

Table 2: Migration to the regional centers of Siberia and the Urals
(Percentage of the total number of youth who moved away from the investigated home city)

Youth migrants moved to:	Moved from the cities of:				
	Noyabrsk	Muravlenko	Gubkinsky	Norilsk	Magadan
Regional center 1	Tyumen' 18,4	Tyumen' 13,0	Tyumen' 16,9	Krasnoyarsk 10,3	Novosibirsk 3,8
Regional center 2	Ekaterinburg 7,0	Ekaterinburg 6,4	Ekaterinburg 5,7	Novosibirsk 3,5	Khabarovsk 3,6
Regional center 3	Novosibirsk 4,8	Ufa 5,6	Ufa 4,1	Ekaterinburg 1,3	Vladivostok 2,0

ANALYSIS

Russia's Plans for the Northern Sea Route: Prospects and Obstacles

By Arbakhan Magomedov, Ulyanovsk

Abstract

This article examines the benefits and obstacles in the development of the Northern Sea Route in the Arctic. The formation of this trade and shipping corridor from the Kara Sea to the Bering Strait, from Murmansk to Vladivostok, offers Russia great economic and political advantages. However, there are numerous obstacles along the way. Some have nothing to do with Russia, while others derive from the weakness of Russia's system of management in achieving its declared goals.

The Northern Sea Route

Moscow's desire to promote the Northern Sea Route (NSR) is completely understandable. Access to the Arctic with its energy and natural resources and its shorter naval route between Europe and Asia could turn Russia into a major sea power. Some Western geostrategists noted the enormous potential of the Arctic for Russia even before World War II.

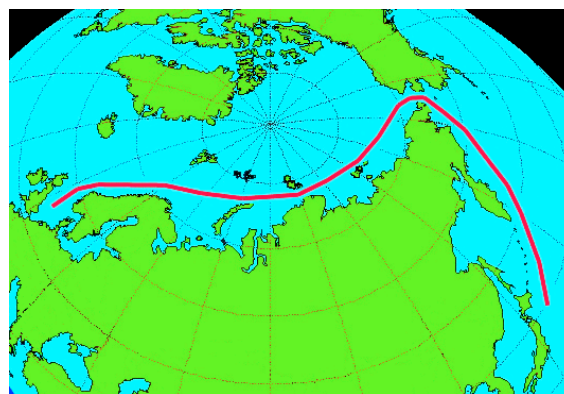
The Northern Sea Route stretches 5,600 km along Russia's Arctic shore, from the Kara Sea to the Bering Strait. The route is almost half the distance of other sea routes connecting Europe and the Far East.

Soviet planners were already preparing for the project. They built an entire transportation system to ensure that the route was open. In 1991, before the collapse of the USSR, the authorities announced that the route was open for shipping. However, in those years, nobody was interested in the northern shipping route. The result was the gradual destruction of the infrastructure built in the Arctic during the Soviet period. Additionally, the systems set up to run the sea route were disbanded. As a

result, overall freight traffic on the NSR dropped from 6.7 million tons in 1989 to 2 million tons today.

Only relatively recently, due to the melting of the Arctic sea ice, did this route start to attract foreign com-

The Northern Sea Route (NSR)



Source: <http://en.wikipedia.org/wiki/File:Northernsearoute.PNG>. The image was uploaded by "Monohu" and was released into the public domain.

panies. In 2009, two commercial ships traveled between Europe and Asia through Russia's northern waters. In 2011, the number of ships climbed to 34 and in 2012 it reached 46. For comparison, 18,000 ships transit through the Suez Canal each year. Estimates suggest that the freight shipped through the Arctic could increase ten times by 2019. Looking forward, shipments could reach up to 50 million tons a year.

Today the NSR has become a national priority for Russia. The Ministry of Transportation wants to retrieve the project from 20 years of oblivion and recreate the NSR administration, which will monitor the shipping traffic and the installation of ship guidance and hydrographic information systems along the route. In September 2009, Sovkomflot conducted an experimental trip from Murmansk to ports in South-East Asia. That same year two German ships travelled from the Pacific to the Atlantic oceans along the NSR, travelling through regions that had previously been covered with ice. "We consider that the experiment demonstrated to shippers that there is an economical alternative to the southern route through the Indian Ocean, which for well-known reasons has become insecure," former Transportation Minister Igor Levitin said in 2010.

The cost of transporting one container during the winter across the NSR in light ice conditions is on average 25–27 percent more expensive than through the Suez Canal, according to the Central Research Institute of the Navy. However in the summer, shipping through the Arctic is 33–35 percent less expensive. Thus, shipping containers through the NSR could be competitive with the Suez route since, on average, its annual costs would be smaller.

