

# SECURITY AND DEFENCE

QUARTERLY

ISSN 2300-8741 No 4/2014

Central European Forum on Military Education

**National Defence University**  
Warsaw, Poland



# STRATEGIC ANALYSIS

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## ARCTIC – THE REGION OF DISSONANT INTERNATIONAL INTERESTS

### Abstract

*The enduring global warming has opened new views on the exploitation of the Arctic. The opportunity to open new shipping routes, huge resource reserves, and fishery are of interest to many entities; however, experts' opinions still differ. Although cooperation between nations has been peaceful, the military presence in the area is increasing and it remains to be seen how the recent Ukrainian crisis will affect development in the area.*

*As for now, no major conflicts in this area are likely and cooperation is supported by international treaties (e.g. UNCLOS) and organisations (e.g. the Arctic Council). There are several international disputes and also perils related to the Russian Federation, being the major player there. Russia builds multidimensional capabilities, including military and economic ones, to support national interests. The Western sanctions are negatively influencing exploration of natural resources making Moscow nervous and the country must be treated very seriously to avoid creating new "Cold war" type icy relations and confrontation.*

**Key words:** international security, the Arctic Circle, the Northern Sea Route, Northwest Passage, Russian Federation

### Introduction

The global competition among major powers is a constant struggle, which is ongoing in every dimension, causing them to use every opportunity to execute national interests. The past was linked with military struggles as a way to solve disputes and to win; however, the implementation of other than military instruments of power is another approach for challenging opponents. The conflict in Ukraine has

captured the attention of the world, followed by the Islamic State's cruel offensive. This has caused other regions to be slightly forgotten, including the Arctic, as potential areas of international conflict. The region is not forgotten, especially by Russia, which especially needs its resources to preserve its dominant role in future energy games. The capabilities' build-up has been observed by other players, recognising a growing threat up there in the High North. The important factor is also that "unlike ethnic, religious, or



ideological conflicts, which involve non-divisible values such as identity and belonging, conflicts over resources are interest based contests over divisible goods"<sup>1</sup>.

This paper will discuss the development of the political – military situation in the Arctic, which is strongly related to the economy of a few nations. In the beginning, the multifaceted importance of the region will be briefly discussed to underline its importance in the context of the national interest of the main players. Next, selected nations will be discussed to establish their current position toward the future of the Arctic. The main focus will be related to the Russian perception of region in the political, economic and also military domain. The main activities will be analysed, but also the change in international relations as the outcome of crises in Georgia and Ukraine, presenting Moscow's dedication to preserving national interests in selected areas. Finally, conclusions will provide a synthesis of the research and possible directions of the development of situation in the Arctic.

## The multidimensional importance of the Arctic

Although the global warming has been questioned, it is changing the geopolitical importance of Arctic, influencing the redefinition of national geostrategic interests. The reality is that the Arctic Ocean's summer ice cover is just half of what it was 50 years ago<sup>2</sup> influencing better cruising options and access to natural resources. In 2013, ice cover seemed to expand steadily again, but then in 2014 it diminished quite significantly, as *"the ice cap expanded fast, but the increase slowed down in December. In mid-January (2014,) the ice cap was about 800'000 square kilometres smaller than the average during the last 30 years"*<sup>3</sup>. The estimates differ but, in general, the ice declining trend is common in research findings and *"the rate of increase*

*in surface temperature has been accelerating."*<sup>4</sup> Prof Wadhams of Cambridge University claims that sea ice could speed up melting down in the summer of 2015 or 2016 and *"climate change is no longer something we can aim to do something about in a few decades' time, and that we must not only urgently reduce CO<sub>2</sub> emissions but must urgently examine other ways of slowing global warming."*<sup>5</sup> However, other estimates state that the sea routes would be ice free even sooner, but only during part of the summer period, causing constraints for ships and navigation in general<sup>6</sup>.



Source: J.C. Comiso, D. K. Hall, *Climate trends in the Arctic as observed from space*, WIREs Climate Change 2014, Volume 5 pp. 389–409. doi: 10.1002/wcc.277 [accessed: 13 September 2014].

Fig. 1. The general map of the Arctic region (average sea ice extent (yellow line), sea ice cover during record minimum in summer of 2012 (shades of white), continuous and discontinuous permafrost (shades of pink), glacier locations (gold dots), and snow-cover (average location of 50% snow line in black and maximum snow line in green as inferred from moderate-resolution imaging spectroradiometer (MODIS) data).

1 K. Ballentine, *Beyond Greed and Grievance: Reconsidering the Economic Dynamics of Armed Conflict*, in: K. Ballentine, J. Sherman (ed.), *The Political Economy of Armed Conflict. Beyond Greed and Grievance*, the International Peace Academy (London, 2003), p. 273.

2 L. W. Brigham, *Think Again: The Arctic*, (Washington, 16 August 2010), [http://www.foreignpolicy.com/articles/2010/08/16/think\\_again\\_the\\_arctic](http://www.foreignpolicy.com/articles/2010/08/16/think_again_the_arctic) [accessed: 22 August 2014].

3 Y. Uutiset, *Pohjoisnavalla vähän jäätä (A little ice at the North Pole)*, the Finnish News Agency Yle 1 Uutiset, (Luonto 17 January 2014) [http://yle.fi/uutiset/pohjoisnavalla\\_vahan\\_jaata/7037199](http://yle.fi/uutiset/pohjoisnavalla_vahan_jaata/7037199), [accessed: 10 August 2014].

4 The authors of the WIREs Climate Change report covering the period 1981 to 2012 states that sea ice extent has been declining at the rate of ~3.8%/decade. The same refers to declining snow cover (–2.12%/decade for the period 1967–2012), the Greenland ice sheet and the mass of glaciers worldwide also declined. The process will continue. See in detail: J. C. Comiso, D. K. Hall, *Climate trends in the Arctic as observed from space*, WIREs Climate Change 2014, Volume 5 pp. 389–409. doi: 10.1002/wcc.277 [accessed: 13 September 2014].

5 J. Vidal, *Arctic expert predicts final collapse of sea ice within four years*, the Guardian 17 September 2012, (London 2012), <http://www.theguardian.com/environment/2012/sep/17/arctic-collapse-sea-ice?newsfeed=true>, [accessed: 10 June 2014].

6 L. W. Brigham, *Think Again: The Arctic*, op. cit.



Moreover, fishery opportunities could be a factor for respective nations' fish industry based on their exclusive legal rights, if these are obtained. These factors are of great importance and it is already time to start shaping the future to be first at the "Arctic table", to exploit it as much as possible for national advantage. The game is worth a candle as "the U.S. Geological survey has estimated that the Arctic seabed could contain 20 percent of the world's oil and gas resources and Russia's Ministry of Natural Resources says the Arctic territory claimed by Russia could be home to twice the volume of Saudi Arabia's oil reserves."<sup>7</sup> Especially important are gas and oil reserves, respectively 30% and 13% of the world's undiscovered reserves<sup>8</sup>; moreover, "more than 70 percent of the undiscovered natural gas is estimated to occur in three provinces, the West Siberian Basin, the East Barents Basins, and Arctic Alaska."<sup>9</sup> However, as Pavel K. Baev points out, "the estimates of unexplored reserves are at best only approximations" and some specialists assume that resources are not all that significant compared to those in the Middle East<sup>10</sup>. Such vast reserves, although still not confirmed, could be a source of competition involving the use of all available instruments of power by the global powers.

Moreover, the better maritime journeying promises will support exploration of the area in all dimensions, paralleled by enhancing sea traffic between Asia and Europe and the Americas. The opening of the North Sea Route - NSR (also referred to as the Northern Passage)<sup>11</sup> would be a very time and cost effective option, also decreasing reliance on the Malacca Strait

and the South China Sea, opening new transportation options to China, Japan, and South Korea. In this case, Russia will be an important player influencing the control of sea lines of communication, which could lead to disputes similar to those in the South China Sea. As the country with the greatest shoreline in the Arctic Sea, it could control the resources and access to the region. New transport options are linked with the Northwest Passage (or Northwestern Passage). The competition in the Arctic is linked with the direct involvement of major countries and organisations and this is making it an even more important potential hub of disputes and disagreements. Among the major players, especially important are: Russia, China, Canada, the USA and European nations and it links the challenges directly with the European Union (EU) and also NATO<sup>12</sup>.

Another factor that must be always taken into consideration is that the Arctic exploration is heavily related to ecosystems there. That aspect is often disregarded and totally forgotten, as not important enough. Some ecological organisations, such as the World Wildlife Fund or Greenpeace, are constantly following the developments and are providing warnings related to the danger of uncontrolled oil leakage, estimating it as too risky for the ecology there. This is based on a correct assumption that, besides new possibilities, global warming is creating new threat scenarios, which could be worsened by the activity of mankind. Greenpeace has taken some spectacular actions against the oil drilling companies based on environmental concerns, but they met a brutal response from national security services and companies. However, ecological catastrophes could have a destructive and irreversible influence on ecology and also the indigenous population living there. This effect is already occurring as a result of many expeditions, military build-up and aggressive search for resources. The limitations of fishing in the area and some Arctic nations fishing policy divide the eight Arctic countries today and most likely in the future.

