

China's Maritime and Transportation Interests in the European Arctic

Assessing the Polar Silk Road and Implications for the United States



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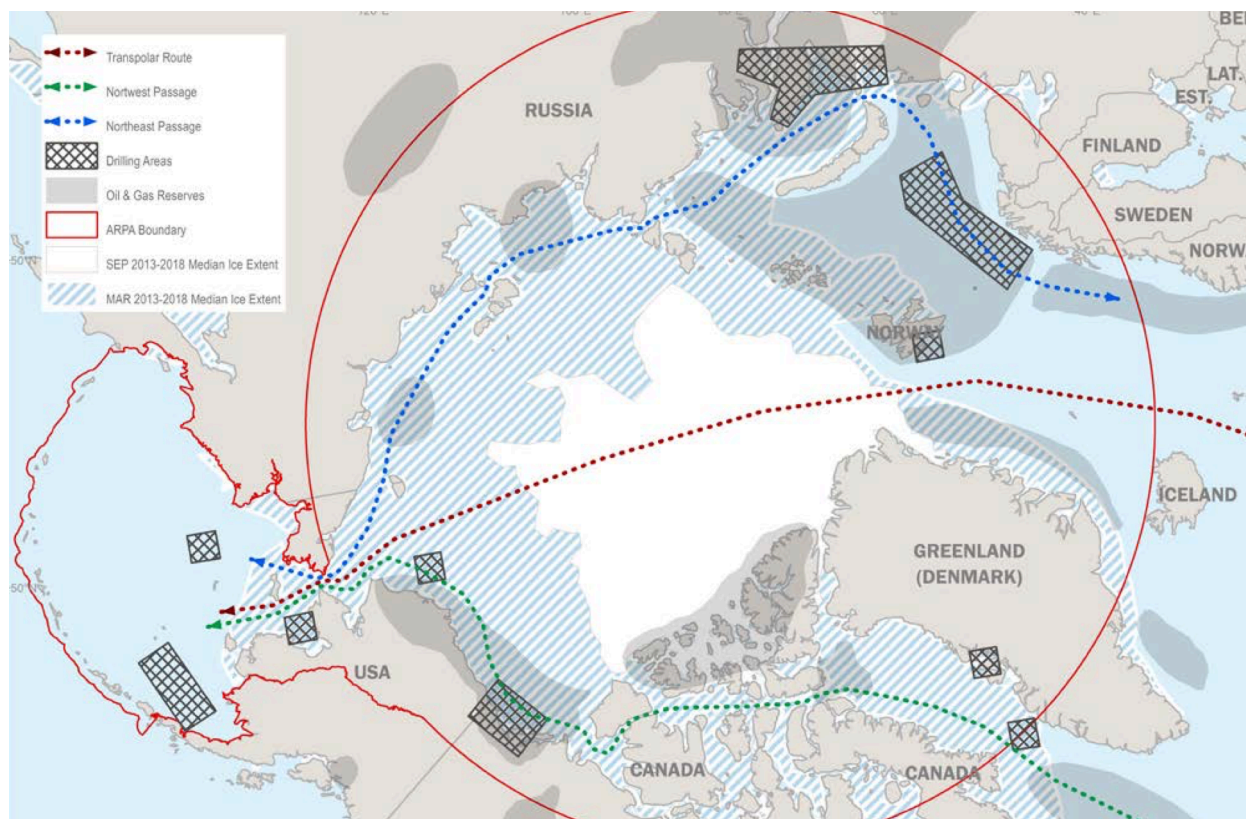
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THE ARCTIC DEFINED



(Source: U.S. Coast Guard)¹

According to the U.S. Coast Guard, “most international bodies and their members define the Arctic as the region north of the Arctic Circle (66.34° North).”² As defined in the U.S. Arctic Research and Policy Act of 1984, the Arctic includes: “all United States and foreign territory north of the Arctic Circle and all United States territory north and west of the boundary formed by the Porcupine, Yukon, and Kuskokwim Rivers; all contiguous seas, including the Arctic Ocean and the Beaufort, Bering and Chukchi Seas; and the Aleutian chain”³ (this is denoted by the “ARPA Boundary” in the above map).

¹ Image source: https://www.uscg.mil/Portals/0/Images/arctic/Arctic_Strategy_Book_APR_2019.pdf.

² “United States Coast Guard Arctic Strategic Outlook.”

³ “Arctic Research and Policy Act of 1984 | NSF - National Science Foundation.”

EXECUTIVE SUMMARY

China's emergence as a key player in the Arctic region has important geopolitical implications for the United States and other Arctic nations. While the Arctic is currently a low priority for the Chinese Communist Party, it has long-term strategic importance. China's interest in the Arctic is multifaceted and spans domestic politics, economics, and foreign policy.

The CCP, led by General Secretary Xi Jinping, is predominantly focused on regime survival and political stability. We can understand China's interest in the Arctic through this lens. Although not an immediate interest or an area to which China is devoting significant resources at present, there are several factors driving its longer-term ambitions. China views the Arctic as a means to maintain energy security, sustain economic growth, and expand its global reach—all while preserving CCP power.

In two policy papers, *Vision for Maritime Cooperation under the Belt and Road Initiative* (June 2017) and *China's Arctic Policy* (January 2018), the CCP signals that the Arctic region is an important part of Xi Jinping's Belt and Road Initiative (China's larger foreign policy strategy) through the Polar Silk Road.

In the short-term, China plans to expand shipping activities along the Northern Sea Route (NSR) to the Nordic countries. The NSR is 40% faster from China to Europe compared to the traditional route via the Suez Canal. Arctic shipping also provides flexibility and safety for Chinese cargo. China COSCO Shipping Group, an influential state-owned enterprise, is the major Chinese player along the Northern Sea Route. COSCO increased from zero Arctic transit shipments in 2014 to eight in 2018 and accounted for almost 30% of all transit voyages.

There is also a geopolitical interest: China sees potential to have closer ties to Russia and the Nordic countries with increased trade, investments, and cooperation in the Arctic. In

particular, the Nordic countries are appealing partners to China given their historical alliances with the United States. The relatively smaller Nordics, in turn, are acutely concerned about the potential for the larger U.S.-China power struggle to spill over into the Arctic.

For the United States, recent policy towards China in the Arctic has shifted from engagement to containment with the goal of countering a growing Chinese presence in the region. However, as China's activities in the Arctic increase and U.S.-China relations deteriorate, the potential for a flash point in the Arctic, such as an incident at sea, could escalate. Mitigating this risk is essential for the United States.

To bolster U.S. Arctic Policy with respect to China, the U.S. Coast Guard should increase maritime domain awareness in the Arctic to accurately understand China's actions; identify and work towards shared goals with China in the Arctic; and establish codes of conduct and take other steps to mitigate possible risks in the region.

My analysis proceeds as follows: I. Introduction; II. Methodology; III. Background: Understanding China's Arctic Interests and Engagement; IV. Findings; V. Analysis: Geopolitical Impact of China's Arctic Engagement; VI. U.S. Arctic Strategy and Coast Guard Policy Options.

I. INTRODUCTION

In 2013, China became an Observer to the Arctic Council, the main intergovernmental forum for the eight Arctic countries, and has since declared itself a “near-Arctic” state. China’s growing interest in the region is evident in the 2018 Polar Silk Road extension of the larger Belt and Road Initiative. The Polar Silk Road includes plans for additional scientific research, infrastructure projects (such as ports, undersea cables, and airports), foreign direct investment, and shipping and trade in Russia and the Nordic countries.⁴ China is also in the process of building a nuclear-powered icebreaker, in addition to its current two icebreakers, the *Xue Long* and *Xue Long II*.

The eight Arctic nations take different approaches to their engagement with China on Arctic affairs. For the United States, the U.S. Coast Guard represents the primary presence in the Arctic and serves as the leading federal agency in the Arctic region for U.S. homeland security, safety, and environmental stewardship. Their top concerns include protecting U.S. access and freedom of navigation and promoting peace and stability in the Arctic.

The U.S. Coast Guard also monitors potential issues that could arise as China expands its influence and activities in the far north. In their 2019 Arctic Strategic Outlook, the Coast Guard identified China, along with Russia, as potential geopolitical challenges in the Arctic:

“America’s two nearest-peer powers, Russia and China, have both declared the region a national priority and made corresponding investments in capability and capacity to expand their influence in the region. Russia and China’s persistent challenges to the rules-based international order around the globe cause concern of similar infringement to the continued peaceful stability of the Arctic region...

⁴ “China Unveils Vision for ‘Polar Silk Road’ across Arctic.”

China, a non-Arctic state, continues to expand its influence and seeks to gain strategic advantage around the world.”⁵

The Coast Guard’s language and specificity in calling out China represents a significant departure from previous Outlooks and is aligned with the broader shift in U.S. views of China under President Trump. The Trump Administration has continuously classified China as a “peer competitor” and “strategic competitor”⁶—a significant shift from the Obama Administration. This most recent Coast Guard Outlook signals not only larger U.S. concern about China’s activities in the Arctic, but also the potential for wider tension in U.S.-China relations to spill over into the Arctic.

For both the United States and China, the Arctic is not and may never be a top foreign policy issue. Though it may be a low priority, it has a high global visibility. With the rapid pace of climate change and increased globalization, the Arctic is no longer a regional issue impacting only the eight Arctic nations. On the contrary, the Arctic is now seen as a global issue with global ramifications.

“What happens in the Arctic doesn’t stay in the Arctic.”

– Professor Judah Cohen, MIT

One critical aspect of the Arctic is its vast resource potential. The U.S. Geological Survey estimates that the Arctic Circle contains 30% of the world’s undiscovered natural gas and 13% of the world’s undiscovered oil.⁷ These untapped resources are a driving force behind many countries’ interest in the Arctic region—resource preservation for some and resource exploration

⁵ “United States Coast Guard Arctic Strategic Outlook.”

