

# China Offers New Silk Road To Northern Europe Through the Arctic Back Door

by Ulf Sandmark

*Ulf Sandmark writes from Sweden.*

Jan. 20—Thousands of regular cargo trains of the Chinese Belt and Road Initiative (BRI), or the New Silk Road (NSR), have reached Western Europe. But in Northern Europe the cargo trains only reach as far as the shores of the Baltic states (the harbors of Riga in Latvia, and Klaipeda in Lithuania) and the railway station at Kouvola in Eastern Finland. Now, however, China is reaching out to the coasts of Scandinavia and Northern Europe through the Arctic “back door” from the Pacific Ocean, using the Northern Sea Route (NSR), which stretches its way westwards to Europe between the polar ice and the northern Siberian coast.

Actually, Hu Angang, a leading Chinese economist at Tsinghua University, coined the term “One Circle”—referring to the encirclement of the entire Eurasian land mass by the completion of the northeast passage—to go along with the “One Belt, One Road.” The ongoing melting of the Arctic ice—a phenomenon of the far North not to be confused with non-existent global warming—makes this sea route practicable already today. Russia is building a series of the world’s largest icebreakers in order to expand the use of this route. China officially included the Arctic Route as part of the Maritime Silk Road in its [“Vision for Maritime Cooperation under the Belt and Road Initiative”](#) of June 20, 2017.

Just days ago on January 26, the Chinese government launched its first [Arctic Policy White Paper](#) towards building a “Polar Silk Road.” The policy paper says that China hopes to work with all parties to build a “Polar Silk Road” by developing the Arctic shipping routes. Chinese enterprises are encouraged to participate in infrastructure development for these routes and



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*View of Arctic polar land and sea routes.*

conduct commercial trial voyages. China is also eyeing development of oil, gas, mineral resources, fishing and tourism in the region, jointly with the Arctic States, while respecting the traditions and cultures of the Arctic residents including the indigenous peoples, and conserving the natural environment.

The resources waiting to be developed—waiting only for the human race to discover the technologies needed to facilitate such development in a harsh environment, in a manner acceptable to human habitation—include vast deposits of gold and other minerals, as well as an estimated 30% of the world’s undiscovered natural gas and 13% of its undiscovered oil, according to the U.S. Geological Survey.



LNG carrier "Christophe de Margerie" at port in Sabetta. Photo: Yamal Nenets

## New era starts on Northern Sea Route

Today's shipment of LNG from Sabetta marks the onset of a period of big growth in Russian Arctic shipping.

Yamal Nenets

*The new harbor of Sabetta and Russia's new Northern Latitude Railway open up the exploitation of the huge gas fields by the Arctic Yamal LNG project.*

Along the NSR, the huge gas fields on Siberia's Yamal Peninsula are just now being opened up. It is about two thirds of the way from the Pacific to the Atlantic at the northern end of the Ural Mountains. The huge natural gas deposits of this region are being developed by a consortium involving Russia's Novatek, France's Total, and the China National Petroleum Corporation. Japan is also involved. There at the mouth of the Ob River, the brand-new big harbor of Sabetta has been built along with Russia's Arctic flagship project, the Yamal LNG project. The new Northern Latitude Railway connects Yamal with the Russian railway system to the south, ensuring year-round transport of the region's mineral resources.

At the same time, the world's largest liquefied natural gas (LNG) tanker, *Christophe de Margerie*, has been built by Daewoo Shipbuilding Marine Engineering (DSME) in Korea. Just weeks ago on December 6, 2017, it set out on its first trip from Sabetta. This tanker carries up to 172,600 cubic meters of LNG, has ice-protect-

tion level Arc7, and is capable on its own of breaking through 2.1 meters of ice. It is the first of 15 ships of this kind to serve the new natural gas project. The tanker has an engine power of 45 MW, which is "comparable to a nuclear-powered icebreaker," natural gas company Novatek says.

Even by itself, the Yamal LNG project will result in a major growth in Russian Arctic shipping, as it alone will produce up to 17 million tons per year. A second projected LNG plant, Arctic LNG-2, will produce another 17 million tons when it comes online, presumably in 2023. The estimates from the Russian Ministry of Natural Resources show that shipping volumes could increase to as much as 67 million tons by 2025 and to 72 million tons in 2030. Half of it will be LNG, and much of it will be shipped eastwards into Asia through the ice-covered waters of the Russian east Arctic, the [Independent Barents Observer](#) reports.

Initially, the shipments along the NSR will primarily involve its eastern part, servicing the Yamal project, and also deliveries of heavy machinery up the river Ob-Irtysh. On its maiden voyage in August 2017, the tanker *Christophe de Margerie* traveled from the LNG plant at Melkoya at the Northern tip of Norway, to South Korea in 19 days. It was a record time—actually only six days, 12 hours and 15 minutes for the NSR part, and also the



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*A LORE class pair of electric locomotives built in Germany, belonging to the Swedish MTAB company—designed to pull ore trains—is shown here pulling empty ore cars near Torneträsk (the lake in the background), in northern Sweden.*



cc/kremlin.ru/

Part of the Sovcomflot fleet, the world's largest LNG ice-breaking tanker, the Christophe de Margerie, set out on its first trip from Sabetta. It can break through 2.1 meters of ice. It made the trip to South Korea in record time.

first-ever trip of a merchant vessel without ice-breaker escort. These sorts of transits along the whole route of the NSR are still very few.