<sup>7</sup> D. Trenin, P. K. Baev, *The Arctic A View from Moscow*, Carnegie Endowment for International Peace, (Washington 2010), pp. V, [http://carnegieendowment.org/files/arctic\\_cooperation.pdf](http://carnegieendowment.org/files/arctic_cooperation.pdf), [accessed: 10 September 2014].

<sup>8</sup> S. Borgerson, C. Antrim, *An Arctic Circle of Friends*, (New York, 28 March 2009), the report in the New York Times states that, "Driving much of the new interest in the Arctic, however, are the stores of oil and gas that lie beneath the water — amounting to an estimated 22 percent of the earth's remaining supplies". [http://www.nytimes.com/2009/03/28/opinion/28borgerson.html?\\_r=0](http://www.nytimes.com/2009/03/28/opinion/28borgerson.html?_r=0) [accessed: 07 January 2014].

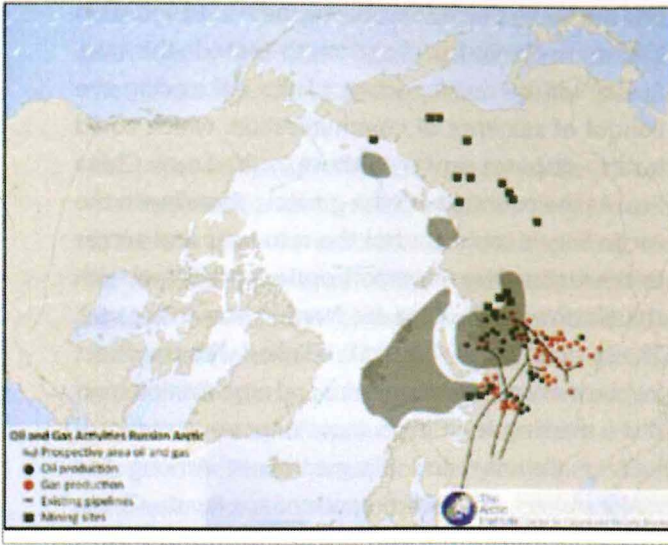
<sup>9</sup> *Circum-Arctic Resource Appraisal: Estimates of Undiscovered Oil and Gas North of the Arctic Circle*, U.S. Geological Survey report USGS Fact Sheet 2008-3049, (Washington 2008), <http://pubs.usgs.gov/fs/2008/3049/fs2008-3049.pdf>, [accessed: 07 September 2014].

<sup>10</sup> D. Trenin, P. K. Baev, *The Arctic A View from Moscow*, op. cit.

<sup>11</sup> The Northern Sea Route (in Russian: Северный морской путь or Северный морской путь) was called the Northeast Passage at the beginning of the 20th century, and is often referred to by that name.

<sup>12</sup> J. Kämpylä, H. Mikkola, *The Global Arctic 133 – The Growing Arctic Interests of Russia, China, the United States and the European Union*, The Finnish Institute of International Affairs, (Helsinki, 13 August 2013).





Source: J. Mitchell, *Russia's Territorial Ambition and Increased Military Presence in the Arctic* the Foreign Policy Journal article, (23 April 2014), the picture by permission of the "Malte Humpert/The Arctic Institute" who is the author. <http://www.foreignpolicyjournal.com/2014/04/23/russias-territorial-ambition-and-increased-military-presence-in-the-arctic/> [accessed: 06 September 2014].

Fig. 2. Oil and Gas Activities Russian Arctic

According to Michael Byers, from the University of British Columbia, the Arctic problem is not only linked with resources and sea lines of communication, as shown before. He claims that *"We're talking about the centre of a large, inhospitable ocean that is in total darkness for three months each year, thousands of miles from any port. The water in the North Pole is 12,000ft [3,650 metres] deep and will always be covered by sea ice in the winter. It's not a place where anyone is going to be drilling for oil and gas. So, it's not about economic stakes, it's about domestic politics."*<sup>13</sup> Similar understanding was mentioned by Phil Steinberg, director of the International Boundaries Research Unit at Durham University, who, when talking about Canadian and Russian scientists working closely together to map the frozen region, suggested that *"It's more a symbol of national pride"*<sup>14</sup>.

<sup>13</sup> L. Harding, *Russia to boost military presence in Arctic as Canada plots north pole claim*, the Guardian 10 December 2013, <http://www.theguardian.com/world/2013/dec/10/russia-military-arctic-canada-north-pole> [accessed: 06 September 2014].

<sup>14</sup> Ibid.

## The legal background of international disputes

Eight countries have land borders in the Arctic: Canada, Denmark (Greenland), Finland, Iceland, Norway, Russia, Sweden, and the USA (Alaska), as for now without major border disputes. Five of them neighbour the Arctic Ocean, possessing land and ports in the Arctic Circle: Canada, Denmark, Norway, Russia and the United States. Moreover, Iceland, Finland, and Sweden possess land in the circle<sup>15</sup>, which is an important factor as it is related to Exclusive Economic Zones (EEZ), supporting legal claims. As for now, no major international conflicts have occurred and legal claims are basic tools for disputes. Among them, the U.N. Convention on the Law of the Sea (UNCLOS) *"comprises 320 articles and nine annexes, governing all aspects of ocean space, such as delimitation, environmental control, marine scientific research, economic and commercial activities, transfer of technology and the settlement of disputes relating to ocean matters"*<sup>16</sup>. The document recognises that Coastal States exercise sovereignty over their territorial sea (within a limit not exceeding 12 nautical miles); the right of ships and aircraft of all countries to have *"transit passage"* through straits used for international navigation, and that Coastal States have sovereign rights in a 200-nautical mile exclusive economic zone (EEZ) with respect to natural resources and certain economic activities, and exercise jurisdiction over marine science research and environmental protection; and the rights Coastal States have for exploring and exploiting the continental shelf (at least 200 nautical miles from the shore), plus to regulate marine scientific research in the EEZ and on the continental shelf<sup>17</sup>.

The important organisation is the Arctic Council, founded in 1996 by the Ottawa Declaration, signed by eight member states: Canada, Denmark (including Greenland and the Faroe Islands), Finland, Iceland,

<sup>15</sup> B. Van Pay, *National Maritime Claims in the Arctic - Changes in the Arctic Environment and the Law of the Sea*, (Alaska 21 May 2009), the 33rd COLP Conference Seward, Office of Ocean and Polar Affairs, U.S. Department of State, [http://www.virginia.edu/colp/pdf/Van\\_Pay-Arctic-Claims.pdf](http://www.virginia.edu/colp/pdf/Van_Pay-Arctic-Claims.pdf) [accessed: 08 August 2014].

<sup>16</sup> *United Nations Convention on the Law of the Sea of 10 December 1982*, (Update 22 August 2013), UN Office of Legal Affairs.

<sup>17</sup> Ibid.

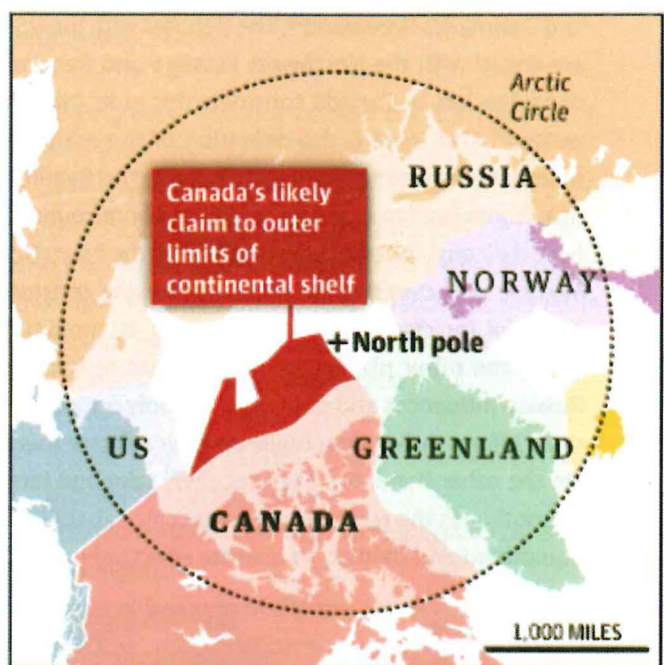


Norway, Russia, Sweden and the United States. Six international organisations representing Arctic Indigenous Peoples also have membership participant status<sup>18</sup>. The Council is focused on: promoting cooperation, coordination and interaction among the Arctic States and indigenous communities; overseeing and coordinating programmes preserving the natural environment; but also on promoting Arctic-related issues<sup>19</sup>. The military security issues are not included in the agenda, although there is a growth in military presence there. The five "Arctic states", during a meeting in Ilulissat, Greenland in 2008, approved 'the Ilulissat Declaration', which states that "by virtue of their sovereignty, sovereign rights and jurisdiction in large areas of the Arctic Ocean, the five coastal states are in a unique position to address these possibilities and challenges. In this regard, we recall that an extensive international legal framework applies to the Arctic Ocean, as discussed between our representatives at the meeting in Oslo on 15 and 16 October 2007 at the level of senior officials."<sup>20</sup> For other non-circumpolar countries, the declaration has made the impression that they are intended to be excluded from the Arctic.

