

China-Russia Sustainable Development Cooperation in the Arctic: Challenges and Approaches

Zhao Long

During Russian President Vladimir Putin's state visit to China in June 2018, China and Russia issued a joint statement, which proposed "strengthening China-Russia sustainable development cooperation in the Arctic, including supporting cooperation among the relevant departments, institutions and enterprises in fields such as scientific research, joint implementation of transport infrastructure and energy projects, developing the potential for the Northern Sea Route (NSR), tourism and ecology."¹ For the first time the statement defined "sustainable development" as the overall framework for China-Russia Arctic cooperation, which became another important consensus since the two countries stepped up promoting Arctic cooperation in 2013. How to handle the challenges and move forward China-Russia pragmatic Arctic cooperation merits serious consideration.

Russia's Major Positions on Arctic Cooperation

Against the backdrop of accelerated ice melting due to climate change, the significance of the Arctic for human survival and development becomes even more important. Due to differences in terms of geographical location and positioning, countries have different strategic, economic, security

Zhao Long is Associate Research Fellow at the Institute for Global Governance Studies, Shanghai Institutes for International Studies (SIIS).

1 "Joint Statement between the People's Republic of China and the Russian Federation," June 8, 2018, <http://www.mfa.gov.cn/web/zyxw/t1567243.shtml>.

and development interests in the Arctic. Russia's support of sustainable development cooperation in the Arctic is primarily based on multi-dimensional strategic considerations involving development demands, revival of shipping passages, security arrangements, and legal claims.

Meeting regional development demands

From the perspective of resource endowment, Russia's Arctic area is an important energy reserve, and accounts for 80% of the country's total natural gas extraction and 60% of oil extraction.² Although only 1.5% of Russia's population resides in its Arctic area, they contribute about 11% of national income and 20% of GDP,³ and play a significant role in Russia's overall economic and social development. In recent years, as climate change has facilitated human productive activities in the Arctic, the Russian government has intensified investment and planning in its Arctic territory, and issued a successive range of national strategies, policies and development outlines.⁴

In August 2017, Russian government amended the 2014 version of the state program *Socioeconomic Development of the Arctic Zone of the Russian Federation up to 2020*, extending the time limit to 2035, while defining three core missions as "creation of core development zones," "development of the Northern Sea Route and maintaining Arctic navigation," and "developing equipment and technologies for the oil and gas and industrial engineering sectors needed to develop mineral deposits."⁵

Impacted by the Ukraine crisis, the development plan of the Russian Arctic area met with overwhelming operational challenges. The European Union

2 Закон о развитии Арктической зоны РФ может быть принят осенью // ТАСС. 22 мая 2017, <http://tass.ru/v-strane/4272096>.

3 Регионы Арктической зоны РФ. // Arctic info. 17 февраля 2016, <http://www.arctic-info.ru/encyclopedia/countries-and-regions/regiony-arkticheskoy-zony-rf/>.

4 These include *Russian Federation's Policy for the Arctic to 2020* issued in September 2008, *Development of the Arctic Zone of the Russian Federation and the National Security* released in February 2013, the state program *Socioeconomic Development of the Arctic Zone of the Russian Federation up to 2020* approved in April 2014, and the draft federal law on the development of the Arctic Zone of the Russian Federation released in July 2016, among others.

5 О внесении изменений в постановление Правительства Российской Федерации от 21 апреля 2014 г. № 366. Правительство Российской Федерации. Постановление от 31 августа 2017 г. № 1064. Москва, <http://static.government.ru/media/files/GGu3GTtv8bvV8gZxSEAS1R7XmzloK6ar.pdf>.

constrained relevant entities from making new investment in, and exporting key equipment and technologies to, deep-sea drilling, oil exploration and shale oil development in the Arctic Circle by Russia's oil sector, and also banned Russian enterprises from financing for more than 30 days in the EU's capital market. The United States imposed sanctions on Novatek, a major participant in Russia's NSR development and Arctic infrastructure construction projects, and banned US financial institutions and investors from offering it financing and transaction services.⁶ Western sanctions forced Russia to seek elsewhere for new sources of capital, technology and personnel for its development projects.

Reviving the Northern Sea Route

Putin once pointed out that reviving the Northern Sea Route is the primary task in Russia's Arctic zone development.⁷ According to Russian official statistics, the domestic freight volume through the Northern Sea Route reached 9.74 tons in 2017, and the transit cargo volume that completely crossed the NSR was nearly 200,000 tons. The Northern Sea Route Administration issued a total of 662 navigation permits to all types of vessels throughout the year, of which 107 were issued to foreign vessels, accounting for one-sixth of the total number of permits. As for shipping time, the Chinese ship *Baltic Winter*, starting from China's Taicang Port to the Port of Bremen in Germany, set a record of transiting the NSR in the shortest time, with a total shipping time of 5.6 days.⁸ Because of early start and an extended navigable period in summer, the development of Russia's Arctic zone and the growing demand for transportation, the NSR's total freight volume, transit freight volume and total shipping times all hit record highs in 2017.

