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China's Pursuit of National Interests in the Arctic - An Examination of China's Geostrategic Investments in Iceland and Greenland

Master thesis for the completion of the Master of Science programme in Global Studies

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Abstract

In today's global politics, the Arctic is assuming an increasingly important geoeconomic and geopolitical role among Arctic and non-Arctic states, as the retreating ice cover reveals new economic potentials such as the development of natural resources (Käpylä & Mikkola, 2016). China is among the interested non-Arctic states that aim to increase their influence in Arctic affairs and to get in on the Arctic opportunities. The aim of this thesis is to analyse what specific geostrategic objectives China is seeking to realise in its Arctic bilateral cooperation with Iceland and Greenland. Secondly, the aim is to examine how these objectives feed into China's overarching goal of increasing its energy security. Lastly, the aim is to consider whether the bilateral cooperation between China and Iceland/Greenland constitutes a zero-sum game. The analysis takes its point of departure in geoeconomic theory and the answers to the research questions are found through a thorough examination of China's foreign policy goals and its Arctic cooperation with and investments in Iceland and Greenland. The analysis shows that the geostrategic objectives China is seeking to realise pertain to scientific research and development of various natural resources. It also indicates that political influence is a strategic objective of importance to China which it seeks to realise through strong bilateral relationships with the Arctic states. These objectives should be viewed through the scope of China's 'Going Out' policy and its Arctic policy. However, it seems unlikely that the deposits of natural resources in Iceland and Greenland are going to increase China's energy security in the near future. Nor can the Sino-Icelandic and the Sino-Greenlandic cooperation be perceived as a zero-sum game as all parties gain from the Arctic cooperation.

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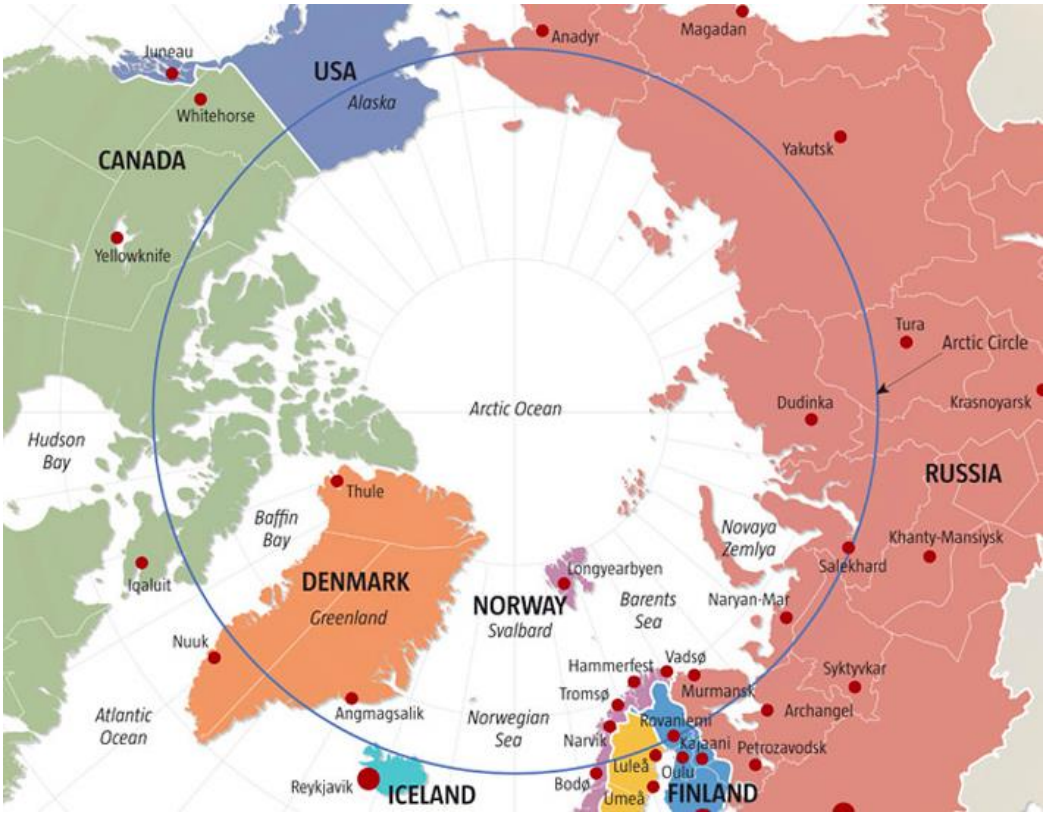
Map of the Arctic:



Map from Arcticcentre.org.

