

# The Arctic Shortcut

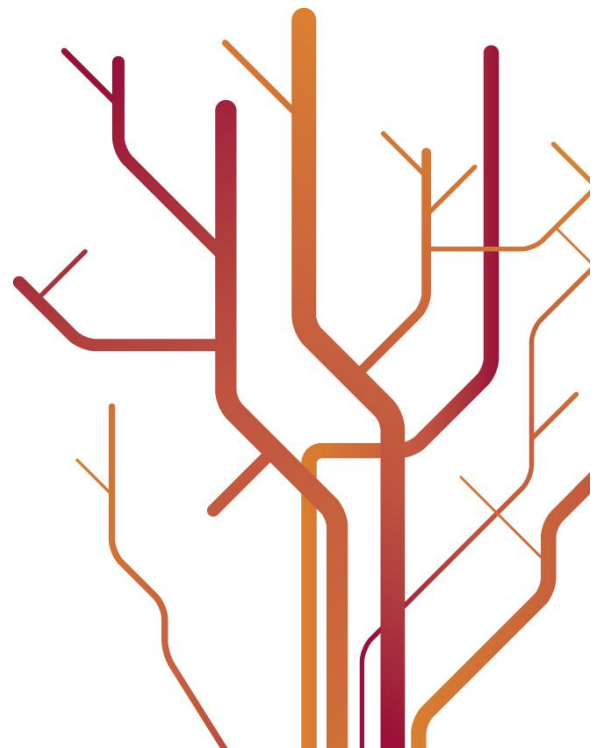
A study of Russian political commitment to a revitalisation of the Northern Sea Route



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## Preface

It's a pleasure for me to now present this thesis. It has been quite a voyage to write it and a lot has happened since its beginning, both in terms of topic and life experience. 2012 have witnessed great developments along then Northern Sea Route as well as followed me and my thesis from Tromsø to Oslo, to Kazakhstan, to Hålandsdalen and finally to Avaldsnes. I am thankful for the insight it has provided me with and for the help received along the way.

First of all, thank you very much to the six informants that provided me with crucial information through interviews.

Many thanks go out to my supervisor Geir Hønneland. I am especially grateful for the opportunity of being resident Master's fellow at the Fridtjof Nansen Institute in Oslo. It was a great experience and probably also a factor in me ending up in Kazakhstan.

I would also like to share my gratitude of the efforts made by my good friend Kjersti and my father for proofreading and tips made in the last few days before deadline. I highly appreciate it! Lastly I need to thank 'Lesehus Øst' at the University in Tromsø for many laughs, good stories and unproductive lunch breaks – the small but important things in life.

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# **1 A study of Russian political commitment to a revitalisation of the Northern Sea Route**

## **1.1 Introduction**

In 2011 the first ever super-tanker, loaded with 120.000 tons of gas condensate, used the Northern Sea Route (NSR) to transit from the Atlantic Ocean to the Pacific Ocean. Arctic transit and destination traffic has in the last couple of years experienced considerable growth and opened eyes for a new dimension of international mercantile interests in the Arctic. Increased utilisation of the NSR will also considerably impact Russian interests in a region of stated strategic importance. This thesis will analyse Russian political commitment to a revitalisation of the Northern Sea Route. It will examine Russian commitment to an opening of the Arctic region for international cooperation and consider if conditions are present for a continued increase of traffic on the NSR.

The NSR is increasingly regarded as an efficient alternative for commercial shipping between Northern Europe and East Asia. The northern corridor can dramatically reduce voyage times compared to the conventional options and the potential for logistical savings make it highly interesting for shipping companies throughout the world. Its utilisation will no doubt create an increased need for infrastructure and emergency preparedness along its route, at the same time as opportunities for employment, port extensions and economic gains in the northern periphery are lucrative incentives for both local and central authorities.

The ice-belt's contraction opens up for great opportunities, but also challenges. The prolonged sailing seasons are hampered by natural and man-made unpredictabilities. Navigating in Arctic waters is challenging and accidents can have disastrous environmental consequences. In addition, infrastructure vital to traffic on the NSR have deteriorated due to lack of maintenance and investments since the Soviet period. A complicated tariff and application system, in connection with tough vessel requirements, have long discouraged serious traffic growth.

Even though big challenges exist, earlier scientific research has indicated that the NSR could prove to be feasible both economically and technologically. The political aspect of the NSR

has especially been mentioned as an area that needs further research and it is within this aspect the thesis will focus (Brubaker and Ragner 2010).

International attention to the High North has experienced a considerable growth as the region thaws, both naturally and politically. Arctic littoral states have been joined by others in deliberating the region's future. However, an increased utilisation of the Northern Sea Route, potentially a new important dimension for interaction and economic growth, has received a relatively small amount of attention considering its potential. I will argue that Russian political commitment to Arctic shipping has varied in recent decades, having considerable impact on developments on the NSR. Therefore it will be of importance to map out Russian political commitment to a revitalisation of the shipping lane.

## **1.2 Research Questions**

This thesis will address the research question: *In what ways have Russia shown political commitment to a revitalisation of the Northern Sea Route?*

In order to best analyse this main research question I found it beneficial to first delve into two separate, but related, sub-questions.

- To what degree has Russia shown political commitment to international cooperation in the High North?

Applying theories of Russian cultural heritage and international politics, the thesis will analyse Russia's near history political commitment to an opening of the Russian Arctic region for international interests. Norwegian political and mercantile experiences with the Russian Arctic are especially, but not exclusively, used as examples.

- What are the natural, economic and political conditions for an increased utilisation of the Northern Sea Route?

Presenting a historical background together with current data, academic research and interviews of involved businesses the thesis will provide insight to the utilisation of the Arctic corridor connecting the Atlantic and Pacific Oceans.

The thesis will then combine the findings of the two sub-questions in an effort to best analyse the main research question:

- In what ways have Russia shown political commitment to a revitalisation of the Northern Sea Route?

### **1.2.1 Relevance and previous research**

Developments in Arctic transport will be of great importance for both Russian and neighbouring states' policies and societies in the High North, primarily due to the potential of economic profit, making the region commercially interesting for businesses and authorities. At the same time however, these developments carry with them potentially devastating environmental consequences<sup>1</sup>.

Arguably the most substantial contemporary research programme - The International Northern Sea Route Programme (INSROP) – mapped, in the period between 1993 and 1999, the different aspects of the NSR, encompassing most aspects of a potential revitalisation of the NSR. It aimed at creating a knowledge-bank that could serve all aspects of commercial international shipping along the Arctic region's northern corridor. 468 scientists and experts from more than 100 institutions from 14 countries participated and managed to produce massive amounts of data, books, articles and two large conferences. Especially Norway, Russia and Japan were strongly involved both academically and economically. However, the outcome did not spur a revitalisation of the NSR. The research programme ended up showing an image of a NSR that still did not have the right natural nor man-made preconditions required for increased traffic. Two of the scientists on the research programme, R. Douglas Brubaker and Claes Lykke Ragner (2010), suggest in their article '*A review of the International Northern Sea Route Programme (INSROP) – 10 years on*' that the consequences of INSROP could be said to have had a negative effect on the international

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<sup>1</sup> Although the environmental issue is an important aspect, this thesis have not found room for such focus because of a necessarily limited scope.

shipping industry's ambitions regarding the NSR. Even though they present considerable challenges for the utilisation of the NSR as a significant shipping lane, they point out that a commercial transit shipping route through the NSR can be both economically and technologically feasible. They also point out that the research programme might have been initiated slightly prematurely and that the possibilities for a commercial vitalisation of the NSR are more relevant today. Still they conclude that more research is needed on all aspects of the NSR before it can reach an effective status as a shipping lane between the Atlantic and Pacific Oceans. The INSROP subprogram of Military, Political, Legal and Indigenous Considerations especially indicated that additional research was desired on developments and challenges within the Russian political sphere (Brubaker and Ragner, 2010). Thus, the aim of this thesis is to contribute to filling this research gap. Through empirical research on Russia's political commitment to the NSR, this research also aspires to have policy relevance for businesses involved in NSR utilisation.

### **1.3 Definitions of the North East Passage and Northern Sea Route**

The Northern Sea Route (NSR) is a geographically fixed official Russian definition used for the shipping lane between two geographical endpoints – the Bering Strait in the east and the Kara Gate Strait of Novaya Zemlya in the west. Also comprising the Barents Sea, the more general and commonly used definition of the North East Passage spans the entire length of the northern coast of Eurasia, connecting the Atlantic and Pacific Oceans. The NSR shipping lane is operated, supported and administered by institutions permanently based in regions far beyond Russia's own geographical definition of the NSR, with the port cities of Murmansk and Vladivostok as the two functional Russian endpoints, both situated well outside a strict NSR definition. In addition it can be argued that a functional definition of a shipping lane emphasizes an actual or potential trading link between towns and cities with harbours that can facilitate trade. Such a definition would justify the claim that also the coast of northern Norway is a part of the NSR. Willy Østreng (1999:7) quotes the Russian President when he on 17. January 1997 issued a decree stating that the NSR is '... a highly important part of the infrastructure of the High North's economic complex and a connecting link between the Far East and the European regions of the country...'. Considering that the Barents Euro-Arctic Region, comprising the eleven northernmost counties of Russia, Norway, Sweden, and Finland, one can argue that a functional definition of the NSR stretches all the way from Vladivostok on the Pacific to Norway's Nordland county on the Atlantic. This thesis will use

this functional definition of the NSR interchangeably with the term Northeast Passage, encompassing the broadest boundaries, unless otherwise stated (Østreng *et al.* 1999:2-10)



Figure 1: An illustration of route alternatives on the Northern Sea Route (NSR)  
Source: Claus Lykke Ragner/Fridtjof Nansen Institute 2010.

## 1.4 Short historical background

The mythical northern short cut between the Atlantic and Pacific Oceans have been a well sought after dream for centuries. Economically motivated to find a navigable sea route to the spice markets in the East Indies, several expeditions attempted to transit the fabled Northeast Passage from the 16th century and on. One of them, Willem Barents, had several voyages in these waterways attempting to find the northern sea route. He discovered or arguably rediscovered Svalbard in 1596 and the Barents Sea was given its present name in honour of the Dutch explorer. However, during the 16th, 17th and 18th century Dutch and English explorers only managed to ply the waters of the Barents and White Seas, parts of Svalbard and the western coast of Novaya Zemlya. While the European explorers merely touched the entrance to the NSR, there were Russian hunters and seamen who sailed the coastal waters of the Kara, Laptev, East Siberian and Chukchi Seas. Collectively, these efforts managed to explore the whole distance of the Northeast Passage, but it was not until 20. July 1879 that the first ever NSR transit by one ship was achieved. On board the *Vega*, the Swede Adolf Erik Nordenskiöld passed through the Bering Strait and became the first to sail from one end to

the other in one expedition, during two navigational seasons. Achieving what Russian fur traders had collectively achieved two hundred years earlier Nordenskiöld concluded that the route could be of interest for commercial activity between Europe and the Ob and Yenisey Rivers - the 'Kara Sea Route' - and possibly between the Lena and Europe, but not between the Atlantic and Pacific. After Nordenskiöld's transit the sea route lost most of its importance and fell into oblivion as it became clear that the transit option was too extreme for commercial trading traffic. The climate and ice conditions made the Northeast Passage unattractive for the European traders. However, one of the pioneers in creating a modern northern commerce route between Western Europe and Central Asia was the Norwegian businessman Jonas Lied. Prior and during the First World War he extracted natural resources from inner Siberia and Mongolia on the rivers of Ob and Yenisey via the NSR to Western Europe (Østreng et al. 1999:18-20).

Following the Russian Revolution of 1917 the NSR was completely cut off for foreign commercial traffic. Claes Lykke Ragner (2000) asserts that the NSR was then increasingly developed as an important *internal* waterway for transport of extracted natural resources to the rest of the nation, and for bringing in life-supporting supplies to the many small settlements in the Russian Arctic. Utilisation of the NSR peaked in 1987, but then experienced considerable downfall during and after the disintegration of the Soviet Union, only to resurface in the new millennium. The thesis will delve deeper into the post-Soviet part of the NSR development later on (Ragner 2000a:541).

## **1.5 Theoretical approach**

The thesis will present and discuss two different theoretical perspectives in an effort to best analyse the research questions presented. The first perspective addresses the well-known debate of realism vs. liberalism theory and the thesis will study Russian High North policy in light of neoclassical realism theory and the liberalist approach of complex interdependence theory. The Russian power pendulum between these sub-theories provides a narrative of Russian foreign policy in the High North. Although the realism vs. liberalism debate revolves around the arena of international politics, proponents of the sub-theories mentioned argue that these theories are able to also encompass aspects of states' foreign policy (Schmidt 2005; Rose 1998).

The second perspective is Russia specific, and presents an additional important aspect for understanding the dynamics of Russian foreign policy: The ever-present conflict between domestic westernisers and traditionalists. I will argue that the Russian political leadership's relationship to this 'fault line conflict' have had and continues to have great importance in understanding their foreign policy today.

## **1.6 Outline of the thesis**

In the **second chapter** the thesis reflects on the methodological framework used in the data gathering and research processes, and why a qualitative case study is an appropriate methodology for the research questions presented. The reader will be informed on how I designed the thesis, where the data came from and how they were collected. A clarification will be provided on the data's reliability and the validity in transferring notions from empirical data to answering my research questions. Lastly, ethical issues regarding data managing will be reflected upon.

In **chapter 3** the thesis introduces the theoretical framework applied. It will present theories on international politics and a Russian 'fault line conflict' which will be used in the later analysis. The chapter will familiarize the reader with several terms and analogies that will be useful tool in the thesis' analysis.

**Chapter 4** addresses Russia's political commitment to international cooperation in the High North. The chapter creates an important context into which NSR developments can be understood. Norwegian political and mercantile experiences with the Russian Arctic will especially, but not exclusively, be used to exemplify Russian engagement with their external surroundings throughout the post-Soviet transitional period until today.

In **Chapter 5** the thesis investigates the current natural, economic and political developments relevant for increased traffic on the Northern Sea Route. It will present a historical background together with current data, academic research and interviews of involved businesses to provide insight on the NSR developments.

**Chapter 6** will address Russian political commitment to a revitalisation of the NSR by combining the findings from chapter 4 and 5 and analysing firstly Russian political commitment to involve foreign interests and capital in utilisation of the NSR. Secondly the analyses will move to Russian political commitment to investments in infrastructure and lastly the thesis will delve into Russian facilitation of traffic on the NSR.

The final **seventh chapter** presents the thesis' most important findings and reflects on areas of future research.



## **2 Methodological approach**

### **2.1 Introduction**

In order to conduct a research project on the grounds of the topic depicted, I had to make some methodological choices, inevitably playing into the interpretation of findings and results. To tandem with guidelines of ethical scientific research, efforts have been made to increase transparency with regard to procedures that form the basis for analysis (Kvale and Brinkmann 2009:92). Therefore I find it important to inform the reader on how I designed the thesis, where the data came from and how they were collected. In addition I will provide clarification on the data's reliability and the validity in transferring notions from empirical data to answering my research questions. Lastly, ethical issues regarding data managing will be reflected upon.

### **2.2 Utilising a qualitative case-study approach**

The nature and formulation of research questions often affects methodological choices. As this thesis examines and discusses expressions of Russian political commitments to NSR developments, I argue that a qualitative approach allows for a deeper probing of the research questions. Contrary to a quantitative survey, a qualitative research design provides the tools for data collection and interpretation that emphasises descriptions, perceptions and understandings, and accordingly, is the most suited methodological approach to explain the complex set of factors influencing development on the Northern Sea Route (Kvale and Brinkmann 2009:31).

By utilising a case-study based qualitative research design the thesis will be able to conduct a comprehensive examination of on-going developments in the utilisation of the NSR and the political system supporting it. According to Yin (1994:1) case studies are especially appropriate if intention is to “investigate a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.” This is apparent with this thesis’ phenomenon not having clear boundaries with its context, as there is in fact a complex set of intervening factors influencing the contemporary real-life development of the NSR. The thesis will address these contexts when analysing Russian political commitment to the NSR.

The qualitative research design has earlier been criticised for providing scientific studies less prone to accumulating generalizable results. But Flyvbjerg (2009) and Kvale and Brinkmann (2009) assert that one should rather distinguish and appreciate the qualities of the different methods. Flyvbjerg stresses that generalization is only one of many ways of accumulating science. Generalizable science is not necessarily more valuable than case- and context-based science. In this thesis it is the case itself that is of particular interest. By interpreting these empirical particularities in light of theory, the aim is to develop a more coherent and theoretically informed understanding of the case and its developments (Flyvbjerg 2009:92; Kvale and Brinkmann 2009; Andersen 1997:69).

The thesis' three main research questions will be approached through triangulating methods, which implies that I collect data from different and multiple sources in efforts to approach my research questions from different perspectives (Yin 2003:99). To this end, I have conducted semi-structured interviews in addition to content analysis of relevant policy documents, a literature review of academic literature, as well as collected up-to-date information on developments on the NSR from various news sources. However, as different methodological approaches affects the nature of data collection, a methodological reflection on the use of these now follows.

### **2.3 Interview in science**

Interviews were conducted for this thesis in order to retrieve contemporary information from experts and companies with special knowledge on the development of the NSR. A scientific interview can be conducted as a conversation where the scientist asks questions and the informant answers. Through such a conversation the scientist can get valuable insight from how an informant interprets and reflects on a specific topic. According to Kvale and Brinkmann (2009:137), it's in this intersection, between the perspectives of the scientist and the informant, that data is created for further study. Having a set of predetermined questions allows for different answers from different informants on the same question, approaching a topic from multiple angles. However, a fully structured interview guide might also cause a too stringent interview regime which may prove counterproductive, leading to a situation where the informant does not want to answer a certain question, in which case it would be better to have a more open dialogue.

I chose to conduct semi-structured interviews where I had a predetermined yet loose and flexible interview guide<sup>2</sup>. This made the interviews more similar to informal conversations than interviews with a strict question plan. This format gives the informants more room to deliberate on their interpretation of topics as well as reduce the risk of the scientist asking leading questions. Rubin and Rubin (1995) assert that this form of interview can be demanding for the scientist but at same time provide good data as the informant is given more room. The challenge for the scientist is both to control the interview and to ask relevant follow up questions, ensuring that you get adequate answers to your predetermined questions (Rubin and Rubin 1995:7).

While semi-structured interviews can move in to previously unforeseen areas and thus provide additional important and relevant data, it often also contributes to an extensive process of transcribing, if audio recorded. However, although systematising and transcribing interviews is time-consuming, it simplified the further work with the thesis as the repeated reading and analysis of the transcripts allows for a deeper interpretation of the data. With regard to the audio recordings, informed consent was retrieved from all informants.

