

One of Three Roads: The Role of the Northern Sea Route in Evolving Sino-Russian Strategic Relations

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Summary

Since Chinese President Xi Jinping assumed power, Sino-Russian economic relations have greatly improved, with a concentration on building trade links which are less dependent on the West. During 2014, the 'pivot to Asia' policies under Russian President Vladimir Putin were accelerated, while China proposed the 'Silk Road Economic Belt' in Eurasia and the '21st Century Maritime Silk Road' in the Indian Ocean. Both routes may serve to further unite Chinese and Russian economic and strategic interests. Yet a third road, namely the Northern Sea Route (NSR) in the Arctic will also factor significantly into the deepening economic ties between Beijing and Moscow as this maritime link between Asia and Europe becomes more frequently used. The NSR should be studied as the 'third road', which may link Chinese trade with Europe but also further improve Sino-Russian economic relations.

Introduction: The 'New Normal' in Sino-Russian Relations

Since the Russian government under President Vladimir Putin announced its watershed 'Pivot to Asia' foreign policy initiative in 2013, economic and strategic relationships between China and Russia have come under greater international scrutiny due to China's growing need for energy and raw materials and Russian interests in tapping further into Asian economic growth potential. Moscow's decision to deepen its diplomatic and economic relations with East Asia, especially with China, came as an acknowledgement that the centre of financial power in the international system had shifted to the Pacific Rim following the post-2008 global recession, and highlighted concerns in Russia that its relations with the West, including Europe, were beginning to sour.

A similar situation was developing in US-Russia relations, despite initial optimism following a 'reset' policy, announced by President Obama during a July 2009 visit to Moscow. The defining issue in Russian relations with the West and the decision to engage Asia to a greater degree was undoubtedly

Western condemnation of Moscow's involvement in the 2014 Ukrainian conflict, including the annexation of Crimea and apparent Russian support for ongoing violent secessionist movements, and the carving out of the Donbas region of eastern Ukraine. Russian culpability assumed by Western governments in the Ukraine conflicts and the shooting down of a Malaysian civilian jetliner in the airspace over the disputed zones by pro-Russian separatist forces in July 2014, rendered even more toxic relations between Russia on one side and Europe and the United States on the other.

Although China viewed the events in Ukraine with alarm, and reiterated its longstanding policy that territorial sovereignty of states be maintained, Beijing refrained from criticising Russian actions and did not support sanctions undertaken by the United States and Europe. In March 2014 comments regarding the security situation in Ukraine, a Chinese Foreign Ministry spokesperson stated that while Beijing recognised and respected the role of non-interference and international law, 'we take into account the historical facts and realistic complexity of the Ukrainian issue.'¹

At the same time, China and Russia have increased their cooperation in multilateral regimes such as the BRICS grouping, which has begun to redefine its structures to include embryonic financial institutions, such as the New Development Bank (NDB), designed to counter existing Western-dominated regimes such as the World Bank and Asian Development Bank. Despite a flurry of institution-building in East Asia since the end of the cold war, it has only been in recent years that regimes which exclude the United States and its regional allies, often with core Sino-Russian cooperation, have become more prevalent, raising the question of whether the region as a whole is seeing greater 'rival

1 'Foreign Ministry Spokesperson Qin Gang's Regular Press Conference on March 4, 2014,' *Ministry of Foreign Affairs of the People's Republic of China*, 4 March 2014, <http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2535_665405/t1134077.shtml>

regionalisms' and regime divergences in Asia.² On an international level, there has been a degree of policy coordination of international security issues, including over the conflict in Syria since 2011, which resulted in the frequent use of the 'double veto' by China and Russia at the United Nations Security Council.

Nonetheless, despite a diplomatic warming between Beijing and Moscow, there is also a noticeable shift in power between the two. No longer is China assuming the role of 'younger brother' (*didi*弟弟) in the relationship as was the case during the middle of the twentieth century and prior to the Sino-Soviet Split (*zhongsu jiao'e* 中苏交恶) in the 1960s. Instead, China has consistently maintained high rates of economic growth, even in the wake of the post-2008 financial downturn, and more recently has sought to translate its economic power into an expanded foreign policy in regions outside the Asia-Pacific region, including in Africa, Europe, Latin America and also within the Former Soviet Union (FSU). Moreover, Beijing has demonstrated greater confidence in its foreign policy and in its abilities to develop new institutions and regimes which better fit within China's international interests. The announcement and initial development by Beijing of the 'Silk Road' trade conduit is the most ambitious testimony yet of China's economic power, as well as the shifting power dynamic between China and Russia.

