

#7 China's arctic strategy in Iceland and Greenland

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Key Takeaways

- China's Arctic strategy, in particular as it materialises in Iceland and Greenland, leads us to conclude that China's growing presence in the Arctic is not a direct threat to European countries but rather a long-term strategic issue of great importance, but not great urgency.
- Above all, China shows the power of presence by claiming a seat at the table in the Arctic Council and by investing in strategic sectors and diplomatic relations with Arctic states.
- Europe's challenge will be to re-engage with Iceland and Greenland, and China's presence there, in a similar multi-layered way, coordinating short-, medium- and long-term strategies.

Recommendations

1. **European countries:** *Take opportunities in the short term:* China's growing presence in the Arctic provides a huge opportunity, especially in the short term, for European research as well as for the economies of the European Arctic countries.
2. **European countries:** *Prepare for competition in the medium term:* In the medium term, European countries should prepare for commercial competition with China, the US and Russia over the potential gains of an ice-free Arctic.
3. **European countries:** *Build presence in the long term:* China challenges European countries to rebuild a strong geostrategic presence in the High North, (re)embracing issues of security and great power competition, not to aggravate but to lower tensions between China, the US and Russia.
4. **The Netherlands:** should advocate for a more pronounced EU Arctic policy.
5. **The Netherlands:** should support strategic adjustments to the EU's raw materials policy and its support for Overseas Territories (like Greenland), fisheries and (digital) connectivity policy.
6. **The Netherlands:** should step up its diplomatic ties with Iceland and Greenland
7. **The Netherlands:** should also consider how it can reinforce its direct ties with Iceland and Greenland, for instance through intensified science cooperation.
8. **The Netherlands:** could also enhance dialogue with other Arctic states (e.g. with Finland) on China's growing presence, reconsider how EU policy towards Russia may have unintended consequences for intensified Sino-Russia relations in the Arctic and start a debate on an inclusive forum to discuss the geopolitics of the Arctic and think about confidence-building measures.

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Executive Summary

China's growing presence in the Arctic is already reshaping circumpolar politics in fundamental ways. This report examines the long-term drivers behind China's Arctic engagement, how China is currently shaping Arctic relations, and how Europe and the Netherlands should respond.

China's engagement with the Arctic began as a geopolitical conundrum during the Cold War, when the Arctic was seen as a vital part of China's security environment over which it had no control. Following China's policy of opening up, Arctic engagement was further fuelled by commercial interests within the context of its maritime strategy, leading to an increasingly influential role in scientific exploration and Arctic governance. Since Xi Jinping took office in 2012, China's Arctic policy has adopted an explicit geopolitical purpose within the context of China's geo-economic expansion, maritime ambitions, and changing relations with the US and Russia. China aims to build a significant geostrategic presence, not to dominate the region, but to translate that presence into power if and when Arctic geopolitics intensify.

China's focus lies primarily in the opening-up of the Northern Sea Route (NSR) along the Russian coast. Due to climate change, the NSR is expected to become fully operational and ice-free throughout the year by 2030, creating a major shipping hub between Asia and Europe free from US dominance. In parallel, Huawei Marine is involved in laying communication cables along the NSR through the Arctic Connect project, raising concerns over increased Chinese intelligence-gathering capabilities and the possible development of an undersea surveillance system.

Iceland and Greenland are focal points in China's long-term Arctic strategy. Both have invited high levels of Chinese investment and have become locations where China has built an impressive geostrategic presence using voids left by European policy. In Iceland, cooperation accelerated after the 2008 financial crisis and the 2013 free trade agreement with China, with China becoming a major export destination and expanding its diplomatic presence. In Greenland, China expanded its presence following the 2008 Self-Government Act, focusing on polar research, natural resources, and infrastructure, while Greenland seeks investments to diversify its economy and reduce dependence on Denmark.