Center for Strategic and International Studies

“The Arctic of the Future: Strategic Pursuit or Great Power Miscalculation?”

Panel II: The Polar Silk Road, the Blue Economy, and Other Arctic Drivers

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HEATHER A. CONLEY: (In progress) – everyone out in a timely way, and we have such a good panel. I don’t want us to miss a moment. So thank you. Welcome back from coffee break.

So our second panel is going to dive a little more deeply into the economic drivers of the Arctic. And although you only see – and I know Kristina’s going to join us in a moment – you only see three panelists here, we actually have one panelist who is with us from New Zealand by phone. It is 2:45 in the morning, my friends, and so we owe Dr. Anne-Marie Brady an amazing note of thanks for joining us.

Dr. Anne-Marie Brady is professor in the University of Canterbury. She is the editor in chief of The Polar Journal, which is a must read for polar observers and experts. She’s published over 10 books, 40 scholarly papers on a range of issues, but she’s really honed in on China’s strategic interests in the Arctic and Antarctic. And her book, which again I commend to you, “China as a Polar Great Power.”

Anne-Marie, can you hear us?

ANNE-MARIE BRADY: Yes, I can, Heather.

MS. CONLEY: Thank you, Anne-Marie. What we’ve asked to do, because we want Anne-Marie to go back to bed after she’s done, she’s going to give her remarks, we’re going to just pause, and if there’s anyone in the audience that has a question for Anne-Marie. And then we are going to bid her a good night and a good rest. (Laughs.)

So, Anne-Marie, I owe you many white flats for doing this. Thank you, my friend. Please, the floor is yours.

MS. BRADY: OK. Thanks, Heather.

Well, I’m going to be focusing on a whole range of aspects of China’s interests in the Arctic, which are not simply economic-related. So I’m really grateful for the opportunity to speak today because this is a topic that I’ve been working on for more than 10 years. And I’ve found in my research that – which is based on the Chinese-language sources and particularly Chinese government materials – that it is – China’s interests in the Arctic and Antarctic are a pretty good predictor of China’s intentions, as well as policies; for example, the Belt Road Initiative or expansion of China’s northern ports as hubs, and a more – a much more global-focused foreign policy.

So China is expanding beyond its borders like other rising powers that we’ve known in history. And in 2015 my interest was very piqued. I was very interested by something that I saw in the Chinese media, that China had identified the Arctic and the Antarctic, the deep seabed, outer space, and cyber as new strategic frontiers, which, from the Chinese perspective, are all areas of undetermined sovereignty where China can expand and take up advantages that are available to countries with comprehensive national power.

Now, the Arctic countries will say, what do you mean about the undetermined sovereignty in the Arctic? Well, that’s – obviously, there are some points of the Arctic sea which are not owned by anyone or claimed by anyone. But even when the continental shelf, when – and as the continental shelf extended seabed claims are resolved, the Chinese analysis quite rightly points out that the littoral states...
would only be granted sovereign rights and not sovereignty over those extended seabed claims. So, from the continental shelf claims. So, from China’s perspective, the Arctic, as well as the Antarctic – where the Antarctic Treaty permits countries to – who are non-claimant states to view the territories there was international space or undetermined sovereignty – the polar regions are part of this new global focus of China’s foreign policy that are looking to these strategic frontiers.

And China has set itself the ambitious goal of becoming a polar great power within the next five to 10 years. And the actual great powers – polar great powers in the world are the United States and Russia, who don’t even use this term to describe their capabilities. And the fact that China has adopted and utilized this term is a really strong indication of China’s confidence and level of ambition in global affairs. And I don’t know if you can see the cover image of my book that has a new official map for China. It’s a vertical world map which has China at the center of this map. It shows the world island, as Mackinder called it, very prominently, and also the Antarctic and the Arctic Ocean are very strongly featured in this particular version of the world as shown in China’s vertical map.

So China’s got longstanding interests in the Arctic. Chinese scientists were working with Soviet scientists in the 1950s, and Chinese policy analysts were covering the sovereignty debate between the USSR and Norway in the 1970s, and other issues. I’ve read classified reports from the 1960s in Chinese about, you know, potential of oil and gas exploration in the Arctic. But international commentators noticed China’s interest in the Arctic really spiking from 2007 onwards, when Russia planted a steel flag in the Arctic seabed.

But China’s foreign policy and interests in the Arctic are what I’ve called an undeclared foreign policy, which is only now being slowly revealed to foreign audiences. And one of the important things to note about that is, perhaps all the more so than most aspects of Chinese foreign policy, that there is a two-level communication strategy. So there’s one message for the outside world, and there’s a very different message in Chinese directed at the Chinese public and in the discourse amongst their specialists who work on the Arctic. So unless you’re able to access that second level of communication, then you won’t really have a clear picture of what China’s interests are.

So China has three core interests in the Arctic. The first – and they’re ranked in order – is security, and that includes both traditional and non-traditional security.

The second is resources, and that includes a very broad notion of resources – basically, all the opportunities that might be available to a non-Arctic state in the Arctic. And so, obviously, China’s not going to be taking the resources there; paying market prices for them where it needs to pay, such as oil or gas, or accessing rights or opportunities such as fishing and tourism.

And China also – the third category is strategic science. For example, China’s – the rollout of the Beidou-3 GPS system in the Arctic and Antarctic are very important for that for China.

