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CHINA AND THE ARCTIC:  
THREAT OR COOPERATION  
POTENTIAL FOR CANADA?

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## ABSTRACT

In the context of climate change in the Arctic, scenarios about the consequences of the ice melting underline the possibility of the opening up of the Northwest Passage to shipping and mineral exploration. The scenarios also point to China as a potentially active stakeholder in this opening up, given the fact that the distance between Europe and China is much shorter through Arctic sea routes than via the Panama Canal. A closer look at the shipping companies' strategies, on the one hand, and at China's Arctic interests, on the other, points to the idea that if China's interest in the Arctic is real, it is not fuelled by a long-term desire to force Canada to surrender its sovereignty over the Northwest Passage. However, China's interest in Arctic affairs could prove a good opportunity for Canada to voice its desire to foster cooperation in the region.

## RÉSUMÉ

Les scénarios sur les conséquences de la fonte des glaces liée aux changements climatiques dans l'Arctique mettent l'accent sur la possibilité d'ouvrir le passage du Nord-Ouest à la navigation et à l'exploration minérale. Ils désignent aussi la Chine parmi les acteurs potentiellement actifs d'une telle ouverture, puisque la distance qui sépare ce pays de l'Europe est nettement moindre par les routes maritimes de l'Arctique via le canal de Panama. Or, en examinant de plus près les stratégies des compagnies maritimes par rapport aux intérêts chinois dans la région, on peut voir que si la Chine accorde à l'Arctique une réelle importance, elle n'envisage pas à long terme de forcer le Canada à renoncer à sa souveraineté dans le passage du Nord-Est. En fait, ces intérêts de la Chine dans les affaires arctiques pourraient offrir au Canada l'occasion de faire valoir son intention de favoriser la coopération dans la région.

## ABOUT THE AUTHOR

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The opinions expressed in this paper are those of the author and do not necessarily reflect the views of the Canadian International Council, its Senate or its Board of Directors.

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## INTRODUCTION

With the onset of an accelerated sea-ice decline in the Arctic, discussion of the opening of Arctic sea routes—the Northwest and the Northeast Passages—and of increased mineral extraction in the Arctic has erupted. In these new Arctic shipping lanes, much shorter (for some carriers) than traditional routes using the Panama Canal or the Suez Canal, a large traffic flow could develop, all the more so with the extraction of hydrocarbons and mineral resources. China, in particular, is often described as being very interested in both Arctic mineral resources and the opening of these shipping routes.<sup>1</sup> In this characterization there is a hint of a perceived threat, as commentators stress that China's appetite may lead Beijing into considering the Northwest Passage an international strait.

To be sure, China displays a real interest in the Arctic, as attested by its applying for observer status at the Arctic Council in 2008 and by its developing research programs in the area. These moves can be better understood in the general frame of China's policy to assert itself as a major power in the 21st century. However, China's initiatives can also provide an opportunity for Canadian policy regarding the Arctic. Indeed, China might not press for an unregulated rush to the Arctic, not least because many of the activities that it may be contemplating are already governed by settled rules of international law.

The first section of this paper will examine China's scientific program in the Arctic to assess its interest in the region; economic dimensions will be discussed in the second section. Given the Canadian interests in the area, a discussion will follow on the implications for Canada that stem from the growing Chinese interest in the Arctic.

## CHINA IN THE ARCTIC: SCIENTIFIC RESEARCH AND REGIONAL COOPERATION

### An Interest Embodied in Research Programs

Is China's interest in the Arctic rooted in science, in economic interests in resources or shipping potential, or in global political objectives pursued by Beijing?

Over the past 10 years, China has developed a real interest in Arctic science, structured along four main axes: oceanography, biology, atmospheric science, and glaciology. In oceanography, Chinese research focuses on the interaction between water masses and their circulation, and on the ice shelf, in particular in the Beaufort and Chukchi Seas, north of the Bering Strait. Biology research programs focus on sea-ice ecology, coupled with the polar glaciology programs that examine the interaction between ice and marine life. The major objective of the upper-atmosphere physics research programs of the Polar Research Institute of China is to understand high-latitude space weather.<sup>2</sup> China actively participated in the organization of the International Polar Year (IPY) 2007-08 research programs.

To support the Chinese polar research programs, the Chinese Arctic and Antarctic Administration (CAA), a division of the State Oceanic Administration, developed an ice-capable ship<sup>3</sup> for polar science purposes: the Xuelong (the name means "blue dragon"), acquired in 1994, carried out three scientific expeditions to the Arctic, in 1999, 2003, and 2008, mainly in the Bering and Chukchi Seas. The Xuelong is reportedly famous in Canadian government and military circles because it showed up in 1999 in Tuktoyaktuk, on the Beaufort Sea, without having been detected en route, fuelling speculation at the time about China's interest in developing natural resources in Canadian waters or in fresh-water exploitation.<sup>4</sup> China opened a permanent Arctic research

1 See, for instance, Spears, "China and the Arctic"; Lalonde, "Legal Aspects"; Graham-Harrison, "China Stepping Up." The web abounds with sites displaying the common-sense-based idea that "China" (probably meaning the Chinese government) must be interested in Arctic routes since they will be shorter ways to reach European markets.

