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## Development in Difficult Times: Russia's Arctic Policy Through 2035

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### Abstract:

Russia's new Arctic strategy lays out plans for the region through 2035. While the main threats to the region are social and economic, Moscow currently prioritizes increased military spending. Moscow's dilemma of whether to open up for increased economic investment, including from foreign companies, or remain closed to pursue its vision of national sovereignty will shape Arctic developments for years to come.

### A New Policy for the Arctic

On 5 March 2020 President Putin approved the "Basic Principles of the Russian Federation State Policy for the Arctic to 2035" (hereinafter referred to as the Basic Principles to 2035).<sup>1</sup> This document defines the goals, main tasks, security challenges, as well as mechanisms of implementation for Russian policy in the region. The new document updates the previous state policy, which was approved in 2008.<sup>2</sup> After 2008, Russia had to revise its policies to take into account increased tensions with the United States, an evolving relationship with China, growing economic challenges, strengthening resecuritization in the north, and new opportunities to explore for natural resources in the face of climate change.

Russia prizes the Arctic for its extensive hydrocarbon and biological resources and the potential trade benefits from the Northern Sea Route. Opportunities in these areas are increasing due to climate change. Efforts to realize these economic benefits push Russia to strengthen its military presence in the Arctic. However, investment needs for strategic economic projects, shortcomings in northern infrastructure, and difficult living conditions for the population of the Russian Arctic region are Achilles heels for Moscow. With just over 1.5% of the country's population, the Arctic zone provides almost 10% of Russia's GDP through oil and gas production, 10% of all investments, and demonstrates high growth rates for labor productivity and wages. Nevertheless, poverty and unemployment rates are below the Russian average, according to the Minister for the Development of the Russian Far East. As a result, people are fleeing the North, with 300,000 leaving in the past 15

years.<sup>3</sup> The current population of the Russian Arctic is about 2.4 million people.<sup>4</sup>

Russia will assume the chairmanship of the Arctic Council in 2021–2023. Most likely that prospect drove it to update its Arctic policies to reflect current conditions.

### The Basic Principles: Security Aspects

At the end of 2019, the Ministry for the Development of the Russian Far East started the procedure for approving the new draft Arctic Development Strategy within the Russian government. The document included a special economic regime for the Arctic for the first time.<sup>5</sup>

The new policy defines Russia's national interests in the Arctic as:

- ensuring the sovereignty and territorial integrity of the Russian Federation;
- preserving the Arctic as a territory supporting stable and mutually beneficial international partnerships;
- ensuring a high quality of life and well-being for the population;
- the development of the Arctic zone as a strategic resource base and its rational use in order to accelerate the economic growth of the Russian Federation;
- development of the Northern Sea Route as a competitive national transportation route on the world market;
- the environmental protection of the Arctic, including the original habitat and traditional way of life for Indigenous peoples living there.

The main changes and additions to the list of national interests are: emphasizing the sovereignty and territorial integrity of Russia's Arctic, ensuring a high quality of

1 Kremlin.ru, 2020. "Vladimir Putin approved basic principles of state policy in the Arctic", March 5, <http://en.kremlin.ru/acts/news/62947>.

2 Rossiyskaya gazeta, 2009. Ob Osnovakh gosudarstvennoy politiki Rossii v Arktike na period do 2020 goda i dal'neyshuyu perspektivu, Sto-lichnyy vypusk no. 0(4877), March 29, <https://rg.ru/2009/03/30/arktika-osnovy-dok.html>.

3 Kozlov, Aleksandr, 2019. "Strategiya idet na Sever", Rossiyskaya gazeta – Federal'nyi vypusk no. 266(8024), 25.11.2019, <https://rg.ru/2019/11/25/rossiia-opredelila-nacionalnye-interesy-v-arktike.html>.

4 According to the latest official data, it is 2,431,518, as of January 1, 2020, [https://rosstat.gov.ru/free\\_doc/new\\_site/region\\_stat/calendar1-2020.htm](https://rosstat.gov.ru/free_doc/new_site/region_stat/calendar1-2020.htm)

5 Ibid.

life and well-being for the Arctic population, and protecting Indigenous peoples' life styles.