### **2.3.1 Selection of informants**

The selection of informants depends on the objectives of the research project. There is no simple answer to how many informants are enough in a qualitative study. But as a rule of thumb you can say you have enough informants when you have gathered sufficient data with which to answer the research question (Kvale and Brinkmann 2009: 129). In order to achieve this I inquired a strategic selection of informant for interviews.

In an effort to achieve a balanced data material I was initially intending to interview both Norwegian and Russian informants with special knowledge to the developments on the NSR, but in dialogue with my scientific adviser this was not deemed realistic or necessary for a scientific study of this extent.

According to Kvale and Brinkmann (2009:158-159) an ‘elite interview’ can be illustrated as a setting where a scientist interviews a person with high competence and knowledge on a topic

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<sup>2</sup> See appendix 1 for interview guide (in Norwegian)

for research. They can be leaders, experts and people with professional positions of power. In order to counterbalance a potential asymmetric balance of power between the interviewer and interviewee I put emphasis on the importance of preparing well and I spent a lot of time reading up on the interview topics. It can often be a problem to achieve contact and get approval for such 'elite interviews', but I had little trouble getting the informants I wanted for my thesis. They showed interest in my thesis and wanted to contribute, although I think the fact that I was connected to the Fridtjof Nansen Institute while doing the interviews helped getting their initial approval.

### **2.3.2 Conducting of interviews**

Six interviews were conducted in research for this thesis, in the months of March and April 2012. All but one were face to face interviews held in the offices of the interviewees in Oslo and Kirkenes. Bjørn Hagland Hansen, in charge of the shipping company Knutsen OAS' LNG flotilla, preferred to do a telephone interview, lasting about half an hour. The second of the two interviews conducted with involved businesses were held at the headquarters of Tschudi Shipping Company in Oslo. Ulf Hagen, managing director of Tschudi Arctic Transit, provided considerable information on the practical development of the NSR and their company's involvement during a 2.5 hour meeting scheduled to last one hour. Otherwise the interviews lasted for about an hour.

Deputy Director of the Fridtjof Nansen Institute, Arild Moe, was a natural choice of informant as he is an experienced scientist with a lot of knowledge on Norwegian-Russian relations and having been involved in several scientific research projects relating to the Northern Sea Route. In Kirkenes I held three interviews. The first two with great practical knowledge on Russia in general and the Barents area in particular; Rune Rafaelsen, Secretary General of the Norwegian Barents Secretariat and Thomas Nilsen, editor of the internet news service Barentsobserver. The service is published by the Norwegian Barents Secretariat which aims at supporting political, business and people-to-people contacts across the borders in the region (Rafaelsen 2012).

The last interview was held one floor up from the Barents Secretariat at the office of Center for High North Logistics. With a company mission to provide access to up-to-date information on transport and logistics in the Arctic, Managing Director Bjørn Gunnarsson

provided me with good data on the practicalities of maritime transport in the Arctic (Gunnarsson 2012).

## **2.4 Written sources**

In order to achieve sufficient data to answer the research questions asked earlier it was natural to include written sources. According to Silverman (2006) written sources can serve as an important contribution to the collection of empirical data in a qualitative research project. The thesis has collected data from content analysis' of relevant policy documents, a literature review of academic literature, as well as collected up-to-date information on developments on the NSR from various news sources.

Both primary and secondary literature would be natural to use on this topic, especially the primary literature of important Russian governmental strategy documents. However, the fact that these are written in Russian made it more efficient for me to use secondary scientific literature in English or Norwegian, which related and discussed information originally presented in the strategy documents. This could arguably be a reason for criticism, but since the Russian primary literature indeed was in Russian this was necessary for the development of the thesis. One can also argue that including secondary literature from experts on the topic provided the thesis with understandings that could otherwise be missed or understated.

Some of the data for this thesis were collected from the internet. This was deemed necessary in order to strive for contemporary data on a topic that is in constant development. However, it is important to be aware of potential reliability problems with sources collected online. This problem was minimised by choosing sources from reliable online webpages. The media articles used are collected from their original publisher or reliable canals of distribution. Internet sources have proved useful in collecting contemporary data and also for providing an easy access to company press releases.

## **2.5 Assuring quality of thesis data**

Assuring quality of data is vital in scientific research. To assure quality Thagaard (2008:178-179) points to the terms of reliability, validity and generalisation. A scientist's predetermined

opinions about a topic will inevitably influence an outcome, but by providing transparency on how these issues are addressed in the thesis I strive to legitimise the quality of the data gathered.

*Reliability* addresses the data's accuracy, quality and its ability to inspire confidence. This is crucial in the further research process. In an interview setting it is important to be alert of leading questions, with the consequence of leading the informants to answer in direction of the scientist's predetermined option. To safeguard against such consequences I chose to use a semi-structured interview format allowing for more room for the informant to deliberate on their interpretation of topics, at the same time as having a flexible plan to ensure relevant and adequate answers to the topic. I have assured a transparent use of all sources, oral and written, by providing references to collected data throughout the thesis, allowing for readers to check references and thus the reliability of data gathered.

The *validity* aspect addresses the quality and integrity of interpretations done on the basis of the data gathered. In order to achieve validity it is important to reflect and be transparent on the scientist's role in the research project. Transparency regarding the whole structure of the study is crucial and earlier in this chapter I have strived to shed light on the contexts and structures of thesis data. A critical perspective on one's own interpretations is a necessary process for validating science.

Although *generalisation* can be attainable and desirable in quantitative research, it is not necessarily more valuable than case- and context-based science. As seen before, Flyvbjerg (2009) and Kvale and Brinkmann (2009) asserts that one should rather distinguish and appreciate the qualities of the different methods. Rather than providing generalizable science, the focus and aim for this thesis is to study a development in a specific context: the development of the NSR in the context of Russian political commitment to its revitalisation.

## **2.6 Ethical issues**

This thesis has been reported to the Norwegian Social Science Data Service and meets their demands for ethical research practices. Scientists are obligated to safeguard informants' integrity throughout such a research process. I contacted all informants by email and provided them with information about the aim of the thesis and their rights, such as the option to

withdraw from the process at any time. A principle of informed approval was followed in that respondents were told how interview material would be used. They were also told that the information gathered would be treated confidentially and an option of being anonymous was possible. The informants were interviewed in light of their professional positions and their personal information was of little relevance. After thorough work of transcribing the interviews I deemed the data gathered as not sensitive. None of the informants asked for anonymity or wanted post-interview check of data gathered.

Ethical issues regarding an interview with Arild Moe was reflected upon as I had, at the time, a resident scholarship at the Fridtjof Nansen Institute where he was Deputy Director. As he was not directly involved as an advisor for the thesis I concluded that there were no ethical issues regarding using him as an informant.

## **2.7 Concluding remarks**

In this chapter I have reflected on the methodological challenges faced in designing a scientific research project. I have advocated for using a qualitative case study methodology and provided transparency of the process of collecting written and oral information, choosing informants and conducting of interviews. A clarification on reliability and validity of thesis data has been provided and issues regarding ethical research practices have been addressed. The thesis has been reported to the Norwegian Social Science Data Service and meets their demands for ethical research practices.

The next chapter will introduce the theoretical framework used. It will familiarize the reader with theoretical terms and perspectives used in the thesis.





## **3 Theoretical approach**

### **3.1 Introduction**

In order to analyse the research questions and the data collected it is necessary to present and discuss some theoretical tools that will be used in this thesis. First I will shortly present the well-known debate of realism vs. liberalism theory in international politics. The thesis will argue for an utilisation of neoclassical realism as a theoretical lens in which to analyse Russian political actions. An increasingly more globalised and interconnected economic and political environment have had a strong impact on all foreign policy-regimes. This is also the case with Russian foreign policy and I will discuss the importance of including the liberalist approach of complex interdependence theory in analysing Russian political behaviour.

Having reviewed Russian foreign policies in light of international politics theory, the thesis will then present a second theoretical perspective that is Russia specific. This will provide an additional important aspect for understanding the dynamics of Russian foreign policy: The ever-present conflict between domestic westernisers and traditionalists. I will argue that the Russian political leaderships relationship to this 'fault line conflict' have had and continues to have great importance in considering their foreign policy today.

### **3.2 Theoretical approaches in International Politics**

Theory shapes our image and perception of the world. Theories of international politics are tools that scholars use to better explain behaviour of states, the states' policy-agendas and the nature of international politics. The debate between realism and liberalism, including all their offspring, has dominated the scholarly scene of theoretical interpretation of international politics. These theoretical lenses constitute paradigms or conceptual frameworks for a field of study, and they define an agenda for research and policy-making. Frameworks that theoretical approaches provide are indeed important to scientific research and interpretation of international politics, but it must be highlighted that such theoretical lenses to some degree also limits our conceptions. The theories are tools to easier, and better, understand the complex workings of world affairs.

Since the mid-1980s neo-realist and neo-liberalist theoretical approaches to international politics have dominated the mainstream academic debate as well as the inner workings of the world of policy-makers.<sup>3</sup> Both theories are system maintaining theories, in the way that none of them envision a radical transformation of the international system. Steven L. Lamy (2001) argues that these theories address differing sets of issues and priorities. He asserts that neo-realist theory, in general, focuses on issues of military security and differences of power or capabilities. Neo-liberalism on the other hand, focuses on issues of cooperation and international political economy, the core question being how to promote and support cooperation in an intrinsically anarchic and competitive international system. For neo-realists, on the other hand, the core question is how to (*best*) survive in this system (Lamy 2001:182-191)

Theories of international politics strive to explain the outcomes of state interactions and individual states' motivations for such interaction. However, it does not claim to explain individual states' behaviour, i.e. their foreign policy, in great detail or in all cases. One of the most prominent neo-realist scholars, Kenneth Waltz, argues that the subject is insurmountable due to its complexity. He maintains that since foreign policy is driven by both internal and external factors, it does not constitute a needed coherent logic of "autonomous realms", and therefore we should not strive for a truly theoretical explanation of it. However, other scholars have rejected this notion and have developed several theories that also encompass the aspect of states' foreign policy (Schmidt 2005:542-543 and Waltz referred to in Rose 1998:145). I will continue to delve deeper into two such theories encompassing foreign policy aspects.

### **3.3 Neo-classical realist approach**

Gideon Rose, one of the main proponents of the theoretical school of 'neoclassical realism', asserts in a 1998 review article in the journal of World Politics that neoclassical realism explicitly includes both external and internal variables and that it updates certain insights drawn from classical realist thought. The scope and ambitions of a country's foreign policy is driven first and foremost by its place in the international system and specifically by its relative material power capabilities. This is what makes them realists. A state's foreign policy

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<sup>3</sup> The sometimes differing understandings of these theories between academia and the world of policy will not be discussed in this thesis.

cannot transcend the limits and opportunities presented by the international system. Fareed Zakaria holds that - “A good theory of foreign policy should first ask what effect the international system has on national behaviour, because the most powerful generalizable characteristic of a state in international relations is its relative position in the international system”(referred to in Rose1998:151). However, Rose points out that the impact of such power capabilities on foreign policy is indirect and complex, because systemic pressure must be translated through intervening variables at the unit level. This is what makes the theory neoclassical. By this is implied that there is not necessarily any direct connection between material capabilities and foreign policy behaviour. A country's objective material power is in reality unknown. It is the political leadership's perception of relative power that determines foreign policy choices (Rose 1998: 144-154).

Neoclassical realists are identified by Brian C. Schmidt (2005:528) within the category of 'modified realism'. He points out that while modified realists acknowledge the importance of the systemic forces, they have “- sought to move beyond the limiting confines of structural realism and endeavoured to incorporate unit level characteristics into their account of the struggle for power among nations”. He goes on to state that “- Modified realist, especially neoclassical realists as Randall Schweller, Fareed Zakaria, and William Wohlforth, introduce a variety of intervening variables that stand between the state and international outcomes”. By including unit level factors, such as the personalities and perception of statesmen, state-society relationships, and state interests, neoclassical realists provide a different, albeit more complex but arguably better, account of the power-seeking behaviour of states.

### **3.3.1 Perception**

The neoclassical realist approach differs from other realist perspectives in that it highlights political leaders' *perception* of world affairs and their domestic opportunities and limitations. The essence is that there is no direct link between a given country's material resources and their foreign policy behaviour. It is political leaders who execute foreign policy choices and therefore it is their perception of a country's relative power that is of importance when foreign policy is developed. In highlighting the role of perception or indeed misperception, neoclassical realists have sought to provide a more nuanced understanding of international politics. This will no doubt complicate the task of measuring power but Schmidt asserts that neoclassical realists “cannot simply assume that all foreign policy officials accurately

apprehend the distribution of power or that the personalities of statesmen make no difference in the process by which the distribution of power is calculated” (Schmidt 2005:544-545)

### **3.3.2 Domestic state structure**

A second intervening variable corresponds to variations in state-society relationships, which can alter the measuring of state power. It is important to analyse the strength and structure of states relative to their societies, because political leaders and elites have differing degrees of freedom to govern national resources that could be allocated to foreign policy. Thus implying that states with comparable relative power resources but with differently developed political societies will probably have differing behaviour in foreign policies. Fareed Zakaria (referred in Schmidt2005:545) differentiates states on the basis of their ability to extract and direct resources from societies that they rule. However, there needs to be a distinction between national power and state strength. National power being traditional material resources as represented in the Correlates of War (COW) capability index, where military, industrial and demographic capabilities are the three distinct measures of national power. State strength, defined by Zakaria, can be both the ability of the government apparatus to “extract national power for its ends”, as well as the “capacity and cohesion to carry out its wishes”. An emphasis on variations of state-society relationships are crucial for neoclassical realists to examine states' foreign policy behaviour, and can be utilised to illustrate the considerable challenges the Russian state-society relationship have encountered since the collapse of the Soviet Union.

### **3.3.3 State interests**

Finally, neoclassical realists argues that states are not all motivated by the same interests of power and therefore one needs to examine the full range of state interests before concluding its preferences in foreign policy. And their interests do not necessarily correspond with their perceived power capabilities, as Schweller notes that some states -”value what they covet more than what they have” (referred in Schmidt2005:546). With reference to Russia, this last aspect will help illustrate the state's emphasis and commitment to the Northern Sea Route and its jurisdiction. Russian foreign policy in the High North can be analysed in the light of Russia's stated interest and commitment to the High North development in general and to the NSR especially. Therefore it would be natural for them to regard it as a 'region of interest'.

Adherents to the theoretical school of neoclassical realism argues that systemic pressures and incentives may in broad terms shape the direction and scope of foreign policy choices, but it can hardly determine specific details of foreign policy behaviour. To best research the links between power and policy one must closely examine the contexts within which foreign policies are formulated and implemented. Thus holding that foreign policy is best highlighted by examining 'perception of relative power' as the chief independent variable in connection with closely examined contexts as internal intervening variables. Rose goes on to stress that the realist trump card of security is less fundamental for neoclassical realists. They would rather claim that states respond to the uncertainties of international anarchy by seeking to control and shape their external environment. Rather than describing states as either power-maximising or security-maximising entities, neoclassical realists like Zakaria prefer to describe states as 'influence-maximisers'. States are likely to strive for more external influence than less, and to pursue such influence to the extent of their capability. Rising relative power would involve a process of wanting more influence abroad, as a decline in relative power would usher a period of less action and ambition. Considering the notion that a state's foreign policy scope and ambition is dependent on their relative power resources in the international system, I find it interesting and useful to utilise this theoretical framework in analysing the harrowing time in Russia's near history when their relative power resources underwent serious fluctuations (Rose 1998: 144-154 and Schmidt 2005:546).

### **3.4 Complex interdependence theory and Russian foreign policy**

The effects of an increasingly globalised world, where the economy knows no boundaries and is increasingly dependent on international institutions, have profound impacts on state politics, both internally and externally. Neo-liberalists claim that neo-realists focus excessively on conflict and competition and minimize the chances for cooperation in the anarchic international system. Neo-liberalists highlight the possibilities for mutual benefits in cooperation. But Keohane and Nye (2001:9) stress that one should be “cautious about the prospect that rising interdependence is creating a brave new world of cooperation to replace the bad old world of international conflict”. The potential for mutual gains attracts governments and non-governmental organisations to increase their portion of gains from transactions, even when they both profit enormously from the relationship. There will always be a potential for distributional conflict of real and relative gains, maybe especially in relation

to asymmetrical relationships. The Norwegian-Russian relationship can safely be considered asymmetrical and will be analysed in light of an interdependence framework.

The essence of complex interdependence theory is to better understand the effects of mutual dependency on world politics. Complex interdependence theory consists of three characteristics that conflict with realist assumptions about world politics. Firstly, complex interdependence stresses the *multiple channels* that connect societies. The realist assumption about states as dominant actors and coherent units is challenged when complex interdependence adherents include formal and informal interstate, transgovernmental and transnational relations. Interstate relations being the normal channels for realists. Transgovernmental implying that states do not necessarily act coherently as units, and transnational having an issue with states being the only actors in world politics. This will help to highlight the different channels that contribute to Arctic policy in Russia. The Arctic Council, IMO (International Maritime Organization) and UNCLOS (United Nations Convention on the Law of the Sea) being arguably the three most prominent channels in the context of this thesis (Keohane and Nye 2001:21-22).

The second characteristic challenges the assumption that *military force* is a usable and effective instrument of policy. Complex interdependence limits the instrument of force when dealing with economic issues, because even authoritarian countries may be reluctant to use force to obtain economic objectives when such use might be ineffective and disrupt other relationships (Keohane and Nye 2001:25).

The third characteristic addresses the realist assumption that security dominates the world politics agenda is challenged by complex interdependence in asserting an *absence of hierarchy among issues*. In relation with the NSR it will be highlighted that real regional development have been and will be pushed by economic incentives, more than military\security incentives. Shipping, fisheries, petroleum but also environmental issues have climbed up to the centre stage of politics (Keohane and Nye 2001:26)

### **3.4.1 Complex interdependence in the ocean space**

Regarding the applicability of complex interdependence on the issue of ocean space and military resources, Keohane and Nye claims that the ideal type of complex interdependence;

no force, is closer to reality than the role of realism; force as the dominant factor. They point to the fact that the use of military force has seen a sharp decrease since after WWII and especially since 1967, coincidental with the third period of international ocean policy regime culminating in the UNCLOS. Keohane and Nye conclude that “the actual situation in the oceans issue area lies somewhere between complex independence and realism: force is useful on particular questions, occasionally, but is not the predominant factor determining outcomes”. The security issue of force and deterrence have been and still is of consequence, but its importance has likely been falling and increasingly been overtaken by other developmental issues (Keohane and Nye 2001: 86-97).