2 Polar Research Institute of China, "Polar Oceanographic Science," and "Polar Upper Atmosphere Physics."

3 Although often referred to as an icebreaker, the Xuelong was in fact built by a Ukrainian shipyard as a transport ship with strong ice capabilities.

4 Leblanc, "The Defenceless Arctic." Colonel Leblanc (retired) is a former commander of the Canadian Northern headquarters. Such scenarios are far-fetched since it is difficult to consider opening an invisible mine, even in remote Arctic places; and it is far more costly to transport fresh water over such a long distance than to desalinate sea water. China recently developed a comprehensive desalination plant building program.

station in Ny-Alesund, Svalbard, in October 2003—it already had two Antarctic research stations, Great Wall and Zhongshan, and it began building a third one, Kunlun, in late 2008—and it funds important Arctic and Antarctic science programs to explore the impacts of climate change on the regions. As of 2009, the CAA had organized three Arctic and 23 Antarctic science missions since 1985. China also favours scientific cooperation: onboard the Xuelong during the Arctic 2008 voyage was an international team of scientists, including head researchers from the European IPY research program Damocles.<sup>5</sup> China has recently ordered a second research icebreaker.<sup>6</sup>

Thus, China's interest in polar research is not new. Although Arctic research certainly received renewed impetus recently, Chinese polar science is by far more focused on Antarctic research than on Arctic research.

What reasons underlie China's efforts in polar science? One may wonder if Beijing is studying polar climate change to gather information related to climate change affecting the Chinese landmass. However, there is no indication that this is the case in the policy statements of the scientific agencies responsible for Chinese polar research, the CAA and the Polar Research Institute. Polar research seems to be no more self-centred for China than it is for any of the other major countries developing substantial polar science programs: Canada, Russia, the United States, France, Britain, Australia, Norway, and Belgium. Science policy, whether in China or elsewhere, is thought of as promising long-term growth effects through knowledge development, not as merely providing answers to current local issues. China faces the challenge of making the transition from growth driven by foreign investment to growth that is sustainable from the social, economical, ecological, and environmental points of view. Innovation has been identified by the Chinese government as a main engine for this new growth model, and Beijing has launched a national strategy to build an innovation-driven economy and society by 2020.<sup>7</sup> To that end, China is developing a science policy that matches its ambitions as a major world player, and it is from this perspective that China's Arctic science interest must be interpreted: as China becomes a major power in the 21st century, its science must match its overall ambitions and compare positively with science produced by other developed countries.

The current international rules concerning marine scientific research are to be found in part XIII of the United Nations Convention on the Law of the Sea (UNCLOS), 1982. Canada, as a coastal state, clearly has the absolute right to conduct marine scientific research in its territorial sea and within its exclusive economic zone (EEZ) or on its continental shelf. While it has the right to prohibit such activities by the nationals of other states in its territorial sea, its EEZ, and its continental shelf, the rules are a bit different inasmuch as it cannot bluntly prohibit research, but it may do so if some criteria are not met.<sup>8</sup> In general, research activities are to be conducted for peaceful purposes, with appropriate scientific methods; must not unjustifiably interfere with other legitimate uses of the sea; and must be in conformity with international law and the protection and preservation of the marine environment.<sup>9</sup> Furthermore, marine scientific research activities cannot be used as a legal basis for a jurisdictional claim.<sup>10</sup> The convention also promotes international cooperation within the conduct of research activities. So far, there is no reason to believe China does not abide by these rules.

### China's Involvement in Regional Arctic Cooperation

China applied for observer status to the Arctic Council and was nearly granted it in 2008; it would have been the first Asian country to be given this status. It seems that China, South Korea, and Italy are acting as ad hoc observers pending the next ministerial meeting in 2010.<sup>11</sup> Full membership is reserved for Arctic countries and indigenous peoples' organizations. Founded in 1996 in large part because of Canada's advocacy of the concept, the

5 Canadian political scientist Rob Huebert (University of Calgary) even goes as far as saying that China has developed a more substantial and vigorous polar research program than Canada. Krugel, "Chinese Interest in Arctic."

6 Cai, "China to Build Own Icebreaker for Poles."

7 Organisation for Economic Co-operation and Development, *OECD Reviews*.

8 Article 239 of UNCLOS gives states and competent international organizations the obligation to promote and facilitate the conduct of marine scientific research. Article 246 gives states the right to regulate and authorize as well as conduct marine scientific research in the EEZ and on the shelf.

