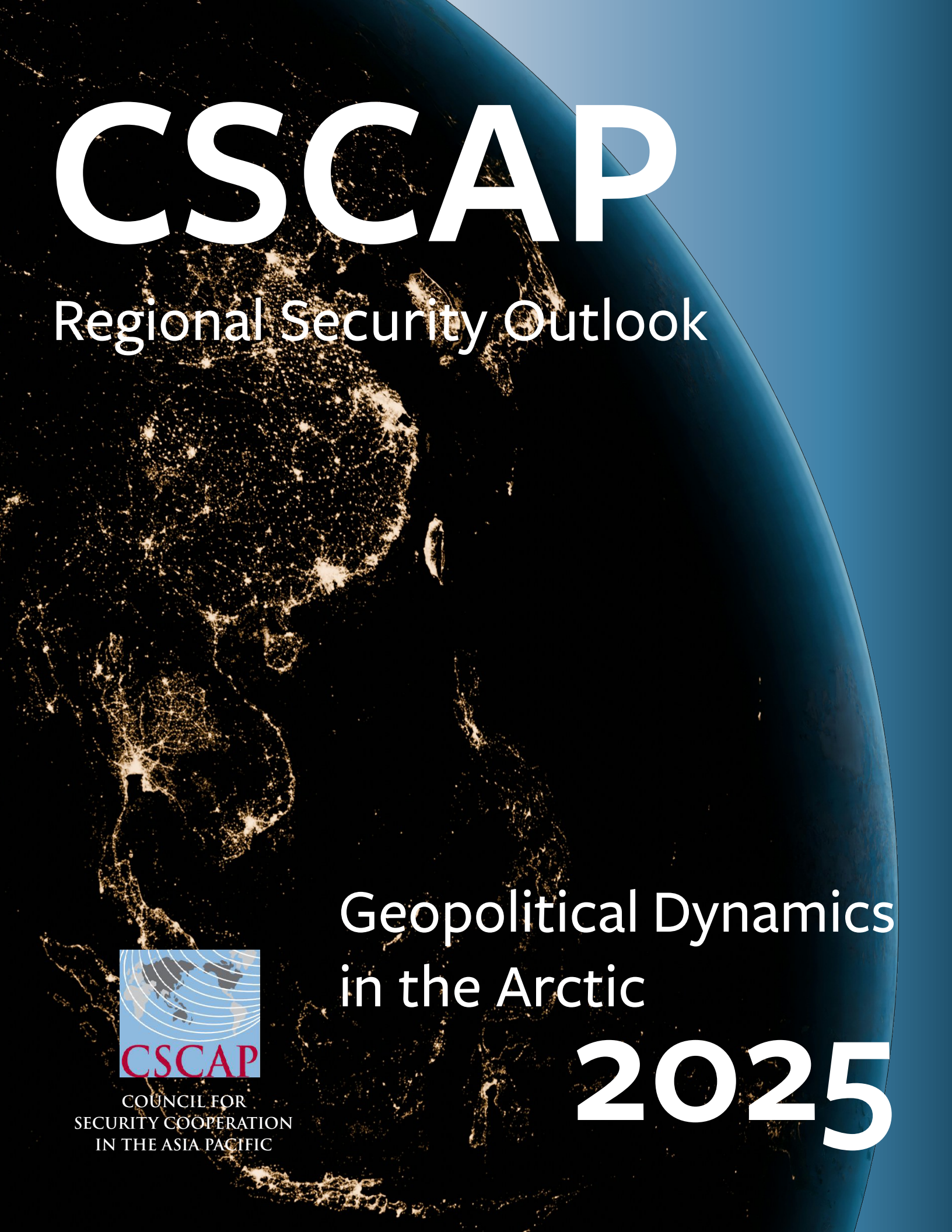

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Regional Security Outlook

Geopolitical Dynamics in the Arctic

2025

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COUNCIL FOR SECURITY COOPERATION IN THE ASIA PACIFIC

Photo by Mathieu Durocher, Nunavut Eastern Arctic Shipping Inc.

GEOPOLITICAL DYNAMICS IN THE ARCTIC

WHAT IMPACT FOR ASIA?

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The war in Ukraine has had major consequences for geopolitical dynamics in the Arctic. To a certain extent, the severe tension that has unfolded between Western states and Russia since the full-scale invasion of Ukraine has spilled into the region. However, the bulk of the tension is centred in the European Arctic, along the border between Norway, Finland, and Russia. Some dynamics that prevailed in the Arctic before the outbreak of the war are ongoing despite the conflict. What, therefore, are the geopolitical dynamics in the Arctic in 2025, and what consequences do they have for Asian Arctic strategies?