However, China is investing further westwards in another major development zone, that of the Arkhangelsk region south of Murmansk. In Russia near the borders of Norway and Finland, China's Poly Group Corporation is planning a \$5.5 billion development project, involving a new deep-water port and a rail connection to the south (the Belkomur rail project). Coal, mineral fertilizer, oil, timber, ores, construction materials and containers are the main cargo to be transported by the new railway to Arkhangelsk, and reloaded for sea transport at the new port. Igor Orlov, the governor of Arkhangelsk, estimates that the [project](#) will generate 40,000 jobs when it is completed in 2023.

The new Murmansk harbor is a node of the intermodal East-West Cargo Transport Corridor connecting China over the land corridors of the New Silk Road with the Ameri-

can East Coast and Great Lakes region. This project was negotiated by the Norwegian consulting company Transportutvikling and the International Railway Union (IUC) with support of the Chinese shipping giant COSCO.

## The Arctic Railway in Finland

The easternmost Norwegian port is Kirkenes, which is where the Finnish northern regions seek to connect the Finnish Arctic Railway project. This railway would connect with the famous home town of Santa Klaus, Rovaniemi, in Finland to the south, which is

now the northern end-station of the Finnish railways. The Arctic Rail project would open up a big mining region in northern Finland and Sweden for rail transport, whose product could be shipped out north to the Atlantic and NSR, instead of via the Baltic Sea. Kirkenes would also make the NSR itself more economical, because the ice-protected ships classed for going through the NSR, are more expensive when used on the open sea to the west. Kirkenes could offer unloading of the ship cargo for further transport south by rail to continental Europe.

In the south of Finland, there is a Finnish-Estonian plan to build an undersea railway tunnel between Helsinki, Finland, and Tallinn, Estonia. A first feasibility report financed by the EU is expected next month on construction of this so-called FinEst Link by 2050. In November 2017, the Finnish IT billionaire Jan Vesterbacka called for building this 80 km tunnel in just five years, by bringing in Chinese technology and financing. The tunnel would create a region of one mil-



The Poly Group Corporation of China is planning a new deep-water port and a rail project south of Murmansk, Russia.



Sovcomflot/Thomas Nilsen

*Close-up photo of the Christophe de Margerie, part of the Sovcomflot Arctic fleet. Sovcomflot is an experienced operator of ships in the Arctic.*

lion people out of the two capital cities. Its cost is estimated at 13 billion euros. At the same time, the 3 billion euro Arctic Rail project is looking to China for financing. These two projects together will be integrated with the planned 3.6 billion euro Rail Baltica high-speed rail line, which will run from Tallinn to Poland, and there link into Western Europe's rail networks, enabling a direct rail link from Helsinki to Berlin and beyond.

China is already investing in Finnish industry. China's Sunshine Kaidi New Energy Group invested \$1.13 billion in a new wood-based biodiesel plant in the northern city of Kemi. More Chinese investments are on the way.

Finland, just having re-elected president Sauli Niinistö, has excellent relations with China. It received China's President Xi Jinping on a state visit in April 2017, the first ever of a Chinese President to Finland. Finland is one of the member states of the Arctic Council (with Russia, the United States, Norway, Sweden, and Denmark) and took over the two-year chairmanship from the USA at the biennial summit in Juneau, Alaska in March 2017. President Xi has arranged for Finland to represent China in meetings of the Arctic

Council. Chinese cooperation with the Arctic Council, where China has assumed the status of an observer, is in the center of China's Arctic policy paper mentioned above.

China has been reaching out to the other Scandinavian Arctic nations Norway, Iceland and Denmark, to establish Arctic research facilities on Danish Greenland, the Norwegian island of Spitsbergen, and in Iceland. Strong support from Iceland was important in obtaining observer status for China in the Arctic Council.

The deliberations of the Council have thus far quite successfully avoided efforts to introduce geopolitical conflicts. In fact, U.S. collaboration with Russia in the Arctic, as also in the space program, has been

both friendly and mutually beneficial, despite the fact that Obama's 2014 U.S. sanctions on Russia essentially shut down extensive investments by Exxon and other oil companies in the Russian regions of the Arctic—to the detriment of both nations.

NATO member Norway has promoted cooperation with Russia for the development of its "High North," where the exploitation of the energy resources in the Barents Sea was pioneered by the Norwegian oil companies. Norway has been the leading promoter in Europe for the NSR. This is why the world's largest-



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*LNG carriers under construction at the Daewoo Shipbuilding & Marine Engineering (DSME) shipyard in Korea. The Christophe de Margerie was built by DSME, and is operated by Sovcomflot.*

ever conference on the Arctic, with 3,000-3,500 participants from all over the globe, met Jan. 21-26, 2018, in Tromsø, Norway, more than 200 miles north of the Arctic Circle (see article, p. 33).