⁶ See: National Defense Authorization Act FY2019; US-China Security and Economic Review Commission 2018 Annual Report; National Defense Strategy 2018; and Department of Defense Indo-Pacific Strategy Report 2019.

⁷ Mouawad, “Oil Survey Says Arctic Has Riches.”

for others. Furthermore, climate change's impact is more severe in the Arctic compared to the rest of the world. According to John Holdren, former Science Advisor to President Obama, the pace of temperature increase in the Arctic is 2-4 times faster than the global average. Together, the natural resource potential and climate impact make the Arctic one of the most contentious regions in the world—before even delving into the geopolitical and economic implications.

Recognizing the recent increased Chinese engagement in the Arctic and the geopolitical importance of the region, this report aims to address and analyze the following research questions for the U.S. Coast Guard:

- ◆ What are China's overall strategic interests in the Arctic and what are the implications for the United States and U.S.-China relations?
- ◆ What are China's maritime and transportation interests in the European Arctic and what are the implications for the U.S. and other Arctic nations?

This report focuses on the *Chinese perspective* of the Arctic. How does the Arctic region fit into China's larger foreign policy? Why does China view the Nordic countries as desirable for increased engagement? And, how does China understand its legitimacy claims in the Arctic? The report explores China's specific interests in the Arctic, highlighting the Nordic countries and Chinese transportation interests. The subsequent implications for U.S.-China relations, including potential policy options, are also examined. The primary focus is on transportation interests because they seem to be the most immediate and concrete form of China's economic interests in the region and help us understand China's broader Arctic strategy.

As the lead agency for understanding, shaping, and executing U.S. Arctic policy, the U.S. Coast Guard has the unique role and responsibility of working with the other Arctic nations and non-Arctic states on Arctic issues. Thus, it is imperative for the U.S. Coast Guard to understand

China's interests in the Arctic and how the region fits within both China's larger foreign policy and the Chinese Communist Party's mission.

The Arctic is not currently a high-level national or foreign policy concern for the U.S., but specific geopolitical trends and questions are unfolding in the region. U.S.-China strategic competition is playing out in the Arctic, both in rhetoric and in practice. As Chinese activities in the Arctic increase and U.S.-China relations deteriorate, the potential for conflict, such as an accident at sea, escalates. In line with Chinese behavior in the South China Sea, China could act more assertively in the Arctic. In this respect, mitigating the risk of the Arctic as a potential flash point between the U.S. and China is critical.

More broadly, in the Arctic, we observe ongoing Russian military build-up and partnerships with China in the region. And, the efficacy of multilateralism is being questioned—both globally and, specifically, in the Arctic. In these respects, the Arctic serves as a microcosm for larger international security concerns with important implications for the United States.

II. METHODOLOGY

In compiling this report, I included the following in my research:

- ◆ **Literature Review:** I read and analyzed both primary sources, including Chinese government documents, and secondary analysis from think tanks, universities, and journals. Footnotes are included throughout the report and a full biography is in the appendix.
- ◆ **Interviews:** In detailed interviews and discussions with experts from Iceland, Norway, Denmark, China, the United States, and Russia, I gained further understanding of the many factors and issues this project concerns. I visited Reykjavik, Iceland and Tromsø, Norway in January and attended the 2020 Arctic Frontiers to conduct the majority of my interviews. Some of the panel discussions and speeches at Arctic Frontiers are referenced in this report. My interviews and the Arctic Frontiers conference informed my thinking and analysis throughout the report. See the appendix for a full list of interviewees.
- ◆ **Data Analysis:** In my discussion of shipping trends along the Northern Sea Route, I highlight the recent shipping data from the Center for High North Logistics and reference potential projections for future shipping trends.

III. BACKGROUND: UNDERSTANDING CHINA’S ARCTIC INTERESTS AND ENGAGEMENT

i. In Context

Before delving into China’s specific interests in the Arctic Region, I think it is first helpful to understand the larger political context in China. The Chinese Communist Party (CCP), led by General Secretary Xi Jinping, is focused first and foremost on political stability and regime survival, territorial integrity, and economic growth.⁸ Any CCP policy—foreign or domestic—must be viewed through this lens. We can understand China’s interest in the Arctic through the CCP’s goals of continued economic growth and regime survival. With growing domestic crises (coronavirus recently; air pollution, environmental degradation, and political corruption more broadly) and international pressure and hostility, these goals are more important than ever to the CCP. With respect to the Arctic, China’s energy security, trade interests, and transportation flexibility all ensure continued long-term economic growth and are paramount.

ii. Official Positions

In order to understand the Chinese perspective on the Arctic, two official CCP position papers are particularly useful: *Vision for Maritime Cooperation under the Belt and Road Initiative* (June 2017) and *China’s Arctic Policy* (January 2018). The former highlights the strategic importance of a “blue economic passage” through the Arctic Ocean and includes a section on Chinese participation in Arctic affairs.⁹ The latter provides high-level guidance on China’s Arctic engagement, including key areas of interest.

⁸ Li and Bertelsen. “The Drivers of Chinese Arctic Interests: Political Stability and Energy and Transportation Security.”

⁹ “Vision for Maritime Cooperation under the Belt and Road Initiative.”

Although both of these papers were issued after Xi Jinping became General Secretary in 2012, calls for China's maritime expansion, though not necessarily in the Arctic, predate his leadership tenure. In the opening session of the Communist Party's 18th Party Congress in 2012, General Secretary Hu Jintao declared, "we should enhance our capacity for exploiting marine resources, resolutely safeguard China's maritime rights and interests, and build China into a maritime power."¹⁰ While Hu didn't mention the Arctic, his speech sheds insight into how Chinese leaders view the Arctic: the Arctic represents a space to demonstrate China's maritime power.

Maritime Paper (2017)

Officially titled, *Vision for Maritime Cooperation under the Belt and Road Initiative*, this paper identifies three critical "blue economic passages," or sea routes, for China: the China-Indian Ocean-Africa-Mediterranean sea route; the China-Oceania-South Pacific sea route; and one to Europe via the Arctic Ocean.

While this report analyzes the Belt and Road Initiative (BRI) in Section IV (p. 22), it is important to note that this is General Secretary Xi Jinping's signature foreign policy initiative. Xi views BRI as a multidimensional strategy to increase China's global connectivity and influence through trade, digital telecommunications, infrastructure and transportation development, energy projects and, finally, sea routes. The 2017 paper further cements China's maritime strategy through BRI and is significant for its inclusion of the Arctic region.

This Maritime Paper also dedicates a section to detailing China's participation in Arctic affairs, which includes being a responsible partner to Arctic countries for cooperation on

¹⁰ "China Should Become 'Maritime Power', Hu Jintao Says."

scientific research on climate change, navigational route development, resource exploration, and clean energy initiatives. This section is an early indication of China's Arctic interests and lays the groundwork for the Arctic White Paper, released the following year.

Arctic White Paper (2018)

China's Arctic Policy, published by The State Council Information Office of the People's Republic of China, is not a comprehensive strategy, but more a high-level guidance for China's engagement in the Arctic. Nevertheless, it caused waves in the international community as an example of China's wide-sweeping foreign policy. It is also significant for being the first time the CCP publicly outlined its ambitions for the Arctic region, including the launch of the Polar Silk Road with the goals to "facilitate connectivity and sustainable economic and social development of the Arctic."¹¹

The paper emphasizes the global nature of Arctic issues and engagement, perhaps signaling the rationale for China's Arctic engagement and the publishing of the paper in the first place:

"The Arctic situation now goes beyond its original inter-Arctic States or regional nature, having a vital bearing on the interests of States outside the region and the interests of the international community as a whole, as well as on the survival, the development, and the shared future for mankind. It is an issue with global implications and international impacts."¹²

¹¹ "China's Arctic Policy."

¹² Ibid.

While it is far from a detailed strategy, the White Paper does explicitly outline China's interests and principles in the Arctic, which provide helpful background toward understanding how China views its actions in the Arctic. The White Paper identifies five key priorities in the Arctic Region:

1. Deepening exploration and understanding of the Arctic
2. Protecting the Arctic and addressing climate change
3. Utilizing Arctic resources in a lawful and rational manner
4. Participating actively in Arctic governance and international cooperation
5. Promoting Arctic peace and stability

Priority #3 includes detailed subpoints encompassing: utilizing and developing Arctic shipping routes; energy and natural resource exploration and extraction; conservation and utilization of fisheries; and tourism development. This point, emphasizing China's economic, commercial, and transportation interests, is the most interesting and insightful when trying to pinpoint the drivers behind China's Arctic engagement.

Throughout the paper, China emphasizes that it respects the sovereignty of Arctic nations, but also asserts rights of non-Arctic and near-Arctic states under existing legal frameworks. These rights include scientific research, exploration expeditions, fishing, and freedom of navigation operations in international waters:

“States from outside the Arctic region do not have territorial sovereignty in the Arctic, but they do have rights in respect of scientific research, navigation, overflight, fishing, laying of submarine cables and pipelines in the high seas and other relevant sea areas in the Arctic Ocean, and rights to resource exploration and

exploitation in the Area, pursuant to treaties such as UNCLOS and general international law.”¹³

The emphasis on respecting national sovereignty throughout the Arctic White Paper is consistent with China’s guiding foreign policy principle of non-interference. In China’s involvement in the United Nations, China routinely highlights its adherence to a policy of non-interference and uses this to justify its actions (or inactions). As Foreign Minister Wang Yi stated at the UN General Assembly in September 2019, “China will remain committed to the basic principles of sovereign equality and non-interference in other country’s internal affairs.”¹⁴ China’s Arctic policy, as outlined in this paper, seems to be consistent with its broader multilateral affairs strategy. However, given China’s grand foreign policy objectives under the Belt and Road Initiative, it will be telling to observe to what extent China actually adheres to this policy in practice.