Geo-economics: the geopolitics of economic activities in the Arctic

Several Asian states have displayed a keen interest in economic activities in the Arctic, especially extracting natural resources, shipping across Arctic waters, and fishing.

Natural resources extraction

The presence of natural resources has been documented for several decades in the Arctic. For instance, the huge Mary River iron ore deposit on Baffin Island in Nunavut was discovered in 1962 but exploited only in 2015, given the high costs of extraction and the low world prices for iron that had prevailed for decades. Several non-Arctic states, and Asian countries in particular, have displayed an interest in the Arctic's extractive resources. Chinese projects in the Arctic have attracted attention because of the debate surrounding the assertion of China's power and its goals in the Arctic, but Chinese companies are not alone in seeking access to resources. There are Chinese mining ventures in Canada, such as the Nunavik Nickel Mine in northern Quebec, owned by Jilin Jien. In Greenland, General Nice owned the large Isua iron ore deposit, but inaction led the Greenlandic government to revoke the license in 2021.

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Chinese involvement has gained a much higher profile in Russia, where Moscow has sought the involvement of Chinese capital to make up for Western sanctions, which began to unfold in 2014 after Russia's takeover of Crimea. Chinese firms are active in the development of LNG in Siberia, especially in the Yamal LNG project, where China National Petroleum Corporation (CNPC) owns 20 percent and China's Silk Road Fund, 9.9 percent. Russia actively courts Chinese and Indian companies to invest in other extractive projects, notably in coal mining and the Vostok Oil project in the Taymyr Peninsula and other LNG projects in the Gydan Peninsula.

China allowed several Chinese extractive and industrial companies to get involved in Russian Arctic extractive industries. Russia is willing to deepen its integration into the Chinese energy market and pushing for the construction of new pipelines to transport oil and gas to China, as the only two existing pipelines, the Eastern Siberia–Pacific Ocean oil pipeline and the Power of Siberia 1 gas pipeline, have limited capacities below the volumes Russia would like to deliver. However, the project to develop the Power of Siberia 2, a major gas pipeline that could help transport massive gas volumes from Russia's Siberia, is confronted with the high cost of construction—a hurdle made more challenging by China's refusal to pay for it. This refusal underlines the fact that China is indeed inclined to take advantage of Russia's search for new markets and willingness to sell at lower prices, but it does not want to absorb all of Russia's production if it does not need such volumes (Alexeeva et al. 2024).

Shipping

As early as 1993, Japan financed research with its International Northern Sea Route Programme (INSROP) to investigate the commercial feasibility of developing transit shipping along the Northern Sea Route (NSR). Since then, Asian expectations regarding transit can be described as nurtured by high hopes but dashed by the realities of logistical constraints. Transit shipping remains limited and is dominated by Russian companies navigating between Chinese and Russian ports. Few Asian shipping companies have expressed interest in developing commercial transit (Beveridge et al. 2016; Baudu and Lasserre 2024). Some tried but were disappointed, like South Korea's Hyundai Glovis. COSCO SHIPPING Lines backed off during the war in

Ukraine in 2022 for fear of Western sanctions and was replaced by New New Shipping Line. Asian shipping companies have been more successful in developing destinational shipping for natural resources extraction, in particular, LNG transportation from Russian projects in the Yamal Peninsula (China Merchants and Japan's Mitsui OSK Lines) and iron ore shipping from the Mary River iron mine in Nunavut (Singapore's Golden Ocean and Japan and India's Tata NYK Shipping).

The development of Arctic shipping implies the construction of several ice-class vessels, and South Korea and India have developed a keen interest in shipbuilding. India is competing in the market for lower ice-class vessels, while South Korea's Daewoo Shipbuilding & Marine Engineering/Hanwha is developing the more technologically advanced market segment of higher ice-class vessels. Several orders were, however, cancelled after the outbreak of the war in Ukraine.

