

# CHINA'S EMERGING ARCTIC STRATEGIES: ECONOMICS AND INSTITUTIONS

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风向转变时,有人筑墙,有人造风车.

*When the wind of change blows,  
some build walls, while others  
build windmills.*

*- Chinese proverb*

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## CHINA'S EMERGING ARCTIC STRATEGIES: ECONOMICS AND INSTITUTIONS

### Introduction

Although the current Chinese government under Xi Jinping has made great strides in expanding the country's foreign policy interests well beyond Asia, it was under the previous government of Hu Jintao (2002-12) that China's international relations began to evolve from a strong concentration on the Asia-Pacific region and the United States towards encompassing many other parts of the world, including increasingly the Arctic region. Since President Xi assumed office in late 2012, there has been a much stronger focus on 'cross-regional' diplomacy, aiming to improve relations in parts of the world much further away from China, including in Africa, Europe, Latin America and increasingly in the Far North. At the same time, Beijing is becoming more comfortable with the status of 'great power' in the international system and as a result, is beginning to develop global strategies that are less in line with Western norms. Although China remains an enthusiastic joiner and participant in international organisations, including those developed and backed by the United States and its allies, the country is increasingly seeking its own foreign policy identity.

China is the first great power to 'grow up' within a global system saturated with international organisations and regimes, and the country's government has maintained that its foreign policy is not following the same paths as those of the rising powers of the past, paths which often involved overturning the previous international order through force or other coercive power. Instead, Beijing has been advocating its advancement to great power status while at the same time being cognisant and respectful of existing rules and norms. During the early years of the Hu government, there was much emphasis on shifting Chinese foreign policy from behaving as a 'large developing state' to instead focusing on 'peaceful rise' (*heping jueqi* 和平崛起): meaning that a growing China would

not seek to be a disruptive force and would instead adhere to the structure of the international system. Even the term ‘rise’ became so politically sensitive in governmental policy circles that the alternative phrase ‘peaceful development’ (*heping fazhan* 和平发展) began to be more commonly used.<sup>1</sup> The underlying meaning, however, was the same. China would not seek to overturn the established international system, or regional orders, as a result of its rise in power. This has especially been the case with regions further away from China, where another country has been engaged with the offer of partnership based on mutual political and economic interests.

Under Xi, Chinese foreign policy has demonstrated greater comfort and confidence with the country’s expanded international role and great power status, as evidenced by the increasingly frequent use of the phrase ‘Chinese dream’ (*Zhongguo meng* 中国梦) which calls for the further ‘rejuvenation’ (*fluxing* 复兴) of the country and a greater role for individuals in building the Chinese nation.<sup>2</sup> Nonetheless, in many of Beijing’s dealings with regions outside of the Asia-Pacific, there remains a primary focus on building partnerships based on mutual interests rather than great power/small state dynamics. This is partially because compared to previous rising powers, China is ‘rising’ under far greater and closer international scrutiny of its future policies and strategic goals, both on the international and on the regional level. Furthermore, there is much internal discussion within the Chinese Communist Party (CCP) over the degree to which the country should continue to follow the oft-cited Deng Xiaoping-era doctrine of ‘*tao guang yang hui*’ (韬光养晦), meaning to avoid openly demonstrating one’s capability and instead keeping a low profile,<sup>3</sup> as opposed to becoming a more traditional great power with a greater willingness to challenge global regimes and norms, as well as build opposing ones as the Soviet Union attempted to do in the twentieth century.

China’s development of ‘cross-regional diplomacy’ since the turn of the century has taken many forms, including bilateral agreements, greater engagement within international regimes and organisations of various sizes and types, and economic cooperation in the form of increased trade, joint ventures and development assistance. This widening and deepening of China’s diplomatic Interests has taken place as the country’s power levels have risen to where the People’s Republic became the world’s second-largest economy, just behind the United

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1 Bonnie S. Glaser and Evan S. Medieros, ‘The Changing Ecology of Foreign Policy-Making in China: Ascension and Demise of the Theory of “Peaceful Rise”,’ *The China Quarterly* 190 (June 2007): 291-310.

2 Zheng Wang, ‘Not Rising but Rejuvenating: The “Chinese Dream”,’ *The Diplomat*, 5 February 2013, <<http://thediplomat.com/2013/02/05/chinese-dream-draft/comment-page-1/>>.

3 Dingding Chen and Jianwei Wang, ‘Lying Low No More? China’s New Thinking on the *Tao Guang Yang Hui* Strategy,’ *China: An International Journal* 9(2) (September 2011): 195-216.

States (overtaking Japan) in 2010-11.<sup>4</sup> China's military capabilities, while still developing in many areas, have grown in tandem with its evolving economic power to the point where there is much outside debate about whether the country is or soon will be posing a strategic challenge both to its immediate neighbours and to the United States itself.

Despite these gains, China is still very much a developing state and, on the domestic level, must address a myriad number of problems related to economic and political reform. China's economy is also growing increasingly dependent upon not only the maintenance of trade with the West, especially the United States and Europe, but also upon a steady inflow of energy and raw materials. The post-2008 global financial crisis and subsequent recessions and slow recoveries in the West have had a negative effect on Chinese exports, even if the country's growth rates have remained healthy by Western standards and its gross national product (GDP) showed an annual growth of 7.5% as of mid-2014.<sup>5</sup> Nonetheless, there is ongoing concern both within China and globally about a 'hard landing' scenario whereby the country experiences a sharp drop in economic development resulting in higher unemployment and increasing strains on the Chinese political system. Although China's economy has been slowing down due to a reduction in demand for Chinese goods in key markets such as the United States and Europe, Beijing is hopeful of managing the slowdown process, encouraging economic growth on the domestic level and overall hoping for a 'soft landing', slowing growth with limited economic (and political) disruption.

Fossil fuel imports are another area of sensitivity as the country seeks to diversify its energy consumption away from indigenous coal, which makes up approximately 69-70% of fuel consumed in the country,<sup>6</sup> but is both inefficient and a major source of pollution. During early 2014, poor air quality levels in several Chinese cities sparked a governmental 'war on pollution' (*xiang wuran xuanzhan* 向污染宣战), which included plans to begin ambitious cutbacks on coal burning.<sup>7</sup> Other fossil fuels, such as oil and gas, are seen as short-term solutions to this problem until more environmentally friendly options become more viable. In September 2013, China surpassed the United States to become the world's largest petroleum importer, due largely to the practice of hydraulic fracturing

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4 David Barboza, 'China Passes Japan as Second-Largest Economy,' *The New York Times*, 15 August 2010.

5 Mark Magnier, 'China GDP Grows 7.5% in Second Quarter,' *The Wall Street Journal*, 16 July 2014.

6 Michael Barris, 'China's Oil Demand is Growing, US Agency Says,' *China Daily*, 6 February 2014; Joseph Ayoub *et al.*, 'China Produces and Consumes Almost As Much Coal as the Rest of the World Combined,' *US Energy Information Administration (EIA)*, 14 May 2014, <<http://www.eia.gov/todayinenergy/detail.cfm?id=16271&src=email>>.

7 'China – Analysis,' *US Energy Information Administration (EIA)*, 4 February 2014, <<http://www.eia.gov/countries/cab.cfm?fips=ch>>; 'Beijing Cuts Coal Use by 7 Percent in First Half of Year,' *China Daily / Reuters*, 13 August 2013.

(‘fracking’) in the US which has increased the level of indigenous fossil fuel supplies,<sup>8</sup> and Beijing has been active in seeking out new supplies of oil and gas, preferably in accessible and politically stable regions.

As China settles into great power status, the country is seeking a louder international voice not only in Asia-Pacific affairs but also in other parts of the world. This has led to questions about whether China’s rise will place it increasingly at odds with the United States and its allies. The issue of political and economic competition, including over resources, between the West and China has been raised in many parts of the world, including in the Arctic, a region that has begun to attract much international attention due to more of its lands and resources becoming available, mainly as a result of climate change. The Arctic and the Far North regions<sup>9</sup> are increasingly being seen as economically valuable for China and for other areas of Asia, because of the raw materials, including fossil fuels as well as base and precious metals, minerals and gemstones, becoming easier to access. While much of China’s resource diplomacy in the region has focused on Canada, Greenland, Iceland and Russia, Beijing’s interests in Arctic resources as a whole have been noted in other parts of the world.<sup>10</sup>

Another Arctic aspect that has captured Beijing’s attention in recent years has been the possibility of expanded maritime trade routes in the region as more of the Arctic Ocean becomes ice-free during the summer months. With the expansion of Chinese trade during the 1990s, a great deal of strategic attention has been focused on the development of ‘sea lanes of communication’, or SLoCs (*haishang tongdao* 海上通道). With the melting of the ice in the Arctic region, sea routes that previously would have been impassable by all vessels save for modified icebreakers are becoming increasingly viable. This would introduce the possibility of shorter and less expensive transit times between key markets, especially between Europe and East Asia. Although, under Xi, Beijing has been

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8 Lucy Hornby, ‘Record Imports Make China World’s Top Importer of Crude Oil,’ *Financial Times*, 12 October 2013; Russell Gold, ‘Fracking Gives U.S. Energy Boom Plenty of Room to Run,’ *Wall Street Journal*, 14 September 2014.

9 Both terms are often used interchangeably in media and other studies, but for this paper ‘Arctic’ refers to the Arctic Ocean and lands north of the Arctic Circle (66°32’N). The term ‘Far North’ is more ambiguous and can be used to mean lands and waters within and immediately adjacent to the Arctic Circle. For example, the Canadian north is often referred to as territory above 60°N. For discussion on terminology, see Peter Hough, *International Politics of the Arctic: Coming In from the Cold* (London and New York: Routledge, 2013), 2-7; and Ronald O’Roarke, ‘Changes in the Arctic: Background and Issues for Congress,’ *Congressional Research Service, CRS Report*, 4 August 2014, 1-5, <<http://fas.org/sgp/crs/misc/R41153.pdf>>.

10 Linda Jakobson, ‘China Prepares for an Ice-Free Arctic,’ *SIPRI Insights on Peace and Security* 2010(2) (March 2010), <<http://books.sipri.org/files/insight/SIPRIInsight1002.pdf>>; Mia Bennett, ‘Arctic LNG: The Energy on East Asia’s Doorstep,’ *RSIS Commentaries*, 089 (2014), 15 May 2014, <<http://dr.ntu.edu.sg/bitstream/handle/10220/19973/RSIS0892014.pdf?sequence=1>>; Margaret Blunden, ‘Geopolitics and the Northern Sea Route,’ *International Affairs* 88(1) (2012): 115-29; Elizabeth C. Economy, ‘Beijing’s Arctic Play: Just the Tip of the Iceberg,’ *Council on Foreign Relations*, 4 April 2014, <<http://blogs.cfr.org/asia/2014/04/04/beijings-arctic-play-just-the-tip-of-the-iceberg/>>.

seeking to ‘rebalance’ (*zai pingheng* 再平衡) its economy away from an emphasis on exports and towards greater domestic-level growth and household consumption,<sup>11</sup> for the near term China’s economy will remain largely based on ‘goods exports’, and therefore any means to bring Chinese products to Western markets in a faster and more efficient fashion will attract the attention of Party policymakers.

In addition, with the expansion of Chinese trade, there has been greater concern expressed in Beijing about the protection of maritime shipping from foreign interference or even interdiction, including by state and non-state actors. Under the Hu government, there was much discussion of a ‘Malacca Dilemma’ (*Maliujia kunju* 马六甲困局) in reference to the large share of Chinese trade, including in fossil fuels, which must pass through the Indian Ocean and the narrow Malacca Straits. For example, approximately eighty percent of China’s imported oil and gas must pass through the Malacca region.<sup>12</sup> Therefore, any alternative trade routes in less politically sensitive regions, and being less expensive to maintain, are constantly being sought by China.

At present, much of China’s attention in the Arctic region has been based on scientific interests, including studies in geography, climatology (especially climate change), geology, glaciology and oceanography. Beijing has expressed interest in developing scientific partnerships with Arctic states in a variety of fields. However, China – like many other states – is closely watching economic developments in the Arctic, while simultaneously seeking a greater voice in northern regional affairs in proportion to its rising power and capabilities. This issue has presented a challenge to the Arctic states, and especially the littoral Arctic states which now face the task of reconciling greater international attention to the region’s resources with the need to develop their own political and economic interests and promote greater boreal cooperation.<sup>13</sup>

As will be explained in more detail, beyond the scientific realm, China’s Arctic interests have developed along three distinct paths. First, Beijing is seeking access to potentially lucrative raw materials, (including fossil fuels, minerals and metals), which may become more easily exploited in the Arctic due to receding ice. Although China wishes to develop these raw materials to maintain threshold economic growth rates, the government is cognisant of the fact its actions are being intensely scrutinised by other actors, including the United

11 Huang, Yasheng, ‘China’s Great Rebalancing: Promise and Peril,’ *McKinsey Quarterly*, June 2013, <[http://www.mckinsey.com/insights/asia-pacific/chinas\\_great\\_rebalancing\\_promise\\_and\\_peril](http://www.mckinsey.com/insights/asia-pacific/chinas_great_rebalancing_promise_and_peril)>.

12 Marc Lanteigne, ‘China’s Maritime Security and the “Malacca Dilemma”,’ *Asian Security* 4(2) (2008): 143-61.

13 The ‘Arctic’ states are Canada, Denmark (Greenland), Finland, Iceland, Norway, Sweden, Russian Federation and the United States. Of these, five states have coastlines above the Arctic Circle (Canada, Denmark/Greenland, Norway, Russia and the US) and are therefore often referred to as the ‘Arctic littoral’ states or the ‘A5’.

States and the European Union - much more so than by other Asia-Pacific states which have developed Arctic economic policies over the past decade, including Australia, India, Japan and South Korea. Therefore, it has been in Beijing's best interests to eschew policies that could become a catalyst for an overt 'resource scramble', and to avoid giving the impression that it is seeking a 'zero-sum approach' to obtaining these resources.