### **3.5 The fault line conflict between domestic westernisers and traditionalists**

Having introduced theories for international politics and foreign policy the thesis will now present an additional important aspect for understanding the dynamics of the Russia's foreign policy; the ever-present conflict between domestic westernisers and traditionalists. I will argue that the Russian political leaderships relationship to this fault line conflict have had and continues to have great importance in considering their foreign policy today.

Russia's relationship to the West has never been easy. The relationship's long cultural and historical roots still have a substantial influence on Russian society in general and their foreign policy especially. There is a fault line conflict in Russian political philosophy that can be usefully applied in interpreting Russian history as well as Russian policies today. This fault line conflict, represented by three schools of foreign policy thinking, constitutes differing opinions on how to approach the West. The *Westernisers* want Russia to evolve in the same economic, political and cultural direction as the West. Whilst on the other hand, the *Civilisationists* have always seen Russian values as different from those of the West. They want Russia to develop in its own unique direction, in accordance with traditional Russian values. Somewhere in between these poles the *Statists* emphasize the state's ability to preserve order and are explicit in choosing values of power, stability and sovereignty over those of freedom and democracy. Critical to Statism is the notion of external threat to Russia's security, but their response to Russia's security dilemmas, often status quo oriented, has been less aggressive than that of the Civilisationists. Andrei Tsygankov points out that “the Statists are not inherently anti-western; they merely seek the West's recognition by putting the emphasis on economic and military capabilities”(2006:6) The Russian somewhat

unpredictable and ambivalent relationship with the West can be enlightened by studying this internal conflict (Tsygankov 2006:4-8).

### **3.5.1 Historical context**

Russia's connectivity with the West has deep historical roots. But, of course, not only the West's influence must be considered. Chiefly we must consider the impact of the Golden Horde. It can be argued that the brutal Mongol invasion and occupation from 1237 to 1480 has especially influenced Russian socio-political evolution and direction. The close relationship that the former Kievan Rus'-realm\Kievan state had with Byzantium and the rest of Europe diminished under the Mongol occupation. The Renaissance and its broader influences on the European Middle Ages never came to the benefit of Russia. Bacon and Wyman (2006) argue that the Russian population's sudden separation from the mainstream of European cultural development and the continuation of the Mongolian forms of autocratic governance are two key factors to why Russia has evolved differently than its western neighbours. However, the Muscovite state's pragmatic relationship with their Mongol overlords, in connection with their Muscovy rulers close affiliation with the traditional Orthodox Church, were important factors in consolidating Moscow as the political centre of what would later become Russia. The Orthodox Church played a vital role as a symbol for unity and continuity for the east-Slavic people and with the fall of Constantinople Moscow is proclaimed successor of the Roman and Byzantine Empires and referred to as 'the Third Rome'. "According to this theory", says Bacon and Wyman, "ancient Rome fell because of heresy, and 'the Second Rome', Constantinople, was brought down by infidels. The 'Third Rome', Muscovy, would illuminate the world and never fall" (Bacon and Wyman, 2006:8; Thompson, 2004:41-49).

### **3.5.2 Cultural aspect**

In order to grasp the deep-rooted understanding of Russian people's perception of the West it is necessary to delve into the Russian cultural identity. In traditional Russian folklore the 'Foreigner' in general and the West in particular have been observed with suspicion. The cultural position of Russian literature has traditionally been very prominent and its impact on Russian culture and mentality can hardly be overstated. Therefore it can be interesting to touch upon the literature of one the most prominent Russian writers and his perception of the West. Fyodor Mikhaylovich Dostoyevsky's former conciliatory approach to the poles of the



fault line conflict was forever altered after a journey to Europe in 1862-63. There Dostoyevsky becomes further disillusioned by European individualism. He conveys a harsh criticism of the West-European bourgeois style of life, its individualism and egotism. In *Notes from the Underground* Dostoyevsky portrays the main character as a morally ill and alienated western thinker that can't cope with or even wants to be an integral part of the Russian society. His message is that western rationality and abstract ideas do not fit into the Russian mentality and their way of life (Opeide 2009:115). Russian scepticism about the West is further demonstrated in the words of a Russian ethnologist: "... in traditional Russian folklore the Foreigner and the Devil is one and the same (referred to in Hønneland 2008). A popular description that also can be found in Mikhail Bulgakov's famous novel *The Master and Margarita*.

### **3.5.3 Shifts of relative strength in the last century**

The relative strength between the schools of foreign policy thinking has been constantly shifting throughout the Russian history. Just in the last hundred years one have seen a reactionary czar lose his power to the people and its elites western ideas. The first period of communism was characterised by western ideas and cultural diversity. Stalin leads the Soviet Union away from the prospect of 'world communism' and sets the course for 'socialism in one country'. The ideology promoted nationalism and 'socialist realism' and the autocratic grip tightened. Krushchev initially called for a return to principles of 'coexistence' with the capitalist world but a series of incidents of confrontation with the West changed the willingness to do so. Brezhnev responded with a more conservative statist approach when introducing the strategy of 'correlation of forces', reflecting a will to balance perceived dangerous influences from the outside world. During the Soviet Union's disintegration process the calls and demands for western political and economic orientation became ever stronger. However, the economic and political 'shock therapy' introduced after the disintegration had a harrowing effect on the Russian society and left many Russians sceptical about the West's underlying motives. Putin, helped by increased petroleum revenues, has made a more conservative policy shift and in effect improved the Russian self-image and so awoken its superpower ambitions. Tsygankov (2006:7) view Putin as more of a proponent of the Statist school of foreign policy thinking, rather than the Civilisationist school, arguing that even though Russia continues to be exposed to external threats and must remain a great power capable of responding to those threats anywhere in the world, there is an

acknowledgement of the importance of economic liberalisation and bilateral relations with countries in Russia's sphere of influence. A lot of Russians still have an ambivalent perception of the West. The demands and needs for western technology and economic integration are contrasted with the desire to preserve the unique Russian identity (Thompson 2004; Tsygankov 2006; Bacon and Wyman 2006). In order to study Russian politics this fault line conflict cannot be overlooked and therefore it will be part of the thesis' analysis of Russian commitment to the NSR.

### **3.6 Concluding remarks**

The theoretical perspectives introduced in this chapter have presented several terms and analogies that will be further utilised and beneficial for the analysis. The theoretical review has indicated the applicability of two different non-static theoretical perspectives in analysing Russian foreign policy. Russia's historically ambivalent perception of the West and change and continuity in its commitment to international cooperation can be illustrated by the pendulum swings of relative strength in these theoretical perspectives. In order to address the research questions the thesis will try to investigate these pendulum swings viewed in Russia's commitment to the High North and NSR policies.

The next chapter will take on these lessons while addressing the first research sub-question - Russia's changing commitment to international cooperation in the High North.

## **4 Russian political commitment to international cooperation in the High North**

### **4.1 Introduction**

During the time of the Soviet Union the Russian Arctic region was one of the permanent frontlines in the Cold War. The superpowers' maritime strategies made the northern seas not only a military front but also a target in itself. Its strategic importance was paramount and the activity accordingly. Soviet presence and infrastructure was politically decided from Moscow and the economic feasibility of Arctic activities was not of greatest concern. But in accordance with the fault line conflict of Russian political philosophy, the relations between Russia and the West have not been uniform. Even during the Cold War there were periods with an easing of tensions, so called periods of 'détente'. In these periods there were opportunities to establish new methods for cooperation. For instance, the development of the Law of the Seas in the 1970s brought Norway and the Soviet Union together in a rare east-west collaboration. Management of the northern fisheries resources in the joint Norwegian-Soviet Fisheries Commission was initiated in 1976 and has been and still is a story of success. However, also this cooperation has seen ups and downs in accordance with the 'fault line conflict theory'.

In the late 1980s a more cooperative spirit was emerging. A number of bilateral scientific and environmental agreements were signed with the other Arctic states and in October 1987 President Mikhail Gorbachev held the so-called Murmansk Speech, often regarded as an initiating event for current regional cooperation in the Arctic. According to Lassi Heininen, in the Arctic Council's Arctic Human Development Report of 2004, the speech included the Soviet rhetoric on peace but it more importantly reflected the processes of glasnost and perestroika, openness and reform. The 'Murmansk Initiative' was an early indicator of change in the closed nature of the Soviet North and consequently a real turning point in the Arctic. Gorbachev presented six proposals in his speech. The first two were about establishing a nuclear weapon-free zone in Northern Europe and reducing military activities. The other discussed confidence-building measures in northern seas, civilian cooperation in developing natural resources, coordination of scientific research, cooperation in environmental protection and, most relevantly for this thesis, an opening of the Northern Sea Route for foreign vessels. The manifestation of these proposals gave mixed results but it can be said that the period

leading up to the end of the Cold War was accompanied by a rebirth of connections between northern peoples and societies, and the beginning of a new era in Arctic international cooperation (Heininen 2004).

## **4.2 From cold war to cold peace**

With the introduction of glasnost and perestroika the ever-present pendulum between Westernisers and Civilisationists had taken a big step towards liberal western ideas. The introduction of glasnost and perestroika can be illustrated as an awakening in, or arguably a substitution within, Russia's political elites. Generally speaking, former realist ideas of material power and military capabilities had eventually stalled the Soviet economy and now it was heading for a crash-landing. The calls and demands for western political and economic orientation became ever stronger. It was in this period that the far-reaching BEAR (Barents Euro-Arctic Region) collaboration was initiated, by Norwegian initiative in 1993, incorporating Russia, Denmark, Finland, Iceland, Norway, Sweden and the European Commission on an intergovernmental level (BEAC) and thirteen regional counties and similar sub-national entities on a Barents interregional level (BRC), in addition to indigenous peoples with advisory representation in both BEAC and BRC. These institutions created an increased contact and cooperative dimension, especially within environmental management, nuclear security and health-issues. Russian participation in such a multilateral cooperation, on both interstate and transgovernmental levels, not imaginable a few years earlier manifested a different political attitude in Moscow. Acknowledging the importance of multiple political channels and the possibilities for mutual benefits signalled a new attitude towards the West. It's interesting to see these changes through the modern day lens of complex interdependence theory. Neo-liberalist supporters of such theory stress the possibilities for mutual benefits in cooperation and claim that neo-realists focus excessively on conflict and competition, and thereby minimize the chances for cooperation.

The economic and political 'shock therapy' introduced after the disintegration had a harrowing effect on the Russian society and its economy. They imported western models for democracy and market economy based on an assumption that by Western orientation Russian interests would coincide with Western interests. But the pro-western, liberal and idealistic foreign policy strategy, known as 'Atlantism', didn't produce the expected results, according to Norwegian political scientist Helge Blakkisrud. Internally there was political and economic

instability, and they were feeling a lack of reciprocal respect in relations internationally. Disillusioned with their western political and economic orientation, Russians became increasingly sceptical about western motives. Although most initiatives towards Russia were established in a spirit of cooperation, in reality some of the measures were nothing more than aid assistance. Unconcealed altruism was eventually in several cases perceived with suspicion from the Russian side. This resulted in the concept of 'cold peace', which describes how western states after the Cold War continued their efforts to weaken Russia, but now with other means. This played a complimentary role in the perception that Russia had to find its own unique way out of the problems created after the disintegration of the Soviet Union, all in accordance with the political understanding of the Russian civilisationists (Blakkisrud; Hønneland and Rowe 2010:46 & 145).

A more "Civilisationist" orientation in Russian policy also effected their commitment to international collaboration. There was Russian reluctance in introducing a medication system (DOTS) for treatment of tuberculosis, because the Russian centralised medical profession perceived this treatment as meant for *developing countries*, (i.e. not a reciprocal partner.). Within the fisheries management the year 1999 produced a crisis for both the stock of fish and the cooperation. The International Council for the Exploration of the Sea (ICES) recommended drastic cuts in the cod quota, and according to Hønneland (2008) the Russians accused Norway and its western allies of trying to shatter the Russian fishing industry. They argued that the wealthy Norwegian fishing industry could handle the quota cuts and compensate with farmed fish, whilst the impoverished Russian fishing industry would not survive the cuts. Another attempt to close or hinder the cooperation in the Russian North was Moscow's change in attitude towards the Arctic Military Environmental Cooperation (AMEC), established by the military authorities in Russia, Norway and the United States in 1996. In February 2007 a central Norwegian representative within the AMEC project was denied entry to Russia on a routine working visit and accused of conducting illegal information gathering. According to Elana Wilson Rowe (2011), this signalled a changing attitude in Russian political and security circles with regard to not wanting to be a recipient of 'aid' via capacity-building projects and the extent to which the Russian North, and the military North in particular, should be 'open' to other actors and multilateral activities. (Hønneland 2008; Hønneland and Rowe 2010:46; Rowe 2011: 2-4)

Russia's aggravated cooperative relations with Norway in this period can be seen in connection with how Jensen and Skedsmo (2010) analyse the Russian authorities' foreign policies in the north. They argue that the Kremlin in general and Vladimir Putin in particular, perceive international politics through a realist's theoretical lens, where one state's interests automatically is in conflict with other states' interests. This zero-sum game is contrasted with the Norwegian notion of mutual benefit. Norwegian support for projects in Russia, made in good intentions, therefore sometimes can be perceived with mistrust or even considered a strategic hostile interference by Russian authorities. This situation can be exemplified by a, in Russian perception, controversial Norwegian support for Russian scientific institutions, such as the Murmansk-based fisheries research institute PINRO. Energy plays a central role in both Norwegian and Russian High North policies. Norway is faced with an insecurity regarding remaining petroleum resources on the Norwegian shelf and Russia has expressed a need for foreign investment and technology. However, Russian authorities have conducted contrasting policies, in which they oppose foreign competition and influence in their perceived strategically important energy sector. They remain sceptical regarding a further economic integration that might lead to a dependent relationship, in which the Russians arguably will have to be the junior partner, and therefore, in a Civilisationist realist perception, the losing party. That situation is not one modern Russia, with its superpower ambition, would feel comfortable in. In continuation, this is not just a headache for Russia, but also for the many foreign market participants that wants to be in on the development in the High North (Jensen and Skedsmo 2010:446-449).

### **4.3 A return to normalcy**

It is important to stress that perceptions of Russia in the 1990s must not be seen as Russia's standard condition. In recent years Russia has again reached a relative normalcy after the harrowing 1990s. From the early 2000s Putin, helped by increased petroleum revenues, improved the Russian self-image and so awoken its superpower ambitions. Considering the notion in neo-classical realism that a state's foreign policy scope and ambition is dependent on their perceived relative power, I find it interesting that having countered the harrowing time in Russia's near history when their relative power resources underwent serious fluctuations, modern Russia's chief objective is to again reassert their position as a superpower. According to Helge Blakkisrud this will be achieved by consolidating Russian interests and maximizing possible economic gains. He stresses that it is still unknown what

Russian national interests precisely constitutes other than a combination of ‘supreme democracy’, economic power and military strength (Blakkisrud: no date).

In a show of strength, a scientific research submarine in 2007 planted the Russian flag on the sea floor underneath the North Pole. This was arguably mostly intentioned as a domestic display of strength, but attracted a lot of attention from the international media. Pavel Baev argues that Moscow’s tone of ‘conquering the North’ is intended to reach out to an electorate, which has a rooted subconscious perception of ‘Northernness’ as a key feature of Russia, in line with a Civilisationist understanding. Rottem (2010) clarifies that most of the known and unknown natural resources are situated on Russian territorial land and under undisputed Russian jurisdiction. Combined with their Arctic military capacity this puts Russia in a unique position in the Arctic. Therefore it is natural that Russian rhetoric and actions underscore this notion. Russian respect for international law is however often questioned because of Russian policy to defend and promote Arctic interests through military presence in the region. But, according to Rottem, this apparent duplicity is not necessarily a paradox. Military presence is an intrinsic part of any state's assertion of sovereignty. Considering the country's geographical extension, Russia has legitimate interests for maintaining a presence in the region (Rottem 2010:194; Blakkisrud; Baev 2010).

Pavel Baev (2010) argues that Russia is firmly set on a trend of Arctic demilitarization, albeit without wanting to admit to it. In contrast to the ambitious Arctic Policy of 2008, Russia has since the autumn of 2008 been conducting radical reforms involving significant downsizing and dismantling of the old infrastructure for massive mobilisation. In reality most of the Northern Fleet’s resources will need to go to a modernization of the strategic capabilities with new Borey-class submarines. Considering the needed decommissioning of old vessel the numerical strength will likely be cut in half. Baev goes on to claim that the only element of Russian maritime power which has been strengthened in the last decade is the icebreaker fleet, but that its “deployment for securing navigation along the Northern Sea Route is prohibitively expensive in commercial terms”. One can argue that Moscow has put its Arctic policy emphasis less on military build-up and more on maritime law enforcements duties. However, the sum total of Russia’s deployable military capabilities in the Arctic still remains greater than the combined forces of its neighbours. The Kola peninsula and adjacent waters are still considered a military area of special importance, and increased oil and gas activity in

the future may give new tasks for Russian military forces and other security structures (Baev 2010: 4; Zysk 2008; International Institute for Strategic Studies 2012).

#### **4.4 Playing by international rules**

If we consider states as respondents to international uncertainties, it would be natural for them to want to control and shape their environment of interest. States are likely to strive for more external influence than less, and to pursue such influence to the extent of their capabilities. Rising relative power would involve a process of wanting more influence abroad just as a decline in relative power would usher a period of less ambition and action. It could be claimed that since Russia joined in for more international collaborations when their relative power deviated from normalcy, they would refrain from such collaboration when their relative powers reached a more normal state. But there are strong indications that Russian political elites are more interested in reaping the benefits of being influential in international institutions rather than being powerful alone. Instead of describing states as either power-maximising or security-maximising entities, neoclassical realists prefer to describe states as influence-maximisers. This entails an acknowledgement of the importance of being involved in international institutions that are relevant to your state's diverse interests (Schmidt 2005: 545-546).

Russian commitment to such international institutions can be illustrated with their signing of the Arctic Environmental Protection Agency (AEPS) in 1991 and the establishment of the Arctic Council five years later. The circumpolar forum is to promote cooperation, coordination and interaction in the Arctic region. The permanent members are the eight countries within the Arctic Circle – Russia, United States, Canada, Denmark, Iceland, Norway, Sweden and Finland. In addition there is a host of permanent and ad-hoc states, institutions, indigenous peoples and NGO observers. Whereas the Arctic Council's relevance as a non-binding forum was under challenge for a period, the arena of real Arctic collaboration has in recent years seen a strong increase in its relevance, an increase in relative power if you will. In 2011 the first binding agreement was signed under the auspices of the Arctic Council, when the Arctic members agreed on the Agreement on Cooperation on Aeronautical and Maritime Search and Rescue (SAR) in the Arctic. The treaty establishes areas for search and rescue responsibility and coordinates international SAR coverage and response in the Arctic. The councils growing importance can also be illustrated in the



lobbying efforts of several countries and institutions wanting to get a permanent observer status in the forum. After having their application rejected in 2009 China, South Korea, Italy and the EU raised the political risks for another rejection in Kiruna, Sweden in May this year. The hopeful were also joined by several others with growing Arctic interests, including Japan, Singapore and India. In Kiruna, all applicant countries, after a long and contested debate, received their permanent observer status. EU, on the other hand, was in principle welcomed but needs to solve some disputes with the new chairmanship Canada before being accepted. The Arctic Council's influence and relevance has risen to the world stage as the most important international Arctic forum (Heininen 2004; Vold *et al.* 2013; Kaiman 2013; Karlsbakk 2013).

