
The northern drift of the global economy: the Arctic as an economic area and major traffic route¹

Rolf Rosenkranz

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With regret and sadness, we advise readers of Dr Rosenkranz's death on 9 March 2010.

The history of the world is a history of the battles led by sea powers against land powers and by land powers against sea powers.

Carl Schmitt, *Land und Meer*, Stuttgart 2001

Introduction

The two poles of our planet – the Arctic and the Antarctic – are opposites and not only because they are aligned on diametrically opposed points of the globe: their surrounding areas also display contrasting natural characteristics. Whereas the South Pole is located on a land mass whose features are almost completely encased in ice, the core of the North Pole is an ocean whose covering of ice is weakening and shrinking year by year. The land that encircles it at the continental margin leaves a route to the two greatest seas of the world – the Pacific and Atlantic. These waters flow into each other and circulate just like a system of interconnected vessels.

The waters of the Arctic themselves form a basin lined by underwater ridges between which run deep troughs. The most important ridges are the Lomonosov and the Mendeleev (the former named after the founder of the Russian Academy of Sciences, the latter after the discoverer of the natural system of chemical elements). Admittedly, these names only represent ‘addendums’ from a much later era. For many years, the Arctic was a romping ground for seal hunters, fur traders, adventurers and explorers. Up until the mid 20th century, it had become the preserve of researchers and scientists; even in the 1930s (that is, before the era of aviation and satellite reconnaissance), the Arctic’s covering of ice meant it resembled nothing more than a great white mass. The history of the Arctic is therefore characterised by exploration rather than conquest – not least because it is surrounded by only a few small islands (with the exception of Greenland, of course).

The strategic importance of the Arctic

Currently, the course of events reflects the prophecy that Seneca made almost 2000 years ago:

A time will come in later years when the Ocean will unloose the bands of things, when the immeasurable earth will lie open, when seafarers will discover new countries and Thule will no longer be the extreme point among the islands.

There is a great – and growing interest – in the Arctic. First of all, the polar area is of strategic importance in reforming the power structures to reflect globalisation. Whereas the United States attaches great importance to the military possibilities, the Russian Federation is focusing on the commercial potential; both the Arctic and sub-Arctic regions represent a veritable treasure chest of important energy and mineral resources (natural oil, gas, nickel, diamonds and wood).

Russia’s commercial interests

As a result, Russia has two options of future importance. On the one hand, climate change offers opportunities which reflect the unique characteristics of Siberian natural resources. On the other, the

Figure 1: Detailed geographical chart of the Arctic region (Pole, Arctic Circle, subpolar region) and its political structure (neighbouring states)



Source: http://lib.utexas.edu/maps/islands_ocean_poles/arctic_region_pol_2007.jpg.

thawing permafrost will uncover methane gas currently trapped in the frozen soil and the climatic effect will far exceed the Arctic region. Efforts will therefore be directed to harnessing the methane for energy purposes and storing carbon dioxide in subterranean caverns.

Hydrocarbons (primarily natural gas) constitute Siberia's main source of wealth. As this is a liquid gas, Russia will no longer be tied to the pipeline system and therefore be able to adopt a new energy strategy. Whereas gas prices currently depend on the distribution station and long term contracts, in the future it will be possible to trade gas on the world market at stock market prices. As a buoyant commodity, liquid gas can be traded freely and sold to the highest bidder.

Russia is aiming to corner a twenty per cent share of the world market by 2020. This is made possible by the gas fields which it has discovered and opened up in recent years. The most important field is the Shtokman in the coastal shelf of the Barents Sea whose reserves of natural gas are estimated at 3.8 billion cubic metres. From Shtokman, the gas is transported via the North Stream pipeline to Greifswald in

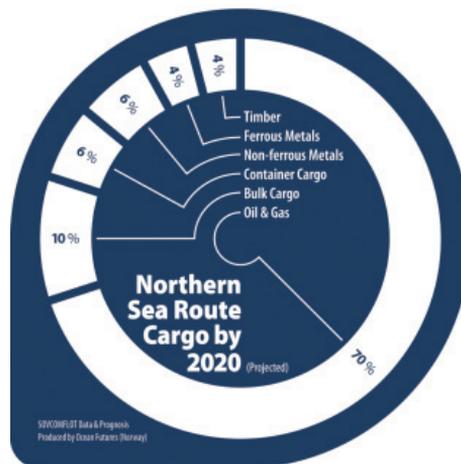
Germany, where it is distributed throughout Western Europe. The reserves on the Jamal Peninsula near the Ob estuary as well as storage facilities in the Siberian Far East in Vladivostok and Sakhalin Island are no less important and are used to supply the East Asian market (South Korea, Japan and North China).