So the Chinese government funded a very extensive survey between 2012 and 2016 involving a very large number of Chinese scholars, both scientists and social scientists, to assess the resources and the governance mechanisms of the Arctic and Antarctic, basically to find out what was there and what China – what rights China might be able to access and what limits there might be on China’s access in the Arctic and Antarctic. And that assessment helped to back up that understanding of those three core interests in the Arctic.
People have heard a lot about the Belt Road Initiative, or One Belt, One Road as it was earlier called. The Silk Road, or the Arctic Silk Road, is another term that has been used just this year. The Belt Road Initiative is a China-centered economic order with strategic implications. And in this new order, all roads lead to China. The Arctic sea route was included in the Belt Road Initiative in 2014. The Belt Road Initiative links all three of those core interests that China has in the Arctic, from security to resources to strategic science.

It is – the Belt Road Initiative is classic Mahan, Alfred Mahan, who is the U.S. historian who was a strategist on the recipe for rising powers that they needed to follow. And Mahan is the main influence on China’s maritime strategy, as he once was a major influence on a rising Japan in the 1930s. And the three basic elements of Mahan, which we can see in China’s policy, is first to set up a blue-water navy; second, to protect your sea lanes of communication with that navy; and, third, to establish privileged access to resources. And Mahan talked about either through – doing this through either colonies or through privileged or special – dedicated market access, and that’s certainly the approach that China – the second approach is what China will be following when it comes to the Arctic, and has set up a lot of agreements with Russia for example.

And the Chinese source speak frequently of the Arctic region, but China also has very detailed policies and interactions with the eight Arctic states, as well as the emerging one, Greenland. And even, for example, with the United States, China has been particularly developing relations with Alaska, being the U.S. Arctic state. China’s involved in a hearts-and-mind campaign with different governments and peoples in the Arctic because negative public opinion will harm China’s Arctic agenda.

So, finally, I would like to make the point that China’s actions in the Arctic are also revealing for what they tell us about China’s intentions, or as someone put it the question as to whether or not China is a stakeholder in the global order. So, from the analysis that I did in my book, I found that China’s actions in the Arctic show us that China will act like other great powers in the past and in the present. It will follow or ignore international law when it suits it, but it won’t attempt to overthrow or refute the existing rules. But when there are no formal rules, China will take advantage of openings. And when there are international negotiations underway, then China demands to be at the table. And all of China’s recent Arctic activities can be termed as efforts to gain China the right to speak, in Chinese huayuchin (ph), on further governance measures in the Arctic. China now regards itself as a legitimate stakeholder in Arctic affairs.

Thank you.

MS. CONLEY: Anne-Marie, thank you so much. I just want to quickly turn to our audience if they have any questions. I have one here. And, Anne-Marie, let us know if you can’t hear. You have to speak really close, Richard, into – yeah.

Q: Richard Ranger with the American Petroleum Institute. And thank you, Ms. Brady, both for being up in the middle of the night and for a really interesting presentation.

Alfred Thayer Mahan’s thoughts were very instrumental in the U.S. decision to annex Hawaii in the late 19th century. And at the time, Hawaii was sort of of undetermined sovereignty. The Hawaiians didn’t think so. They thought they had sovereignty. But it was a point of competition between the U.S. and Japan. Is part of China’s view toward the Arctic, with your term undetermined sovereignty, being
one of moving a chess piece there to place us in check because we’ve really not done much to take
advantage of the Arctic coast that we have?

MS. BRADY: I think that the rules of the international order are a little bit different from, say, the last century or the century before. So I think that a country like China doesn’t need to formally declare a colony. In fact, in the 1800s, you know, colonialization went out of favor. I mean, New Zealand is a former colony, and Britain was actually relatively reluctant by 1840, when New Zealand was colonized, to take on a new colony. Colonies are very – require a lot of governance and resources. But a country can be dominant and influential over another nation while that nation retains its sovereignty.

And so I think that we are seeing China expanding its interests internationally, and they will – they are developing very, very close interests with governments in regions of the world where they want to work. And there has been a very – you know, very assiduous campaign to win the support of Arctic governments for China’s place in the Arctic. And, you know, 10 – a little over 10 years ago, when Chinese analysis really started to expand on the Arctic because of the actions of Russia that really stirred up China to move a bit faster on, you know, existing interests and plans, the – China wasn’t regarded as a legitimate stakeholder in Arctic affairs. And China had to work really, really hard and expand its whole range of activities in order to gain that acceptance or that throw.

So that’s a long answer to your question, but I think that there is a – there is a slight difference now. I think that in global politics we’re not likely to see much colonization, but those strategic territories are areas where any country in the world that has the resources – and human resources as well as the financial resources – to expand their interest and take up opportunities. And China is not the only emerging power that is looking to the – to expand into the Arctic and Antarctica, for example, as well as the deep seabed and outer space.

MS. CONLEY: Anne-Marie, this is Heather. In the reading of China’s Arctic white paper, was there anything in that white paper that surprised you, anything that cut or struck you as particularly important?

MS. BRADY: It looked very familiar to me, and it looked – I thought that there were some missing bits like the strong interest in security that China has. I’ve been encouraging Chinese scholars and government officials whenever they would listen to me that they should be more transparent about their intentions in the Arctic and Antarctic. The other governments who I’ve studied on Arctic and Antarctic affairs, like the United States for example, are pretty transparent about what their interests are there. And so I think – that was a noticeable omission.

But the other aspects of the Arctic white paper, they had been well-signaled and rehearsed in the preceding months and years. When China was talking about issuing a white paper, many of the points there had already been raised with different governments. So where I was surprised, actually, was – when it did go public – was that there was a little bit of attention about the fact that the Belt Road Initiative was included in the Arctic. I think that was – that might have been new to some commentators, but it was – as I said, it was signaled as early as 2014.