In accordance with thoughts of complex interdependence it is important to highlight that states must not always be considered the actor or driver for international collaborations. Also transnational cooperation, being partnerships between organisations, companies or individuals of different nations, increased in the post-Cold War era. A scientific example for such collaboration is the earlier mentioned multidisciplinary research programme INSROP – The International Northern Sea Route Programme. 468 scientists and experts from more than 100 institutions from 14 countries participated in the project from 1993 and 1999, and managed to produce massive amounts of data, books, articles and two large conferences on a subject and region which not so long ago was closed from foreign interference (Brubaker and Ragner 2010).

#### **4.5 An overrated Arctic Game**

On matters of ocean management and territorial claims the Arctic region has by some been illustrated to be an area of competitive claims and conflicting interests – the Arctic Game. However, I argue that the premise for such a ‘rush to the North Pole’ is highly overrated and that the Arctic ‘players’ are indeed playing by the rules.

The United Nations Convention on the Law of the Sea (UNCLOS) from 1982 stipulates the rights and responsibilities of coastal state's use of the world's oceans. All the five circumpolar states, except the United States, have signed and ratified the Law of the Sea Treaty. As one of the very few the United States has not ratified the treaty, but it recognizes the treaty as a codification of customary international law. Last attempt to ratify the treaty was stalled in the

US Senate in 2012, when the needed 2\3 majority didn't manifest. In reality, all the circumpolar states consider the UNCLOS to be the judicial justification for their maritime territorial claims. Since the treaty came into force in 1994 territorial disputes have been resolved with the basis in the treaty's internationally deliberated law (Rowe 2011: 2-4; Johnson 2012).

The August 2007 planting of the Russian flag on the seabed at the North Pole was perceived by many as an act of unilateral declaration of territorial claims. But Elana Wilson Rowe (2011) stresses that while the Russian political leadership applauded the effort as a scientific feat, they were quick to emphasize that all such claims would be resolved in the appropriate international setting. The expedition in itself was indeed there under the international authority of the UNCLOS to conduct soil samples in an attempt to scientifically prove the extension of their continental shelf. More recently, in 2010, after 40 years of dispute, Norway and Russia reached an agreement on a delimitation line, with a negotiation basis in the UNCLOS, setting it rather neatly between the initial claims, and agreeing on joint ownership of any potential territorial-crossing petroleum resources (Rowe 2011:2-4). Thus the compromise agreement opened for increased activity and more effective regulatory regimes on both sides of an earlier area of relative conflict.

In all practicality Russia's territorial claims are not so controversial. They have agreed territorial borders with Norway in the West and the United States (1990) in the east. Their continental shelf claims beyond 200 nautical miles extends in the east to the North Pole because of the believed continuation of the Lomonosov Ridge from the Eurasian continent. The contestation with other states is regarding a smaller part of the Lomonosov Ridge close to the North Pole. Having first submitted their claims for the extended Russian continental shelf in 2001, the UN Commission on the Limits of the Continental Shelf (CLCS) asked them to revise its submission. They are now in a process of substantiating their claims, as are most of the other Arctic states (International Boundaries Research Unit 2013).

Russia, as well as all other Arctic states, is also a member of the UN International Maritime Organisation – an agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships. The increase of traffic in Polar waters and the additional challenges present when operating in the Arctic and Antarctic has led to a need for added international regulation of shipping. IMO is currently developing a draft code for the

safety of ships operating in polar waters. The 'Polar Code' will cover "the full range of design, construction, equipment, operational training, search and rescue and environmental protection matters relevant to ships operating in the inhospitable waters surrounding the two poles". In this forum Russia together with Norway as recently as November 2012 proposed and got adopted a new mandatory ship reporting system "In the Barents Area (Barents SRS)". All major vessels in the Barents SRS area are required to participate in the ship reporting system, by reporting to either Vardø VTS centre or Murmansk VTS centre (International Maritime Organization).

#### **4.6 Norwegian-Russian collaboration in the Arctic**

Norway has, comparatively, had a clear and consistent policy on the High North and their relationship with Russia. Jensen and Skedsmo (2010) argue that Russian policies in the High North, however, have been inconsistent and at times even 'ad hoc'. This of course complicates analysing and anticipating further Russian political and economic policy shifts in the Arctic, which potentially can have considerable effect on Norwegian interests. But, it could be pertained that Russia and Norway largely have complementary interests in the Arctic. One's needs can be complemented by the others resources. This line of thinking is maintained by Norway, who considers the Russian zero-sum mentality a serious problem for a possible cooperation within technology and trade (Jensen and Skedsmo 2010: 446-449).

The last couple of years have seen a clear positive development in Norwegian-Russian relations in the Arctic. After multiple rounds of negotiations, and considerable pressure from the Norwegian government, the Norwegian StatoilHydro (now Statoil) was finally in 2007 chosen, together with French Total, as the only foreign partners for Russian Gazprom in developing the potentially enormous Shtokman field. Although Statoil left the project, at least for now, because of high development costs in August 2012, the Norwegian petroleum giant in May the same year signed a comprehensive cooperation agreement with the Russian state-owned Rosneft, now the world biggest oil company. The agreement led to the establishment of joint ventures for development of four major offshore Russian licences, one situated in the Barents Sea and the rest in the eastern Sea of Okhotsk. The deal gave the Norwegian company a 33.3 percent stake in joint ventures, and the Russian state-owned company the future possibility to participate in projects in Norwegian waters. The Joint Fisheries

Commission is still developing in a positive direction with long-term strategies for fisheries management and new joint fish stocks. However, continued arrests of Russian trawlers in the Fisheries Protection Zone around Svalbard have generated tensions in the Commission's work (Hønneland and Rowe 2010:124-126; Statoil 2012)

After 40 years of discord, in the spring of 2010, Russia and Norway agreed on a demarcation line in the Barents Sea and the Arctic Ocean. The compromise agreement can be considered as contradictive to traditional Russian realist zero-sum policies. And, indeed, the compromise has made some Russians disgruntled, claiming that Russia has "given away" large ocean areas that, according to the Russian 'sector line argumentation', belong to Mother Russia. The compromise agreement was a clear triumph for Norwegian High North policy, but a final clarification of the boundaries in the Barents Sea and the Arctic Ocean is also of paramount importance for Russia. By displaying that they respect the United Nations Convention on the Law of the Sea (UNCLOS) Russia reduces the criticism against them for being an unpredictable player. This could further have a positive influence on future Russian territorial demands under the Law of the Sea Convention (Jensen and Skedsmo 2010:446-449).

#### **4.7 Concluding remarks**

Russia has gone through a dramatic period since the disintegration of the Soviet Union. Its relative power has undergone severe fluctuations and the regime's attitude to international cooperation likewise. But the formerly closed nature of the Russian Arctic has seemingly opened for mercantile purposes in which Russia has something to gain. This opening together with a willingness to work with and within international organisations has contributed to a marked increase in Arctic influence and thus relative power. Increased collaborative Arctic activity has led to an elevated recognition of Russia's reliability and their legitimate presence in Arctic matters. Katarzyna Zysk (2010) points to the fact that the region features increasingly in Russian domestic and foreign policy discourse, particularly since Vladimir Putin's second presidential term. The importance of the Arctic to Russia on the one hand, and growing international interest on the other, has fuelled Russia's determination to make its role as a central Arctic nation eminently clear by political, economic and military means. Elana Wilson Rowe (2011) argues that the increased level of strategic attention being given to

northern issues may eventually complicate international cooperation. When the stakes get high, the will for interaction might decline. To utilise an open/closed dichotomy is of course a simplistic conceptualisation, but it serves to illustrate the long term trends that have shaped Russia's northern policy the last decades. In reality, policies towards openness or closure overlap and compete with each other within the political arena. Pavel Baev (2010) argues that Russian Arctic policy is shaped by a dynamic interplay of poorly compatible Russian interests and intentions. In addition he argues that this interplay should not be reduced to an equation of only security imperatives and economic drivers because immaterial ideas add to its complexity. This argument complements the thesis' theoretical framework when it takes into account the complexity of interchanging factors and their relative strengths (Baev 2010:3; Rowe 2011:2-4; Zysk 2010:103).

Having addressed Russian commitment to international cooperation in the High North the thesis will now present empirical findings on the Northern Sea Route.



## **5 Natural, economic and political conditions on the Northern Sea Route**

### **5.1 Introduction**

More than ten years have passed since the INSROP research programme made their conclusions<sup>4</sup>. The knowledge presented is still of vital importance and deserves attention, but as we enter the 21<sup>st</sup> century, climatic, political and technological developments have again made the NSR an interesting dimension. Lucrative prices for raw materials and continued piracy problems along the traditional water way combined with important oil, gas and mineral reserves in the Arctic, increases the international commercial interests for the NSR. There are also clear indications that global warming is gradually improving the ice conditions of Arctic Routes.

Up through history grand words have often been used to characterise the potential of the North East Passage. This chapter will, through historical and present findings, academic research and experiences from involved businesses, make an effort to present a more nuanced narrative of the fabled sea route.

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<sup>4</sup> Enter INSROP homepage to get an overview of their research <http://www.fni.no/insrop/defaultINSROP.html>



Figure 2: Map over Russian Arctic  
 Source: Swedish Defence Research Agency, in Carlsson and Granholm (2013)

## 5.2 Modern development of the NSR

At the time of peak utilisation of the Northern Sea Route in 1987, the waterway was an internal artery for outward transport of extracted natural resources and incoming transport for life-essential supplies to the many smaller settlements in the Russian Arctic. Reflecting the increased development of natural resources and its relative short distance from the northern waterways the second half of the 20<sup>th</sup> century had seen a slow but steady growth in the traffic volumes on the NSR. In 1987, 6.58 million tons were transported within the NSR. Since then the volumes have decreased drastically, hovering around 1.5-2.0 million tons annually from 1996 until it started to pick up again in around 2005 (Ragner 2000a:554).



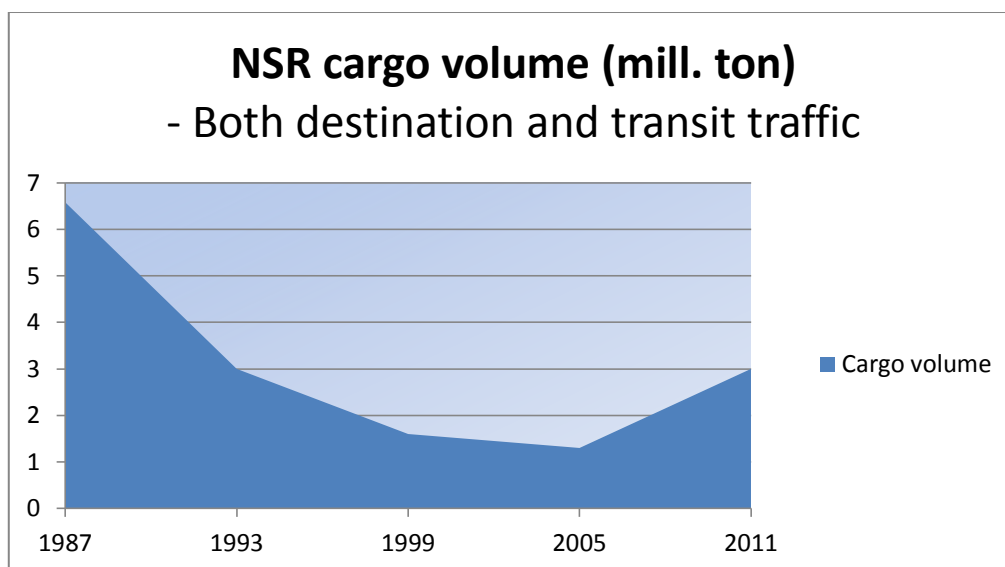


Figure 3: NSR cargo volumes 1987-2011 – both destination and transit traffic  
 Source: Vold et al. (2013)

Claes Lykke Ragner (2000a: 545-548), a participant in the INSROP research programme, points out that *transit traffic* on the NSR, between the Atlantic and Pacific Oceans, in the Soviet era was almost non-existent. There were some military transits but very few commercial transits. However, from 1989 and onwards some Russian ship owners, if paid in dollar, managed to make substantial profits on transit traffic because of the grossly undervalued rouble, even with low freight tariffs. In 1991 the traffic had grown to 15 transits and peaked two years later when 208 000 tons were transported. But after this short burst in transit traffic the freight terms gradually worsened, and in 1996 only one transit sailing occurred, the last recorded up until the new era of transits surfaced in 2009. Even though the period of transits was short-lived, it created high Russian expectations on the route's international potential. However, the main Russian focus with regard to the NSR has been, and always will be, its economic significance for Russia's arctic regions - its role in supplying them, contributing to their industrial development, and to the export of their vast natural resources.

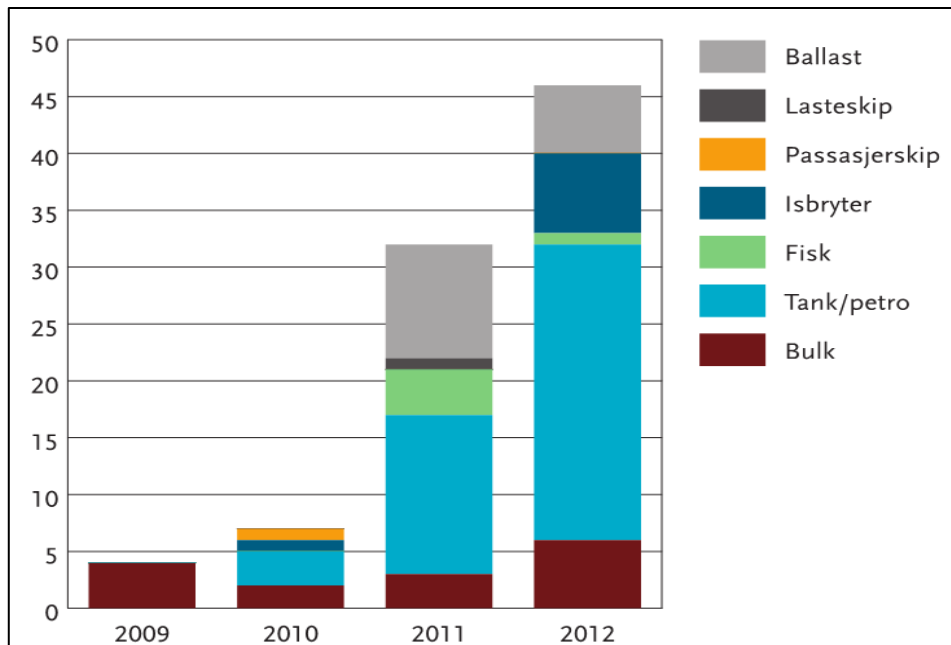


Figure 4: Transit sailings through the NSR 2009-2012 - number and cargo type (in Norwegian)  
Source: Vold et al. (2013)

Outside Russia, the emphasis of the NSR has been on the potential transit route for cargoes between Northwest Europe and the North Pacific regions. The INSROP research programme from 1993-1999 found that the cargo volumes needed for a sustainable transit route were present but highlighted that whether or not these cargoes will ever be moved through the NSR depends on the transport economy of the operations. The NSR's transit potential did not yield any rationale for an imminent resumption of NSR transit operations, which ground to a halt in 1996. With no sign of radical changes in the basic conditions for NSR shipping, the research programme expected the transit volumes to be zero, or close to it, for the entire period up to 2015. However, the conditions did change and the utilisation of transit sailing picked up again in 2009. The somewhat explosive growth came as a surprise to many and new high expectation where set. It is however important to remember that the explosive growth derives from the very low number of transits since the early 1990s. In addition, even though the growth has been substantial, the 46 vessels in transit in the sailing season of 2012 were nevertheless dwarfed by the 17.225 vessels sailing through the Suez channel the same year. In reality there is little real competition, but the NSR can provide as an alternative ocean highway with some obvious competitive strengths (Ragner 2000a: 550-551 & 568; Pettersen 2012a; Moe 2012; Suez Canal Traffic Statistics).

### 5.3 Natural conditions

The fact is that the NSR is both shorter and normally also faster for a significant portion of global trade transported between Northern Europe and the Asia-Pacific region.

From Hamburg to:	Vancouver	Yokohama	Hong Kong	Singapore
via NSR	6635	6920	8370	9730
via Suez Canal	15377	11073	9360	8377
via Cape of Good Hope	18846	14542	13109	11846
via Panama Canal	8741	12420	12920	15208

Figure 5: Alternative shipping routes to ports in the Pacific and Atlantic, in nautical miles.  
Source: Composed by author from Ragner (2000b).

The distances between the big shipping hubs of Hamburg, Germany and Yokohama, Japan are approx. 11 000 nautical miles on the normal Suez route, but only 6 900 miles utilising the NSR. The same numbers, through Suez or NSR, refer to the distance from Murmansk, Russia to relevant ports in China. The NSR proper, from the Kara Gate to the Bering straits, constitutes approximately 2550 nautical miles, measured along a standard coastal summer route, assuming favourable ice conditions. This coastal route has both *depth* constraints (maximum draft 12.5 m due to the shallows 13 m Sannikov Strait) and *breadth* constraints (maximum beam is 30 m because of current icebreaker width) on the NSR. However, the NSR is no fixed sea lane and depth and breadth constraints can and have been avoided by taking a more northern route and avoiding ice. This also shortens the distance, making better time and saving fuel, but avoiding fast-ice is not a certainty and more and better ice-surveillance is needed, according to Ragner (2000a:552) thirteen years ago.

There have been efforts to improve surveillance of ice and vessel traffic in the Arctic, chiefly amongst them new satellites for better Arctic coverage, improvement of hydro-meteorological services, and introduction of the Automatic Identification System (AIS), providing automatic information about vessel, location, route and speed to other ships and coastal authorities. However, even though the amount of data available is greater there is still considerable effort to be made on systematically acquiring relevant data and making it available to all parties, across borders.

