Great Power Politics in the Arctic

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Polar Silk Road

- China has numerous strategies for the risks posed by maritime choke points
- Polar Silk Road, String of Pearls, Silk Road Economic Belt, Maritime Silk Road, and One Belt One Road are all components of a greater national strategy to become dominant in every major region
- China is playing a long game in resource supply and transit security
- China’s Arctic Strategy (released Jan. 2018) identifies Arctic shipping routes as being critical to China’s economy and energy strategy. Commits China to “build a ‘Polar Silk Road’”.

Image Credit: CNN, With Sri Lankan port acquisition, China adds another 'pearl' to its 'string'
## PRC Investments in Arctic States (2012 – 3/2018)

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>GDP</th>
<th>GDP per capita</th>
<th># of Transactions</th>
<th>Average Transaction Size (Million USD)</th>
<th>Total Value (Billion USD)</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>35,362,905</td>
<td>$1.53 trillion</td>
<td>$46,400</td>
<td>107</td>
<td>$442.1</td>
<td>$47.3</td>
<td>2.44%</td>
</tr>
<tr>
<td>Greenland</td>
<td>57,728</td>
<td>$1.06 billion</td>
<td>$37,600</td>
<td>6</td>
<td>$33.4</td>
<td>$2.00</td>
<td>11.6%</td>
</tr>
<tr>
<td>Iceland</td>
<td>335,878</td>
<td>$20.05 billion</td>
<td>$49,200</td>
<td>5</td>
<td>$30.8</td>
<td>$1.2</td>
<td>5.7%</td>
</tr>
<tr>
<td>Norway</td>
<td>5,265,158</td>
<td>$370.60 billion</td>
<td>$69,400</td>
<td>17</td>
<td>$147.9</td>
<td>$2.5</td>
<td>0.9%</td>
</tr>
<tr>
<td>Russia</td>
<td>142,355,415</td>
<td>$1.28 trillion</td>
<td>$26,900</td>
<td>281</td>
<td>$691.7</td>
<td>$194.4</td>
<td>2.8%</td>
</tr>
<tr>
<td>USA</td>
<td>323,995,528</td>
<td>$18.62 trillion</td>
<td>$57,600</td>
<td>557</td>
<td>$340.6</td>
<td>$189.7</td>
<td>1.2%</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>884</td>
<td>$508.66</td>
<td>$449.66</td>
<td>-</td>
</tr>
</tbody>
</table>

Investments in the Arctic region (60 North) ~90 billion
Chinese Financing in the Arctic

- Observed trend line: bigger investments in fewer projects
  - More research is needed
  - Many countries have expressed suspicion over Chinese FDI – research collaboration is a toe-hold

- On China’s Radar:
  - Yamal LNG – the crowing jewel in their current portfolio
  - Data Silk Road through the Arctic [Finland/China JV)
  - Development of both the NWP and NSR. Equity position?
  - Greenland announced permanent representative to Beijing for trade purposes (July 2018)
  - Alaska oil and gas resource development discussions

- Chinese Companies have advantage in lending: rates don’t have to be economical if resource presents strategic opportunity; default risk can be (and often is) removed
  - Conventional sources of lending and other public finance outfits (US EXIMBANK) can’t compete with these terms
How Can the U.S. Compete?

• Need Funding for US Infrastructure
  – Public Private Partnerships.
  – Only scratches the surface… most of the economic action is to
    the East and the U.S. should be a player because it impacts the
    Western Arctic (e.g., transiting ships)

• Need Positive Incentives for US companies to Engage in Other
  Arctic States and Compete Effectively vs. Chinese Companies
  – Consider legislation to provide below market rate funding & OPIC
    assistance for US companies to engage in Arctic development in
    other countries
  – Consider moratorium on some Russia sanctions when suits a US
    economic security interest & involves the Arctic.

• Need incentives for non-Chinese Actors to be able in invest in
  Arctic
  – FDI Standards
  – Arctic Development Bank