues as the ways in which access to or need for energy have affected Asian security and how the concomitant rise of China is also exerting an influence on that larger set of issues.

In Southeast and Northeast Asia, local governments from South Korea to India are all building up their fleets and we can also see a generalized trend in tying fleet construction to missions connected with the defense of energy sources or of energy transit through international and national waters.

China’s Arctic Strategy

Russia believes that energy shortages due to Middle Eastern instability will force major countries to look ever more to the Arctic, not excluding disputed territories that Russia claims. “Therefore the Russian military grouping in the Arctic will be built up at an accelerated rate in 2012 for the purpose of protecting potential hydrocarbon deposits and Russian Federation territory in the zone of the Arctic Ocean.”²⁶ In turn, this perception derives from the idea developed in 2009–2010 that the incidence of so-called local war around Russia’s peripheries is growing and will grow as rivals seek to deny Russia’s energy deposits to Russia.

Russia’s 2009 national security strategy forecast that longer-term focus in world politics will “be concentrated on the possession of sources of energy resources, notably in the Middle East, on the Barents Sea shelf and in other areas of the Arctic, on the Caspian Sea Basin, and in Central Asia.” Then we come to the issues of proliferation in Korea, Iran, and conflicts in the Middle East, South Asia, and Africa that will have a negative impact on world politics in the (undefined) middle term.²⁷ Russia’s 2013 Foreign Policy Concept openly states that as competition grows around the sources of raw materials, their exchanges, and their markets, this source of competition could become a trigger for future conflicts (as expected in earlier Russian statements).²⁸

In summary, the Russian view on the Arctic is a paradoxical one. Russia has recognized the strategic importance of the Arctic but does not have the capital, the

26. Sergei Konovalov, “Kremlin Specifies Tasks for Army: Country’s Leadership is Concerned About Exacerbation of International Situation,” *Nezavisimoye Voyennoye Obozreniye* (20 March, 2012), *FBIS SOV* (20 March 2012).

27. *Natsional’naya Strategiya Bezopasnosti Rossii, do 2020 Goda* (Moscow: Security Council of the Russian Federation, 12 May 2009), at <<http://www.scrf.gov.ru>>, in English it is available from *FBIS SOV* (15 May 2009), in a translation from the Security Council website (Henceforth NSS).

28. Ministry of Foreign Affairs of the Russian Federation, “Russian Federation Foreign Policy Concept Ratified by Russian Federation President V.V. Putin” (12 February 2013), at <<http://www.mid.ru>>.

labor force or the technology to exploit the natural resources. Russia would need help from other states, but at the same time it sees them as a threat. Russia is making an effort to establish relationships with large foreign oil companies and at the same time President Vladimir Putin is talking about securitization, or even the militarization, of the Arctic.

China's growing interest in the Arctic has long since been a matter of record.²⁹ Indeed, in 2012 the Chinese icebreaker Xue Long (Snow Dragon) became the first Chinese vessel to navigate the Northern Sea Route into the Barents Sea going from Iceland to the Bering Straits via the North Pole. This trip encouraged Chinese officials to think seriously about commercial exploitation of the Arctic in the belief that by 2020, 5–15 percent of China's international trade, mainly container traffic, would use the route. That could amount to anywhere between 250–750 million GBP.³⁰

In the Arctic, China is challenging Russia's assertions of sovereignty. China, though not a member of the Arctic Council, has disputed any claims of sovereignty in the Arctic waters beyond littoral countries' 200-mile limit or exclusive economic zone if they signed the UNCLOS. Furthermore "although China is lacking an Arctic coast, China stated in 2009–2010 that, "the Arctic belongs to all the people around the world as no nation has sovereignty over it."³¹ This statement directly challenged Russia's assertion over Arctic waters beyond its territorial limits and thus challenges a cornerstone of Russian policy and the "vital interests." Beyond these challenges to Russia there is clearly some military interest among the Chinese Navy. Thus PLAN Rear Admiral Yin Zhuo stated that the Arctic belongs to all the people of the world and no nation has sovereignty over it according to UNCLOS.³² He believed that there is a scramble for the Arctic underway that encroaches on China's interests and that China and other nations "should find their own voices" regarding the Arctic. In particular, China should become an indispensable player in Arctic exploration, especially as the exploitation of the Arctic "will become a future mission of the navy."³³ While such sentiments have hardly become policy, they are not isolated as there are notable exponents in China's navy and expert community of an aggressive policy to get foreign bases and to conduct missions beyond China's immediate coasts.³⁴ Beyond the expressions of such

29. Linda Jakobson, "China Prepares For an Ice-free Arctic," *Stockholm International Peace Research Institute (SIPRI)*, SIPRI Insights on Peace and Security, no. 2010/2, 2010.

30. Trude Petersen, *op. cit.*

31. Gordon G. Chang, "China's Arctic Play," *The Diplomat* (9 March 2010), at <<http://thediplomat.com/2010/03/09/china's-arctic-play/>> quoted in Caroline Muekusch, "The Arctic Sea Competition: Strategic Competition (Part 2)," *Second Line of Defense* (28 November 2010), at <<http://www.sldinfo.com/?p=11643>> (searched date: 19 May 2013).