#### 5.3.2 Ice-coverage

The Arctic is undergoing an extraordinary transformation. Climate change and global warming is increasingly evident as the Arctic sea ice melts faster than scientists until recently anticipated. All

indications are that there will be less ice along the NSR in the years to come – see figure 6. This will allow the possibility of regular ships to sail in some areas in the summer season and to go with ice-strengthened ships without icebreaker assistance in larger areas and for longer periods. When the ice retracts it will also be possible to choose routes further north, shortening the distance, avoiding shallower straits and in the future possibly Russian bureaucracy. Thus, the extension of sailing season has given a renewed interest for arctic shipping in the last few years. However, like figure 6 illustrates, even though the ice conditions improves on average, there is considerable variation from year to year and also within the same season. This means that shipping companies face a high level of unpredictability and must plan for possible ice problems. They have to add serious cost factors as ice-strengthening of vessels and backup services of icebreakers. Unpredictability is presently something of an Achilles-heel for large scale traffic on the NSR. Punctuality is extremely important in international shipping where deliveries are conducted on a principle of “just in time”. As of now, the NSR cannot run on exact schedules, but for vessels with extensive voyage savings and Arctic destination traffic the declining sea ice is opening up for new possibilities (Moe and Jensen 2010a; National Snow and Ice Data Center 2013).

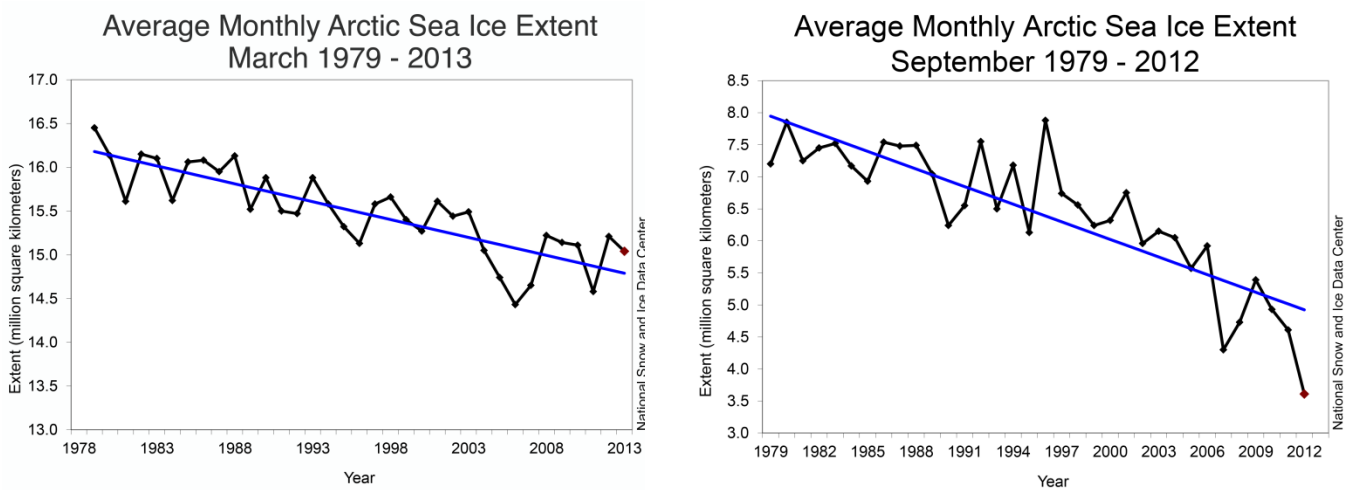


Figure 6: Monthly ice extent for March and September from 1978 to 2013 shows a decline of 2.5 % and 13 % respectively per decade.

Source: National Snow and Ice Data Center (2013)

The sea ice's age and thickness is also of big consequence when considering arctic shipping. Only nuclear powered icebreakers, which Russia has exclusively, can cope with multi-year ice of up to two meters of thickness. But as figure 7 illustrates below, there has been a significant decline in multi-year ice and especially along the NSR. This can have a positive impact on the shipping industries willingness to invest in the high costs of building and operating ice-strengthened vessels suitable for lower ice levels currently on the NSR. Ship designs with ice-strengthening have traditionally been heavier and less efficient but with new designs these disadvantages can be minimised. The Aker Arctic patented Double Acting Ship (DAS) design is a type of icebreaking ship designed to sail ahead efficiently in open waters until it meets ice-challenges and turns around and break way through the ice with her ice-strengthened stern. The Russian mining and metallurgic company Norilsk Nickel already has five cargo ships of this kind with the ability of breaking through 1.5 meter thick ice on their regular route from Dudinka to Murmansk and Arkhangelsk. The Finnish ship yard company that made those ships has also projected a 170,000 m<sup>3</sup> special Arctic LNG carrier on the same design (National Snow and Ice Data Center 2013; STX Finland: a; STX Finland: b; Moe and Jensen 2010a).

## Arctic Sea Ice Age, March 2013

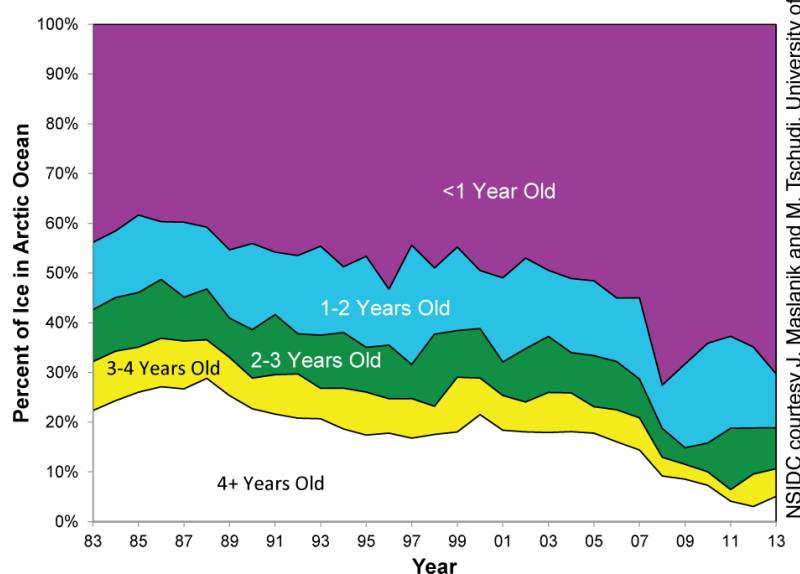
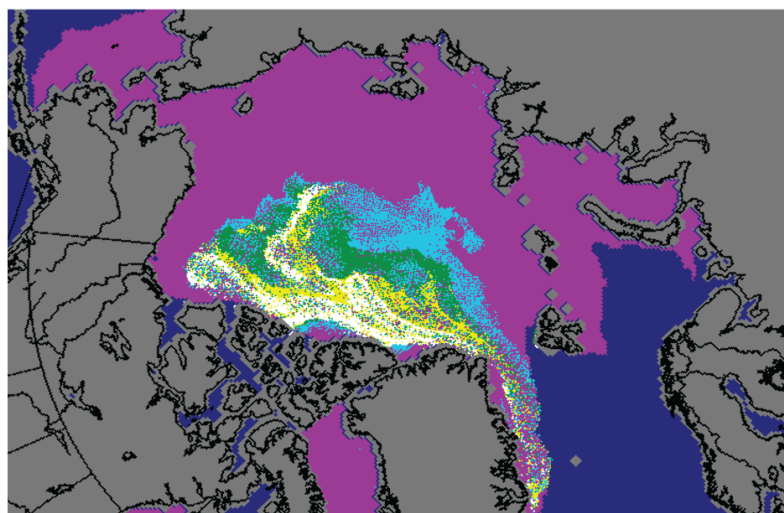


Figure 7: The map at top shows the ages of ice in the Arctic at the end of March 2013; the bottom graph shows how the percentage of ice in each age group has changed from 1983 to 2013. Source: National Snow and Ice Data Center (2013) courtesy J. Maslanik and M. Tschudi, University of Colorado.

## 5.4 Economic perspectives

The major distribution hubs for overseas European goods are Rotterdam, Antwerp and Hamburg. Combined they stood for a total of 730 million tons in 2010. Rotterdam's cargo flow alone constituted 430 million ton, making it the busiest port in Europe. Rotterdam is also the largest container port with 11.5 million TEU in 2010, which is 25% more than Antwerp and 30% more than Hamburg.

According to a prefeasibility study from 2012, written by the research-centre Akvaplan-niva on a request from the Norwegian Barents Secretariat, around 50% of the container flow over Rotterdam in 2009 was Asian, with China being the major destination and origin. Traffic going north from Rotterdam is miniscule in comparison. Russia counted for only 3% of this traffic, while Norway, Sweden and Finland each had a 1.5% share. In spite of the tough financial times the overall cargo flow in Europe have been steadily increasing in the period between 2005 and 2010. The 20 major European ports had an average 10% growth in cargo distribution, while the container distribution grew by 15%.

The Russian seaports have experienced an even stronger development; from 162 million tons in 1999, via 285 million tons in 2003, to 526 million tons in 2010. With 43% of this traffic the north-western part of Russia is leading the development. Murmansk has Russia's fourth largest port and the world's largest north of the Arctic Circle. In Northwest Russia, only the port of Sankt Petersburg is larger. With its location, the port of Murmansk is strategically well situated with access to deep ice-free waters and railway connections - handling 25 million tons of cargo in 2010, with the total freight turnover (loading and offloading operations) amounting to 33 million tons (Bambulyak *et al.* 2012).

In addition to the main Murmansk Commercial Sea Port, the Arctic city also harbours the home port of Atomflot, a fish port and a passenger terminal. It is also worth adding that the mining and metallurgy giant Norilsk Nickel has over the last years developed their own port facilities in the area. Despite many years of ambitious talk of new investments to the commercial port of Murmansk, the state of it remains largely the same. Some upgrades have been made, for instance on rail links to the port, but Thomas Nilsen, editor of the Barentsobserver in Kirkenes, have not seen any of the billion dollar class investment portrayed by authorities and private investors. The latest developments include two companies, Eurochem and Siberian Coal Energy Company, buying practically all private and state-owned shares in late 2012 – both owned by businessman and billionaire Andrey Melnichenko. Both companies have thus positioned themselves to secure transport of their products, mostly coal and iron ore, from Murmansk, and there is yet again talk of modernization. Already last summer Eurochem transported more than 262.000 tons of iron ore concentrate to China and plan to increase that amount considerably in the near future. According to figures from the port administration, the total goods turnover in 2012 amounted

to 15,59 million tons – 8,9 percent increase from 2011. A total of 223,157 rail cars and 511 ships were processed at the port (Nilsen 2012; Pettersen 2012c; Murmansk Commercial Sea Port 2013).

#### **5.4.1 Yamal Peninsula**

Arguably the biggest catalyser for increased traffic on the NSR is the continued development of the petroleum industry in the Russian Yamal – Nenets Autonomous Region. The two biggest gas producers in Russia, Gazprom and Novatek, are both heavily involved in this region, which according to Novatek(2013), is the world's largest natural gas producing region – accounting for over 87% of Russia's and approximately 18% of the world's natural gas production.

The need for considerable investments in infrastructure and technology has long hampered the further development of the region. However, the last years have seen an upturn of activity. An interesting and relevant example is the development of the giant gas-fields surrounding Tambey, situated to the north on the Yamal peninsula. In 2009 Novatek, Russia's largest independent natural gas producer, acquired field-licenses and an equity stake in Yamal LNG - engaged in building the first Russian arctic LNG plant, onshore in Tambey. In October 2011 Novatek reduced its shares in Yamal LNG to 80% when they sold a 20% stake to Total. This invitation of foreign capital and technology has led to a realisation of the Yamal megaproject. In April 2013 the French company Technip and the Japanese JGC won the tenders for the construction of the Yamal LNG plant and, according to press releases, the project starts immediately(Technip 2013; Staalesen 2013a)

A key component in the Yamal LNG is the development of the *Sabetta* port just south of Tambey. Not serviced by rail road or pipeline, at least not yet, the only way in or out with material and natural resources is via the sea. By summer 2014, in its first phase, the port is planned to handle the deliveries of modules to the LNG plant. The second phase, reportedly in 2016, will see the port handling specially designed arctic LNG carriers shipping liquefied gas from Yamal to European, South American and Asian markets – through the Northern Sea Route. Sabetta port is a joint initiative of Novatek, the Russian Federal Agency of Sea and River Transport and the state enterprise Rosmorport. The Russian government will take approximate two thirds of the bill and its construction officially began on 20 July 2012.



Despite highly complex ice conditions the port is planned to be operational all-year-round. In November 2012 Novatek and Rosatom signed a 15-year deal to arrange icebreaker assistance for transportation of construction materials and liquefied natural gas via the NSR. Ice-free navigation into the Ob bay where Sabetta is situated is currently only possible during three-four months a year. Deliveries for the construction are already ongoing, also during the winter months, thanks to the shallower (8,5 meter depth) one-reactor Taimyr class icebreaker, due to retire to decommissioning in 2016/17 (Novatek 2012; Barentsnova 2013; Staalesen 2012a).

It must be mentioned that Gazprom also has considerable Yamal plans for deliveries through the NSR, most notably oil deliveries from the Novoportskoye field, the biggest oil field in the Yamal Peninsula. Gazprom intends to ship all oil found there via the NSR, at the same time as they plan to build a new gas pipeline in Yamal for their several gas fields and connect it to their existing pipe infrastructure in the region, leading gas to Europe. Gazprom Neft however, the company's oil division, plans to construct an oil port terminal at Cape Kammeny, 400 km south of the Sabetta port in the Ob bay, where ice-conditions are even more challenging than at Sabetta (Staalesen 2013c; Staalesen 2012b).

Norilsk and the port of Dudinka constitute an additional Arctic area of relevant NSR activity. Norilsk Nickel is the biggest mining and metallurgic company in Russia and the world's largest producer of nickel and palladium and one of the leading producers of platinum and copper. Today a global company with production on four continents, the cornerstone of its business remains the production facilities at Norilsk on the Taimyr Peninsula. Having started production in 1935 most of the tonnage shipped via the NSR has always been thanks to the Norilsk mining and metallurgic complex. In 2000 the Norilsk complex still produced about 85 percent of Russian nickel, 65 percent of Russian copper, 90 percent of its cobalt, and 95 percent of its platinum. In August 2012 Norilsk Nickel announced that their port of Dudinka was granted a permanent registration and customs checkpoint on the Russian border, opening up for international cargo and passenger traffic. Earlier import and export cargoes had to go through time-consuming border and customs clearances in Murmansk, Arkhangelsk or ports in the Far East. Now, marine vessels carrying out international routes can proceed directly to Dudinka for disembarkment and reloading. Probably not aiming for an objective statement, but none the less not historically wrong, the company's director of logistics, Yevgeny Ovcharov, stress their own importance when he claims that they contribute enormously to the

development of the Northern Sea Route and to the strengthening of Russia's geopolitical position in the Arctic. In course of the last 7 years the company has acquired six ice-class container vessels and one ice-class tanker. Norilsk Nickel has consequently been shipping cargo with their ice-classed vessels without the mandatory assistance of Atomflot's icebreakers. And so far they have been allowed to get away with this practice. Which was a surprise to many, according to Bjørn Gunnarsson at Centre for High North Logistics (Norilsk Nickel 2012; Ragner 2000a: 545-548; Gunnarsson 2012)

#### **5.4.2 Asian perspectives**

The economies of Japan, South-Korea and China can be considerably influenced by a revitalisation of the NSR. Getting closer to European markets, exploration and deliveries of petroleum and minerals, and implicit construction contracts are economic incentives for a stronger influence in the region, not to mention strategic concerns. Evident of the regions importance, all three of them applied and received a permanent observer status in the Arctic Council this year (Karlsbakk 2013).

The world's second largest economy is especially showing an increasingly bigger interest in the Arctic. China is eager to gain a foothold in a region where the melting icecaps accelerate the opening of new shipping routes and exploration of petroleum and mineral deposits. A manifestation of this was especially evident when the icebreaker 'Xue Long' in 2012 became the first Chinese vessel to sail through the NSR. The polar research vessel's arrival in Iceland marked their first formal visit to an Arctic country. Not long after establishing a Framework Agreement on Arctic Cooperation the visit was intended to enhance cooperation of Chinese and Icelandic scientists on polar and marine sciences. The Chinese icebreaker, the largest non-nuclear powered icebreaker in the world, returned home in a straight line from Iceland, via the North Pole and the Bering Strait(Iceland Review 2013)

In a continuation of events Iceland in April 2013 became the first European country to sign a free trade agreement with China after six years of negotiations. On the same day, Iceland's President Ólafur Ragnar Grímsson announced the formation of a new Arctic assembly for international cooperation on Arctic issues. Their aim being «to strengthen the decision-making process by bringing together as many Arctic and international partners as possible under one large «open tent», according to the forum's webpage (Arctic Circle 2013). While

Iceland cannot offer much in the way of significant new market growth, it can provide China with guidance in its quest for more influence in the Arctic. Even though the new Arctic Circle assembly isn't any competitor to the Arctic Council, its timely creation sets a principle of open international cooperation in an Arctic region where permanent Arctic Council members have shown initial hesitation to include outside influence. The announcement came exactly one month prior to the long awaited Arctic Council meeting in Kiruna, Sweden, where a long debated approval for permanent observer status was given to China, Japan, South-Korea, Singapore, Italy and India. Having gotten their application for observer status rejected at the Arctic Council Ministerial meeting in Tromsø in 2009, China, and other Asian maritime powers, are certainly pushing for an increased foothold in the Arctic (Pettersen 2013). That being said, their approval as permanent observer in the Arctic Council also entails that they acknowledge the Arctic Council as the primary organisation for arctic issues, setting a clear arena for arctic deliberation. An increased foothold in the Arctic is also evident in the petroleum sector where during President Xi Jinping's state visit to Russia in March, the Chinese National Petroleum Corporation (CNPC) signed an agreement with state owned oil company Rosneft for the exploration of three fields in the Barents and Pechora Seas.

China's Arctic transit has "greatly encouraged" Chinese shipping companies, according to Huigen Yang, director general of the Polar Research Institute of China. Attending an Arctic conference in Oslo, organised by the Economist magazine in March this year, Yang provided long-term scenarios under which between 5 and 15 percent of China's international trade, mostly container traffic, would use the route by 2020. Quantifying this traffic he said 10 percent of China's projected trade by 2020 would be worth 685 billion dollars, so "if the route is constructively prepared... then the demand is there, it could be a huge number. Yang anticipates the first commercial voyage by a Chinese shipping company this summer (Reuters 2013).