Moreover, although the role of the Arctic as Russia's "strategic resource base" and the importance of the Northern Sea Route are noted in the Basic Principles to 2020, there are some changes in the recent document. If, in the previous document, the Arctic zone is stressed as just "a strategic resource base for the further development of the country," in the new one, the development of the Arctic zone as a strategic resource base and its "rational use" have greater prominence. In the previous plan, the NSR was seen as a national unified transport system for Russia in the Arctic; in the recent document its development has evolved to "a competitive national transport system" on the world market.<sup>6</sup>

The main challenges for Russia in the Arctic, according to the document, are attempts by a number of foreign states to revise the basic provisions of international treaties governing economic and other activities in the north and create systems of national legal regulation without taking into account such treaties and regional formats of cooperation; the incompleteness of the international legal delimitation of marine spaces in the Arctic; obstruction of the implementation by the Russian Federation of legitimate economic or other activities in the Arctic by foreign states and/or international organizations; the military build-up by foreign states in the Arctic and the growing conflict potential in the region; and the efforts to discredit the activities of the Russian Federation in the Arctic.<sup>7</sup>

The documents also list important changes regarding military and security tasks. The Basic Principles to 2020 depict military tasks in general terms (such as strengthening the capabilities of military forces in the region) and included them in the same article with border security tasks. Moreover, border issues took precedence. But, in the Basic Principles to 2035, military and border security tasks are depicted in separate articles (19 and 20) and military issues are much more important than they were in the previous document. According to article 19, the main tasks in ensuring Russia's military security in the Arctic are:

- implementing a set of measures aimed at preventing the use of military force against Russia, protecting its sovereignty and territorial integrity;
- increasing the combat capabilities of general-purpose troops, other troops, military units and bodies in the Arctic zone of the Russian Federation and

maintaining their combat potential at a level that guarantees repelling aggression against the Russian Federation and its allies;

- improving the system of integrated control over the air, surface and underwater conditions in the Arctic zone of the Russian Federation;
- and creating and modernizing military infrastructure facilities.<sup>8</sup>

Russian strategic documents typically emphasize security problems in recent years. Generally, the "fortress under siege" thinking in them has increased. The growing tensions with the West are reflected in Russia's general security documents as well. However, the new security-related text in the Basic Principles to 2035 demonstrates Russia's will to defend its interests in the Arctic. This aspect is the main facet distinguishing the new document from the Basic Principles to 2020. However, as in the previous document, regional, bilateral and multilateral cooperation are welcomed in the Basic Principles to 2035.

### The Basic Principles: Social and Economic Aspects

Additional novelties can be found in the "Assessment of the state of national security in the Arctic" and articles 7 and 8, "The main threats to national security in the Arctic" and "The main challenges in ensuring national security in the Arctic." Although the activities of "some countries" (although not named, the references suggest the United States and its NATO allies) are defined as challenges for Russia's national security, all of the explicitly listed threats are domestic economic and social problems.<sup>9</sup> In the parlance of Russian officials, a challenge is a concern, while a threat is an acute danger for security and could spark conflicts or huge social and economic disasters.

The main social, economic, infrastructure and environmental problems include: population decline; the low level of development of the social, transport, information and communication infrastructure; slow progress in geological exploration of promising mineral resource centers; the absence of a system of state support for business entities that ensures cost and risk reduction in the implementation of economic projects; non-compliance with deadlines for creating the Northern Sea Route infrastructure, including the construction of icebreaking, rescue and auxiliary fleets; the slow pace of the creation of land vehicles and aircraft to operate in Arctic

6 Kremlin.ru, 2020. Ob osnovakh gosudarstvennoy politiki Rossiyskoy Federatsii v Arktike na period do 2035 goda, p. 2, <http://kremlin.ru/acts/news/62947>; Government.ru.2008. Ob Osnovakh gosudarstvennoy politiki Rossii v Arktike na period do 2020 goda i dal'neyshuyu perspektivu, p.2, <http://government.ru/info/18359/>.

7 Ibid, p.4.

8 Ibid., p.12.

9 Ibid., pp.3–4.

conditions, the development of domestic technologies necessary for the development of the Arctic; and the Arctic environmental monitoring system's lack of readiness to address environmental challenges.<sup>10</sup>

The document provides extensive detail on energy and transportation projects, especially those affecting the Northern Sea Route, and river, railway and air projects, as well as encouragements for small and medium-sized enterprises. Demographic problems, such as the health and wellbeing of the local population, are also prioritized.

