

From 'Great Wall' to 'Great White North':

Explaining China's politics in the Arctic

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Over the past decade, the Arctic has moved into the focus of world politics.² As Arctic sea ice melts at a rapid rate, regional and international actors are strengthening their local involvement thus further focusing international attention on the region. External Arctic actors, primarily the European Union and the People's Republic of China, but potentially also India and South Korea, aim to profit from the region's various prospects.

Geopolitical dynamics in the Arctic include the political consequences of climate change in the region; the subsequent rise of economic opportunities; and the increase of international competition on one hand, and multilateral co-operation on the other. Against prevailing perceptions, geoeconomics only plays a subordinate role in China's Arctic endeavour. While the Arctic may hold significant economic potential, its riches will not feature prominently in China's future economic calculations. Instead, the driving force of China's interest in the region is based on geopolitical considerations, including enhancing its ability to exert influence in the Arctic through regional strategic partnerships. China's recent political and economic efforts in the region indicate that China regards partnerships with smaller Arctic states as not only key to gaining influence in the Arctic, but also to enhancing its standing and role internationally.

1. China treading carefully in the Arctic

So far, the formulation of China's Arctic policy has largely been shaped by Chinese researchers and academics who favour a stronger engagement by their government in the regional agenda-setting regarding environmental protection, Arctic shipping, and Arctic security and governance.³ Some Chinese Arctic specialists have referred to the country as a 'near-Arctic state' and simultaneously describe it as a regional 'stakeholder'.⁴ Wright argues that the preponderance of scholarly discussion clearly favours the idea that China deserves some voice in Arctic affairs with its sea routes and natural resources open to the entire world.⁵

Yet there are currently no indications of an official Chinese Arctic strategy, which outlines China's regional interests, political approaches, and legal positions in the near-term. In the absence of official statements by senior officials,⁶ it remains difficult to scrutinise Chinese intentions. While the Arctic debate in China continues to attract new domestic actors, such as the country's Arctic and Antarctic Administration, the State Oceanic Administration, and various ministries and state-owned enterprises, little output in form of official policy originates from these interactions. It is therefore necessary to focus on the concrete steps that China *has* taken, which include its Arctic research programme, and to analyse the potential future economic importance of the region for the country.

2. China's Arctic research

Over the past ten years, China has developed a serious interest in Arctic science⁷, structured along four main axes: oceanography, biology, atmospheric science, and glaciology.⁸ China's most recent five-year plan (2011-2015) promotes the development of marine economy and emphasises the need to strengthen integrated marine surveying and mapping, and carry out polar and oceanic scientific investigation actively.⁹ It indicates an intensified effort to exploit scientific knowledge in order to potentially get involved in future Arctic development, illuminating China's strategic interests in the region. China's permanent Arctic oceanic and climatological research station *Huanghe* (Yellow River) was opened in Ny-Ålesund in Svalbard in October 2003 and a second icebreaker is scheduled to join the *Xuelong* (Snow Dragon) in 2014 – with Finland's Aker Arctic Technology Inc. participating in the icebreaker's design.¹⁰ Currently, China spends around £38.5 million (€49 million) annually on polar research, which is roughly equivalent to South Korean spending and considerably more than the United States. Future polar research plans include a new ice-capable plane, a new polar campus in Shanghai and an increase in the number of Chinese polar scientists.¹¹

3. China's Economic Interest in the Arctic

The development of Arctic shipping routes is often cited as the driving factor of China's Arctic interest, as the access to Arctic shipping routes could profoundly impact the country's future trade and shipping patterns.¹² The prospect of a navigable Arctic Ocean appeals to China as it offers not only substantial commercial opportunities in terms of distance savings, but more importantly allows it to diversify its supply and trade routes and addresses the 'Malacca Dilemma'. China's economy depends highly on the Strait of Malacca and the country's economic development relies on secure access to its maritime

TABLE 1: China's Crude Oil Imports

Adapted from 'Country Analysis Briefs: China', Energy Information Agency, May 2011.