32. Minnie Chan, "Admiral Urges Government to Stake Claim in the Arctic," *South China Morning Post* (6 March 2010), p. 7.

33. *Ibid.*

34. See the remarks of Shen Dingli, in Geoff Dyer and Richard MacGregor, "Beijing Builds to Hold US Power at Bay," *Financial Times* (19 January 2011), p. 6.

sentiments, even if China's navy may still be unable to compete with the US navy in projecting power abroad, there is little doubt that it is building quite vigorously for a capability to project naval and air power well beyond China's shores.³⁵ These capabilities do not only threaten US allies and interests, as Russian planners well know.

China is the only Asian state that can threaten Russian claims in the Arctic even as Russia has sought, with some success, to enlist China as a partner in the Arctic. Indeed, such partnerships were already taking shape in 2009–2010. By 2009, contracts had been signed for China to receive Russian oil for Northern Russia's Yuzhno Khilchuyu field in Nenets Okrug.³⁶ China also began discussing with the interested parties about a railway from China through Russia and Scandinavia to Norway's port of Narvik that could presumably transport Arctic commerce too.³⁷ Subsequently the China National Petroleum Corporation (CNPC) has signed an agreement with Russia's commercial shipping agency, Sovkomflot, about Arctic shipping, including hydrocarbons.³⁸ According to this agreement, China will likely become a major player in the Arctic's trade and it will also become the main destination for goods shipped through the Northern Sea Route. Russia invited China to exploit oil and gas reserves locked in the "Russian section of the Arctic." In 2010, China, with an interest in sustainable energy supplies, was offered a "mutually advantageous and constructive cooperation" exploring and exploiting the regional natural resources base with Russia.

China has certainly been busy since it won observer status at the May 2013 Arctic Council summit in Kiruna, Sweden. First, Yu Zhengsheng, Chairman of China's Political Consultative Conference, visited Finland, Sweden and Denmark with an eye to boosting general trade and cooperation, particularly in the Arctic. China then announced an expanded research and scientific polar institute that will collaborate with Nordic research centers to study climate change, its impact and desired Arctic policies and legislation. With this, Beijing made clear it did not intend to be a passive member of the Council; it planned to have a real say in

35. *Ibid.*; Ronald O'Rourke, *China Naval Modernization: Implications for U.S. Navy Capabilities-Background and Issues for Congress* (Washington, D. C.: Congressional Research Service, 2010); US Department of Defense, *Annual Report to Congress on Military and Security Developments Involving the People's Republic of China 2010* (Washington, D.C., 2010), pp. 29–37; Christopher D. Yung and Ross Rustici with Isaac Kardon and Joshua Wiseman, *China's Out of Area Naval Operations: Case Studies, Trajectories, Obstacles, and Potential Solutions* (Fort Lesley J. McNair Center for Strategic Operations, Institute for National Security Studies, National Defense University, 2010); US Department of Defense, *Annual Report to Congress Military and Security Developments Involving the People's Republic of China 2011* (Washington, D.C., 2011), pp. 27–37.

36. "Northwest Russian Oil for China," *Barents Observer* (14 August 2009), at <<http://www.barentsobserver.com>> (searched date: 20 May 2013).

37. Alte Staalsen, "China Wants Nordic Railway Link," *Barents Observer* (17 June 2010), at <<http://www.barentsobserver.com>> (searched date: 21 May 2013).

38. Alte Staalsen, "China's New Foothold on Northern Sea Route," *Barents Observer* (26 November 2010) at <<http://www.barentsobserver.com>> (searched date: 20 May 2013).

its future proceedings. China National Offshore Oil Corporation meanwhile announced a deal with Iceland's Eykon Energy firm to explore off Iceland's southeast coast. State-owned mining firm Sichuan Xinue Mining has also agreed to finance a major international mining project at Greenland's Isua iron-ore field. If this venture succeeds, other Chinese state-owned mining companies, such as Jiangxi Zhongrun Mining and Jiangxi Union Mining, which have prospected in Greenland but have not yet started production, would then join it to explore for gold and copper. Other projects, like aluminum smelting, are already taking shape or will begin, especially if the Isua project is successful.

These moves come on top of recently announced deals between Rosneft and China to explore the Arctic, which were signed during President Xi Jinping's visit to Russia in March 2013.³⁹ At the recent Sino-Russian summit he gained a contract to triple the size of current oil deliveries to China to 900,000 BPD, putting it on a par with Saudi deliveries to China.⁴⁰ But he won those contracts only at the price of agreeing to further huge loans of \$25–30bn from China as infusions of cash to Rosneft and agreeing to facilitate Sinopec's acquisition of oil and gas assets in Russia.