## The role of the region for respective players

**Canada** is the second country in the "Arctic Five" to have vast claims in the Arctic as part of national policy. This was emphasised in 2007 by Prime Minister, Stephen Harper: "*Canada has a choice when it comes to defending our sovereignty over the Arctic. We either use it or lose it. Make no mistake; this Government intends to use it. Because Canada's Arctic is central to our national identity as a northern nation. It is part of our history. And it represents the tremendous potential of our future*"<sup>21</sup>. Such a stand is part of his government

policy towards other nations and also aimed at the domestic audience<sup>22</sup>.



Source: L. Harding, *Russia to boost military presence in Arctic as Canada plots north pole claim*, the Guardian 10 December 2013, <http://www.theguardian.com/world/2013/dec/10/russia-military-arctic-canada-north-pole> [accessed: 06 September 2014].

Fig. 3. Canadian claims in relation to the continental shelf

The build-up of Russian forces was observed to be causing reactions in August 2007, when a plan to build a new army training centre at Resolute Bay and deep-sea port at Nanisivik Naval Facility was presented<sup>23</sup>. The claims were officially raised in 2013, ten years after signing UNCLOS, and it was the last possible deadline<sup>24</sup>, creating concerns in Russia, USA, Denmark and other participants in the debates<sup>25</sup>.

<sup>18</sup> The Website of the Arctic Council, (29 June 2011), <http://www.arctic-council.org/index.php/en/about-us/member-states>, [accessed: 09 June 2014].

<sup>19</sup> *Declaration on the Establishment of the Arctic Council*, the Joint Communique of the Governments of the Arctic Countries on the Establishment of the Arctic Council, (Ottawa, 19 September 1996).

<sup>20</sup> *The Ilulissat Declaration*, Arctic Ocean Conference, (Ilulissat, 27 – 29 May 2008), Greenland, [http://www.oceanlaw.org/downloads/arctic/Ilulissat\\_Declaration.pdf](http://www.oceanlaw.org/downloads/arctic/Ilulissat_Declaration.pdf) [accessed: 06 June 2014].

<sup>21</sup> A. Lytvynenko, *Arctic Sovereignty, Policy Review*, (Ottawa, 05 April 2011), prepared for the Ad Hoc Committee of

Deputy Ministers on the Arctic, <http://www4.carleton.ca/cifp/app/serve.php/1355.pdf> [accessed: 03 August 2014].

<sup>22</sup> K. Drummond, *Cold wars: why Canada wants to claim the North Pole*, (09 December 2013), The Verge, <http://www.theverge.com/2013/12/9/5191740/canada-russia-fight-over-north-pole-arctic> [accessed: 03 August 2014].

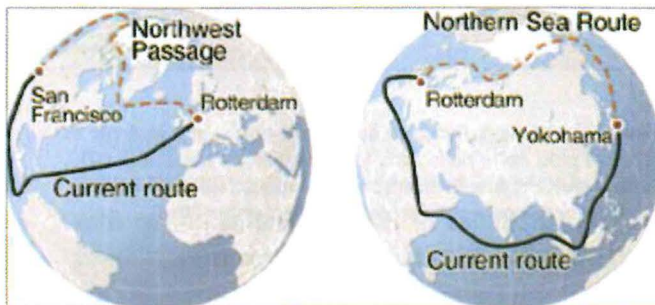
<sup>23</sup> *Военные базы в Арктике – сигнал новой 'холодной войне'* (Military bases in Arctic – signal for new 'cold war'), ИноСМИ.ру 13 August 2007, <http://inosmi.ru/world/20070813/235988.html> [accessed: 06 September 2014].

<sup>24</sup> *Canada to include the North Pole in its claim for Arctic territory, resources*, (London, 10 December 2013), RT network, <http://rt.com/news/canada-arctic-north-pole-claims-965/> [accessed: 03 August 2014] and K. Drummond, *Cold wars...*, op. cit.

<sup>25</sup> *The Arctic: Canada's legal claims*, (Ottawa, 24 October 2008), the Parliament of Canada, the Parliamentary



The dispute with Denmark concerns the Hans Island, which is located in the centre of the Kennedy Channel of the Nares Strait between Canada's Ellesmere Island and Denmark's Greenland<sup>26</sup>. The debates with the USA are linked with the Northwest Passage and freedom of navigation, as Canada considers this as its internal waters<sup>27</sup>. One issue is the definition of the maritime boundary between Yukon and Alaska in the Beaufort Sea, "considered to be resource-rich and both countries have their own concept how to delimitate the boundary. Multiple and overlapping claims create the constant potential for disputes."<sup>28</sup> This situation is profitable for all the other players, so if they want to balance Russian influences and demands, the only option is to unite efforts rather than build-up their military there. On the other hand, the arms race will take one form or another as the region requires specific capabilities, equipment and training to operate effectively.



Source: *Fabled Northwest Passage opens ice free in Arctic again - THIRD TIME IN HISTORY*, 14 September 2010, <http://expedition2010.org.blogspot.com/2010/09/fabled-northwest-passage-opens-ice-free.html> [accessed: 12 September 2014].

Fig.4. The Northwest Passage and the North Sea Route

Concerns were expressed by Harper during his annual northern tour in August 2014, when he said a "cautious yes" regarding militarisation of the Arctic, explaining "cautious in the following sense: that we haven't seen, obviously, the kind of aggressive moves in the Arctic that we have seen in Eastern Europe by the Russians"<sup>29</sup>,

so that approach should not be fully excluded in other parts of the world. Such worries were linked with Russian politics toward Ukraine, recognised by Canada as aggressive, "toward neighbours and the gradual military assertiveness of that country, and I just think it's something we should never be too at ease about."<sup>30</sup> The statement was supported by noting that Russian aircraft had already tested the boundaries of Canadian airspace.

The main interests of the **United States of America** have been elsewhere, in Afghanistan, Iraq and the Pacific region, and not in the Arctic<sup>31</sup>. However, in 2009 "the national policy of the United States with respect to the Arctic region" was on the agenda, recognising that interests "include such matters as missile defence and early warning; deployment of sea and air systems for strategic sealift, strategic deterrence, maritime presence, and maritime security operations; and ensuring freedom of navigation and overflight."<sup>32</sup> Among them, freedom of navigation was named "a top national priority"<sup>33</sup> in relation to the Northwest Passage and the NSR; contradictory to Canada's stand. The USA regards the Northwest Passage as being in international waters, and "the functional requirement is that it be used as a route for international maritime traffic."<sup>34</sup> The policy was defined within the Navy Arctic Roadmap published by the US Department of the Navy (10 November 2009), which "considers a number of strategic drivers including national policy guidance, the changing Arctic environment, the potential increase in natural resource extraction and inter- and intra-Arctic shipping, the activity and interests of other Arctic nations, past and present Navy experience in the Arctic, and current Fleet capabilities and limitations for Arctic operations."<sup>35</sup> Next to the opportunities, some threats are linked to the

Information And Research Service, Publication PRB08-05E, p. 3, <http://www.parl.gc.ca/content/lop/researchpublications/prb0805-e.pdf> [accessed: 03 August 2014].

<sup>26</sup> The dispute is peaceful in nature: *The Arctic: Canada's legal claims*, op. cit., p. 3.

<sup>27</sup> Ibid., pp. 3-4.

<sup>28</sup> *The Arctic: Canada's legal claims*, op. cit., p. 5.

<sup>29</sup> Stephen Harper concerned by Russia's growing military presence in Arctic, the Canadian Press 22 August 2014, <http://www.cbc.ca/news/politics/stephen-harper-concerned-by-russia-s-growing-military-presence-in-arctic-1.2744499> [accessed: 06 September 2014].

<sup>30</sup> Ibid.

<sup>31</sup> R. Huebert, E. Talmadge, *Arctic Climate Change Opening Region To New Military Activity*, The Associated Press AP, The Huffington Post, (16 April 2012), [http://www.huffingtonpost.com/2012/04/16/arctic-climate-change-military-activity\\_n\\_1427565.html](http://www.huffingtonpost.com/2012/04/16/arctic-climate-change-military-activity_n_1427565.html) [accessed: 09 August 2014].

<sup>32</sup> *National Security Presidential Directive and Homeland Security Presidential Directive*, (Washington, 09 January 2009), Arctic Region Policy. <http://www.fas.org/irp/offdocs/nspd/nspd-66.htm> [accessed: 09 August 2014].

<sup>33</sup> Ibid.

<sup>34</sup> *The Arctic: Canada's legal claims*, op. cit., p. 3.

<sup>35</sup> *U.S. Navy Arctic Roadmap*, Department of the NAVY, (Washington October 2009), [http://www.navy.mil/navydata/documents/USN\\_artic\\_roadmap.pdf](http://www.navy.mil/navydata/documents/USN_artic_roadmap.pdf) [accessed: 09 June 2014].



Arctic as “potential sources of competition and conflict for access and natural resources.”<sup>36</sup> The document emphasises climate changes, which will be most rapid in the Arctic and the “NAVY must consider the changing arctic in developing future policy, strategy, force structure, and investment”<sup>37</sup>.