### **5.4.3 Insurance**

High insurance rate has been large hurdle for the transport economy of NSR. The insurance premiums are based on statistics and up until recently there hasn't been much. Understandably the insurance companies are conservative when pioneering voyages are undertaken, especially when the infrastructure is lacking. But as the statistics are coming in, and the prices go down with increased traffic. In addition, the insurance premiums vary

according to sailing date and ice conditions, making August and September and early October cheaper months to sail. Ulf Hagen, managing director of Tschudi Arctic Transit, involved in a 2010 pioneering voyage, explains that when Atomflot reached a deal with Gard insurance company of towage in emergencies, the premium was lowered with 80 percent. The shortened voyage in combination with increasing bottleneck tendencies and pirate infested waters in the Suez, the Aden Bay and the Malacca straits are in reality considerably lowering the obstacle of insurance (Gunnarsson 2012; Hagen 2012)

## **5.5 Political commitment to the NSR**

The market for an increasing use of the NSR is present. But there are still considerable hurdles in making the route the easy choice, out of clear economical reasoning and not a pioneering adventure, which it to a large degree has been up till now. The biggest obstacle to increased utilisation of the NSR has been and still is the absence of infrastructure. The coastal state, Russia, needs to control the waters and provide services such as Search & Rescue and ice-breaking. Russian authorities have long had ambitious plans to facilitate investment in Arctic infrastructure, but little has happened. Recently however, there seems to have been a significant increased emphasis and rhetoric on these investments. Both the state's Transport Strategy<sup>5</sup> from 2008 and the Arctic Strategy from 2008 and February 2013<sup>6</sup> highlight Arctic maritime development. According to two Swedish political scientists, Märtha Carlsson and Niklas Granholm(2013), both strategies emphasize the need to develop the NSR, the shipping along it and the infrastructure on its shores – making the Northern Sea Route an international transport route. This is however nothing new. Earlier strategy documents also envisaged the long lived Arctic ambitions (Zysk 2009).

These new strategies envisage a development of systems for better monitoring and communication to facilitate rescue operations and to ensure safety along the route and at the entry points at harbours. The strategies also state a high priority for Russia to build functioning border control and rescue service along the NSR. Over a period of ten years, 134 billion roubles, approximately 3,3 billion euros, will be allocated to accomplish this. The

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<sup>5</sup>Entire document of 'Transport Strategy of the Russian Federation up to 2030' can be accessed in Russian from government webpage [http://www.mintrans.ru/upload/iblock/3cc/ts\\_proekt\\_16102008.pdf](http://www.mintrans.ru/upload/iblock/3cc/ts_proekt_16102008.pdf)

<sup>6</sup>Entire document of 'Development Strategy of the Arctic Zone of the Russian Federation and national security up to 2020' can be accessed in Russian from government webpage <http://www.government.ru/docs/22846/#sel=9:1.11:5>

Ministry of Emergency and Ministry of Transport have started to established ten rescue stations along the NSR – Murmansk, Arkhangelsk, Narian-Mar, Vorkuta, Nadym, Dudinka, Tiksi, Pevek and in the bays of Providenia and Anadyr (see figure 2 above). There are also plans for border troops to be based at stations and thereby allowing for border entrance and customs clearance. As mentioned earlier, one is already up and running. In August 2012 Norilsk Nickel announced that their port of Dudinka was granted a permanent registration and customs checkpoint on the Russian border, opening up for direct international cargo and passenger traffic without having to go through time-consuming border and customs clearances in Murmansk, Arkhangelsk or ports in the Far East (Carlsson and Granholm 2013; Norilsk Nickel 2012).

The Transport Strategy also acknowledged that the legal framework regarding the utilisation of the NSR needs to be improved. A long awaited new law, or more correctly a series of amendments to laws concerning shipping along the route, was finally adopted in July 2012. According to the amendments, vessels entering the Northern Sea Route are obliged to use ice-breaker escort or a specialized ice-pilot. The law also stipulates requirements for construction and equipment of the vessels and rules for navigation and radio communication, and an obligation to have insurance (Carlsson and Granholm 2013; Moe 2012; Mednikov 2013). But what is the legal basis for these requirements? Other coastal states cannot legally demand such requirements from vessels outside their territorial waters.

### **5.5.1 Legal background for NSR regulation**

The NSR has some characteristics that differ from other commercial water ways. All commercial vessels on the NSR are reliant on ice-extent and therefore there is no fixed single route. This meaning that vessels travelling on the route will be forced to weave in and out of Russia's 12 nautical mile territorial waters, 200 nautical mile exclusive economic zone, and international waters, where Russian jurisdiction under international law vary accordingly. The United Nations Convention of the Law of the Sea (UNCLOS), which all Arctic countries are signatories of - except America, stipulates that all vessels have a right of free navigation through parts of the waters which constitute the high seas; international waters and the exclusive economic zone. However, for the foreseeable future, the ice-cap north of the NSR will force most vessels to navigate through narrow straits in territorial waters, subject to Russian sovereignty, both before and after entering the free navigation of the high seas. This

opens up for regulations and fees. Even so, straits that are commonly used as waterways for international vessels can be considered as ‘international straits’ where the coastal state has an obligation to maintain a freedom of passage. Thus putting the rights of a vessel’s navigational freedom over the coastal state’s jurisdiction. Russia and Canada contest the position of straits in the North East and North West Passage as international, whereas other states have clear incentives to conclude that they are. This point of contention remains unresolved. But the Law of the Sea opens up for another regulatory possibility in the Arctic. Russia has additionally laid claims to regulation of navigation also within their 200 nautical mile exclusive economic zone (Moe and Jensen 2010b: 12-15; Ocean Futures Research Institute 2010:180-183; Hønneland 2012:64-67). This claim relies on article 234 of the UNCLOS, titled “Ice-covered areas”:

“Coastal states have the right to adopt and enforce non-discriminatory laws and regulations for the prevention, reduction and control of marine pollution from vessels in ice-covered areas within the limits of the exclusive economic zone, where particularly severe climatic conditions and the presence of ice covering such areas for the most of the year create obstructions or exceptional hazards to navigation, and pollution of the marine environment could cause major harm to or irreversible disturbance of the ecological balance. Such laws and regulations shall have due regard to navigation and the protections and preservation of the marine environment based on the best available scientific evidence” (Ocean Futures Research Institute 2010: 181)

On the basis of article 234 Russia prescribes standards that are more stringent than those generally permitted under international law applied in other maritime zones. So, until the North Pole ice-cap melts beyond Russia’s exclusive economic zone, Russia can regulate the NSR. However, it must be noted that Russia’s interpretation of article 234 is not free from controversy and both foreign states and private companies have challenged the regulatory claims. Like earlier noted, Norilsk Nickel is one company that has challenged the regulations of mandatory icebreaker assistance, as they claim their ice-strengthened ships are strong enough to handle the ice-challenges. Although controversial, they have been allowed to continue operations on their own, year round. Regardless of controversy, in all practicality, navigation on the NSR is still dependent on icebreaker assistance for other Arctic operations.

### 5.5.2 NSR Fees

The complex ice conditions on the NSR require icebreaker assistance, for which the Russian authorities can charge fees. The icebreaking fee serves the same role as the Suez Canal toll when it comes to the economics of using these routes. The fee is meant to finance several aspects of public services to make the waterways open to traffic and to protect the environment. The main cost elements including:

- Icebreaker support, including maintenance and renewal of the icebreaking fleet.
- Maintenance costs on infrastructure needed along the NSR.
- Ice air-reconnaissance flights
- Hydro-meteorological services
- Satellite communication
- Ice pilotage

There is no average set NSR fee. Factors like; ice-extent, ship, cargo, ice class and more are taken into account. In addition, the NSR is divided into three regions, east, west and north. Each, of course, with different tariffs. East being more expensive than west, but cheaper than north, relating to ice-infestation of waters.

The philosophy of the Russian authorities has always been that the tariffs should be set so that the actual traffic should finance the cost elements listed above. This has led to a system where the fees go up as the traffic goes down. In the mid-1980s some 6-7 million tons of cargo were transported using the NSR and the icebreaker fees were around 3 USD per ton, on average. In the mid-1990s, the traffic had slowed down to around 2.2-2.4 million tons. In response, the fee was increased to 7.50 USD per ton in 1995. The traffic continued to decline to less than 2 million tons and the resulting losses of revenue meant that the very expensive icebreakers had to be subsidised quite substantially. In 2003 the Ministry of Economic Development and Trade issued a decree leading to a sharp increase in icebreaker fees to an average of 23 USD per ton. A theoretical example with 2003 prices of container cargo (31.70 USD per ton on the NSR) shows that a NSR fee would be ten times more expensive than a Suez passage fee for the same cargo (Ocean Futures Research Institute 2010: 180-183).

The tariffs have remained up until this day on an artificially high level. According to Arild

Moe in March 2012, the last change to the fees were done in 2011, when they changed the wording to “maximum fees”, thus formalizing the negotiable price structure that in reality had been in place for years. Two ships from the German Beluga company in 2009, transporting power-plant components from South-Korea to a port in Siberia, paid only 60 000 euros in icebreaker fees, which corresponds to only 2.25 UDS per ton (Ocean Futures Research Institute 2010). Ulf Hagen (2012), managing director of Tschudi Arctic Transit, also confirmed these negotiable price structures: “The official tariffs are set between 30-37 USD per ton for a transit, but the price we got when we had the first vessel through in 2010 was between 5-6 USD per ton cargo. There are two tariffs. The official one and the one that’s negotiable”. According to Center for High North Logistics’ Arctic Logistics Information Office(2013b), as of March this year these maximum tariffs are still imposed, but the pricing principle is currently being elaborated by the Russian Federal Tariff Service (FTS), with no terms of completion determined yet. In other words, contact Atomflot and negotiate a price. Their nuclear powered ice-breakers cost just as much at port as at sea, so their incentives for increased traffic is clear. This tariff-system does serve as a threshold for new interests that don’t have the same knowledge and impetus as other native or specialised shipping interests, but certainly also as an opportunity for those that have .

### **5.5.3 Restoration of the NSR Administration**

One of the measures of the new legal amendments led the Russian government on 15 March 2013 to issue an order to establish the Administration of the Northern Sea Route. An institution under the same name used to exist under the Soviet regime but the lack of utilisation lead the sizable intra-regional administration to be close down in the 1990s and stowed away in the Department for ice-breaker escort under the Federal Agency for Maritime and River Fleet (Rosmorrechflot) (Moe 2012). The institution will still lie under the Ministry of Transport, in its Federal Agency of Maritime and River Transport, but it’s restoration from neglectation can be seen as a good sign as it is its duty to issue permits for passage, monitor the route, assist with rescue operations and provide information services. As mentioned earlier, the tariffs are still set by the Federal Tariff Service, with in actuality Atomflot setting the price.

Both Russian and foreign shipowners shall apply to the NSR administration for sailing permissions, providing documentation on adequate insurance and vessel classification



(Mednikov 2013). With regards to its former intra-regional structure and the political competition of wanting to house the new state institution, the new NSR administration will be located in Moscow, so that no other region “would feel offended”, according to deputy Transport Minister Victor Olersky (referred to in Barentsnova 2012). By mid-May, the new structure is to be fully operational and staffed by a maximum of 15 people, regulating traffic along the Russian Arctic from downtown Moscow. There are, however, also reports that a branch office will be opened in Arkhangelsk (Staalesen 2013d; Arctic Logistics Information Office 2013a). Recently the new institution, which has been criticized for lack of transparency and accessibility, launched their own website, making relevant information on application, icebreaking assistance, weather and current vessel movements on the NSR accessible online, in both Russian and English, as of 15 April 2013<sup>7</sup>.

#### **5.5.4 Icebreaking capabilities**

At the time of writing the nuclear icebreaking fleet of Russia consists of seven vessels. Four 54 MW nuclear ‘Arktika’ class, two of the shallow-draft 35 MW nuclear ‘Taymyr’ class, and one 32.5 MW nuclear container carrier ‘Sevmorput’. All of them launched between 1985 and 1992, except for the newest vessel ‘50 Let Pobedy’ of the Arktika class, having a highly anticipated launch in 2007 considering that the construction started 22 years earlier, in 1985. In addition there are several smaller and aging diesel-electric icebreakers still in use, but these are not suitable for extensive convoy operations. With historic records showing that the average life cycle of large Russian icebreakers has been around 25 years, with 30 years maximum, it is understandable that Ragner in 2000 concluded that the lack of icebreaking capacity probably represents the greatest future bottleneck for NSR operations (Rosatomflot 2012; Ragner 2000a:574-576).

With only one nuclear icebreaker launched in the last 20 years, the prospect of mass decommissioning is seriously threatening the potential of an effective utilisation of the NSR. Of the existing vessels operating in the Arctic waters today only one will be operational by 2020. However, a new generation of nuclear icebreakers, LK60, have been presented by Rosatomflot, the sole operator of civilian Russian nuclear vessels. The new vessel class will apparently be four meters wider than the Arktika’s 30 meter and have a variable draught of 8,5 to 10,8 meters, making it shallow enough to replace both the conventional Arktika class

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<sup>7</sup> Access the NSR Administration’s webpage at <http://www.nsra.ru/>

and the smaller river-specialised Taimyr class.. This is not the first time new icebreakers have been promised and consequently postponed, but close observers analysing the new developments are more positive than to earlier promises (Moe 2012; Rafaelsen 2012; Gunnarsson 2012; Hagen 2012). Ulf Hagen emphasizes that even though the proponents use big words and powerful rhetoric, he has heard it all before, many times. However, he acknowledges the necessity for icebreakers as a strategic resource in the Arctic north. There is little, if any, possibility for conventional fuel refilling along the NSR because of its lacking infrastructure and the icebreakers are vital in sustaining of peripheral settlements. Serving fuel, food and other necessities to settlements that can only be reached via the sea. As the older icebreakers will relatively soon be decommissioned, the grand words of new icebreakers needs to manifest. Hagen stresses that the enormous costs of maintaining, none the less constructing, icebreakers have to be paid for by the state apparatus and cannot be paid for by private commercial interests. Because the potential for commercial profits are too small for high tariffs, and no one benefits from high tariffs and low traffic Hagen (2012).

There are concrete plans for three new nuclear icebreakers. According to Vyacheslav Ruksha, the influential General Director of Rosatomflot, the approximately 1.1 billion euros needed for the first icebreaker were already on Rosatomflot's 2012 budget and on 23 August 2012 Rosatom signed a contract for the construction of the LK60 icebreaker. On 2 November same year Ruksha was present at a steel cutting ceremony, at the Baltiysky Zavod shipyard in St Petersburg, marking the official start of the construction. The vessel is scheduled to be completed by December 2017. The financing of the other two, planned to be allocated in 2013, were also expected to be fully covered by the federal budget, but the Ministry of Finance now insists that more than 60% of the costs should be allocated from non-budgetary sources. At the time of writing no settlement was reached on the further financing (Rosatomflot 2012; Karlsbakk 2012a; Moskvitch 2012; Shipbuilding Tribune 2012; Kireeva 2013).

## **5.6 Specific cases of two Norwegian companies involved with the NSR**

In an effort to better understand Russian commitment to an increased utilisation of the Arctic Ocean the author conducted interviews with representatives of two Norwegian companies with an Arctic vision - wanting to join in on a revitalisation of the Northern Sea Route.

### **5.6.1 Tschudi Arctic Transit**

The Norwegian Tschudi Shipping Company has through its subsidiary Tschudi Arctic Transit been able to position itself as a facilitator for increased traffic on the NSR. Ulf Hagen, managing director of Tschudi Arctic Transit (TAT), shared some of their experiences in an interview with the author. Seeing a commercial opportunity in Russia's ice infested waters, shallow ports and general lack of infrastructure, they have since 2003 provided transshipment services for Russian cargo, firstly steel and later oil, by way of transshipping cargo to conventional vessels in ice free, deep waters in Kirkenes and Honningsvåg. Influenced by the earlier mentioned Jonas Lied's endeavours in Arctic waters a century ago, the chairman of the Tschudi Group, Felix Tschudi, wanted to access the Russian Arctic maritime corridor. In the spring of 2010 he had gotten signals from Moscow that there might be opportunities for transit of the NSR for foreign vessels, with foreign cargo, not going to Russian ports. According to Ulf Hagen, these signals came from the head of Atomflot and former head of Murmansk Shipping Company, Vyacheslav Ruksha. Earlier attempts on utilisation of the NSR for foreign enterprises had not been met with positive responses from the Russian side. But now, the winds had apparently changed and they were happy to comply and cooperate. The preliminary results of contact with NSR authorities were quick and positive.

The positive signals received developed into an experimental enterprise between Tschudi subsidiary Tschudi Arctic Transit, Prominvest (Swiss/Russian trading company) and the Danish Nordic Bulk Carriers. Working with Russian maritime authorities, namely the NSR authorities and Atomflot, they managed to pioneer the first ever passage of a foreign flagged vessel to ship a cargo in transit from one foreign port to another foreign port through Russian Arctic waters. 40 000 ton iron ore concentrate from the Sydvaranger mine in Kirkenes was transported to a buyer in Lianyungang, China. After this successful voyage in 2010, TAT in cooperation with Prominvest created a joint venture – Arctic Bulk. Prominvest involved in trading natural resources in Russia while TAT having the competence in shipping – ensuring both local and international expertise and knowledge.

This cooperation has assisted in facilitating several voyages, including the largest vessel; 162.000 deadweight ton Suezmax tanker "Vladimir Tikhonov" with gas condensate in August 2011, the first seismic vessel transit in September 2011 as well as the largest bulk carrier ever to transit the NSR the same month, when the 75.000 deadweight ton Panamax Sanko Odyssey sailed from Murmansk to the port of Jingtang in China on the alternative sea way.

According to their website Arctic Bulk has followed this “first” by sending a total of four Panamax voyages northeast to China. - “The success of these bulk carriers confirms the business logic of a shorter route to the Far East for these substantial vessels”. The Panamax voyage also signalled the first transit for a Japanese shipping company. In 2012 Arctic Bulk contributed to the first ever passage of a tanker of Liquefied Natural Gas (LNG) from Statoil’s Melkøya plant in Hammerfest to Japan (Arctic Bulk; Hagen 2012; Flynn 2011).

As such, Tschudi Arctic Transit and their joint venture Arctic Bulk don’t sail their own ships on the NSR. They provide services as facilitator in connecting cargo and ship with the right buyer and seller. With their experience in dealing with Russian maritime authorities they can provide and add reliability to an otherwise challenging endeavour. And this experience was noticed by another shipping company interested in being prepared for alternative transport routes.

### **5.6.2 Knutsen OAS**

The Norwegian shipping company Knutsen OAS in early 2012 received a permission to use its ice-classified LNG tanker ‘Ribera del Duero Knutsen’ to transport LNG along the Northern Sea Route. The newly commissioned 110.000 gross tonnage ship was equipped with Det Norske Veritas’ classification of 1A ICE WINTERIZED. As the company’s first and only ice-classified ship Bjørn Hagland Hansen(2012), in charge of the company’s LNG flotilla, assured me in an interview that it was given this costly classification with the future utilisation of the Northern Sea Route in mind. He informed me that the qualification work needed was outsourced to Tschudi Arctic Transit in cooperation with Arctic Bulk. They managed all contact with the Russian NSR administration and Atomflot.