Furthermore, on Priority #4, China does not want Arctic issues to be determined only by the eight Arctic nations and, therefore, is increasingly interested in shaping Arctic governance. The paper also includes language surrounding China’s approach to Arctic affairs with the “basic principles of ‘respect, cooperation, win-win results, and sustainability.’”¹⁵ This language echoes China’s principles in dealings with other countries under the Belt and Road Initiative and indicates how China views the Arctic within the lens of its larger foreign policy strategy. To this point, the results have been mixed in BRI and the question of whether China will act within these principles in the Arctic remains an important question.

¹³ “China’s Arctic Policy.”

¹⁴ “At UN Assembly, China Says ‘It Will Not Ever Be Cowered by Threats.’”

¹⁵ “China’s Arctic Policy.”

By laying out China's overarching interests and guiding principles in Arctic affairs, this paper is a helpful reference point and offers background information for assessing the actual activities of China in the Arctic and potential implications for the United States.

iii. China's Official Arctic Engagement

China's engagement with the Arctic could be dated to 1925, when China joined the Spitsbergen Treaty, recognizing Svalbard under Norwegian sovereignty. The Arctic Institute indicates that China's modern Arctic activities began in the 1990s and focused on scientific research and exploration with Arctic and Antarctic expeditions.¹⁶ Since the 2000s, China's Arctic engagement expanded with the opening of its Arctic Yellow River Research Station (黄河站) on Svalbard in 2004. The Polar Research Institute of China (PRIC), based in Shanghai, is under the Ministry of Natural Resources and has a coordinating role for Polar research and logistics in China nationwide. PRIC is also the base for China's Arctic research program, mainly focused on sea ice, glacial monitoring, and the atmosphere.¹⁷ There is also a smaller research center, the Polar Center, at Tongji University.

In addition, within the Ministry of Foreign Affairs, China has a Special Representative for Arctic Affairs, currently occupied by Gao Feng, who previously served as the Special Representative for Climate Change Negotiations. As a result, Gao has productive working relationships with many of the European and Nordic countries and shared interests in climate change. He is also often present at many Arctic multilateral conferences and events.

¹⁶ "China and Its Arctic Trajectories." The Arctic Institute.

¹⁷ "China." The Arctic Institute.

In 2013, China was granted observer status in the Arctic Council with five other non-Arctic countries (Japan, South Korea, Singapore, India, and Italy).¹⁸ In total, there are currently thirteen non-Arctic states with observer status to the Arctic Council (see appendix for a full list of Arctic Council members and observers).

Instead of using the conventional descriptor “non-Arctic state,” China prefers the term “near-Arctic State” (近北极国家)—defined in its Arctic Policy Paper as “one of the continental states that are closest to the Arctic Circle.”¹⁹ According to Chinese foreign policy experts, this rhetoric is significant:

“Although China lacks an Arctic border or an Exclusive Economic Zone in the Arctic Ocean, the term ‘near-Arctic state’ has regularly appeared in Chinese policy papers over the past five years. This created some concerns in the United States and other Arctic actors that Beijing was indeed seeking to construct a revisionist policy in the region.”²⁰

Under China’s definition, it is unclear if other countries would be included as “near-Arctic” states or if this is a special status only held by China. However, some international scholars view the distinction between “non-Arctic” and “near-Arctic” as revisionist, claiming that China is attempting to change the narrative surrounding its Arctic involvement and rebrand itself within Arctic politics and interests. As Anne-Marie Brady notes, “China has a credibility gap when it comes to being involved in Arctic affairs, so it needs to try to shape the international narrative on the Arctic Ocean and Arctic Region as a global concern...it needs to work to protect

¹⁸ Ibid.

¹⁹ “China’s Arctic Policy.”

²⁰ Lau Øfjord Blaxekjær, Marc Lanteigne & Mingming Shi. “The Polar Silk Road & the West Nordic Region”

its present and future interests by building a positive global public opinion about Chinese activities there.”²¹

This nomenclature specifically has also caused some tension within U.S.-China relations. At the May 2019 Arctic Council Meeting in Rovaniemi, Finland, U.S. Secretary of State Michael Pompeo stated, “Beijing claims to be a near-Arctic state. Yet the shortest distance between China and the Arctic is 900 miles. There are Arctic states and non-Arctic states. No third category

“There are Arctic states and non-Arctic states. No third category exists.”

—Secretary of State Michael Pompeo

exists. China claiming otherwise entitles them to exactly nothing.” This remark led to diplomatic backlash in China and from other Arctic Council

members and observers. It also demonstrates how wider U.S.-China competition can spill over into the Arctic. For reference, the United States, led by then-Secretary of State John Kerry supported China’s seeking Observer status to the Arctic Council in 2013.²² At the time, the U.S. was in favor of adding additional Observer states, not just China, to increase the Arctic Council’s capacity and raise awareness of Arctic issues and the impact of climate change on the region. Sweden also supported the move to include China as an Observer state. According to Sweden’s former Prime Minister and Foreign Minister, Carl Bildt, “by being [an] Observer, these organizations and states...accept the principles and the sovereignty of the Arctic Council on Arctic issues... it strengthens the position of the Arctic Council on the global scene.”²³ He recognized that including China and others would ultimately support the Arctic Council’s members and broader mission.

²¹ Brady, *China as a Polar Great Power*.

²² Myers, “Arctic Council Adds 6 Nations as Observer States, Including China.”

²³ Ibid.

China's strategy in the Arctic is particularly sensitive to Arctic regional politics and has to be attuned to global perception of its engagement. China both wants to respect the sovereignty of Arctic nations and exert its rights as a non-Arctic state, as other non-Arctic states have done. This has meant emphasizing China's collaborative or "win-win" interests and leveraging existing institutions to slowly exert its influence:

"Since becoming a formal Observer in the Arctic Council in 2013, China under Xi continued to stress its interests in science diplomacy, regional partnerships, and support for Arctic legal structures while expressing some interest in investment and other economic activities. In short, China was trying to walk a fine line between being considered as pushing its way into the region to stake a claim on Arctic resources, and being too passive in its Arctic policy and running into a potential 'blueberry pie problem,' meaning the risk of the region being divided like a pie among Arctic states with those countries outside having limited access."²⁴

China's engagement with the Arctic Council is also an opportunity for China to prove itself as a fair player and responsible global stakeholder in the region, respecting national sovereignty, and honoring its commitments to multilateral agreements and institutions. This could bolster China's international credibility and legitimacy, especially with the other Arctic nations, which are critical to China's future Arctic engagement and participation in Arctic affairs.

²⁴ Blaxekjær, Lanteigne, and Shi. "The Polar Silk Road & the West Nordic Region"

iv. China's Legitimacy Claims in the Arctic

In terms of understanding how China views the basis for its legitimacy in engaging in the Arctic, there are three categories: legal, precedence, and political. The first two are more straightforward. China ratified the United Nations Convention on the Law of the Sea (UNCLOS) in 1996. UNCLOS is the legal framework for sovereignty claims and dispute mechanisms in the Arctic Ocean. Every Arctic country besides the United States has ratified it.²⁵ In addition, UNCLOS dictates which sections of the Arctic Ocean are international waters. As a member of UNCLOS, China agrees to the international legal framework in the Arctic Ocean.

In terms of precedence, the Arctic Council was founded in 1996 and, since 1998, began granting observer status to non-arctic states, intergovernmental organizations, and nongovernmental organizations. Germany, The Netherlands, Poland, and the United Kingdom were all present at the signing ceremony to establish the Arctic Council in 1996 and officially became Observers in 1998.²⁶ The inclusion of China as an Observer in 2013 legitimized China's past engagement in the region and is in line with precedence and the past inclusion of non-Arctic states with Arctic interests.

"Claims to saliency as an Arctic stakeholder are based primarily on the effects of Arctic climatic developments on Chinese territory and on the rights all non-coastal states enjoy under international law."

– Arild Moe and Olav Schram Stokke

The third category for China's legitimacy claims in the Arctic region includes broader political arguments, both for domestic and international audiences. There are three main political

²⁵ There is some opposition in the U.S. Senate to UNCLOS due to concerns that it will impede U.S. sovereignty and subject the U.S. to onerous environmental standards, among other concerns.

²⁶ Arctic Council, 2020.

arguments to justify China's increased engagement in the Arctic. The first two are *territorial* and *globalist*: "China is systematically building two mutually reinforcing narratives to gain legitimacy as a regional stakeholder: one *territorial*, highlighting its 'near-Arctic' location and involvement in Arctic research, and one *globalist*, highlighting the extra-regional impacts of Arctic change."²⁷ The first argument points to China's continued scientific research and diplomacy in the Arctic. The second portends that the rapid pace of change in the Arctic and climate change impact China and, therefore, China believes it has a right to operate in this region. *China's Arctic Policy* makes this argument explicitly: "The natural conditions of the Arctic and their changes have a direct impact on China's climate system and ecological environment, and, in turn, on its economic interests in agriculture, forestry, fishery, marine industry and other sectors."²⁸

There is also a third political argument behind China's Arctic interests: China is a rising global power with global ambitions. This echoes a great power argument—China sees itself as a great power that can operate globally. China wants *a seat at the table* for global governance and believes it can expand its interests and engagement globally unhindered. Professor Øystein Tunsjø at the Norwegian Institute for Defense Studies highlights that while the Arctic is a low priority for the CCP, China wants to advance its interests in the region "simply because it has become a superpower with global interests."²⁹ Anne Marie Brady has also asserted that China is emerging as a "polar great power"—with military, scientific, and economic influence in both the Arctic and Antarctic regions.³⁰

²⁷ Moe and Stokke, "China and Arctic Shipping."