In May 2013, the White House released the ‘National Strategy for the Arctic Region’ with three lines of effort to: advance US security interests; pursue responsible Arctic region stewardship and strengthen international cooperation<sup>38</sup>. The four guiding principles will shape national strategy as follows: safeguarding peace and stability; making decisions using the best available information, pursuing innovative arrangements and consulting and coordinating engagement with Alaska’s natives. The document recognises the role of the Arctic Council and also that “accession to the Convention (UNCLOS) would protect U.S. rights, freedoms, and uses of the sea and airspace throughout the Arctic region, and strengthen our arguments for freedom of navigation and overflight through the Northwest Passage and the Northern Sea Route”<sup>39</sup>. The last statement is important and will probably be followed by ratification. Following the Strategy, the US Department of Defence released the new ‘Arctic Strategy’ in November 2013, covering interests and the need to “pursue comprehensive engagement with allies and partners to protect the homeland and support civil authorities in preparing for increased human activity in the Arctic. Strategic partnerships are the centre of gravity in ensuring a peaceful opening of the Arctic and achieving the Department’s desired end-state”<sup>40</sup>. This strengthens the message that there is a core national interest in preserving “rights, freedoms, and uses of the sea and air space recognised under international

law.”<sup>41</sup> The decisive approach could be challenged by budget cuts but, facing possible disputes and competition and aggressive steps by other players, requires decisions.

Following these strategy papers, the U.S. Navy (USN) also revised its Arctic Roadmap (2014) and the strategy paper ‘U.S. Navy Arctic Roadmap 2014 – 2030’ states that climate changes are faster than estimated and the sea routes could be opened earlier. Pursuing the need for international cooperation, as stated in the above mentioned strategy papers, the Roadmap presents USN’s strategic objectives:

- Ensure United States Arctic sovereignty and provide homeland defence;
- Provide ready naval forces to respond to crisis and contingencies;
- Preserve freedom of the seas; and
- Promote partnerships within the United States Government and with international allies and partners<sup>42</sup>.

The change of approach is already ongoing, as US Secretary of Defence, Chuck Hagel, ensured that “The US intends to be ‘very involved’ in the Arctic” and the US Navy intends to be able to operate there by 2025. He added that “we are beginning to think about and plan for how our naval fleet and other capabilities and assets will need to adapt to the evolving shifts and requirements in the region.”<sup>43</sup> The role and involvement of Washington could change the situation there as, according to scholar Scott G. Borgerson, without “U.S. leadership to help develop diplomatic solutions to competing claims and potential conflicts, the region could erupt in an armed mad dash for its resources.”<sup>44</sup> This is linked with the obvious fact that no other major player is able to face Russia alone, if the country decides to make any hostile moves.

<sup>36</sup> Ibid.

<sup>37</sup> D. Smalley, *Top Officials Meet at ONR as Arctic Changes Quicken*, (Washington 13 December 2012) Office of Naval Research, [http://www.navy.mil/submit/display.asp?story\\_id=71080](http://www.navy.mil/submit/display.asp?story_id=71080), [accessed: 09 June 2014]. See also: *U.S. Navy Arctic Roadmap*, (Washington, 10 November 2009), US Department of the Navy.

<sup>38</sup> *National Strategy for the Arctic Region*, the White House, (Washington May 2013), p. 2, available at [http://www.whitehouse.gov/sites/default/files/docs/nat\\_arctic\\_strategy.pdf](http://www.whitehouse.gov/sites/default/files/docs/nat_arctic_strategy.pdf) [accessed: 14 September 2014].

<sup>39</sup> Ibid., p. 9.

<sup>40</sup> *Arctic Strategy*, US Department of Defence, (Washington November 2013), p. 7, [http://www.defense.gov/pubs/2013\\_Arctic\\_Strategy.pdf](http://www.defense.gov/pubs/2013_Arctic_Strategy.pdf) [accessed: 14 September 2014].

<sup>41</sup> Ibid., p. 10

<sup>42</sup> *U.S. Navy Arctic Roadmap for 2014 to 2030*, department of the Navy, (Washington February 2014), [http://www.navy.mil/docs/USN\\_arctic\\_roadmap.pdf](http://www.navy.mil/docs/USN_arctic_roadmap.pdf) (accessed: 17 September 2014).

<sup>43</sup> J. M. Cole, *Militarization of the Arctic Heats Up, Russia Takes the Lead*, the Diplomat (06 December 2013), <http://thediplomat.com/2013/12/militarization-of-the-arctic-heats-up-russia-takes-the-lead/> [accessed: 14 September 2014].

<sup>44</sup> L. W. Brigham, *Think Again: The Arctic*, op. cit.



Even though the North-eastern Asian countries don't neighbour the Arctic areas, China, Japan and the Republic of Korea (ROK) wanted to join the Arctic Council as permanent observers to follow situation; especially as, if claims were solve, the international portion of the Arctic would be much smaller<sup>45</sup>. They achieved their goal in May 2013, when six countries (China, India, Italy, Japan, the Republic of Korea and Singapore) were granted such status during the Council session in the Swedish Kiruna<sup>46</sup>. The **People's Republic of China (PRC)** describes itself as "*a near Arctic state*", so the Chinese Arctic and Antarctic Administration (CAA) performs the function of organising expeditions and coordinating national activities. Moreover, the China-Nordic Arctic Research Centre was opened in Shanghai in December 2013 with the participation of six institutes from Norway, Finland, Iceland, Denmark and Sweden during its inauguration. In the same period, a Chinese research station was already established in Ny-Ålesund on the Norwegian archipelago of Svalbard<sup>47</sup> "*to increase scientific research and expeditions to better comprehend the Arctic Ocean and global climate change*"<sup>48</sup>. China is showing its physical presence in other ways also, e.g. by the ice breaker 'Snow Dragon's' (Xuelong) expedition in 2012, to be followed by a "*series of new icebreakers to join Xuelong, thus enabling the CAA to conduct more frequent polar exploration and research missions*"<sup>49</sup>. The plan is rather important, as "*when the 1.25-billion-yuan (\$198 million), eight-thousand-ton vessel sets sail, China will possess icebreakers that are larger than and qualitatively superior to those of the United States and*

*Canada*"<sup>50</sup>. Such a fleet will also support sea transport through the region.

China is investing in oil exploration in the Barents and Pechora Seas and recognises fishing options there and acknowledges the importance of small players, like Iceland and Greenland (an autonomous country within the Kingdom of Denmark), by establishing bilateral cooperation to support its interests in the Arctic Council<sup>51</sup>. Sea transportation is a critical question for China as it greatly depends on energy imports, so the Northeast – Northwest route would be cheaper, faster and pirate-free compared to the traditional sea routes. But control of commercial traffic is not easy, as with "*its vast Arctic coastline, Russia not only controls the lion's share of Arctic resources within its exclusive economic zone (EEZ) but controls much of the Northern Sea Route*". This is one of reasons why Moscow is a very important partner in the region for Beijing<sup>52</sup>. Spotting the efforts of "Arctic states" to exclude other players (the Ilulissat Declaration), China upholds the position that "*the Arctic belongs to all the people around the world as no nation has sovereignty over it*" and "*China must play an indispensable role in Arctic exploration as we have one-fifth of the world's population*"<sup>53</sup>. The country is questioning the authority of the Arctic Council and its legitimacy, the International Maritime Organisation and Arctic legal status and is trying to redefine them for its own and international interests<sup>54</sup>. The cooperation with Iceland is rather smooth; also Denmark showed some sympathy but is afraid of Chinese aspirations linked with vast resources on Greenland<sup>55</sup>. The relations with Norway are rather

<sup>45</sup> L. Jakobson, *Northeast Asia Turns Its Attention to the Arctic*, (Washington, 17 December 2012), NBR Analysis Brief, <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?lng=en&id=159103> [accessed: 04 September 2014].

<sup>46</sup> Z. Cheng, *China granted observer status in Arctic Council*, (Beijing, 15 May 2013), English.news.cn, [http://news.xinhuanet.com/english/china/2013-05/15/c\\_132384455.htm](http://news.xinhuanet.com/english/china/2013-05/15/c_132384455.htm) [accessed: 04 September 2014].

<sup>47</sup> T. Nilsen, *China-Nordic Arctic Research Center opens in Shanghai*, (Kirkenes, 12 December 2013), The Barents Observer, <http://barentsobserver.com/en> [accessed: 05 September 2014].

<sup>48</sup> Q. Wang, *Arctic research set to be beefed up*, (Beijing, 06 May 2010) the China Daily, [http://www.chinadaily.com.cn/china/2010-05/06/content\\_9814100.htm](http://www.chinadaily.com.cn/china/2010-05/06/content_9814100.htm) [accessed: 05 September 2014].

<sup>49</sup> S. Rainwater, *Race To The North - China's Arctic Strategy and Its Implication*, the Naval War College Review Vol. 66, No. 2, (Newport, Spring 2013), p. 69, <http://www.usnwc.edu/getattachment/31708e41-a53c-45d3-a5e4-ccb5ad550815/> [accessed: 05 September 2014].

<sup>50</sup> Ibid., p. 69.

<sup>51</sup> A. Guschin, *Understanding China's Arctic Policies*, (Tokyo, 14 November 2013), the Diplomat, <http://thediplomat.com/2013/11/understanding-chinas-arctic-policies/> [accessed: 06 September 2014].