Hansen stressed the point that they had only prequalified their boat for potential future transits. The authorization of a future utilization will need further approval and tariff-negotiations regarding a client’s cargo. These negotiations will be done and paid for by the client wanting to ship cargo. Knutsen OAS only has a “contract of intention” whereas a specific journey with cargo needs additional authorization.

At the time of the interview he didn’t have any specific clients interested in such an option. LNG from Statoil’s Snøhvit-field to its Asian markets would be an obvious possibility, but

the ship is presently too big for the harbour in Hammerfest. As there are only two other ice-classified LNG tankers in the world, both owned by the Greek Dynagas company, Gazprom Marketing and Trading chartered one of the two, with the assistance of the facilitator Arctic Bulk. The 100.000 gross tonnage 'Ob River' is short enough to be inside the safety requirements of the Statoil harbour in Hammerfest and thereby in November 2012 became the first tanker filled with LNG to cross from the Atlantic to the Pacific Ocean using the Arctic shortcut, in effect using half the time as conventional shipping routes. One of the goals for the voyage was to collect data and verify the technical and commercial viability of the NSR for the whole LNG trade (Hagen 2012; Gazprom 2012; Arctic Bulk).

Bjørn Hagland Hansen noted that Knutsen OAS had a feeling of good and attentive contact and engagement with the Russian NSR administration, although through the third party Tschudi Arctic Transit and Arctic Bulk. Even though the ship is equipped for serious ice conditions, he stressed that it is still highly effective and cost efficient on the high seas, currently shipping gas from Peru to markets in both Asia and Europe (Hansen 2012).

## **5.7 Concluding remarks**

The data provided in this chapter shows that there has been a marked development in several factors needed for a real revitalisation of the NSR. With the ice belt seemingly declining, the maritime market forces are increasingly viewing the Arctic shortcut between European and Asian market as a viable option. The transport economy of using the NSR has seen improvements but its unpredictability continues to be a considerable hurdle to overcome for most shipping companies. Although clear challenges are still present, Russian political commitment to crucial infrastructure investments, such as S&R stations and icebreaker fleet renewal, seems to be greater than earlier and there is a belief that the strong rhetoric on the matter will, this time, manifest into real investments. An increased Russian commitment can also be seen in inviting foreign capital into areas that not so long ago was considered of strategic importance. Just as important is the willingness of foreign capital to invest big money in Russian arctic development, a market with challenging predictability. As data presented above illustrate, further development of the arctic region as a whole is intrinsically connected to a revitalisation of the NSR. And it this notion that now gives Moscow a clear incentive to facilitate increased utilisation of the NSR.



## **6 An analysis of Russian political commitment to a revitalisation of the Northern Sea Route**

### **6.1 Introduction**

The preceding chapters have provided empirical findings on the utilisation of the NSR and illustrated Russia's historically ambivalent engagement with the West and international cooperation in the High North. Russia's specific political commitment to a revitalisation of the NSR will be addressed in this chapter. Russia's early post-Soviet period proved a harrowing experience and led to a period of little utilisation of the Arctic sea lane. The lack of resources and priority in maintenance of infrastructure, together with lack of market willingness for risk created a downward spiral that didn't end until 2005. However, the 1990s saw a change in Russian participation and interaction in different international forums, in particular forums regarding the High North. The before-mentioned BEAC, Arctic Council, UNCLOS and IMO are important examples of arenas where Russia participated in order to influence their immediate surroundings. But it is arguably Russia's return to normalcy that has again made a revitalisation of the NSR possible. An increased level of ambition has again made Arctic development a political aspiration, and the NSR is an intrinsic part of any Arctic development. This dependency warrants this thesis's inclusion of Arctic developments relevant to the NSR. As seen in chapter 5, there has been a marked development in several factors needed for a real revitalisation of the NSR, in addition to continued improvements of others. This chapter will address Russia's specific political commitment to a revitalisation of the NSR by the way of analysing firstly Russian political commitment to involve foreign interests and capital in utilisation of the NSR. Secondly the analyses will move to Russian political commitment to investments in infrastructure and lastly the thesis will delve into Russian facilitation of traffic on the NSR.

### **6.2 Russian commitment to involve foreign interests and capital in usage of the NSR**

#### **6.2.1 Recognition of mutual economic interests**

Despite Russia's return to normalcy and the accompanying signs of heightened military activity in a region of strategic importance, the greatest stabilising factor in the region is

mutual economic interests. Political frictions regarding continental shelf delimitation and military activity are unlikely to override this. It is Russia that has the most to gain on increased traffic on the Northern Sea Route. It sees great potential for commerce along its otherwise remote northern coast and the possibility of imposing transit fees for shipping traffic along the route. This notion of mutual economic gain can also be contrasted with the need for security along the Russian North. Russia's relations with NATO and the US will have a major impact on levels of cooperation or mistrust in the Arctic, but the International Institute for Strategic Studies (2012) asserts that rebuilding the decaying infrastructure and managing the NSR can connect Europe and Asia in a way that will advance Russia's strategic goals in the region more effectively than an unnecessary military build-up (International Institute for Strategic Studies 2012). A view that is complemented by complex interdependence theory in highlighting the possibilities for mutual benefits in cooperation when focusing less on conflict.

As seen in Russian, as well as in the other five Arctic coastal states', engagements with Arctic international cooperation, there are clear signs that they agree on pursuing the same legal and diplomatic avenues in order to unlock the Arctic economic potential. A military confrontation would jeopardise the status quo and hinder the unlocking of Arctic resources. Lawson Brigham argues, in a rebuttal to a popularly perceived 'armed mad dash for Arctic resources', that;

“The looming Arctic resource boom doesn't threaten this stability -- it reinforces it. States such as Norway and Russia have much to lose economically from Arctic conflict, as do the many non-Arctic countries and multinational corporations that will be among the eventual investors in, and consumers of, future Arctic ventures” (Brigham 2010).

Regarding the use of naval military force the theorists Keohane and Nye (2001:86-97). argue that “the actual situation in the oceans issue area lies somewhere between complex interdependence and realism: force is useful on particular questions, occasionally, but is not the predominant factor determining outcomes”. The security issue of force and deterrence have been and still is of consequence, but its importance has likely been falling and increasingly been overtaken by other developmental issues.



However, military presence is an intrinsic part of any state's assertion of sovereignty and considering its unique position in the Arctic, Russia has legitimate interests in maintaining a presence at a border region with extreme geographical extension (Rottem 2010:194). Their deployable military capabilities remain greater than the combined forces of its neighbours and parts of the Arctic are still considered military areas of special importance. Pavel Baev (2010) stresses that the cooperative track only fulfils Russia's ambitions to a certain degree, since the vision of the Arctic as a common international heritage doesn't correlate with the prevalent Russian perceptions of "conquering" and "owning" the High North. This can be viewed in connection with the Russian fault line conflict between domestic westernisers and traditionalists, where Civilisationist influences oppose a process of value convergence leading to any 'common international heritage', at the same time as they are more positive to a domestication of the Russian High North. In addition the upholding of state sovereignty and Arctic balance of power was be complemented by the theoretical presumptions of Statist reasoning in seeking the West's recognition by putting emphasis on traditional power capabilities (Tsygankov 2006:4-8).

Baev contends that Moscow will try to limit globalisation of the Arctic by insisting on the privileges of the littoral states and prioritising cooperation among the 'Arctic five' (Baev 2010: 4-7). The increased level of strategic attention being given to northern issues may also eventually complicate international cooperation, Elana Wilson Rowe (2011:4) argues, acknowledging that when stakes get higher, the will for interaction might decline - illustrating a theoretical pendulum motion of relative strengths. Viewed in neoclassical realism lenses, one could complement this reasoning with arguing that Russia's 'state interest' in Arctic matters has received increasing levels of attention in connection with their heightened perception of relative power in the region. This increased perception of power could prove to complicate international cooperation. Even though promoting cooperation as a form of contact, complex interdependence theory also underline the potential for distributional conflict, even in mutually beneficial cooperation, when stakes are high and cooperative partners have asymmetrical relationships (Keohane and Nye 2001:9).

### **6.2.2 The need for willing investors to work together with authorities**

The costs of pioneering ventures often prove as a challenge to its implementation. The unpredictabilities of navigating the Northern Sea Route are the greatest obstacles for

increased traffic. Some are natural, such as weather and ice-conditions, while others are human-made obstacles; unclear tariff arrangements, vessel requirements and high insurance rates. The last couple of years have seen an effort to counter these obstacles.

Faced with unpredictability when wanting to perform a pioneering voyage in 2010 the Tschudi Shipping Company invited all the relevant parties, the 'gatekeepers' if you will, to a meeting in Kirkenes. Felix Tschudi, chairman of the Tschudi Group, had gotten signals from Moscow that there might be opportunities for transit of the NSR for foreign vessels, with foreign cargo, not sailing to Russian ports. These signals came from the head of Atomflot. Earlier attempts of utilising the NSR for foreign enterprises had not been met with positive responses from Russian authorities. But now, the winds had changed and they wanted to cooperate. According to managing director of Tschudi Arctic Transit Ulf T. Hagen, the thawing shift in attitude toward the NSR could be accounted to the then Prime Minister Vladimir Putin. He had made it clear for the relevant institutions that the NSR should open for normal international shipping, thus showing the international community that Russia complies with international commercial principles. A reasoning that harmonizes with complex interdependence theory's assumptions of mutual dependency, especially in light of Russia's recent entry to the World Trade Organisation (Hagen 2012; Moe 2012).

Hagen (2012) informs that the preliminary contact with NSR authorities was quick and positive, and they agreed to attend the meeting in Kirkenes. At the meeting all involved parties, also involved businesses and insurance companies, simulated a voyage where all eventualities were addressed. They managed to negotiate tariffs that all parties could agree upon and just a few months later the actual voyage took place transporting 40 000 ton of iron ore concentrate from the Sydvaranger Gruve in Kirkenes to a buyer in Lianyungang, China. Hagen stresses that the pioneering voyage in 2010 was performed after expressed ambitions from the involved private businesses, but only after they had received signals that a transit was now possible and desired from the political level in Moscow. This illustrates an expressed change in political commitment to the utilisation of the NSR. When the political ambition was expressed, the Russian organisations involved, especially Atomflot but also the NSR Administration, showed a desire to cooperate. Which is to be expected, as it is in the self-interest of both to facilitate a revitalisation of the Northern Sea Route (Hagen 2012; Moe 2012).

### 6.2.2.1 Access to suitable vessels

The INSROP investigation came to the overall conclusion that for a commercial investor, it was very difficult under the then present market conditions, being the period 1993-1999, to justify the building of dedicated NSR transit vessels (Ragner 2000a: 553). INSROP was not able to identify any scenarios involving ordinary commercial cargos in which it would be more profitable to invest in NSR vessels than in ordinary vessels moving through Suez. The ice-strengthening of vessels resulting in them being heavier, slower and having less cargo volume than normal ocean going vessels. This conclusion was reached even without taking into consideration the political risks of dealing with Russia, or the likely possibility that the Suez Canal Authority might offer rebates to counter the competition. Lykke Ragner goes on to point out that the conclusion would be difficult to alter without quite radical changes of basic market conditions. He highlights four examples; further considerable reduction of the Arctic ice cap; a very substantial reduction of NSR fees; the appearance of thus far unidentified, geographically very well suited cargo flows; or long-term closure of the Suez route as a result of political unrest. With no such dramatic developments immediately in view, Ragner anticipated in 2000 that NSR *transit* traffic only could be expected in ad hoc cases using existing Russian vessels, or for very special cargoes for which normal transport economy considerations do not apply (Ragner 2000a:553). However, all four of these examples can arguably be said to have changed to the better in recent years.

The Norwegian shipping company Knutsen OAS's decision to ice-strengthen its vessel 'Ribera del Duero Knutsen' in 2011 illustrates the willingness of companies to invest in a market of Arctic shipping. As the company's first and only ice-classified ship Bjørn Hagland Hansen (2012), in charge of the company's liquefied natural gas (LNG) flotilla, assured me in an interview that it was given this costly classification with the future utilisation of the Northern Sea Route in mind. The large LNG tanker can service a hungry LNG market in Asia that was not yet as prevalent during the period the INSROP study was made. Addressing the other examples from Ragner (2000), chapter 5 has shown that the reduced Arctic ice cap has considerably prolonged the sailing season; the NSR fees are in reality far less than on paper; and the pirate threat in the Gulf of Aden and the Indian Ocean has increased insurance premiums. However, the lack of ice-strengthened vessels will limit the increase of traffic on the NSR, unless NSR authorities reduce the requirements today set on vessels wanting to sail there. The ice-strengthening remains an expensive endeavour, but with new designs the loss of efficiency is smaller. The owner of 'Ribera del Duero Knutsen' maintains that their vessel

still is highly effective and cost efficient on the high seas (Hansen 2012; Hagen 2012).

### **6.2.3 Extractive industries vital to increased traffic**

Arguably the largest instigator to Arctic development is the increased development of Arctic extractive industries. Elana Wilson Rowe holds that since 2005, growing attention has been paid to the question of how to promote private investment, from both Russia and abroad, while maintaining a high level of state control over the development of, and profits from, new oil and gas developments in the Arctic. Pavel (2010) argues that the engagement of Western partners is necessary for developing the hydrocarbon reserves in the High North. But the financial crisis and the implementation of shale gas as a new and more widely available energy has somewhat dampened the enthusiasm of developing expensive and technically challenging projects in the High North. The big state owned oil and gas companies Rosneft and Gazprom, who by far possess the largest numbers of petroleum licenses onshore and offshore in Russia, are in no hurry to start new challenging projects, and Western oil companies are hesitant to invest money into very expensive ventures that could be subject to political pressure. Shtokman, the large offshore gas project in the Barents Sea, can serve as an example of such circumstances. After French Total and Norwegian Statoil entered a joint venture with Gazprom in 2007, the long awaited implementation did not manifest. Gas prices, development costs and an unprofitable taxation system led to the dismantling of the cooperation five years later (Rowe 2011:4; Baev 2010:7; Staalesen 2012c). These empirical developments are complementary to the fault line conflict theory in Russian politics. There is a vocal need for Western orientation in order to attract investments and technology, at the same time as there is a traditionalist desire to maintain a status quo on high level of state control over developments, supporting a more Statist theoretical assumption.

However, in recent years Rowe (2011) argues that the rules of engagement for foreign companies seem to have become somewhat clearer, both in legislation and practice. Representing a pendulum shift in relative strength in favour of Western engagement and mutual economic interdependence, she highlights that Putin in 2009 explicitly invited foreign companies to team up with Russian counterparts in developing the Yamal peninsula. Despite legal, political and profitability concerns, an increasing number of joint Russian-multinational consortiums plan for Arctic petroleum development. Statoil, notably, in 2012 signed a comprehensive cooperation agreement with Rosneft, establishing joint ventures for

development of four major offshore Russian licences, one situated in the Barents Sea and the rest in the eastern Sea of Okhotsk. French and Japanese interests in Novatek's Yamal LNG facilities, now under construction, also points to an Arctic petroleum market with near-future ambitions. As earlier explained, these petroleum developments, as well as mineral extraction, most notably from the Norilsk Nickel company, are largely dependent on transporting materials for construction in and natural resources out via the NSR. A revitalisation of the NSR is deeply connected to an increased extraction of Arctic petroleum and mineral resources to European and Asian markets. This notion provides Moscow with a clear incentive to facilitate increased utilisation of the NSR (Rowe 2011:4; Statoil 2012; Staalesen 2013a).

## **6.3 Russian commitment to investments in infrastructure along the NSR**

### **6.3.1 Who takes the bill?**

Russian high expectation of traffic on the NSR had in the early 1990s led to a perception that income from future traffic would finance the operation of the route and the investments in infrastructure needed. This increased traffic did not manifest and the tariffs for upholding the financing of operations grew, resulting in less traffic and less infrastructure maintenance and investment. Hopes of foreign infrastructure investments were voiced, but Ulf Hagen (2012) argues that the Russians were naïve in thinking that foreign capital would invest in infrastructure along the NSR. He points out that investing money in something you cannot physically move is risky, especially in Russia. No one wants to invest in something where the chances for getting your investment back are small to none. The resources were there, the technology was available, but scientists from the INSRP programme argued already in 1999 that the remoteness and extremities of the NSR could only be tackled by a state that was ready to “understand and support strategic projects. For the Russian State to be able to do so will require considerable time and effort until the economy can emerge strong from its currently turbulent transition phase” (referred to in Brubaker and Ragner 2010: 11; Hagen 2012)

A decade has passed and the infrastructure remains largely the same. But there is arguably now a political recognition that infrastructure investments are needed in order to facilitate increased traffic, at which point monetary return can manifest. Russia has emerged from their

‘turbulent transition phase’ and their return to normalcy has again made Arctic development a point of strategic importance. This is complementary to the neoclassical realist assumption of perceived rising relative power as a catalysing force for ambition and commitment to state interests. The political elite’s perception of relative strength and state interests is illustrated by the Russian Arctic Policy documents of 2008 and 2013 where they assert that Russia will preserve their role as a “leading Arctic power” (referred to in Zysk 2010) and develop the NSR, the shipping along it and the infrastructure on its shores. However, Russian Arctic ambitions have always been very vocal and it is fair to claim that their rhetoric quite often hasn’t manifested into political practise (Carlsson and Granholm 2013; Moe 2012, Hagen 2012). But two arenas of special importance for the NSR can provide some indication that the political will behind the rhetoric has increased in recent year.

### **6.3.2 Ports and Search & Rescue stations**

The new Arctic strategies envisage a development of systems for better monitoring and communication in order to facilitate rescue operations and to ensure safety along the route and at the entry points at harbours. The strategies also state a high priority for Russia to build functioning border controls and rescue services along the NSR. Over a period of ten years, 134 billion roubles, approximately 3.3 billion euros, will be allocated to accomplish this. Money has reportedly been set aside and actual construction has begun on ten rescue stations along the NSR; in Murmansk, Arkhangelsk, Narian-Mar, Vorkuta, Nadym, Dudinka, Tiksi, Pevek and in the bays of Providenia and Anadyr. The Dudinka search and rescue station was reportedly to be opened in August 2012 at the same time as the port of Dudinka, mainly used by Norilsk Nickel, was granted a permanent registration and customs checkpoint on the Russian border, opening up for direct international cargo and passenger traffic without having to go through time-consuming border and customs clearances in Murmansk, Arkhangelsk or ports in the Far East. However, it must be noted that due to Norilsk Nickel’s dependency on the Dudinka harbour it has received more attention than the other S&R stations. One of the interviewees, Rune Rafaelsen, head of the Norwegian Barents Secretariat, asserted that he was impressed by the size and activity of the Dudinka harbour when he recently visited Norilsk, before the construction of the S&R station. It will be one of three large emergency centres to be built along the NSR, with 60 employees and equipped with helipads (Rafaelsen 2012; Carlsson and Granholm 2013; Vokuev 2012).