MS. CONLEY: Anne-Marie, thank you so much. It is always such a privilege to get your insights, and to provide a cogent presentation at 2:45 in the morning is above and beyond the call of duty. Anne-Marie, thank you so much. I’m going to ask our audience to applaud you, and then I want you to go back to bed. (Applause.)
MS. BRADY: (Laughs.) OK.

MS. CONLEY: Thank you, my friend.

We’ll now turn to our panelists that are not waking up, but bright and alert and ready to help us with some great insights. We’re going to start with Tero Vauraste, president and CEO of Arctia Group. Tero’s going to be dual-hatted because he also chairs the Arctic Economic Council, as Finland is now the chair of the Arctic Council. We know Tero from his frequent visits to Washington, helping inform us about icebreaker construction and technology, and I’m sure you’ll provide some of those insights. But we’re also hoping that you will help us get up to speed on what the Arctic Economic Council is doing, its four working groups – a new working group has just been added to that – and really how business – circumpolar business is developing.

And after Tero finishes his presentation, we will turn to Professor Jakub Godzimirski, research professor at the Norwegian Institute of International Affairs and my boss as he’s guiding us through this grant that focuses on the Russian Arctic. Jakub’s going to give us some of the insights of how Russia is really crafting and creating its Arctic policies and looking at broader trends.

And then we are going to conclude with Kristina Woolston, vice president of external relations for Quintillion. You may have seen Quintillion’s name in the news, a very large New York Times article a month or two ago, because Quintillion has been working very hard to put together a – be a high-speed broadband provider for Alaska; and thinking about how to put subsea fiber-optic cable that could stretch from Tokyo, potentially, to London; and thinking about the Arctic and Arctic broadband, and looking at some of those important commercial applications. I’ll hasten to add that China is also thinking about laying some undersea cable from Finland to China. So we are also what we call the digital Arctic, looking at how digital technologies can transform the Arctic.

So my job is get out of their way and let’s turn to some insights. So, Tero, over to you. Thank you for joining us all the way from Helsinki.

TERO VAURASTE: Thank you very much. And thank you very much, Heather and for the CSIS, for the invitation to be able to meet with all of you today. It’s a great privilege.

So let me start with the Arctic Economic Council developments, and then move on with the expectations on the polar navigation and the Arctic navigation, and how the shipping is expected to develop within the next couple of years or even decades.

The Arctic Economic Council was established 2014, when Canada was chairing the Arctic Council. And one of the overarching themes then for the Canadian chairmanship was economic development. And due to that fact a task force was established, and the task force recommended that a Circumpolar Business Forum – which was then renamed to be the Arctic Economic Council – to be established, and it was established.

And when the establishment took place in Canada, we continued in the work as the U.S. took the gavel, as they took the gavel on the Arctic Council as well, and we stated the – sort of the overarching themes of our work. And actually the first one has become very, very timely, which is market access – i.e., the freedom of trade. And unfortunately, we’ve seen developments around this
area which are going the opposite way. The U.S. is pulling out from TTIP, or it's at least put into a halt – or frozen – maybe we need an icebreaker for that, yeah? (Laughter.) I can – I can provide – I –

MS. CONLEY: I like it. I like it. I like it. I like it. Worked, worked.

MR. VAURASTE: I can provide you eight icebreakers – (laughter) – to make the ice to be broken. We have this status with the sanctions – the halt of the TPP in terms of the U.S. So that actually moves the freedom of trade developments towards the Far East areas. So last September, I was visiting Vladivostok, in a meeting where the – sort of, these areas – trade development was discussed, and 3,000 people visiting over there. And in the final panel, we had Prime Minister Abe, President Moon from Korea and President Putin. And the notion was that the free trade development is going towards these areas. So my first argument here is actually that, are we, the so-called Western areas, moving out from the free trade, and endangering ourselves? And you can notion this also on the trade developments between China and the U.S.

The sanctions are already hitting the industry, and it's also surprising that for us, for instance, when we're a European company, you could say that the U.S. sanctions don't apply with us, but yes, they do, because if there's an issue with a client who is then somewhat related to U.S. trade, that means that maybe we are sort of restricted in moving forward with the trade.

So this means that this first overarching theme is very, very timely. Public-private partnerships – those are important for us because of the fact that within the Arctic areas, there's an investment potential for one trillion dollars, however, only four million taxpayers, so we need investment potential. And there, we come to China. And definitely, China's investment potential is visible in the Arctic. There are already hotels in the Finnish Lapland which are invested by Chinese companies. Big increase on the Chinese tourism in the Finnish Lapland area, whereas tourism is one of the main focus areas of the Arctic Economic Council as well.

In terms of the regulations within the Arctic – so, unified regulations – schemes which allow the companies to get their return on their investment – high-level regulations – that is of high importance as well, and noting the fact that it's an area for small and medium enterprises – so, for instance, in my country, the small and medium enterprises gain more than 60 percent of the revenues within the – within the Arctic businesses, so that is of high importance.

We have more than 50 members now; we already have members from countries outside the Arctic, from China, from Korea, from Germany, to name a few. So we're making progress. All the working groups are active; the energy working group and the Arctic stewardship working group, maritime services working group, and, importantly, the connectivity working group, where we already had two Arctic Broadband Summits; the first one was in Barrow, and the next one is now going to be in Hokkaido, so I welcome you all to participate to this event. So the Arctic Economic Council is moving along well, gaining lots of activity – lots of interests, especially from the Asian areas, so we're happy with the work.