Russia is making efforts in order for the NSR to become a global competitive

6 Heather A. Conley, Matthew Melino and Andreas Østhagen, *Maritime Futures: The Arctic and the Bering Strait Region*, Rowman & Littlefield Publishers/Center for Strategic & International Studies, November 2017, <https://rowman.com/ISBN/9781442280342/Maritime-Futures-The-Arctic-and-the-Bering-Strait-Region>.

7 Выступление на пленарном заседании III. Международного арктического форума «Арктика - территория диалога». 25 сентября 2013, <http://kremlin.ru/events/president/transcripts/19281>.

8 Подведение итогов деятельности Администрации СМП за 2017 год. Администрация Северного Морского Пути, <http://www.nsr.ru/ru/glavnaya/novosti/n19.html>.

transportation artery, and hopes the Belt and Road Initiative in conjunction with the NSR can “completely reconfigure transportation on the Eurasian continent.”⁹ Russia also intends to strengthen bilateral cooperation with China by joint integrated development on the NSR. According to its plan, Russia is set to increase annual freight volume of the NSR from 4 million to 80 million tons in 15 years.¹⁰

Stepping up maritime security arrangements

Vladimir Barbin, Ambassador-at-Large for Arctic Cooperation at the Russian Ministry of Foreign Affairs, maintains that “safeguarding regional security and stability is the major objective of all Arctic countries.”¹¹ The National Security Strategy of the Russian Federation to 2020 also clearly asserts that the focal point for international competition will be the control and ownership of energy resources in the Middle East, the Bering Sea, the Arctic, the Caspian basin, and Central Asia.¹² Historically, Russia’s Arctic area, especially the NSR, has played a significant role in the realm of security.¹³ In recent years, the NSR’s significance for Russia’s communications and energy strategy has become even more evident. There are those who believe that the revival of the NSR can achieve for Russia open and free exit in two directions, give it free access to the sea, improve conditions of its maritime strength, and offer opportunities for Russia to again become a maritime power and strive for more benefits and greater international influence.¹⁴

For Russia, maritime transportation not only plays an important role in developing maritime economy, but also becomes an indispensable condition for safeguarding its maritime security interests and strategic depth.¹⁵ Russia asserts that

9 “Belt and Road International Forum,” May 14, 2017, <http://en.kremlin.ru/events/president/news/54491>.

10 Сообщение Дмитрия Рогозина на совещании с вице-премьерами. 8 июня 2015 года, <http://government.ru/news/18411/>.

11 Посол МИД: Сохранение безопасности в регионе является главной целью арктических государств. // Центр Арктики. 18 января 2017, <http://arctic-centre.com/ru/novosti/item/209-sokhranenie-bezopasnosti-v-regione-yavlyatsya-glavnoj-tselyu-arkticheskikh-gosudarstv>.

12 Стратегия национальной безопасности Российской Федерации до 2020 года. 13 мая 2009 года, <http://kremlin.ru/supplement/424>.

13 XX-йская Региональная Политика в Арктике в XXссиРо II .Тимошенко АППроблемы Стратегической Преемственности :.вв . // Арктика и Север. 2011. № 11. С. 4.

14 Wan Chujiao, “The Melting of Arctic Ice Cover and Its Strategic Implications for Russia,” *International Review*, No.1, 2012, pp.65-71.

15 Zuo Fengrong, “A Search on Russia’s Maritime Strategy,” *Foreign Affairs Review*, No.5, 2012, p.129.

“using the Northern Sea Route as the unified national transportation artery in the Arctic area” constitutes its major national interest in the region, and emphasizes that “airplanes and ships via the Arctic airways and the Northern Sea Route” will be effectively organized and managed.¹⁶ In the Integrated Development Plan for the Northern Sea Route adopted in June 2015, the Russian government stated that the shipping and operational security of Russian military and civilian ships in the waters should be effectively protected, and the maritime environment safeguarded, so as to assure smooth transits and energy export in Russia’s Arctic zone.¹⁷

Strengthening legal claims and management practices

Russia maintains sovereignty claims over the Northern Sea Route based on its historical rights in the region, and therefore considers the NSR as a domestic route. Because of accelerated ice melting in the Arctic and increasingly ripe conditions for the development of a transit route, the Russian State Duma in 2012 adopted the Amendments to Specific Legislative Acts Related to Governmental Regulation of Merchant Shipping in the Water Area of the Northern Sea Route, which stipulated that the NSR waters “is located on Russia’s Arctic coast, and consists of inland waters, territorial seas, a contiguous zone and an exclusive economic zone.”¹⁸ Furthermore it asserted said that “the NSR is a national transportation artery of the Russian Federation throughout its history.”¹⁹ Through the opening and operation of Arctic passages, Russia will be able to guide the construction process of relevant projects in accordance with domestic laws and regulations, and thereby indirectly achieve its objective of establishing “sovereignty claim” over the Northern Sea Route.