<sup>52</sup> S. Rainwater, *Race To The North - China's Arctic...*, op. cit., p. 72.

<sup>53</sup> G. G. Chang, *China's Arctic Play*, (Tokyo, 09 March 2010), the Diplomat, <http://thediplomat.com/2010/03/chinas-arctic-play/> [accessed: 08 September 2014].

<sup>54</sup> For details read: S. Rainwater, *Race To The North...*, op. cit., N. VanDerklippe, *For China, north is a new way to go west*, The Globe and Mail, (Beijing, 19 January 2014), <http://www.theglobeandmail.com/news/national/the-north-for-china-north-is-a-new-way-to-go-west/article16402962/> [accessed: 08 September 2014] and A. Guschin, *Understanding China's Arctic Policies*, op. cit.

<sup>55</sup> VanDerklippe, *For China, north is a...*, op. cit., and A. Guschin, *Understanding China's Arctic Policies*, op. cit.



icy. Chinese moves in the region are being carefully observed by Russia, but without antagonising it, and also by the USA and Canada. When China defines its policy towards the Arctic, some more decisive moves will probably take place. Such an approach must be decided upon as, according to Song Lilei from Tongji University, *"Beijing needed to spell out its objectives in the Arctic and Antarctic. Such a paper by China can help address the concerns of the Nordic states"*<sup>56</sup> being facilitator of teamwork with other nations.

The Arctic, being a rather cold area, is slightly warming the relations between Russia and Japan. As **Japan** is a huge importer of energy sources, the NSR is of great importance as it *"cuts the travel time from Hamburg to Yokohama by about 40 percent compared to the Suez route, with fuel savings of 20 percent"*<sup>57</sup> and other costs e.g. insurance. As there are tensions with China regarding the East China Sea (Diaoyu/Senkaku Islands), the NSR is providing reliable transport option. There are of course disputes related to the Southern Kurils (Russia) and the Northern Territories (Japan), but economic interests could overcome the differences. Joint efforts were made when Japanese explorer, Inpex Corporation, signed an agreement with Rosneft in May 2013 to explore two Russian oil fields in the Okhotsk Sea and Moscow supported Tokyo's candidacy for the 2020 Olympic Games. This cooperation is important for Russia as it supports bypassing EU sanctions when looking for highly desired technologies. Moreover, by building new LNG terminals, it could have direct access to the Asian market, which is hungry for resources, without the need to build expensive pipelines. The relations with Russia are important, not only because of economic reasons, as ongoing disputes with China regarding Diaoyu/Senkaku Islands are allowing them to focus on this important issue related to national interests, and also prestige within Asia.

Both the **EU and NATO** include members and non-members of the Arctic Council and neither

organisation has been very active in an Arctic context up until now. This is significant as, potentially, these organisations could have a much stronger role in building cooperation, trust and security in the area. NATO, as an organisation, has not played a visible role or had a presence in the Arctic, and Norway is especially nervous in this domain, as ex-Prime Minister, Jens Stoltenberg, stated *"we have made the High North a top defence priority, and we will continue to encourage NATO and the European Union to play a higher role in its security"*, but the NATO Secretary-General rejected a direct "Arctic" presence<sup>58</sup>. Moreover, there are the member states' own national strategies emphasising different aspects and national interests in the Arctic. Nevertheless, other players like Russia are expecting rivalry in economic, technological and political fields, believing that NATO regards the Arctic as a strategically important region. So, to visualise it, the organisation has had an increased military presence since 2006, which could also be seen as a symptom of redefinition of strategy towards that icy region<sup>59</sup>.

The European Union also identifies the Arctic as an area of growing strategic importance, seeing its role as a facilitator of cooperation and a partner in preventing climate change. Recognising the importance of resources, sustainable usage is proposed in cooperation with all the countries<sup>60</sup>. The resources factor has gained special attention, as the last crisis in Ukraine again showed the vulnerability of the energy security of the European nations. If Russia wins the energy race, the EU will lose some diversification options. The EU adopted policy towards the Arctic, in May 2014, showed a willingness to enhance efforts there based on recognition of international law (UNCLOS). The EU also recognises *"the Arctic Council as the primary body for circumpolar regional cooperation"*<sup>61</sup>, as three Arctic Council states

<sup>56</sup> Teddy Ng, *Blueprint called for on China's ambitions in the Arctic and Antarctic*, The South China Morning Post, (20 September 2014), <http://www.scmp.com/news/china/article/1402721/blueprint-called-chinas-ambitions-arctic-and-antarctic> [accessed: 02 September 2014]. Ibid.

<sup>57</sup> S. Pourzitakis, *Japan and Russia: Arctic Friends*, the Diplomat (01 February 2014), <http://thediplomat.com/2014/02/japan-and-russia-arctic-friends> [accessed: 02 August 2014].

<sup>58</sup> G. O'Dwyer, *NATO Rejects Direct Arctic Presence*, The Defense News, (29 May 2013), <http://www.defensenews.com/article/20130529/DEFREG/305290022/NATO-Rejects-Direct-Arctic-Presence> [accessed: 15 August 2014].

<sup>59</sup> A. Shaparov, *NATO and a New Agenda for the Arctic*, Russian International Affairs Council, North (Arctic) Federal University, (24 September 2013), [http://russiancouncil.ru/en/inner/?id\\_4=2377#top](http://russiancouncil.ru/en/inner/?id_4=2377#top) [accessed: 16 August 2014].

<sup>60</sup> *EU Arctic Policy*, European External Action Service, EU [http://eeas.europa.eu/arctic\\_region/index\\_en.htm](http://eeas.europa.eu/arctic_region/index_en.htm) [accessed: 14 September 2014].

<sup>61</sup> *Council conclusions on developing a European Union Policy towards the Arctic Region*, Foreign Affairs Council



are amongst EU members; this could help to follow development within the region. Moreover, the freedom of navigation, the right of innocent passage and ecological concerns have been discussed there.

## The Russian expectations and encounters

Russia reinstated its interests in the Arctic when President Putin was elected to that position in 2000, and until 2011 the policy was rather soft. It allowed for the settling of the 40-year dispute with Norway related to maritime borders and the signing, in September 2010, of the Murmansk treaty, allowing for peaceful exploration of oil and gas. This was a good signal to other nations interested in the region regarding Russian intentions, which seemed to be looking for agreements than any sort of confrontation. The rhetoric, however, changed when Russia implemented its new national strategy<sup>62</sup> and emphasised its ambitions to enhance its global role, including the Arctic as a vital constituent of strategic interests. Following the UNCLOS definition of the Arctic *"Russia got started early, sending two major scientific expeditions into the deep Arctic to collect evidence that the sea floor all the way up to the North Pole, known as the Lomonosov Shelf, is actually a continuation of the Siberian landmass and, thus, Russian territory."*<sup>63</sup> Soon, it revealed its core interests in the Arctic when, in 2007, the Russian flag was placed on the seabed at the North Pole and samples were taken to prove their rights; it was also a wake up call for other nations interested in the region, causing angry comments. It was part of a bigger strategy *"to collect scientific evidence for resubmitting to the UN Commission on the Limits of the Continental Shelf (CLCS) its request to*

*confirm that some 460,000 mi<sup>2</sup> of underwater terrain between the Lomonosov and Mendeleev ridges are the continuation of the Siberian shelf and, thus, could be added to Russia's exclusive economic zone"*<sup>64</sup>.

The Russian Arctic Strategy issued in 2008 was significant; it *"emphasises the region's importance to Russia's economy as a major source of revenue, mainly from energy production and profitable maritime transport. A main goal is to transform the Arctic into Russia's top strategic base for natural resources by 2020, and preserve the country's role as a leading Arctic power"*<sup>65</sup>. One of the main goals of State policy in the area is *"...in the sphere of socio-economic development, to expand the resource base of the Arctic zone of the Russian Federation, which is capable in large part of fulfilling Russia's needs for hydrocarbon resources, aqueous biological resources, and other forms of strategic raw material."*<sup>66</sup> The main foundation is still valid as stated by President Putin, *"More often the interests of the Arctic powers, and not only them, cross here - countries that are far away from this region are also expressing interest (in the Arctic)", so "in these conditions we must take additional measures not to fall behind our partners, to keep our influence in the region and, in some aspects, be ahead of our partners."*<sup>67</sup> It means that proactive policy will continue to stay at the forefront of the race for resources and national prestige.

Following the growing attention towards the Arctic, the Kremlin released an updated Arctic strategy in March 2009, to strengthen its sovereign interests

Meeting, Council of the European Union, (Brussels, 12 May 2014), [accessed: 14 September 2014]. [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/142554.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/142554.pdf)

<sup>62</sup> About Russian global role in energy security read: J. Perovic, R. Orttung, *Russia's Role for Global Energy Security*, in: A. Wenger, J. Perovic, R. Orttung, *Energy and the Transformation of International Relations*, the Oxford Institute for Energy Studies, (Oxford, 2009), pp. 117-147.

<sup>63</sup> F. Weir, *Arctic resource race heats up, as Russia, Canada stake new claims*, The Christian Science Monitor, (Boston, 11 December 2013), <http://www.csmonitor.com/World/2013/1211/Arctic-resource-race-heats-up-as-Russia-Canada-stake-new-claims-video> [accessed: 20 June 2014].