²⁸ "China's Arctic Policy."

²⁹ Interview with Øystein Tunsjø, Professor of International Relations, Norwegian Institute for Defense Studies, January 23, 2020.

³⁰ Brady, *China as a Polar Great Power*.

IV. FINDINGS

i. The Arctic and Polar Silk Road Within China's Broader Foreign Policy

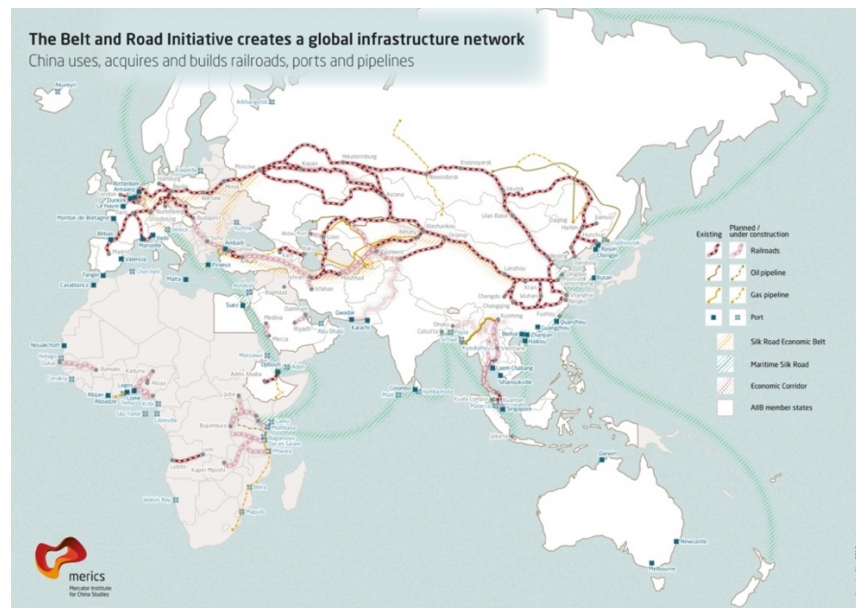
“China's Belt and Road Initiative is one of the most ambitious infrastructure projects ever conceived.”

– Council on Foreign Relations

China's grand Belt and Road Initiative (BRI), launched in fall 2013, includes several wide-ranging, ambitious goals. According to the Mercator Institute for Chinese Studies (MERICS), the goals include the following:

“Beijing wants to connect participating countries' infrastructure, but also encourage them to open their markets to China and facilitate trade, to link their financial markets to China's, to strengthen societal ('people-to-people') relations, and even align their overall economic development policies with China's.”³¹

MERICS has mapped China's Belt and Road Projects around the world:



(Source: MERICS)³²

³¹ “Mapping the Belt and Road Initiative: This Is Where We Stand | Mercator Institute for China Studies.”

³² Image source: https://www.merics.org/sites/default/files/2018-06/MERICS_Silk_Road_v8.jpg.

The Belt and Road Initiative, when initially announced, primarily focused on Southeast Asia, Africa, Europe, Eurasia, and Russia. The majority of projects remain in these regions and, as shown above, the Arctic is essentially blocked on the map. However, when the map is zoomed in to Europe, it shows two “planned ports” in the European Arctic in Akureyri, Iceland and Kirkenes, Norway. There is also a marker for a third “planned port” in Arkhangelsk, Russia. According to Professor Arild Moe, an expert on Arctic shipping and infrastructure, the potential ports in Akureyri and Kirkenes are only loose propositions.³³ Egill Thor Nielsson of the Icelandic Centre for Research also indicates that because China is outside the European Economic Area, it would be very complicated for these ports to get government approval.³⁴ However, the potential port in Arkhangelsk is perhaps more concrete, as Chinese companies have declared their interest, but it is connected to a costly railway development, which remains uncertain.

On a broader level, Nielsson indicates that a critical goal for China is to ensure access to Europe from both the north and south³⁵—and this has important geopolitical and strategic implications for the U.S. and NATO. As scholar Philippe Le Corre notes, as “Chinese state-owned enterprises (SOE), with backing from state funds often under the BRI label, are expanding their control of key European port assets... the use of European ports for U.S. and NATO naval operations could be compromised.”³⁶ The ports in Norway and Iceland would be a gateway to Europe from the north and Greece and Spain are gateways from the south. However, the former goal is contingent on developing Arctic shipping routes.

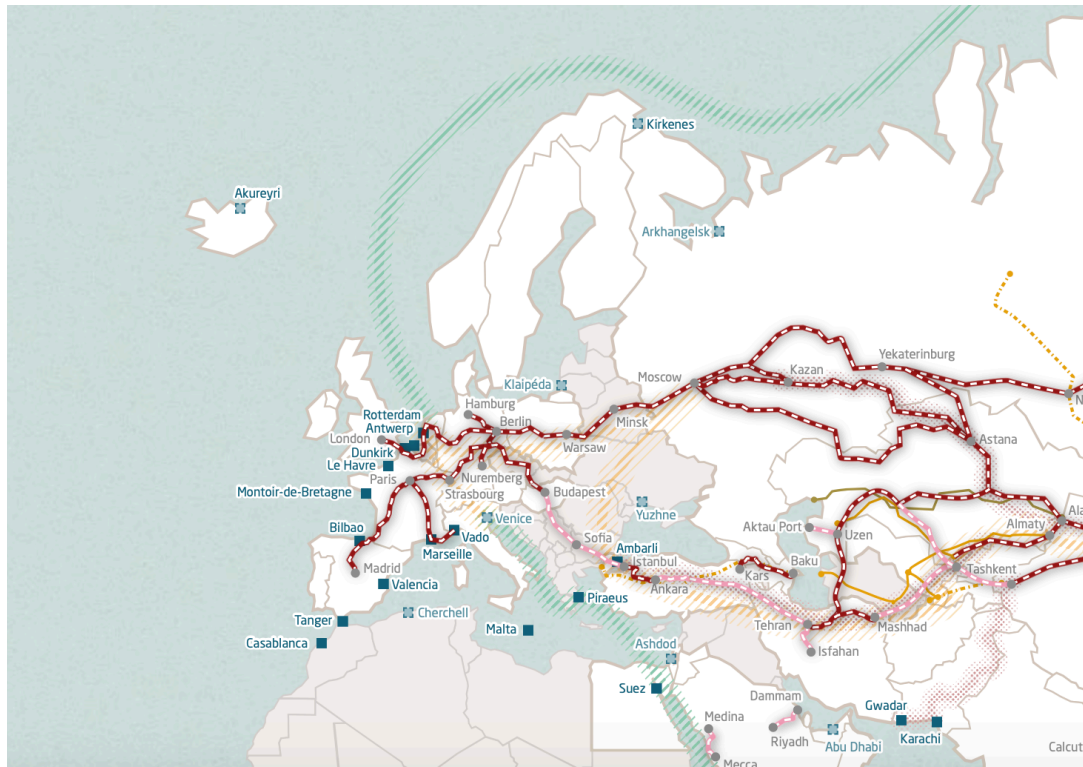
³³ Interview with Arild Moe, Research Professor, Fridtjof Nansen Institute, January 23, 2020.

³⁴ Interview with Egill Thor Nielsson, Icelandic Centre for Research, January 20, 2020.

³⁵ Ibid.

³⁶ Corre, “On China’s Expanding Influence in Europe and Eurasia.”

The map also highlights a “Maritime Silk Road” along the Northern Sea Route (NSR). However, the MERICS map surprisingly does not include China’s largest project in the Arctic thus far, the Yamal Liquefied Natural Gas (LNG) project on the Yamal Peninsula in Russia.



(Source: MERICS)³⁷

The Polar Silk Road, officially launched with the release of the Arctic White Paper in January 2018, “refers to a wide range of international cooperation launched between China and Russia as well as Nordic countries.”³⁸ However, other than the White Paper, there appears to be no guiding strategy and it is as decentralized as the larger Belt and Road Initiative, comprised of individual projects, “less of a concentrated policy and more as a series of components working together under a wide aegis.”³⁹

³⁷ Image source: <https://www.merics.org/en/bri-tracker/interactive-map>.

³⁸ Tillman, Yang, and Nielsson, “The Polar Silk Road China’s New Frontier of International Cooperation.”

³⁹ Lau Øfjord Blaxekjær, Lanteigne, and Shi, “The Polar Silk Road & the West Nordic Region.”

To date, China's BRI has 125 official international partners, but only one Arctic partner, Russia.⁴⁰ The Nordic countries have been approached by China to officially join BRI, but have not signed on as official partners and experts do not foresee any major change on this front. The Nordic countries are open to individual projects with China, but there is some skepticism around potential political influence connected to Chinese capital inflow.⁴¹ "The Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden) are not official partner countries in the BRI to date, although all five are founding members of the Asian Infrastructure Investment Bank"⁴²—signaling that China is soliciting cooperation from the Nordic countries on other international partnerships beyond BRI. In fact, seven of the eight Arctic countries (the only exception being the United States) are members of China's Asian Infrastructure Investment Bank. It is also noteworthy that the only Arctic nation with a free trade agreement with China is Iceland. The chart below shows China's official partnerships with Arctic countries on the Belt and Road Initiative, Asian Infrastructure Investment Bank, and free trade agreements:

		Arctic Country	BRI Partner	AIIB Member	FTA with China
Nordic Countries		United States			
		Canada		X	
		Russia	X	X	
		Denmark		X	
		Iceland		X	X
		Norway		X	
		Sweden		X	
		Finland		X	

⁴⁰ "China's Second Belt and Road Forum."

⁴¹ Interview with Arild Moe, Research Professor, Fridtjof Nansen Institute, January 23, 2020.