Diplomatic feathers were ruffled in 2012 when People's Liberation Army (PLA) Navy Rear Admiral Yin Zhuo described the North Pole and surrounding areas as belonging not to any specific country, but rather to 'all the people of the world' (*shijie renmin* 世界人民), in accordance with the 1982 United Nations Convention on the Law of the Sea (UNCLOS).<sup>14</sup> The perception of the Arctic as a 'global commons' had also been voiced by Hu Zhengyue, then-Assistant Foreign Affairs Minister, who noted at a 2009 conference in Svalbard that the Arctic region 'occupies a unique position for all of us as humankind'.<sup>15</sup> Since that time, however, Beijing has attempted to frame its Arctic policy more towards the seeking of partnerships with Arctic states and regimes, has placed greater emphasis on its scientific interests, and has been sensitive to suggestions that its Far North interests are primarily resource-driven.<sup>16</sup> However, much of Beijing's diplomacy with specific Arctic actors has already taken on economic and resource dimensions.

Second, the potential opening of Arctic sea routes, especially the Northeast Passage via the northern Siberian coast, is of great interest to China as it seeks to export goods to Europe and beyond, using faster and less expensive routes. In this, China is joining with other Asian states in seeking to take advantage of future trans-Arctic shipping. Beijing is also seeking a voice in the developing of these potential trade routes and in the likely expansion of legal regimes to regulate regional behaviour. Third, China wishes to play an expanded role within the Arctic Council in the wake of attaining formalised observer status in that forum in 2013.

Beijing first expressed interest in attaining observer status in the Arctic Council in 2007 in the wake of the organisation's Senior Arctic Officials (SAO) meeting in Tromsø, Norway in April of that year. However, China's application was caught in internal debates within the Council about protocols regarding the admission of new observers, an issue which had become increasingly pressing

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14 '海军少将：开发北冰洋 中国不可“缺位”' ['Rear Admiral: China Cannot be "Absent" in Developing the Arctic,'], *China News Network*, 5 March 2010, <<http://www.chinanews.com/gn/news/2010/03-05/2154039.shtml>>; 'China's Arctic Play,' *The Diplomat*, 9 March 2010, <<http://thediplomat.com/2010/03/chinas-arctic-play/>>. Out of all of the Arctic states, the United States is the only one yet to ratify UNCLOS, while China ratified UNCLOS in 1996.

15 Sanna Kopra, 'China's Arctic Interests,' *Arctic Yearbook 2013: The Arctic of Regions versus the Globalised Arctic*, ed. Lassi Heilinen (Akureyri: Northern Research Forum, 2013), 109. <<http://www.arcticyearbook.com>>.

16 'China Defends Arctic Research Missions,' *China Daily / Xinhua*, 1 February 2012.

as the visibility of the organisation grew on the international level and the list of potential observers became ever longer. Beijing thus had to wait until the eighth Ministerial Meeting of the Council, held in Kiruna, Sweden in May 2013, to finally attain the status of 'observer'.<sup>17</sup> China cannot seek to become a full member, as it lacks territory above the Arctic Circle, (situated at about 66°33' N) or indeed in any region commonly considered 'Arctic'; the shortest distance between China's northernmost point in Mohe County (漠河县), Heilongjiang province at 53°33' N and the Arctic Circle is more than 1400 kilometres. Nonetheless, there have been arguments within the country that China's proximity to the Arctic region and the effects of regional climate change on Chinese weather patterns have justified greater China's engagement with any major existing and emerging regimes addressing Arctic affairs.<sup>18</sup>

Maintaining these positions, Beijing is seeking to put forward a definition of the Arctic development and governance process as largely an international issue, as opposed to one that is strictly the domain of the littoral states. However, China's expanded role within the Arctic Council may be affected both by the presence of other new formal observers from Asia, including India, Japan, Singapore and South Korea, and by the increasingly tense relations between the West and Russia in the wake of the Ukraine crisis, the annexation of the Crimea region and the start of the Eastern Ukraine conflict in April 2014. Although there have been attempts to keep the repercussions of these events - which have increasingly soured Moscow's relations both with the United States and the European Union - out of Arctic diplomacy, spillover may be inevitable given Moscow's dominant role in Arctic affairs.<sup>19</sup> With the Arctic region taking on greater global strategic and economic significance, Beijing wants to avoid being left out of future decision-making processes, especially considering that two great powers, Russia and the United States, are full members of the Council and may be moving towards increasingly problematic strategic relations. In short, China is seeking to enter Arctic politics at a time when the region has become both more crowded and more diplomatically unpredictable. Nevertheless, there are strong economic reasons for Beijing to continue to press for a greater role in Arctic politics.

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17 Piotr Graczyk and Timo Koivurova, 'A New Era in the Arctic Council's External Relations? Broader Consequences of the Nuuk Observer Rules for Arctic Governance,' *Polar Record* 50(3) (June 2014): 2.

18 Martin Breum, 'Is China Welcome in the Arctic?' *Caixin Online*, 13 May 2013, <<http://english.caixin.com/2013-05-13/100527293.html>>; Alistair MacDonald and Ellen Emmerentze, 'Arctic Body Comes In From the Cold: Beijing, Others Want a Seat at the Table as Region Gains In Geopolitical Weight,' *Wall Street Journal*, 14 May 2013.

19 Kevin McGwin, 'The Polar Bear in the Room,' *Arctic Journal*, 27 March 2014, <<http://www.thearticjournal.com/politics/521/polar-bear-room>>; Irene Quaille, 'Ukraine Crisis Reaches into the Arctic,' *Deutsche Welle*, 16 May 2014, <<http://www.dw.de/ukraine-crisis-reaches-into-the-arctic/a-17640376>>.

## China's Expanded Arctic Policy

One of the difficulties in understanding China's emerging Arctic interests is that there has yet to be a comprehensive policy paper, or a White Paper, released by Beijing specifically elucidating these policies. Indeed, in 2009 a senior Chinese foreign policy official stated directly for the record that his government 'does not have an Arctic strategy'.<sup>20</sup> Part of the rationale is the general view within the Chinese government that Beijing's visibility in the Arctic, unlike in other parts of the world, has not developed to the point where such a paper is necessary either for domestic or international consumption.<sup>21</sup> At the same time, the degree of policy research in China on non-scientific aspects of the Arctic is still low but steadily increasing.

Despite this omission, it is possible to better identify specific components of an emerging regional strategy, and it is likely that a white paper or similar document will be released by Beijing in the near term. As already noted, one starting point for China's Arctic diplomacy has been via scientific and environmental research. China became a signatory to the Spitsbergen (Svalbard) Treaty in 1925, authorizing Chinese vessels to engage in fishing and commercial activities in the high Arctic region, but there was little Chinese activity in the region until decades later.<sup>22</sup> China's ability to conduct out-of-area activities, meaning operations outside of the Asia-Pacific region, was very limited due to lack of both funding and materiel, and so the country required a greater 'blue water' (deep ocean) capability before developing a more comprehensive Arctic policy. As well, a greater priority was initially given to the Antarctic. China remains active on that continent, having signed the Antarctic Treaty in 1983. Since 1985, Beijing has opened four research bases on the continent, the latest being Taishan Station (*Taishan zhan* 泰山站) on Queen Elizabeth Land in Eastern Antarctica which opened in February 2014. A fifth base located on the shore of the Ross Sea at Terra Nova Bay, which unlike Taishan would have the ability to stay operational through winter months, was expected to break ground in late 2014 for a potential 2017 opening.<sup>23</sup>

In the 1990s, however, Beijing began to further clarify its Arctic research agenda with North Pole visits, starting in 1999, and sea-based research expositions. China joined the International Arctic Scientific Committee (IASC), a

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20 Peter Hough, *International Politics of the Arctic: Coming in from the Cold* (New York and London: Routledge, 2012), 31.

21 Interview with Chinese Arctic policy specialist, Shanghai, April 2014.

22 Zhiguo Gao, 'Legal Issues of MSR in the Arctic: A Chinese Perspective,' *Arctic Science, International Law and Climate Change / Beiträge zum ausländischen öffentlichen Recht und Völkerrecht* 235(2012): 142.

23 'China Opens 4<sup>th</sup> Antarctic Research Base,' *Xinhua / Global Times*, 8 February 2014; 'China Builds 5<sup>th</sup> Antarctic station,' *China Daily*, 16 April 2014.

non-governmental organisation dedicated to coordinating regional scientific research initiatives, in 1996.<sup>24</sup> Beijing's research interests later culminated in the opening of the Arctic Yellow River Station (*Huanghe zhan* 黄河站) for scientific research at Ny-Ålesund on the Norwegian islands of Svalbard in July 2004.<sup>25</sup>

This work was further supplemented by the 1993 purchase from Ukraine of an icebreaker ship, the *Xuelong* (雪龙) or 'Snow Dragon', and in 2009 it was decided by the Chinese government that at least one indigenous icebreaker should be built in order to better serve the country's expanding Arctic interests. The new ship, which is being built under contract with Finland's Aker Arctic Technology firm, was expected to be completed by late 2015 / early 2016 but its exact completion date remains unclear. In July 2014, the *Xuelong* began its sixth Arctic expedition, and the vessel has also been active in the Antarctic region,<sup>26</sup> and has become a symbol for China's scientific interests in the Polar regions.

China's icebreaker programme operates under the aegis of the Chinese Arctic and Antarctic Administration (*Guojia haiyang judi kaocha bangongshi* 国家海洋局极地考察办公室) which is itself a department of China's State Oceanic Division (*Guojia haiyang ju* 国家海洋局). In September 2012, the *Xuelong*, capable of breaking ice up to approximately 1.2 metres thick, completed a round-trip voyage which included traversing the Northeastern Sea route and stopping in Iceland for academic and scientific exchanges.<sup>27</sup> At present, the areas of scientific development and cooperation remain high on Beijing's Arctic agenda, with the need for increased polar and maritime activities included within the Chinese government's twelfth Five-Year Plan (*wunian jihua* 五年計劃) for 2011-15.<sup>28</sup>

### An Open Side-Door: The Role of Free Trade

A significant watershed in China's economic diplomacy, also significant for the Arctic, took place in April 2013 with the successful completion of a free trade agreement (FTA) between China and Iceland.<sup>29</sup> The deal marked the first FTA

24 'Significance of Arctic Research Expedition,' China.org.cn, <<http://www.china.org.cn/english/features/40961.htm>> (Accessed 1 August 2014).

25 'Yellow River Station Opens in Arctic,' *China Daily*, 29 July 2004.

26 Wang Qian, 'New Icebreaker Planned by 2016: Officials,' *China Daily*, 6 January 2014; 'Chinese Icebreaker Heads for 6<sup>th</sup> Arctic Expedition,' *Shanghai Daily / Xinhua*, 11 July 2014. Interviews with Chinese Arctic regional experts, Shanghai, April 2014.

27 Linda Jakobsen, 'China Prepares for an Ice-Free Arctic', 3; 'Chinese Icebreaker Concludes Arctic Expedition,' *Xinhua*, 27 September 2012.

28 British Chamber of Commerce in China, 'China's Twelfth Five Year Plan (2011-2015)- the Full English Version,' March 2011 <<http://www.britishchamber.cn/content/chinas-twelfth-five-year-plan-2011-2015-full-english-version>>.

29 'Free Trade Agreement between Iceland and China / Fríverslunarsamningur milli Íslands og Kína,' Ministry of Foreign Affairs, Iceland, <<http://www.mfa.is/foreign-policy/trade/free-trade-agreement-between-iceland-and-china/>>.

signed by Beijing with a European state, and only the second with a member of the Organisation for Economic Cooperation and Development (OECD) - the first being with New Zealand, which completed its FTA with China in July 2008.<sup>30</sup> Iceland was viewed as an ideal choice for one of Beijing's first set of developed country free trade negotiations due to the island state's small size and limited number of economic sectors, as well as its distinct position outside of the European Union but linked to the EU Single Market through membership in the European Economic Area (EEA). The bilateral free trade talks began in 2006, well before China's current Arctic policies began to be solidified, and at that time much of Beijing's motivation for pursuing the agreement was to demonstrate its commitment to deeper economic engagement with Europe, especially in the wake of failed exploratory talks towards a possible China-EU free trade agreement earlier in the decade. The Iceland talks experienced a long pause between 2009 and 2012 as a result of Iceland's financial crisis (*kreppa*) in late 2008, as well as the July 2009 application from Iceland to join the European Union.<sup>31</sup> Should European Union membership be achieved, any bilateral FTAs signed by Iceland, including the China agreement, would be automatically null and void as a condition of accession.

However, by 2012, waning public support in Iceland for EU membership in the short term, as well as a ground-breaking visit to Reykjavík by then-Chinese Premier Wen Jiabao in April of that year, created a more positive atmosphere for the talks to resume. Once the FTA negotiations were revived in late 2012, China began to consider the agreement as a potential cornerstone to developing its Arctic economic interests. China's embassy in Reykjavík has often been called the largest embassy in that country, and bilateral financial cooperation was strengthened by a 2010 currency swap worth 3.5 billion yuan (US\$569 million) which was extended in September 2013, suggesting a Chinese vote of confidence in the Icelandic economy and its ability to recover from the traumas of five years earlier. Further, during the same month, the Icelandic government under Sigmundur Davíð Gunnlaugsson opted to freeze the EU talks and dissolve the country's EU negotiating committees, further suggesting that membership would not be sought in the short term. Although Iceland has thus far not formally withdrawn its 2009 application to join the EU, the subject remains politically divisive,<sup>32</sup> and the Gunnlaugsson government remains strongly against that prospect.