9 Article 240 of UNCLOS.

10 Article 241 of UNCLOS.

11 Arctic Council, *Senior Arctic Official (SAO) Report*, p. 3.

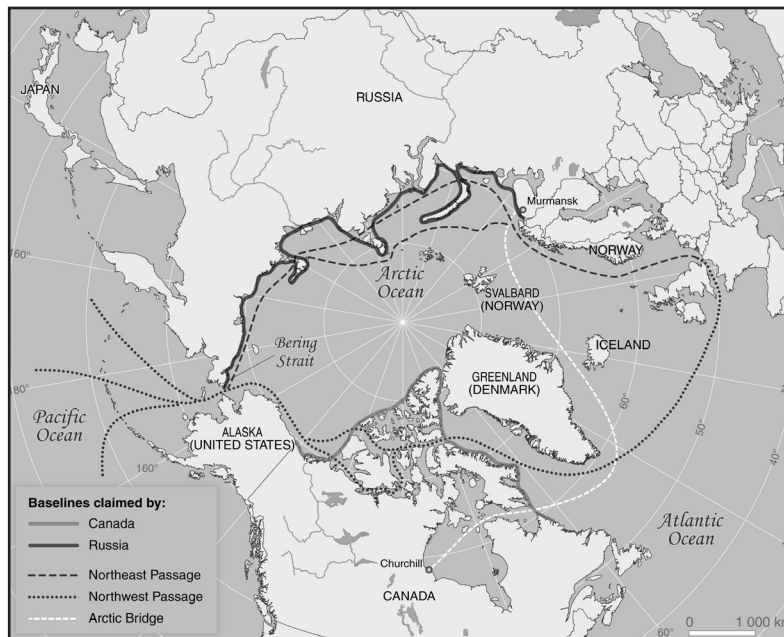
Arctic Council promotes “cooperation, coordination and interaction among the Arctic States.”<sup>12</sup> Although decisions of the Arctic Council are not binding, it remains a valuable institution that promotes valuable scientific research— notably the Arctic Climate Impact Assessment, the Protection of the Arctic Marine Environment program, and the Arctic Marine Shipping Assessment program—as well as dialogue between members on technical cooperation and economic and social issues. It is in this political frame that China’s Arctic interest must be understood: China is concerned with the global impacts of climate change, on the one hand; and on the other, it intends to have a say in international institutions so as to convey its position and fulfill its ambition to be a major power of the 21st century. The Arctic Council suits China’s taste for discussion forums with no binding power, where global issues can be considered without giving China the feeling its sovereignty is being infringed upon.

## CHINA AND THE ARCTIC: WHAT ECONOMIC INTERESTS?

### Shipping: Future Arctic Highways for Chinese Trade?

A number of observers have explained China’s interest in the Arctic by linking its developing scientific presence with economic objectives. For example, in 2008 Robert Wade stressed a developing economic Chinese interest in the context of melting sea ice in the Arctic.<sup>13</sup> Indeed, as the ice recedes, the possibility of the opening of transit shipping routes (figure 1) is the object of discussions. Wade has also argued that China is heavily investing in Iceland, politically and economically.<sup>14</sup>

**Figure 1. Arctic Shipping Routes**



Source: Lasserre, “Les détroits arctiques canadiens et russes.”

<sup>12</sup> Arctic Council, “About Arctic Council.” Arctic Council members are Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden, and the United States. Six Arctic indigenous groups are also permanent members. Observers, as of early 2010, include Germany, France, the Netherlands, Poland, Spain, and the United Kingdom.

<sup>13</sup> Wade, “A Warmer Arctic.” The information was repeated in Jakobson, “China Prepares for an Ice Free Arctic.”

<sup>14</sup> China’s embassy in Reykjavik was described as being the biggest of all, so as to take a firm foothold on an island promised to become a major Arctic shipping hub. However, the author of this paper had a look at the Chinese and other embassies in Reykjavik in January 2009. It is no bigger than most Chinese embassies in Europe, and much smaller than the French, Danish, American, and Russian embassies in Iceland, for instance. Linda Jakobson admitted she merely repeated information from Wade in her interesting 2010 article; email to the author, May 20, 2010.

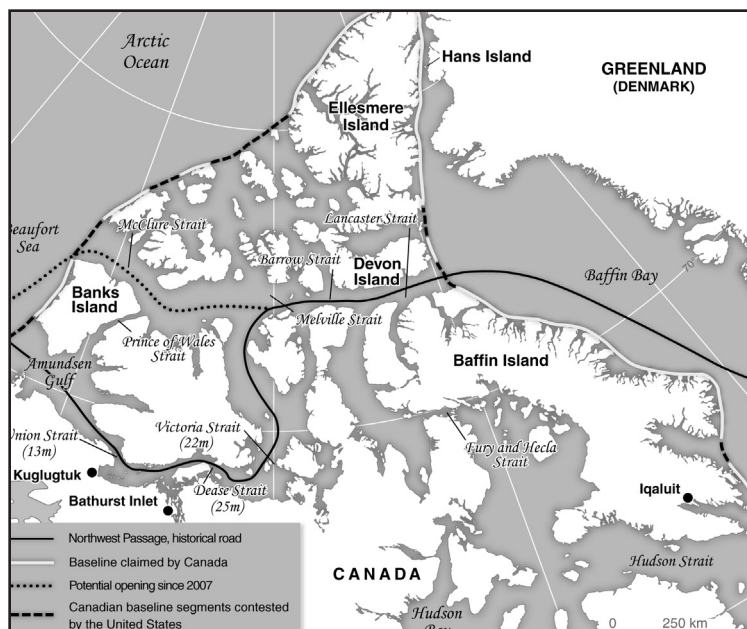
**Table 1. Distances between Selected European, North American, and Chinese Ports (kilometres)**

