

RSIS Commentary is a platform to provide timely and, where appropriate, policy-relevant commentary and analysis of topical and contemporary issues. The authors' views are their own and do not represent the official position of the S. Rajaratnam School of International Studies, NTU. These commentaries may be reproduced with prior permission from RSIS and due recognition to the author(s) and RSIS. Please email to Mr Yang Razali Kassim, Editor RSIS Commentary at RSISPublications@ntu.edu.sg.

Russia, China and the Arctic: Cooperation or Looming Rivalry?

By Chris Cheang

SYNOPSIS

Russia needs Chinese capital to develop its Arctic region. Yet, Russia remains suspicious and fearful of Chinese ambitions in the Arctic. The arrest of a Russian scientist dealing with Arctic affairs in mid-June 2020, allegedly spying for China, reflects these sentiments.



Opening the Arctic Region and Its Impact on Sea Routes:

Northern Sea Route (blue —) vs Southern Sea Route (red —) Source: Wikimedia Commons

COMMENTARY

VALERY MITKO, President of the Arctic Academy of Sciences in St. Petersburg, allegedly gave a document containing state secrets to Chinese intelligence in early 2018 in China's Dalian Maritime University, where he was a visiting professor, his lawyer Ivan Pavlov told CNN as reported on 17 June 2020.

Nevertheless, practical considerations demand that Russia will continue to work with China in developing the Russian Arctic. Russia is, however, wary about China's growing commercial presence and may be out to do some balancing act, bringing in Japan and India to be active in the Arctic as well.

Russian Interests in the Arctic

Russia has economic, geostrategic and military-security interests in the region.

It is keen on developing the Northern Sea Route (NSR) between Europe and Asia, as highlighted by President Vladimir Putin in his 2018 annual State-of-the-Nation address. He stressed the NSR "will be the key to developing the Russian Arctic and Far East. By 2025, cargo traffic along this route will surge tenfold to 80 million tonnes. Our goal is to make it a truly global and competitive transport route".

The region also boasts immense energy and other resources which Russia has exploited and wishes to further develop. The area is part of the Far North and Far East regions which are underdeveloped and whose resources are crucial to their development.

From the geostrategic and military-security angles, Russia jealously guards its sovereignty there. If a conflict were to break out between the United States and Russia, the Arctic is one region where their missiles could be launched against each other. Russia also faces NATO countries like Norway in the Arctic.

Since the beginning of 2020, NATO vessels reportedly entered the Barents Sea twice, causing the Russian Northern Fleet to activate defensive activities, according to Russian media reports. In early June, it was reported that with effect from January 2021, the Northern Fleet would have the same status as Russia's four other military districts. In concrete terms, the move facilitates the Northern Fleet's defence missions in the Arctic and protection of the NSR.

Chinese Interests in the Region

China's interests are outlined in its 2018 Arctic Policy White Paper. In a nutshell, the paper postulates that the future of the Arctic concerns the interests of the Arctic States, "the wellbeing of non-Arctic States and that of the humanity as a whole".

Stating that the governance of the Arctic requires the participation and contribution of all stakeholders, the White Paper underscores four guiding principles of "respect, cooperation, win-win result and sustainability".

It says China, as a responsible major country, is ready to cooperate with all relevant parties to "seize the historic opportunity in the development of the Arctic", to address the challenges brought by the changes in the region.

Proposing a polar version of China's trans-continental infrastructure project, subsequently to be known as the Polar Belt and Road Initiative, the White Paper calls on parties to *"jointly understand, protect, develop and participate in the governance of the Arctic, and advance Arctic-related cooperation under the Belt and Road Initiative . . ."*

Russian Concerns about China

Russia wants to ensure that any international system of governance of the Arctic recognises its major role and significance in the region; therefore, it perceives China's inclusive approach to managing the region and in which China will play a leading role, with some trepidation. Russia would also like to confine the management of the region to the five Arctic Ocean states – Canada, Norway, the US, Denmark and Russia itself.

Observations by Russian experts make its concern clear. Dmitry Trenin, Director of the Moscow Carnegie Centre, points out in an analysis in March 2020 on the Arctic that this is where "the main conflict between the Russian and Chinese strategies lies".

Russian observers also criticise China's advocacy of free access to the Arctic as a case of double standards. One example is an analysis published in June 2020 in the Valdai Discussion Club, by Pavel Gudev. A leading researcher in the Russian Academy of Sciences, Russia's premier state-run think-tank, Gudev argues that "China, for example, in its White Paper on the Arctic, expressed support for the principle of freedom of navigation in the Arctic region, despite the fact that it restricts this freedom in the South China Sea".

Russia regards the NSR as critical to its economic, security and geostrategic interests and is not too keen on China's expressed support for the principle of freedom of navigation in the Arctic.

Russo-Chinese Cooperation in the Region

Without Western participation, Russia needs Chinese assistance to develop the NSR, while China would like to develop its Polar Belt and Road Initiative.

In the long-term, the NSR might serve as a possible alternative or additional waterway between China and Europe. The NSR does not have security issues like piracy, unlike the current Straits of Malacca and South China Sea route which is not only longer but vulnerable to interdiction by the US naval forces.

Reportedly, China's state-owned Poly Group signed an initial agreement with Russia on the construction of the Arkhangelsk deep-sea port in October 2016. Latest reports state it is still in the planning stage.

China is also keen on exploiting the Arctic's resources. China National Petroleum Corporation (CNPC) and the Silk Road Fund are co-investors in the Yamal LNG project, investing 20 percent and 9.9 percent of the capital respectively. In April 2019, CNPC and China National Offshore Oil Corporation (CNOOC) each acquired a 10% stake in the Arctic LNG 2 project.

In 2019, Russia and China also entered into a deal that saw state-owned companies from both sides team up to ship LNG from the Arctic. Russia's major LNG producer, Novatek, and state-owned shipping company, Sovcomflot, partnered with Chinese state firms, COSCO Shipping and Silk Road Fund, to manage a fleet of dozens of ice-breakers, to transport fuel from Novatek's plants, including Yamal LNG.

In June 2019, the China National Chemical Engineering Group and Russian firm Neftegazholding agreed to develop the Payakha oilfield, with investments of US\$5 billion over four years.

Balancing China in the Arctic

Russia is however careful about China's growing commercial presence and would like to see other Asian countries active in the Arctic too.

In 2019, Japanese major trading house, Mitsui & Co., and the government-affiliated, Japan Oil, Gas and Metals National Corp. (JOGMEC), bought a stake in the Arctic LNG 2 project, "to boost Japan's energy sources and also help bilateral relations with Russia", according to an Asahi Shimbun report dated 2 July 2019.

During the September 2019 visit by Indian Prime Minister Narendra Modi to Russia, President Putin also invited India "to participate in projects such as Far Eastern LNG and Arctic LNG 2". Media reports during and after the visit highlighted that Indian gas company GAIL (India), which has a 20-year contract to buy LNG from Gazprom, was looking to acquire a minority stake in the Arctic LNG-2. Since then, however, there have not been any updates.

India and Japan are natural counterweights to China in the Arctic and have their own economic as well as strategic reasons to cooperate with Russia there.

While the Mitko case might appear to be unrelated, it sends a signal to China that Russia is closely watching Chinese non-commercial activities in the Arctic. Russia needs Chinese investments to opening up its Far North and Far East regions for economic and social development and it does not have much choice but to continue working with the Chinese to achieve its socio-economic objectives in the Arctic.

Chris Cheang is a Senior Fellow with the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore.

Nanyang Technological University

Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798
Tel: +65 6790 6982 | Fax: +65 6794 0617 | www.rsis.edu.sg