In April 2013, Icelandic President Ólafur Ragnar Grímsson expressed his sup-

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30 'New Zealand – China Free Trade Agreement,' *Government of New Zealand*, 14 January 2014, <<http://www.chinafta.govt.nz/1-The-agreement/2-Text-of-the-agreement/index.php>>.

31 Marc Lanteigne, 'Northern Exposure: Cross-Regionalism and the China–Iceland Preferential Trade Negotiations,' *China Quarterly* 202 (June 2010): 362-80.

32 Emília S. Ólafsdóttir Kaaber, 'Former Foreign Minister Says EU Application Still Valid,' *Iceland Review*, 17 July 2014.

port for a greater economic presence for China and other Asian states in the Arctic given the growing economic importance of the region.<sup>33</sup> There are however some political divisions within Iceland over Iceland's evolving economic ties with China, as demonstrated by the controversy over plans announced by Chinese investor Huang Nubo, head of property firm Beijing Zhongkun Investment Group (*Beijing Zhongkun touzi jituan* 北京中坤投资集团), to purchase approximately 30,000 hectares of land at Grímsstaðir in north-eastern Iceland in order to develop tourist facilities, a project worth an estimated US\$200 million. The initial request was denied by the Icelandic government in 2011, amid much public unease, citing laws restricting land purchases by actors outside of the European Economic Area (EEA). However, the bid was reworked the following year as an application to lease a smaller amount of land for the same purposes. The final decision on the proposed lease remained under consideration at the start of 2014, but the delay resulted in Huang seeking investment prospects elsewhere in the region, including potentially in Norway. Two projects reportedly under negotiation there are a possible resort in Lyngen, east of the northern city of Tromsø, and a controversial land purchase near the town of Longyearbyen in Svalbard.<sup>34</sup>

As part of Beijing's initiative to complete free trade agreements with all four members, (Iceland, Liechtenstein, Norway and Switzerland), of the European Free Trade Association (EFTA), talks were initiated between China and Norway in September 2008. However, after eight rounds of negotiations, further meetings were abruptly terminated in late 2010 after Beijing vociferously protested the awarding of that year's Nobel Peace Prize to Chinese dissident Liu Xiaobo. All high-level bilateral political links were immediately severed and trade between the two sides began to be adversely affected, especially in the area of salmon exports to China. In October 2011, then-Norwegian Foreign Minister Jonas Gahr Støre issued a statement in the newspaper *Dagens Næringsliv* which emphasised the political independence of the Nobel Committee and expressed hopes for an end to the diplomatic standoff and the restoration of previous ties.<sup>35</sup>

Five years after the incident, however, there has been no concrete sign of relations warming to the point where the FTA talks can resume. With changes in government on both sides since the incident, as well as Norway's support for China joining the Arctic Council as a formal observer in 2013, the stage ap-

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33 Suzanne Goldberg, 'China Should Have a Say in the Future of Arctic- Iceland President,' *The Guardian*, 16 April 2013.

34 'Chinese Tycoon Still Hopes to Sign Icelandic Land Deal,' *Agence France-Presse*, 17 August 2013; 'Chinese Property Tycoon Eyes Norway as Iceland Project on Hold,' *Bloomberg News*, 12 February 2014; Andrew Higgins, 'A Rare Arctic Land Sale Stokes Worry in Norway,' *The New York Times*, 27 September 2014.

35 'Norway and China: Article in the Daily Paper *Dagens Næringsliv*, 11 October 2011,' *Government of Norway Document Archive*, <[http://www.regjeringen.no/en/archive/Stoltenbergs-2nd-Government/Ministry-of-Foreign-Affairs/taler-og-artikler/2011/norway\\_china.html?id=660339](http://www.regjeringen.no/en/archive/Stoltenbergs-2nd-Government/Ministry-of-Foreign-Affairs/taler-og-artikler/2011/norway_china.html?id=660339)>.

peared to be set for a thaw in relations. The controversial decision by the Norwegian government to refrain from officially receiving the visiting Dalai Lama in May 2014 also appeared to suggest that Oslo was developing more sensitivity in its relations with Beijing.<sup>36</sup> However, in September 2014 there was a leak of information to *Dagens Næringsliv* regarding a 2013 internal Norwegian government document (a ‘non-paper’) which outlined a potential blueprint to the renormalisation of China relations, a plan which was rejected by the outgoing Prime Minister, Jens Stoltenberg, for being too conciliatory to Beijing. This was subsequently followed by a Chinese ban on whole salmon imports from Norway based on health concerns, a move which Oslo rejected as unnecessary.<sup>37</sup> These events further underscored the ongoing degree of difficulty involved in returning bilateral ties to their pre-2010 status.

At present, Norway is the only EFTA member to have not completed a China free trade deal, as an agreement with Switzerland was signed in July 2013, with Liechtenstein being a partial beneficiary due to their mutual open border and a customs union with Bern dating back to 1924.<sup>38</sup> Both the Icelandic and the Swiss FTAs came into force in July 2014, and there is much anticipation among Icelandic businesses, especially in the fishing industry, concerning potential economic gains from the agreement. The possibility has also been offered that Iceland could develop as a regional trading hub for goods exported to China, potentially including raw materials from Greenland, should the mining industry there begin to flourish. Against a background of increasing Chinese tourist visits to Iceland, there has been a suggestion that direct flights between the two countries be established in light of the agreement.<sup>39</sup> Although it is too early to gauge the overall economic and political effects of the Sino-Icelandic FTA, both sides have been enthusiastic about the agreement as a stepping-stone to further cooperation.

## Oil and Gas

Beyond liberalised trade, by far the most visible aspect of China’s growing economic presence in the Arctic region has been in the area of actual and potential

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36 Mark Lewis, ‘Norway Shuns Dalai Lama, Hoping to Mend China Ties,’ *Associated Press*, 8 May 2014.

37 Kristian Skard, ‘*Stanset hemmelig Kina-løsning*, [‘Secret China Solution Halted’] *Dagens Næringsliv*, 2 September 2014; Li Jing, ‘Norway Rejects Virus Concerns as Excuse for China’s Reason for Salmon Import Ban,’ *South China Morning Post*, 12 September 2014.

38 Marc Lanteigne, ‘The Sino-Swiss Free Trade Agreement,’ *ETH Zürich, CSS Analyses in Security Policy* 147 (February 2014), <<http://www.css.ethz.ch/publications/pdfs/CSSAnalyses147-EN.pdf>>. The agreement itself can be read at ‘Free Trade Agreement, Entry into Force: 01.07.2014, Bilateral Switzerland – China,’ State Secretariat for Economic Affairs (SECO), Swiss Confederation, <<http://www.seco.admin.ch/themen/00513/00515/01330/05115/index.html?lang=en>>.

39 ‘FTA with China Makes Iceland More Attractive for Foreign Investments,’ *Industry Updates / China Daily*, 11 July 2014; Huang Xiaonan, ‘Icelandic Former FM Promotes Direct Flight between Iceland, China,’ *Xinhua*, 3 July 2014.

resource exploration and extraction. Since China's economic reforms began in the late 1970s, the country has become increasingly dependent upon raw material imports for energy, manufacturing, construction and infrastructure development and much of China's cross-regional diplomacy over the past decade, especially in resource-rich areas (such as Africa and Central Asia), has centred on joint development of local raw materials for export to China. In some cases, especially that of oil and gas in the Middle East, Beijing has been a latecomer to resource deals, and has had to compete with established Western interests for economic partnerships. There has also been a backlash against China's 'resource diplomacy' in some recent cases where Beijing was subjected to international criticism for cooperating with regimes accused of violating human rights, or where Chinese economic links became a source of domestic opposition due to concerns about China dominating the local economy. In developing international economic partnerships, including those based on resource development, the Chinese government has maintained a separation between governance and economics that has drawn criticism from the West, and sometimes led China itself into difficult experiences with unreliable partners.

In the case of the Arctic, China's resource diplomacy can be seen in many parts of the region, focusing both on energy and metals and minerals as the expanse of northern ice continues to diminish and more land and sea areas become accessible for development. The role of the Arctic in contributing to China's resource needs has been gaining visibility in the country's policy circles. With an increasing amount of oil and gas having to be imported by China every year to fuel the country's economic growth, Beijing has reacted to the potential for fossil fuel development in the Arctic with great interest. For example, in June 2014 a strategic assessment prepared by the Defence Policy Research Centre of the Academy of Military Sciences of the People's Liberation Army (PLA), included notes on the Arctic as a key source for oil and gas as well as a means to transport fossil fuels and other goods, even going as far to suggest that the region could be a 'new Middle East' and provide a 'new lifeline' for China. The assessment concluded that the Arctic was on track to become a major energy supply base for the Chinese economy, and that Beijing should seek out partnerships with energy-producing states in the Far North.<sup>40</sup> However, despite this optimism, international scrutiny of Beijing's economic activities in the region has prompted a conservative approach by Chinese interests out of concerns about a diplomatic backlash, should the country be viewed internationally as taking a too-assertive approach to acquiring Arctic resources.

One of the reasons behind the current international debate about an Arctic

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40 '军科院发布战略评估报告：中国面临三大太空威胁,' ['Army Research Institute Released a Strategic Assessment Report: China Faces Three Major Space Threats,'] *Sina Military*, 19 June 2014, <<http://mil.news.sina.com.cn/2014-06-19/1657785793.html>>.

resource ‘race’ was a 2008 report by the United States Geological Survey suggesting that the Arctic Circle, representing six percent of the world’s surface, may hold thirteen percent of unrecovered petroleum supplies (90 billion barrels) and up to thirty percent of the world’s natural gas (47.26 cubic metres). A large majority of these supplies (eighty-four percent) would be found offshore, most notably north of Russia’s Siberian region, north of Alaska and to a lesser degree between Baffin Island in Nunavut, Canada and Greenland.<sup>41</sup> This combination of untapped oil and gas supplies within a politically stable region attracted much attention from Chinese interests, especially since Beijing was in a prime financial position to provide start-up costs and materiel for exploration and development.

China’s growing interest in co-developing Arctic oil and gas can be observed in several different parts of the region. In February 2013, the China National Offshore Oil Corporation (CNOOC) completed its acquisition of the Canadian energy firm Nexen, despite internal debates within the Canadian government. The deal, worth US\$15.1 billion, solidified Chinese interests in the potentially lucrative oil sands of northern Alberta,<sup>42</sup> but also resulted in a tightening of regulations in Ottawa regarding purchases of oil sands assets by state-owned enterprises out of concern that foreign governments would gain too much control over a primary Canadian resource. By 2014, Chinese firms had invested more than US\$30 billion in Canadian energy industries, but many of those business relationships were affected by operational delays and tepid initial profits.<sup>43</sup>

In March 2013, during Chinese President Xi Jinping’s first trip abroad as leader, deals were struck in Moscow that would see Beijing purchase up to 620,000 barrels of oil per day from Russian state-owned company OAO Rosneft as well as the joint development of a gas pipeline to China. In addition, Rosneft would join forces with the China National Petroleum Corporation (CNPC) to jointly explore the waters north of the Russian coast. This was the first such deal Moscow signed with an Asian interest, and could further solidify China as an Arctic energy power and place China as the largest national purchaser of Russian petroleum, unseating Germany.<sup>44</sup> In May 2014, an even more ambitious thirty-year Sino-Russian natural gas deal worth US\$400 billion was completed involving

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41 Kenneth J. Bird *et al.*, ‘Circum-Arctic Resource Appraisal: Estimates of Undiscovered Oil and Gas North of the Arctic Circle,’ *United States Geological Survey, Fact Sheet 2008-3049*, 2008, <<http://pubs.usgs.gov/fs/2008/3049/fs2008-3049.pdf>>; Donald L. Gautier *et al.*, ‘Assessment of Undiscovered Oil and Gas in the Arctic,’ *Science* (29 May 2009): 1175-9; Charles Ebinger, John P. Banks and Alisa Schackmann, ‘Offshore Oil and Gas Governance in the Arctic: A Leadership Role for the US,’ *Brookings Energy Security Initiative Policy Brief 14-01* (March 2014): 6.

42 Euan Rocha, ‘CNOOC Closes \$15.1 Billion Acquisition of Canada’s Nexen,’ *Reuters*, 25 February 2013.

43 Jeffrey Jones, ‘China Faces Oil-Patch Buyer’s Remorse,’ *The Globe and Mail*, 18 August 2014.

44 Rakteem Katakey and Will Kennedy, ‘Russia Gives China Arctic Access as Energy Giants Embrace,’ *Bloomberg / National Post* (Canada), 25 March 2013.

cooperation between CNPC and the Russian energy firm Gazprom. While the agreement had potential to greatly improve Beijing's energy supplies, and on favourable financial terms, it also had strong political overtones given the deteriorating relations between Moscow and the West over Ukraine and speculation about Russia's 'pivoting' to the east as a response.<sup>45</sup>

Iceland has also joined the Arctic energy game. In October 2013, an agreement was finalized granting a licence to the partnership of CNOOC and Reykjavík-based energy firm Eykon to jointly explore for oil and gas in the Dreki region of the North Atlantic between Iceland and Norway. After Eykon expressed its desire to develop potential fossil fuels in the Dreki area, the Icelandic National Energy Authority (NEA) took the view that Eykon would require a foreign partner to proceed with any exploration bid. The Icelandic company ultimately chose CNOOC, marking the first time the Chinese firm had embarked on a project so far north.<sup>46</sup> The Dreki region under exploration - which, in an example of odd historical coincidence, has a name derived from the Old Norse word for 'dragon' - is adjacent to the Jan Mayen island area on the Norwegian side of the maritime border, and under the terms of a 1981 agreement between Iceland and Norway, both sides have the option of requesting a 25% stake in any exploration licence issued by the other government.<sup>47</sup> Initially, the centre-right Norwegian government under Prime Minister Erna Solberg elected in October 2013, declined to participate in the Dreki project. A *de facto* moratorium on Arctic oil exploration was announced in that month so that Ms. Solberg's minority government could receive parliamentary support from more centrist parties, most notably the Christian Democrats.<sup>48</sup>

Oslo altered that stance the following month and agreed to act as the third partner in the Dreki licence via the Norwegian firm Petoro, with the remaining 75% share divided between CNOOC (60%) and Eykon (15%). Initial surveys were to begin in mid-2014 and, assuming sufficient quantities of fossil fuels were located, production was estimated to begin as early as 2021.<sup>49</sup> However, despite the improved conditions for fossil fuel extraction in that area of the Arctic Ocean, any offshore platforms in the Dreki region, like any installations else-

45 Alexei Anishchuk, 'As Putin Looks East, China and Russia Sign \$400 Billion Gas Deal,' *Reuters*, 21 May 2014; 'China-Russia Gas Deal Win for Arctic,' *Energy Monitor Worldwide*, 4 July 2014; Fiona Hill and Bobo Lo, 'Putin's Pivot: Why Russia is Looking East,' *Foreign Affairs*, 31 July 2013.