During Soviet times, foreign vessels entering the Arctic waters of the Soviet Union needed to obtain prior approval from the Soviet Ministry of Shipping, abide

16 Основы государственной политики Российской Федерации в Арктике на период до 0 года и дальнейшую перспективу. 18 сентября 2008, <https://rg.ru/2009/03/30/arktika-osnovy-dok.html>.

17 Справка о Комплексном проекте развития Северного морского пути. 8 июня 2015, <http://government.ru/orders/selection/405/18405/>.

18 Кодекс торгового мореплавания Российской Федерации. Статья 5.1 КТМ РФ Ф3 81 от 30.04.1999, <https://rg.ru/1999/05/05/morskoy-kodeks-dok.html>.

19 Федеральный закон от 7 мая 2013 г. N 87-ФЗ г. Москва. О внесении изменений в Федеральный закон “О внутренних морских водах, территориальном море и прилегающей зоне Российской Федерации” и Водный кодекс Российской Федерации. Статья 14, <https://rg.ru/2013/05/13/kodeks-dok.html>.

by its navigation rules and pay a fee.²⁰ Because the original compulsory ice-breaking navigation service prevented the NSR from attracting more foreign vessels, Russia adopted in 2013 the new Rules of Navigation in the Water Area of the Northern Sea Route, and made the use of the navigation service voluntary.²¹ Through the NSR's development and utilization, Russia can further require countries to observe its navigation rules in the water area of the NSR, and thus strengthen its jurisdictional claim over the NSR.

China's Basic Ideas for Participating in Arctic Cooperation

“To understand, protect, develop and participate in the governance of the Arctic, so as to safeguard the common interests of all countries and the international community in the Arctic, and to promote sustainable development of the Arctic” are China's policy goals with regard to the Arctic.²² For China, cooperation with Russia in the Arctic's sustainable development enriches its diplomatic practices in new frontiers, guides the pluralist trend of Arctic international governance, and injects new impetus into maritime cooperation under the Belt and Road Initiative.

First, it enriches China's diplomatic practices in the new frontiers. Chinese President Xi Jinping holds that “Guided by the principle of peace, sovereignty, inclusiveness and shared governance, we should turn the deep sea, the polar regions, the outer space and the Internet into new frontiers for cooperation rather than a wrestling ground for competition.”²³ China advocates the observation of relevant international treaties and general international law and full respect for the Arctic countries' sovereignty, sovereign rights and jurisdiction in the

20 морского флота СССР Утверждены Министерством .ассам Северного Морского Путивания по трПравила пла 14 сентября 1990 г.7.4Статья

21 Правила плавания в акватории Северного морского пути. Утверждены приказом Минстранса России 17 января 2013 г., http://www.nsr.ru/files/fileslist/120-ru-pravila_plavaniya.pdf.

22 “China's Arctic Policy,” State Council Information Office of the People's Republic of China, January 2018, http://english.gov.cn/archive/white_paper/2018/01/26/content_281476026660336.htm.

23 “Work Together to Build a Community of Shared Future for Mankind,” Speech by Chinese President Xi Jinping at the United Nations Office at Geneva, January 18, 2017, http://www.xinhuanet.com/english/2017-01/19/c_135994707.htm.

Arctic, and also expects other countries in pursuing their own interests to fully respect China's lawful rights and concerns in the region.²⁴ China does not pursue equal rights with the Arctic countries when advancing Arctic cooperation, but stresses reasonableness, lawfulness, and taking the interests of all participants into account. China advocates integrating all countries' advanced concepts and practices in Arctic exploration, protection and development, coordinating the various countries' interests and development needs, and exploring a new model of international cooperation in the Arctic in which all stakeholders participate.