Clarification:

1. Greenland and Iceland will be referred to as Arctic microstates. However, Greenland as a semi-independent sub-national jurisdiction under the Kingdom of Denmark is more of a sub-state than a microstate. Iceland, on the other hand, is a sovereign nation.

Introduction

> China sees the polar regions as it does the great oceans and outer space: As strategic frontiers decisive for the future of the world and for world dominance. (Brady, 2017, in Breum, 2018)

Like many non-Arctic states, China is seeking to increase its presence and influence in the Arctic. China holds no sovereign rights in the Arctic but tries to overcome this legal barrier by the use of three strategies. As Brady's statement implies, a reasonable assumption to make is that China's foremost strategic goal in the Arctic is to gain influence in Arctic affairs. The question is what other geostrategic goals China is seeking to realise in the Arctic? The main purpose of this thesis is to pinpoint the geostrategic objectives which China is pursuing in Iceland and Greenland.

Academic literature informs that China has utilised three main strategies to increase its Arctic presence. One is through participation in Arctic governance. China became a permanent observer to the Arctic Council in 2013, which is the leading intergovernmental forum addressing Arctic issues and the facilitation of cooperation, coordination and interaction among Arctic actors, including the Arctic member states, Indigenous Peoples' groups and non-Arctic actors (Arctic Council). Since 2006, China applied three times to become an observer but the applications were rejected as a result of vigilance from the Arctic states (Hong, 2014:282). Since China was granted observer status, it has participated in the work open to the observers. In addition to the Arctic Council, China is also involved with Track II Arctic organisations such as the Arctic Circle and the Arctic Frontiers (Lanteigne, 2016:2). The second strategy pertains to the construction of narratives about China's role in the Arctic. As part of this, China has built an Arctic identity as a 'Near-Arctic' state (Allan, 2018; Grieger, 2018). To support this narrative, China is promoting a globalist narrative in which the Arctic is depicted as global space with impact on countries well beyond the Arctic states. China is thereby seeking to legitimise its role in Arctic affairs (Allan, 2018:4). This thesis focuses on the third

strategy which pertains to the efforts China is making to strengthen its bilateral cooperation with Arctic states, particularly Iceland and Greenland. Scholars argue that strong bilateral ties and economic cooperation are very high on China's Arctic agenda. It is perceived as a method that serves the purpose of increasing its influence in the Arctic (Allan, 2018; Hong, 2018; Koivurova, 2019; Peng & Wegge, 2015; Su, 2016; Sørensen & Klimenko, 2017; Wu, 2016; Yilmaz, 2017).

As Brady's statement points out, the Arctic is perceived as one of the world's remaining frontiers and its economic potential is enticing. Accordingly, "the Arctic region is rapidly warming up, and as a result, the Arctic Ocean is losing its ice cover with two expected economic consequences: new natural resource reserves and opening maritime routes are expected to become accessible. As a result, the Arctic is not only becoming increasingly commercialized and globalized, but also increasingly important in geopolitical and geoeconomic terms" (Käpylä & Mikkola, 2016:203). The Arctic is projected to be rich in fossil fuels and minerals, while also being one of the world's few remaining land regions with extensive areas of prospective geology (Boyd et al., 2016:11). "Most notably, the prospects of extracting large quantities of fossil fuels yet to be discovered has been a significant motivational factor for the aforementioned 'race' northwards – both for private companies and for states" (Bruun & Medby, 2014:921). The Arctic is expected to hold 22 per cent of the world's undiscovered fossil fuel resources (Brutschin & Schubert, 2016:147) as well as vast deposits of minerals, including zinc, rare earth elements, lead, nickel, coal, gold, diamonds, manganese, silver, tungsten, chromium and platinum. 84 per cent of these natural resources are expected to be located within the Exclusive Economic Zones some of which the coastal states have sovereignty over in accordance with the United Nations Convention on the Law of the Sea (Jakobsen & Lee, 2013:1).

