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The Arctic: a new frontier for U.S.-Japan cooperation

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At a meeting of Japanese business leaders last week, two of us – Americans with a longtime interest in US- Japan relations, spoke of investment opportunities – and security necessities – for our countries to strengthen cooperation in the Arctic, at the top of the world.

Alaska is the US state closest to Japan. Both our nations have improved “neighborly” relations with Russia in the Arctic, but on larger, geopolitical issues, continued wariness is justified. Russia is upgrading its missiles and military bases in the Kurile Islands, and its Arctic naval capability. North Korea continues its nuclear missile program, threatening both Japan and the U.S. Networking our sea and shore based missile defenses in East Asia and the Pacific with the major missile defense installation in Alaska strengthens our mutual deterrence. U.S. military forces – and logistical infrastructure – based in the Arctic are crucial to the US-Japan alliance.

The Arctic Ocean is becoming more accessible to navigation, and that prompts the need for both business and security cooperation. Just as Japanese investment over the last 60 years helped develop air routes in the polar regions to link Eurasia and North America, investment in maritime infrastructure is now vital to establish reliability on northern sea short-cuts. Proposed Japanese icebreakers and ice-thickness observing satellites could play a major role in bringing efficiencies to global shipping, and ultimately a less expensive route for some cargo destinations than the Suez and Panama Canals.

Whether or not the northern sea routes capture a near-term segment of the container ship market, receding sea ice has already changed the transportation picture for Asia’s energy and mineral supplies – and geopolitics along with it. A generation ago, bringing ores, LNG, and oil products to Asia over the top of Europe would have been called fanciful; today oil and gas produced in Northern Europe can look to Pacific markets as well as traditional Atlantic ones.

Oil prices are low today, but Japan is more dependent on Middle East supplies than any policy-makers and business leaders would have thought to be prudent during the 1970’s and 1980’s oil shocks. Yet the newly accessible Arctic has large, long-stranded quantities of natural gas and oil that Japan could invest in now in nearby Alaska to achieve a much more secure energy future in the decades to come. The oft-cited prediction of the U.S. Geological Survey is that 13 percent of the world’s undiscovered oil, 30 percent of the world’s conventional gas, will be found in the Arctic. Japan has been a strong research partner with the US on finding ways to

exploit unconventional gas, or methane hydrates in the Arctic, but Japanese capital could position itself more as an exploration and development partner for conventional oil and gas as well.

One of Japan's largest sources of wild fish protein, the North Pacific and Bering Sea region, is productive today because Japan helped foster investment in frontier fishing beginning in Alaska before World War II. Even greater investment opportunities await. Japan is among the biggest consumers of North Pacific fish, and security of protein supply as others expand their consumption is also important. Recent studies by Washington State and the publishers of Fishermen's News estimate the Alaska fishing fleet alone requires \$15 billion in replacement investment in coming years.

Japan and the U.S. already have a strong partnership in Arctic research, stemming from Japanese investment in the International Arctic Research Center at the University of Alaska Fairbanks. Japan's new Arctic policy, announced by Arctic Ambassador Kazuko Shiraisi late last year, details several approaches to expanding research in the North. Japan's Parliamentary League of Arctic Frontier Study, which includes 11 influential members of Japan's upper and lower houses of the Diet, has encouraged this policy and the budget allocations necessary to carry it out.

Former Minister of Justice Yoko Kamikawa is a member of Japan's Arctic Parliamentary League. She is also a member of the World Economic Forum's Global Agenda Council on the Arctic. The WEF has worked in the global investment community to "demystify" the Arctic, and recently unveiled a protocol with guidelines for sustainable investment working with Arctic residents. At that January announcement in Davos, Switzerland, Scott Miner, Global Chief Investment Officer of Guggenheim Partners said his firm estimates \$1 trillion is needed to meet Arctic infrastructure needs in the coming years. There is surely room for Japan to participate.

In the private sector, non-government think-tanks are looking hard at both defense policy and business development ideas in the far north. Non-governmental dialogue can develop specific approaches to support joint defense, investment, shipping, energy and protein opportunities.

A pan-Arctic task force on how to create an International Arctic Seaway, and thus finance the aids to navigation needed for safety, security and reliability in the Arctic Ocean, has been announced by the Arctic Circle –an NGO group headed by Iceland's President Olafur Ragnar Grimsson and Alice Rogoff Rubenstein, publisher of Alaska's largest newspaper. Japanese experts have been invited to participate.

Furthermore, as Japanese pension funds and insurance companies seek higher returns offshore for the large amounts of money they manage, there are opportunities to invest in private equity, infrastructure finance, upstream energy supplies, LNG development and some fisheries companies in the North.

Shortly, the United States will elect a new President. Among the candidates running, there is some difference on completing the Trans-Pacific Partnership, some difference on what will be expected of the Japan-U.S. Alliance. In the Arctic, however, there appears to be a bipartisan approach to sustainability and opportunity, and with Japan as a welcome observer in the eight-nation Arctic Council, it is a good time and a vital place for our nations to work together.

All of the indicators are that the Arctic will be more important economically and geopolitically to both the United States and Japan. Yet there is much more we should each do to intensify our national focus on the new shared challenges and opportunities. As Prime Minister Shinzo Abe has said, the United States and Japan are bound together as maritime powers committed to safeguarding the oceans and the rule of law. The Arctic is the globe's "newest" ocean, and many other powers are rushing in –faster than either the United States or Japan –to establish a position. Just this week China announced its own ambitious Arctic strategy, emphasizing expanded presence and intention to influence decisions on the region. The United States and Japan have important tools to lead on the formation of a peaceful, open, environmentally friendly and prosperous Arctic region. These tools include science, diplomacy, economic investment and our commitment to rule of law and secure sea lanes. Our alliance has begun exploring cooperation in many new frontiers, including biospace and cyberspace. The next frontier will be the Arctic.

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