⁴² "China's Belt and Road Enters the Arctic."

“The Arctic is the last thing Xi Jinping thinks about when he wakes up in the morning.”

– Øystein Tunsjø, Norwegian Institute for Defense Studies

In the context of the Belt and Road Initiative and China’s larger foreign policy strategy, the Arctic is not a top priority and this is unlikely to change in the near-term. China’s foothold in the Arctic appears to be a long-term strategic position. As Professor Øystein Tunsjø at the Norwegian Institute for Defense Studies posits, “The Arctic is the last thing Xi Jinping thinks about when he wakes up in the morning.”⁴³ So, *who is thinking about it?*

As mentioned above, China’s Ministry of Foreign Affairs (MoFA) has a Special Representative for Arctic Affairs and the Ministry of Natural Resources oversees the Polar Research Institute of China (PRIC). These two groups remain China’s primary governmental outposts for Arctic Affairs and help craft China’s strategy in the North.

Finally, it is worth noting that China’s foreign policy is responsive to on-the-ground conditions and adapts to feedback to a degree. For example, the U.S. strongly pushed back on China’s Made in China 2025 Program, and it has since rarely been mentioned by Chinese leaders. More broadly, China has received pushback on its geopolitical aspirations and projections globally and, as a result, has set more modest aspirations—see, for example, the scaled-back 2019 Belt and Road Forum compared to the previous year. For the Arctic, in particular, a professor at a Shanghai university noted that China’s National Social Sciences Fund did not include the Arctic on the list of research priorities for 2020 even though it was on the list for the last seven years.⁴⁴ This shift indicates that China is perhaps responding to international pushback against its Arctic engagement and wants to signal it as a lower priority.

⁴³ Interview with Øystein Tunsjø, Professor of International Relations, Norwegian Institute for Defense Studies, January 23, 2020.

⁴⁴ Interview with a professor at a Shanghai university, March 23, 2020.

ii. China's Interest in the Nordic Countries and the European Arctic

In light of the Belt and Road Initiative and Polar Silk Road, China's specific interest in the Nordic countries and the European Arctic is driven by several important factors. Primarily, China views the Nordics as key partners for the development and utilization of Arctic shipping routes and ports with the primary means to access Europe. China's shipping flexibility is important to sustained economic growth and energy security. Additionally, the Nordics will be critical to exploring and extracting natural resources in the region. These countries possess the necessary expertise and historical knowledge in this area—making them appealing partners for China.

Even if the Nordics do not sign on as official BRI partners, they are still important to China's BRI ambitions. In addition to the economic access and energy expertise, the Nordics are geopolitically favorable partners for China—they are politically stable, highly developed, and highly educated.

In addition, the Nordic countries are historical partners to the United States and include NATO Allies in Denmark, Norway, and Iceland. They are also a key bloc in Arctic multilateral affairs, which makes them appealing partners to China. China's increased engagement with these countries has drawn much attention and pressure from the United States, who do not want to see China become close to the Nordic countries. China's influence in the Nordics is an important area to gauge and assess China's overall Arctic strategy.

iii. Shipping and Navigation

As mentioned above, in the Arctic Policy Paper, China's third priority ("Utilizing Arctic resources in a lawful and rational manner") includes a detailed subpoint on "utilizing and

developing Arctic shipping routes.”⁴⁵ The three main Arctic shipping routes—the Northern Sea Route, the Transpolar (or Trans-Arctic) Route, and Northwest Passage—are mapped below.

In 2017, China’s icebreaker, *Xue Long* (雪龙 or *Snow Dragon*), became the first Chinese ship to navigate all three major Arctic shipping routes.⁴⁶ The future of China’s engagement in the Arctic—and with the Nordics in particular—will depend on the increased development and utilization of shipping routes, specifically the Northern Sea Route and Transpolar Route.

Arctic Shipping Routes



(Source: Arctic Portal)⁴⁷

⁴⁵ “China’s Arctic Policy.”

⁴⁶ “China Launches the Polar Silk Road.” CSIS. February 2, 2018.

⁴⁷ Image source: <https://arcticportal.org>.

Why is China so focused on developing and utilizing Arctic shipping routes? Shipping expediency, cargo diversification and safety, and geopolitical influence are the primary drivers.

However, there are also several significant barriers to increased utilization of these routes.

The Northern Sea Route is appealing for China primarily because of expediency. This route

Some estimates indicate that the Northern Sea Route is 40% faster from China to Northern Europe than the traditional route via the Suez Canal.

“provides faster alternatives to direct European and North American energy goods to China, shaving weeks off popular routes such as those out of Rotterdam.”⁴⁸ Some estimates indicate that the

Northern Sea Route is *40% faster* from China to Northern Europe than the traditional route via the Suez Canal.⁴⁹ Faster shipping times also mean lower fuel costs and lower emissions.

However, the Center for Strategic and International Studies (CSIS) cautions that “the majority of Arctic routes have poor infrastructure and search and rescue capabilities. Other barriers, such as increased insurance premiums and variable seasonal conditions, may deter increased volumes of trade through these routes until decades later.”⁵⁰ The U.S. Committee on the Marine

Transportation System also indicates that the “advantage to using [Arctic] routes assumes that sea ice is minimal, environmental conditions are favorable, and insurance and other costs are comparable to other transoceanic routes.”⁵¹ Nevertheless, China still sees Arctic shipping as a faster, viable alternative and a key long-term interest. This is driving China’s engagement with countries along the NSR, especially Russia and Norway.

⁴⁸ “China Launches the Polar Silk Road.”

⁴⁹ Smith and Stephenson, “New Trans-Arctic Shipping Routes Navigable by Midcentury”; Melia, Haines, and Hawkins, “Sea Ice Decline and 21st Century Trans-Arctic Shipping Routes.”

⁵⁰ “China Launches the Polar Silk Road.”

⁵¹ U.S. Committee On The Marine Transportation System, “A Ten-Year Projection of Maritime Activity in the U.S. Arctic Region, 2020–2030.”

A second important factor for China is strategic shipping diversification. Trade flexibility is geopolitically important: if China wants to circumvent the U.S. Naval presence along the Strait of Malacca and Suez Canal, the Northern Sea Route has an advantage. In addition, Arctic shipping routes may be more secure for Chinese ships. Specifically, the Northern Sea Route is “within Russia’s Exclusive Economic Zone that circumvents the maritime choke point at the Strait of Malacca, as well as pirate-infested waters, such as the Red Sea and the Indian Ocean.”⁵² There have been a few notable pirate attacks on Chinese-owned ships in recent years,⁵³ and the Arctic has the critical advantage of both no piracy threats and no local conflicts. The Northern Sea Route provides a potentially safer and geopolitically advantaged route for Chinese cargo.

Finally, China views an “active commercial and energy presence in the Arctic as means to strengthen its geopolitical and geo-economic posture”⁵⁴ and bring China closer to Russia and the Nordic countries. As previously mentioned, the latter represents historical U.S. partners, several U.S. NATO Allies, and a key bloc at the Arctic Council. This brings us back to the underlying premise of BRI—increased trade and economic partnerships will lead to greater political influence for China. The U.S. opposes BRI and growing Chinese influence globally, but especially with U.S. NATO allies and traditional partners.

Although shipping expediency, safety, and geopolitical influence all make Arctic shipping appealing to China, in practice, Chinese utilization of Arctic shipping routes has been lower than expected. “China’s Arctic policy is upbeat on Arctic shipping options, subsuming them under the larger Belt and Road Initiative as a Polar Silk Road. However, the Chinese shipping industry’s actual moves into the region have been cautious.”⁵⁵ I think this calculation

⁵² “China Launches the Polar Silk Road.”

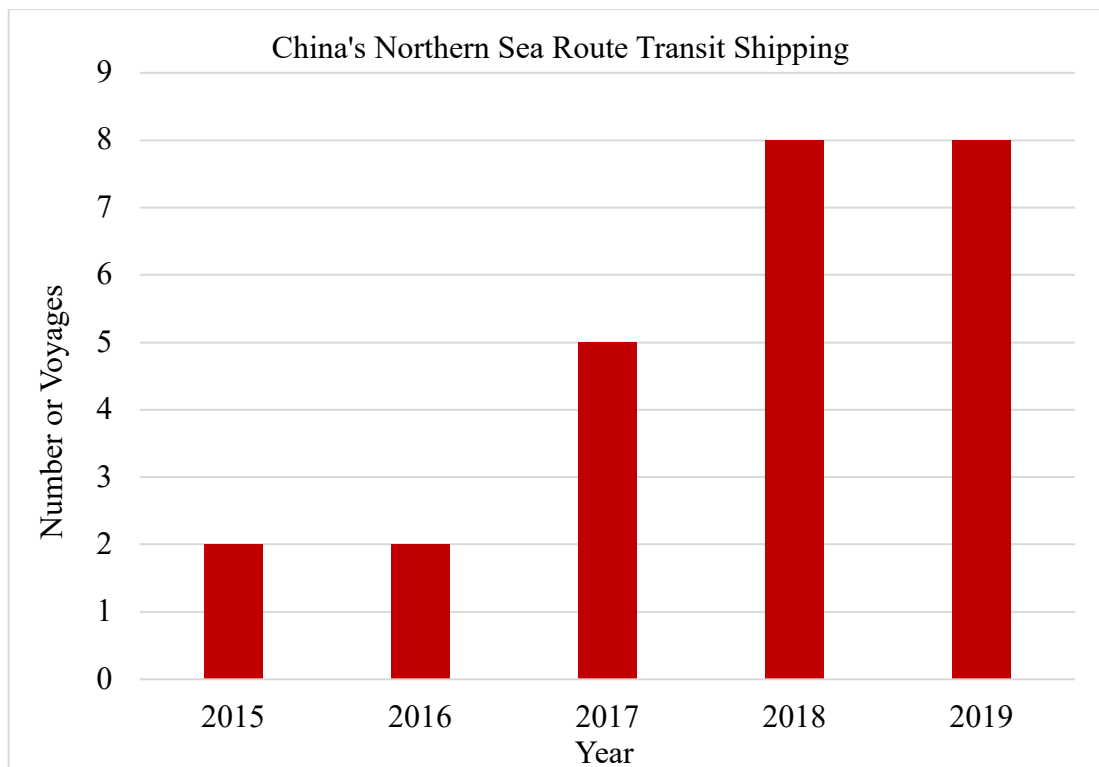
⁵³ See: <https://thediplomat.com/2017/04/as-somali-pirates-return-chinese-navy-boasts-of-anti-piracy-operations/>

⁵⁴ “China Launches the Polar Silk Road.”