Additionally, the problems of the Indigenous peoples are emphasized several times. Several violations of Indigenous rights in the Russian Arctic have been reported in recent years. For instance, in November 2019, the Center for Support of Indigenous Peoples of the North/Russian Indigenous Training Center (CSIPN/RITC) was closed after a Moscow court upheld the Justice Ministry's request to disband the Indigenous rights group over "multiple" violations of the Russian NGO law. CSIPN/RITC denied claims that its paperwork and registration were incomplete. Indigenous rights activists said the shutdown of the group was an example of Russia's clamping down on voices critical of the authorities ahead of its Arctic Council chairmanship.<sup>11</sup>

The Basic Principles to 2035 only referred to minorities [*malochislennyye narody*] rather than describing them as Indigenous [*korennoye naseleniye*]. The Basic Principles to 2020 used both terms regarding the Indigenous populations. However, the new document stressed their problems 7 times while the previous version only used "minorities" once and "Indigenous people" twice. The use of "minorities" rather than "Indigenous people" likely reflects Moscow's anxiety about strengthening separatism in the traditional Indigenous regions.

The document describes the development of a unified statistical and information-analytical system for monitoring and managing the socio-economic development of the Russian Arctic zone. Alexey Chekunkov, head of the Far East and Arctic Development Fund, said that the Fund is going to implement this project. He plans to develop a dynamic mathematical model that takes into account Arctic resources, logistics, eco-

nomic, and environmental factors and allows calculating future development scenarios of the Arctic and the Northern Sea Route depending on the speed and scale of economic, social and climate change. "In fact, we will create the first digital model of the Northern Sea Route."<sup>12</sup>

### Implementing the Basic Principles

The Russian Security Council staff have already announced that they will prepare a unified plan for the implementation of the Basic Principles to 2035 and the Strategy for the development of the Arctic zone and national security for the period until 2035. "In addition, in order to implement the Basic Principles and the Strategy, a new edition of the state program 'Socio-economic development of the Arctic zone of the Russian Federation' will be prepared," said the office of the Security Council.<sup>13</sup>

In November 2019 Minister for the Development of the Russian Far East Aleksandr Kozlov said that the Arctic Development Strategy thoroughly describes all the mechanisms for the development of the territory and their financial support during the first stage of the strategy's implementation. The strategy blames the low profitability of the oil industry on the high initial and operating costs in the current tax environment. Accordingly, it proposes a new set of tax privileges. According to the Ministry of Energy, at least five projects will be launched. Their tax revenues, even taking into account the discounts, will deliver 823 billion rubles to the national budget.<sup>14</sup>

Kozlov notes that currently there is no natural gas chemical production in the Arctic. The government will launch three new projects under the beneficial tax regime, delivering an additional 1.5 trillion rubles to the budget. "By creating a new oil province in the Eastern Arctic, we will be able to increase the profitability of projects in the north of the Krasnoyarsk region, in Yakutia and in Chukotka."<sup>15</sup> Russia also plans to launch 21 mining and forestry projects worth a trillion rubles, including the construction of the port of Indiga in the Nenets Autonomous Okrug; the development of platinum ores deposits in the Krasnoyarsk and the Murmansk regions;

10 Ibid., p.3.

11 The Barents Observer, 2019. "Russia shuts down Arctic indigenous rights group", November 9, <https://thebarentsobserver.com/en/arctic/2019/11/russia-shuts-down-arctic-indigenous-rights-group> ; See also: Thomas Nilsen, 2019. "Russia removes critical voices ahead of Arctic Council chairmanship, claims Indigenous peoples expert", November 27, <https://thebarentsobserver.com/en/civil-society-and-media/2019/11/russia-makes-ready-arctic-council-chairmanship-removing-critical>.

12 Rossiyskaya gazeta, 2020. "Severnyi put' – Prinyaty osnovy gospolitiki v Arktike", Stolichnyy vypusk no. 49(8103), March 5, <https://rg.ru/2020/03/05/prezident-podpisal-ukaz-ob-osnovah-gospolitiki-v-arktike-do-2035-goda.html>.