All Asian states have kept a low profile in the debate on the status of Arctic passages. It may be interpreted, from academic and policy publications, that China, Japan, and South Korea favour the idea of deeming the NSR and the Northwest Passage (NWP) international straits (Lasserre et al. 2025); however, they chose (like the European Union) not to press for this legal interpretation. Chinese and Japanese vessels that venture along the NSR all require permission from the Northern Sea Route Administration, thus tacitly recognizing the de facto control of the seaway by Russia. Attesting to deepening bilateral cooperation, including in maritime affairs, China and Russia signed a Memorandum of Understanding in 2023 to expand cooperation between their coast guards in the Arctic, with the first joint patrol in the Arctic Ocean taking place in October 2024. Though some observers estimated that China might be willing to escort convoys using its icebreakers (Mitko 2018), Russia flatly rejected the possibility (Office of the Secretary of Defense 2020, 114). While that assessment was made before the outbreak of the war in Ukraine, it does underline that there are limits to cooperation between Russia and China.

Photo by Mathieu Durocher, Nunavut Eastern Arctic Shipping Inc.

Fishing

Fishing is a major industry in China, Japan, and South Korea. With the sea ice melting in the Arctic Ocean, opening up vast marine areas in the summer, the question of whether industrial fishing fleets could begin exploiting these new

fishing grounds—and Arctic species, whose biology is not very well known—was raised. Concerns about the possibility that fish stocks could be rapidly depleted were expressed. The Arctic littoral states thus initiated a discussion process that led to formal negotiations. The result was the International Agreement to Prevent Unregulated Fishing in the High Seas of the Central Arctic Ocean, signed in October 2018 by Canada, Iceland, Denmark, Norway, the United States, and Russia, as well as China, Japan, South Korea, and the European Union. The agreement commits the parties to not authorize any vessel flying its flag to engage in commercial fishing in the high seas portion of the central Arctic Ocean, beyond the limits of their Exclusive Economic Zones (EEZ).

Potential Causes of Conflict

Increased tension over the definition and claims of maritime zones?

Access to natural resources on the seafloor and subsoil leads to the question of maritime zones, as the United Nations Convention on the Law of the Sea (UNCLOS) regulates and enables coastal states to define extended maritime areas where they do not have sovereignty but sovereign rights over the fisheries and the resources on the seabed. Beyond the idea of controlling vast maritime expanses is the hope, through EEZs and extended continental shelves, of securing access to fisheries and potentially exploiting extractive resources on the seabed.

Most EEZ claims either have not created international tensions or were settled through negotiations when they overlapped. Famous examples include the maritime border agreements between the Soviet Union and the United States in 1990 and between Russia and Norway in 2010. A notable exception is the Beaufort Sea dispute between Canada and the US, but it has remained very low key since beginning in 1977. Since 2001, when Russia published its extended-continental-shelf claim, several Arctic states have made public their own claims to extended continental shelves in Arctic waters (Lasserre et al. 2023). Many claims overlap in the central Arctic Ocean but—contrary to alarmist analyses—this has not led to severe tensions: no states have objected to the submissions of claims by other Arctic states, even after the invasion of Ukraine in 2022. It rather seems that the movement toward the extension of claims since 2019 could be explained by the desire to maximize potential gains when negotiations begin in more peaceable times in the future.

One exception to this general pattern of tolerance of other Arctic states' claims has been Chinese and Russian criticism of the United States publishing its extended-continental-shelf claim in December 2023. Both China and Russia argued that the US, not having ratified UNCLOS, cannot claim a maritime zone that is codified specifically in this convention, and thus they rejected this move from Washington. It was the first time China officially commented—negatively—on a maritime claim by an Arctic state.

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Future for institutional cooperation following the war in Ukraine?

The 2022 invasion crippled the damaged but ongoing institutional cooperation in the Arctic. The Western members of the Arctic Council (AC) suspended council activity. Despite a smooth transition from the Russian chairmanship to Norway in 2023 and the resumption of some activities not involving Russia, the work of the institution remains limited without the participation of the largest Arctic state.

Moscow threatened to withdraw from the AC but so far has not done so, although it left the Barents Euro-Arctic Council in September 2023 (Jonassen and Hansen 2024). Several packages of sanctions decided by the European Union, the United States, and Canada were published with a view to cripple the Russian economy and the development of natural-resources extraction projects in the Russian Arctic. For its part, Russia shut down gas exports through pipelines to Europe in 2022.