So going, then, to the maritime issues – and let's start by looking into the Arctic strategies of the four countries which we are talking here now. There are actually two issues which are noted on all the – all of the Arctic strategies of these countries, and it's the environmental aspects, as well as international collaboration. So Russia, China, U.S. and Norway all promote these two areas. However, if you have a look into the economical developments, that actually varies already quite a lot, and within the U.S. Arctic strategy, you don't see that many notions about the potential for the economical
developments. Then, when you go into the security issues and national sovereignty issues, it's Russia-U.S., whereas, as we already learned, China is saying that, yes, we are going to participate into this area as well.

The Polar Silk Road – this initiative was stated last summer as part of the One Belt, One Road strategy, and the idea – and that actually combines Russian and Chinese developments in terms of the Northern Sea Route collaboration. So there is an agreement which came out last July in terms of making the investments together. We've already heard about the Yamal LNG and the investments on this one, and the Chinese interests over there. However, there is new developments in this area as Russia has just introduced new legislation around the Northern Sea Route, effective 1st of February this year, which, to simplify, sort of reduces the opportunities of foreign-flagged vessels to operate on the Northern Sea Route in terms of oil and gas transportation, as well as icebreaking. And additional restrictions are expected, beginning of January next year, whereas these transportations could be limited into Russian-built vessels. While I'm not expecting this to materialize because we have Japanese, we have Australian, we have Chinese investment power in the vessels of Yamal LNG, so if this would be materializing, that would mean that the Yamal LNG transportations would stop, which cannot be the case.

But this is also a sign of protectionism, and about this legislation we heard in Japan a couple of weeks ago in a conference – a statement by a Russian government representative – well, this isn't anything else like the Jones Act. So it was considered as a countermeasure to the Jones Act, and we learned from Admiral Zukunft this morning – that – don't touch the Jones Act.

MS. CONLEY: Don't touch the Jones Act.

MR. VAURASTE: Exactly. Yeah, yeah. So it's a development. Regarding blue economies, the IMO introduced the expectation to go into the heavy fuel oil ban just a couple of weeks ago, even though, without a time frame – but that is a work in progress. An example of blue economies is my company's most recent icebreaker, the Polaris, which is the world's first icebreaker running on liquefied natural gas. So we can go to Yamal and take some LNG from there. So maybe you should consider these types of icebreakers in the U.S. as well. We have the technology.

MS. CONLEY: We'll let the Coast Guard know.

MR. VAURASTE: Exactly. I have done that.

IMO Polar Code – of course, that is an important area for the developments regarding – regarding the Arctic shipping and its safety.

Well, then I will – (inaudible) – have a look into identifying the dynamics of the expectations of the Arctic shipping, and that's really an interesting area and an interesting issue. So let me start by stating that, of course, it's about international trade developments, and the international trade, whereas, actually, even though the international trade is increasing, now, for the first time last year, we noticed the situation that the trend, which was increasing the international trade between the market areas turned down. So that means that the – unfortunately, protectionism works in that way.

Second important area is, of course, freedom of trade. And within the freedom of trade, it's even more important in the Arctic areas, because within the Arctic areas you definitely need the best available services and best available practices, because the area is so pristine. So if you can't use those,
we can actually argue that the endangered – you endanger the sustainable developments. Freedom of navigation – already, also, I learned this morning that there are different types of views in terms of the freedom of navigation within the Arctic. However, no big challenges have been seen yet. So that remains to be seen, whether – if there is additional tension, whether somebody wants to – really, to challenge this.

This is not an issue for the commercial players. For instance, for my company, it's very easy just to follow whatever the rules are. So – I mean, it's easy. We want to do the trade, and if there are certain regulations, like the NORDREG in the Northwest Passage area, or the Northern Sea Route regulations, it's not a problem for us to follow. So that's a political question, actually.

Ship resource availability – so we've seen the fact there is new types of vessels, which are able to work without icebreakers, unfortunately. I'm not a fan of those, because I like to assist with my icebreakers. However, new icebreakers are needed as well; there's around 140 icebreakers in the world, whereas their average age is around 25-30 years. So we need new capacity for that as well.

On the Northern Sea Route, we have destination traffic, and you have transit traffic. The expectation on the increase of the destination traffic is that it would be going into 40, 50 million tons within the next 10 or 15 years. However, in terms of the transit traffic, there are different types of drivers, which include the developments in the Suez Canal, the security developments in the Suez Canal, as well as piracy. So there is, for the moment, no piracy in the Arctic. It's still cold enough. (Laughter). They're not a friend of the cold, and – but if there is a big change in the Suez Canal security development, for a reason or another, that might shift the gear, actually, quite rapidly. You never know.

Tourism – there's a great increase in tourism in the Arctic areas, and that is definitely one of the drivers for the – for the future on the Arctic shipping. And of course, the regulations. Then, we have an interesting development, which is the transportation corridors. So there is an initiative to build a railroad from the Arctic Ocean to the Baltic Sea, and include that to tunnel linking Helsinki and Tallinn. So creating this type of corridor, and link that to the Northern Sea Route, and that is something there – this, sort of, EU notion comes to play as well, because of the EU funding and the – and the EU Motorways of the Seas developments.

We can't forget oil price. So the oil price has become from 50 dollars to 75 dollars within a year; many people say that Arctic drilling starts to be – offshore drilling starts to be economically viable if you go to, maybe, 80 or 100 dollars or something like that. New leases are, again, becoming a fact, also, in the – in the U.S. Arctic, so maybe that is going to be the case within the next couple of years as well. And it's happening in the Russian areas as we speak. So there is great expectation on this one, and in terms of the fact that Finland has been, sort of, a mediator, and there's been discussions about the opportunities as we are chairing the Arctic Council, that Finland could host a high-level summit to discuss the issues – we addressed the problem that there is no forum to discuss the sovereignty issues within the Arctic context, so this might serve with this case, and our president has been active on this one.