<sup>64</sup> P. Baev, *Russia's Race for the Arctic and the New Geopolitics of the North Pole*, The Jamestown Foundation, (Washington, October 2007), [http://www.jamestown.org/uploads/media/Jamestown-BaevRussiaArctic\\_01.pdf](http://www.jamestown.org/uploads/media/Jamestown-BaevRussiaArctic_01.pdf) [accessed: 28 June 2014].

<sup>65</sup> K. Zysk, *Russian Arctic Strategy*, GeoPolitics in the High North 2014, [http://www.geopoliticsnorth.org/index.php?option=com\\_content&view=article&id=100:russian-arctic-strategy&catid=52:uncategorised](http://www.geopoliticsnorth.org/index.php?option=com_content&view=article&id=100:russian-arctic-strategy&catid=52:uncategorised), [accessed: 10 September 2014].

<sup>66</sup> *Russia's New Arctic Strategy - The Foundations of Russian Federation Policy in the Arctic until 2020 and Beyond*, (18 September 2008), p. 2, [http://www.securityaffairs.org/issues/2010/18/russia's\\_new\\_arctic\\_strategy.pdf](http://www.securityaffairs.org/issues/2010/18/russia's_new_arctic_strategy.pdf), [accessed: 10 September 2014].

<sup>67</sup> A. Anishchuk, *Russia's Putin wants beefed-up presence in Arctic*, Reuters, (Moscow, 22 April 2014), <http://www.reuters.com/article/2014/04/22/us-russia-putin-arctic-idUSBREA3L1BN20140422>, [accessed: 11 September 2014].



in the so-called “global commons”<sup>68</sup>. It stresses the importance of two major regional domains: the North Sea Route and “Russia’s foremost strategic base for natural resources”<sup>69</sup>. Preservation and protection of the natural ecosystem; formation of a unified information space, and the importance of “international cooperation, guaranteeing mutually beneficial bilateral and multilateral cooperation between the Russian Federation and other Arctic states on the basis of international treaties and agreements to which the Russian Federation is a signatory”<sup>70</sup> are also included there. The updated document provides general policy guidelines, but recognises that “as experience with the previous ambitious plans shows, achieving the goals may take longer than scheduled, if they are achieved at all.”<sup>71</sup> This is a very true prediction, especially in the context of the outcome of the Ukraine crisis. Any discussion condemning rights triggers strong reactions e.g. by stating, that “the Arctic is an unalienable part of the Russian Federation that has been under our sovereignty for a few centuries” and “it will be so for the time to come.”<sup>72</sup> Such a reaction was an answer to the statement of the Canadian Foreign Affairs Minister, who announced that Canada would expand its territorial zone all the way to the Pole. President Putin tasked members of the Defence Ministry Board immediately “to devote special attention to deploying infrastructure and military units in the Arctic”<sup>73</sup>.

The Russian International Affairs Council draws two possible security scenarios in the region. The first one, “the negative security scenario”, assesses that military presence and hostility in the Arctic will increase and the role of international organisations will gradually decline. The second one, “the positive security scenario”, stresses the potential for enhanced international cooperation in the Arctic area. As such, “actualisation of the Arctic problems by a military-political bloc dominating in the world offers an opportunity to construct a new structure for international relations in the Arctic based on positive security.”<sup>74</sup> The recent Russia – Ukraine crisis might complicate the “positive security scenario” and cooperation in the Arctic by raising doubts about willingness to comply with the UNCLOS and to cooperate with the Arctic Council. The reopening of the old Soviet military bases in the region and cancellation of exercises e.g. Norwegian – Russian – US naval training “Northern Eagle” show that the future is not easy to predict<sup>75</sup>.

## Russian economy, challenges and prospects

For Russia, the conflict in Ukraine will have consequences related to plans in the Arctic caused by financial and technological sanctions towards oil companies. Such limitations are also hurting European businesses (e.g. French Technip and Total, Dutch Shell, Italian Saipem, Norwegian Statoil) as they had planned to cooperate with the Russians. Nevertheless, in August 2014, American giant ExxonMobil started exploration for oil in the region, in cooperation with Rosneft, based on the estimate that “beneath the Kara Sea, north of Russia’s Siberian coastline, lies more oil than can be found in the whole of the Gulf of Mexico”<sup>76</sup>. This cooperation is an effect of the contract to hire the rig, which was signed before the conflict in Ukraine and, as such, is not affected by any sanctions. That teamwork is beneficial for ExxonMobil,

<sup>68</sup> B. Van Pay, *National Maritime Claims in the Arctic...*, op. cit.

<sup>69</sup> K. Zysk, *Russian Arctic Strategy. Ambitions and Constraints*, Joint Force Quarterly, Issue 57, 2<sup>nd</sup> quarter 2010, (Fort Lesley, April 2010), the author is a senior fellow at the Norwegian Institute for Defence Studies (IFS), [http://www.geopoliticsnorth.org/index.php?option=com\\_content&view=article&id=100](http://www.geopoliticsnorth.org/index.php?option=com_content&view=article&id=100) [accessed: 15 June 2014].

<sup>70</sup> *Russia’s New Arctic Strategy - The Foundations of Russian Federation Policy in the Arctic until 2020 and Beyond*, The Journal of International Security Affairs No 18, (Washington, Spring 2010) courtesy of the American Foreign Policy Council, translated from the Russian by M. Rusnak and I. Berman, [http://www.securityaffairs.org/issues/2010/18/russia's\\_new\\_arctic\\_strategy.pdf](http://www.securityaffairs.org/issues/2010/18/russia's_new_arctic_strategy.pdf) [accessed: 15 June 2014].

<sup>71</sup> K. Zysk, *Russian Arctic Strategy...*, op. cit., p. 104.

<sup>72</sup> V. Isachenkov, *Putin: Russia to Expand Arctic Presence*, (03 October 2013) Real Clear Defence, reprint from the Associated Press, [http://www.realcleardefense.com/articles/2013/10/03/putin\\_russia\\_to\\_expand\\_arctic\\_presence\\_106898.html](http://www.realcleardefense.com/articles/2013/10/03/putin_russia_to_expand_arctic_presence_106898.html) [accessed: 28 June 2014].

<sup>73</sup> *Russia fires back at Canada’s Arctic claims, vows increased military presence*, (Vancouver, 11 December 2013), The Province, the Canadian Press, <http://www.theprovince.com/news/Russian+president+fires+back+after+Canada+salvo+Arctic+claims/9270757/story.html> [accessed: 02 June 2014].

<sup>74</sup> A. Shaparov, *NATO and a New Agenda for the Arctic*, op. cit.

<sup>75</sup> H. Mikkola, *The Return of Realpolitik? The deepening crisis in Ukraine may spill over to the Arctic*, The Finnish Institute of International Affairs, FIIA Comment 6/2014 (Helsinki, 2014).

<sup>76</sup> G. Chazan, J. Farchy, *Russia Arctic energy ambitions jeopardised by western sanctions*, Financial Times 01 September 2014, <http://www.ft.com/cms/s/2/41d19b16-31c9-11e4-a19b-00144feabdc0.html#slide0> [accessed: 05 September 2014].



due to its fall in production, to a record low in the last five years, and the oil field 'Universitetskaya', being the subject of cooperation, is supposed to be worth some 700 mln USD. The drilling equipment will be provided by the SeaDrill Company. According to Rosneft, the Universitetskaya field *"is the first of as many as 40 offshore wells Rosneft plans, by 2018, to test the potential of the unexplored Arctic Ocean. The geological structure targeted by the drilling is roughly the size of the city of Moscow and may contain as many as 9 billion barrels of oil"*<sup>77</sup>. Moscow is vitally interested in the continuity and access to technologies, as for Russia *"the Arctic region and its deposits are of crucial importance – at stake is maintaining oil production level above 10 million barrels a day"*<sup>78</sup>.

For the government, the continuity of production by Rosneft is important, as the company, which is exploring some 40% of overall oil production in the country, is an important provider of funds to the national budget. So, the lack of loans and new technologies could even cause its collapse in the long-term. Supporting the company by borrowing some 40 bln USD to pay debts connected with purchasing (55 bln USD) the TNK-BP (Tyumenskaya Neftyanaya Kompaniya) has been considered and, this year, there has been a significant instalment to pay (12 bln USD). There are restrictions for exploration projects, as they are also costly e.g. the oil production in Gazprom Neft's Prirazlomnoye oil field (estimated 530 mln barrels of oil) has been economically profitable only due to the special government tax discounts<sup>79</sup>. The exploration of the Arctic is still in its initial phase and it is not completely clear when full capabilities will be achieved, so the effect on the Russian economy

is not easy to estimate. However, once again, the development and exploitation of these natural resources urgently needs the cooperation and investments of big oil and gas companies, which possess the wanted technologies. In this context, the situation in Ukraine might scare, and sanctions discourage, the companies, even causing their withdrawal from some projects, although they have already invested money<sup>80</sup>.