Second, it guides the pluralist trend of Arctic international governance. China is not an Arctic country, but it has direct and immediate awareness regarding the changes in the Arctic. On a geopolitical level, the competition among Arctic countries reverberates on the entire regional and international order, and the potential militarization of the Arctic would have far-reaching influence on regional peace and stability. On the geo-economic level, the Arctic development has an increasingly significant impact on fields such as international shipping, biological and non-biological resources, as well as tourism. As a major emerging market economy and trading power, China is naturally a potential user and important participant in above areas. In terms of ecology, the natural environmental system of the Arctic area is closely related to the functioning of China's own ecological system, affecting its stability as well as the agricultural production security. Environmental changes in the Arctic may have a negative effect on China's climate system and ecological security. Therefore, in building Arctic-related global governance mechanisms, China spares no effort in playing a constructive role, actively participating as an observer in the Arctic Council and its relevant working groups. China also takes the initiative in international forums including the Arctic Circle Assembly, the Arctic Frontier, the Arctic - Territory of Dialogue Forum, has established dialogue mechanisms with all Arctic countries, and is proactively exploring the model of China-Nordic Arctic cooperation (CNARC). China's participation in Arctic cooperation has bolstered the transformation of Arctic governance from a regional responsibility to a

24 "China's Arctic Policy," January 2018.

global mission, and contributed to the creation of a cooperation model featuring complementarity and connectivity. It has expanded consensus of parties concerned to achieve win-win outcomes, and boosted plural Arctic governance characterized by multiple levels, diversity, combination of hard and soft elements, as well as inclusiveness and coordination, instead of being exclusive and dominated by one or several countries, or driven by a single agenda, mechanism or a small group.

Third, it expands maritime cooperation along the Belt and Road. For China, the comprehensive opening of the Arctic shipping route in the future would dramatically reduce traditional sailing distance, further enriching international shipping layout and driving economic and trade development of countries and regions along the route. Normalizing the operation of Northeast Passage not only helps China develop its shipping routes, but also contributes to expanding the connotation of the Belt and Road Initiative and enlarging the share of made-in-China products and equipment in the European market. The operation of Northeast Passage plays a prominent role in connecting China's northern ports with Europe economically. Therefore, China has further expanded the scope and connotation of cooperation in developing Arctic passages, and proposed building three key blue economic passages including one "leading up to Europe via the Arctic Ocean." With the theme of "sharing a blue space and developing the blue economy,"²⁵ China stresses promoting the normalization of Northeast Passage operation by multilateral participation. However, it should be noted that China is not an Arctic coastal state, and an important premise for conducting passage cooperation is respecting the relevant maritime management policies and development interests of Russia and other Arctic coastal states.

Pragmatic Basis for China-Russia Arctic Cooperation

At present, China-Russia relations are enjoying the best period in their history. Frequent high-level exchanges have led to the practice of annual mutual visits by heads of state, and mechanisms of regular prime ministers' meetings,

25 The National Development and Reform Commission and the State Oceanic Administration, "Vision for Maritime Cooperation under the Belt and Road Initiative," June 20, 2017, http://www.xinhuanet.com/english/2017-06/20/c_136380414.htm.

the China-Russia Parliamentary Cooperation Committee, and mature communication and cooperation at various levels in energy, investment, people-to-people exchanges, economy and trade, local governments, law enforcement and strategic security. Against such a background, China-Russia Arctic cooperation has a solid foundation.

Commonality and complementarity of interests

Promoting comprehensive social and economic development of Russia's Arctic zone, advancing the Arctic-related science and technologies, building modernized information and communication facilities, protecting Arctic ecology, and safeguarding the northern frontiers²⁶ are Russia's major interests in pursuing international cooperation in the Arctic. These interests are an objective reflection of the region's recently increasing value in terms of strategy, economy, scientific research, environmental protection, shipping passage, and resources. They are also Russia's subjective choices conforming to the general trend of deepened globalization and co-existence of major-power competition and cooperation. For Russia, Arctic cooperation with China is centered on overcoming the bottleneck of relevant capital, technologies and resources in Arctic development, which would exist for a certain period of time, giving full play to China's role as the most promising consumer of Arctic resources, energy and shipping. From China's perspective, "issues in the Arctic, especially in such areas as climate change, environment, scientific research, passage utilization, resource exploration and exploitation, security, and global governance ... are vital to the existence and development of all countries and humanity, and directly affect the interests of non-Arctic States including China."²⁷ China and Russia have a common understanding of the significance, objectives and value of Arctic cooperation, and their interests are also highly complementary.

Feasibility of realizing comprehensive synergy

Politically, Chinese and Russian governments and leaders have already reached

26 Стратегия национальной безопасности Российской Федерации до 2020 года. 13 мая 2009 года, <http://kremlin.ru/supplement/424>.