There's been the dialogue or the forum for the Arctic military commanders, but they have not met in two or three years because of the current situation. So my expectation is that the Arctic shipping will have moderate development, yes. COSCO shipping, for instance, from China, is increasing its traffic, but it's been, you know, 20, 30, 40, 50 vessels, something like that, in terms of the transit. Not
expecting a big boom on this one. Yes, moderate increase on that one, but the destinational traffic is another story, so there will be increase in this area as well.

And let me then conclude my remarks with a proposal. Since Finland is now chairing the Arctic Council, and we have seen that there's been developments like the oil spill response agreement, which is legally binding, the emergency preparedness agreement. So in terms of the Arctic resources, why shouldn't we have an Arctic icebreaking collaboration agreement – meaning that, once we have great assets which are running idle on one part of the Arctic, and on the other part of the Arctic, you have a need of resources. So, are we stupid here? Why don't we do something about it? Should we do this shared-economies thinking around this issue as well? And because the Arctic Council is also working great on these types of issues which are related to search and rescue – so we can relate this idea for this one so.

So let me leave the CSIS with this proposal and hope that you will move forward with it. Thank you very much. (Laughter, applause.) Thank you.

MS. CONLEY: You got a presentation, and I got a homework assignment. OK. (Laughter.) Jakub, please.

JAKUB M. GODZIMIRSKI: Thank you very much for giving me this opportunity to share my insights on the Russian Arctic policy. When we agreed on the program, I saw that I was facing a huge challenge, because I was given 10 minutes to present to you the nitty-gritties of the Russian Arctic policymaking. So I decided to approach this in a kind of – from the bird's eye perspective, and also decided to go to the very source.

First, we have to understand that if we want to understand Russian Arctic policy, we have to understand within which political framework this Arctic policy is being designed and realized. It's about two key questions: who has the interest in the Arctic in Russia, and who has the power in Russia? And when we look at those two aspects of the Russian policy, we will be – we will be able to understand how this policy is being made.

And we have also learned that there is a lot of interest in Russia in things Arctic. I happened to take part in this Arctic forum in December 2017, and this is – this provides – this picture provides a very good map of the key concerns Russia has when – relating to the Arctic questions. And this has to be viewed against this broader framework. There is this understanding of Russia as being a network-based state. There's this concept of Russia being a dual state, where formal institutions play a certain role, but informal networks play one far greater role. So I decided to look at how this Arctic policy is being realized within this network state framework, and I also decided to go to the very source.

I decided to look at how the story of the Russian Arctic policy is being told by the Russian government itself. So I went to the official website of the Russian government, identified – targeted their views in order to describe the Arctic policies. (Inaudible) – Arctic activity, and I discovered that between 2008 and 2018 there are 106 events that are by the Russian government itself, defined as relating to Arctic policy. And I used this collection of texts to map the Russian Arctic interests. It gives us some understanding of who are the key actors in the Arctic policy, what are the key topics, and what is the geographical focus of this policy?

And what I am going to present on the following three, four slides is based on the kind of statistical analysis of the text of this Russian official coverage of the Arctic policy. It should be
underlined here that this is the kind of top layer of the Russian story about – official story about the Arctic; there are plenty of documents that describe those approaches to the Arctic in more detail, but I decided to take this bird's-eye view perspective, because I think that taking this bird's-eye view perspective will give us a good understanding of the priorities, because – and my assumption here was that the more you mention an issue or a topic in the text – this top layer of the Russian narrative – official narrative on the Arctic, then we should assume that the more often you mention this term, the more important it is for you. So this is a – kind of, the very basic assessment of what I am going to present now.

This gives you an understanding of the Russian activity on the Arctic. It's a kind of representation of how many times per year this Arctic activity is being mentioned on the official website of the Russian government. And we see that there is a peak in 2015, and then there is a kind of downward spiral, which I should make a reservation concerning 2018 – this – I collected those texts in March 2018, so it's not a complete coverage of 2018, but we see a kind of steep increase in the Arctic interest and the Arctic activity, and then some ups and downs.

We have to – having in mind the high-level of personalization of Russian policy, we have to understand who is in charge and who is in – kind of, responsible for this Arctic policy. And we see that four or five names are mentioned at this top level of this narrative – Dmitry Medvedev is obviously a person very much in charge, but Dmitry Rogozin is the second one, and Arkady Dvorkovich is mentioned nine times, and Sergey Donskoy – Russian minister for natural resources is mentioned one, and Maxim Oreshkin, who is responsible for Russian economic development, is mentioned only once.

In order to understand, what is the kind of power of those actors to put their mark on the Arctic policy, it's also important to place them on the kind of informal power map in Russia. I used the collection of annual rankings presented by the Nezavisimaya Gazeta – they publish those rankings of top 100 political figures in Russia on monthly and annual basis; I used, for the purpose of this brief study, the annual rankings and placed those actors – not Putin, not Medvedev, because they are usually on the top of the list – on this power list. And we see that Rogozin has a kind of specific trajectory on this map; Dvorkovich has also an active – an interesting trajectory, and other actors are deemed to be much less important.

What is especially interesting is the relatively weak position of Alexander Novak. Alexander Novak is Russia's minister of energy; he is responsible for the sector that generates a lot of revenue for this Russian state budget until 2015 – oil and gas-related revenues – from 50 percent of Russian state budget revenue. So having a man who is responsible for this sector and not having a very high position in the Russian informal map of power is an interesting issue.