Specifically Rosneft would consider Sinopec's participation in its large-scale project in the RFE, the Eastern Petrochemical Refinery jointly established in 2007 by Rosneft and Sinopec's rival CNPC.⁴¹ While China will lend Rosneft \$2bn backed by 25 years of oil supply, Rosneft will boost oil exports to China by 800,000 metric tons this year and annual exports may reach 31 million tons annually or 620,000 barrels a day, more than doubling present exports. Igor Sechin even hinted at going to 50 million tons per annum. This deal with CNPC to drill in the Pechora and Barents Seas in the Arctic also highlights CNPC's growing clout in global markets. Finally Gazprom also announced its intention to conclude the long-awaited gas deal with China in 2013 and that deal too might involve advance payments from China to an increasingly vulnerable Gazprom.⁴²

Given Russia's equally strenuous efforts to explore and exploit the Arctic's hydrocarbon and mineral resources, it is understandably unnerving for Russia, and possibly other governments, to see this flood of vigorous Chinese activity, which comes on top of the opening up of the Northern Sea Route to intercontinental trade from Europe to Asia. Certainly, it seems Moscow is concerned, even though it is

39. Atle Staalsen, "China to Drill in Barents Sea," *Barents Observer* (25 March 2013), at <<http://barentsobserver.com/en/energy/2013/03/china-drill-barents-sea-25-03>> (searched date: 20 May 2013).

40. *Ibid.*

41. Dmitry Zhdannikov and Vladimir Soldatkin, "Exclusive: Russia Plans \$25–30 Billion-Oil-For-Loans Deal With China," *Reuters* (13 February 2013); "China May Grant Rosneft Loan for More Oil – Dvorkovich," *RIA Novosti* (27 February 2013), at <<http://en.rian.ru/business/20130227/179711229/China-May-Grant-Rosneft-Loan-for-More-Oil-Dvorkovich.html>> (searched date: 21 May 2013); Taipei, *World China Times*, in English (14 April 2013), *FBIS SOV* (14 April 2013).

42. Rakteem Katakey and Will Kennedy, "Russia Lets China into Arctic Rush as Energy Giants Embrace," *Bloomberg* (25 March 2013).

Beijing's "strategic partner." China is clearly after more than simply investment and trade opportunities as it continues to display its obsession with securing energy and other supplies where the U.S. Navy cannot or will not go. *Beijing Review* claimed that other actors were trying to exclude China, but by dint of enormous exertions and large outlays to finance energy infrastructure in Russia and Canada, as well as its own scientific program of Arctic research, "China has ultimately managed to reshuffle the Arctic balance of power in record time."⁴³

More crassly, we might say that China has paid dearly for its newfound status. Still, it will achieve some tangible goals. For instance, in its deal with Iceland, China will not only gain real access to state-of-the-art Icelandic clean energy technologies, it will also acquire leverage and influence in Iceland itself and that influence, once Iceland joins the Council, will redound to China's benefit.

But beyond even these considerable commercial, energy, investment and trade access benefits, China gains strategically in Northern Europe and Russia, if not Canada. It now possesses a venue where it can fully participate in addressing issues of climate change that could, if unchecked, affect China's climate to the extent of eroding its agricultural capacity or rendering it vulnerable to flooding because of its low-lying coast. In addition, as the Northern Sea Route opens up as a cheaper alternative for transcontinental shipping and trade, Russia will almost certainly seek to establish an advantageous tariff regime; China can now make certain that Russia heeds its voice in setting those tariff rates.⁴⁴

China will also now have a secure footing from which it can defend what it will claim to be its "legitimate rights" in the Arctic. It is quite conceivable that China will now use that foothold to demand as well a voice in the resolution of Arctic territorial boundaries that are up for decision. In 2009–2010 it had claimed that no state had sovereignty in the Arctic, a clear slap at Russian claims. Now, to join the Council, it had to repudiate that earlier position and state that it respected the sovereignty of all the states claiming territory in the Arctic but accept that the decision will be made in the future, a sharp contrast to its rigid insistence on its "core interests" and sovereignty in the Senkakus and the South China Sea. Indeed, given those claims on the seas adjacent to China, it had no choice but to recognize existing exclusive economic zones and boundaries if it wanted to be a member of the Council. Nonetheless, it now calls itself a "near-Arctic state" and an "Arctic stakeholder."

Probably this is what is unnerving for Moscow. According to *Interfax*, Prime Minister Dmitry Medvedev, with no apparent cause, told an interviewer in Norway on 4 June that "China is trusted. But it is you and us who draw up the rules of the game, that is to say the Arctic states." Medvedev went on to claim that while

43. Mika Mered, "How China Became an Arctic State," *Beijing Review* (23 May 2013), at <http://www.bjreview.com.cn/quotes/txt/2013-05/17/content_543413.htm> (searched date: 22 October 2013).