46 Beth Gardiner, 'Iceland Aims to Seize Opportunities in Oil Exploration,' *The New York Times*, 1 October 2013; 'Iceland: China's Arctic Springboard?' *Energy Compass*, 26 July 2013.

47 'Agreement between Iceland and Norway on the Continental Shelf in the Area between Iceland and Jan Mayen,' *National Energy Authority of Iceland*, 22 October 1981, <[http://www.nea.is/media/olia/JM\\_agreement\\_Iceland\\_Norway\\_1981.pdf](http://www.nea.is/media/olia/JM_agreement_Iceland_Norway_1981.pdf)>.

48 'Norway's New Govt. Concedes on Oil, Immigration for Support,' *Reuters*, 1 October 2013.

49 'Norway to Join Chinese Firm in Iceland Oil Exploration,' *Reuters*, 23 November 2013; 'Eykon Energy to Start Offshore Oil Exploration in Dragon Zone,' *RIA Oreanda News*, 5 June 2014.

where in the Arctic, would have to address the issues of difficult climate, including high winds and fog, ice in the form of a frozen sea surface and icebergs, and the need to put mechanisms in place to prevent oil spills in the environmentally delicate region. The Dreki deal not only furthers Beijing's energy presence in the Arctic but also has the potential of bolstering Iceland as a stronger energy actor alongside Norway.

In addition, it was announced in July 2014 that the China Offshore Oil Engineering Company (COOEC) and the Norwegian engineering and construction firm Kvaerner would develop a joint venture in the area of international oil engineering projects.<sup>50</sup> These deals further suggest that despite the diplomatic *froider* between Beijing and Oslo, Norway remains a potentially important actor in China's Arctic developing economic interests.

### Metals and Minerals

Another area of China's economic diplomacy in the Arctic region has concerned mining and the development of metal and minerals trade. However, until now, this facet is underdeveloped and based mostly on potential deals and development plans rather than concrete agreements. Much of the international focus of Beijing's recent resource diplomacy has thus far been on Greenland, which has been greatly affected by recent climate change as evidenced by the melting of its vast Ice Sheet (*Sermersuaq*) and the uncovering of coastal lands that may be suitable for mining operations. These developments take place during a time where Greenland's future political status has been the subject of considerable debate. As part of the Kingdom of Denmark, Greenland achieved 'home rule' in 1979 and self-rule in 2009, with Denmark retaining the right to determine policy in the areas of Greenland's defence and foreign policy while the remaining political portfolios were transferred to the Greenlandic government. Greenland's small population (about 56,700) is largely dependent upon fishing and seafood as well as an annual subsidy worth about DKK3.6 billion (US\$620 million) provided by Copenhagen in addition to assistance with defence and maritime security. Under recent pro-independence governments, the island has been seeking alternative forms of income and a possible path towards greater sovereignty and eventual independence.

The dominant feature in Greenland's geography is its central Ice Sheet, which covers about 1,710,000 square kilometres or eighty percent of the island, with an average thickness of 2.1 kilometres.<sup>51</sup> However, climate change in the

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50 'Norway's Kvaerner and China's COOEC Form Joint Venture,' *Energy Monitor Worldwide*, 2 July 2014.

51 Rebecca H. Jackson, Fiammetta Straneo and David A. Sutherland, 'Externally Forced Fluctuations in Ocean Temperature at Greenland Glaciers in Non-Summer Months,' *Nature Geoscience* 7(2014): 503-8.

region has had a significant effect on the ice sheet's area; one August 2014 study suggested that Greenland may be losing as much as 375 cubic kilometres of ice per year, with most of the erosion taking place near Greenland's coastlands.<sup>52</sup> The retreat of the ice sheet from these areas, while presenting serious environmental consequences, has opened up greater possibilities for extracting valuable metals, minerals and gemstones, including copper, gold, iron, nickel, platinum, titanium and zinc, along with diamonds and rubies. Moreover, the potential for a future mining boom in Greenland was the main issue during the last election on the island in March 2013. The vote saw the centre-left government of Kuupik Kleist, then-leader of the Inuit Ataqatigiit ('Community of the People') Party, fall to the Siumut ('Forward') Party led by Aleqa Hammond. Although both parties favoured the opening of the mining industry, there were differences as to the degree of potential foreign investment which should be permitted, with Siumut, at least initially, supporting such involvement in a more cautious vein.<sup>53</sup>

Adding to the complexity of the mining debate, at some sites including the Kvanefjeld (Ilimaussaq) site in southwest Greenland, there are deposits of so-called 'rare earth elements' (REEs) which, due to their distinctive makeup, are essential for development of current and emerging high technology products including 'green technology' designed for more efficient energy usage. These elements include cerium, lanthanum, neodymium and yttrium. At present, over ninety percent of REEs extracted worldwide are from China,<sup>54</sup> and this near-monopoly has begun to raise security concerns in the West due to the increasing value of REEs in developing and manufacturing advanced technologies. This potential vulnerability was illustrated when Chinese REE exports to Japan were briefly interrupted in September 2010 in the wake of a diplomatic incident caused by the detaining of a Chinese trawler captain by Japanese authorities in disputed waters in the East China Sea.<sup>55</sup> Beijing was also subject to cases brought to the World Trade Organisation's Dispute Settlement Body, starting in 2011 by the European Union, Japan, the United States and other governments. The plaintiffs accused China of implementing quotas on REEs, molybdenum and tungsten exports since 2010 in violation of WTO rules, while Beijing argued that such restrictions were necessary to protect its environment and sustainable development.<sup>56</sup> The WTO ruled against China in March 2014, with an appeal

52 V. Helm, A. Humbert, and H. Miller, 'Elevation and Elevation Change of Greenland and Antarctica Derived from CryoSat-2,' *The Cryosphere* 8(2014): 1-21.

53 'Mining Proponents Win Greenland Election,' *CBC News / Associated Press*, 13 March 2013.

54 Du Juan, 'Rare Earths on Shaky Ground,' *China Daily*, 9 August 2013.

55 Pui-Kwan Tse, 'China's Rare Earth Industry,' United States Geological Survey *Open File Report* 2011-1042, 2008, <<http://pubs.usgs.gov/of/2011/1042/of2011-1042.pdf>>; Keith Bradsher, 'Amid Tension, China Blocks Vital Exports to Japan,' *The New York Times*, 23 September 2010.

56 Charles Kilby, 'China's Rare Earth Trade: Health and the Environment,' *China Quarterly* 218(June 2014):

launched by Beijing also defeated in August of that year.<sup>57</sup> These cases underscored the political problems of a single state holding a near-monopoly on these resources. There is, therefore, the question of whether areas of Greenland can be developed as an alternative source of these elements. China itself, however, has shown clear interest in seeking out potential agreements to extract REEs in Greenland, where it can capitalise on its existing expertise and willingness to invest in the isolated region.

Also at the Kvanefjeld site, as well as in other regions such as Illorsuit in the far south, are deposits of uranium, which have been left unexploited due to a 'zero-tolerance' policy towards uranium development, largely because of Denmark's avowed non-nuclear status which had developed since the 1950s. Some movement towards possibly lifting the uranium ban policy took place during 2010, but it was only after the March 2013 election that tangible movements were made, culminating in an October 2013 referendum which resulted in a controversial overturning of the ban and opened the possibility for uranium to be mined, potentially for sale.<sup>58</sup> The decision remains politically divisive in Greenland, with concerns being raised about the environmental impact of the mining on the island's delicate ecosystem. One of Siumut's junior coalition partners, the Partii Inuit (People's Party) ended its support for the government in protest of the potential overturning of the ban.<sup>59</sup>

This issue placed Siumut increasingly at political odds with Denmark, and has been wrapped up in the greater issue of near-term Greenlandic independence of which Prime Minister Hammond had been strongly in favour.<sup>60</sup> The Hammond government had maintained that uranium mining was an economic issue, thus falling under Greenland's exclusive jurisdiction, but the Danish government of Prime Minister Helle Thorning-Schmidt stressed that due to its radioactive nature and potential use in weaponry, the issue of exporting uranium was one of security, entitling Denmark to have the final say.<sup>61</sup> Moreover, any extraction of REEs at Kvanefjeld would by necessity involve the extraction of uranium at the same time, as the two sets of elements are often found in the same

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540-50.

57 Tom Miles *et al.* 'China Loses Appeal of WTO Ruling on Rare Earth Exports,' *Reuters*, 7 August 2014.

58 Cindy Vestergaard and France Bourgouin, 'Should Greenland Mine Its Uranium?' *Danish Institute of International Studies, DIIS Policy Brief* (April 2012); Interviews with Danish governmental officials, Copenhagen, October 2013.

59 'Greenland Leaders Split over Uranium,' *Arctic Journal*, 18 November 2013, 'Political Drama Ahead of Greenland Uranium Vote,' *Copenhagen Post*, 24 October 2013.

60 Stephen Faris, 'Greenland's Prime Minister Looks on Global Warming's Bright Side,' *Bloomberg Businessweek*, 1 May 2014, <<http://www.businessweek.com/articles/2014-05-01/greenland-prime-minister-expects-global-warming-mining-riches>>.

61 'Denmark Sees Greenland's Uranium Exports Impossible without Country's Consent,' *Politiken / BBC Monitoring*, 20 September 2013.

locations. This legal tug-of-war over Greenlandic uranium was expected to be settled at the end of 2014, but in March of that year the possibility for REE mining in Greenland involving China grew with a memorandum of understanding (MoU) signed between Perth, Australia-based Greenland Minerals and Energy and Beijing-based China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co. Ltd. (*Zhongguo yousejinshu jianshe gufenyouxiangongsi* 中国有色金属建设股份有限公司; acronym NFC) to potentially extract REEs from Kvanefjeld.<sup>62</sup>

China is only one of many countries, including Australia, India, Japan, South Korea, and the United Kingdom, that have expressed interest in joint ventures in Greenland to develop the island's mining capabilities. Beijing's involvement has, however, received by far the majority of attention from Denmark, the European Union, and the international community due to awareness of China's ongoing economic rise and resource diplomacy.<sup>63</sup> The spectre of overt competition between China and the West over Greenland's resources has dominated the debate over the island's potential mining boom. Although there are dozens of potential mining sites in Greenland, the limiting factors, in addition to the previous surfeit of ice, have been the exorbitant start-up costs and the need to provide additional outside labour and infrastructure - an issue acknowledged by the Hammond government. China is one of the few countries in a position to address all of these matters, and that is the core issue surrounding Beijing's interests in Greenland. Two Chinese firms have been engaged in prospecting in Greenland, namely Jiangxi Zhongrun Mining, which in partnership with the UK firm Nordic Mining conducted surveys for copper and gold during 2009, and Jiangxi Union Mining which in the same period investigated potential copper deposits in the central part of the island. The latter represented the first Chinese mining corporation to conduct operations within the Arctic Circle.<sup>64</sup>

Another area of Chinese mining interest in Greenland is the potential development of an iron mine at Isua, about 150km northeast of the capital of Nuuk. The iron ore deposit, measuring over 1 billion tonnes and of unusually high quality (about 70% 'pure'), was discovered in the mid-1960s but was considered prohibitively expensive to develop until the United Kingdom-based firm London Mining acquired the exploitation rights in 2005.<sup>65</sup> Since that time, surveys have

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62 'Greenland Minerals Signs Memorandum of Understanding with China's NFC, to form Fully-Integrated Global Rare Earth Supply Chain,' *The Arctic Journal*, 24 March 2014, <<http://arcticjournal.com/press-releases/516/greenland-minerals-signs-memorandum-understanding-chinas-nfc-form-fully>>.

63 Interviews with Greenland government officials, Nuuk, Greenland, August 2013.

64 Pu Jun, 'Greenland Lures China's Miners with Cold Gold,' *Caixin Online*, 12 July 2011 <<http://english.caixin.com/2011-12-07/100335609.html>>, Pu Jun, 'After Year of Talks, Sichuan Miner Still No Closer to Greenland Deal,' *Caixin Online*, 6 November 2012, <<http://english.caixin.com/2012-11-06/100456915.html>>.

