



Is China Changing the Game in Trans-Polar Shipping?

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OE Watch Commentary: For more than a decade, Russian policymakers have fruitlessly tried to turn the Northern Sea Route (NSR), which connects Asia and Europe along Russia's northern coastline, into a viable commercial shipping route. The People's Republic of China financial muscle might finally be able to make their long-sought dream a reality. The idea has appeal for Chinese shipping companies, since it would cut between 1,370 and 4,600 kilometers off the trip between ports in China and Western Europe, theoretically saving both time and money by bypassing the Suez Canal. It also has appeal for Chinese policymakers; opening the NSR could secure access to natural resources and ease China's "Malacca dilemma."

At the moment the NSR is passable by normal cargo ships for only a few weeks each year, and transit speeds are lower than the Suez route because of ice in the water. Writing in *Jamestown's Eurasia Daily Monitor* in 2016, Dr. Vladislav Inozemtsev was scathing about the route's present economic viability: "There are no repair or fueling facilities suitable for modern ocean vessels anywhere along the entire route. Moreover, the icebreakers now in use are able to produce a 25-meter-wide ice-free passage, which means the NSR cannot be used by either Suezmax or Panamax container ships. To make it appealing to the world's largest shipping companies, the Russian leadership will need to invest tens of billions of dollars in a new generation of icebreakers and local infrastructure. But to do this, transit tariffs will have to skyrocket, thus leaving the southern route [through the Suez Canal] as the best possible option for shippers..."

China's entry onto the scene could be a game-changer. Where Russia lacks the political will and financial muscle to make the scheme commercially viable, the PRC may have the deep pockets, and the economic and strategic rationales needed to see things through to completion. In a July 2017 meeting with Russian Prime Minister Dmitry Medvedev, Chinese Communist Party (CCP) General Secretary Xi Jinping declared Russia and China should "develop their cooperation on arctic shipping routes, jointly building a 'silk road on ice'".

The PRC's policymaking apparatus has responded to this signal from its top leader: China's State Council issued the country's first "Arctic White Paper" in January; ministerial working groups from both countries are negotiating the outlines of potential cooperation; and PRC think tanks have been set to work expounding upon the potential benefits of the project. The PRC analyses produced so far tend to frame new shipping routes as the most important outcome of Sino-Russian polar cooperation, followed closely by the potential for new natural resource extraction.

The CCP clearly believes in the long-term gains that can be reaped from financing polar infrastructure projects that are otherwise economically unviable, particularly when strategic justifications exist, such as securing access to natural resources, or cargo routes that ease the Malacca dilemma. PRC financial institutions provided \$12 billion of the \$27 billion necessary to bring Russia's massive new Yamal LNG project online. Prior to the PRC's involvement, the project was floundering.

Among the things to follow closely, observers wanting to gauge the progress of the Sino-Russian joint effort should keep an eye on three indicators:

- PRC investment in shipping infrastructure on Russia's northern coast
- PRC investment in Northern European transport infrastructure
- Sino-Russian joint development of extra-wide next-generation icebreakers

PRC media reports indicate that the first two are in the exploratory phase. The last is speculative, but not entirely implausible. Much like the rest of its Arctic agenda, it is unclear whether Russia can afford the \$2 billion-per ship price tag of its recently announced Lider-Class icebreakers—which could open paths wide enough for Panamax cargo ships—without PRC financial assistance. **End OE Watch Commentary (Schrader)**

“China's policy goals on the Arctic are: 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 promote sustainable development of the Arctic.”

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

China is an important stakeholder in Arctic affairs. Geographically, China is a "Near-Arctic State", one of the continental States that are closest to the Arctic Circle...China enjoys the freedom or rights of scientific research, navigation, overflight, fishing, laying of submarine cables and pipelines, and resource exploration and exploitation in the high seas, the Area and other relevant sea areas, and certain special areas in the Arctic Ocean, as stipulated in treaties such as the UNCLOS and the Spitsbergen Treaty, and general international law.

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To develop the Arctic, China will improve the capacity and capability in using applied Arctic technology, strengthen technological innovation, environmental protection, resource utilization, and development of shipping routes in the Arctic, and contribute to the economic and social development of the Arctic...