44. Linda Jakobson and Syong-Hong Lee, *op. cit.*, pp. 3–18; Oran R. Young, Jong Deog Kim, and Yoon Hyung Kim, *op. cit.*

Moscow wants productive cooperation with all Council members, including China, and has purely “peaceful and pragmatic goals” there, only Arctic Council members should determine the rules on these questions because, “This is natural, this is our region, we live here. This is our native land.”⁴⁵ Unfortunately for Moscow, not only China but also the other new Asian members will seek to maximize their influence in the Council for many of the same reasons. The Arctic may be Russia’s home, but it can no longer be its castle.

India and Arctic Parallels in the South China Sea

India, far removed from the Arctic in South Asia, has evinced increasing interest in the Arctic as an energy source and linked it to its potential for exploring the South China Sea. In January 2013, Indian Foreign Minister Salman Khurshid stated that India’s energy requirements were growing at a “terrifying pace.”

He further observed that if India continued to grow at its current rate of 8–9 percent, its energy import dependence would also increase dramatically. Khurshid projected that India would be importing up to 57 percent of its coal, 94 percent of its oil, and 57 percent of its gas within the next two decades, compared to 15 percent for coal, 80 percent for oil, and 15–18 percent for gas currently. India now imports 70 percent of its oil and 80 percent of its liquefied natural gas (LNG) from the Middle East. But given recent instability in that region, there is a sense of urgency in India about pursuing more diverse sourcing options. This will include supplies from the Russian Arctic and Far East and the Pacific coast of North America as well as fields in the South China Sea itself. All of these sources will depend on freedom of navigation on the high seas. To secure that freedom, India will require greater coordination with Japan as well as some kind of understanding with China.⁴⁶

Therefore, India is discussing a potential \$5bn investment by an Indian consortium of hydrocarbon companies in the northern Alberta oil sands deposit being developed by Conoco Phillips. India is also considering other Arctic and North American locations and the acquisition of a stake in Russia’s Trebs and Titov fields in northwest Russia as part of the Pechora region’s fields and also possibly deposits on the Arctic Yamal peninsula.⁴⁷ Furthermore, India is a potential destination for LNG shipped from Canadian liquefaction terminals in British Columbia.⁴⁸ Indeed, India’s government recently announced that it refuses to lay down a quota for

45. “Arctic Countries Trust China, But Will Set Regional rules of the Game,” *RIA Novosti* (6 June 2013).

46. Saurav Jha, “Energy Interests Make India a Player in South China Sea Disputes,” *World Politics Review* (11 February 2011), at <<http://www.worldpoliticsreview.com/articles/print/12706>> (searched date: 21 May 2013).

47. Huma Siddiqui, “Russia, India to Strengthen Ties With Energy, Oil Pacts,” New Delhi, *The Financial Express Online*, in English (18 December 2010), *FBIS SOV* (18 December 18 2010).

48. Saurav Jha, *op. cit.*

importing oil (and presumably gas) from any country, including Iran: India will buy oil (and again presumably gas) from wherever “it gets the best deal.”⁴⁹

India’s interest in the Arctic and North Pacific is not just an outgrowth of its energy partnerships with Russia on Sakhalin. Indian media commentary states that if India is to be seen as an available contender for membership in the UN Security Council it must become much more active diplomatically in regard to the “behind the scenes exercises to shape the future of the Arctic.”⁵⁰ A second reason for upgrading its diplomacy concerning the Arctic is to check China’s interest in grabbing access to energy holdings lest India be left out of this race.⁵¹ Other commentators have given additional reason for India’s need to expand its energy perspectives into the North Pacific and the Arctic. They decried India’s frosty relations with Denmark and also warned that if India does not develop an Arctic policy and try to restrain China, it is “heading for near diplomatic disaster.”⁵² Thus, apart from purely commercial considerations of trade and access to energy sources we see that classic geopolitical strategic rivalries and identity politics also play no small role in driving the policies of states interested in the Arctic.⁵³

And this ever more conscious rivalry for energy access with China is clearly connected with signs of enhanced Sino–Indian rivalry for energy deposits in the South China Sea. Indeed, in many ways the situation in the Arctic offers some interesting parallels and (inverted) mirror images of the energy and security tensions in the South China Sea. Thus in December 2012, China warned India to cease exploration of three blocks in the South China Sea close to disputed Spratly Islands and claimed sovereignty over the Nansha Islands and their adjacent territories.⁵⁴ Even more amazingly, China initially demanded that India not encourage “American interference” in the region along with this demand that it cease energy exploration there.⁵⁵ In return, India, whose national oil company Oil and Natural Gas Corporation (ONGC) owns a 45-percent stake in exploration with Petro Vietnam, reacted strongly. The head of India’s Navy, Admiral D.K. Joshi, told reporters that India was prepared to send navy vessels to protect its energy interests in the South

49. “India to Buy Oil From Wherever It Gets ‘Best Deal,’” *The Economic Times* (10 April 2013), at <<http://www.economictimes.indiatimes.com>> (searched date: 20 May 2013).

50. Shasti Ramachadran, “India At Sea in the Arctic Ocean,” Mumbai, *Daily News and Analysis Online*, in English (11 November 2012), *FBIS SOV* (11 November 2012).