⁵⁵ Arild Moe and Olav Schram Stokke. “China and Arctic Shipping: Policies, Interests and Engagement.”

refers to the overhyped expectations of Chinese activities in the Arctic. Perhaps China is seen as “cautious” compared to expectations. Chinese shipping activities have not massively flooded the Arctic routes, but China is currently the second-largest player along the NSR (behind Russia) and looks poised to expand its utilization of Arctic routes in the future. This recent shipping trend is significant in and of itself and holds insight for future Chinese engagement in the Arctic region.

Based on data from the Center for High North Logistics (CHNL), overall shipping voyages along the Northern Sea Route have increased in recent years. In particular, Chinese ships have still been increasingly active along the NSR. In 2014, China had no transit shipping voyages in the Arctic, but since 2015, significantly increased utilization of the NSR. See below for transit shipping statistics over the past five years for China and then total voyages along the NSR broken down by country:



(Source: Center for High North Logistics, Norway)

	Northern Sea Route Transit Shipping				
	2015	2016	2017	2018	2019
Total Voyages	18	18	27	27	37
Russia	10	7	9	8	15
China⁵⁶	2	2	5	8	8
Liberia ⁵⁷	1	3	1	2	7
St. Kitts and Nevis	2	2	3	1	
Portugal		2	1	2	2
Netherlands	1		2	1	1
Bahamas	1	1			3
Antigua and Barbuda			3	1	
Panama				2	1
Cyprus			2		
Denmark				1	
Finland				1	
Sweden	1				
Sierra Leone			1		
Germany		1			

(Source: Center for High North Logistics, Norway)⁵⁸

In 2015, Chinese ships accounted for 11% of all NSR transit voyages. However, in 2018, China had eight voyages along the NSR, accounting for almost 30% of all voyages, and matching Russia, the dominant player along the NSR. For Chinese ships to jump from zero voyages in 2014 to eight in 2018 represents a significant increase and an indication that China is seriously developing its Arctic shipping capabilities. Last year, China accounted for 22% of all NSR voyages and remained a key player along the route. China's usage of Arctic shipping routes

⁵⁶ Note: includes vessels from Hong Kong.

⁵⁷ Note: one of the voyages in 2019 under the Liberia flag was on the vessel *Tian Xi* owned by COSCO.

⁵⁸ Note: some of the countries listed represent the flag under which a vessel is registered, but the shipowner may be from a different country. For example, one of the voyages in 2019 under the Liberia flag was on the vessel *Tian Xi* owned by COSCO.

is perhaps not as high as predicted, but it is still significant, especially for a non-Arctic state, and looks poised for future growth.

For Chinese shipping in the Arctic, China COSCO Shipping Group (中国远洋海运集团有限公司) or, simply, COSCO, is the leading company. COSCO, a state-owned enterprise (SOE) based in Shanghai, is consistently ranked among Maersk and Mediterranean Shipping Company as one of the largest shipping companies in the world.⁵⁹ According to its website, COSCO has 1,317 vessels with a capacity of 105.35 million DWT. All of China's transit shipping voyages along the NSR were by COSCO, which represents the primary mobilizer of China's shipping interests in the Arctic. According to Michael Byers at the University of British Columbia, "The COSCO voyages...indicate a serious intent on the part of the Chinese government, via a state-owned company, to take advantage of increasing Arctic shipping routes."⁶⁰

In the Chinese system, cooperation between SOEs and the government is extremely coordinated. The CCP has indicated that expanding its shipping, transportation, and logistics development is a national priority. This is reflected in COSCO being named among the 96 central SOEs directly overseen by China's State-owned Assets Supervision and Administration Commission (SASAC).⁶¹ In the context of BRI, COSCO is a politically important state-owned enterprise with CCP support. COSCO is critical to achieving China's Arctic interests and developing the Polar Silk Road. Chen Feng, head of COSCO's marketing and sales division, stated last year, "[COSCO's] development strategy is to serve the Polar Silk Road and international trade between the North Atlantic region and the Far East... it is smooth and

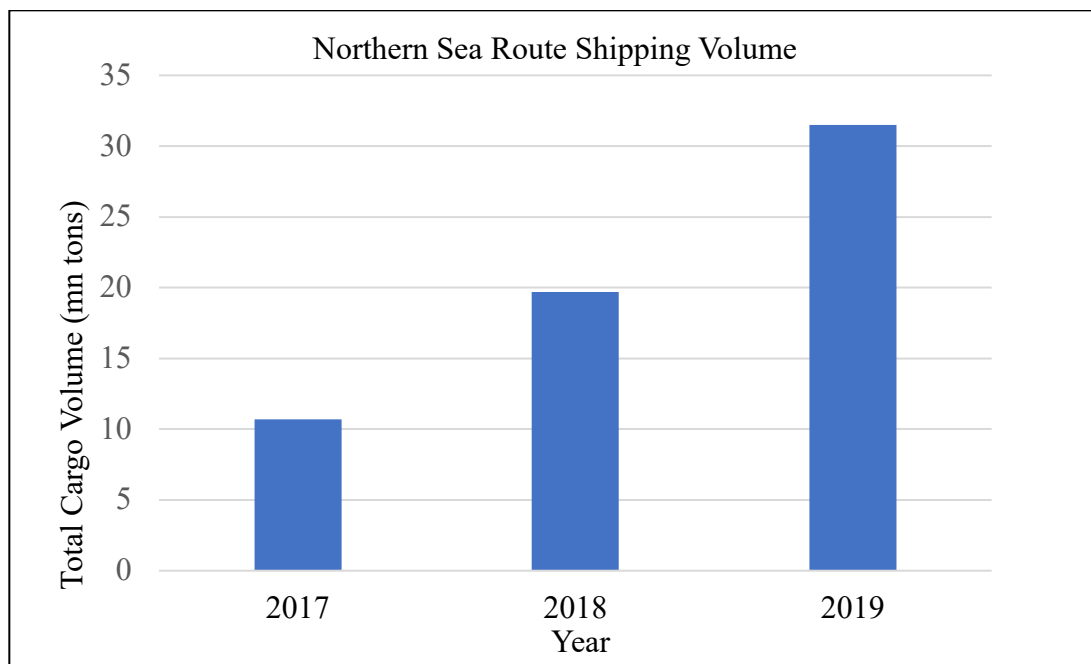
⁵⁹ "10 Largest Container Shipping Companies in the World."

⁶⁰ Humpert, "China's COSCO Shipping Company Expands Activities on Northern Sea Route."

⁶¹ Note: China's State Council oversees the State-owned Assets Supervision and Administration Commission (SASAC). SASAC is responsible for managing SOEs.

quick.”⁶² COSCO should therefore be viewed as an important actor in the Arctic directly influenced by the CCP. COSCO has been the first mover from China in terms of Arctic shipping and intends to further utilize the NSR in the future.

In addition to the number of voyages, another key metric for shipping analysis is total cargo volume. Scholars have pointed out that shipping volumes in the Arctic have remained low compared to more traditional routes around the world. Nevertheless, according to the Center for High North Logistics, total shipping volume along the Northern Sea Route increased 194% from 10.7 million tons in 2017 to 31.5 million tons in 2019. See below for shipping volume trends along the NSR over the last three years:



(Source: Center for High North Logistics, Norway)

⁶² Staalesen, "China's COSCO to Stay Course on Arctic Shipping."

While 31.5 million tons was the highest shipping cargo volume along the NSR recorded by CHNL, it is still a small number relative to traditional shipping routes. For comparison, ships along the Suez canal transported 983.4 million tons of cargo in 2018.

Although the utilization of Arctic routes remains low in terms of number of voyages and total cargo volume, projections for future shipping are optimistic and indicate a potential shift in global cargo traffic towards Arctic routes. Two projections estimate that Arctic shipping traffic will double by 2050 due to changing sea ice conditions and increased navigability.⁶³ Another study projects that 15% of all Chinese trade will travel through the NSR in the future.⁶⁴ However, these projections include high degrees of uncertainty. In particular, while climate change will make these routes accessible for more months out of the year, there will also be potential extreme weather conditions and high variability along the Arctic routes.

It is also unclear if an increase in Arctic shipping along the NSR will be due to *new* traffic or ships transferred from a different route to the Arctic. A topic for further research would be the distinction between existing ships redirected to the Arctic routes over other routes (for speed or other reasons) versus more shipping along the Arctic routes due to increased Arctic activities (Arctic energy exploration, extraction, shipping; tourism; infrastructure projects within the Arctic).

Chinese Arctic shipping trends fall into two categories: interest and execution. There are clear reasons for Chinese interest in Arctic shipping. Primarily, expediency: the Northern Sea Route is 40% faster than the traditional route via the Suez Canal. Arctic shipping also provides flexibility and safety for Chinese cargo. Finally, there is geopolitical interest: China sees

⁶³See: Smith and Stevenson; Melia, Haines, and Hawkins.