## **China's Interest in Scandinavian Infrastructure**

Hongkong-based company Sunbase, as a leader of a Chinese consortium, offered to build a new harbor in a fjord north of Gothenburg on the Swedish Atlantic coast in November 2017. It would have the capacity to receive the biggest container ships in the world, which currently have no harbor deep enough in Sweden. This harbor would also be an early stop in Western Europe for the NSR.

The new harbor at the city of Lysekil would have a berth 1,800 meters long and 1,000 meters wide. The plan includes a new bridge, new roads and railways, a terminal for cruise ships, and also urban development. It would be a huge investment in a nation starved for decades of infrastructure development and jobs. It has been welcomed by the city administration, so the Chinese have been asked to present a more detailed plan.

However, the harbor offer has met a storm of protests from the national public radio and other major media, and by locals and security analysts. In the geopolitically-charged climate of Russia-bashing in Sweden, not only Russia, but also China is being attacked for allegedly having colonial and military interests in connection with harbor development projects internationally. The Belt and Road Initiative is being slandered as a policy to project Chinese military and political domination. The participation, in July 2017, of Chinese naval units in military exercises with the Russian fleet in the Baltic Sea, has been highlighted in this debate. The result was that the Chinese consortium announced its decision to pull out of the project on Jan. 30, 2018.

This Swedish China-bashing is very ill conceived, as it could deter Chinese interest in building much-needed Swedish high-speed railway systems. It could also imperil the huge Chinese investments in the Swedish auto sector. Two Chinese industrialists have bought the two Swedish car factories in this region, Volvo Cars, based in Gothenburg, and the former Saab car factory in Trollhättan, where electric-powered cars for China will be produced with the brand name Nevs. On Dec. 27, Volvo Cars owner Geely Holding Group of China, announced it had bought a large minority share (15% in

voting rights) in the Swedish truck and construction machine producer Volvo. These Chinese investments in these automotive industries have brought Sweden into one of the world's greatest technology-sharing projects with China.

A Chinese delegation recently visited Norway to discuss the construction of a Chinese-built high-speed rail system from Oslo, Norway, to Stockholm, Sweden, the Norwegian daily *Dagsavisen* reported Jan. 11. The delegation was led by Huang Xin, vice president of the China Association for Promoting International Economic and Technical Cooperation, which is a part of the China Overseas Investment Union. Huang Xin said: "We would be happy to cooperate with Norway and Sweden in this project, both with labor, with our competence, and in contributing to the financing of the project." It is a part of "the Chinese strategy for international investments in infrastructure," Huang Xin said.

The project would cost SEK170 billion (about \$20 billion) and reduce the travel time to 2.5 hours. The current railway was built in the 19th century, with very little improvement since. The Norwegian Alf S. Johansen has been promoting this idea for the last five years. He is the coordinator for the EU project TENTacle and head of the secretariat for the border committee for the regional cooperation between the two neighboring regions in Sweden and Norway, Värmland and Östfold. He said to *Dagsavisen* that he had found a very good response from the Chinese. Referring to the "One Belt, One Road," *Dagsavisen* quoted Johansen saying: "With the complete realization of the project, you would go directly from Bergen [Norway] to Moscow and Beijing."

## **Denmark a Global Maritime Hub**

Scandinavian shipping to China is dominated by Denmark and its global container shipping company Maersk. Maersk's background is in the Danish East Asian Company, which dominated Danish business for a hundred years up to the 1990s, when its shipping lines were taken over by Maersk.

On January 22, 2018, the Danish minister of business, Brian Mikkelsen, announced a plan to develop Denmark into a Global Maritime Hub by 2025. The plan, called Blue Denmark, will develop the maritime industry in all parts of the nation. Denmark is already the most China-oriented nation in Europe today. Bilateral trade has increased steadily since the 2008 "strate-

gic partnership” between the two nations. Denmark has the highest proportion of China’s trade, 6%, among the Nordic nations, especially because of shipping services from Maersk.

## **Conclusion**

The many China-sponsored projects with the Nordic countries announced in the last months, signify that the Nordic nations finally are starting to open up for China’s BRI. These nations, like all of North Western Europe, have been very late to respond to the BRI. When the U.K. applied to become a founding member of the Asian Infrastructure Investment Bank, Denmark also joined, and then Sweden and Norway joined on the

last day. It attended the Belt and Road Forum in Beijing (BRF) in May 2017. When, in the very last hours, the British decided to send a minister, then Denmark, Finland and Sweden also joined on a ministerial level on the last day. But no Nordic head of state or government attended the forum. As reported, Finland’s President, Sauli Niinistö, received Chinese president Xi Jinping at his home. However, in May, just before BRF, the prime minister of Denmark visited Beijing and President Xi. Then, in June, both the prime ministers of Sweden and Norway went to China to meet him. Important accords were signed, and the fruits of these breakthroughs are now coming in the form of proposals for project cooperation in the whole Arctic region.