51. *Ibid.*

52. Iftikhar Gilani, “China Shows How it is Done,” Mumbai, *Daily News and Analysis Online*, in English (11 November 2012), *FBIS SOV* (11 November 2012).

53. James Manicom, “Identity Politics and the Russia-Canada Continental Shelf Dispute: An Impediment to Cooperation?” *Geopolitics*, 18-1 (2013), pp. 60–76.

54. Dean Nelson, “China Warns India on Oil Exploration,” *The Telegraph* (6 December 2012), at <<http://www.telegraph.co.uk>> (searched date: 20 May 2013).

55. Saibal Dasgupta, “China Wants India to Keep US Out of Region,” *The Times of India* (4 December 2012), at <<http://www.timesofindia.cindiatimes.com>> (searched date: 20 May 2013).

China Sea and is carrying out exercises for doing that.⁵⁶ Joshi thus publicly demonstrated the ever tightening linkages among energy security and maritime power and the development of Asian navies that we see throughout the continent.

Similarly Beijing has also repeatedly told Moscow to terminate its energy explorations in the South China Sea, clearly in response to Russia's display of its enhanced interests in boosting its presence in Southeast Asia. In 2012 Russia announced its interest in returning to a naval base there, a step probably connected to joint Russo–Vietnamese energy projects off Vietnam's coast, and as a means of checking China.⁵⁷ Russia's natural gas company Gazprom announced on 6 April 2012 that it had signed a deal to take a minority stake in the development of two gas projects off the coast of Vietnam. Gazprom will explore two licensed blocks in the Vietnamese continental shelf in the South China Sea. It takes a 49-percent stake in the offshore blocks, which hold an estimated 1.9 trillion cubic feet of natural gas and more than 25 million tons of gas condensate.⁵⁸ Those actions precipitated Beijing's demand to Moscow that it leave the area. However, while Moscow remained silent, no doubt to avoid antagonizing China, it refused to leave the South China Sea. Instead, since then it has doubled down in support of Vietnam, both with regards to energy exploration in the South China Sea, and perhaps more ominously from China's standpoint, in arms sales and defense cooperation.⁵⁹

Arctic Strategies of Japan and South Korea

The recent decision of the Arctic Council to admit China and several other Asian states to observer status there represents an epochal decision for both Arctic and Asian affairs. China, Japan, India, South Korea, Singapore, and Italy all won observer status – the inclusion of so many observers from Asia highlighting the importance of these markets. This decision also means that Asian voices will be heard for the first time in decisions regulating Arctic use and commercial exploitation as that ocean becomes more accessible due to climate change.⁶⁰

Japan's interest in the Arctic goes back further than that of China and South Korea.⁶¹ In the 1990s, Japanese shipping companies explored commercial potentials of the Arctic, which resulted in skepticism about the economic potential of Arctic shipping and resources.⁶² Due to lack of interest from Japan's commercial sector, the Japanese government subsequently shelved Arctic initiatives. Japan's

56. Jane Perlez, "Dispute Flares Over Energy in South China Sea," *New York Times* (4 December 2012), at <<http://www.nytimes.com>> (searched date: 20 May 2013).

57. Vladimir Radyuhin, "Russia Renews Interest in Vietnam Base," *The Hindu* (8 October 2010).

58. M. K. Bhadrakumar, "A Fly in China's Russian Ointment," *Asia Times* (17 April 2012).

59. Stephen Blank, "Russia's Ever Friendlier Ties to Vietnam – Are They a Signal to China?" *Eurasia Daily Monitor* (30 November 2012).

60. Linda Jakobson and Syong-Hong Lee, *op. cit.*

61. *Ibid.*, p. 19.

62. *Ibid.*

resource sector has recently resumed collaboration with Canadian, Russian, and Norwegian counterparts to investigate Arctic opportunities.⁶³ Japan made a formal statement on its Arctic policy at a meeting in 2010. The Ministry of Foreign Affairs has created an “Arctic Task Force (ATF)” to shape future Japanese policy on the region.⁶⁴ Japan looks to the Arctic as a possible source of scientific research on climate change and marine species; new shipping routes; and natural resources (including rare elements and metals) for food and resource security. With several large northern ports, Japan is able to take advantage of new shipping routes opening as the Arctic ice melts.⁶⁵ Deposits of natural resources in the Arctic are of interest to Japanese policy-makers, particularly since the Fukushima nuclear disaster.⁶⁶ Japan is a rich country, but its economy depends on the import of materials to fuel industrial production, energy needs, and export industries. According to the United States Energy Information Administration, Japan is only 16 percent self-sufficient in terms of energy supply. It is the largest importer of LNG, the second largest importer of coal and the third largest of oil.⁶⁷ At the end of 2012, Gazprom shipped the first ever order of LNG from Hammerfest, Norway to Tokota, Japan via the Northern Route. The potential for the import of raw materials for industrial purposes, such as iron, ferrous alloys and other metals or minerals (e.g. diamonds) used in the manufacture of high-value-added export products, such as electronics or military/space programs, is an important reason for why Japan is interested in the Arctic.⁶⁸