Country	Barrels Oil
Saudi Arabia	893,000
Angola	788,000
Iran	426,000
Oman	317,000
Russia	284,000
Sudan	252,000
Iraq	225,000
Kuwait	197,000
Kazakhstan	184,000
Brazil	151,000
Libya	148,000
Others	922,000

communication lines. Roughly sixty per cent of transit shipping through the Strait of Malacca is bound for China and seventy-eight per cent of its energy imports pass through the one-and-a-half mile wide channel at the southern tip of Singapore.¹³ President Hu described the dilemma as a strategic vulnerability, which arises out of the lack of Chinese control over its key waterways, and called for the adoption of new strategies to overcome this perceived vulnerability.¹⁴

But are geoeconomic considerations, especially the access to natural resources and Arctic shipping lanes, the true driver of China's regional policy? China's rapidly growing energy demand and increasing dependence on imports have prompted the country's oil companies to invest heavily in strategic partnerships for overseas oil extraction and production.¹⁵ Over the past decade, the world oil trade has undergone a significant transition with countries such as China and India emerging as major import-

ers and West Africa, Brazil and Canada representing a new set of major exporters. Shifts in global oil supply and new demand networks, e.g. exports from Brazil to Asia, are likely to emerge in the next decade.¹⁶ In an effort to develop a geographically diversified approach, China has built an extensive grid importing oil from not only neighbouring Ka-

zakhstan and Russia, but from as far as West Africa, Sudan and South America. China's oil imports are projected to increase from fifty-four per cent of its total consumption in 2010 to sixty-six per cent in 2015 and seventy per cent in 2020. While China is actively looking for new regions from which to secure its supply, the Arctic region will for the foreseeable future only play a minor role. Russia, the most likely Arctic exporter to China, continues to experience difficulties in diversifying its exports away from Europe and towards the Asian market. Future supply for the Chinese market is likely to originate in Brazil and Africa.¹⁷

Similarly, China's rising demand of iron ore has led to questions regarding whether part of the country's future supply will originate in the Arctic. China's role as the largest consumer and importer of iron ore cannot be overemphasised as its market share of total imports reached sixty-one percent in 2010. While the Arctic may hold significant iron ore

TABLE 2 : China's Top 10 Trade Partners

Adapted from 'US-China Trade Statistics and China's World Trade Statistics', US-China Business Council. Based on 'China's Customs Statistics', China's General Administration of Customs, 2011.

Country	Trade (£ billion)
United States	244.8
Japan	189.2
Hong Kong	146.5
South Korea	131.7
Taiwan	92.4
Germany	90.5
Australia	56.0
Malaysia	47.1
Brazil	39.7
India	39.3

potential, as indicated by recent investments in Baffin Island, Nunavut, or the known deposits at the Swedish iron ore mine in Kiruna, China's focus appears to lie in the Americas and Australia.¹⁸ Vale, the Brazilian mining giant, generates about one third of its revenue from its activities with China and expects this share to grow rapidly. To ensure the ability to keep up with demand from the Asian economic heavyweight, and to better compete with Rio Tinto and BHP Billiton, Vale placed an order for a fleet of eighty purpose-built extra-large ore carriers to be delivered by 2015. All of these ships will be 'Capesize' vessels, meaning they will exceed the 'Panamax' and 'Suezmax' specifications, requiring them to cruise around the Cape of Good Hope at the southern tip of Africa. Included in the order, are thirty-six 'Valemax' ships weighing in at 400,000 deadweight tons, about twice the size as existing 'Capesize'

vessels. Vale has already received fifteen of these purpose-build vessels and plans to launch another twenty by 2013. Following an accident at the port of Ponta da Madeira, Brazil, involving the 'Valemax' ship *Vale Beijing* in December 2011, the Chinese government

bowed to pressure by its ship owners' association, representing among others the COSCO Group and Sinotrans and CSC Holding, and banned 'Valemax' vessels from entering the ports of Dalian, Majishan and Qingdao.¹⁹ A number of Chinese companies, including Chinese shipyards tasked with building the 'Valemax' ships and Chinese steel companies, have joined Vale in its protest to gain access for its largest ships. While negotiations remain inconclusive at this time there appear to be signs that Beijing may soon lift its ban on Vale's largest ships. The port of Ningbo-Zoushan received approval to build berths for iron ore vessels of up to 400,000 tons. In the meantime, Vale continues to send its 'Valemax' ships to a trans-shipment hub in the Philippines from where iron ore is shipped on regular 'Capesize' vessels to China.²⁰