Then, I also used the very same approach to mapping the topics that Russia is very preoccupied much. And the size of the – the size of those fields represent the importance of the topic. What I did here was that I took all – the whole texts from this top level of the Russian description of the Arctic politics, and I decided to conduct the kind of studies – technical analysis of the content, and then I grouped some of the issues into all kind of topical classes. And we see that, for instance, when we were to follow the Russian popular debate on the Arctic, we would most probably be amazed by the very high level of (securitization ?) of things Arctic.

When we follow the Russian official policy and the way it is represented, security and the military questions are not very high on the agenda. What is very high on the agenda? I have also to make a reservation – I removed from this list two terms that are very much predominant in this
collection – Arctic and Russia, for obvious reasons, because having them here would somehow make the picture less clear. But there is a lot of focus on the maritime activity – lot of focus on various aspects of development in the Arctic. There is very high level of state activity – government, state is referred to quite often. And we see also that things that are related to various aspects of energy policy are also very high on the agenda. Gas is mentioned 28 times; natural resources mostly – petroleum resources are mentioned 20 times. LNG is mentioned 14 times; oil-related questions are mentioned 15 times. So it's – this really gives you a good understanding of what are the – what is the hierarchy of Russian interests in the Arctic.

What is even more interesting is this geography of Russia's Arctic interests. I decided to look at what geographical units are mentioned in this – in this – in this series of documents, and discovered that there is a lot of focus on Yamal. This has much to do with the development of the Arctic energy resources. Sabetta is mentioned 10 times; this is this new port that is used to send economic – energy resources to markets. Regions are mentioned eight times. For some strange reasons, in those Russian government documents, Spitsbergen, or Svalbard, is mentioned 16 times, and this has something to do with the perception of Russia that since Spitsbergen has a kind of very special case – regulated by a very special international law arrangement. Barents is mentioned five times; we see that there is relatively little focus on the – for example, Yakutia – that is the biggest Arctic region in Russia – only one mentioned – only one time. So this also gives you a kind of good understanding of what are the – what is the geographic focus of this policy.

And then, this policymaking takes place mostly in the Russian State Commission for the Development of the Arctic, that is headed by Dmitry Rogozin, and that has focused on those so-called Arctic key zones. Some years ago, a document was published about the so-called – (in Russian) – could be translated into key areas of development, and there is a number of projects to be realized in those Arctic zones.

In order to understand who is involved in this policymaking at this – a proactive level, I conducted an analysis of the affiliation of the actors who are members of this state commission on the Arctic questions. And we see that there is a huge denomination of state actors – 21 representatives of the Russian government. There is some representation of business – private, but also those people representing state-owned companies operating in the Arctic. Relatively little involvement of the political class – only two members of the state Duma, and one member of the Federation Council. And all Arctic leaders are included. I also decided to look at what are the topical affiliations of those members, and discovered that regional development has a huge interest, and the second on the list are those who work on defense and security-related matters, meaning that this lack of focus when it comes to topics is maybe counterweighted by the activity of those actors who represent this Siloviki faction in the Russian government on this map.

And then, in order to understand who is really interested in Arctic, I conducted search – series of searches using official websites – search engines of the Russian state institutions to discover how often Arctic is mentioned in those official websites of the single institutions. And we see that the Ministry of Foreign Affairs shows great interest in the things Arctic. The second on the list is, in fact, Ministry of Defense. Very low on the list we see, for instance, Ministry of Finance, but this has maybe something more to do with the fact that their search engine is not very effective, because when I used the Google website to conduct the Arctic – the search for the Arctic on this website, then the situation was slightly different. I got almost 200 hits.
So this really shows you what is the institutional interest in things Arctic in Russia. And last but not least, it's important to understand what is the current state of the Russian debate on the Arctic. I went to last month's coverage of the Russian Arctic in Rossiyskaya Gazeta and discovered, for instance, that Dmitry Medvedev, when he gave his speech on the state of the nation on 20th April, 2018, he mentioned Arctic only once. So this means that Arctic is most probably not very high on the current Russian state agenda. There is also something that is important to understand that there is special wording when it comes to Russia's coverage of the Arctic. They use, quite often, two verbs to describe Russian policy towards the Arctic: “razvitiye,” which means “development;” and “pokoreniye,” which means “conquest” of the Arctic. So those are two dominant verbs used in order to describe Russian policy.

And three, I also discovered that I was very happy with this new report that was published in April 2018 by Russian agency for political and economic communication. They were somehow assigned the task by the Russian government to look at the importance of various projects that had been realized in the Arctic, and they published the list and a kind of brief assessment of the Russian policy in the Arctic. And I would truly recommend this one to all those who are interested in learning more about Russian Arctic policy, because this is the most current assessment of the effects of the Russian policy in the Arctic. And knowing that Admiral Zukunft will join us for this event, I also decided to look at, what is the Russian understanding of the U.S. policy and identify one statement represented in Rossiyskaya Gazeta, where there is a kind of expression of some concern for the United States caused by this lack of icebreaker capacity in the Arctic.

So I will stop here and will give the floor to Kristina. Thank you.

MS. CONLEY: Jakub, thank you so much. I so want you to map the U.S. government's Arctic – I want you to do the same thing for the United States.

MR. GODZIMIRSKI: OK. (Laughter.)

MS. CONLEY: And then I want to do a comparison of the –

MR. GODZIMIRSKI: It can definitely be done, but then we have to agree on the price. (Laughter.)

MS. CONLEY: To be continued on that.

Kristin, let me – help us understand – end us on, sort of, what a digital Arctic looks like in the future looks like. Thank you for being with us.