27 "China's Arctic Policy," January 2018.

a consensus on Arctic cooperation. At present, the transport ministries of both countries are consulting a memorandum of understanding for maritime cooperation in polar waters, in an effort to consolidate policy and legal basis for Arctic development cooperation.²⁸

Economically, Chinese enterprises have already become the “principal force” of energy and transport infrastructure projects in Russia’s Arctic region. For example, the Yamal liquefied natural gas (LNG) infrastructure complex with a total investment of \$26.9 billion is currently the largest-scale investment in Russia’s Arctic zone.²⁹ The Export-Import Bank of China and China Development Bank have provided the project with loans of \$10.7 billion and \$1.5 billion over 15 years respectively, and the Silk Road Fund is also offering it loans of \$1.2 billion.³⁰ In addition, China’s Poly Group will invest \$550 million in the construction of Arkhangelsk deep water port,³¹ and China Ocean Shipping Group Company is also willing to invest in the project.³² Among the 150 Arctic transport infrastructure upgrades as well as oil and gas development projects with total investment of nearly 5 trillion Russian rubles (approx. \$79.7 billion) put forward by Russian State Commission for Arctic Development, about 4 trillion rubles (approx. \$63.7 billion) of investment will come from various financing channels other than the federal budget, especially from Asian countries like China and India.³³

With regard to knowledge base, China in recent years has actively conducted Arctic scientific research cooperation with Russia in multilateral frameworks such as the International Arctic Science Committee (IASC) and the Arctic Council, to strengthen scientific exchanges in studies of Arctic land and sea areas. In order to implement a bilateral agreement on conducting joint

28 “Arctic Silk Road Appeals to the World,” *People’s Daily*, January 28, 2018, p.3.

29 “Final Investment Decision Made on Yamal LNG Project,” December 18, 2013, http://novatek.ru/en/press/releases/index.php?id_4=812.

30 Heather A. Conley, “China’s Arctic Dream,” CSIS Europe Program report, February 26, 2018, <https://www.csis.org/analysis/chinas-arctic-dream>.

31 “Arkhangelsk Region Hopes to Reach Agreement with Poly Group on Belkomur in February-March 2017,” *Port News*, October 5, 2016, <http://en.portnews.ru/news/227409/>.

32 COSCO подтверждает заинтересованность в трансарктическом морском сообщении с Архангельском. // *The Barents Observer*. 27 сентября 2017, <https://thebarentsobserver.com/ru/arktika/2017/09/cosco-podtverzhdaet-zainteresovannost-v-transarkticheskom-morskoy-soobshchenii-s>.

33 Rogozin: санкции помогли РФ найти партнеров в Азии. // *Вести*. 13 октября 2016, <http://www.vestifinance.ru/articles/76219>.

research in the Arctic Ocean, China and Russia carried out the first joint Arctic scientific survey in August 2016.³⁴ A joint expedition consisting of scientists from both countries conducted a comprehensive survey in the Chukchi Sea and the East Siberian Sea within Russia's Arctic Ocean exclusive economic zone, which made a historic breakthrough in bilateral Arctic maritime cooperation. This knowledge sharing and technological mutual learning has become a major element of synergy for the two countries in their Arctic cooperation.

Necessity of forging new growth point of pragmatic cooperation

Although China-Russia pragmatic cooperation has made remarkable achievements in recent years, the economic and trade cooperation with Russia still plays a very small role in China's overall foreign trade in both relative and absolute terms. It doesn't match the high-level development of China-Russia political, security and people-to-people exchanges, and gives rise to the so-called opinion of "political affinity and economic estrangement." With the continual deepening of globalization, the world economy and the global trade landscape are changing dramatically, and exploring and cultivating a new "growth point" in China-Russia pragmatic cooperation becomes an important objective. A common understanding has emerged between the two countries that they must "conduct cooperation in fields such as development of Arctic passages, joint scientific expeditions, energy and resource exploration and exploitation, polar tourism, and ecological conservation."³⁵ China-Russia pragmatic cooperation should accommodate itself not only to the general trends of the world economy, but also to the local environment of regional situation and developments in specific areas. Furthermore, it should also conform to changes in the two countries' respective capacities, objectives and priorities. With joint implementation of transport infrastructure and energy projects as a good starting point, bolstering China-Russia Arctic sustainable development cooperation

34 "China and Russia Wrapping Up Their First Joint Arctic Scientific Research," *China Science Daily*, October 17, 2016, p.4.

35 "Joint Statement between the People's Republic of China and the Russian Federation on Further Deepening the China-Russia Comprehensive Strategic Partnership of Coordination," July 4, 2017, http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/dnzt_674981/xzxzt/xjpxzt01_690022/zxxx_690024/t1475443.shtml.

is not only conducive to maintaining traditional resource cooperation, but also beneficial for strengthening multi-faceted integration of interests between the two countries in both geographical and industrial terms. It will open up the “built-in” development stage where each side will serve as the other’s producer, consumer, investor and developer. Cooperation projects including the Arctic Yamal LNG are successful examples of “equal sharing” of investment risks by China, Russia and other parties concerned, and contribute to further promoting China-Russia pragmatic cooperation.