65 Interviews with Greenland government officials, Nuuk, Greenland, August 2013.

suggested that a mining project has become feasible. The project, which would include the mine, a processing plant, pipeline and deep-water port, and would result in the optimal production of fifteen million tonnes per annum (MTpa) of ore, is valued at US\$2.35 billion. In addition to the initial development costs, initial reports suggested that London Mining might wish to partner with Chinese interests, including potentially the Sichuan Xinye Mining Investment Corporation (*Sichuan Xinye kuanye touzi youxiangongsi* 四川鑫业矿业投资有限公司).<sup>66</sup> Mining rights for Isua were granted to London Mining by the Greenlandic government in October 2013, allowing for a thirty-year license, but the issue of potential partner firms and the role of outside labour remained an open question, especially given London Mining's precarious financial status near the end of 2014, caused by a market glut, decreasing demands from China, and the effects of the mass outbreak of the Ebola virus in West Africa on the firm's operations in Sierra Leone.<sup>67</sup>

The Isua project triggered more open controversy, starting in 2012, when media reports began to surface stating that the development and operations of the Isua mine facilities would require an influx of between two and three thousand Chinese labourers, given the lack of qualified local workers in Greenland. This led to questions and debates about immigration, minimum wage policies, the alteration of union regulations and the role of Denmark, if any, in a given potential agreement.<sup>68</sup> Some reports even suggested (erroneously) that hundreds of Chinese workers had already arrived in Greenland,<sup>69</sup> further adding to international speculation that a 'great game' - which Europe was losing - had begun for the island's mineral wealth. In a rare statement on Greenland from the Chinese Foreign Ministry in March 2013, a representative noted that several other foreign interests had also applied for fossil fuel exploration and mining permits in Greenland, and that no Chinese workers had yet been based there. The spokesperson also decried the 'groundless hype about China "marching toward Greenland",' and seeking to push other investors out of the region.<sup>70</sup>

The Isua affair, and the whole question of Greenland mining, underscored

66 Will Hickey, 'China Targets Greenland for Mining,' *Yale Global Online Magazine*, 18 April 2013; James T. Areddy, 'Warm to Investors, Greenland Opens Up,' *Dow Jones Newswires / Wall Street Journal*, 23 August 2013.

67 James Wilson, 'London Mining on Brink of Collapse as Shares Plunge,' *Financial Times*, 8 October 2014; Hector Martin, 'From Riches to Rust,' *Arctic Journal*, 9 October 2014, <<http://arcticjournal.com/oil-minerals/1070/riches-rust>>.

68 'Unions Upset over Greenland's Revised Mining Law,' *Arctic Journal*, 21 October 2013, <<http://arcticjournal.com/oil-minerals/unions-upset-over-greenlands-revised-mining-law>>; Martin Breum and Jorgen Chimnitz, 'No, Greenland Does Not Belong to China,' *The New York Times*, 20 February 2013.

69 For example, see Christian Spillmann, 'EU Fights to Catch Chinese in Greenland Rare-Earths Gold Rush,' *Agence France-Presse*, 5 August 2012.

70 Zhang Yunbi, 'China Dismisses Hysteria over Greenland Ventures,' *China Daily*, 16 March 2013.

the level of international scrutiny and anxiety directed towards Beijing's economic policies in the Arctic, and especially Greenland. For example, in the 2012 *Intelligence Risk Assessment* released by the Danish Defence Intelligence Service, Beijing's interests in Greenland were noted for the first time with the statement that 'both the United States and Russia are highly sceptical of Chinese attempts at securing control over the region's natural resources.'<sup>71</sup> The 2013 *Intelligence Risk Assessment* also made note of China's economic interests in Greenland, stating that a growing number of Chinese firms and banks were interested in potential Greenlandic investments, but also that such interests should not be construed as 'part of a state-controlled plan'.<sup>72</sup>

China has been careful to avoid appearing to be interfering in the delicate political situation between Denmark and Greenland, and has also stepped up diplomatic relations with Copenhagen, including a trip to the Danish capital by outgoing Chinese President Hu Jintao in June 2012, (the first such visit by a standing Chinese leader), and a ground-breaking visit to China by Denmark's Queen Margrethe II in April 2014 which included a stop at the Nanjing Massacre Memorial Site. This was the first time a sitting head of state made such a tour, and was widely covered in the Chinese press, given that the visit took place during a time of deteriorating bilateral relations between China and Japan following discussions about the status of disputed islands and waterways in the East China Sea.<sup>73</sup>

In October 2014, the already-weakened Hammond government fell after the Greenlandic parliament announced new elections for the following month. The final political blow was delivered after allegations surfaced that the Prime Minister had used public funds for private expenses involving family travels, and was facing an inquiry after narrowly surviving a no-confidence vote.<sup>74</sup> The end of the Hammond administration also marked the finale of a difficult two years which saw a chilling of Danish-Greenlandic relations and serious internal debates over the economic direction of Greenland itself. The question of independence, as well as potential future mining projects, became more uncertain as the leading opposition party, Inuit Ataqatigiit led by Sara Olsvig, called for a potential referendum on the reinstating of the uranium

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71 'Intelligence Risk Assessment 2012: An Intelligence Assessment of Developments Affecting Denmark's Security,' *Danish Defence Intelligence Service*, (26 October 2012): 12.

72 'Intelligence Risk Assessment 2013: An Intelligence Assessment of Developments Affecting Denmark's Security,' *Danish Defence Intelligence Service*, (23 October 2013): 15.

73 'President Hu Jintao Arrives in Copenhagen for State Visit to Denmark, 2012/06/15,' *Foreign Ministry of the People's Republic of China*, 15 June 2012, <[http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/phjtdsg20\\_665710/t942736.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/phjtdsg20_665710/t942736.shtml)>; Keira Lu Huang, 'Danish Queen's Nanking Visit a Crowning Moment for China Amid Row with Japan,' *South China Morning Post*, 28 April 2014.

74 Sabina Zawadski, 'Greenland Votes to Hold Parliamentary Election in November,' *Reuters*, 1 October 2014; 'Greenland Calls Election over \$20K Spending Scandal,' *CBC News*, 2 October 2014.

ban and was in favour of developing a more diversified economic platform for Greenland.<sup>75</sup>

Regardless of the final status of the potential Greenlandic mining projects in which China has shown interest, it remains probable that Greenland will be a primary focus of Beijing's economic policies in the Arctic given the island's great potential for raw material development. At the same time, there is also the possibility of other Chinese raw material investments in other parts of the region as the country increasingly looks abroad in order to satisfy its ongoing resource requirements. It is unlikely that the Arctic itself will be at the forefront of China's resource diplomacy in the near future, as there are other parts of the world, most notably Africa, Eurasia and Latin America, which have assumed a higher priority in China's economic thinking. Any extensive resource development in the Arctic will require great amounts of start-up capital and materiel, external labour, and a willingness to conduct such projects in isolated and hyperborean regions. That said, the Arctic region has the advantage of being politically, economically and strategically stable, and at present Beijing is one of the few governments with both the financial resources and the potential labour force to engage in Far North joint ventures. Further Chinese economic engagement in and with the region will also require a deeper understanding of local socio-economic conditions in the Arctic, since despite a flurry of Chinese diplomacy in the region since the start of the Xi administration, China is still a newcomer in the area of Arctic socio-economics.

### **Start Your Engines: The Opening of Arctic Trade Routes**

As Arctic ice continues to erode, the international debate on potential trade routes has centred on three potential waterways, namely the Northeast Passage, (which includes the 'Northern Sea Route' or *Severnnyy morskoy put*, along the Russian Arctic coast from the Barents Sea to the Bering Strait), the Northwest Passage, and the Transpolar Passage. The Northeast Passage extends roughly parallel to the northern coast of Siberia from the Bering Strait and connects northern Europe with northeast Asia, and is viewed by many Asian economies, not only those of China but also Japan, Singapore and South Korea, as a practical short-cut for shipping to European markets. The possibility of these routes becoming more valuable has galvanised Arctic states into considering improving infrastructure for handling greater maritime traffic. Iceland, for example, is weighing the possibility of developing an ambitious deep-water port at Fin-

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75 Kevin McGwin, 'To the Polls,' *Arctic Journal*, 1 October 2014, <<http://arcticjournal.com/politics/1053/polls>>.

nafjörður which could accommodate greater North Atlantic / Northeast Passage Traffic.<sup>76</sup>

The Northwest Passage runs through the Arctic Ocean islands of the Northwest Territories (NWT) and Nunavut in northern Canada. The large number of islands and narrow straits in the Canadian Arctic Archipelago makes this routing more complicated for ships than its eastern counterpart. The international legal status of the passage is in dispute, with Ottawa maintaining that the route is entirely made up of Canadian historic internal waters and the United States considering the passage to be international in designation. An Agreement on Arctic Cooperation was struck between Washington and Ottawa in January 1988 which affirmed that the United States would seek Canadian consent to American icebreaker vessels operating in the passage. However, through the use of a 'non-prejudice clause', the document sidestepped the question of Canadian sovereignty and whether the US recognised the passage as a Canadian internal waterway, leaving that issue unresolved.<sup>77</sup> China's stance on the subject is less defined, but in 1999 there was minor diplomatic incident when the Chinese icebreaker *Xuelong* docked at the northern Canadian port of Tuktoyaktuk, NWT without clearance from the Canadian government.<sup>78</sup>

Under the government of Stephen Harper, Canada has been seeking to further solidify its sovereignty over the Northwest Passage through a variety of initiatives, including annual summer prime ministerial visits to northern Canada, as well as a December 2013 partial submission of the country's proposed share of the Arctic continental shelf, including, controversially, the North Pole itself, to the United Nations Commission on the Limits of the Continental Shelf (CLCS).<sup>79</sup> This submission looked set to place Ottawa at odds with Denmark and Russia, which have overlapping entitlements in comparison with what Canada has asserted is its home waters in the Arctic. In August 2014, Canadian Foreign Minister John Baird was interviewed by the Danish newspaper *Berlingske*, and noted that this government was ready to better defend the sovereignty of Canada

76 'Iceland Looks to Build Arctic Crossroad,' *Arctic Journal*, 27 August 2013.

77 'Canada and the United States of America: Agreement On Arctic Cooperation. Signed at Ottawa on 11 January 1988,' *United Nations*, < <https://treaties.un.org/doc/publication/unts/volume%201852/volume-1852-i-31529-english.pdf>>; Ron Purver, 'The North in Canada's International Relations,' *Canada Among Nations, 1989: The Challenge of Change*, ed. Maureen Appel Molot and Fen Osler Hampson, (Ottawa: Carleton University Press, 1990), 108-9.

78 James Kraska, 'The Law of the Sea Convention and the Northwest Passage,' *International Journal of Marine and Coastal Law* 22(2) (2007): 257-82; Struzik, Ed, 'Who Will Guard Our Gaping Back Door?' *Edmonton Journal*, 18 November 1999, < [www2.canada.com/edmontonjournal/features/thebigthaw/story.html?id=df997504-b305-46f9-bd83-a2b11bc6a591](http://www2.canada.com/edmontonjournal/features/thebigthaw/story.html?id=df997504-b305-46f9-bd83-a2b11bc6a591)>.

79 'Commission on the Limits of the Continental Shelf (CLCS) / Outer Limits of the Continental Shelf Beyond 200 Nautical Miles from the Baselines: Submissions to the Commission: Partial Submission by Canada, 6 December 2013,' *United Nations Division for Ocean Affairs and the Law of the Sea*, < [http://www.un.org/depts/los/clcs\\_new/submissions\\_files/submission\\_can\\_70\\_2013.htm](http://www.un.org/depts/los/clcs_new/submissions_files/submission_can_70_2013.htm)>; Max Paris, 'Canada's Claim to Arctic Riches Includes the North Pole,' *CBC News*, 9 December 2013.

in the Arctic, comments which were negatively received in Russia.<sup>80</sup> As well, the September 2014 discovery near King William Island in Nunavut of the HMS *Erebus*, one of the two lost ships (the other being the HMS *Terror*) from an ill-fated expedition headed by Sir John Franklin in 1848 was hailed as a great archaeological find, but was also viewed as a strong political statement underscoring Canadian historical sovereignty of the Passage.<sup>81</sup>

Finally, there is now the greater long-term possibility of maritime transit directly across or close to the North Pole (a.k.a. the ‘Transpolar Passage’), thus saving even more time and fuel costs for international shipping. At present, this passage is obviously more hypothetical than the others, but studies have suggested that at the current rate of thawing the Arctic may be virtually free of ice during summer months by 2040 if not earlier.<sup>82</sup> There is also the possibility that ships approaching the maximum dimensions allowable for transit through the traditional waterways such as the Panama and Suez Canals and Malacca Straits, (referred to respectively as ‘Panamax’, ‘Suezmax’ and ‘Malaccamax’ vessels) might be able to use the northern maritime routes as an alternative to traditional sea-lanes.

Although these northern routes still present problems in terms of difficult weather, floating ice, and other geographic obstacles, leading to accompanying issues regarding insurance premiums, use of the northern routes has steadily become more common and has been catching the attention of governments well-beyond the region. For example, in September 2013, the *Nordic Orion*, a cargo freighter owned by the Danish firm Nordic Bulk Carriers, traversed the Northwest Passage while traveling between Vancouver and the Finnish port of Pori, becoming the first ship of its class to successfully do so. The routing, bypassing the traditional Panama Canal passage, saved seven travel days and approximately US\$80,000 in fuel costs.<sup>83</sup> The vessel was also of ‘Panamax’ size and construction, further suggesting that vessels too large or too heavy to travel through traditional passages could make at least occasional summertime use of northern sea routes in the future. Although plans are in effect to expand the capacity of the Panama Canal, as well as to develop a second regional canal in Nicaragua, (with financial support from a Hong Kong firm),<sup>84</sup> an ice-free North-

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80 ‘Canada to Russia: “We Will Defend Our Sovereignty in the Arctic”,’ *RT*, 24 August 2014, <<http://rt.com/news/182992-canada-sovereignty-arctic-russia/>>.

81 Ian Austen, ‘Canada Chases Down an Arctic Mystery, and Some See a Political Strategy,’ *The New York Times*, 9 September 2014; Alex Boutilier, ‘Franklin Ship Found in Arctic was HMS *Erebus*,’ *Toronto Star*, 1 October 2014.

82 Marika M. Holland, Cecilia M. Bitz and Bruno Tremblay, ‘Future Abrupt Reductions in the Summer Arctic Sea Ice,’ *Geophysical Research Letters* 33(23) (December 2006) L23503: 1-5.

83 John McGarrity and Henning Gloystein, ‘Big Freighter Traverses Northwest Passage for the First Time,’ *Reuters*, 27 September 2013.

