A Russian Perspective on China’s Arctic Role

Russia's need for new partners is opening the door for China in the Arctic.

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On September 1, Russian President Vladimir Putin and Chinese Vice Premier Zhang Gaoli launched the construction of one of the largest joint gas projects in the world – the Sila Sibiri (Power of Siberia) pipeline. The pipeline will deliver gas from Siberia in the Yakutia Republic (Chayandinskoye field) and Irkutsk region (Kovyktinskoye field) to China and Russia’s Far East. Putin has also announced the possibility of Chinese companies joining in the exploration of Rosneft’s biggest production asset, Vankor Field, from which gas is delivered to China in line with the accord signed between Rosneft and the China National Petroleum Corporation (CNPC) in 2013. Earlier this year, privately owned Russian gas producer Novatek signed a deal with CNPC for the annual delivery of three million tons of liquefied natural gas from their joint Yamal LNG project for the next 20 years. Rosneft is also negotiating a joint exploration of the Barents and Pechora Seas’ shelves with CNPC.

In recent years the Russian government has been reluctant to allow Chinese companies to take a stake in Russian oil and natural gas fields. However, with a changing geopolitical situation, marked by highly tense relations with Europe over Ukraine and China’s transformation into the world’s second largest economy, the Russian state seems to be making its own pivot to Asia. Therefore, joint Sino-Russian energy projects, particularly in the Russian part of the Arctic, are becoming an area for strengthening bilateral cooperation. For Russia this collaboration may help to improve two crucial issues: increased energy security and strengthening economic cooperation with the Asia Pacific. For China this will ensure diversification of its oil and gas imports and help supply its growing energy demands. Such initiatives are also backed by the Russian energy companies Gazprom, Rosneft and Novatek, which consider energy cooperation with China a way to diversify their energy exports. However, there are a number of factors that will influence Russia’s position on China’s involvement in the High North.

For Russia the Arctic region has always been a part of the state’s vital economic and national security interests. During the Soviet era the Russian part of the Arctic was closed to foreigners. Only in the early 1990s, with the end of the Cold War, did the situation change. The Northern Sea Route was finally opened to foreign ships, and international energy companies were invited to develop energy projects in the Russian High North. The prime motivation for Russia to attract more participants to such projects at present is that the country desperately needs foreign investment and technology to develop its shipping and oil and gas industries, as well as overcome environmental risks. Without large-scale investment and expertise, these initiatives are likely to be poorly implemented. At the same time, security concerns are pushing Russia to bolster its military capacity in the Arctic by reestablishing bases and
reequipping its forces to guarantee human safety and protect its sovereignty in the region.

That is one of the reasons why Russia maintains a rather rigid position on preserving the region only for the Arctic states. Its stance was articulated in the Ilulissat declaration in 2008, which asserted the predominant role of the five coastal states in territorial issues and resource development in the Arctic Ocean. It also explains Russia’s rather cautious stance on China’s application for observer status in the Arctic Council (AC), and the fact that Moscow was one of the major proponents for setting clear rules to limit the participation of observers in the AC. Commenting on the AC enlargement, Russian Prime Minister Dmitry Medvedev emphasized that the Arctic states are the ones to define the rules for governance in the region. However, Russia now faces a critical dilemma of how to balance its economic and security interests in the region.

As for China, its current official position is in line with Russia’s interests. By joining the Arctic Council, Beijing confirmed its respect for the Arctic states’ sovereign rights. At present, official statements have been limited to emphasizing the critical importance of the region to China in terms of environmental issues and economic interests. Several factors support this cautious approach. The first concerns the existing uncertainties about the future of Arctic shipping and natural resources extraction. It appears at present that China aims to stake out a share in the Arctic projects while assessing further opportunities for economic activities in the region. This flexible position enables China to observe and react according to the situation. Another factor is geographical: China is not an Arctic state. By improving collaboration with Arctic states and being involved in projects, China establishes its physical presence in the region. Finally, China’s flexibility could be explained by the fact that an assertive position on the existing territorial disputes could possibly undermine its own contested claims of sovereignty in the South China Sea.

However, some Chinese scholars and officials have expressed views that run counter to China’s moderate official stance on the Arctic. Take Qu Tanzhou, director of the Chinese Arctic and Antarctic Administration, for instance: “Arctic resources ... will be allocated according to the needs of the world, not only owned by certain countries.” Chinese Rear Admiral Yin Zhuo went even further, stating that the “current scramble for the sovereignty of the Arctic among some nations has encroached on many other countries’ interests.” Statements like this are widely cited in Chinese and foreign media and are a cause for concern, first and foremost among Arctic states, about possible changes in official Chinese policy. The best way to minimize possible conflicts would be to establish a legal regime in the Arctic that would regulate regional economic activity and satisfy the interests of stakeholders, including non-Arctic states. Until then, the situation will remain rather uncertain.

Therefore, despite Russia’s turn to China and emerging prospects for cooperation between the two powers in the Arctic, Sino-Russian relations in the region are not entirely positive. On the one hand, there is mutual interest in developing a collaboration, while the current geopolitical situation pushes Russia to strengthen ties with its eastern neighbor. On the other hand, there are internal and external uncertainties surrounding the further development of relations between Arctic states.
Even though at present Russia is keen for Chinese involvement, the government will most likely keep the energy sector under its control, and therefore legally limit Chinese involvement in High North energy projects. China’s corruption crackdown makes the country much more cautious about investing in risky, high-cost projects. As for external uncertainties, besides the deal with China’s CNPC, Gazprom and Rosneft have signed agreements with Western energy companies such as French Total, Italian Eni, American ExxonMobil and Norwegian Statoil, which aim to jointly develop offshore oil and gas projects in the Russian part of the Arctic. These companies provide Russia with sorely needed expertise and technology for offshore exploration. However, recent sanctions against Russia by the West over the crisis in Ukraine could hamper these projects.

In the long term, the most efficient policy for Russia will be to balance its energy exports between West and East in order to reduce its dependency on any particular energy market and avoid the inherent security risks. Even though in the short term China will most likely continue its cautious Arctic policy, as it strengthens relations with Arctic states and increases its involvement in Arctic projects, it is likely to develop a more assertive long-term policy.

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