The Opening of the 'Silk Roads' (+ Arctic?)

While the Putin government has sought to shield its economy from the damaging effects of Western sanctions following the Crimean and Eastern Ukraine conflicts, China under Xi Jinping sees Russia, including the Russian Far East (RFE) and other regions of the ex-USSR, as essential components in developing expanded trade routes between East Asia and European markets. President Xi's proposals comprise a 'one belt and one road' (*yidai yilu* 一带一路) strategy of developing new land and sea links with vital Western European markets. Central to these new links is the 'Silk Road Economic Belt' (*silu jingjidai* 丝路经济带), to stretch across Central Asia and the Caucasus and Bosphorus regions, linking Moscow to ports in Northern Europe. In addition to trade, the creation of the 'belt' would entail increased bilateral cooperation between Beijing and Central Asian and Caucasus states along with Russia, and stronger institutional engagement between the Shanghai Cooperation Organisation (SCO), a regional security regime which includes Russia, China and Central Asian states, and the Eurasian Economic Community (EurAsEC) which will give way in January 2015 to the new Eurasian Economic Union (EEU).

These overland routes, similar to trade routes between Imperial China and Europe first established during the Han

Dynasty more than two millennia ago, would be accompanied by a 'Maritime Silk Road' (*haishang silu* 海上丝路) or MSR, which would traverse the Indian Ocean with ports in Bangladesh, India, Sri Lanka and Eastern Africa, and also involve the countries of the Association of Southeast Asian Nations (ASEAN). Like its landlocked counterparts, the Maritime Silk Road has a long historical precedent in the form of Indian Ocean sea routes, traversed by Chinese vessels during the Tang Dynasty (618-907 CE), which linked the Tang Empire with the Byzantine Empire in south-eastern Europe and the Caliphates of southwest Asia, as well as eastern Africa and the Indian subcontinent.

The development of the MSR, which would enhance China as a maritime actor in Asia following decades as primarily a 'continental' power with a primary focus on securing land borders, was the result of a several successful diplomatic initiatives including a South Asia tour by President Xi in mid-2014, as well as diplomatic initiatives which Chinese officials undertook in Southeast Asia during that year. The MSR project, in addition to its potential economic importance, suggests Beijing has become more open to the idea of an 'Indo-Pacific' sphere beginning to develop as East and South Asian financial and strategic interests begin to converge.

In addition, the implicit strategic value of the MSR would be a decrease in the risk of China being subject to a blockage of vital sea-lanes of communication (SLOCs) with a greater Chinese trade presence in the Indian Ocean. A decade ago, as China began to rely more heavily on imported goods, raw materials and fossil fuels shipped from Europe and Africa, concerns were raised about a 'Malacca Dilemma', namely the risk of Chinese maritime commerce being subject to interference in the narrow Malacca Straits in Southeast Asia due to either piracy or direct interference by another government seeking to impede Chinese trade. These announcements confirm Beijing's stronger confidence in both its power projection capabilities, and its 'commercial diplomacy', meaning the ability to translate economic power into other forms, including in the strategic realm. The Silk Road initiatives may also mark a new phase in the economic relationship between Beijing on one side and Russia and Central Asia on the other. The central role of these enhanced trade and diplomatic pathways, according to Beijing, is to engage Russia and the developing economies of Central Asia and to draw European markets closer to Chinese interests.