The Arctic Council has been formally maintained and working groups have resumed project-level work but without Russian participation. In the long term, this situation is problematic, as a third of the Arctic region is Russian. It may be difficult to contemplate strengthening present cooperation without active Russian participation. This major drawback is a direct consequence of the war in Ukraine. It also means that for several Asian observers, one of the most important opportunities for engagement in the development of Arctic governance is no longer available (Hilde et al. 2024). This setback is particularly acute for China, Japan, and South Korea, and affects their Arctic strategies. Consequently, the relative importance of international Arctic

Photo by Mathieu Durocher, Nunavut Eastern Arctic Shipping Inc.

conferences as platforms for diplomatic dialogue and policy promotion—often termed track 2 diplomacy—has increased (Lanteigne 2025). At times considered as competing diplomatic structures by Arctic states, despite being designed as complements (Steinveg et al. 2024), Arctic conferences could be increasingly perceived as competition should Russia step up its support for these track 2 events. It remains to be seen, however, what impact these meetings and discussions could have on formal governance of the Arctic region.

Increased military tensions?

The degraded relations between Russia and its Western counterparts in the Arctic fuelled analyses about the militarization of the Arctic. The idea that Russia is increasingly a threat, along with its ongoing cooperation with China, is not new. However, both NATO allies and Russia appear to have sought to avoid escalating the war beyond Ukraine (Troianovski and Barnes 2022). In the Arctic, there are no signs of an increased threat or unusual Russian military activity; what is taking place is an attempt by Russia to strengthen its defence capacities. Indeed, overall military activity is lower than normal, as several Russian military units have been deployed to fight in Ukraine (Fornusek 2024; Hilde et al. 2024). Despite these relatively moderate tensions, the relationship has very much degraded between Russia, on the one hand, and several states on its border—Poland, the three Baltic states, Norway, Finland, and Sweden—on the other. The last two of these states decided to break their decades-long neutrality and join NATO in 2023 and 2024, respectively. These decisions increased political, if not military, tensions in the European Arctic and will likely encourage Russia to keep beefing up its reinforcement strategy. Indeed, the so-called militarization initiated by Russia involves the re-opening of former Soviet bases closed during the 1990s, the development of coastal defenses, the construction of several frigates and destroyers, as well as continued reliance on nuclear deterrence. There are no signs, as of today, of the expansion of long-range military capabilities, whether for the navy or the air force. The re-equipping of the Russian navy and air bases appear aimed at putting an end to two decades of downgrading capacities following the demise of the Soviet Union, as well as developing defensive capacities to protect the Russian Arctic, given its increasing importance to the Russian economy—it produces about 20 percent of Russia's GDP. Other states have also developed capabilities in the Arctic, moves that stem from the need to gain capacities to patrol and control sea spaces that are opening up as sea ice rapidly recedes in the context of climate change. This military buildup (a term more appropriate than "arms race") and the increased political tensions that partly fuel it, do not help foster cooperation and keep the door closed for the participation of non-Arctic states in Arctic governance.

"This military buildup (a term more appropriate than 'arms race') and the increased political tensions that partly fuel it, do not help foster cooperation and keep the door closed for the participation of non-Arctic states in Arctic governance."

Conclusion

The war in Ukraine definitely impacted the geopolitical dynamics of the Arctic region, but maybe not in the way several commentators have highlighted. True, the Arctic Council is severely crippled by the tensions, and it remains to be seen if its legitimacy will remain intact. Russia might try to set up competing institutions and/or embolden existing conferences like the Arctic

Circle with a higher political profile. A tense Arctic is not a good scenario for the development of economic, scientific, and political cooperation that all Asian observers call for.

However, the tension should not be understood as acute. Indeed, Russia is trying to redevelop its military capacities, but they appear directed at beefing up the defenses of the Russian Arctic rather than giving Russia a long-range attack capacity. Besides, no Arctic state has objected to the extended-continental-shelf claims of the other littoral states—except for Russia challenging the US claim, on the basis of non-ratification of UNCLOS by Washington.

Russia has intensified cooperation with China on economic projects and even engaged in developing ties between their respective coast guards—a move that made American military officials nervous as they considered the prospect of armed Chinese vessels entering the Arctic Ocean. Russia and China appear willing to foster cooperation, but there are limits—to the dismay of Russia, which would like to speed up this cooperation. Transit shipping along the NSR remains low, and though China—and to a lesser extent, India—have bought large volumes of Russian oil and gas, China is not willing to foot the bill for all resource development projects in Siberia.

It is thus very difficult to predict the direction that cooperation in the Arctic will take, all the more so since US President Trump took office in January 2025. Asian states are watching, while keeping an eye on their objectives.

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