The Ministry of Transportation provided detailed recommendations for the construction of new icebreakers and sea and river ports in Russia's Transportation Strategy through 2030. Three new nuclear icebreakers will be built to replace obsolete ships, making it possible to secure the year-round functioning of the NSR. New diesel icebreakers are planned to service ports and the new off-shore energy projects and smaller icebreakers will be for coast guard and search and rescue operations. Six nuclear icebreakers—four heavy Arctic class and two smaller Taimyr class ships—ensure the functioning of the NSR. Additionally, companies have begun to acquire their own icebreaking freight ships. In 2009, the Norilsk Nickel fleet moved one million tons of freight from Dudinka through the Kara Sea to the Kola Peninsula. Following Norilsk Nickel's success, it made sense to begin using similar ships to transport oil and natural gas in the Arctic without escorts. Two Finnish tankers traveled the route in 2011 demonstrating the potential for

hastening the delivery of oil to Pacific countries.¹ Currently, freight shipments across the NSR are 1.6 million tons a year and this is mostly Norilsk Nickel output. Russia's plan is to increase annual shipping to 50 million tons by 2020 with the shipment of oil and natural gas from the Prirazlomny and Shtokman deposits.

If the Arctic ice continues to melt with the intensity that is visible now, the Arctic will become an even better zone for shipping. "Due to the warming and the constantly improving technology, shipping along the North West Route, along Canada's shores, and along Siberian shores could become the main shipping route between the Atlantic and Pacific oceans," according to Frederick Lasser of the Quebec Institute for International Research. Thus, for example, the distance between London and Yokohama is 13,841 km along the NSR, 21,200 km through the Suez Canal and 23,300 km through the Panama Canal. Reducing this distance can bring large profits. A shorter shipping time can mean lower expenses on fuel and crew and more passages per year.

These figures produced great hopes in Russia. Therefore in recent years, the country has spent considerable resources to simplify administrative procedures and modernize northern ports. The route Shanghai–Vladivostok–Chukotka–Murmansk–Norwegian and German ports is 5,200 km shorter than routes through the Indian Ocean and the Suez Canal, economizing on fuel, crew salaries and ship pollution. In the north, there are no Somali pirates or lines to pass through the Suez Canal or requirements to pay a fee for doing so. True, it is necessary to pay for the icebreakers and for 8–9 months of the year, most of the route is covered with ice.

Resources and the NSR: Constructing the Sabetta Port for the Yamal LNG Project

Today the Arctic and sub-Arctic regions are responsible for producing 98 percent of Russia's diamonds and 90 percent of its oil, gas, nickel and platinum output. The NSR is attracting even more attention because new reserves of hydrocarbons are being found in the area. In this sense, the NSR will be most interesting to the owners and operators of the Shtokman gas deposit: transporting LNG with tankers might be cheaper than laying a pipeline in the difficult Arctic landscape. The latest developments in Russia's Arctic policy support such a development. In Yamal, they have begun construction on a new Arctic site—Port Sabetta, which should become one of the largest in the area. Port Sabetta will

1 A. Crawford. "When an Iceberg Melts, Who Owns the Riches Beneath the Ocean?", 1 April 2013 (<http://www.smithsonianmag.com/ideas-innovations/when-an-iceberg-melts-who-owns-the-riches-beneath-the-ocean-199038161.html>).

be a key element in the transportation infrastructure of the Yamal LNG project, which envisions the construction of a plant for liquefying natural gas using supplies from the Southern Tambei gas deposit. Construction of the port, whose annual capacity will be 30 million tons, creates the foundation for developing deposits on the Yamal Peninsula. Analysts note that the port will work all year round, despite the extensive ice in the region.

The first step in the port-building project is to build piers capable of accepting super high clearance ships for the transport of LNG and construction materials. In the second stage, workers will build wharves for shipping LNG and gas condensate. A government decree amending the country's transportation plan for 2010–2015 foresees 47.2 billion rubles in federal funding for the construction of Port Sabetta. Private investors will invest 25.9 billion rubles into the project.

No less interesting than these plans is the port's ownership. The main participants in the port's construction are OAO Yamal SNG, Rosmorrechflot, and Rosmport. Yamal SNG is 80 percent owned by Novatek and 20 percent by the French energy company Total. At the moment, the Indian companies ONGC, Indian Oil Corp. and Petronet LNG have expressed an interest in buying 15 percent of the project.

Moscow's Strengthening Control and the Suppression of Regional Interests

At the end of 2012 Moscow put an end to the on-going argument about where the Northern Sea Route administration would be located. In December 2012 Deputy Transportation Minister Viktor Olersky announced important news: the NSR administration will be located in Moscow. The office began working on January 28, 2013. Olersky also announced that auxiliary offices would be located in Arkhangelsk. Olersky explained that it made sense to base the office in Moscow because Moscow is also the headquarters of the Emergency Situations Ministry, the Rescue Service, and the Federal Service for Hydrometeorology and Environmental Monitoring (RosHydromet), which all have a hand in managing the work of the sea route.

One consequence is that the old competition between Murmansk and Arkhangelsk for the office resulted in both of them losing out to the capital. According to the Transportation Ministry, the choice in favor of Moscow was made as a Solomonic decision in order not to offend either Murmansk or Arkhangelsk. The decision is a heavy blow to the political ambitions of the regional authorities in both cities because they had counted on becoming centers of Arctic policy in Russia.