ORIGIN—DESTINATION	PANAMA	NORTHWEST PASSAGE (across McClure Strait)	NORTHEAST PASSAGE (across Kara Gate and south of Russian archipelagos)	SUEZ AND MALACCA
Rotterdam—Shanghai	25,588	16,100	15,793	19,550
Bordeaux—Shanghai	24,980	16,100	16,750	19,030
Marseilles—Shanghai	26,038	19,160	19,718	16,460
Gioia Tauro (Italy)—Hong Kong	25,934	20,230	20,950	14,093
Barcelona—Hong Kong	25,044	18,950	20,090	14,693
New York—Shanghai	20,880	17,030	19,893	22,930
New York—Hong Kong	21,260	18,140	20,985	21,570

Dark grey indicates the shortest distance. Light grey indicates less than 15 percent difference. Source: Author's calculation using MapInfo and ArcGIS.

His conclusions, however, are far-fetched: no Arctic shipping route from Iceland is seriously being developed for now. Although it is a scenario considered by the Icelandic government, no shipping firms are showing interest. No transshipment port for Arctic shipping is being built by the country either. However, Chinese delegates did participate in a seminar on the Arctic and its potential for shipping in Iceland, held in March 2007.<sup>15</sup> They expressed the Chinese government's willingness to cooperate with the Arctic states in research and development of Arctic transportation and climate science.

This low-key position nonetheless reinforced prevailing assumptions in the general literature about the Arctic that the Chinese government and Chinese shipping companies are merely waiting for the Northwest Passage (figure 2) to open up a bit more before launching full-scale service across Arctic Canadian waters between Asia and Europe. The premise is that a shorter route would naturally be more attractive for shippers of Chinese goods. But as shown in table 2, the Northwest Passage is not necessarily the shortest route in any case.

**Figure 2. The Northwest Passage**

Source: Lasserre, "Le passage du Nord-Ouest." Map prepared by the Department of Geography, Université Laval.

<sup>15</sup> "Breaking the Ice: Arctic Development and Maritime Transportation," conference organized by the Icelandic government, Akureyri, Iceland, March 27-28, 2007.

Here again, exaggeration or ignorance seems to be at the base of these assertions. Chinese shipping firms are largely globalized and make business decisions mostly according to standard cost-benefit analysis. Among these shipping firms, according to interviews conducted by the author in December 2008, neither Orient Overseas Container Line (OOCL) nor China Ocean Shipping Company (COSCO) nor China Shipping Container Lines (CSCL) expressed a definite interest for opening Arctic shipping routes in the short or medium term, because of slower speeds across these routes, higher insurance costs, the high probability of delays, and serious risks of damage to the cargo.<sup>16</sup> On the contrary, these companies have heavily invested in modern, larger, but not ice-strengthened cargo ships to serve European, North American, and Asian markets, and port management companies like Hutchison Port Holdings from Hong Kong have taken major stakes in Balboa and Cristobal, ports in Panama, as well as in other canal operators. In March 2008, the Panamanian government said China's largest shipping conglomerate, COSCO, was still interested in establishing a new billion-dollar port that could be located at the Pacific entrance of the Panama Canal, not far from Cristobal and Balboa.<sup>17</sup> China's interest in the Arctic, and in the Canadian Arctic in particular, is not focused on a rapid opening of shipping routes, the economic interest of which remains to be proven for container shipping lines, as surveys of several shipping companies proved.<sup>18</sup>

Indeed, the Northwest Passage is not a deepwater passage: larger tankers and carriers will not be able to use it, at least not if they are loaded with cargo, unless they use McClure Strait, which only recently (2007) saw the ice disappear for a very short period of time.<sup>19</sup> Furthermore, with the intrusion of very hard multi-year ice actually projected to increase, due to the melting of the ice cover that has acted as a barrier, and with the permanence of drifting ice, some parts of the Canadian Arctic Archipelago may be impossible to transit.<sup>20</sup>

### Natural Resources: A Magnet for China—but in the Arctic?

To what extent are China's research programs in the Arctic designed to directly advance its economic interests? China has witnessed a long growth period that has made the country dependent on imports for its supply of raw materials, especially base metals and hydrocarbons. Some authors even defend the idea that Arctic "resources already have led Arctic nations—including Russia, Canada *and even non-Arctic China*—to make aggressive claims to areas of the Arctic,"<sup>21</sup> thus suggesting that China is largely focused on resource politics in the region.