Investments such as these point to the on-going structural change the world shipping industry has undergone over the past decade and challenge the hypothesis that Arctic shipping routes will feature prominently in China's future trade routes. Asia, and especially East Asia, is becoming the destination for the majority of the world's raw materials and already serves as the origin for the majority of manufactured goods. China is expected to overtake the United States as the dominant force in global trade and may control seventeen of the top twenty-five bilateral trade routes by 2030. This rise in importance of the Asian market will lead to increased trade within the Asia-Pacific region, between countries in developed and developing regions (e.g., Germany and China), between emerging economies (e.g., China and South America), and between China and Africa. In general, a rise of South-South shipping trade can be expected, as a result of which the Cape of Good Hope route could emerge as a viable alternative to the 'Royal Route', via the Suez Canal. Such a continued gradual shift of international trade would be a significant obstacle to the development of the Arctic as a major shipping corridor. In the case of China, the geographic distribution of its exports and imports also argues against Arctic shipping routes being a major consideration in its geoeconomic priorities. Out of its top ten trade partners, only trade with Germany could potentially benefit from shorter and more efficient shipping routes through the Arctic. Moreover, China's Ocean Shipping (Group) Company (COSCO) has thus far shown little interest in Arctic shipping.²¹

4. Geopolitics as the driver of China's Arctic agenda

It appears China has identified the Arctic as a strategically and geopolitically valuable region and aims at projecting its influence through regional political and economic partnerships. Over the past decade, China has extended its strategic reach far beyond Southeast Asia and has pushed deep into Africa. At the same time it has also built a strong foothold throughout the South-West Pacific. The Arctic may yet be the latest region in which China aims to exert a significant amount of political influence. As such, China's goals in the Arctic may be similar to its involvement in the South-West Pacific, where it has become a growing force. Due to the high level of economic development of most Arctic states – with the exception of Russia – China's ability to gain a foothold will naturally not rely on 'China Aid', although economic investment, especially in Iceland, has been substantial. According to Ólafur Ragnar Grímsson, Iceland's long-term president, the island nation felt abandoned by hostile Europeans during the 2008 meltdown of its financial system. China, on the other hand, is seen as a reliable friend and lent a helping hand including a £320 million (€406 million) currency swap when the Icelandic banking system collapsed.²²

Like the South-West Pacific, the Arctic's overall population is low and the relative economic importance of both regions compared to the resource-rich continents of Africa and Latin America is limited. Despite its limited economic value, China perceives the South-West Pacific space as strategically important and has steadily expanded its diplomatic and commercial presence. Although China's influence is thus far limited to political and economic power, the United States – which has historically seen the Pacific as its sphere of influence – worries about Beijing's long-term intentions. Similarly, the Arctic can traditionally be considered a European, North American and Russian strategic space. China's involvement in the Arctic region – and with it the potentially navigable Arctic Ocean – may feature prominently in Beijing's on-going naval expansion, including its apparent goal to eventually project power way beyond its immediate vicinage.