Iceland and Greenland are located in and around the Arctic Circle and, for China, these are strategically important locations. In addition to that, China's Arctic cooperation with and investment in Iceland and Greenland are interesting for three reasons. The first main motivation for choosing to focus on Sino-Greenlandic and

Sino-Icelandic relations is a matter of examining the relationship between China as a great financial power and the two relatively weaker microstates. What is interesting about these microstates is that they have the smallest economies of the Arctic Council member states and, at the same time, they have relatively large inflows of Chinese foreign direct investment compared to the size of their economies (Rosen & Thuringer, 2017:54). The second main motivation is to add to the pool of knowledge about China's use of geoeconomic strategy. Previous studies have mainly focused on China's geoeconomic activities in developing countries where China, as an example, has entered into oil-for-loans deals (Kärkkäinen, 2016; Mensah, 2010; Mohan & Tan-Mullins, 2019; Wu & De Wei, 2014). There are relatively few explicit geoeconomic analyses conducted on China's use of geoeconomic strategy towards developed countries or regions (Grosse, 2014; Hsiung, 2009). The third main motivation relates to the geographical specifications and their importance in relation to China's geostrategic interests in Iceland and Greenland. According to Scholvin & Wigell (2018), geoeconomic analysis must account for the geographical dimensions when spaces and places become objectives of the application of economic power. In this regard, the two microstates make up interesting case studies as they are endowed with different geographical specifications.

The aim of this thesis is threefold. The main endeavour of this thesis is to analyse which geostrategic objectives China is pursuing in the two aforementioned Arctic microstates. This is followed by two sub-aims. Thus, the second aim is to examine how China's geostrategic investments in Iceland and Greenland feed into the country's overarching goal of energy security. The third aim is to find out whether the bilateral Arctic cooperation constitutes a zero-sum game, i.e. if it results in unilateral advantages for China as the geoeconomic power or in advantages for all parties. These aims will be accommodated through the scope of geoeconomic analysis.

Essentially, the aim is to answer the following research questions:

What geostrategic objectives are China seeking to realise through its investments in Iceland and Greenland?

- *How do these objectives relate to increasing China's energy security?*
- *Does the bilateral cooperation constitute a zero-sum game?*

Methods and Reflections

Literature review

The purpose of a literature review is to systematically examine scholarly literature about a topic in question. The literature review "critically analyzes, evaluates, and synthesizes research findings, theories, and practices by scholars and researchers that are related to an area of focus" (Efron & Ravid, 2019:2). In this thesis, the analytical and theoretical parts build on a thorough review of relevant literature. This literature is mainly academic, while also based on policy documents, news articles and statistics. Utilising a literature review enables the accumulation of findings in past research, thereby allowing one to learn from existing knowledge and to better situate one's own contribution within the specific field of study. Essentially, it enables the goal of expanding the pool of knowledge (Efron & Ravid, 2019:3).

In regard to the theoretical part, I have synthesised a number of relevant academic articles that deal with geoeconomic theory and geoeconomics as an analytical framework (Hurrell, 2006; Blackwill & Harris, 2016; Mattlin & Wigell, 2016; Wigell, 2016; Wigell & Vihma, 2016; Csurgai, 2018; Scholvin & Wigell, 2018; Vihma, 2018). The theoretical chapter starts out by introducing the topic, including its historical context, definitions, its theoretical aim, Edward Luttwak's (1990) seminal article, main debates and shortcomings. The introduction is followed by a section on geoeconomics as a method of foreign policy and as an analytical framework, which pays specific attention to the strategic and geographical dimensions of geoeconomic analysis. The last two sections focus on emerging powers' use of geoeconomic strategy and on the role of states in advancing geoeconomics as a strategy of foreign policy.

The structure of the analytical part is based on a synthesis of academic articles some of which perform analyses of China's geoeconomic activities in different parts of the world (Mensah, 2010; Grosse, 2014; Wu & De Wei, 2014; Kärkkäinen,

2016; Beeson, 2018; Sørensen & Klimenko, 2017; Mohan & Tan-Mullins, 2019). Having searched extensively, I have come across a large number of academic articles that focus on China's Arctic activities and, in particular, China's Arctic policy paper and Arctic aspirations in general. A relatively limited number of articles make explicit and in-depth geoeconomic analyses of China bilateral relations with Arctic states. The structure of the analytical part has been composed on the basis of a review of a number of articles that focus on China's geoeconomic strategy and bilateral cooperation with countries in other parts of the world. In the review of these articles, a number of analytical components were identified. These components form the structure of the analysis, which includes a description of China's financial strength and capabilities; and a description of China's foreign policy goals, including its Arctic policy goals, which serves as a precondition for understanding its geostrategic investments in Iceland and Greenland.