KRISTINA WOOLSTON: Great, thank you so much. Well, I will try my best to fit within the seven minutes that we were allotted here to get through my piece. And I really wish I would have stuck with my Russian when I was in college, but I wasn't very good at it. (Laughter.) Quintillion is a private company headquartered in Anchorage, Alaska – privately funded. We have just completed the first subsea fiber-optic cable system in the United States Arctic.

But first, I would like to just very briefly touch upon something that may have risen to the news across your desk or in your company. Regrettably, last year, Quintillion CEO, we discovered that there was some fraudulent activities and this involved some investors and falsification of records. We did an internal investigation. Our board, our investors acted very swiftly and quickly and did an internal
investigation, turned this over to the Department of Justice, and then for the last seven months or so the Department of Justice has been conducting its own investigation. It recently became public. It was something that we dealt with last year, but the situation became public after the conclusion of the investigation. The good part of this is that our investors and our customers have stuck with us. The system has been built. It went into operation on December 1st of 2017, and our business case is as strong as ever. The customers that we have are 10- and 20-year take-or-pay contracts, so from a business standpoint, very solid present and future for the company. But I did want to be sure to touch upon that. If anybody has any questions, please feel free to grab me afterward in the lobby. I’m happy to answer any questions that you might have.

This was October 27th, 2017. This team completed the final splice of the first, as I mentioned, North American Arctic subsea fiber optic cable system. It took us roughly three years of subsea and terrestrial construction in order to reach that day. The network – and I’d like to talk briefly about the construction of it because it is quite historic and groundbreaking – but we built new terrestrial network from Fairbanks to Prudhoe Bay. Prudhoe Bay – as many of you know, Prudhoe Bay/Deadhorse area is the largest North American oil and gas development exploration field, and we’re seeing with ANWR the 1002 opening up, as well as other finds in Smith Bay along the coast of Alaska – a tremendous amount of activity in oil and gas – and a situation where with better oil prices, you know, the proximity and the ability to move forward some of these projects are beginning to see some light of day, which we’re very excited about.

Our system is anchored by connecting to existing fiber, which runs south from Fairbanks into the Pacific Northwest. All of Alaska is connected to the worldwide web, the world internet, through those two cables that run to the Pacific Northwest. So Quintillion’s network has extended north and to the west into the remote rural and coastal Alaska communities that you see on the map. From a strategic standpoint – which I’ll talk about briefly in a moment – we, as the gateway of the U.S. Arctic and as a strong resource state, do believe that the infrastructure that we’ve built is just the first place in creating a digital environment in the Arctic, as well as the potential for a tech corridor.

Through the course of 2015 and 2016, Quintillion operated in the coastal waters off of Alaska. So we had a window roughly the end of July beginning of August through the middle of October when we could operate our vessels. We had 13 vessels in the water in 2016, eight vessels in the water in 2017. We laid over 1,100 miles of subsea cable. The cable was laid in four separate cable spreads. We worked around the migratory patterns of the species, the migratory mammals in the Arctic. That included whales, walrus, polar bears, seals. So we took great pride and great pains in working locally with the co-management groups, the Alaska Eskimo Whaling Commission, the Barrow whalers association, as well as COERIK (ph) and other nonprofits that are charged with migratory protection in that area.

The system that we installed runs at about 30 terabits per second. So when the system went live on December 1st of 2017, we dropped 200 gigs into each of the five remote communities into Alaska. And the system has been built for the future. The system is built for Alaska’s needs, as well as what we see is the future of the Arctic and telecommunications.

We’ve made this a world-class system at every level. I showed you two slides ago this is what our cable looks like. The small strands of fiberoptic glass in the middle are what transmit all of the data. Everything else is built for protection in the Arctic. We have buried every inch of this cable along the seafloor, up to four meters deep in the areas where we have seen the most ice scouring activity. We spent two years surveying and mapping the seafloor to look for any historical ice...
scouring. And while we couldn’t tell if the ice scouring was 10 years old or 10,000 years old, we
decided to go deeper than any present ice scouring, which meant that we had to use some significant
equipment to trench and bury the cable, as well as creating a fiberoptic cable that’s very – that’s
reinforced.

And, Tero, you – this interests you, but we had to take multiple ships to the Arctic to carry the
cable because it’s double-armored and it’s a lot heavier than typical cable that you see in the subsea
areas. Because the water is shallower off the coast of Alaska, that’s why we had to bury, but also the
ice movement in the area.

And on the coastal areas, where we went from the shore-end connection, we took even greater
investment and time and resources. We – from the shore end, we used horizontal directional drilling
techniques and with steel boring tools we went down 60 to 80 feet and then we went out a mile
offshore. So the fiber is buried in steel conduit in place roughly a mile offshore, and this allowed us to,
one, protect the cable, but it also allowed us to avoid any coastal impact by not cutting into the
coastline.

Every 30 meters is – 30 kilometers, excuse me – is a repeater, and this boosts the signal so the
latency issue is avoided. And this is built, as I mentioned, just for Alaska, as well as for the connection
internationally.

We use concrete mattresses to further protect and – the branching units into each community.
So it’s a trunk and branch configuration, meaning that if should anything happen to one of the
connections into a community, it doesn’t affect the others. We currently have a backup satellite, but
once we are connected with our international fiber, as I’ll show you in a moment, that allows us, as
well as the state of Alaska and the U.S. Arctic to have multiple fiber paths.