From a strategic standpoint, Japan foresees some significant changes in the strategic environment surrounding Japan with the Arctic Ocean opening. Essentially, Japan is concerned that increased commercial activities and a rush for Arctic resources will be accompanied by increased naval operations, particularly by China. The Japanese government commissioned a report by the Japanese Institute of International Affairs. This report described China’s success in the development of JL-2, its new submarine-launched ballistic missile (allegedly with a range of 8,000 km), and its greater ease in deploying its nuclear-powered ship-submersible ballistic missile in the Arctic Ocean. The report also warned that almost the entire land mass of the United States could be within the range of a JL-2 in the future, and China would therefore be equipped with effective second-strike capabilities

63. *Ibid.*

64. Horinouchi, Hidehisa (Deputy-Director General, Legal Affairs Bureau, Ministry of Foreign Affairs), “Japan and the Arctic,” presentation at Japan–Norway Polar Seminar (26 April 2010), at <http://ud-t-portal.osl.basefarm.net/PageFiles/395907/JAPAN_AND_THE_ARCTIC.pdf> (searched date: 21 May 2013).

65. Linda Jakobson and Syong-Hong Lee, *op. cit.*, p. 19.

66. *Ibid.*

67. Quoted from “Japan and the Arctic: Directions for the 21st Century,” *The World Outline* (28 August 2013).

68. *Ibid.*

against the United States.⁶⁹ In order to prevent a situation where the United States' extended nuclear deterrence capabilities would be affected, the report suggests that Japan and the United States must consider deepening their cooperation in line with the changes in the strategic environment in the Arctic Ocean: more specifically, reinforcing missile defense and the system of antisubmarine patrol that covers choke points, like the Soya Strait and the Tsugaru Strait.⁷⁰

Japan also sees Russia's power projections in the Arctic Ocean becoming a real issue. As Russia's capabilities of maritime strategic maneuver deployment between Europe and Asia improve, a new defense front – the kind never envisioned before – is emerging. The route via the Sea of Japan out to the Western Pacific Ocean and the Bering Strait should also change strategic implications of the Sea of Okhotsk for Russia.⁷¹

South Korea's interests in the Arctic are limited to resources and shipping. South Korea is second in the world in terms of LNG imports, after Japan. In December 2010, the Korean Gas Corp. (KOGAS) bought one-third of the Umiak SDL 131 gas field in the Mackenzie Valley Delta, or 109 billion cubic feet (b.c.f.) for \$30m, giving it 20 percent ownership of the field. KOGAS is planning to begin exporting the gas from the Umiak field in 2020.⁷² This energy deal – the first ever in the Arctic by a South Korean corporation – will provide the country with 1.45 million tonnes of LNG, which equals approximately 5 percent of the country's annual imports.⁷³ In January 2011, executives from KOGAS visited Inuvik, NWT to consider the possibility of building a terminal in Cape Bathurst, located northeast of the Umiak SDL 131 gas field in the Mackenzie Valley Delta. Canada's MGM Energy has a 60-percent stake in the field, which is estimated to hold 328 b.c.f. of LNG.⁷⁴

South Korea has always been a sea-faring state, and is currently one of the top 10 shipbuilding and maritime countries. *Araon*, Korea's first icebreaker research vessel, has already finished its third research expedition, which ran from 14 July until 22 September 2012. Samsung Heavy Industries (SHI) helped to construct the *Araon*. It also built three icebreakers able to break through 1.5 meters of ice for Russia's Sovcomflot shipping company. These tankers are used for shipping crude oil from Lukoil's Varandey terminal on the Pechora Sea to Murmansk, from where the oil is shipped out to different locations in Europe and the United States.⁷⁵ In

69. "Arctic Governance and Japan's Diplomatic Strategy," Japan Institute of International Affairs (2012), at <http://www2.jiia.or.jp/en/research_projects_outcomes.php> (searched date: 21 May 2013).

70. *Ibid.*

71. *Ibid.*

72. Mia Bennet, "South Korea's Growing Role in Arctic Economic Development," *Foreign Policy Association* (23 April 2011), at <<http://foreignpolicyblogs.com/2011/04/20/south-koreas-growing-role-in-arctic-economic-development/>> (searched date: 21 May 2013).

73. *Ibid.*

74. *Ibid.*

75. *Ibid.*

2004, 11 of the 17 ice-class tankers ordered that year around the world were placed with SHI, giving it a 65-percent share of the global market. The CEO of SHI said,

The polar region-running icebreaking tanker market is a blue ocean for us. We will further strive to take the lead in the icebreaking LNG ship construction market as another alternative for crude oil transportation ships.⁷⁶

Since taking office in February 2013, new South Korean President Park Geun-hye has elevated Arctic affairs to a national priority.⁷⁷ In the summit meeting between Presidents of South Korea and the United States held in Washington, D.C. in May 2013, the Arctic was on the agenda. South Korea sees its Arctic affairs primarily from a non-military perspective. Among the Arctic littoral states, South Korea has maintained a robust working relationship with Norway.⁷⁸

Russia's Pivot to Asia?