13 TASS.ru, 2019. "Apparat SB RF podgotovit edinyi plan realizatsii Osnov gospolitiki v Arktike do 2035 goda", March 5, <https://tass.ru/politika/7909863>.

14 Kozlov, Aleksandr, 2019. "Strategiya idet na Sever", Rossiyskaya gazeta - Federal'nyy vypusk no. 266(8024), 25.11.2019, <https://rg.ru/2019/11/25/rossiia-opredelila-nacionalnye-interesy-v-arktike.html>.

15 Ibid.

and the creation of a full-cycle timber industry in the Arkhangelsk Region.<sup>16</sup>

To stop the population exodus from the Arctic, the government plans to launch hundreds of projects in the region, according to the minister, creating up to 200,000 jobs. The efforts are expected to attract new residents to the region. Additionally, the government will prepare a separate program to increasing geological exploration in the Arctic. “We will increase our investments while stimulating private investment,” Kozlov wrote. Starting in 2021, a new subsidy program will be developed for local air travel in the Arctic.

At least 350 billion rubles will be needed for the various projects, according to Kozlov. The government plans to generate some of these funds through tax revenues from new projects.<sup>17</sup>

Unfortunately, the optimism of Kozlov’s November 2019 announcement did not last long. In February 2020, the Ministry for the Development of the East simplified the state program for the development of the Arctic. It cut total funding for the program in 2020–2022 by 50 billion rubles—from 190 billion to 140 billion rubles. Only two measures remain secured by funds for the three-year period—the creation of support zones in the region and subsidies to the Agency for the Development of Human Capital in the Far East and in the Arctic.

Earlier plans included social projects—the construction of kindergartens, schools, and the creation of conditions for the development of traditional industries of the Indigenous peoples of the North (reindeer husbandry, fishing, and hunting). The Ministry estimated the set of measures for the social development of the Arctic at 230 billion rubles. However, the draft amendments to the program presented 27 February did not provide for any such measures. But it is possible that those projects or some of them would be added to the program later.<sup>18</sup> The drop in oil prices and the COVID-19 crisis forced the Russian government to conduct further simplifications, budget cutting and additional tax relief to attract foreign and local investments.

On July 13, President Putin signed a Federal law “On state support for entrepreneurial activity in the Arctic

zone of the Russian Federation”.<sup>19</sup> It creates new preferential rules in the Arctic for companies that plan to implement new projects there. According to the new law, any entrepreneur registered in the Arctic who is ready to implement a new investment project and invest at least 1 million rubles will be able to obtain resident status, offering a number of tax breaks and other preferences. An investment project is recognized as new if, on the date of application, the volume of capital investments made during its implementation does not exceed 25% of the total volume of capital investments provided for by the business plan.<sup>20</sup>

Russia’s Federation Council approved a package of laws to spur private investments in the Arctic. Any business willing to invest more than 1 million rubles will get Arctic resident status with tax preferences. The goal is to attract up to 7 trillion rubles by 2030.<sup>21</sup>

In July, Deputy Prime Minister Yuri Trutnev stated that disagreements over the bill on liberalizing private investors’ access to the Arctic shelf had been resolved, but there were still controversial issues with the Federal Antimonopoly Service and the Energy Ministry.<sup>22</sup> The Ministry does not agree with the percentage of the state share in consortia with private investors when working on the shelf as it is in the new bill. The ministry is in favor of retaining a 50% stake in state ownership (versus 25% in the bill), Trutnev explained.

The Russian Ministry for the Development of the Russian Far East, within the framework of the prepared draft law, proposes to liberalize access to the shelf of the Arctic and Pacific Ocean from 2021, allowing Russian private and foreign companies to operate there. According to new changes, companies can be admitted only if “the state registration of a legal entity or a subsidiary of a foreign legal entity is carried out on the territory of the constituent entities of Russia that are part of the land areas of the Arctic zone of the Russian Federation or the Far Eastern Federal District.”<sup>23</sup> It is expected that the new government program for Arctic area development will be approved in September 2020. Total program financing until 2024 will be 57 billion rubles.<sup>24</sup> According to Kozlov, the presidential administration

16 Ibid.

17 Ibid.

18 Kryuchkova, Yevgeniya, 2020. “Arktika podelitsya den'gami – Minvostok razvitiya uproshchaet gosprogrammu ee razvitiya”, Gazeta “Kommersant” no. 36, 28.02.2020, p. 2, <https://www.kommersant.ru/doc/4269792>.