In geopolitical terms, the most crucial change will be the potential transformation of the ‘Gas OPEC’ (that is, the Gas-Exporting Countries Forum (GEFC)) into an organ which regulates international gas prices and the maximum supply rate. Current trends in price formation are challenging the hegemony of the United States (US) dollar. In addition, the main importers of raw materials (China, in particular) are attempting to secure their procurement sources either by negotiating extremely long term contracts (up to 100 years!) or by acquiring a nation’s entire resource of raw materials (for example, Australia). Both trends will considerably weaken the position of the United States of America (USA), whose monopolies obtain their supplies from commodity markets linked to the stock exchange.

Northern sea routes

Climate change will allow the Northern Sea Route to be used more extensively. This route connects the harbours of Western Europe and North East Asia, is shorter than the route through the Suez Canal and is also free from hurricanes and attacks by Somali pirates. Since Mikhail Gorbachev’s ‘Murmansk Declaration’ in 1989, around 40 harbours (including Dikson, Tiksi, Cherskiy and Pevek) along the transit route have opened for international maritime traffic. In this context, it is also worth remembering that Siberia has an extensive network of waterways which connects to some of the longest rivers in the world (for example, Pechora, Ob, Yenisei, Lena). Accordingly, the Northern Sea Route also promises improved access to Siberia’s industrial sites up to the Mongolian-Chinese border.

Figure 2: Estimated freight movements on the Northern Sea Route by 2020



Defining the ‘Arctic’

There is no political or scientific definition of the Arctic; indeed, even the geographical pole is not a fixed point but moves in a circle according to the tilt of the earth’s axis. An astronomical definition in terms of the northern polar circle (66° 33’ northern latitude) is not very informative in this context. Although Iceland is generally considered to form part of the Arctic, it lies to the south of it and the settlements of the indigenous population do not provide any assistance either: apart from a shared lifestyle, the population is in fact ethnically mixed and the name ‘Eskimo’ is nothing more than a collective noun used by the West.

The Arctic isotherm (10°C)

The expansion is being caused by climate-related atmospheric conditions (that is, the natural elements). The 10°C isotherm is relevant in this respect; it is an imaginary line connecting all locations where the average temperature in the polar summer months is below 10°C. It also serves as a biological dividing line insofar as it roughly correlates with the timber line, where the taiga merges into the tundra. As a consequence of climate change (especially by the melting ice in Greenland) the area of the Arctic Ocean will increase (that is, more land covered by water) whilst the warming of the Arctic region from the south will decline (that is, the 10°C isotherm will shift to the north).

The sector principle

The efforts to divide up the territory of the Arctic will also have political repercussions which deserve attention. The sector principle model was created in the 1920s and follows a simple strategy: it divides the Arctic territory into sectors by drawing a line from the coastal perimeter of the states neighbouring the Arctic Ocean to the North Pole. The resultant sectors become the national property of the state concerned and fall under its sovereignty. The early model of the sector principle drew very strict, straight border lines to the North Pole but the current model differs by taking into account the existing border agreements relating to the coastal areas.

UN Convention on the Law of the Sea

Under international law, it may be possible to shift territorial claims towards the North Pole using the United Nations (UN) Convention on the Law of the Sea as a basis.

In the 19th century, territorial claims over coastal waters were determined by the ‘freedom of the seas’ doctrine which limited state territories to the range of canon fire. As the range of both canons and claims increased, the sovereign territory of a state became limited to 3 or 12 nautical miles. After the Second World War, President Truman ordered a unilateral expansion of the US continental shelf (that is, the seabed which gradually recedes from the coastal line) to 200 nautical miles from the baseline. This precipitated an avalanche of similar claims by other coastal states. In 1982, the Convention on the Law of the Sea of 1982 legalised an ‘Exclusive Economic Zone’ of 200 m² which granted limited sovereign rights over maritime economic resources. Under the Convention, a claim of this nature does not require any documentation and/or international approval; rather, it constitutes an autonomous act of the state concerned.

In addition, a coastal state can extend its claims 350 m² from the baseline if it can prove, on the basis of geomorphological evidence, that the section of seabed in question is an extension of its land territory. Therefore, the Convention on the Law of the Sea established a geo-scientific organ specifically for this purpose, namely the Commission on the Limits of the Continental Shelf.