China's Arctic cooperation with Iceland and Greenland will be treated as case studies. "Case study research is concerned with the complexity and particular nature of the case in question" (Stake 1995, in Bryman 2014:66). The case study method enables an in-depth examination of China's bilateral Arctic relations with Iceland and Greenland. This entails overviews of diplomatic relations and the specific investments which Chinese state agencies and companies have made. To answer the research questions, the theoretical concepts will be applied to the case studies which will shed light upon which geostrategic objectives the Chinese state is pursuing in each of the microstates; how these objectives relate to increasing China's energy security, and; whether the cooperation constitutes a zero-sum game.

Data

The analysis builds entirely on secondary data from primary and secondary sources such as academic articles, policy documents, media articles and statistics. The majority of the literature that is included in this thesis is academic in nature. To a lesser extent, material from policy institutes and think tanks is included as well as news media articles. The fourth category of data is statistics which have been

sourced from websites such as the World Bank and Statistics Greenland as well as from various papers and reports.

Reflections and limitations

In this thesis, the focus is limited to China's activities in Iceland and Greenland. As a result, the other Arctic Council member states, Norway, Russia, the US, Canada, Sweden and Finland have been left out. Iceland and Greenland were chosen as they are the smallest Arctic economies with high levels of Chinese foreign direct investment and they have welcomed Chinese investment and cooperation. A study with a larger scope can benefit from including more or all of the Arctic states as it will provide a relatively more comprehensive idea of the geostrategic objectives China is pursuing in the Arctic. As the majority of China's investments in the Arctic have been made within the last ten years, continuous research is needed to provide an idea of risks and advantages of Chinese investment in the Arctic region. A future study could also focus on the security-related aspects of Chinese investment in an Arctic context. Security-related implications of Chinese investment is already a major topic in political and academic circles and also in relation to the Arctic. As there is no consensus on whether Chinese investment poses a threat or not, this is an aspect to further scrutinise in an Arctic context.

This thesis has made use of the literature review as the primary method for reaching an answer to the research questions. The composition of a literature review presupposes the selection and analysis of relevant documents. Since the literature review is a synthesis of many documents with different aims and information emanating from different points of view, it is necessary to be aware of the one's own perceptions and abilities (Efron & Ravid, 2019:15). I have aimed at examining the literature with an open mind, hence trying not to adopt too much of the Western 'fear' – be that reasonable or not – of China, while also trying to avoid naivety. Perceiving China as nothing but a threat to the Arctic would have consequences for my perception of the cases, as they would automatically assume the roles as 'victims' of China's geoeconomic behaviour. By rejecting these stereotypes, I have

made efforts to study their relations and China's investments in Iceland and Greenland in a way that would allow for alternative outcomes. In so doing, attention has been paid to different perspectives on China's Arctic interests with the purpose of producing a relatively nuanced picture.

Another reflection and limitation of this thesis relate to the problematics of language. It has not been possible to include documents in Chinese language from scientific databases or news media. It is likely that relevant information is omitted as a result of that. According to Brady (2017, in Breum, 2018), there is a difference between the English and the Chinese versions of China's formal statements and documents in terms of the messages they convey. Brady stresses that the English versions predominantly communicate benign messages. The results of this thesis should be seen in the light of this.

Geoeconomics as Statecraft

> Geoeconomics is reemerging as a favored form of geopolitical combat for some of the world's most powerful states and is shaping outcomes across some of the world's most important strategic challenges. (Blackwill & Harris, 2016 p. 18)

Introduction to geoeconomics

In today's globalised world, global power rivalries among states are increasingly fought by geoeconomic means of statecraft and often in the pursuit of national interests. In fact, it seems that geoeconomics has become a method of geopolitics which is favoured among the world's most powerful states in the pursuit of relative power (Blackwill & Harris, 2016:18). Edward Luttwak claimed in 1990 that a shift in the international system was taking place in which "methods of commerce are displacing military methods – with disposable capital in lieu of firepower, civilian innovation in lieu of military-technical advancement, and market penetration in lieu of garrisons and bases" (Luttwak, 1990:125). In the post-Cold War era, Luttwak expected that states would take on an increasingly geoeconomic role in the pursuit of relative advantages over other states and in the pursuit of national interests (Luttwak, 1990). The scholars, who perceive geoeconomics to be a means of statecraft and of foreign policy, seem to be in agreement with Luttwak. For states, and especially the so-called emerging economic powers, economic leveraging seems to be a significant source of power in contemporary global politics (Scholvin & Wigell, 2018:81).