In the Far East, Anadyr will serve as a large station with 76 specialists. In the North-West the biggest station is located in Narian-Mar, where the construction had reportedly begun in August 2012 and the station was to be operational from 2013. In total 980 persons will be working at the centres and all construction, including the seven smaller stations, is planned to be finished by 2015 (Vokuev 2012; Pettersen 2012b). Although numbers and dates are ambitious, these developments, with actual shovel in hand, can be claimed to constitute real political commitment to infrastructure investments.

The port of Murmansk is now on private hands, but its share in NSR traffic is considerable. Ambitious plans for harbour investment have been voiced regularly the last twenty years but never manifested. The Russian multi-billionaire stockholder presently controlling the port, Andrei Melnichenko, has reportedly signalled his readiness to invest up to one billion roubles in port development now that he recently acquired the last stocks giving him sole ownership. Already last summer Eurochem, a company he controls, transported more than 262.000 tons of iron ore concentrate to China on the NSR and there are plans to boost shipments of iron ore, apatite and coal from Murmansk to Europe and Asia, providing Melnichenko with incentives to upgrade Murmansk port (Staalesen 2013b).

### **6.3.3 Icebreaker renewal**

With the prevalent ice-conditions in the Arctic today, and for the foreseeable future, there is a necessity for nuclear icebreakers as a strategic resource in the Arctic. Because of the NSR's extremities and still lacking infrastructure the icebreakers are vital in sustaining Arctic development, as well as the continued survival of peripheral settlements. As the older icebreakers will relatively soon be decommissioned, there has been a clear need for grand words of new icebreakers to finally manifest. With the 2012 contract signing and steel cutting ceremony, political rhetoric has manifested in a construction of one new icebreaker. Hopefully the latest construction will not take as long as the former one, taking 22 years to be operational. Two additional LK-60 icebreakers are planned, with funds allocation to be finalised in 2013. As of writing however, the ministry of Finance is not agreeing with the Ministry of Economic Affairs and Rosatom on the scheme of financing for the sister vessels (Kireeva 2013; Hagen 2012).

It is also worth pointing out that Rosatomflot, formerly named Atomflot, as recently as 2008

was placed under the umbrella of the influential state nuclear power corporation Rosatom, after having had a low priority under the semi state-owned Murmansk Shipping Company since the early post-Soviet period. The shift of ownership, according to their own website, came by order of the president's office. Rosatom, incorporating all Russian nuclear industry, operates in a completely different sphere than the Ministry of Transport, in which the NSR administration is situated. The distance between these institutions and their potential conflicting interests can turn out to be a disadvantage, but the restitution of both from recent neglect can also be seen in a larger picture of political commitment to the NSR (Moe 2012; Rosatomflot: no date).

## **6.4 Russian facilitation of traffic on the NSR**

### **6.4.1 Legal procedures regarding the NSR**

The need for improving infrastructure has had an important position in the public discourse regarding the NSR but also in Russian political strategy documents, as shown in chapter 5. An additional important perspective is the legal framework regarding the NSR. The Russian Transport Strategy of 2008 acknowledged that this needed improvement.

A long awaited new law, or more correctly a series of amendments to laws concerning shipping along the route, was finally adopted in July 2012. These amendments stipulate requirements for the shipping industry, their vessels and the obligation to have ice-breaker assistance or a pilot specialized in icy conditions. However, the amendments did not clear up the pricing system. There are still two tariffs, the official one and the one that's negotiable. Apparently, the pricing system is currently being elaborated on by the Russian Federal Tariff Services, but with no timeframe for completion determined yet (Arctic Logistics Information Office 2013b; Hagen 2012; Carlsson and Granholm 2013:22-25).

One of the measures of the new legal amendments led to the reestablishment of the Administration of the Northern Sea Route. The duty of which is to issue permits for passage, monitor the route, assist with rescue operations and provide information services. The institution's restoration and empowerment can be seen as a good facilitatory step in improving the practicalities of contact between businesses and NSR authorities (Carlsson and Granholm 2013:22-25).



Although there are disagreements on interpretation of certain aspects of international maritime law's applicability to parts of the NSR, commercial navigation on the NSR is, in all practicality, of little controversy and still dependent on icebreaker assistance. But disagreements challenging regulations set on vessels are present and arguably growing as the sea ice is declining and shipping, at least for a short period of time in the mid-season, is possible without direct icebreaker assistance. Having said that, any potential serious disagreements on law interpretation will most surely be addressed in the multilateral forums of which Russia is member, illustrated by the present deliberating efforts of developing a 'Polar Code' in the International Maritime Organization for the safety of ships operating in polar waters (International Maritime Organization: no date). This reasoning correlates with complex interdependence theory's notion of mutually beneficial cooperation. At the same time it can also be argued that it correlates with the neoclassical realist notion of states responding to uncertainties by seeking to control and shape their external environment. But rather than describing states as either power-maximising or security-maximising entities, neoclassical realists prefer to describe states as influence-maximisers, and likely to strive for more external influence rather than less and to pursue such influence to the extent of their capabilities (Rose 1998: 144-154). Which in this context means participating in multilateral forums in order to maximise their influence on decisions, with relevance to Russia, to their favour.

#### **6.4.2 Marketing**

Marketing presents a challenge for Russian NSR authorities. In order to increase traffic, and thereby monetary income, there is a need to address the market and convince them of the sea route's attractiveness. Presently the unpredictability of utilising the NSR is hampering increased traffic.

The international shipping arena is dependent on strict time schedules and the NSR's severe weather conditions make it difficult to predict transit times. Carlsson and Granholm (2013) points out that NSR cannot give time guarantees. Floating icebergs, far from the ice-edge itself, can make the Arctic waters hazardous, in addition to slowing down the speed. The sea ice breaks up at different dates every summer, as well as freeze at different dates every autumn, forcing shipping companies to make difficult estimations on when and how long the NSR can be utilised every season. With the very expensive day-rates on modern vessels the

need to precisely predict voyages are important, providing both an opportunity of savings and a challenge of predictability on the utilisation of the NSR (Hagen 2012; Hønneland 2012).

A further obstacle to increased traffic on the NSR is that Russia, as of now, cannot supply the shipping companies with reliable services, for example deep-sea ports and ice pilots when needed. As shown earlier, there are efforts being made now to meet these challenges, but the stamp of unpredictability will take time to remove (Carlsson and Granholm 2013:22-25).

The fact that the Norwegian initiated Center for High North Logistics was needed to provide open information on availability of infrastructure, maintenance and operational conditions on the NSR presents a narrative of poor facilitation on the Russian side. Ulf Hagen, managing director of Tschudi Arctic Transit (TAT), in 2012 asserted that since the possibility of utilising the NSR was still relatively new, potential NSR customers went online to search for information, often ending up contacting his company or their affiliates. In an effort to reach out to new customers and facilitate traffic the new NSR administration this spring launched their own website, making relevant information on application, icebreaking assistance, weather and current vessel movements on the NSR accessible online, in both Russian and English<sup>8</sup>.

## 6.5 Conclusion

In recent years there has been a noticeable development in several factors sought after for a real revitalisation of the NSR. This chapter has provided indications of increased Russian political commitment, at the same time as highlighting obvious limitations.

Unpredictability continues to be a considerable hurdle to overcome for most shipping companies, However, Russian political commitment to crucial infrastructure investments, such as S&R stations and icebreaker fleet renewal, seems to be greater than earlier and there is evidence that the strong rhetoric on the matter, at least partly, has manifested into real investments. An increased Russian commitment can also be seen in inviting foreign capital into areas and industries that not so long ago was considered of strategic importance, complementing complex interdependence theory's notion of mutually beneficial cooperation, as well as the fault line conflict's Western orientation. Just as important is the willingness of

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<sup>8</sup> Access the NSR Administration's webpage at <http://www.nsra.ru/>

foreign capital to invest in Russian Arctic development. With new legal procedures the process of attaining sailing permission is more streamlined and the contact sphere between NSR authorities and costumers are simplified and broadened.

Nonetheless, analysing developments on the NSR doesn't necessarily illustrate Russian political commitment to the NSR exclusively, but rather Russian political commitment to a greater Arctic development in which the NSR is an intrinsical part. Russia has emerged from a turbulent transition phase and their return to normalcy has again made Arctic development a point of strategic importance, in correlation with the neoclassical realist assumption of perceived rising relative power as a catalysing force for ambition and commitment to state interests. I argue that it is the continued development of the Arctic region as a whole, promoting declared intentions of being a leading Arctic power, which gives Moscow an incentive to facilitate increased utilisation of the NSR.

A revitalisation of the NSR has been shown to have potential, but also clear limitations. There are indications that traffic will increase in the coming years, but the increase will at some point have to face a, at least temporary, glass ceiling. As of now, there are limitations on number of suitable vessels capable of Arctic voyages. In addition the nature of the shipping market, with its need for predictability, is not yet compatible with large scale shipping along the NSR. Having said that, ice-strengthened vessels with cargo suitable for an Arctic shortcut have potential to make great savings on such voyages, and the Russian state is in a process of improving its services to facilitate it. A process that will shift the impetus of NSR revitalisation to the economic feasibility of individual voyages.



## **7 Concluding reflections**

### **7.1 Introduction**

This master's thesis has aimed at analysing Russian political commitment to a revitalisation of the Northern Sea Route. In order to address this research question the thesis has delved into Russian political commitment to international cooperation in the High North and the current natural, economic and political condition of the sea route itself. Two theoretical pendulum perspectives have been used to illustrate Russia's changing policies and ambitions in the Arctic, while a large effort has been made to collect relevant contemporary data in order to present a contemporary study of the developments on the NSR. The most important findings will be highlighted in this final chapter. In addition, the thesis's limited scientific range and shortcomings will be addressed. Lastly the chapter will provide thoughts on areas of future research in connection with the Northern Sea Route.

### **7.2 Most interesting findings**

Conducting research for this topic has provided insights into several interesting aspects of Russian Arctic policy in general and the NSR in particular.

- Russian commitment to engage in international Arctic cooperation has seen fluctuations, from the late Soviet period, to the harrowing 1990s, and back to a situation of relative normalcy for a state with considerable ambitions. Even though there have been fluctuations, largely following a pendulum motion of relative strength, the Russian engagement in international cooperative forums have been limited to responses within the sphere of international diplomacy. Thus implying that Russia's relative influence increases with participation, and that their political elite deems it beneficial to be increasingly viewed as a reliable player in international relations.
- A general development of the Russian Arctic is the greatest incentive for NSR development. Analysing developments on the NSR has illustrated a greater Russian political commitment to Arctic development, in which the NSR is an intrinsic part. In order to control and access the riches of their Arctic region, the NSR together with

activities of extractive industries are crucial. It is the continued development of the Arctic region as a whole, promoting declared intentions of being a leading Arctic power, which gives Moscow an incentive to facilitate increased utilisation of the NSR.

- There has been a marked change in Russian political commitment to the Northern Sea Route. The last four sailing seasons have opening eyes and seen developments that was not envisioned only half a decade ago. The decades old grand rhetoric on infrastructure investments has indeed seen some progress. However, it is important not to become too optimistic and unrealistic. Construction of one new icebreaker and several S&R station are ongoing, but the needs are great and the ability and willingness to follow through on large project are rarely straight forward, especially in Russia.
- Although the needs of infrastructure are considerable there have been efforts made in streamlining and simplifying the application process, making it easier for potential NSR costumers to consider utilising the sea lane. However, the pricing system remains a challenge.
- With the Russian state in a process of improving its services to facilitate increased traffic, the impetus of NSR revitalisation can shifts to the economic feasibility of individual voyages. Even though the NSR might not be a real competitor to the traditional commercial sea lanes, there are opportunities present for companies familiar with vessel requirements, pricing systems and suitable cargoes. While coming summer and fall seasons most probably will see a modest increase in volume, the majority of Arctic voyages in the near future seems likely to be destination traffic, servicing the Arctic extractive industries.
- Russia's ambivalent relationship with the West continues, although considerably improved. Russian needs for investment and technology are still contrasted with traditionalist ambitions, in business and well as in politics. Several of the interviewees highlighted the deep-rooted scepticism many Russians have against the West. Even though the NSR can prove to be a new dimension of cooperation and interaction, the cultural and political divide is still present. Rune Rafaelsen, head of the Norwegian

Barents Secretariat, illustrates the divide: “The longest political journey you can make in Europe is right here between Kirkenes and Murmansk” (Rafaelsen 2012).

### **7.3 The thesis’ limited scientific range and thoughts of future research**

It is important to be aware of a thesis’ weaknesses and limitations. In order to fit the requirements set for such a thesis, decisions have been made on what aspects to highlight the most. These decisions have been made in an effort to best illustrate the research questions, but there are always other aspects that can be relevant objects of research. However, the weakness of one thesis can provide an opening for scientific research on another. Having access to only involved actors and experts from Norway have provided one-sided information. It would be a clear and obvious advantage to also interview involved Russian actors, especially representatives from Atomflot and the NSR administration. This was not deemed necessary with my approach to the research questions, but would be an obvious strength if included.

In a larger or related scientific research it would be of interest to delve deeper into the tension between military and economic interests in the strategically important Arctic area. As an area with relatively recent Cold-War tensions, the military and economic interests in the Arctic are not necessarily harmonious, and could potentially have an impact on Arctic shipping.

An additional focal point for future research could be the impact an eventual revitalisation can have on indigenous peoples living in affected areas. This could possibly contrast the somewhat beneficial position climate change has had for this thesis where less ice means easier shipping. Climate change as such, has not been critically examined in this thesis other than examining shrinking ice extent.

Future research relating to the NSR will hopefully help to fill the missing gaps needed to better understand the possibilities for, and consequences of, a revitalisation of the NSR. Even though this thesis has highlighted challenges remaining to a revitalisation of the NSR, it has also given clear evidence of a marked development in recent years, indicating that a progress towards an increased utilisation of the Northern Sea Route has begun.





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## Appendix 1: Interview guide (in Norwegian)

**Spørsmål til intervjuobjekter i forbindelse med masteroppgave:** Russisk politisk satsning på Den nordlige sjørute, analysert fra et norsk synspunkt med vekt på norske næringslivsinteresser.

### 1. Tema: Russisk politisk satsning på NSR

- a. Hvordan vil du karakterisere russisk politisk satsning på NSR under Sovjetunionen?
  - på 1990-tallet?
  - Etter årtusenskiftet?
- b. I hvilken grad var det økonomiske forhold eller indre konfliktlinjer som påvirket russiske politisk satsning på NSR?
- c. Hvordan vil du beskrive samarbeidsmiljøet for norsk næringsliv i de russiske nordområdene?
- d. Blir utenlandske aktører innen shippingbransjen aktivt involvert eller hindret i bruk av NSR av russiske myndigheter?

### 2. Tema: Norske rederiers erfaringer med NSR

- a. Hva er deres bedrifts syn på NSR? Er det et satsningsområde for bedriften?
- b. Hva er deres bedrifts syn på russisk politisk satsning på NSR?
- c. Hvordan foregår kontakten med russiske myndigheter?
- d. Har dere merket en markert endring i deres kontakt med russiske myndigheter?
  - Har det blitt enklere eller vanskeligere å få tillatelser for gjennomseiling eller destinasjonsseiling?
  - Har det vært markert endring i avgiftssatsene?
- e. Hvordan har samarbeidet med de russiske isbryterne utartet seg?

### 3. Tema: Implikasjoner for norsk-russiske relasjoner

- a. Hvordan vil du karakterisere russisk utenrikspolitikk i forhold til nordområdene etter Sovjetunionens fall og fremover?
- b. Hva er dine tanker om den tradisjonelle russiske konfliktlinjen og dens innvirkning på norsk-russiske relasjoner?
- c. Vil en oppblomstring i bruk av NSR øke sjansen for konfrontasjon mellom norske og russiske myndigheter? Eller heller føre til en ny dimensjon for samarbeid og utvikling?



## Appendix 2: Written information regarding participation in interview (in Norwegian)

### Skriftlig informasjon om intervjudeltakelse

Temaet for oppgaven er russisk politisk satsning på Den nordlige sjørute (NSR), analysert fra et norsk synspunkt med vekt på norske næringslivsinteresser. Oppgaven er avsluttende del av en mastergrad i statsvitenskap ved Universitetet i Tromsø. men for tiden innehar jeg en stipendiatstilling ved Fridtjof Nansens Institutt på Lysaker.

Jeg ønsker å intervju personer med kjennskap til den nye samarbeidsdimensjonen i nord. Jeg ønsker å intervju personer med særlig god kunnskap om området og om mulig med erfaring fra det internasjonale forskningsarbeidet INSROP. Som en viktig del av oppgaven ønsker jeg også å intervju representanter fra to norske rederier med særlige interesser og erfaringer i utnyttelse av den nordlige sjørute.

Intervjuet vil ta form som et delvis strukturert intervju, der overordnet tema vil bli utgangspunktet for diskusjon og påfølgende spørsmål vil bli stilt for å forsikre at relevant informasjon blir innhentet. Jeg vil bruke båndopptaker og ta notater mens vi snakker sammen. Intervjuet vil ta omtrent en time, og vi blir sammen enige om tid og sted.

Det er frivillig å være med og du har mulighet til å trekke deg når som helst underveis, uten å måtte begrunne det nærmere. Om ønskelig kan intervjuobjektet anonymiseres i oppgaven. Dersom du trekker deg vil alle innsamlede data, inklusive opptakene, bli slettet når oppgaven er ferdig, innen utgangen av 2012. Om ønskelig kan intervjuobjektet få lese transkripsjon av intervjuet før publisering av oppgaven.

Dersom du har lyst å være med på intervjuet, er det fint om du skriver under på den vedlagte samtykkeerklæringen og sender den til meg.

Hvis det er noe du lurer på kan du ringe meg på 41 20 37 35, eller sende en e-post til [kjartan.pedersen@gmail.com](mailto:kjartan.pedersen@gmail.com). Du kan også kontakte min veileder Geir Hønneland ved Fridtjof Nansens Institutt på e-post: [geir.honneland@fni.no](mailto:geir.honneland@fni.no)

Studien er meldt til Personvernombudet for forskning, Norsk Samfunnsvitenskapelig datatjeneste A/S.

Med vennlig hilsen

Kjartan Tveitnes Pedersen  
Peder Skeie vei 31  
4262 Avaldsnes

Samtykkeerklæring:

Jeg har mottatt informasjon om studien av Nordøstpassasjen og ønsker å stille til intervju.

Signatur:..... Tlf:..... Dato:.....