Nevertheless, although the drilling is continuing, the sanctions will have a long-term effect on Russian intentions, influencing budget revenues that are heavily related to natural resources. This is because of a lack of proper technology for exploration of such deep water deposits. Moreover, shale gas discoveries within Russia will be probably stopped, as only US companies possess the modern technology that enables exploration, so the Arctic is even more important. Another risk is related to the ageing gas and oil infrastructure which requires huge funds to continue exporting, and the flow of funds coming from new sources is rather critical to ensuring investments. Additionally, the money is linked with future plans to develop infrastructure to process raw materials and to export high quality processed products, as a long term strategy. In relation to energy, it is now endangered and could significantly slow down due to the effect of Europe and the USA's political and economic pressure. Importantly, the sanctions are having less effect on gas companies, as there is a reasonable threat that Russia could stop supplies to Europe, especially as the winter is coming.

The Russian situation is additionally complicated, as the efficiency of the Siberian oil fields is declining; so that new fields are more important in preserving its role on the international energy market. A symptom of the search for money and the negative outcome of sanctions on the economic situation is the decision of the President Putin to consider selling shares to China in an oil and gas Vankor Field located in Eastern Siberia<sup>81</sup>. It will provide necessary funds but it will

<sup>77</sup> S. Bierman, E. Gismatullin, *Exxon Drilling Russian Arctic Shows Sanction Lack Bite*, *Sanctions, what sanctions?* Bloomberg L.P. (08 August 2014), <http://www.bloomberg.com/news/2014-08-08/exxon-drilling-russian-arctic-shows-sanction-lack-bite.html> [accessed: 05 September 2014].

<sup>78</sup> T. Grymkiewicz, *Sankcje? Amerykanie razem z Rosjanami szukają ropy. Putin dał znak, by zacząć odwierty*, (Sanctions? Americans together with the Russians are looking for oil. Putin gave the signal to start drilling), BIZTOK.pl (09 August 2014), [http://www.biztok.pl/gospodarka/sankcje-amerykanie-razem-z-rosjanami-szukaja-ropy-putin-dal-znak-by-zaczac-odwierty\\_a17210](http://www.biztok.pl/gospodarka/sankcje-amerykanie-razem-z-rosjanami-szukaja-ropy-putin-dal-znak-by-zaczac-odwierty_a17210) [accessed: 05 September 2014].

<sup>79</sup> N. Cunningham, *Russia ships its first Arctic oil. Is a boom coming?* Energy/Environment Energy Voices, The Christian Science Monitor (21 April 2014), <http://www.csmonitor.com/Environment/Energy-Voices/2014/0421/Russia-ships-its-first-Arctic-oil-Is-a-boom-coming> [accessed: 11 September 2014].

<sup>80</sup> D. Trenin, P. K. Baev, *The Arctic A View from Moscow*, Carnegie Endowment for International Peace, (D. Trenin, P. K. Baev, *The Arctic A View from Moscow*, op. cit.

<sup>81</sup> J. Bolanowski, *Wielkie problemy Rosnieftu. Putin szuka ratunku w Chinach* (Great problems of Rosneft. Putin seeks relief in China), Biztok wp.pl, (09 September 2009), [http://www.biztok.pl/gospodarka/wielkie-problemy-rosnieftu-putin-szuka-ratunku-w-chinach\\_a17571](http://www.biztok.pl/gospodarka/wielkie-problemy-rosnieftu-putin-szuka-ratunku-w-chinach_a17571) [accessed: 10 September 2014].



not support the energy sector with highly desired technologies. Such decisions could be speeded up by the drop of crude oil (Brent) prices, down to 98 USD/oil barrel in September 2014<sup>82</sup>, causing some nervousness in Moscow. This is because 50% of Russian export relies on oil and some 20% on gas, so every price decline means shortages in the national budget, which is now heavily supporting the modernisation of the armed forces. One offshoot of developing the military is linked with extended power in the Arctic to support national claims and interests. A decline in prices could influence revision of the budget and some sectors in the national economy could suffer. So, there is hope that *"if economic incentives are driving combatants to fight, then altering those incentives by measures that move their cost-benefit calculus in favour of peace may also induce them to cease fighting"*<sup>83</sup>. Such a peaceful consequence could be an outcome of the international pressure on all the countries to look rather for common benefits than for conflict.

## Military build-up of Russian Armed Forces

China's emergence in the "Arctic Race" has made Russia more concerned, especially as, according to Admiral Vysotsky's statement, Russia is not going to back one inch in the Arctic area it considers its own<sup>84</sup>. NATO's role in the area also caused anxiety, as *"Russia's economic interests are threatened by the activities of NATO and a number of Asian countries in the Arctic"*<sup>85</sup>, so politics must be supported by other instruments of power, including military ones. As a result, the Northern fleet, one of Russia's four fleets, is the strongest one and possesses about two thirds of Russia's total maritime strength and special Arctic forces' brigades will be established in the area. All the units will be subordinated to the newly

created Northern Fleet-Unified Strategic Command (Severnoy Flot-Obedinyonnoye Strategicheskoye Komandovaniye, SF-OSK)<sup>86</sup>, which will integrate the Northern Fleet, Arctic land forces brigades, air force and air defence units and, also, all other necessary structures. The Command, supposed to be established until the end of 2014, *"will be responsible for protecting Russia's Arctic shipping and fishing, oil and gas fields on the Arctic shelf, and the country's national borders in the north."*<sup>87</sup> The new headquarters will enhance abilities to plan and execute joint operations, using available resources more effectively. An additional advantage will be provided as soon as the NSR is navigable and the Russian Northern and Pacific Naval fleets will have a manoeuvre option to support each other and the SF-OSK will monitor the NSR. The growing command and control set up and the capabilities of units will create a significant strategic deterrence effect towards other nations interested in the Arctic and any forceful solution. It is a message that any option, including the military one, is acceptable and feasible for Moscow to preserve national interest.

Russia is continuing to rebuild former Soviet-era military bases in the High North, including the New Siberian Islands, along with development of military capabilities which are necessary to operate in remote and difficult areas and a climate with temperatures as low as -50°C. The New Siberian Island is a base for 10 military ships and four icebreakers, being *"a demonstration of force"*<sup>88</sup>. The intent is to create permanent bases for purposefully equipped and trained units, navy assets - including upgrading the fleet of nuclear-powered submarines and icebreakers - to patrol the waters. The Northern Fleet, which has access to the Arctic using navy bases located on the coastline of the Barents and Norwegian Seas, is supposed to acquire more than 40 modern vessels by

<sup>82</sup> *Energy & Oil Prices. Crude Oil & Natural Gas*, BloombergView.com as of 11 September 2014.

<sup>83</sup> K. Ballentine, *Beyond Greed and Grievance...*, op. cit., p. 273.

<sup>84</sup> *Russian navy chief warns of China's race for Arctic*, The Telegraph (London, 04 October 2010), <http://www.telegraph.co.uk/news/worldnews/europe/russia/8041997/Russian-navy-chief-warns-of-Chinas-race-for-Arctic.html> [accessed: 10 September 2014].

<sup>85</sup> V. Baranov, *Russia concerned by NATO, Asian states' activities in Arctic*, (Moscow, 06 July 2011), RIA Novosti, <http://en.ria.ru/russia/20110706/165057023.html> [accessed: 02 June 2014].

<sup>86</sup> T. Pettersen, *Russia to reorganize military forces in the Arctic*, (17 February 2012), The Barents Observer, <http://barentsobserver.com/en/security/2014/02/russia-reorganize-military-forces-arctic-17-02> [accessed: 02 June 2014].

<sup>87</sup> Z. Keck, *Russia to Establish Arctic Military Command*, the Diplomat 21 January 2014, <http://thediplomat.com/2014/02/russia-to-establish-arctic-military-command/> [accessed: 02 June 2014].

<sup>88</sup> J. Mitchell, *Russia's Territorial Ambition and Increased Military Presence in the Arctic*, 23 April 2014, <http://www.foreignpolicyjournal.com/2014/04/23/russias-territorial-ambition-and-increased-military-presence-in-the-arctic/> [accessed: 09 September 2014].



2020, according to its commander Admiral Korolow, following the programme of the modernisation of the armed forces, including multi-role, diesel powered submarines<sup>89</sup>. Among the new submarines, it is important to mention that the newly built submarines K-550 'Alexander Nevsky' and K-535 'Yuriy Dolgorukiy', both the fourth generation Borei-class ballistic missile submarines of the Project 955, have joined the Fleet. Moreover, until the end of the year, another Borei-class submarine ('Vladimir Monomakh'), also armed with a new submarine-launched ballistic missile, (SLBM) 'Bulava', will strengthen the maritime force. The Fleet is conducting continuously intensive exercises involving all types of combat units, e.g. in September 2014 some 10 vessels and submarines (nuclear and diesel powered), supported by Navy Aviation, exercised in the Barents Sea. The focus was on mine warfare, antisubmarine and anti-surface warfare employing both submarines and land-based mobile anti-ship missile batteries<sup>90</sup>. The Fleet is also conducting search and rescue exercises with Norwegian armed forces, codename "Barents", to ensure a high level of rescue services, which is related to the water and weather conditions in that sea.