84 ‘Panama Canal Turns 100, Celebrations Marred by Doubts,’ *Deutsche Welle*, 15 August 2014; ‘Nicaragua

west Passage is nonetheless seen as a promising alternative for ships passing between the Atlantic and Pacific. This crossing was among the most significant transits of the Northwest Passage since the modified American oil tanker *Manhattan* controversially traversed the area without official Canadian government permission in 1969.<sup>85</sup>

Of the three new potential Arctic shipping routes, the Northeast Passage is of special interest to China given its potential use to trim both time and fuel costs for maritime vessels traveling to the Atlantic Ocean. This route, if used for transit from Shanghai to Hamburg for example, would be approximately 6400 kilometres shorter than the traditional Asia-Europe shipping lanes in the Indian Ocean which pass through the Malacca Straits and Suez Canal.<sup>86</sup> The option to use Arctic sea routes also offers strategic benefits for Beijing. At present, despite advances in China's naval capacity since the turn of the century, China does not yet have the capability to regularly patrol the Malacca Straits, and as previously noted the Chinese government has begun to view that situation as a source of strategic vulnerability, especially given the increasing amount of fossil fuel imports to China from Africa and the Middle East passing through that region. In addition, Chinese vessels using northern routings also avoid the difficult waters of the Gulf of Aden and the greater Arabian Sea, both of which had been subject to pirate attacks of increasing frequency since 2008, prompting China to participate in counter-piracy coalitions along with the United States and Europe.<sup>87</sup>

The opening up of the Northeast Passage may also have strategic and legal repercussions especially in the area of maritime sovereignty. Key to this question is Russia, who is emerging as the undisputed gatekeeper of that sub-region of the Arctic. During much of the 1990s, the Russian Arctic was largely neglected by the government of Boris Yeltsin due to the large-scale political and economic rebuilding required after the rapid breakup of the Soviet Union in 1991. However, during the first two presidential terms of Vladimir Putin (2000-8), the policy drift regarding the Arctic was swiftly addressed, with Moscow re-asserting its security interests in the region which included an increased military presence in the waters north of Siberia.<sup>88</sup> The stage also appeared to be set for a diplomatic, and possibly even military, showdown between Russia and Norway over disputed waters in the gas-rich Barents Sea, an issue which had been sim-

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Approves Route for \$40 Billion Canal Linking Oceans,' *Reuters*, 8 July 2014.

85 For background, see Ross Coen, *Breaking Ice for Arctic Oil: The Epic Voyage of the SS Manhattan Through the Northwest Passage*, (Chicago: University of Chicago Press, 2012).

86 Gang Chen, 'China's Emerging Arctic Strategy,' *Polar Journal* 2(2) (December 2012): 361.

87 Marc Lanteigne, 'Fire Over Water: China's Strategic Engagement of Somalia and the Gulf of Aden Crisis,' *The Pacific Review* 26(3) (2013): 289-312.

88 Marlene Laruelle, *Russia's Arctic Strategies and the Future of the Far North* (Armonk, NY and London: M.E. Sharpe, 2014), 3-5.

mering during the 1960s. Yet in September 2010 a surprise bilateral agreement was signed which formally ended the disagreement to the satisfaction of both parties.<sup>89</sup>

This did not mean, however, that Russia's renewed Arctic policies did not cause international concern elsewhere. In 2007, a Russian submarine planted a national flag, made of titanium, on the ocean floor beneath the North Pole, a gesture widely interpreted as symbolising Russian claims to the nearby Lomonosov Ridge, an undersea mountain range also cited by Canada and Denmark as part of their respective continental shelf entitlements. The event sparked much debate, including in the global media, over whether an Arctic 'land grab' was set to begin and even whether the region was doomed to become militarised as a result of a race for northern riches.<sup>90</sup> Canada and Denmark have stepped up their strategic presence in the region, with Canada sending two Coast Guard icebreakers, the *Terry Fox* and the *Louis St. Laurent*, to the Lomonosov region in August 2014 for data-gathering, while during the same month Danish Air Force jets conducted exercises over Greenland. Copenhagen announced in December 2013 that it would be building a third *Knud Rasmussen*-class Arctic patrol vessel for 2017.<sup>91</sup>

Further, in September 2013 Moscow announced that routine naval patrols would be made in northern Siberian waters, shortly after a flotilla led by the Russian *Kirov*-class heavy cruiser *Pyotr Velikiy* ('*Peter the Great*') completed passage through the Arctic Ocean via the Northeastern Sea Route. This was followed in August 2014 with the first overflights of the Russian Northeast Passage region by Russian Sukhoi Su-34 fighter jets.<sup>92</sup> In September 2014, a second Russian naval flotilla led by the *Udaloy*-class destroyer *Admiral Levchenko* began its journey from the northern port of Severomorsk near Murmansk to deliver supplies and personnel to a newly-reopened base, which had previously been mothballed in 1993, in the New Siberian Islands (*Novosibirskiye Ostrova*) in eastern Siberia.<sup>93</sup> During the same month, the Russian Defence Ministry announced that two other bases would be constructed at Wrangel Island (*Ostrov Vrangelya*) and Cape

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89 Arild Moe, Daniel Fjærtøft and Indra Øverland, 'Space and Timing: Why Was the Barents Sea Delimitation Dispute Resolved in 2010?' *Polar Geography* 34(3) (September 2011): 145-62.

90 Timo Koivurova, 'The Actions of the Arctic States Respecting the Continental Shelf: A Reflective Essay,' *Ocean Development & International Law*, 42(3) (2011): 211-26; Arvind Gupta, 'Geopolitical Implications of Arctic Meltdown,' *Strategic Analysis* 33(2) (March 2009): 175; 'New Global Warming Report Deserves UN Push,' *Korea Times*, 7 October 2003.

91 Bob Weber, 'Canadian Icebreakers Head Out to Map Arctic Sea Floor,' *The Globe and Mail*, 8 August, 2014; Kevin McGwin, 'Danish Navy to Build New Arctic Ship,' *Arctic Journal*, 23 December 2013, <<http://arcticjournal.com/politics/313/danish-navy-build-new-arctic-ship>>; Kevin McGwin, 'A Domestic Affair,' *Arctic Journal*, 11 August 2014, <<http://arcticjournal.com/politics/881/domestic-affair>>.

92 Andrew E. Kramer, 'Russia Preparing Patrols of Arctic Shipping Routes,' *The New York Times*, 14 September 2013; 'Russian Fighter-Bombers Fly Along Northern Sea Route at First Time,' *ITAR-TASS*, 6 August 2014 <<http://en.itar-tass.com/russia/743792>>.

93 'Russia's North Fleet Heads to Arctic for Permanent Naval Base,' *RIA Novosti*, 7 September 2014.

Schmidt (*Mys Shmidta*), both located in the Chukchi Sea region near Alaska.<sup>94</sup> These events have led to questions about whether the Arctic region as a whole would be subject to greater militarisation, especially if relations between Russia and the West further erode, and if significant amounts of fossil fuels are deemed to be extractable in Arctic waters. If greater regional militarisation were to come about, Beijing might in theory be forced to look at its Arctic policy through a more hard security viewpoint, and interpret the region as part of a zero-sum game involving Arctic and non-Arctic states. This would especially be an issue should energy and resources in the Arctic become more directly contested. Such a scenario, however, remains at present very remote.

Even if greatly increased securitisation of the Arctic does not occur, future scenarios for China's use of Arctic waterways, especially the Northeast Passage near Siberia, would very likely require continuing warm relations between Beijing and Moscow. The bilateral energy deals announced between China and Russia in 2013-14 will likely play a part in the broader process, but there are other logistical issues involved in potential future Chinese use of the Passage. Moscow stipulates that all foreign vessels traversing the area must be escorted by a Russian icebreaker, for a considerable fee which varies depending on the vessels involved but normally costs hundreds of thousands of US dollars, plus added insurance fees.<sup>95</sup> Under Putin, Russia has been seeking to upgrade its icebreaker capability, including launching, after a long delay, the largest nuclear powered icebreaker in the Russian fleet and in the world, the *Arktika*-class *50 Let Pobedy* ('Fifty Years of Victory') in 2007.<sup>96</sup> As well, there is the potential for further added costs for Arctic shipping in light of the Polar Code negotiations led by the International Maritime Organisation (IMO) to develop minimum safety and environmental standards for ships in the region.<sup>97</sup>

Nonetheless, Beijing demonstrated its commitment to participating in the future economic opening up of the Northeast Passage for commercial shipping in August-September 2013 when the Chinese cargo vessel *Yongsheng* (永盛) owned by China Cosco Shipping Group, sailed from the port of Dalian to Rotterdam in thirty-three days via the Arctic route, saving about two weeks of transit

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94 Matthew Bodner and Alexey Eremenko, 'Russia Starts Building Military Bases in the Arctic,' *Moscow Times*, 8 September 2014.

95 According to a 2012 report by Lloyd's of London, an average escort fee for the Northeast Passage is US\$200,000. See 'Arctic Opening: Opportunity and Risk in the High North,' *Lloyd's and Chatham House*, (2012).

96 Michael Byers, 'The (Russian) Arctic is Open for Business,' *Globe and Mail*, 12 August 2013; Marco Evers, 'Northeast Passage: Moscow Moves to Boost Arctic Shipping,' *Speigel Online International*, 22 August 2013, <<http://www.spiegel.de/international/world/russia-moves-to-promote-northeast-passage-through-arctic-ocean-a-917824.html>>.

97 IMO, 'Shipping in Polar Waters: Development of an International Code of Safety for Ships Operating in Polar Waters (Polar Code),' *International Maritime Organisation*, <<http://www.imo.org/MediaCentre/HotTopics/polar/Pages/default.aspx>>.

time.<sup>98</sup> The event marked the first time a container vessel made the journey, and emphasised not only the potential viability of the passage for Chinese and Asian shipping, but also China's growing maritime prowess. Since Beijing began to accelerate its naval modernisation programme shortly after Hu Jintao came to power in 2002, there has been much new focus on projecting Chinese maritime capabilities beyond the so-called 'first island chain' (*diyī daolián* 第一岛链) meaning Japan, Taiwan and the Philippines, in preparation for more frequent maritime 'far seas operations' (*yuanhai zuozhan* 渊海作战) in waters well-away from Asia.<sup>99</sup>

Although Beijing has stressed the peaceful use of the Arctic region for scientific and economic purposes, the ability to send ships through the Arctic will be a critical test of the country's evolving strategic policy of expanding its maritime interests further beyond Chinese waters, including in more environmentally hostile regions such as the Far North. In the case of the Arctic, Beijing will continue to be wary of any moves by the littoral states to develop military policies and legal stances which would not only increase regional tensions, but also lead to the greater exclusion of non-Arctic states from economic activities in the region either by design or as an unwanted side-effect.

### Entering the Clubhouse: China in the Arctic Council

Despite China's lack of an Arctic border, an increasing number of Chinese media reports and studies on the country's emerging policies in the Arctic have referred to China as both a 'near-Arctic state' (*jīn běijí guójiā* 近北极国家) and an 'Arctic stakeholder' (*běijí lìhài guānxi guó* 北极利害关系国).<sup>100</sup> Beijing began to build on this rationale when it sought formal observer status within the Arctic Council, an organisation created in 1996 to act as a forum for cooperation and

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Charlotte MacDonald-Gibson, 'From China to Rotterdam, and Into the Record Books,' *The Independent*, 12 September 2013.

99 Bernard D. Cole, *The Great Wall at Sea: China's Navy in the Twenty-first Century* (2<sup>nd</sup> ed.), (Annapolis, MD: Naval Institute Press, 2010), 175-8.

100 Zhang Yao, '北极治理需要中国参与,' ['Arctic Governance Requires China to Participate,'] *XinhuaNet*, 17 May 2013, <[http://news.xinhuanet.com/world/2013-05/17/c\\_124725563.htm](http://news.xinhuanet.com/world/2013-05/17/c_124725563.htm)>; Yang Zhenjiao, Han Shuoyang, Guo Peiqing and Fan Hongying, '北极生态安全对中国国家安全的影响及应对策略,' ['The Arctic Ecological Security Impact on National Security of China and Strategy,'] *海洋环境科学* [*Marine Environmental Science*] 32(4) (August 2013): 629-35; Wang Xinhe, '国家利益视角下的中国北极身份,' ['China's Arctic Identities from the Perspective of National Interests,'] *太平洋学报* [*Pacific Journal*] 21(5) (May 2013): 81-9; Xia Liping, '北极环境变化对全球安全和中国国家安全的影响,' ['Arctic Environmental Change on Global Security and Chinese National Security Implications,'] *世界政治* [*World Politics*] 1(2011): 122-33; 'China Defines Itself as a "Near-Arctic State", Says SIPRI,' *Stockholm International Peace Research Institute*, 10 May 2012, <<http://www.sipri.org/media/pressreleases/2012/arcticchinapr>>.

coordination between the eight Arctic states,<sup>101</sup> as well as indigenous peoples of the region. The Council had its origins in a 1987 speech by Soviet leader Mikhail Gorbachev in Murmansk which called for Arctic cooperation including on environmental issues. Subsequent meetings among the eight Arctic states culminated in the signing of the Rovaniemi Declaration in June 1991 which created the Arctic Environmental Protection Strategy (AEPS) and laid the framework for the Arctic Council mechanisms.<sup>102</sup>

Even before the Council was founded, however, the question of how to include non-Arctic states in the institution-building process slowly but steadily grew in urgency, especially since some European governments outside of the Arctic region, had participated in the AEPS process and has expressed interest in continuing to engage the Council after its creation.