Challenges for China-Russia Arctic Cooperation

Although the sustainable development cooperation between China and Russia in the Arctic focuses on promoting Arctic conservation and exploitation, due to the particular geography and environment of the Arctic, the prospects of bilateral cooperation may be constrained by the competition among Arctic countries and relevant stakeholders, the legal status of the shipping routes, and the security and economic benefits.

Multilateral political and legal challenges

In current practice, Arctic affairs are shaped by multiple stakeholders including the five coastal states of the Arctic Ocean, other Arctic countries, non-Arctic countries and non-state actors. Due to diverging identities and interests, the parties have adopted different attitudes toward Arctic cooperation, especially China-Russia cooperation in development of Arctic passages.

First, the parties differ in their understanding of the scope of cooperation. Russia maintains that the Northern Sea Route infrastructure development should be the priority of Arctic shipping route cooperation, while Arctic countries like Norway³⁶ and Denmark³⁷, as well as international shipping and trading powers like

36 “Norway’s Arctic Policy,” Norwegian Ministry of Foreign Affairs, 2014, https://www.regjeringen.no/globalassets/departementene/ud/vedlegg/nord/nordkloden_en.pdf.

37 “Kingdom of Denmark Strategy for the Arctic 2011–2020,” Ministry of Foreign Affairs of Denmark, August 2011, <http://um.dk/~media/UM/English-site/Documents/Politics-and-diplomacy/Greenland-and-The-Faroe-Islands/Arctic%20strategy.pdf?la=en>.

South Korea³⁸ and Japan³⁹, claim that opening up a high-latitude transport channel between Asia and Europe should be the major pursuit. Canada, with an emphasis on sovereignty over the Arctic water areas, considers that the development of Northwest Passage should be prioritized in its Arctic policy.⁴⁰

Second, the parties view the principles and objectives of development from different perspectives. In Russia's eyes, the NSR development should be promoted under its guidance, but other countries prefer a more pluralistic governance system for the development of shipping routes, rather than "domination" by Russia or any other single country. Russia hopes to facilitate the implementation of its comprehensive strategy on its Arctic area by development of shipping routes, establish its claims over the Northern Sea Route, and broaden the financial channels for infrastructure investment. Canada would like to accumulate experience for Northwest Passage development through the development of Northeast Passage. The United States hopes to assert the principle of "freedom of navigation" through the internationalization of Arctic shipping routes.⁴¹ Finland would like to connect its "Arctic Corridor" project with the development of Arctic shipping passages, build up the "last kilometer" leading to Nordic and Eastern European markets, and link it with the Trans-European Transport Networks.⁴² Iceland, Sweden and other non-coastal states of the Arctic Ocean welcome the participation of external powers, in order to balance the differences among Arctic countries with regard to agenda setting and governance capabilities.⁴³

In addition, Russia's legal claim over the Northern Sea Route is opposed by some Arctic coastal states, and China-Russia Arctic cooperation may thus

38 Dongmin Jin, Won-sang Seo and Seokwoo Lee, "Arctic Policy of the Republic of Korea," *Ocean and Coastal Law Journal*, Vol.22, No.1, February 2017, <http://digitalcommons.maine.edu/oelj/vol22/iss1/7>.

39 "Japan's Arctic Policy," The Headquarters for Ocean Policy of the Government of Japan, October 16, 2015, http://www.research.kobe-u.ac.jp/gsics-pcpc/sympo/20160728/documents/Keynote/Japan_Arctic%20_Policy.PDF.

40 "Canada's Northern Strategy: Our North, Our Heritage, Our Future," Government of Canada, 2009, <http://www.northernstrategy.gc.ca/cns/cns-eng.asp>.

41 "National Strategy for the Arctic Region," The White House (Barack Obama), May 2013, https://obamawhitehouse.archives.gov/sites/default/files/docs/nat_arctic_strategy.pdf.

42 Martin Breum, "Finland Plans 'Arctic Corridor' Linking China to Europe," *EU Observer*, February 28, 2018, <https://euobserver.com/nordic/141142>.

43 "Sweden's Strategy for the Arctic Region," Government Offices of Sweden, 2011, <http://www.government.se/49b746/contentassets/85de9103bbbe4373b55eddd7f71608da/swedens-strategy-for-the-arctic-region>.

be denounced and slandered by Western opinion. The United States said in its National Security Presidential Directive and Homeland Security Presidential Directive, enacted in January 2009, that “Freedom of the seas is a top national priority. The Northwest Passage is a strait used for international navigation, and the Northern Sea Route includes straits used for international navigation; the regime of transit passage applies to passage through those straits.”⁴⁴ Both Norway and Iceland hold that the strait passage regime in the United Nations Convention on the Law of the Sea (UNCLOS) should apply to the Northern Sea Route. And with due regard for the freedom of navigation, coastal states can formulate relevant laws and regulations on maritime environmental protection in accordance with UNCLOS. China’s application for prior approval from Russia’s shipping route administration when using the NSR may be interpreted as acquiescence to Russia’s jurisdictional claims over the sea route. Western media or scholars may distort the recent consensus reached by leaders of China and Russia on Arctic cooperation, and claim that China’s participation in Arctic shipping route development is intended to reinforce Russia’s legal claim and actual control over the NSR, and meddle in Arctic oil and gas exploitation. They may also try to make the case that China and Russia regard the NSR as a crucial maritime channel to contain the West, and intend to monopolize the development of the Arctic shipping route without taking responsibilities to protect Arctic environment and ecology.