The land component will be created based on *"a combined-arms force to protect its political and economic interests in the Arctic by 2020, including military, border and coastal guard units to guarantee Russia's military security in diverse military and political circumstances."*<sup>91</sup> The key combat element will consist of two motorised rifle arctic brigades located in Murmansk and Arkhangelsk; the first is planned to be deployed and announced as fully operational capable in 2015. The reorganisation, equipping and training are already in progress. The transportation and mobility will be provided using MT-LBV armoured

transport vehicles. The specialised units, e.g. Special Forces reconnaissance units, are also conducting training exercises on the Kola Peninsula within the experimental programme simulating combat in the Polar Regions' mountainous terrain. There were also airborne units' drills and strategic bomber patrols to present the variety of military options. The Russian military industry complex is also developing purposely designed equipment to increase military capabilities and mobility in that difficult and inhospitable terrain. Among them, a new version of the helicopter Mi-8, named Mi-8AMTSz-WA 'Terminator', has been tailored to the extreme conditions of the region. It will be capable of providing transport and delivering fire support to land forces. Moreover, such airframes as: the Ka-52 'Alligator', next-generation reconnaissance and combat helicopter, and also the upgraded Mi-24 – Mi-35M, which is a multi-purpose military transport helicopter for combat missions in day-and-night conditions in adverse weather, will join service there. To increase air defence capabilities, a new combined short to medium range surface-to-air missile and anti-aircraft artillery weapon system 96K6 Pancyr-S1 conducted successfully Arctic tests. The military presence is significantly growing causing the symptoms of the arms race to be followed by the USA and Canada and the growing potential of using force to preserve national interests.

## Conclusions

Amy Jaffe and Ronald Soligo estimated, in 2009, that *"it is unclear whether Russia, either alone, or with potential allies, would have to resort to military means to reach such political or economic gains from energy, or whether non-military opportunities already exist for it to achieve gains through the manipulation of its export supplies and its geographic domination of major transportation routes and existing export infrastructure for the former Soviet Union states"*<sup>92</sup>. In the book, they discuss the cases of Ukraine, Georgia, Lithuania, Belarus and also the Caspian and Central Asia nations as examples of military and economic pressure for achieving political goals<sup>93</sup>. The recent events in

<sup>89</sup> Flota Północna otrzyma ponad 40 okrętów (The Northern Fleet will acquire more than 40 vessels), Radio Voice of Russia 08 April 2014, [http://polish.ruvr.ru/news/2014\\_04\\_08/Flota-Polnocna-otrzyma-ponad-40-okretow-0300/](http://polish.ruvr.ru/news/2014_04_08/Flota-Polnocna-otrzyma-ponad-40-okretow-0300/) [accessed: 09 September 2014].

<sup>90</sup> В Баренцевом море началось двухстороннее тактическое учение разнородных сил Северного флота, Website of the Russian Federation Ministry of Defense, Moscow 09 September 2014, [http://function.mil.ru/news\\_page/person/more.htm?id=11982874@egNews#txt](http://function.mil.ru/news_page/person/more.htm?id=11982874@egNews#txt) [accessed: 09 September 2014].

<sup>91</sup> Russia to Field First Arctic Brigade in 2015, RiaNovosti 02 February 2012, <http://en.ria.ru/military-news/20120221/171440711.html> [accessed: 09 September 2014].

<sup>92</sup> A. M. Jaffe, R. Soligo, *The Russian connection*, in: Moran D., Russel J. (ed.), *Energy Security and Global Politics. The militarization of resource management*, the Routledge Global Security Studies, (New York, 2009), p. 122.

<sup>93</sup> Ibid., pp. 126-130.



Ukraine also do not exclude military pressure in the case of the Arctic, which is of great importance for the long-term survival of a strong and developing country. It has also been pointed out that Russia does not trust the other players in the Arctic and would be ready to use military force to protect and defend its interests in the area. The Russian Series report states that: *"militarily, thanks to the Northern Fleet primarily, Russia is the dominant power in the region and looks set to further augment its military capability in the region throughout the rest of this decade"*, so, having this in mind, it *"looks set to keep all options open, should the 'Arctic fist' be required, rather than the 'gloved hand.' As an operational and home base for the country's fleet of SLBM submarine cruisers, the Arctic also has great significance for the country's national security. Thus, there would appear to be every likelihood that, if so required, Russia will use military force to maintain its position in the region."*<sup>94</sup> The decisive position of President Putin was strongly highlighted in August 2014 during a meeting at a pro-Kremlin youth camp, when he reminded them that Russia is a nuclear power and *"Russia's partners ... should understand it is best not to mess with us"* and *"our interests are concentrated in the Arctic. And of course we should pay more attention to issues of development of the Arctic and the strengthening of our position."*<sup>95</sup> The message was very clear, presenting a strong political will to use all available means to support national interests in every area they are located. However, some contradictory signals could be found in relation to intentions, as Vice Prime Minister Rogozin stated that *"it's crucially important for us to set goals for our national interests in this region. If we don't do that, we will lose the battle for resources which means we'll also lose in a big battle for the right to have sovereignty and independence"* but Aleksandr Gorbunov, a former representative of the Russian Foreign Ministry, mentioned *"war for resource ... in the Arctic will never happen."*<sup>96</sup> Such intentional leakages show that there is a will to continue peaceful cooperation, but the disposition of forces shows

a decisiveness in preserving their own vital interests, especially as Russia will establish dominant forces in the short term, based on developed strategy and funds to support such a programme.

The approach of each single nation towards the Arctic differs and is based solely on national interests, which is possible to understand. At the same time, countries (USA, China, Japan, others) and organisations (EU, NATO) are still trying to revise policies and strategies to fit the situation and risks. It is important that the UN makes some decisions, as the final status is still not defined, which is to give an advantage to countries with a right to veto there. Even among friendly nations, like the USA and Canada, there are significant differences which do not match the other's expectations and exclude formal agreement, e.g. the USA has not still ratified UNCLOS, making the issue more complex. In this context, the USA and Canada must find a consensus; moreover, Russia, with the longest shoreline in the Arctic Sea, could have an advantage related to resources and sea lines of communications. China wants to be a recognised player, seeing future implications for sea traffic, access to resources including oil, gas, minerals and fishery. It is skilfully engaging smaller players, avoiding parallel confrontation with bigger ones, and observing the military build-up, especially by Russia and the USA. This is linked with recognition that the region could be an arena for power struggle, but, as for now, there is lack of power projection capabilities to influence the situation, so politics, engagement international organisations and economy are major tools. The future continuity of the global warming processes is a question and opinions differ; nevertheless, the process is still ongoing and requires development of a clear way ahead for every player in the Arctic. The sea routes will be open in some time and could be used as part of economic and political games.

During a workshop within the SIPRI's Arctic Futures project in Moscow, in October 2013, **ambassador Vasiliev**, Russia's Senior Arctic Official to the Arctic Council, emphasised *"the positive, stable and predictable"* situation in the Arctic region, highlighting the role of the Arctic Council as *"the central institution of cooperation in the Arctic"*<sup>97</sup>. Moreover, there was

<sup>94</sup> S. J. Main, *If spring comes tomorrow... Russia and the Arctic*, Russian Series 2011, Defence Academy of the United Kingdom, (Shrivenham 2011), <http://www.da.mod.uk/publications/library/russian-series/20111017-SJM-Arctic-paper.pdf/view>, pp. i, [accessed: 11 September 2014].

<sup>95</sup> S. Walker, L. Ragozin, M. Weaver, *Putin likens Ukraine's forces to Nazis and threatens standoff in the Arctic*, the Guardian 29 August 2014, [accessed: 11 September 2014].

<sup>96</sup> J. Mitchell, *Russia's Territorial Ambition and Increased Military Presence in the Arctic*, op. cit.

<sup>97</sup> 1 Oct. 2013: *Russia's Strategy for Developing the Arctic Region Until 2020*, (Stockholm, 01 October 2013), Stockholm



general acknowledgement "that an armed conflict in the Arctic is highly unlikely and that the Arctic is one of the most stable regions in the world" although, "the possibility of future conflict cannot be completely overruled but if conflict does happen it is more likely to be the result of spill-over from conflicts elsewhere. There may be a need to develop confidence-building mechanisms to avoid misunderstandings between the Arctic states in respect to traditional security issues."<sup>98</sup> In that context, the events in Ukraine during the second decade of the 21<sup>st</sup> century could be a warning that Russia, and also other nations, could be willing to use all necessary means to forward their political agendas in solving territorial disputes and claims. In relation to the Arctic, it changes the situation by threatening possible developments. Nevertheless, so far nothing indicates that the disputes would cause major instability over the exploitation of the area, but development of military capabilities is a real factor for concern.

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# THE CONTRIBUTION OF MANAGEMENT THEORY TO MILITARY LEADERSHIP AT STRATEGIC LEVEL

## Executive Summary

*Successful leaders at the strategic, operational and tactical level have always applied the process functions of management. The destiny of this theory is similar to the destiny of theories of strategy and leadership. Nowadays, none of them are exclusively military theories. The very fact that they have been applied in different fields of human society has contributed to both their theoretical and practical improvement. It is impossible, at the current time, even to think about the managing of a defence system of a country or alliance without the synchronised and unique engagement of civilian and military structures. If they want to keep pace with political, economic, military and other trends, they have to follow the latest achievements in the field*