



## China in Greenland: **COMPANIES, GOVERNMENTS, AND HIDDEN INTENTIONS?**



Much has been said among observers and policymakers about China's 'hidden intentions' in Greenland, but in fact, China's intentions for the Arctic are anything but hidden. Explicitly, they include shipping and natural resources. Chinese companies, whether state-owned or private, regard Greenland as a new frontier for business, but they are also trying to align themselves with Chinese government policy.

Chinese activities in the Arctic have recently attracted wide attention among observers and policymakers. Anxieties abound about what hidden intentions China

### RECOMMENDATIONS

- Denmark signs an agreement of cooperation with China on Greenland and Arctic issues, clearly stipulating the possibilities and limitations.
- Greenland makes rules about transfer of licences, commercial feasibility studies and risk management about mining and infrastructure projects.
- Denmark and Greenland try to clarify which kinds of projects fall into the area of defence and security as an attachment to Greenland's Self-Government Act of 2009.



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may have behind its mining, construction, shipping and research activities. China's publication of its first white paper on its Arctic Policy in January 2018, identifying itself as a 'Near-Arctic State' and with a prominent goal of establishing a Polar Silk Road, has not dampened these worries: to some extent it has exacerbated them.

Laying speculation aside, this policy brief seeks to analyse Chinese government and corporate interests in Greenland, drawing on information about five projects with Chinese involvement (see box).

### **Project initiation and government involvement**

All five projects were initiated by the Greenlandic government or Western companies. Greenland has generally been proactively trying to attract Chinese investors and contractors at trade fairs and meetings with Chinese officials and major companies in the mining, construction, hydropower, and harbour engineering sectors, etc. Chinese companies have joined the projects by buying licences, investing in the original company, or contracting for the projects. This has predominantly been for commercial reasons as they see Greenland as a strategic place to invest for the long term. It is notable that the projects have been directly initiated between the Greenlandic government or Western companies operating in Greenland and Chinese companies, without the intervention of the Chinese central government. However, the Chinese companies always try to align themselves with Chinese government policy, irrespective of whether they are state-owned or private. This is because, in the Chinese domestic sectors of mining, construction and shipping, it is difficult for companies to survive without good relations with the government, and when Chinese companies invest overseas, they hope to obtain financing from Chinese state banks.