We used a remote operated vehicle. This went along the sea floor and checked every inch of
what we installed in 2016, as well as what we installed in 2017. So in 2016, we finished all but 40
miles of our 1,100-mile subsea cable system, and that was because we experienced a weather situation
that was unlike had been seen in the last 25 years. Sea ice went in and out multiple times. We had to
cease operations. We weren’t using icebreakers. We had to use ice managers, which gently –
(laughter) – which gently manage the ice around the area where we were laying cable. So it was a
great disappointment that we did not finish in 2016. However, it did allow us the opportunity to – for
two years now we’ve seen and have been able to monitor live the network as it’s operating, and we
have two years of fault-free, flawless performance on our network. And so that was one thing that we
didn’t plan for, but at the end of the day gives all of us great reassurance about the impact that we have
and the installation that we’ve successfully managed.

So our network is allowing for opportunities. It is a transformational system, one that we are
very proud of. And as we look forward to the next steps for our network and what that timing looks
like, we think it brings even more opportunities for a number of industries as well as a number of
communities.

So phase one went in to service, as I mentioned, December 1st, 2017. Our next phase is to
connect by the early 2020, end of 2019, optimistically, to connect to an international fiber outside of
Alaska. We will begin surveying this summer. Construction begins next summer. We’ll have, you
know, pretty specific information to announce in the next couple of months, what that exactly looks
like. But our goal, we are aggressively moving towards this, and this meets the need of both our
international system as well as the need for redundant telecommunications in the U.S. Arctic. So, again, by end of 2019, beginning of 2020, our plan is to have an international connection into Japan, as well as the potential to connect back into the Pacific Northwest at that time.

Our phase three plans are a little – are progressing in simultaneous fashion, but the plans are – it’s a difficult build, and we foresee in the next three to five years having an accomplishment of phase three connection internationally to Europe. What that looks like is still in development. And of course, we are talking with Tero and others about what it means to lay cable in either the Northwest Passage or the Lower Northwest Passage as this map shows.

We do have a fairly near-term opportunity and goal as we look to diversifying both U.S. Arctic and Northern Canadian terrestrial network – excuse me, fiber network, dropping a line into a Canadian community just inland – or just, excuse me, across the border of the U.S. and of Canadian border. So those are things that we’re looking at in the very near future, but we’re excited for the first time for Alaska to have true, diverse fiber networks in and out of our state.

So this first slide was developed by Jason Suslavich, by Senator Dan Sullivan’s office, and this looks at the strategic location of Alaska as the Arctic state and the Arctic border for the U.S. As you can see, the militarization of Russia has been much more advanced than Alaska and the U.S. in this part of the world. So we see that every infrastructure development, meeting the demands that we will see for all of these strategic plays in the Arctic – transportation, militarization, trade, economy – all of these pieces – research requires a certain level of infrastructure and telecommunications is certainly one of a very important piece of that puzzle.

Next, we see earlier – Julie on the earlier panel was talking from the Norwegian and Russian relations strategically and militarily. We see Norway’s recent – I think it was last year they announced that they would be building the largest data center. We think that the Arctic is perfectly positioned for a number of technology advancements, tech corridors, attracting tech companies to move north. There are a number of things that provide benefits for potential tech areas, but they require multiple paths of fiber connections, and that’s just one of the things that we won’t have until Quintillion is able to connect its network internationally end of 2019, beginning of 2020. So we’re very excited to see technology and industry looking to the northern latitudes for relocating and for investment.

And then, finally, what we’re seeing in the communities in Alaska is, as I mentioned, transformation within our communities. I was born and raised in a rural community in Southwest Alaska. My parents still live there. It’s the largest commercial fishing region in the entire world for red salmon. And they, too, rely on – regardless of the fact that it’s very remote – they rely on technology. They monitor fish and they allow fishermen to fish each day once they have the catch recorded, and they have to upload that to the Alaska Fish and Game website. Unfortunately, they have many restrictions in the technology there and the capacity, and so it lags and so fishermen are not seeing the economic opportunities that they could were they able to communicate in a timely manner with these resources.

The community of Nome is one of the communities that we turned fiber on in December. The Nome City School District recently turned over from a microwave and satellite-based system to a fiber system. They’re saving roughly $200,000 a month for a 100-meg connection into that community. Hospitals for the first time will have the capacity to digitally transmit and communicate with experts on a health basis. So we’re excited about the education, the health, as well as the economic opportunities that a true high-speed broadband network will bring to these communities.
So this is just the first. We’ve only been in service for about four or five months now, so in a year, in two years we’re excited about what this will look like for the communities. We are a wholesaler, so we don’t provide services to the end user. We sell to the communications companies, and they provide services to the schools, hospitals, and residents.

Thank you very much for your time.

MS. CONLEY: Kristin, thank you so much. I know that was – we were speeding you through that presentation. I think this question of the Arctic connectivity, a working group within the Arctic Economic Council – it came out of the Arctic Council’s Broadband Taskforce. So, so important to connect very faraway communities.

We are out of time, but I think we can probably take one question – unless you have been so filled with Arctic knowledge you can’t take it anymore. They’re so filled with knowledge they cannot take it anymore. But, no, this was – thank you so much. It was a rich discussion of strategic opportunities for state actors, for companies that are seeking those opportunities, for how governments coordinate all of these efforts. I have to say,

I have not answered the questions today. We were trying to divine is the Arctic a strategic pursuit, a great power miscalculation? I come out in the strategic pursuit, but the economic questions are still, to me, a little fuzzy. My crystal ball isn’t clear. There’s great potential, a lot of dynamics going into that. So clearly, we’re going to have to come back together again and keep figuring this out and keep our crystal ball on the table.

But thank you so much, Anne-Marie, who’s hopefully blissfully asleep, for Tero, Jakub, Kristin. Thank you so much. And thank you as always for joining us at CSIS. Have a great day. Thank you. (Applause.)

(END)