China's recent political and economic efforts in the region indicate that it regards the Arctic's smaller states as key in its overall approach, either because of their strategic location (e.g., Iceland); their resource-related possibilities (e.g., Sweden and Denmark-Greenland); and their diplomatic powers and research efforts (e.g., Sweden).²³ In April 2012, China's Deputy Foreign Minister, Song Tao, emphasised his hope to co-operate with Sweden and Iceland on Arctic peace, stability and sustainable development and announced that the Scandinavian country will support China's bid for Permanent Observer Status in the Arctic Council.²⁴ The subsequent visit to Iceland by China's Premier, Wen Jiabao, was concluded by two bilateral co-operation agreements between Iceland and China. Iceland's Foreign

Minister, Össur Skarphéðinsson, also emphasised his support for Permanent Observer Status for China.²⁵ The recent visit of President Hu to Denmark, the first official visit of a Chinese head of state to that country, is depicted as China's next stepping stone to Greenland.²⁶ In 2011, the Danish Ambassador to China, Friis Arne Peterson, stressed Denmark's objective to grant Permanent Observer Status to China.²⁷ Equally, Greenland's Prime Minister, Kuupik Kleist, emphasised China's important role in the future development of Greenland and expressed his support for China gaining Permanent Observer Status.²⁸

China's interest in gaining Permanent Observer Status to the Arctic Council – the region's most important intergovernmental forum – is an essential part of the country's regional strategy. It illustrates China's major concern of being excluded from future Arctic governance, unable to influence regional agenda-setting and development.²⁹ China argues that since the impact of climate change will have an impact on both the regional and inter-regional level, the Arctic's external actors should be allowed to actively engage in Arctic discussions.

5. Conclusion

The concept of geostrategy as the notion of a state's regional or global behaviour offers a fruitful insight when scrutinising China's Arctic intentions. Related considerations are often depicted along economic explanations including China's interests in the region's potential resources and the advantages of Arctic shipping. However, this Long Post has painted a slightly different picture. Arctic resources are indeed part of China's deliberations. Polar research and scientific co-operation are considered as a potential step into Arctic affairs. But China's global economic 'line-up' clearly indicates that the country's immediate economic future is not necessarily located in the Arctic. Hence, China's Arctic intentions are better understood as a long-term – and not yet even publicly outlined – regional geostrategy, determined to strengthen China's status as an emerging global power. Chinese Arctic geostrategy is highlighted in the current willingness to enter into strategic partnerships with relevant actors, which are driven by the assertion of China's interests both in diplomatic and co-operative terms and underlies Beijing's political intentions. China's geostrategy is not only about the use of financial means and economic strength, but is fundamentally about playing a role in the Arctic's decision-making process as a further political attempt of acting and exerting its influence globally.

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Notes

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² Lassi Heininen and Chris Southcott, 'Globalization and the Circumpolar North: An Introduction', Lassi Heininen and Chris Southcott (eds.), *Globalization and the Circumpolar North*, (Fairbanks, Alaska: University of Alaska Press, 2010), p. 1.

³ The rise of China as an influential power in the international system dominates both academic writing as well as the popular media discourse. For recent academic coverage on China's Arctic intentions, see *inter alia* Linda Jakobson, 'China prepares for an ice-free Arctic', *SIPRI Insights on Peace and Security No. 2010/2*, Solna: Stockholm International Peace Research Institute, 2010, pp. 1-15; Frédéric Lasserre, 'China and the Arctic: Threat or Co-operation Potential for Canada', *China Papers No. 11*, Toronto: Canadian International Council, June 2010, pp. 1-17; David Curtis Wright, 'The Dragon eyes the Top of the World. Arctic policy debate and discussion in China', *China Maritime Study No. 8*, Newport, Rhode Island: United States Naval War College, August 2011, pp. 1-43 and Caitlin Campbell, 'China and the Arctic: objectives and obstacles', *US-China Economic and Security Review Commission Staff Research Report*, 13th April 2010, pp. 1-11.

⁴ '10 May 2012: China defines itself as a 'near-arctic state', says SIPRI', Stockholm International Peace Research Institute, 10th May 2012.

⁵ Wright, 'The Dragon Eyes the Top of the World', p. 7.

⁶ For a recent overview on Arctic opinions by Chinese academics and mid-level officials, see Jakobson, 'China prepares for an ice-free Arctic'. Yet the opinions by Chinese researchers and journalists do not necessarily reflect official perspective as a cacophony of voices urges Chinese decision makers to pursue a variety of foreign policies. See: Linda Jakobson and Dean Knox, 'New Foreign Policy Actors in China', *Policy Paper 26*, Solna: Stockholm International Peace Research Institute, September 2010, pp. 1-51.