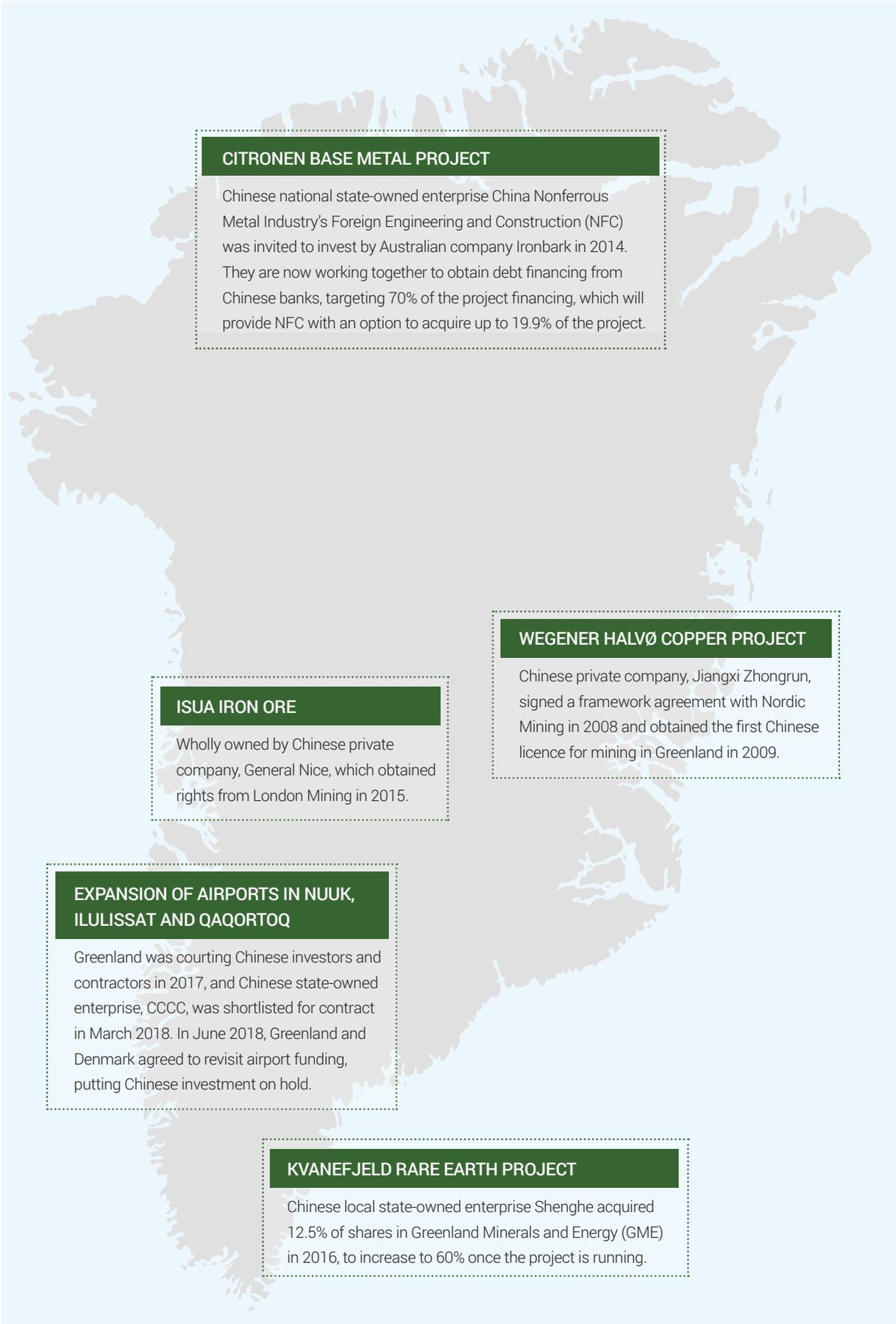
Among the Chinese companies engaged in the five projects, NFC and CCCC are national state-owned enterprises (SOEs), Shenghe is a local SOE, while Jiangxi Zhongrun and General Nice are private

companies. The two latter have both got closer to the government after they obtained licences in Greenland. Some Chinese commentators believe that there were political considerations at stake in General Nice's 2015 investment in the Isua iron ore project: i.e. to pave way for more Chinese companies to enter Greenland. General Nice staff have also talked about plans to catalyse Chinese interests in Greenland and help organize financing for Chinese mining investments there. Since then, General Nice has profited from good relations with the Chinese government, and two local SOEs from Tianjin have increased their shares in the company.

In the case of Jiangxi Zhongrun, since its investment in the Wegener Halvø copper site, the company has transferred its ownership of the project to a joint venture between Nordic Mining and Jiangxi Union Mining, a company established by Zhongrun together with the provincial SOE, Jiangxi Copper, and a provincial state-owned asset investment company. In other words, Zhongrun has been helpful in carrying out the province's goal of expanding its copper industry through new overseas resources.

In the case of Kvanefjeld rare earth mine, Shenghe (a local SOE) originally invested because it was excluded from China's domestic Rare Earth Industry Development Plan 2016-2020, which was overseen by the Chinese Ministry of Industry and Information Technology (MIIT). However, Shenghe's largest shareholder, Chengdu Institute for the Multipurpose Utilisation of Mineral Resources (a local research institute under the Ministry of Land and Resources), later said that the investment was implementing the country's 'going out' strategy and was the fruit of the meeting between Chinese Minister of Land and Resources, Daming Jiang, and Greenlandic officials in 2015. In contrast, an official at MIIT has said that the government has quotas and controls over exploitation and refining of domestic rare earths, and Chinese companies' involvement in overseas rare earth projects is company behaviour which "the government neither

**Chinese involvement in Greenland: Five projects**



**CITRONEN BASE METAL PROJECT**

Chinese national state-owned enterprise China Nonferrous Metal Industry's Foreign Engineering and Construction (NFC) was invited to invest by Australian company Ironbark in 2014. They are now working together to obtain debt financing from Chinese banks, targeting 70% of the project financing, which will provide NFC with an option to acquire up to 19.9% of the project.