But nothing of the sort can be demonstrated; China's research does not relate to the geology of the continental shelf in the Beaufort Sea, where oil and gas exploration by North American and European oil firms has been very active for many years now. China has never laid claim to any expanse of the Arctic Ocean, the EEZ, or the continental shelf, and even if it wished to do so, its claim would be invalid because it has no coastline in the area. Besides, if there are indeed interesting prospects for mineral exploitation in the Arctic, most potential fields are located in Arctic countries' EEZs and therefore will be subject to their sovereign rights regarding exploration and production under international law.

As of April 2009, there were no Chinese mining firms investing either in Canadian Arctic mining or in oil and gas exploration and exploitation, since they lack cold-weather operation know-how.<sup>22</sup> Companies exploring in the Canadian Arctic are all Western firms: Petro-Canada, BP, Chevron, Imperial Oil, Shell, ConocoPhillips, Nytis (Kentucky), Talisman Energy, and AltaGas. There are geopolitical reasons for China's absence. To develop alternative oil supplies, China has turned to Africa (now supplying close to 20 percent of China's oil), to Central Asia (Chinese oil companies have been buying oil fields in Kazakhstan and building an oil pipeline to China), and to Siberia, much closer to China and more promising than Arctic Canada as far as oil is concerned. If China

16 Only COSCO expressed a theoretical interest, reflecting what the firm reckoned was very preliminary thinking about Arctic routes.

17 Beatty, "Panama Ports Expect Boom"; "China's COSCO Takes Over Container Business at Greek Port"; Hutchison Whampoa Limited, "International Operations—Americas."

18 Lasserre, "Vers l'ouverture"; Lasserre, "Vers l'ouverture," and "Étude des impacts géopolitiques."

19 Union Strait is only 13 metres deep, thus restricting transit to ships of about 50,000 dead-weight tonnage. Lasserre, "Les détroits arctiques."

20 Lasserre, "Vers l'ouverture"; Falkingham, Melling, and Wilson, "Shipping in the Canadian Arctic"; Wilson et al., "Shipping in the Canadian Arctic"; Howell and Yackel, "A Vessel Transit Assessment."

21 Sands, "Oil, Natural Gas Development," emphasis added. See also "Arctic Holds."

22 Letter from Ginette Bouchard, head, analysis, systems, and dissemination, Natural Resources Canada, Ottawa, April 6, 2009; letter from Kerry Newkirk, director, Northern Oil and Gas Directorate, Department of Indian Affairs and Northern Development, April 14, 2009.

is involved in any market struggle to get access to oil and gas from northern territories, it would be in Siberia, where Russia is more than eager to sell its hydrocarbons to its neighbour, and where Moscow is arbitrating a dispute between Japan and China as to where pipelines will be built.<sup>23</sup> An oil pipeline is being built by the Russian firm Transneft from central Siberia (Irkutsk Oblast), where it would connect with pipes from western Siberia, to Daqing in northeastern China; it was to be completed in 2009<sup>24</sup> but work was delayed and started only in 2010.<sup>25</sup> Chinese oil firms have not so far developed Arctic oil exploitation know-how and do not seem willing to do so.

Should vast amounts of oil be discovered in the Canadian Arctic (a low-probability event,<sup>26</sup> since oil and gas are known to be there, but in moderate quantities), they would lie within the Canadian EEZ or continental shelf and their exploitation would be subject to Canadian law. We still do not know enough because much more exploration will be required. Furthermore, the limits of the Canadian Arctic shelf are still uncertain. Ottawa may be able to make a claim for extended jurisdiction beyond 200 nautical miles under article 76 of UNCLOS. So far, no Chinese oil company has applied for a licence block, nor has any invested in an oil company exploring there. In 2004, the Chinese oil giants Sinopec and China National Petroleum Corporation (CNPC) considered investing in Petro-Canada, but the idea was to develop the Alberta oil sands, not Arctic oil reserves, a move confirmed with Sinopec's purchase of Conoco's shares in oil sands in 2010.<sup>27</sup> In August 2005, CNPC took over the Canadian company PetroKazakhstan, to gain access to its Kazakh oil fields.<sup>28</sup> In February 2009, CNPC did buy the Canadian oil firm Verenex Energy Inc., not for its Canadian assets but rather for its Libyan oil fields.<sup>29</sup> More recently, CNPC unveiled plans to buy equity from Petro-Canada to gain access to fields in Syria and Libya.<sup>30</sup> Here again, Canadian Arctic oil does not seem to be high on Chinese firms' agendas. Access to potential Canadian Arctic oil could eventually be sought through regular market processes.

As far as economic interest is considered, if the Chinese government does not have a clear policy regarding the Northwest Passage and other Arctic routes, that does not preclude interest in potential Arctic development by others, as climate change is an ongoing process and business plans by shipping companies can evolve. Some 60 percent of international vessels passing through the Malacca Strait at present are reported to be either Chinese-flagged ships or vessels transporting cargo for China. China's dependence on major international straits is not unique, even in Asia, but the country's growing economic clout suggests China could voice its concerns regarding commercial shipping. There is a growing sense that overcapacity in the Malacca Strait and security issues are becoming a threat to the Chinese economy: the development of alternative routes could be welcome should they be profitable—which does not seem to be the case for now.