⁶⁴ Sharma, "Melting Arctic Sea Ice Opens New Maritime Shipping Route."

potential to have closer ties to Russia and the Nordic countries with increased trade and cooperation in the Arctic.

In terms of execution, there is a swift timeline. In 2012, Hu Jintao declared that China should be a “maritime power.” In 2013, China joined the Arctic Council as an Observer, but at that time had very little activities in the Arctic. While COSCO led two transit shipping journeys along the NSR in both 2015 and 2016, it wasn’t until 2017 and 2018 that China became a major player in Arctic Shipping—which also coincides with the release of the two official CCP white papers on China’s Arctic policy. As discussed above, China accounted for a fifth of the Arctic transit shipping voyages last year, second only to Russia and more than any non-Arctic state. In less than a decade, China outlined its Arctic interests and then executed them to become a major player in Arctic shipping. The wider implications of this are significant for both the geopolitics of the Arctic and U.S.-China relations.

V. ANALYSIS: GEOPOLITICAL IMPACT OF CHINA’S ARCTIC ENGAGEMENT

China’s increased engagement with the Arctic has important geopolitical, economic, and security implications—for the U.S. and other Arctic nations. The geopolitical implications for the United States and the Nordic countries are of primary concern for these nations and developing quickly. As the recent Congressional Research Service Report summarized, “the geopolitical environment for the Arctic has been substantially

“The geopolitical environment for the Arctic has been substantially affected by the renewal of great power competition.”

– Congressional Research Service
Report (March 25, 2020)

affected by the renewal of great power competition”—this is of critical importance for the United States and the Nordic countries. My analysis focuses on the impact on U.S.-China relations and the Nordic countries; and considers the comparison between China’s vital interest in the South China Sea and its engagement in the Arctic.

i. U.S.-China Relations and the Arctic

When President Trump assumed office in January 2017, many anticipated that the Arctic region would remain a low priority for his administration. As Heather Conley from CSIS noted at the time, “there is nothing to indicate that the Trump administration will prioritize the High North.”⁶⁵ Furthermore, Marc Lanteigne doubts whether the Arctic will ever be a priority to the U.S. foreign policy establishment—not just under the Trump administration.⁶⁶ While the Arctic is not seen as a top national security or foreign policy priority for the U.S., Trump and Pompeo brought Arctic politics into the limelight in the last three years—and this is directly in response

⁶⁵ Enge, “USA: Trump Turns His Back on the Arctic.”

⁶⁶ Interview with Marc Lanteigne, Professor, The University of Tromsø, January 28, 2020.

to China's increased engagement in the region, which Trump perceives as a threat to U.S. interests. As Lanteigne assesses, current U.S. Arctic Policy is one-dimensional and overly focused on great power competition.⁶⁷

For example, last summer, President Trump brought attention to the Arctic by signaling his interest in purchasing Greenland and subsequently canceling meetings with Denmark's Prime Minister because she refused to discuss this.⁶⁸ Many believe that Trump's interest in the Arctic was due to a Chinese company's bid to build two airport projects in Greenland. This received worldwide attention and eventually, Denmark agreed to finance the projects. Since this incident, Trump and Secretary Pompeo have been more attuned to the Arctic region, even planning for the U.S. State Department to re-open its consulate in Greenland.⁶⁹ However, the key driver of the United States' interest in the Arctic is to counter Chinese and Russian influence in the region. This is also in line with the statement shared previously in the U.S. Coast Guard's 2019 Arctic Strategic Outlook identifying China and Russia as challenges to the "peaceful stability of the Arctic region"⁷⁰—a key interest for the United States.

Renewed U.S. interest in the Arctic is reactionary—not because President Trump is interested in the Arctic, but because he does not want China and Russia to have outsized influence in the region or challenge the existing order. This reflects a broader U.S. policy towards China in which "the United States is now more interested in containing rather than engaging China." However, in the Arctic, it is impossible for the U.S. to contain China, and engagement is a more effective path to maintain a peaceful, stable region.

⁶⁷ Ibid.

⁶⁸ Choudhury, "Trump Just Put off a Meeting with Denmark Because They Won't Talk about Selling Greenland."

⁶⁹ Gramer, "Trump Puts Down New Roots in Greenland."

⁷⁰ "United States Coast Guard Arctic Strategic Outlook."

Why can't the U.S. contain China in the Arctic? First, the United States is only one of eight Arctic nations and, as noted above, the other Arctic countries have ongoing partnerships with China and plans for future developments. It is in these countries' interests to engage with China in the Arctic and U.S. pressure has its limits. As long as China has capital to fund projects in the Arctic, increases trade and economic activity in the region, and acts as a fair player in the Arctic and abides by UNCLOS, the other Arctic nations will continue to engage with China. Secondly, the Arctic has never been a key priority for the United States and recent attention to the region is circumstantial and not yet representative of a serious shift in U.S. policy.

It is China's view that it possesses the legal authority and legitimate precedence to not only engage with the Arctic nations and Arctic governance, but also pursue its interests in accordance with UNCLOS. China does not appear to be withdrawing in the face of pressure from the United States. On the contrary, China has signaled thus far that it intends to be a player in the Arctic, with or without the United States' support. China's interest in the Arctic is part of its long-term foreign policy and economic strategy and will withstand hostility and pressure from the Trump Administration.

In addition, in the Trump Administration, the U.S. has favored unilateral action in the Arctic, while China has been increasingly active in Arctic multilateral organizations. China is drawing closer to Russia and the Nordic nations, who have been on the whole more welcoming to Chinese investment in the region and engagement in Arctic affairs. It is in the United States' best foreign policy interests to engage with China on Arctic issues, or risk being left out of the conversation between China and other Arctic nations. This would represent a larger split between not only the Arctic Eight, but also NATO, and extend global U.S.-China bifurcation to the Arctic. It would be within the U.S. Coast Guard's interests to work with China on mutually

beneficial areas in the Arctic within existing frameworks. The question isn't will China have a say in deciding the future of Arctic multilateral affairs, but, more seriously, *will the United States?*

Trump and Pompeo have brought more attention to the Arctic than expected at the beginning of 2017, but only because of China's increased activities in the region. Pompeo, in particular, has villainized China in the Arctic and openly criticized Chinese engagement in Arctic affairs.

As discussed previously, the Arctic region serves as a microcosm for global trends. While the Arctic itself has been a recent tension point between the United States and China, it is also fair to say that larger U.S.-China tensions have extended to the Arctic. As Professors Tunsjø and Bekkevold at the Norwegian Institute for Defense Studies indicated, they don't believe the Arctic will fundamentally change U.S.-China relations. However, U.S.-China relations will impact the Arctic.⁷¹ The current trajectory is counterproductive and not in the best interests of the U.S. and other Arctic nations. In fact, there may be room for U.S.-China cooperation in the Arctic with the Nordics, which would be to the benefit of the Arctic overall.

ii. Comparisons to the South China Sea

As previously referenced, as China's activities in the Arctic increase and U.S.-China relations deteriorate, the potential for a flash point, such as an incident at sea, in the Arctic could escalate. Mitigating this risk is essential for the United States. There is much discussion of comparisons between Chinese behavior in the South China Sea and the Arctic, but there are two key factors that differentiate how China views these regions.

⁷¹ Interviews with Øystein Tunsjø, Professor of International Relations, and Jo Inge Bekkevold, Senior Advisor, Center for International Security, Norwegian Institute for Defense Studies, January 23, 2020.

The primary difference is China's level of commitment and interest; Xi Jinping and the CCP view the South China Sea as vital to China's territorial integrity and national sovereignty. The South China Sea is also critically important to the CCP's legitimacy and China's domestic political audience. As discussed throughout this paper, China views the Arctic as a long-term strategic interest. It is currently *low priority, high visibility* for China. On the other hand, the South China Sea is a vital national interest to the CCP and Xi Jinping.

Secondly, the level of shipping activity in the South China Sea is significantly greater than in the Arctic. CSIS estimates that one-third of total global shipments pass through the South China Sea (roughly \$3.37 trillion worth of goods in 2016).⁷² There is no definitive number for comparison, but estimates indicate that if the Northern Sea Route is fully utilized, around 5.5% of global shipping could pass through the Arctic.⁷³ The South China Sea is more important to global shipping and Chinese shipping interests, so it is difficult to compare the two regions. Even if estimates are correct that up to 15% of Chinese trade will go through the NSR in the future,⁷⁴ the South China Sea will still remain one of the busiest shipping waterways in the world.

While it is helpful to look at Chinese behavior in the South China Sea when assessing potential for flashpoints or conflict, it is imperative to recognize the critical differences in how China views the South China Sea versus the Arctic. China's increased activity in the Arctic also increases the potential risks, but the Arctic is nowhere near as important to China or global shipping as the South China Sea.

⁷²“How Much Trade Transits the South China Sea?”

⁷³Sharma, “Melting Arctic Sea Ice Opens New Maritime Shipping Route.”

⁷⁴ Ibid.

iii. View from the Nordic Countries

As mentioned, the Arctic is not a major national security or foreign policy priority for either the United States or China. However, for the Nordic countries, the Arctic is the number one national security and foreign policy issue. The Arctic is in their backyard and any developments in the region will predominantly impact the Nordics. This imbalance in priorities is significant. The relatively smaller Nordic nations are concerned about the potential for spillover of the larger U.S.-China power struggle into the Arctic. They fear that the Arctic will be collateral damage of great power competition.

Tunsjø and Bekkevold also pointed to the inherent tension in a bipolar system and the difficult position for the Nordic countries, who traditionally rely on the U.S. for security and, more increasingly, on China economically.⁷⁵ As Tunsjø summarized, “the U.S.-China rivalry has made it harder for the Nordics to have our cake and eat it too.”⁷⁶ While the Nordic countries walk a sensitive line of trying to both engage with China on shared interests in the Arctic and not aggravate the United States, the U.S. Coast Guard should consider how the Nordics could help alleviate geopolitical tensions in the Arctic and collaborate with China in the region. This makes sense for two reasons. First, China’s current interests in the Arctic via the Polar Silk Road specifically impact the Nordics in terms of shipping routes and infrastructure projects. Second, the Nordic countries are acutely interested in Arctic regional security—far more than the United States and China—and committed to Arctic multilateral institutions.