**WEGENER HALVØ COPPER PROJECT**

Chinese private company, Jiangxi Zhongrun, signed a framework agreement with Nordic Mining in 2008 and obtained the first Chinese licence for mining in Greenland in 2009.

**ISUA IRON ORE**

Wholly owned by Chinese private company, General Nice, which obtained rights from London Mining in 2015.

**EXPANSION OF AIRPORTS IN NUUK, ILULISSAT AND QAQORTOQ**

Greenland was courting Chinese investors and contractors in 2017, and Chinese state-owned enterprise, CCCC, was shortlisted for contract in March 2018. In June 2018, Greenland and Denmark agreed to revisit airport funding, putting Chinese investment on hold.

**KVANEFJELD RARE EARTH PROJECT**

Chinese local state-owned enterprise Shenghe acquired 12.5% of shares in Greenland Minerals and Energy (GME) in 2016, to increase to 60% once the project is running.

supports nor opposes". However, the publication of China's white paper on its Arctic Policy has made it clear that government agencies should support Chinese companies to invest in natural resources in the Arctic and to explore Arctic shipping routes. At national government level, the Chinese Ministry of Land and Resources has been a main driver of Chinese state and private interests in Greenland's underground resources, receiving Greenlandic delegations and leading Chinese delegations to visit Greenland. Other national government actors that appear prominently in the media are Chinese banks, in particular policy banks such as ExIm Bank and China Development Bank (CDB). ExIm Bank was a possible partner for the expansion of three airports in Greenland, and CDB has organised visits to Greenland by Chinese construction and mining companies to meet with Greenlandic officials and companies. In the case of the Citronen base metal project, the prospect of NFC obtaining debt financing from Chinese banks is an important element of its partnership with Ironbark.

### **China's hidden intentions?**

China's intentions for the Arctic are stated explicitly in the Arctic Policy white paper published in January 2018. It states that China is an important 'stake-holder' in Arctic affairs and envisages itself playing 'a major role' in expanding shipping routes and facilitating social-economic development of the coastal states. The white paper also argues that non-Arctic states have rights in navigation, overflight, scientific research, fishing and cable laying, and rights to resource exploration and exploitation in the area, pursuant to international law and treaties. For China, infrastructure projects in the Arctic and dialogue with Russia on Arctic issues since 2013 may lead to some early Arctic arrangements, which would "help prevent the emergence of an uncomfortable situation, similar to the Malacca dilemma, in which a few countries take control of Arctic sea routes". The white paper says that China encourages its companies to participate in the infrastructure construction for Arctic shipping routes and conduct commercial trial voyages, as well

as to participate in the exploitation of oil, gas and mineral resources in the Arctic, but it also emphasises risk assessment, local laws and sustainable development. Implicitly, China is not satisfied with the current arrangements, and thus calls for stronger international cooperation between Arctic and non-Arctic states and cooperation on infrastructure construction and operation of the Arctic sea routes.

Chinese companies' interest in Greenland's underground resources and infrastructure is therefore consistent with the government policy outlined in the white paper, and companies will receive even more diplomatic and financial support from Chinese government actors in the future thanks to the Arctic Policy. Many projects may start as company behaviour in search of commercial opportunities, and SOEs, private companies and Chinese banks have an interest in the economic feasibility of the projects. It is, however, possible that the companies will try to align the projects to Chinese government policy principles and accept funding from state banks or SOEs.

Some Chinese scholars have commented on the geo-strategic importance of Greenland, and advocate for China to consider the possibility of Greenland's independence within the next ten years, so that China makes the right economic and strategic investments in a potential new partner in the Arctic. In particular, Chinese analysts think that the Arctic Five have a basic position of excluding non-Arctic states from participating in Arctic affairs. This includes Russia, despite Russia being an important partner in China's Arctic diplomacy. However, the Chinese government has been trying to avoid giving the impression of supporting Greenland independence, not least because it is against the independence of Xinjiang, Tibet and Taiwan. When similar issues of independence arise in other countries, China has held to the principle of non-interference in domestic affairs.

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