Recently, Russia has consummated some huge energy deals with China. These deals are – or at least are being advertised as – major steps forward in the Russo–Chinese energy relations, Russia's pivot to Asia – which uses big energy sales to upgrade its influence and standing – and the development of the energy base in Eastern Siberia, the Arctic and the Far East. These deals go beyond the ones mentioned above with China in the Arctic. All of these deals (including those in the Arctic) are seen in Moscow as necessary preconditions for Russia's return to the stage as a great, independent Asian power, and as a major energy player for years to come. In the biggest deal, worth an estimated \$270bn, Rosneft agreed to supply CNPC with 365 million tons of oil over 25 years. In return, CNPC has apparently made a pre-payment to Rosneft of around \$70bn. The deal represents 15 million metric tons of crude oil annually for 25 years, at just over \$10bn each year. The oil will probably go through the existing Eastern Siberia-Pacific Ocean (ESPO) pipeline to Daqing, China. Rosneft will also sell LNG from a terminal it is planning with Exxon Mobil on Sakhalin to Japanese trading firm Marubeni and the Sakhalin Oil and Gas Development Company, another Japanese company. Novatek, an independent gas producer, has meanwhile granted CNPC a 20-percent stake in its LNG project on the Yamal Peninsula in the Arctic. CNPC will become an “anchor customer” and import 3 million tons of natural gas annually.

It is worth observing who got what from these deals to determine their significance. In Japan's case, the deal with Rosneft clearly betokens a gradually improving energy and political relationship between Russia and Japan and probably presages other future deals – if a Russo–Japanese peace treaty and determination of the Kurile Islands can be signed and if Japanese concerns about Russian

76. *Ibid.*, Requoted.

77. Linda Jakobson and Syong-Hong Lee, *op. cit.*, p. 32.

78. *Ibid.*

business can be allayed. This deal also hints at a growing Russian – or at least Rosneft – capability to sell LNG, an area where Russia has lagged and which has cost it significantly as the international gas market changes. To the degree that it can develop an indigenous LNG capacity Russia benefits, especially in East Asia.

But while Japan gains modestly and has hopes for the future, Gazprom – the leading gas company in Russia and chief rival to Rosneft and Novatek – has lost again in these recent deals. Although it says it is pivoting to Asia, there is still no gas deal with China despite constant announcements that one was forthcoming.⁷⁹ Gazprom may be setting up a special-purpose company to manage development of a 15-million-ton LNG facility in the Far East, but Gazprom is clearly well behind its rivals in that region. Indeed, Gazprom's entire record, going back a decade, has revealed a consistent stubbornness when it comes to selling gas of any kind to the Far East especially to China, a factor that has allowed its rivals to steal several marches.

Just as Gazprom has lost a round, there appear – at least at first glance – to be significant advantages for Novatek and Rosneft. These companies will now be allowed to sell LNG abroad, signaling an end to Gazprom's monopoly on gas exports. Moreover, they will clearly be active in the Arctic, the next great frontier of Russian energy, and with Chinese as well as Western companies. Rosneft in particular benefits in a number of ways. Rosneft and Transneft had already secured \$25bn from China in 2009 to build the ESPO oil pipeline and cover their very high indebtedness. With the recent acquisition of TNK-BP, Rosneft once again incurred huge debts that this prepayment will alleviate. Reportedly, it faced debt maturities between now and 2015 of \$6.6bn, \$15.9bn and \$16.2bn annually, so this new infusion greatly improves its balance sheet and allows it to show a real cash position, even though its working capital will be negative. This could attenuate future financing risks.

In addition, Rosneft is clearly now the primary energy provider and exporter for the Far East and Asia. As this area becomes ever more vital a market for Russia, Rosneft's political standing vis-à-vis its declining rival Gazprom will probably grow. Yet there are warning signs here for Rosneft. Once again China has had to bail it out of huge debts, while the Russian firm builds enormous energy infrastructure that goes only to China. For its part, China possesses many other options for its oil and gas, including the Middle East, Australia, Indonesia, Central Asia, and its own indigenous holdings, which include sizable shale deposits that are already being studied. If Russia remains unable to build pipelines to Japan and South Korea, it will be China that owns the existing pipelines in Asia, as well as any future pipelines built to it. Russia may make money but it will be China that has the real leverage.

79. On 5 September 2013, both sides announced a framework deal but no formal agreement on price is as yet forthcoming, although we are being told there will be one by the end of 2013, "Russia, China Pursue Final Gas Deal But Still differ on Price," at <<http://www.neurope.eu/article/russia-china-pursue-final-gas-deal-still-differ-price>> (searched date: 5 September 2013).