19 “Federal'nyi zakon ot 13.07.2020 no. 193-FZ “O gosudarstvennoy podderzhke predprinimatel'skoy deyatel'nosti v Arkticheskoy zone Rossiyskoy Federatsii”, <http://publication.pravo.gov.ru/Document/View/0001202007130047>.

20 Kommersant.ru, 2020. “Putin podpisal zakon o l'gotakh dlya biznesa v Arktike”, July 13, <https://www.kommersant.ru/doc/4416226>.

21 Tass.ru, 2020. “Sovfed odobril paket zakonov o l'gotakh dlya investorov v Arktike”, July 8, <https://tass.ru/ekonomika/8913045>.

22 Tass.ru, 2020. “Trutnev zayavil, chto zakonoproekt o dostupe k shel'fu Arktiki pochti soglasovan”, July 21, <https://tass.ru/ekonomika/9014413>.

23 Ibid.

24 Arctic.ru, 2020. “Arctic development strategy is being approved at the Presidential Executive Office”, July 21, <https://arctic.ru/economics/20200721/956511.html>.

will sign the Strategy for Development of the Russian Arctic Zone in August.<sup>25</sup>

Moreover, on August 25, President Putin signed a decree on the establishment of the Interagency Commission of the Security Council “on the Issues of Ensuring Russia’s Interests in the Arctic”. It will be headed by the Security Council deputy chairman Dmitry Medvedev. The responsibilities of the commission will include, among other things, “analyzing the state and prospects for the development of the international (including the military-political) situation in the Arctic”, assessing the progress in implementing strategic priorities, and identifying internal and external national threats in the region. The commission will also prepare proposals and recommendations to the Security Council on the organization of military cooperation between Russia and other states; the prevention and elimination of natural and man-made disasters; and the use of special economic measures to ensure Russia’s national security in the region. Its responsibilities also included the consideration of draft state programs related to ensuring national security and socio-economic development of the Arctic.<sup>26</sup>

## Conclusions

The drivers and main components of the Basic Principles to 2035 are economic and social issues. The plans also take into account Russia’s perspective chairmanship of the Arctic Council in 2021–2023. The texts emphasize problems of the settler and Indigenous populations which have been acute in recent years. The document more clearly defines the goals, tasks, threats and secu-

rity challenges, as well as mechanisms for implementing the Russian state policy in the Arctic than the Basic Principles to 2020. The document also emphasizes Moscow’s political will to defend its interests through military means if necessary. However, amidst acute economic problems, there may be simplifications or delays in the realization of the tasks of the document.

Moreover, despite the Russian government’s efforts to attract more private investments, both domestic and foreign, implementation of several projects in the region still face huge challenges. Ironically, the strategic significance of this region blocks its economic development. On the one hand the Russian government needs investments to realize energy and infrastructure projects, but, on the other hand, there are several strategic military bases in the Russian Arctic zone given its strategic geographic position. These considerations push the government to deeply scrutinize its partners, especially foreign companies.

Moscow’s dilemma is whether to open up to attract investment or clamp down to ensure its security. This dilemma affects the development projects of the Russian Arctic zone. And this dilemma is a main reason for the confrontation between economic and security factions within the Russian Government regarding Russia’s Arctic development policy. Currently the general securitization in Russia means that security issues dominate over economic development needs. The situation is likely to remain the same in coming years, influencing the implementation of the Basic Principles and other state goals.

## About the Author

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25 Tass.ru, 2020. “Russia’s Arctic development strategy to be signed in August, says minister”, July 21, <https://tass.com/economy/1180883>.

26 Ukaz Prezidenta Rossiyskoy Federatsii ot 25.08.2020 no. 526 “O Mezhvedomstvennoy komissii Soveta Bezopasnosti Rossiyskoy Federatsii po voprosam obespecheniya natsional’nykh interesov Rossiyskoy Federatsii v Arktike”, 25.08.2020, <http://publication.pravo.gov.ru/Document/View/0001202008250033?index=0&rangeSize=1>.