In addition to geopolitical tensions, the Nordic countries are also concerned about environmental issues in the Arctic and the rapid pace of climate change. Increased shipping and

⁷⁵ Interviews with Øystein Tunsjø, Professor of International Relations, and Jo Inge Bekkevold, Senior Advisor, Center for International Security, Norwegian Institute for Defense Studies, January 23, 2020.

⁷⁶ Interviews with Øystein Tunsjø, Professor of International Relations, Norwegian Institute for Defense Studies, January 23, 2020.

infrastructure development in the Arctic, while economically appealing, could also have drastic environmental consequences, which would take an immense toll on the Nordics. The balance between economic development and environmental protection and resilience in the Arctic is exceptionally delicate.

VI. U.S. ARCTIC STRATEGY AND COAST GUARD POLICY OPTIONS

Taking into account the geopolitical implications of China’s Arctic strategy and engagement, what steps should the U.S. Coast Guard take to advance a peaceful, stable Arctic Region?

This question is extraordinarily complicated and depends primarily on the overall strategy set forth by the President and Administration. Under President Obama, the U.S. engaged with China on

On the United States’ view of the Arctic:

“Low tension, high attention, great collaboration.”

– Vice Admiral Buschmann, U.S. Coast Guard, January 29, 2020, Arctic Frontiers

Arctic issues and pushed for China to be included as an Arctic Council Observer. Under President Trump, U.S.-China strategic competition has extended to the Arctic—with limited engagement and a degree of hostility between the countries. As discussed previously, the U.S. cannot contain China in the Arctic and this would be counterproductive to the United States’ goal of a peaceful and stable Arctic region. A policy of strategic engagement would benefit both countries and the Arctic.

Although the President ultimately shapes U.S. strategy towards China and in the Arctic, the Coast Guard has the unique positioning to facilitate engagement with China. Through *white hull diplomacy*, the U.S. Coast Guard can strike the right balance between military and law enforcement to engage with China. In general, coast guards are seen as a “less militaristic face of state power” and less escalatory actors.⁷⁷ The following policy recommendations for the U.S. Coast Guard are inherently dependent on U.S. strategy, but would significantly help bolster U.S. Arctic Policy with respect to China:

⁷⁷ “A White Hull Approach to Taming the Dragon.”

1. Understand China's Intentions

In the short-term, it is imperative for the U.S. Coast Guard to increase maritime domain awareness in the Arctic to accurately understand China's actions. There is a serious disconnect between what China is actually doing in the Arctic and what politicians, media outlets, and some think tanks say about China's Arctic actions. The Coast Guard can serve the critical function of separating the hype and conjecture from reality.

As the leading federal agency in the Arctic, the Coast Guard needs to better understand and realistically assess China's intentions and plans in the Arctic. In order to do this, the Coast Guard urgently needs increased resources for Arctic-capable assets and porting facilities to enable USCG to monitor shipping activities through the Bering Strait and increase communications channels. With its vast area expertise, USCG can provide the tactical, on-the-ground intelligence to report on China's ongoing actions and changes in Chinese activity and then work with the interagency and intelligence community to assess China's actions and intentions.

In this way, the Coast Guard can serve as a reliable source for China's Arctic actions to accurately inform U.S. strategy in the Arctic. Especially in an area geographically remote and unknown for most U.S. policy makers, the U.S. needs to rely on the Coast Guard to increase maritime domain awareness to understand and realistically assess China's interests and actions.

In terms of capabilities and implementation, USCG is in the process of building three new Polar Security Cutters (to replace its current icebreaker fleet)⁷⁸—these vessels

⁷⁸ "Report to Congress on Coast Guard Polar Security Cutter."

will significantly bolster USCG's maritime domain awareness abilities in the Arctic.

USCG urgently needs funding for a deep-water port in the Arctic and additional aircraft to assist with maritime domain awareness broadly and monitoring and understanding Chinese activity in the region.

2. Identify Shared Goals

The U.S. Coast Guard can help facilitate productive engagement with China in the Arctic by identifying and working towards shared goals. The Arctic nations and non-Arctic nations have many shared interests in the region and the U.S. and China are no exception. Potential areas for collaboration include: science and climate research; ensured freedom of the seas and freedom of navigation;⁷⁹ environmental preservation; fishery agreements; and Arctic governance issues. The Coast Guard can take the lead in working with Chinese counterparts through the Arctic Council (including the Arctic Council working groups), Pacific Forum, and Coast Guard Forum to make progress towards shared interests.

Specifically, USCG can invest in science-based partnerships with the Chinese icebreakers *Xue Long* and *Xue Long II*. Moreover, the U.S. and China previously worked together on the international *Agreement to Prevent Unregulated High Seas Fisheries in the Central Arctic Ocean*—this could be the basis for future collaboration on Arctic governance issues related to fisheries and environmental preservation. In addition, there is also long-term potential for energy partnerships between the two countries (specifically with Alaska) as China looks to ensure its energy security and increases shipping in the Arctic.

⁷⁹ Lundestad and Tunsjø, "The United States and China in the Arctic."

3. Mitigate Possible Risks

As discussed above, as Chinese activity in the Arctic increases and U.S.-China relations deteriorate, the potential for conflict or flash points increases. USCG can take concrete steps to mitigate the risks of potential incidents at sea with China. These steps include: establishing codes of conduct; increasing communication channels; and holding joint exercises. Similar to the U.S.-Soviet Incidents at Sea Agreement of 1972, the U.S. and China could adopt specific best practices and rules to avoid maritime misunderstandings.⁸⁰ The U.S. and China have long emphasized freedom of the seas and freedom of navigation,⁸¹ so there is a basis for a potential agreement.

Further down the line would be promoting officer transfer and exchange between the U.S. Coast Guard and China. This level of cooperation in the Arctic, a low-risk area, can build trust for further cooperation in other areas, such as the South China Sea.

The first recommendation is more feasible in the short-term; the second is a medium-term goal as relations and awareness improve; and the third would be a long-term recommendation for enhancing and preserving stability in the Arctic.

In all three recommendations, there is an underlying assumption that the Nordic nations

“International cooperation is the only way forward in the Arctic.”

– Ine Søreide, Norway’s Foreign Minister,
January 28, 2020, Arctic Frontiers

would be key partners in implementation. The Nordic countries are especially committed to ensuring Arctic regional stability and working with both the United States and China to achieve this. In addition to these three specific

⁸⁰ Campbell and Sullivan, “Competition Without Catastrophe.”

⁸¹ Lundestad and Tunsjø, “The United States and China in the Arctic.”

recommendations, the United States Coast Guard can also advance its goal of a peaceful, stable Arctic region by taking a more active role within Arctic regional organizations on behalf of the U.S. to increase mutual understanding, information-sharing, and broader risk mitigation agreements. Increased USCG involvement with Arctic institutions sends a strong signal to U.S. allies and partners and also provides important situational and operational awareness to strengthen overall U.S. Arctic Policy.

Finally, the recommendations are contingent upon political will in the United States to increase resources towards maritime issues and Arctic governance. However with the rapidly changing Arctic and the wide-ranging implications for the U.S., the Coast Guard can seize upon the increased attention towards the Arctic to make a strong case for additional resources.

Already, the construction of three new Polar Security Cutters signals the United States' increased attention toward the Arctic. A concrete next step would be investment in a deep-water port in the Alaskan Arctic to increase the United States' military domain awareness capabilities.

At a time when U.S.-China relations are particularly tense, the Arctic region could potentially serve as an area for much-needed collaboration between the two countries. The Coast Guard is uniquely positioned to lead on this. The United States and China have more overlapping interests in the Arctic than perhaps in any other area. Instead of the current trajectory of U.S.-China competition spilling over into the Arctic, the Coast Guard could help pivot the United States towards a more constructive Arctic Policy of strategic engagement with China by understanding China's Arctic interests; identifying shared goals; and mitigating possible risks.

APPENDIX

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II. INTERVIEW LIST

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III. ARCTIC COUNCIL MEMBERS AND OBSERVERS

Arctic Council Members:

- United States
- Canada
- The Kingdom of Denmark (including Greenland and the Faroe Islands)
- Finland
- Iceland
- Norway
- Russia
- Sweden

Observers to the Arctic Council:

- France (2000)
- Germany (1998)
- Italian Republic (2013)
- Japan (2013)
- The Netherlands (1998)
- People's Republic of China (2013)
- Poland (1998)
- Republic of India (2013)
- Republic of Korea (2013)
- Republic of Singapore (2013)
- Spain (2006)
- Switzerland (2017)
- United Kingdom (1998)

Source: www.arctic-council.org

Note: There are also thirteen intergovernmental and inter-parliamentary organizations and twelve non-governmental organizations with observer status.

IV. ARCTIC COUNCIL MEMBERS AND OBSERVERS MAP



Arctic Council Member and Observer States

AC member states

The Arctic Council consists of the eight Arctic States:

Canada,
Denmark (including Greenland and the Faroe Islands),
Finland,
Iceland,
Norway,
Russia,
Sweden,
United States

AC Observer states

Twelve non-arctic countries have been admitted as observers to the Arctic Council:

France
Germany
Netherlands
Poland
Spain
United Kingdom
People's Republic of China
Italian Republic
Japan
Republic of Korea
Republic of Singapore
Republic of India

Source: Arctic Council, edited by Arctic Portal



Source: <https://arcticportal.org>