However, the warming economic relationship between China and Russia has met with resistance further north, specifically in the Arctic, an area which has long been of interest to Moscow but is also the focus of much recent economic interest from Beijing. China sees the RFE / Siberia as essential both as a source of potential resource trade and as a component of the Northern Sea Route (NSR) which Beijing seeks to exploit in developing its Eurasian trade. Russia, while welcoming Chinese trade, is growing concerned about the potential effects of Chinese economic power on its long-evolved Arctic sovereignty. Thus, while it is probable that Russian-Western

2 Andrew Hurrell, 'Hegemony, liberalism and global order: what space Ellen L. Frost, 'Rival Regionalisms and Regional Order: A Slow Crisis of Legitimacy?' *National Bureau of Asian Research, NBR Special Report #48* (December 2014), < <http://www.nbr.org/publications/specialreport/pdf/free/021115/SR48.pdf>>.

tensions may spill over into Far Northern affairs, a quieter but equally serious diplomatic competition may appear between Beijing and Moscow over how best to manage Chinese economic power in the Russian Far East and Northeast.

The North Remembers?

The Northeast Passage extends roughly parallel to the northern coast of Siberia from the Bering Strait and Kamchatka Peninsula to the Barents Sea and the north-western Russian Arctic port city of Murmansk, and is viewed by many Asian economies, not only those of China but also of Japan and South Korea, as a viable short-cut for shipping to European markets. The likely increasing value of these routes has galvanised Arctic states into considering improving infrastructure for handling increased maritime traffic. Until recently, the economic role of the passage was limited by Arctic ice making transit difficult and dangerous without capable icebreaking vessels. The Soviet Union / Russian Federation became the most prolific builder of such vessels, and currently operates forty-two icebreakers, diesel and nuclear, (compared with two operated by the United States). However, with the erosion of sea ice in the Arctic region in recent years, summertime use of the NSR is being viewed as more viable, providing both challenges and opportunities for Russia, and the possibility of another important trade route for China.

Russia has made greater use of the NSR for its own ships. For example the tanker *Vladimir Tikhonov* traversed the route in August 2001, becoming the largest vessel of its type to do so. Two months later, a second tanker completed the run, and in late 2012, the *Reka Ob*, under contract by the Russian energy firm Gazprom, navigated the NSR from Hammerfest, Norway to the Japanese port of Tobata in twenty-eight days, with a shipment of liquefied natural gas.³ In total, seventy-one ships traversed the NSR in its entirety during 2013, compared with forty-six in 2012 and only four in 2010. According to Russian sources, the possibility exists of a thirty-fold increase in shipping by 2020 with the prospect of an ice-free NSR route by 2050. Until that time however, ice and weather conditions would prevent the NSR from achieving anything comparable to the same level of use as waterways further south. The year 2014 presented a sobering reminder of the limits of the NSR, since during that year only thirty-one ships completed the run due to suboptimal conditions.

The opening up of the NSR may also have strategic and legal repercussions for Moscow, especially in the area of maritime sovereignty. During the first two presidential terms of Vladimir Putin between 2000 and 2008, Russian Arctic policy began to assume greater importance, with Moscow re-asserting its security interests in the region. For example, in September 2013 Moscow announced routine naval patrols would be undertaken in northern Siberian waters, shortly after a flotilla led by the Russian heavy cruiser *Pyotr Velikiy* completed passage through the Arctic Ocean via the NSR.

3 'Gazprom Successfully Completes World's First LNG Supply via Northern Sea Route,' *Gazprom*, 5 December 2012, < <http://www.gazprom.com/press/news/2012/december/article150603/>>.

This was followed in August 2014 with the first overflights of the NSR region by Sukhoi Su-34 fighter jets. A month later, a second Russian naval flotilla led by the destroyer *Admiral Levchenko* commenced a run from the northern Russian port of Severomorsk, near Murmansk, to deliver supplies and personnel to a newly-reopened base in the New Siberian Islands in eastern Siberia. Also during September, the Russian Defence Ministry announced that two bases would be re-established at Wrangel Island and Cape Schmidt, both located in the Chukchi Sea region near Alaska.