⁷ Additionally China has a long history of Antarctic (research) engagement and is considered a major player in the Antarctica. See: Anne-Marie Brady, 'The Emerging Economies of Asia and Antarctica: Challenges and Opportunities', Julia Jabour, Marcus Haward and Tony Press (eds.), *Occasional Paper No. 2: Australia's Antarctica: Proceedings of the Symposium to Mark 75 Years of the Australian Antarctic Territory*, February 2012, pp. 103-114.

⁸ Lasserre, 'China and the Arctic', p. 3.

⁹ *Twelfth Guideline (2011-2015) of the People's Republic of China*.

¹⁰ Early in July 2012, the *Xuelong* departed Shanghai for China's largest and farthest three-month Arctic expedition, bringing it *inter alia* to the Bering Sea, the Beaufort Sea, Canada Basin and Mendeleev Ridge, hosting scientists from France, Iceland, Denmark and Taiwan. The expedition will be concluded by a five-day research visit to Iceland. See: Mia Bennett, 'Arctic exploration: Chinese icebreaker heads for Bering Strait', *Alaska Dispatch*, 8th July 2012.

¹¹ Anne-Marie Brady, 'Polar Stakes: China's Polar Activities as Benchmark for Intentions', *China Brief*, Vol. 12, No. 14, 20th July 2012, p. 12.

¹² Campbell, 'China and the Arctic: objectives and obstacles', p. 6.

¹³ Shaofeng Chen, 'China's self-extrication from the Malacca dilemma and implications', *International Journal of China Studies*, Vol. 1, No. 1, 2010, p. 7.

¹⁴ *Ibid.*, p. 2.

¹⁵ Julie Jiang and Jonathan Sinton, 'Overseas investments by Chinese National Oil Companies. Assessing the drivers and impacts', *Information Paper*, Paris: International Energy Agency, February 2011, p. 37.

¹⁶ 'Review of maritime transport 2011', *United Nations Conference on Trade and Development*, p. 13

¹⁷ *Ibid.*, Chapter 1.

¹⁸ Terry Macalister, 'Britain's richest man to build giant Arctic iron ore mine', *The Guardian*, 4th July 2011.

¹⁹ Pu Jun and Wu Jing, 'China shipping firms, Vale battle for port access', *Caixin Online*, 1st July 2012.

²⁰ Joyce Lee and Randy Fabi, 'Vale's huge iron ore ship back in service after maiden accident', *Thomson Reuters*, 16th July 2012.

²¹ Lasserre, 'China and the Arctic', p. 7.

²² Andrew Ward and Leslie Hook, 'Iceland's president welcomes Chinese interest', *The Financial Times*, 2nd September 2011.

²³ Greenland, a self-ruled territory within the Kingdom of Denmark, is (potentially) rich in natural resources (e.g., iron ore, rare earth elements, deposits of oil, gas, copper, gold, and so on).

²⁴ Mia Bennett, 'China wins Swedish support for Arctic Council permanent observer status', *Foreign Policy*, 19th April 2012.

²⁵ 'Iceland supports China in Council efforts', *Arctic Portal*, 14th June 2012.

²⁶ Damien Degeorges, 'China in Greenland: A challenge for the European Union', *EurActiv*, 15th June 2012 and Ray Weaver, 'China holds key to Greenland treasure chest', *The Copenhagen Post*, 13th June 2012.

²⁷ 'Greenland open to China's growing Arctic interest', *Nunatsiaq Online*, 7th November 2011.

²⁸ Danlu Tang, 'Greenland sees big potential in China's Arctic presence: PM', *Xinhua News*, 5th November 2011.

²⁹ Although permanent observers do not have the right to take part in the Arctic Council's decision-making process, they are allowed to participate in its meetings, and are invited to contribute to the work of the Arctic Council's Working Groups.