The subject of disputes between states is the Lomonosov Ridge which according to scientific evidence, freed itself from the Siberian plate over 50 million years ago and is now ‘swimming’ towards Greenland. Should the submission by the Russian Federation be recognised, it would expand its territory in the Arctic Ocean by 1.2 million m².

The Arctic Council

The coastal states of the world are attempting to extend their national territory (and thereby their sovereign rights) from the baseline outwards. In the Arctic Ocean, these efforts take on the character of a conquest. Both territorial strategies – the sector principle on the one hand and the 350 m² extended

legal area of the coastal states on the other – will subject the Arctic region to a completely new type of international legal regime. In the former case, the Arctic Ocean will be owned by a ‘community’ of coastal states and will thereby lose its status of ‘international waters’ completely. Instead, it will either resemble ‘coastal waters’ or (according to the renowned polar researcher Vilhjalmur Stefansson) will turn into a ‘new Mediterranean’. The latter strategy would allow for a residual area, access to which would depend on the consent of neighbouring states.

The US will play a special role in these developments. It is the only super power and North Atlantic Treaty Organisation (NATO) member which does not belong to the 150 signatories of the UN Convention on the Law of the Sea. Since the US does not enjoy sufficient support from other countries at a plenary meeting of the UN and its right of veto in the Security Council is inadequate to shape international law, it will seek to achieve its aims by avoiding the UN and operating outside the international community.

It is against this background (and at the instigation of the US) that eight states formed the Arctic Council in 1996 with the aim of protecting their interests in the Arctic region. The various organisations representing the indigenous peoples were also incorporated as a member but not given the right to vote.

In May 2008, the five coastal states directly neighbouring the Arctic (Denmark, Canada, Norway, the Russian Federation as well as the US) met in Ilulissat (West Greenland) for the first Arctic Ocean Conference. This meeting took place in the strictest secrecy. The decision not to invite the representatives of the indigenous people of the north or the other Arctic states (Finland, Iceland and Sweden) was met with considerable criticism from these two groups. The Federal Republic of Germany has been granted observer status in the Arctic Council.

For a long time, the European Community’s foreign policy has tended to neglect the Arctic region. It has formulated a policy on this subject (termed ‘Northern Dimension’) but this is, in fact, geared more towards the non-European Union (EU) states Norway, Iceland and North-West Russia. It was only in November 2008 that the EU issued its first Guideline to specifically deal with the Arctic region (‘The EU and the Arctic’). Moreover, its application for observer status on the Arctic Council has not yet been granted owing to pressure by Canada.

Climate change looks set to release an economic potential which is capable of altering geopolitical power relations. In this connection, both the timescale and consequences of the change (ice coverage, properties of waters) are highly debated in the light of current scientific and pseudo-scientific arguments. According to current estimates, the Arctic could be free of summer ice from 2013 to 2040 or even later. Leaving aside the manipulations of climate data by the World Climate Council and NASA, one thing appears constant: the warming and melting of the ice is a dynamic process. Accordingly, even if there are colder intervening periods, the process as a whole is expected to accelerate.

Sources and additional references

The fact that there is no comparable work in terms of subject matter, investigative structure or the variety of aspects dealt with rules out reference to a specific body of materials. As a field of research, the Arctic is a stomping ground for all kinds of specialists from the most diverse disciplines. They include glaciologists, climate researchers, demographers, geomorphologists, marine biologists, ethnologists and this only refers to human science. However, economic and political experts are no less numerous: geopolitical scientists, geo-economists, military practitioners and strategists, experts in maritime and international law and, last but not least, the broad range of experts in shipbuilding, maritime transportation and seaport management.

The reason for this lies in the fact that science is losing the function of analysis; as the Nobel Laureate Galbraith has ironically stated, the political economy is especially prone to ‘degenerating into description’. On the other hand, it also reflects the trend of splitting up the basic sciences into specialised disciplines.

Considering the hundreds of different sources evaluated, the best solution was to divide the bibliography into subject areas in order to include all references.

In view of the extensive source material and the amount of information (that is growing daily), the author has attempted to concentrate on the most important works (although discretion and chance have inevitably played a role in this process).

(The extensive bibliography referred to above by Dr Rosenkranz is available in AW-Prax, March 2010. Alternatively, please email editor@worldcustomsjournal.org for the list.)

Endnotes

- 1 This article has been translated from the German original by Dr Christopher Dallimore. The German original appeared in the AW-PRAX, Außenwirtschaftliche Praxis, March 2010.

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Dr Rolf Rosenkranz was an economic specialist and freelance journalist in Berlin. He published many articles on the economic relations between the states of the former Soviet union and industrial states in the West.