According to the Section 3 of the 1996 Ottawa Declaration, the founding document of the Arctic Council, observer status is open to non-Arctic states as well as governmental and non-governmental organisations which ‘the Council determines can contribute to its work’.<sup>103</sup> The initial observer states were all European governments, namely France, Germany, Netherlands, Poland, Spain and the United Kingdom. China, along with other non-Arctic states seeking formal observer status, was allowed to attend as an *ad hoc* observer. States under this category had the option to apply to attend a meeting of specific interest, a concept borrowed from the initial AEPS process. Further, holders of formal observer status have the right to submit policy statements and put forward new agenda items, and to contribute to the Council’s important Working Groups.<sup>104</sup> What Beijing sought was the right to attend each Arctic Council meeting without requesting admission each time. As the number of applicants to formal observer status grew, it became common practice in the Council for these applications to be given the status of *ad hoc* observer.<sup>105</sup> To become a full member of the Council with voting rights was never an option for China given its lack of Arctic frontier,

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101 The eight member states in the Arctic Council are Canada, the Kingdom of Denmark (Faroe Islands / Greenland), Finland, Iceland, Norway, Sweden, Russian Federation and the United States. As well, six indigenous organisations, (Aleut International Association, Arctic Athabaskan Council, Gwich’in Council International, Inuit Circumpolar Council, Saami Council and Russian Arctic Indigenous Peoples of the North), were granted the status of ‘permanent participants’.

102 Timo Koivurova and David L. Vanderzwaag, ‘The Arctic Council at 10 Years: Retrospect and Prospects,’ *University of British Columbia Law Review* 40(1) (2007): 121-94; ‘The Rovaniemi Declaration on the Protection of the Arctic Environment, June 14, 1991,’ <<http://arcticcircle.uconn.edu/NatResources/Policy/rovaniemi.html>>.

103 ‘Declaration on the establishment of the Arctic Council, Ottawa, Canada, September 19, 1996,’ *Arctic Council*, <<http://www.arctic-council.org/index.php/en/document-archive/category/5-declarations?download=13:ottawa-declaration>>.

104 Peter Hough, *International Politics of the Arctic: Coming in From the Cold* (London and New York: Routledge, 2013), 102.

105 Graczyk and Koivuova, ‘A New Era in the Arctic Council’s External Relations?’, 231.

but recognised observer status would cement China's Arctic interests and allow Beijing to play a more visible role in crafting Arctic policy.

The primary rationale Beijing put forward for requesting formal observer status<sup>106</sup> were the effects of climate change in the Far North on China's environment, ecology and agriculture, together with the fact that the country had already demonstrated its commitment to enhancing knowledge of environmental, scientific and developmental affairs in the Arctic. For example, Chinese researchers have drawn links between thinning sea ice in the Arctic (or as some specialists in China have termed the process, the 'Blue Arctic' effect), and increasingly harsh winter weather within China, including severe snowstorms in southern China during January 2008 and extreme weather in subsequent years.<sup>107</sup>

The idea of China's Arctic role, and by extension, its 'near-Arctic' status, has also been tied to the growing perception that Beijing should act as a global 'responsible great power' (*fuzeren daguo* 负责任大国), which should use its status to play a more active role in promoting peace and stability as well as the rule of law in regions beyond the Asia-Pacific.<sup>108</sup> To signal such an approach, China declared its support for the sovereignty and territorial rights of the Arctic states under the 1982 UNCLOS agreement, and has consistently expressed no wish to challenge norms and rules in the region. China has, however, taken exception when arguments have been made that Arctic affairs are strictly a regional matter, and for this reason has been wary of steps such as the Ilulissat (Greenland) Declaration of May 2008, signed by the five states that directly border the Arctic Ocean (Canada, Denmark/Greenland, Norway, Russia and the US) without the presence of the other three Arctic Council states (or indigenous peoples' organisations).<sup>109</sup> The Declaration described the 'stewardship role' of the quintet,

106 Some commentators and media outlets referred to this status as 'permanent' observer during the period immediately before and after China was added to the formal observer list. However, the term 'permanent observer' is misleading for two reasons. First, the term is not part of the Arctic Council Rules of Procedure or any other rules of the organisation, and second, any observer in the Council can be suspended should they act against either the Rules of Procedure or the original Ottawa Declaration which created the Council. See Arctic Council 'Arctic Council Manual for Subsidiary Bodies,' 31 May 2013, <<http://www.arctic-council.org/index.php/en/document-archive/category/425-main-documents-from-kiruna-ministerial-meeting#>>.

107 Chen Hongxia, Liu Na and Zhang Zhanhai, 'Severe Winter Weather as a Response to the Lowest Arctic Sea-Ice Anomalies,' *Acta Oceanologica Sinica* 32(10) (October 2013): 11-15; Yuefeng Li and L. Ruby Leung, 'Potential Impacts of the Arctic on Interannual and Interdecadal Summer Precipitation over China,' *Journal of Climate* 26(1 February 2013): 899-917; Ma Jiehua, Wang Huijun and Zhang Ying, 'Will Typhoon Over the Western North Pacific be More Frequent in the Blue Arctic Conditions?' *Science China / Earth Sciences* 57(7) (July 2014): 1494-1500.

108 '专访：中国愿为北极地区可持续发展作出贡献' [Interview: China is Willing to Contribute to Sustainable Development in the Arctic,] *Government of the People's Republic of China / Xinhua*, 23 March 2013 <[http://www.gov.cn/jrzq/2013-03/23/content\\_2360686.htm](http://www.gov.cn/jrzq/2013-03/23/content_2360686.htm)>; Zhang Yao, '在更广阔的平台为北极治理做贡献' [Contributing to a Broader Platform for Arctic Governance,] *Shanghai Institutes for International Studies*, 22 May 2013, <<http://www.sis.org.cn/index.php?m=content&c=index&a=show&catid=22&id=224>>.

109 Shiloh Rainwater, 'Race to the North: China's Arctic Strategy and Its Implications,' *Naval War College*

which saw themselves as sharing a unique responsibility for developing a comprehensive legal framework for the Arctic. Despite subsequent assurances that an ‘Arctic Five’ or A5 would not seek to displace the Arctic Council,<sup>110</sup> the Ilulissat Declaration further illustrated potential future sensitivities over the degree to which a state can be ‘Arctic’ and which governments have the strongest say in regional affairs, be they diplomatic, economic or strategic.

With this ambiguity persisting, Beijing has developed a sensitivity to any attempts by the region’s littoral states to, as one study suggested, ‘carve up the Arctic melon’<sup>111</sup> and restrict the Arctic’s resources and decision-making powers to a small number of states such as the A5 group. Although Beijing has been supportive of regional attempts to resolve regional legal disputes, (for example, the ongoing diplomatic differences regarding the continental shelf demarcation in the Lomonosov region), Chinese Arctic specialists have argued against solutions which fail to accommodate non-Arctic actors, especially in the area of potential transit routes. This has been a further motivation for the arguments presented by Chinese scholars in favour of Beijing being involved in the evolution of an Arctic legal regime.<sup>112</sup>

Beijing has instead maintained that the Arctic should be treated as an international concern, given the larger number of countries that are affected by environmental, political and economic changes in the Arctic, including the potential for the opening of local trade routes and expanded resource development. These views have also been echoed by other Asian observer states in the Arctic Council, who have also downplayed the idea of treating the Arctic as simply inland waters.<sup>113</sup> At the same time, Beijing’s desire to engage the Arctic Council can also be looked at through the lens of broader and ongoing Chinese concerns, not only regarding strategic ‘encirclement’ (*juanbi* 圈闭) by the West, but also about being shut out of regimes and organisations that might have current or future significant strategic or economic value to China. Although China is swiftly settling into its new role as a great power, it also retains the identity of a ‘joiner state’ from the time during the immediate post-cold war era when Beijing was seeking to expand its then-limited international reach by engaging regimes of differing shapes and sizes.

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Review 66(2) (Spring 2013): 73-4.

110 Christian Le Mière and Jeffrey Mazo, *Arctic Opening: Insecurity and Opportunity*, London and New York: IISS/Routledge, 2013), 127-8; See also John English, *Ice and Water: Politics, Peoples and the Arctic Council* (Toronto: Allen Lane, 2013), 1-7.

111 David Curtis Wright, ‘The Dragon Eyes the Top of the World: Arctic Policy Debate and Discussion in China,’ *Naval War College, China Maritime Institute* 8(August 2011): 2.

112 Linda Jakobsen, ‘China Prepares for an Ice-Free Arctic’, 10-11; Zhang Rui and Yang Liu, ‘中国北极安全法律保障研究’ [‘Research on China’s Legal Protection of Its Arctic Security’], *太平洋学报* [*Pacific Journal*] 21(6) (June 2013): 11-8.

113 Per Erik Solli, Elana Wilson Rowe and Wrenn Yennie Lindgren, ‘Coming Into the Cold: Asia’s Arctic Interests,’ *Polar Geography* 36(4) (2013): 260.

In the case of the Arctic, Beijing will retain a degree of sensitivity towards being excluded from any regional institution-building, especially should relations among the Arctic littoral states (notably between Russia and the others) become more difficult. In observing the Arctic Council, China recognised the growing number of ‘club goods’ which the organisation had begun to accumulate as a result of the growing strategic and economic value of the Arctic due to climate change. These club goods, meaning goods which are retained by members of a given regime and are frequently denied to non-members,<sup>114</sup> included the right to shape economic and legal policies in the region in addition to potentially gaining critical information about the policies of the Arctic states which would assist with Beijing’s own plans to develop a stronger Arctic identity. As well, the informality of the Arctic Council, which has decision-making mechanisms by consensus-building rather than by majority rules, is also a selling point since China would be less concerned about great power chauvinism, (meaning especially unilateral American and Russian policies), limiting Beijing’s abilities to operate within the Council, especially since the highest ‘rank’ China could hope to achieve was that of observer.

China’s first bid for observer status in the Council was declined in 2009, largely because of internal debates among the eight member governments on how to ensure that new observers, including large entities such as China, Japan and the European Union, could participate as observers without changing the nature of the organisation itself. Some Arctic governments, notably Canada and Russia, were concerned about a farrago of new observers outnumbering the members and permanent participants in the Council. This issue was of even greater sensitivity to the indigenous organisations which were permanent participants in the Council, as representatives worried about being perpetually overshadowed by great power observers.<sup>115</sup> By contrast, the Nordic members, including Denmark, Iceland and Norway, were more open to the idea of observer status for China, while the United States largely took the middle ground. As one analyst noted, allowing a greater number of observers into the Council would be a ‘shrewd move’ in light of the financial contributions which Asian states, including China but also India, Japan and South Korea, were making to Arctic research. In addition, the rules of the Council as well as international law, including UNCLOS, would prevent the sort of great power domination which detractors feared, and moreover, locking out potential observer states may en-

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114 See Richard Rosecrance, ‘Has Realism Become Cost-Benefit Analysis?’ *International Security* 26(2) (Fall 2001): 132-54.

115 Matthew Willis and Duncan Depledge, ‘How We Learned to Stop Worrying About China’s Arctic Ambitions: Understanding China’s Admission to the Arctic Council, 2004-2013,’ *The Arctic Institute, Centre for Circumpolar Security Studies*, September 22, 2014, <<http://www.thearcticinstitute.org/2014/09/092214-China-arctic-ambitions-arctic-council.html>>; Graczyk and Koivuova, ‘A New Era in the Arctic Council’s External Relations?’, 229.

courage said states to simply pursue unilateral activities in the Arctic, bypassing the Council altogether.<sup>116</sup> The observer question was complicated enough that China's application, along those of other potentials, was deferred again in 2011 at the Ministerial meeting in Nuuk while the specific criteria for formal observers was drafted for the following ministerial gathering at Kiruna.<sup>117</sup>

The two deferrals, along with the clarification of procedures regarding the admission of observers, led to some unease in Chinese policy circles and the concern that the Council was hiding behind red tape as a means of discouraging Beijing's bid. One editorial even suggested that the Arctic nations were attempting to establish a *de facto* 'Monroe Doctrine' to discourage political participation in the region by outside governments.<sup>118</sup> Nonetheless, Beijing sought to re-apply in time for the 2013 Kiruna gathering, and in order to obtain a more favourable result, expanded its diplomatic ties with several Arctic states in the hopes of securing future support.

The April 2012 visit by then-Chinese Premier Wen Jiabao to Reykjavík and subsequent restarting of the free trade talks, a visit to Copenhagen by President Hu in June of that year, (the first state visit by a Chinese leader), and meetings in Beijing with Canadian Prime Minister Harper in February 2012 were but three examples of China's bilateral Arctic diplomacy at work. Canada assumed the two-year rotating chair of the Arctic Council in May 2013 and will be followed by the United States. China also increased the visibility of the primary body responsible for information collection and processing regarding the country's Arctic interests: the Polar Research Institute of China or PRIC (*Zhongguo jidi yanjiu zhongxin* 中国极地研究中心), founded in 1989 and based in Pudong under the aegis of the Shanghai Institute of International Studies (SIIS), and overseen by the Chinese State Oceanic Organisation or SOA (*guojia haiyang ju* 国家海洋局). The PRIC's primary interest has been in organising scientific projects in the polar regions, but since 2009 the institute has also added a social sciences division to address political and related disciplines.<sup>119</sup> Another organisation under the SOA, namely the Chinese Arctic and Antarctic Administration, (*Guojia haiyang ju jide kaocha bangongshi* 国家

116 Matthew Willis, 'The Arctic Council: Underpinning Stability in the Arctic,' *The Arctic Institute, Centre for Circumpolar Security Studies*, 26 March 2013, <<http://www.thearcticinstitute.org/2013/03/the-arctic-council-underpinning.html>>.