Indeed, the real winner here is China. Of course, Russia gets lots of money (which, if the recent past is any judge, it will waste) and makes major deals with China, but it has still proven itself unable to make anything other than modest deals with anyone else in East Asia. Russia is attempting to get Western partners, Japan, South Korea, India and even Vietnam, to invest in its Asian energy structures, but it has only had real success with China. That outcome naturally produces an unbalanced situation with potentially negative future political and economic implications. Certainly Russia will not have the market leverage on China that China is steadily building over Russia. Indeed, these recent agreements, coming on top of earlier ones signed in March, now ensure China access to the Arctic fields of both Novatek and Rosneft, enhancing China's economic and political position in this crucial sector. Novatek is unlikely to be able to enforce a price on China; quite the contrary given the abundance of Chinese sources from other producers. In fact, the Yamal project may come to depend on Chinese financing, not necessarily an optimal outcome. Chinese sources now report that growing political contact will encourage more large deals with Russia. Already the recent contracts give China another leg up on its rivalry with South Korea and Japan in the Russian Far East. China also stands to profit handsomely in financial terms given the loans it has already made to Rosneft and the terms under which Rosneft must now operate. And those benefits for Rosneft, and indeed Russia? A closer look raises some serious questions. As *The Moscow Times* reported recently, Rosneft will need to find a way to increase the carrying capacity of the pipeline to China, and find the oil to fill it. Ultimately the funds and supply to meet these demands are likely to be at the expense of the Russian consumer. As the paper reports, Rosneft has already stopped fulfilling its obligation to supply a refinery that produces gas for the domestic market.

Meanwhile, as we have noted, the balance of need between China and Russia heavily tilts in China's favor, because Russia and Rosneft need its purchases much more than China needs them. While this deal undoubtedly boosts China's oil and LNG supplies as well as its ties to the Arctic and leverage over Russia, can Rosneft meet its new responsibilities? And even if it does, does Russia really gain in Asia beyond what it already had? The conventional refrain is that time will tell, but this seems to be another case where Rosneft has been able to persuade Beijing and Moscow that what's good for Rosneft is good for Russia. That's a contention that remains decidedly unproven.

Conclusion

The changes that are transforming the Arctic are fundamental forces that are also exerting comparable or even larger effects on international relations in both Europe and Asia. Moreover, they are likely to continue to do so and could become stronger, particularly in Asia inasmuch as a process of interaction between the Arctic and Northeast Asian issues, like Sino-Russian relations and between the Arctic and Southeast Asian issues, like the struggles over the South China Sea become even

more prominent. Although the major issues affecting the Arctic had been the provenance of European and North American states with territories there and thus membership in the Arctic Council, here too the days of European primacy are fast disappearing. Asian voices besides China are already making themselves heard in establishing a physical, economic, and ultimately political presence in the Arctic while the Arctic agenda, largely through the mediating effects of energy security agendas, is becoming part of an expanding Asian agenda, or supercomplex agenda, to use Buzan's term.

The Arctic is visibly shifting from being a "coordinate political region" where multilateral institutions coordinate state behavior to a "minimal political region" and an "integration region" whereby in the former case unilateral or bilateral actions shape the region and in the latter case a full-fledged political community comprising many states shapes regional behavior. In addition it is clearly influenced by and influencing trends in Asia at large as well as Europe. All this makes clear that it is no longer possible to think of the Arctic's future agenda in restricted European terms. The Arctic, for better or worse, is truly a problem of international security. Moreover, whether or not one thinks that Russia either is a marginal player in Asia or in danger of becoming one, it will not passively accept that outcome. And its massive energy reserves have been and will continue to be the royal road for its entry into the Asian sweepstakes. In that context, Russia's Arctic holdings link up with its energy assets in the Russian Far East and Eastern Siberia. To serve as the primary instrument by which Russia hopes to recover great power standing in Asia, energy access and security are, as we see elsewhere in Asia, fundamental drivers of contemporary security processes, including the evolution of Asia into a single, more integrated region whose security agenda therefore necessarily includes the Arctic.

And if we were to more seriously investigate the military aspects of the Arctic and Asia we would see that for both the United States and Russia, the military reinforcement of the Arctic is strategically essential to the securing of their Asia-Pacific interests. As energy security, maritime security, territorial integrity and Arctic bases all come together as critical factors in Asian security, the internationalization of the Arctic as an issue for global security will become even more obvious if not acute. All these trends demonstrate that it will become progressively more difficult to accept the current situation in the Arctic. Arguably, despite the Arctic Council, UNCLOS, and other agencies, nobody really regulates or controls the security of the Arctic. Like it or not, the Arctic is fast becoming a global issue and therefore global, not just Western, solutions are needed to ensure its tranquility, rational exploitation, and security. For if no state or supervising authority comprised of many interested governments can or will regulate the Arctic, events in that region will then probably help influence either Asian or European powers either to act for peace or for war. And in today's already tense and possibly increasingly complicated Asian security environment, the intensification of the already visible militarization of the Arctic is the last thing anyone needs.

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