Lastly, Arctic cooperation may devolve into another arena of geopolitical contest. As an Arctic coastal state, the United States is both a core member in Arctic affairs and an unavoidable player in sea route development. The increasingly chronic US-Russia geopolitical tensions have also impacted their Arctic cooperation to varying degrees. Russia’s accelerated military buildup in the Arctic area in recent years has created apprehension and resulted in heightened vigilance from the US. As China-Russia Arctic cooperation makes further progress, it is possible that Russia and the US may demand that China declare its position and “take sides” in essential issues like the legal status of sea routes.

44 “National Security Presidential Directive and Homeland Security Presidential Directive,” The White House (George W. Bush), January 9, 2009, <https://georgewbush-whitehouse.archives.gov/news/releases/2009/01/20090112-3.html>.

Economic and technological risks

First, there is a huge deficit of available capital in Russia's infrastructure development. Given the economic sanctions imposed by the West, the driving force in Russia's Arctic cooperation lies in resolving the difficulties in financing its ports and relevant infrastructure upgrades. Because of this deficit, the policies of the Russian federal government and that of local governments are often at loggerheads, making risks and investment returns from ice-area operations more unpredictable. China cannot and should not be the only investor of the projects.

Second, the demand for transit passage fluctuates. Recent climate change has led to an ice-free season in the Northern Sea Route, and the amount of freight transit has grown significantly. It seems that the NSR freight volume in 2016 surpassed the 6.5-million-ton peak in 1986 during the Soviet period,⁴⁵ but as for the total number of transits, Russian official statistics include transit passage through the entire NSR, trans-national passage from other countries to the ports on the NSR, and domestic passage along Russia's Arctic coast. In fact, transit passage through the entire NSR has declined since 2013.⁴⁶ Reasons for the slump are many, but the major reason is the fluctuating demands of transit to European ports. Currently, the NSR still fulfills its function as Russia's domestic and international shipping artery, but its international shipping vitality depends on Russia's own international trading demands, as well as the industrial production and residential living needs in Russia's northern region. The NSR's international attractiveness, the demand for transit passage and the total normalization of its operation capacity are all in a state of flux.

Skeptical mindset and practical obstacles

On the one hand, in spite of the rather advanced high-level interactions and local cooperation between China and Russia, the so-called "China threat" and "China expansionism" rhetoric still plays a role among some Russian media,

45 *Владимир Стародубцев* Широты высокой важности: арктическое судоходство. // Коммерсантъ. 29 марта 2017, <https://www.kommersant.ru/doc/3254502>.

46 Malte Humpert, "Shipping Traffic on Northern Sea Route Grows by 40 percent," *High North News*, December 19, 2017, <http://www.highnorthnews.com/shipping-traffic-on-northern-sea-route-grows-by-40-percent>.

scholars and social elites. They are especially concerned about China's participation in Russia's Far East development. Some people think that Russia will pay the price in energy, employment or even land for China-Russia cooperation.⁴⁷ Some even exaggerate or deliberately fabricate the negative impact of China's participation on the environment, soil and water, citing China's non-adherence to rigorous environmental protection standards and regulations,⁴⁸ as well as no respect and consideration of local residents' interests.⁴⁹ Because of the special conditions of Arctic development and ice-area operations, local residents, aboriginal organizations and opinion leaders may make an issue of environmental conservation standards, labor protection, and aboriginal rights and interests in the development of Arctic shipping routes and in energy and transport infrastructure projects, which may even make China-Russia Arctic cooperation another headache in Russia's Far East development. On the other hand, a poor supervisory mechanism and grass-root bureaucracy constitute major obstacles in implementing Russia's Arctic development plans. For example, the idea of building the Murmansk Transport Hub was first put forward in December 2001,⁵⁰ but it has not made much progress so far. Russia's shortcomings in policy implementation could become another hurdle in China-Russia Arctic cooperation.