117 Linda Jakobsen and Jingchao Peng, 'China's Arctic Aspirations,' *SIPRI Policy Paper* No. 34 (November 2012): 19.

118 '中国离北极有多远' ['How Far is China from the North Pole'], *瞭望东方周刊* [Oriental Outlook Weekly], 18 July 2011, <[http://news.sina.com.cn/c/sd/2011-07-18/104022832757\\_2.shtml](http://news.sina.com.cn/c/sd/2011-07-18/104022832757_2.shtml)>; Tang Guoqiang, 'Arctic Issues and China's Stance,' *China Institute of International Studies*, 4 March 2013, <[http://www.ciiis.org.cn/english/2013-03/04/content\\_5772842.htm](http://www.ciiis.org.cn/english/2013-03/04/content_5772842.htm)>; Qing Guopei, '应对北极门罗主义的挑战,' ['Responses to the Arctic Monroe Doctrine Challenge,'] *瞭望* [Lookout], 16 October 2011, <<http://news.sina.com.cn/w/2011-10-16/151023311701.shtml>>.

119 Interview with Chinese Arctic policy specialists, Shanghai, April 2014.

海洋局极地考察办公室), created in 1981, supervises and organises scientific projects at both poles.<sup>120</sup>

In May 2013, at the Arctic Council's Ministerial meeting in Kiruna, China was finally granted formal observer status in that organisation along with Italy and other Asian states also interested in the potential for the Arctic as an economic resource, namely India, Japan, South Korea and Singapore.<sup>121</sup> US Secretary of State John Kerry reportedly brokered a compromise on the observer issue right before the 2013 Kiruna Ministerial meeting which satisfied all members. Then-Swedish Foreign Minister Carl Bildt praised the arrangement, noting that the addition of the six new observers 'strengthens the position of the Arctic Council on the global scene.'<sup>122</sup> Despite some speculation, and local press reports, that Oslo would not accept China's bid in light of the post-Nobel diplomatic freeze since late 2010,<sup>123</sup> as noted above there was no opposition from Oslo.

China's admission was also achieved in the face of many reservations from the Russian government. Despite strengthening Sino-Russian economic and diplomatic relations, the government of Vladimir Putin was nonetheless concerned that China's engagement with the Council would adversely affect Russian Arctic policy, especially considering that Moscow has tended to view the Arctic as a regional as opposed to global resource. Even shortly after Beijing's success in gaining Arctic Council observer status, Russian Prime Minister Dmitry Medvedev noted in a June 2013 interview with the Norwegian broadcaster NRK that 'There is trust in China but you and we, i.e. the Arctic states, lay down the rules here.'<sup>124</sup>

China, as with any potential candidate for observer status, first and foremost had to accept the so-called 'Nuuk Criteria', guidelines which were formalised at the Council's 2011 Ministerial meeting in the Greenlandic capital. In addition to abiding by the rules and goals of the organisation, observers had to agree to recognise the Arctic states' 'sovereignty, sovereign rights and jurisdiction in the

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120 '国家海洋局极地考察办公室,' ['Chinese Arctic and Antarctic Administration,'] <<http://www.chinare.cn/caa/>>.

121 As of mid-2014, the formal observers of the Arctic Council are China, France, Germany, India, Italy, Japan, Netherlands, Poland, Singapore, South Korea, Spain and the United Kingdom. The European Union's 2013 bid was deferred due to regional differences, especially involving Canada, over the EU's ban on seal hunting. See 'All Eyes on the Arctic Council,' *Deutsche Welle*, 17 May 2013.

122 Steven Lee Myers, 'Arctic Council Adds 6 Nations as Observer States, Including China,' *The New York Times*, 15 May 2013.

123 For example, see Jonathan Watts, 'Norway Could Shut China Out of Arctic Council after Diplomatic Snubs,' *The Guardian*, 25 January 2012; 'Norway "Wants to Block China from Arctic Council",' *The Telegraph / Agence-France-Presse*, 25 January 2012.

124 Lincoln E. Flake, 'Russia and China in the Arctic: A Team of Rivals,' *Strategic Analysis* 37(6) (2013): 681-7; 'Russia Has Peaceful, Pragmatic Goals in Euro-Arctic Region- Medvedev,' *Voice of Russia*, 4 June 2013, <[http://voiceofrussia.com/2013\\_06\\_04/Russia-has-peaceful-pragmatic-goals-in-Euro-Arctic-region-Medvedev-5140/](http://voiceofrussia.com/2013_06_04/Russia-has-peaceful-pragmatic-goals-in-Euro-Arctic-region-Medvedev-5140/)>.

Arctic' as well as the Law of the Sea and the cultures and interests of regional indigenous peoples.<sup>125</sup>

Shortly after the announcement was made, an editorial in the Chinese news service *Xinhua* noted that even though China's new status in the Council still did not include the right to vote, the country's observer status did further codify Beijing's 'legitimate rights and activities in the region'.<sup>126</sup> It remains to be seen whether the inclusion of China and other Asian economies will affect the decision-making capabilities of the Council, given that only the initial eight Arctic states retain voting rights and decisions continue to be made by consensus. However, there is the concern that a farrago of permanent observers may slow down debate and minimise the role of indigenous organisations and their concerns. As well, there is the question of whether the larger number of observers may affect any future initiatives to widen the mandate of the Council, including for example strategic issues, which at present have been intentionally left off the agenda (in accordance with Article 1a, footnote 1, of the initial 1996 Council Declaration).<sup>127</sup> It remains to be seen, however, whether the greater internationalisation of the Council will increase or decrease pressures to bring in harder security issues to the organisation.

Beijing has stressed that its priorities within the Council are to continue to promote scientific and environmental research in the region, as well as developing trade routes and promoting resource development in the Arctic. At the same time, Beijing has been interested in engaging 'Track II', non-governmental initiatives to better link China's interests in the Arctic. In December 2013, the China-Nordic Arctic Research Council (CNARC) was formally inaugurated in Shanghai, bringing together centres of Arctic studies from across Northern Europe as well as Chinese institutions including the SIIS, PRIC, the Research Institute of Polar Law and Politics, the Ocean University of China (Qingdao) and the Centre for Polar and Oceanic Studies at Tongji University (Shanghai).<sup>128</sup> Bilaterally, in June 2014 the PRIC joined with the Icelandic Centre for Research (RAN-NIS) to break ground on the China-Iceland Joint Aurora Observatory (CIAO) to

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125 Njord Wegge, 'China in the Arctic: Interests, Actions and Challenges,' *Nordit* 32(2014): 89. On the rules / 'Nuuk Criteria' for Arctic Council observers, see Arctic Council, 'Observers,' 27 April 2011, <<http://www.arctic-council.org/index.php/en/about-us/arctic-council/observers>>.

126 'Xinhua Insight: Arctic Council Observer Status Guarantees China's Legitimate Rights,' *Xinhua*, 17 May 2013.

127 Andrea Charron, 'Has the Arctic Council Become Too Big?' *International Relations and Security Network (ISN)*, 15 August 2014, <<http://www.isn.ethz.ch/Digital-Library/Articles/Detail/?lng=en&id=182827>>.

128 '中国-北欧北极研究中心正式成立,' [China-Nordic Arctic Research Centre was Officially Established,] *Polar News, Polar Research Institute of China*, 11 December 2013, <<http://www.pric.gov.cn/detail/News.aspx?id=1242bf35-ca6b-426b-9226-50dfaf33d971>>.

be built at Kárhóll in northern Iceland.<sup>129</sup>

China's newly-attained rank within the Council will likely prompt a further clarification by the country's government of its main policy priorities in the Arctic. The country will be an active participant in issues surrounding governance in the region as well as the development of expanded rules of conduct regarding economic activities and trade. The debate over the degree to which Arctic affairs could and should be 'internationalised', meaning the extension of issues and policy making to other states and institutions beyond the membership of the Council, will also directly engage Chinese interests. In addition, the Council itself will provide an excellent forum for Beijing to continue to gather information not only on the physical and environmental aspects of the region, but also on the political and economic interests of the membership and its fellow observers. China's views about the Arctic as a potential international space will likely be echoed by some of the other recently-appointed observers from Asia, most notably India, Japan and South Korea.

Finally, there is the question of what sort of roles non-governmental or sub-governmental organisations might play in regional institution-building as well as bringing together Arctic and non-Arctic interests. These include the Arctic Frontiers conference in Tromsø, which began annual meetings in 2007 examining regional scientific, economic and energy issues. The newer Arctic Circle conference, which had its founding meeting in Reykjavík in October 2013, was created to provide a larger forum for cooperation and dialogue on regional affairs, including an expanded role for non-governmental actors. As one co-founder of the group suggested, the Arctic Circle was developed as 'a cross between Woodstock and Davos,' stressing the inclusiveness of the gathering.<sup>130</sup> Although the Arctic Circle conference was later confirmed to become an annual event, and was again held in Reykjavík in October 2014, it is highly improbable that the group would develop as a rival to the Council. Instead, the Arctic Circle may evolve as a 'Track II'-type support mechanism for the older organisation, providing additional information and policy recommendations for regional and other governments. Be that as it may, Beijing will want to maintain visibility in these types of organisations as well as other non-governmental initiatives, given their potential inputs to developing more formal institutions and regimes in the Arctic.

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129 'China-Iceland Joint Aurora Observatory, Kárhóll,' <<http://karholl.is/en/>>.

130 Kevin McGwin, 'Welcome to the Arctic Neighbourhood,' *Arctic Journal*, 12 October 2013, <<http://arcticjournal.com/politics/178/welcome-arctic-neighbourhood>>.

## Conclusions: No Longer Just a Bystander

China's evolving role in the Arctic has been described as a 'mildly revisionist power'.<sup>131</sup> The idea of 'mildness' reflects the country's support for the maintenance of regional norms and rules, including UNCLOS and other relevant international laws, as well as engagement with Arctic governments and international organisations such as the Arctic Council. At the same time, China's development as a great power has resulted in the country calling for a larger role in Arctic policymaking despite its lack of a Far Northern frontier. As one study noted, Beijing is seeking to 'build capacity', through diplomacy and scientific partnerships, to ensure that China has a voice in emerging global governance matters involving the Arctic.<sup>132</sup> Beijing is also not alone among Asian states in seeking a louder voice in Arctic affairs, especially since the expansion of the list of Arctic Council observers after 2013. Japan, Singapore and South Korea are also developing their specific approaches to Far North policy, with a focus on scientific endeavours but also with an eye on the economic potential of the Arctic. China therefore has to be cognisant of potential diplomatic competition among Asian actors as the Arctic continues to be internationalised.

Beijing remains notably sensitive to global perceptions that it is unilaterally seeking to influence regional politics or to annex resources in the Arctic, as demonstrated by the initial imbroglio over the potential for mining deals in Greenland, as well as other debates over potential Chinese Arctic investments. Although Chinese policies in the Arctic are in many ways similar to those of other Asian states, including those of Japan and South Korea - especially in stressing the need for viewing the region to a great degree as a global as opposed to regional resource - Beijing finds itself under comparatively much more critical scrutiny, especially in the West, over its long-term Arctic interests. Under these circumstances, Beijing has been receptive to overtures from individual Arctic Council governments, including for example Denmark and Iceland, in a variety of areas ranging from the scientific to the political.

While China has increased its strategic visibility in areas that it considers its 'core interests', such as the nearby East and South China Seas, in areas further from China - including the Arctic - Beijing has sought to maintain the identity of a partner rather than an advancing power. This has not only allowed China to counter concerns about the country seeking to challenge the political and economic status quo in the Arctic, but also to allow Beijing, still largely a regional neophyte, to continue to collect further information about various facets of regional politics and economics. As one study noted, the opening of the Arctic

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131 Shiloh Rainwater, 'Race to the North', 77.

132 Kai Sun, 'China and the Arctic: China's Interests and Participation in the Region,' *East Asia-Arctic Relations: Boundary, Security and International Politics*, ed. Kimie Hara and Ken Coates (Waterloo, Canada: Centre for International Governance Innovation, 2014), 35-6.

region has presented security and legal questions which are best addressed in a multilateral fashion, and China is in a much better position to address these matters in conjunction with Arctic states.<sup>133</sup> In another view, any aggressive or revisionist actions on Beijing's part would invariably trigger balance-of-power behaviour from the other Arctic governments: a scenario which would be too risky for China, especially considering that two of the governments in question are the United States and Russia. Therefore, Beijing has continued to maintain a conservative approach while engaging the region via a series of bilateral and multilateral initiatives.

Although scientific endeavours, especially in the area of climate change issues, will form an important part of China's Arctic policies in the coming years, economic concerns will inevitably comprise a larger share of Beijing's Arctic thinking. This will be due both to ongoing demands by the Chinese economy for ready access to fossil fuels and raw materials, as well as a better means to transport Chinese goods to markets, but also to the desire to avoid being excluded by other great powers and the Arctic littoral states should economic activities in the region continue to develop at a rapid pace. Although political and economic disputes in the Arctic have been addressed and oftentimes settled by diplomacy, there is still the future possibility of larger political and strategic differences between regional powers, (such as Moscow and Washington), spilling over into the Arctic itself. This would be a nightmare scenario for China; and even if security problems do not appear in the Arctic in the near term, Beijing will remain watchful of any attempts by the littoral states to exclude non-Arctic governments from what China sees as international issues, including the question of the northern maritime transport routes.

As China's political and economic rise continues, the Arctic will assume a much greater importance for Beijing as it settles further into the status of a great power and imaginable global power in the international system. Thus far, it has been in China's interests, along with the other states seeking a greater presence in the Arctic, to avoid overt zero-sum policies and instead to seek regional cooperation and joint confidence-building and problem-solving. More overt competition for resources, access and influence in the Arctic becoming the norm, is a dubious but not an impossible future scenario. However, although there are differences among regional governments and outside actors over some areas of future Arctic governance, the current political atmosphere very much favours cooperation and communication. This would be the best departure point for Arctic governments to engage Beijing as China's presence at the top of the world becomes ever more visible.

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133 Zhang Rui and Yang Liu, '中国北极安全法律保障研究,' ['Research on China's Legal Protection of its Arctic Security'] 太平洋学报 [*Pacific Journal*] 21(6) (June 2013): 11-8.

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