The economic possibilities of the NSR, as a third potential 'road' linking East Asia to Europe, is of increasing interest to Beijing given its potential value in reducing time and fuel costs for its vessels traveling to European markets. For example, if a given vessel traveling from Shanghai to Hamburg used the NSR, the voyage would be approximately 6400 kilometres shorter than using the common shipping lanes in the Indian Ocean which include the Malacca Straits and Suez Canal.⁴ Future scenarios for China's use of Arctic waterways, especially the Northeast Passage near Siberia, would very likely require maintaining warm relations between Beijing and Moscow. The bilateral energy deals announced between China and Russia in 2013-14 will likely play a part in the broader process, but there are other logistical issues involved in future Chinese use of the passage. Moscow stipulates that all foreign vessels traversing the area must be escorted by a Russian icebreaker, for a considerable fee normally set at hundreds of thousands of US dollars, plus added insurance charges.

Russia is aware of the economic potential of greater numbers of Asian, including Chinese, vessels seeking to make use of the NSR during summer months, and has begun to plan accordingly. The Putin government has been seeking to upgrade its icebreaker capability, including launching the largest nuclear-powered icebreaker in the world, the 50 *Let Pobedy*, in 2007.⁵ As well, there is the potential for additional costs for Arctic shipping in light of the Polar Code negotiations led by the International Maritime Organisation (IMO) to develop minimum safety and environmental standards for ships in the region.

Nonetheless, Beijing demonstrated its commitment to participating in the future economic opening up of the NSR for commercial shipping in August-September 2013 when the Chinese cargo vessel *Yongsheng* (永盛) sailed from the port of Dalian to Rotterdam in thirty-three days via the Arctic route, saving approximately two weeks of transit time. The event marked the first time a container vessel made the journey, and emphasised both the viability of the passage for Chinese and Asian shipping and China's growing maritime prowess. It was suggested during comments by the head of the Polar Research Institute of China (PRIC) in March 2013 that five

4 Marc Lanteigne, *China's Emerging Arctic Strategies: Economics and Institutions* (Reykjavík: Centre for Arctic Policy Research, University of Iceland, 2014).

5 Michael Byers, 'The (Russian) Arctic is Open for Business,' *Globe and Mail*, 12 August 2013.

to fifteen percent of Chinese international trade could make use of the Arctic by 2020, a figure representing an estimated US\$600 billion. Even if that figure proves optimistic, the NSR may well be of significant importance to China's trade interests. Much will hinge on future Sino-Russian diplomatic and economic relations. Yet despite difficult relations between Moscow and Europe in the wake of the Ukraine issue, and as Russia hopes to develop its Asia pivot and likely make use of the Silk Road plans by Beijing, misgivings by the Putin government about China's role in the Arctic may ease.

Conclusions and Recommendations

- Although the number of ships making the run across the NSR appeared set to decrease in 2014, its usefulness to East Asia and especially Chinese interests is unlikely to abate given the ongoing requirement for faster, less expensive trade routes between Europe and Asia. Beijing's announcements of the 'Silk Road' initiatives are the strongest indication yet that China will remain focussed on exports as a primary means of growing its economy and continuing the still-tenuous economic reform process under President Xi. The question will be to determine the specific benefits for those states and economies located along these transit routes, as well as on the NSR. Russia and the Central Asia / Caucasus regions would be among the main beneficiaries of expanded Eurasian trade, thus questioning the effects on these central regions, including the RFE.
- There is the issue of how Europe will respond to these 'new roads' proposed by Beijing. The benefits for European states may be great, given ongoing Chinese demands for European products as well as Europe's continued position as a purchaser of Chinese goods. Much will depend on Europe's economic health in the coming years and its ability to address China's growing economic power. Beijing has signed two free trade agree-

ments with non-EU states, Iceland and Switzerland, and appears ready to deepen its relations with other European partners. The Silk Roads and the NSR may contribute greatly to the engagement process between Europe and China, and must be a source of further economic study. Just as the timetable for the land and sea Silk Roads are an open question, the expanded use of the NSR may also require a considerable adjustment period given the still-difficult travel conditions, even in the summer months, and ongoing global economic uncertainty which has depressed energy and resource prices, reducing enthusiasm for a potential Arctic bonanza in the coming years. Nevertheless, the opening of the NSR, even at a gradual pace, appears ready to create new possibilities for Chinese and Russian cooperation, and it will be up to the international community, including Europe, to take notice.

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