As energy resources start to be exploited in the Arctic and transit shipping increases in the Arctic Archipelago, China has not publicly stated its position concerning the status of the Northwest Passage,<sup>31</sup> but it would certainly be interested in securing a mechanism that could provide for a safe and fast passage to its energy-hungry markets. That does not mean it will seek to undermine Canada's stance on sovereignty over the Northwest Passage; Beijing has remained neutral on the sovereignty issue. This can partly be explained by the fact that China faces a number of domestic issues involving passage through straits. It has always insisted that the Taiwan Strait should be regarded not as an international waterway but as Chinese waters, and it is even more insistent on this point as regards the Hainan Strait, separating Hainan Island from the mainland. Countries such as the United States routinely insist these straits should be open for navigation and send naval vessels through them to underline this point.

23 Baker, "Old Rivalry Flares."

24 Helmer, "China Beats Japan in Russian Pipeline Race" and "China Ties up Russia's Crude – Again."

25 Business Monitor International, "Transneft Starts Work on New Yamal Oil Line."

26 Offerdal, "High North Energy"; Lasserre, "High North Shipping." See also Bird et al., *Circum-Arctic Resource Appraisal* and Schenck et al., *Assessment of Undiscovered Oil and Gas*, showing oil and gas reserves are likely to be much more abundant in the Russian and Greenlandic continental shelves.

27 "Sinopec Buys Conoco's Oil Sands Stake for £3Bn."

28 Associated Press, "Chinese Oil Company."

29 Agence France Presse, "China's CNPC."

30 Reuters, "China's CNPC Eyeing Petro-Canada Assets – Report."

31 Press Officer, Embassy of the People's Republic of China in Ottawa, direct communication with the author, February 16, 2009; Embassy of the People's Republic of China in the Kingdom of Norway, "Ambassador Tang Guoqiang." China will not interfere with coastal states' claims.

## CHINA'S ARCTIC INTEREST: AN OPPORTUNITY FOR CANADA?

### Canada's Interests in the Arctic

Canada's policy regarding the Arctic revolves around the idea that Canada's sovereignty must be preserved, on two fronts. The first one relates to the ongoing disagreement with the United States concerning the status of the Northwest Passage: an international strait according to Washington, lying within Canada's internal waters in Ottawa's view. Regarding this point, Canada puts forth the argument that to protect the environment, Canadian sovereignty in the Northwest Passage would better serve the regulation of developing traffic than international strait status.

The second point relates to the process of defining the extent of the continental shelf, which provides for potential overlapping claims. Indeed, this process requires states first to fix their outer limits in accordance with UNCLOS, and also by agreements with opposite and adjacent states. Article 76 sets out a series of criteria that permit a country to exercise exploration and exploitation rights over areas of seabed beyond 200 nautical miles if the natural prolongation of the continental margin extends there. As regards delimitation with opposite and adjacent states, the guiding principles are median distance and equidistance. Canada insists that the extent of continental shelves must be set up in the frame of international law. Foreign ministers from the five Arctic states bordering the Arctic Ocean convened at the Ilulissat Conference in May 2008 and all agreed, Russia included.

### Opportunities for Engaging China on Arctic Issues

Canada could take advantage of China's potential interest in Arctic shipping routes, as attested by the statement of the Chinese delegates to the Iceland-sponsored conference in 2007. The Canadian government, confronted with the Americans' refusal to recognize its claim of sovereignty over the waters of the Northwest Passage, could engage China as well as other countries in discussing the need to implement tight shipping rules in the Arctic. If the United States will not discuss conflicting claims at the Arctic Council, it may agree to a Canadian proposal to begin talks on cooperation on that matter, provided those could yield a regulatory framework for the development of potential shipping. The International Marine Organization (IMO) has issued *Guidelines for Ships Operating in Arctic Ice-Covered Waters* (2002),<sup>32</sup> which specify naval architecture features that are needed to ensure that ships are adequately ice-strengthened in Arctic waters. Canada would have preferred a more binding document—a Polar Code—but resistance from countries like the United States prevented the IMO from promulgating more stringent regulations. The IMO guidelines must be considered in relation to the International Association of Classification Societies *Unified Requirements for Polar Ships* (October 2007), which standardize classification for commercial ships and to which China is a party. Under pressure from notably the Arctic Council,<sup>33</sup> the IMO in early 2010 seemed to be moving toward the drafting of a mandatory Polar Code for 2014.<sup>34</sup>

Even if the United States and Canada amicably agreed to disagree with the 1988 Arctic Cooperation Agreement, progress toward agreement on the creation of well-governed sea routes, with search and rescue facilities, repair facilities, ship capability controls, and transshipment ports, would be a very constructive step toward the promotion and development of safer Arctic shipping.