Approaches to Deepening China-Russia Arctic Cooperation

On the whole, China and Russia at the macro level are in agreement with regard to the necessity of conducting Arctic cooperation and their complementarity in doing so, but coordination is needed in order to work out development priorities and a model for cooperation, and the political, security and technical risks remain unsettled. By adhering to the premise of sustainability, China's practice of accelerating high-level synergy in the construction of major projects

47 Стратегия национальной безопасности Российской Федерации до 2020 года. 13 мая 2009 года, <http://kremlin.ru/supplement/424>.

48 Сергей Аксенов Россия продаст Байкал Китаю// Свободная Пресса. 8 марта 2017, <http://svpressa.ru/economy/article/167799>.

49 Яна Лисина Массовая драка в Иркутской области: почему жители Бильчира выгоняют китайцев-бизнесменов из поселка// Комсомольская Правда. 29 июня 2012, <https://www.kp.ru/daily/25907/2863688>.

50 Российская Арктика в 2016 году. Развитие портов Северного Морского Пути.

will inject new impetus into the new phase of China-Russia comprehensive strategic partnership of coordination, and will contribute to safeguarding Arctic peace, stability and sustainable development. From the Chinese perspective, it is important that the deepening of China-Russia Arctic cooperation follow the parallel tracks of “China-Russia synergy” and “all-party participation.” China should actively expand cooperation platforms for exploring the Arctic with other Arctic countries and stakeholders, and comprehensively assess the geopolitical, economic and security effects of relevant construction.

First and foremost, policy must be guided by sustainability. Sustainability is the basic principle of China’s participation in Arctic affairs.⁵¹ “Knowing the Arctic” and “protecting the Arctic” are the basic premise for all human activities in the Arctic, and local governments and aboriginals in Russia’s Arctic area also focus on issues such as environmental effects, technical standards, potential crisis of biological diversity, and social responsibility of enterprises. The core of China-Russia Arctic cooperation lies in rigorously maintaining the “macro” sustainability of development and conservation and the “micro” sustainability of China-Russia relationship itself. On one hand, the two countries should, under the premise of Arctic sustainable development, coordinate on specific agendas like policy orientation, technical standards and investment patterns. On the other hand, they should step up mid- and long-term planning of bilateral Arctic cooperation, and incorporate such issues as the impact of Arctic ice-area drilling on ecological and biological diversity, marine pollution in the water area of the Northern Sea Route, ocean acidification, and sustainability of fishery resources into the framework, so as to realize balance between conservation and development.

Second, the two countries should promote “major-project modularization.” The severe natural environment of the Arctic entails special requirements for resource and infrastructure development in terms of knowledge, technology, capital and human resources. There are many uncertainties with regard to the investment cycle and the rates of return. Currently, private companies and small- and medium-sized enterprises are short of risk management capacities for independent

51 “China’s Arctic Policy,” January 2018.

participation in project development. Therefore, state-owned enterprises should shoulder the brunt of major projects in China-Russia Arctic cooperation. Transport infrastructure development of ports and railways should be advanced gradually in proper order, mainly through technological export and equity investment, with a special emphasis on forging replicable and generalizable project models based on the latest experience.

Third, the mechanism of multilateral participation should be introduced. The two countries should systematically guide mid- and long-term participation of various actors and capital in bilateral Arctic cooperation, learning from the cooperative model of the Yamal LNG project, which featured multiple shareholders, multiple financing platforms and risk allocation. As for stock distribution, participants in the project have created a unique balance, with Russian Novatek holding 50.1% of shares, French Total Company 20%, while China National Petroleum Corporation (CNPC) and the Silk Road Fund together constitute 29.9%.⁵² The financing and commercial insurance of the project are also conducted in a diversified manner, with participation of the Deutsche Bank, Euler Hermes, and the Swedish National Export Credits Guarantee Board.⁵³

Fourth, the two countries should attach great importance to the guiding role of scientific research and technological support. The scientific experience garnered by China's participation in Arctic affairs is determined by the special characteristics of the Arctic. As the most active element and the major vehicle of Arctic affairs, polar scientific research plays a crucial role. China and Russia should strengthen Arctic comprehensive research, especially the assessment of climate change and its impact on the environment, and intensify forward-looking analysis of project risks and force majeure. The two countries should also step up coordination in all working groups within the Arctic Council, and promote outcome exchanges and data sharing between research institutions and universities. In addition, the technological development of relevant equipment manufacturing and shipbuilding industries is a necessary precondition for realizing secure, green and sustainable development of the Arctic. 

52 "LNG Tanker 'Christophe de Margerie' Started First Voyage through Northern Sea Route," August 1, 2017, http://www.novatek.ru/common/tool/stat.php?doc=/common/upload/doc/CDM_ENG.pdf.

53 «ЯМАЛ СПГ» Привлек финансирование под страховое покрытие экспортных кредитных агентств Швеции и Германии. // ЯМАЛ СПГ. 13 июня 2017, <http://yamallng.ru/press/news/31096>.