Several days before the announcement was made, Arkhangelsk Governor Igor Orlov said that in Arkhan-

gelsk, they were ready to open the office which would deal with practical questions related to the sea route. These questions included such important issues as accepting applications to use the NSR, coordinating work with RosHydromet, and the use of polar aviation, among other issues.

Another piece of bad news for the region is a plan to privatize the Arkhangelsk state trawler fleet. Local residents are concerned that if the fleet is privatized, it will be shifted to Murmansk. Such a move would lower fishing costs, but would result in the closure of fish processing plants in Arkhangelsk, leaving more than 300 families without work. Marina Strukova, a commentator for the newspaper *Zavtra*, pointed out that some media had published information for interested parties creating an image of the fleet as being obsolete, so that it would be easier for it to be sold by the state to interested private parties.²

Obstacles for Realizing the Government's Plans and Perspectives for the NSR

The enthusiasm of the Russian authorities sharply contrasts with the difficulties inherent in developing the NSR. For example, Norwegian evaluations of the possibilities of the economic exploitation of the Arctic, including shipping, sound extremely critical. According to the former Norwegian Minister of Foreign Affairs Jonas Gahr Store, by 2040 the Arctic likely is 'likely to be free of ice' for a significant part of the year, which will lead to the appearance of new transportation routes. One major problem of the Arctic route is the lack of opportunities to trade along the way. Ships do not typically go straight from Rotterdam to Shanghai. Usually, to optimize their freight and increase the profitability of the shipping, freight ships offload and pick up freight at ports along the route of their trips. In the Arctic, there are no similar opportunities. Moreover, the melting of the ice every year begins at various times making it difficult to establish a specific schedule for traffic in the region. Container traffic depends heavily on precise schedules. Accordingly, there is not likely to be a serious development of shipping in the Arctic in the near future.

At the same time, the warming climate will make it possible for ships to reach Arctic ports to export hydrocarbons and ore produced in the region. There is little doubt that the volume of shipping will gradually grow, according to Lasser. By the middle of the century, they could reach 500–1,000 ships a year. That is a lot more than are currently there. But it is a lot less than the 75,000 ships that transit the Straits of Malacca or the

2 M. Strukova. Regionalizm otchayaniya, in: *Zavtra*. Gazeta gosudarstva rossiyskogo, 9 January 2013.

15,000–20,000 ships in the Panama Canal.³ It will take a lot before the Arctic route becomes one of the planet's major shipping routes.

There are also several problems internal to Russia that hinder the functioning of the NSR. The main one is the inability of the current Russian authorities to focus on specific state tasks because of the prevalence of corruption and inefficiency. A typical example is the inability to find money for the modernization of the trans-Siberian Railroad or the construction of a second track. The route is already struggling with overuse. At the moment, the Transiberian is more profitable than even the NSR with its complicated climatic conditions. The Japanese and other Asian countries have offered to invest in developing the rail link since they could make large profits from exploiting this transportation artery and it would be great for the Asian countries to guarantee cheap shipping. But the Russian government works very slowly. Another typical example is that several years ago Russia was discussing the enormous benefits of shipping gas to Japan and China. While they spent many years discussing these plans, other countries managed to fill this market. Rather than all the planned projects, Russia's only presence in this perspective market is the already existing Sakhalin-1 and Sakhalin-2 projects. The story is similar with the delivery of oil. All the plans for Europe–Asia transit have ended similarly. Russia has a colossal geographic advantage, but it has not been able

to extract any profit from it. The same holds for NSR: Norway has already carried out test deliveries of LNG along this route to its enterprises in Japan.

A working transportation link from Arkhangelsk to Chukotka and farther to Vladivostok is vitally important. While accepting this fact, according to international law, Russia does not have a monopoly on this route. No country can block the movement of commercial ships through their territorial waters. The status of the NSR as a special Russian zone with a special transit regime means only that the Russian authorities can establish an insurance regime for ships there, provide search and rescue operations, and offer ice breakers to accompany ships. Therefore many Russian politicians and analysts think that it would make sense to find serious partners to complete the NSR. Some propose working with China and signing a special agreement on jointly exploiting the NSR. The main issue is not only that China has money. At China's 18th Communist Party Congress, it was announced that China is a great naval power. The country's budget has set aside a large sum to develop its naval programs. According to Aleksandr Panov, Russia's former ambassador to Japan, Norway, and South Korea, the NSR could take approximately one-fifth of China's external trade through a scheme in which China ships its products to Europe and on the way back picks up raw materials in Russia.

About the Author

Arbakhan Magomedov, a PhD in political science, is a professor of Russian and international politics and the head of the outreach department at Ulyanovsk State University.

This article was written in the framework of the research project “How to Build Coherent Energy Politics in the Caspian Basin and the Far East? Understanding the Nature of Russian Energy Diplomacy,” financed by the Foundation for the Development and Support of the Valdai Club, Russia (http://valdaiclub.com/valdai_club/34140.html).

3 Etienne Dubuis. Qui s'aventurera sur les futures routes de l'Arctique?, in: Le Temps, 2 April 2013 (<http://www.letemps.ch/page/e807ee8e-9af0-11e2-bec9-d54f263b633a0#UVwVIZPIZgl>).