The European Union has also applied for observer status at the Arctic Council. There is a developing idea among several EU states that economic development and maritime claims in the Arctic should be coordinated by an Arctic treaty, somewhat modelled on the Antarctic Treaty. The European Union published its Arctic policy in November 2008 and called for deeper political discussions on this idea. Several Arctic states, especially those bordering the Arctic Ocean and with claims to continental shelves, including Canada, reject the proposal on the grounds that there already is an international treaty, UNCLOS, with provisions for environmental protection.

<sup>32</sup> Updated in 2009 with the IMO *Guidelines for Ships Operating in Polar Waters*.

<sup>33</sup> In the Tromsø Declaration, April 2009, the Arctic states declared that the ongoing IMO work regarding Arctic shipping must be updated, with "its relevant parts be made mandatory." Arctic Council, "Tromsø Declaration."

<sup>34</sup> Upcraft, "Moving Towards a Mandatory Polar Ship Code."

Three other Arctic Council countries, Iceland, Finland, and Sweden, were displeased not to be invited to the Ilulissat Conference in May 2008, which focused on Arctic claims but discussed other issues like shipping, security, and indigenous rights. In order to avoid the ongoing appearance of a territorial grab by countries refusing multilateral cooperation with other states, Canada could take advantage of China's observer status and step up a dialogue with Arctic Council members and observers, so as to enhance cooperation and transparency. This idea was already floated by a 2005 review of Canadian policy, which underlined that more can be done by the government on the questions of sovereignty, Arctic sustainable development, and cooperation between Canada and Russia, the European Union, and other circumpolar countries.<sup>35</sup> Canada should therefore take a more assertive stance toward the development of internationally negotiated regulations, as it has already done with the Convention on Persistent Organic Pollutants or the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities.<sup>36</sup>

### Engaging China and Asia on Arctic Matters

China is not the only Asian country developing a keen interest in Arctic affairs. Japan has long been carrying out Arctic research. It launched a new icebreaker in 2008, and its National Institute of Polar Research set up its first Antarctic expedition in 1956. Tokyo has not yet applied for observer status at the Arctic Council because of internal political and administrative bickering, but China's own admission could trigger Japan's application. Since 2002 Japan has conducted, in coordination with Canadian scientists, important research projects on gas hydrates off the coast of Canada, in the Beaufort Sea and Mackenzie Delta. This research is scientifically relevant because of the potential impact of these gas hydrates melting and accelerating climate change; the research could also lead to a process to economically exploit these methane hydrates. Japan's interest in polar science predates China's. In 1956, there was no mention of the climate change issue, and Japan's interest in Arctic and Antarctic research is very likely rooted in the same goals as China's: to develop credible international scientific capacity to support its claim to great power status.

The South Korean shipyards Daewoo and Samsung (both private firms) have been building ice-strengthened cargo ships for the past 10 years. In 2007 they purchased the leading shipyard in the sector, Aker Finnyards of Finland, which had developed a promising new technology for ice navigation, the double-acting ship.<sup>37</sup> Aker's order books are full for the next few years, and it will provide cargo ships mainly for the Barents and Kara Seas. South Korea has run a scientific base in Svalbard since 2002 and applied for observer status at the Arctic Council in May 2008. Seoul justifies its political interest in Arctic affairs in a more straightforward way than does Beijing: it seeks to be consulted on regional environmental protection matters and on climate change mitigation; to be consulted on matters regarding regional development; and to discuss potential development and the impacts of marine transportation and resource exploitation—all topics that are high on the Arctic Council's agenda.<sup>38</sup> This accounts for the Arctic Council's decision to launch the Arctic Marine Shipping Assessment, part of the Protection of the Arctic Marine Environment research program.

<sup>35</sup> Canada, Department of Foreign Affairs and International Trade, *Summative Evaluation*.

<sup>36</sup> Crawford, Hanson, and Runnals, *Arctic Sovereignty*.

<sup>37</sup> Ice-strengthened ships could help develop Arctic shipping, but they are also much more secure than classic cargo ships. They cost, however, about 60 percent more to build. Canadian regulations under the Arctic Waters Pollution Prevention Act (1970) do require ships to be ice-strengthened to ply Canadian Arctic waters.

<sup>38</sup> Kim, "Korea Wants to Join in Arctic Projects."

## CONCLUSION

Engaging China and supporting the admission of other Asian countries as observers at the Arctic Council could prove useful for Canada in keeping its own agenda prominent in cooperation discussions. Because Arctic countries underlined in May 2008 the idea that UNCLOS will be the basis for the definition of continental shelves, thus rejecting the idea of internationalizing the issue, it is possible that a legal framework will eventually be devised for mineral exploitation and shipping, as Arctic Council states called for in the Tromsø Declaration on April 29, 2009. Ignoring other countries' suggestions or demands may mean the Arctic agenda could escape from Canada's control. On the other hand, working on building common ground with China and taking its concerns and interests into account could prove profitable inasmuch as China could, in turn, consider Canada's specific interests in the Arctic.