Geoeconomics can be defined as "the use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals" (Blackwill & Harris, 2016:20). By proposing this definition, Blackwill & Harris enhance the understanding of geoeconomics as a method of geopolitics. This feeds into one of the more extensive debates within the field of geoeconomics, which

centres around the relationship between geopolitics and geoeconomics. While Blackwill & Harris perceive geoeconomics to be a dimension of geopolitics, other scholars argue that geoeconomics and geopolitics ought to be treated as different from each other (Luttwak, 1990; Scott, 2008; Wigell & Vihma, 2016). In addition, there are scholars that fail to provide an explanation of how the concepts are used or that happen to use them interchangeably (Huntington, 1993; Baru, 2012; Grosse, 2014). This problem is related to another predominant weakness within the field of geoeconomics, which is the lack of a more widely agreed upon definition of geoeconomics. However, recent academic publications seem to promote the definition of geoeconomics as the 'geostrategic use of economic power' (Mattlin & Wigell, 2015; Wigell, 2016; Wigell & Vihma, 2016; Scholvin & Wigell, 2018; Vihma, 2018).

When Luttwak coined the term geoeconomics in 1990, he expected that the emergence of geoeconomics would lead to a change in state action. It would continue to pertain to the logic of conflict but with the methods of commerce. In other words, methods of commerce would replace military methods just as he expected that geoeconomics would replace geopolitics (Luttwak, 1990). However, a number of geopolitical conflicts in recent time have proved Luttwak partly wrong. Examples of that are Russia's invasion of Georgia in 2008, Russia's annexation of Crimea in 2014, China's aggressive naval behaviour in the South China Sea, and the interventions in the Middle East by the US and several European states. Even with the emergence of geoeconomics as a favoured means of contemporary statecraft, military means of statecraft are thus still in use. On occasion, methods of geopolitics and of geoeconomics are even combined in the pursuit of certain strategic interests.

Today, geoeconomics is perceived to be the favoured form of geopolitical combat. Three factors are likely to have encouraged the emergence of geoeconomics within the foreign policy of states. The first reason pertains to the fact that geoeconomic strategies are particularly favoured by the so-called rising powers like China, India and Brazil. The second reason addresses the fact that

certain states, particularly those prone to economic display of power, have greatly increased the amount of resources at their direct disposal compared to previous times. The third reason is related to changes in global markets, which have encouraged the use of geoeconomic strategies (Blackwill & Harris, 2016:33-38). Vihma (2018:2) adds several reasons in addition to those three. For one, the financial crisis in 2008 as it emphasised the link between economy and security. Another factor is the increased focus on resource scarcity which has brought attention to supply issues and zero-sum thinking. Furthermore, the impact of multipolarity on reforms and negotiations in multilateral forums are also thought to have increased the interest in geoeconomics.

Geoeconomics as a foreign policy strategy

According to Mattlin & Wigell (2015), the approach to geoeconomics as a form of statecraft can be related to different policy areas such as economics, finance, and energy. They propose to understand geoeconomics according to Youngs's (2011) definition of geopolitics as "the use of statecraft for economic ends; a focus on relative economic gain or power; a concern with gaining control of resources; the enmeshing of state and business sectors; and the primacy of economic over other forms of security" (Youngs, 2011:14, in Mattlin & Wigell 2015:128). As a means to achieving this, Blackwill & Harris (2016:49) have identified seven economic tools that, at least in theory, have the potential to lead to geopolitical benefits. These are tools that should be analysed in their specific context as their application and ability as instruments of foreign policy can vary depending on the specific state and on the strategic aim. The seven tools are trade policy, investment policy, economic and financial sanctions, cyber, aid, financial and monetary policy, and energy and commodities.

Scholvin & Wigell (2018) understand the use of geoeconomics by states as a strategy of foreign policy. However, their emphasis is placed on the strategic aspect of the concept. For them, geoeconomics as a foreign policy strategy "refers to the application of geoeconomic means of power by states so as to realize strategic

objectives" (Scholvin & Wigell, 2018:80). Essentially, they seek to enhance the understanding of geoeconomics as the geostrategic use of economic power. