

## Hybrid CoE Strategic Analysis **19**

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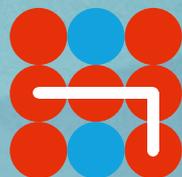
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# The ice dragon – Chinese interests in the Arctic

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Hybrid CoE

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# The ice dragon – Chinese interests in the Arctic

*From Beijing's perspective, ensuring a Chinese presence and room for Chinese activities in the Arctic also links up with China's ability to succeed in the ongoing restructuring and upgrading of the Chinese economy and plays into China's broader and long-term geo-economic and geo-strategic ambitions.* – writes Camilla T. N. Sørensen, Associate Professor at the Institute for Strategy at the Royal Danish Defence College in Copenhagen.

China has specific interests in Arctic research, energy resources, minerals, fisheries and sea routes. However, **from Beijing's perspective, ensuring a Chinese presence and room for Chinese activities in the Arctic also links up with China's ability to succeed in the ongoing restructuring and upgrading of the Chinese economy and plays into China's broader and long-term geo-economic and geo-strategic ambitions.** In late January 2018, China released its first Arctic Policy White Paper insisting that China has legitimate interests and is an important stakeholder in the region. Previous official Chinese speeches and documents on the Arctic have taken a more modest stance and underplayed China's positions and goals in the region, paving the way for China's access to the Arctic Council as an observer state in 2013. The Arctic Policy White Paper underlines the development of a more confident, proactive and sophisticated Chinese diplomacy in the region. China's increased engagement in the Arctic brings new opportunities for cooperation and investments to the Arctic states, particularly within research, resource extraction and infrastructure development, but it also brings new challenges. The smaller Arctic states eager to maintain a strong Arctic governance regime increasingly find themselves under crosscutting pressure from the great-power competition intensifying in the region, as Russia and the US are also strengthening their economic, diplomatic and military presence. **The so-called "Arctic exceptionalism" – namely the conception of the Arctic as a low-tension region, where the great powers,**

**despite conflicts in other regions, continue to cooperate and refrain from political and military coercion to get their way – is under stress.**

## Why is the Arctic important for China?

**Firstly, China aims to build a solid Arctic research capacity, focusing in particular on how climate changes in the region have a direct impact in China, causing extreme weather patterns and negatively affecting China's agriculture and economy.** In recent years, Chinese research activities in the Arctic have been further strengthened by launching more expeditions and intensifying efforts to build research networks and research stations. Since 2004, Beijing has had a research station, the Yellow River Station (*Huanghe Zhan*, 黄河站), on Svalbard; has recently opened the Aurora Observatory in Iceland; and has presented plans for opening a research station and satellite receiver station in Greenland. Establishing these stations in the Arctic further plays into the rollout of China's "BeiDou-2" [北斗-2] satellite navigational system, China's space science programme, and more accurate weather forecasting systems. **These systems and programmes have a so-called "dual use" character – namely both civilian and military uses. A concern, especially in the US, is that China is also gradually building up a military presence in the Arctic.** As warned in the 2019 report on China's military power from the US Department of Defence: "Civilian research could support a strengthened Chinese military presence in the Arctic Ocean, which could include

*deploying submarines to the region as a deterrent against nuclear attacks.*” Although such development over time cannot be ruled out, there is currently no evidence of such concrete Chinese military presence and activity in the region, which would also meet with strong Russian protests. However, it is likely that the Chinese military has been seeking to gain more knowledge and experience on Arctic or rather polar-specific operations, which links up with the Chinese view on the polar regions as “new strategic frontiers”, discussed at further length below. **What is certain is that China, like other non-Arctic states, takes an active role in the general “science diplomacy” in the region,** using their research activities to legitimize and strengthen their overall growing presence and influence in the region.

**Secondly, China is working to ensure access to the energy and mineral resources that the Arctic holds, thereby helping to secure and diversify China’s supply.** However, it is also a question of ensuring a frontrunner position for China within new technologies and knowledge. Together with the deep seabed and outer space, **the polar regions are identified in Chinese strategic considerations and plans as the “new strategic frontiers” [zhanlue xin jiangyu, 战略新疆域], where the great powers will compete in the coming years.** These new strategic frontiers are characterized as the most challenging areas to operate in and extract resources from. Hence, the expectation is that the great power that manages this first – namely is the first to develop and master the new technologies and knowledge required – stands to gain crucial strategic advantages, ensuring it the dominant position in the great-power competition in the 21st century. Beijing’s determined aim is that China gets to be first. **Therefore, it is crucial to ensure that it is Chinese researchers and companies that most effectively seize the new opportunities opening up in the Arctic as the ice melts, and that take the lead in developing and mastering the necessary new technologies and knowledge for building research stations, satellite receiver stations, off-shore platforms, cables and pipelines, and deep-sea ports under polar conditions.** This links up with the ongoing restructuring and

upgrading of the Chinese economy, where Chinese-driven innovation is at the top of the agenda. This is in keeping with the “Made in China 2025” strategy that identifies key sectors or industries such as robotics, space technology, artificial intelligence, the next generation of communication and information technology such as 5G networks, and maritime technology and capabilities in which China, through targeted investments, acquisitions and research and development, aspires to take the lead in developing new technologies and knowledge and in setting global standards. Setting global standards is also one of the main drivers behind the Chinese “Belt and Road Initiative” (BRI), which since June 2017 has included the Arctic sea routes under the heading of the “Polar Silk Road”.

**This relates to the third driver, where China aims to secure favourable access to the Arctic sea routes, which present an attractive alternative to the longer and strategically vulnerable routes in use now.** For China, the Arctic sea routes are approximately 30% shorter than travelling through the Strait of Malacca and the Suez Canal, but are not necessarily quicker or cheaper. The level of ice varies from year to year and the weather conditions are changeable. The general assessment is that it will still be many years before the Arctic sea routes become commercially viable, but the Chinese, particularly the Chinese state-owned shipping company COSCO, seem to favour a more optimistic assessment. In 2016, COSCO announced plans to launch a regular service through the Arctic to Europe and is busy testing the routes and designing and building new ships that are better suited to the conditions.

### **China as a “Near-Arctic State” – balancing assertiveness and reassurance**

The Chinese leaders are keenly aware that China is the only great power that does not have Arctic territory, and which therefore depends on the Arctic states recognizing a benefit in having China involved. Consequently, **the key focus behind China’s enhanced diplomatic and economic activities in the region is to establish strong and comprehensive relationships with all of the Arctic states and stakeholders, and gradually**

**increase China's presence and influence in Arctic governance institutions.** China seeks to propose many benefits for the Arctic states and stakeholders, because if it succeeds in binding China to the region – on multiple levels – through “win-win” agreements on research, resource extraction, infrastructure development and so forth, China will be better positioned to deflect future attempts to marginalize it in the Arctic.

Following the Western sanctions against Russia, China has particularly strengthened its cooperation with Russia in the region. Ensuring the necessary investments and technology to develop the Russian Arctic as the “strategic resource base” for the Russian economy, Moscow has few options other than China. **The Northern Sea Route along Russia's coast has gradually been incorporated into the “Polar Silk Road”, and Chinese banks and companies are involved in financing and constructing ports, railways, and other infrastructure that especially link up with the large Russian-Chinese liquified natural gas project (LNG) on the Yamal Peninsula.** However, the “Polar Silk Road” is not only heading to Russia. China has also intensified its “Polar Silk Road” efforts in relation to Iceland and Finland. Iceland is particularly interested and is trying to promote itself as a logistical hub on the road, with potential Chinese involvement in the development of the Finnafjord deep-water port. The Finnish ICT company CINIA has joined hands with the Chinese ICT company Huawei to develop “The Digital Silk Road” connecting Europe to China via Finland and Russia, and there is a group of Finnish business leaders working for an “Arctic Corridor” railway connecting Finland to the “Polar Silk Road”.

It is, however, becoming more difficult for Beijing to strike a balance between assertiveness and reassurance, and to ensure a Chinese presence and room for Chinese activities in the Arctic; China's room for manoeuvre is diminishing as Washington increasingly sees the Arctic as another arena for US-China great-power rivalry. It is too soon to say how Beijing will react to this. It is likely that the growing US opposition to China's presence and activities in the Arctic, including US efforts to mobilize the other Arctic states, will prompt Chinese diplomats, businesses and researchers

to reassess the situation and revert to a more low-profile approach in the region. This would not constitute a long-term Chinese retrenchment from the Arctic, but rather a tactical restraint whereby Beijing would also still prioritize strengthening cooperation with Russia in the Arctic. However, the key is that, seen from Beijing, the importance of the Arctic weakens in light of the current overall deteriorating situation with the US-China trade war, rising tensions in the South China Sea, the Taiwan Strait and Hong Kong, and general growing Western perceptions of China as an aggressive revisionist state. In the Chinese strategic cost-benefit assessment, the costs of pushing for Chinese activities in the Arctic are growing. **Even though there are clear indications of China assigning stronger priority to the Arctic, and the region is increasingly connected with highly prioritized strategic initiatives such as the “Made in China 2025” strategy and the “Belt and Road Initiative” (BRI), the region is still not at the top of the Chinese foreign and security policy agenda.** Another scenario, where Beijing is likely to give the Arctic lower priority – at least temporarily – is if the security tensions in East Asia, including in the South China Sea and in the Taiwan Strait, continue to increase with the US Navy further strengthening its presence. Under such conditions, Beijing will likely focus even more strongly on East Asia, where so-called “core interests” [*hexin liyi*, 核心利益] are at stake.

Many factors are likely to influence the further evolution of China's role in the Arctic, not least developments in relations between China and the other Arctic states, particularly with Russia, which increasingly serves as a stepping-stone for Beijing to ensure its presence and activities in the region. A key question is how far Beijing is able to take its cooperation with Russia in the Arctic. Moscow remains uneasy and hesitant about allowing too big a role for China in the Arctic, and does not want to become a resource appendage of China. Russia is therefore busy seeking to attract attention and investments to the Russian Arctic from other Asian states such as India and Japan. There is no doubt, however, that cooperation between China and Russia has been developing in both breadth and depth in recent years, which is also a source of

growing concern in Washington. Another key question is how determined the Trump Administration is to counter Chinese diplomatic and especially economic activities in the Arctic, and hence present the other Arctic states and stakeholders with attractive and credible alternatives. This requires a long-term US commitment and

comprehensive resources. **As it stands now, the other Arctic states do not fully share the US analysis of the challenges posed by a stronger Chinese presence in the region and are not keen on backing the US “great-power competition” strategy in the region.**

#### **Author**

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## Further reading

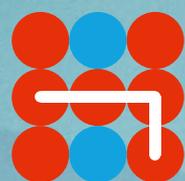
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