The Arctic Council, for all its limitations, has garnered real credibility for cooperation and dialogue about Arctic issues between states and indigenous political organizations. It is true that the Arctic Council is suffering from difficulties, the most prominent being that the United States refuses to consider the institution as a forum to discuss political issues and make binding decisions. Yet enhanced official and expert interactions by Canada and China are warranted on several fronts. The option of engaging China within the Arctic Council could be a real opportunity to advance Canadian interests in the area, as our interests overlap in areas of research, environmental regulation of maritime shipping, interpretation of maritime treaties, and the need to cooperate and engage in multilateral mechanisms to reach an international compromise on these issues.

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## THE CIC CANADA-CHINA RELATIONS PROJECT

Bilateral relations between the governments of Canada and the People's Republic of China are a matter of strategic interest to Canada. Recent changes in the frequency of high-level visits, the effective style and content of bilateral communications and perspectives held about each country by various sectors of each other's society all suggest that the Canada-China relationship has changed significantly in recent years. Yet China remains vitally important to Canada for a variety of reasons and in a variety of sectors. Political and diplomatic cooperation on issues of direct bilateral concern and also on issues of global import remains critically important. Commercial and trade ties linking Canada with the world's third largest and fastest growing economy are of obvious importance. Cultural and civil society ties, including immigration patterns and the ancillary effects they generate, are also important. In these and other matters, the Canada-China relationship will likely grow in importance in the years to come. While the diversity of links between Canada and China militates in favour of giving due attention to a multiplicity of commercial, academic and civil society links, bilateral cooperation at the federal/central government level remains important.

In keeping with CIC objectives to advance research and dialogue on international affairs issues of importance and interest to Canadians, the CIC Canada-China Relations Project has focused on supporting research and analysis toward building a policy framework for Canada's relationship with China. The project's activities have been developed along three thematic areas that reflect issues of common concern: a) Chinese domestic institutional and normative contexts for engagement; b) Economic relations; c) Collaboration on global issues such as environment, health and security.

- a) Domestic Context for Engagement: The Canada-China relationship can be most effective when it is grounded on complementarity of interests, which in turn requires mutual understanding of domestic normative and institutional conditions in both countries. Canadian initiatives with China, ranging from WTO compliance and business regulation to human rights, can be effective only if they are designed and implemented in light of China's domestic conditions, ranging from popular norms to governmental structures and policy priorities. Similarly, China's success in nurturing productive relationships with Canada will require appreciation of Canadian domestic conditions. The papers for this thematic area were commissioned and directed by Professor Jeremy Paltiel of Carleton University.
- b) Economic Relations: Economic relations between Canada and China are critically important. Economic relations include bilateral trade and investment relations, and also extend to local effects of economic conditions and behaviour. In the trade area, Canada's strengths match up extremely well with China's needs. In trade and investment relations, efforts to promote normative and institutional accommodation in China for Canadian business objectives are consistent with Chinese development policies and also serve important Canadian interests in the areas of good governance. As well, national economic behavior by the two countries in response to changing economic conditions at the global, regional and local level have important effects on the Canada-China relationship. The papers for this thematic area were commissioned and directed by Yuen Pau Woo, President of the Asia Pacific Foundation of Canada.
- c) Collaboration on Global Issues: The importance of China's responsible participation in systems for addressing global policy concerns in areas such as environment, health and security cannot be overstated. Yet China's participation in the global community can be distorted by its responses to apprehension and competition from other global actors, particularly the United States, the European Union and Japan. Canada has a significant role to play in supporting China's responsible participation, not only through direct bilateral programming but also through our capacity to deploy good offices, legitimation and other soft power resources both bilaterally and globally. The papers for this thematic area were commissioned and directed by Professor Brian Job of the University of British Columbia.

The papers here presented in connection with the CIC Canada-China Relations Project offer informed, nonpartisan recommendations for a variety of stakeholders in Canada, including the government and private and public sector institutions and individuals, with a view toward furthering the development of healthy long-term relations between Canada and China. While historical and current conditions may result in disagreement as to how best to manage the Canada-China relationship, China's importance to the world requires our attention. We hope that the papers presented here can further the process of understanding and effective engagement that will strengthen the foundation for productive relations for the long-term interests of both countries.

**Dr. Pitman B. Potter**

*Chair*

*CIC China Working Group*

The Canadian International Council (CIC) is a non-partisan, nationwide council established to strengthen Canada's role in international affairs. With local branches nationwide, the CIC seeks to advance research, discussion and debate on international issues by supporting a Canadian foreign policy network that crosses academic disciplines, policy areas and economic sectors.

The CIC features a privately funded fellowship program and a network of issue-specific Working Groups. The goal of the CIC Working Groups is to identify major issues and challenges in their respective areas of study and to suggest and outline the best possible solutions to Canada's strategic foreign policy position on those issues. The CIC aims to generate rigorous foreign policy research and advice.

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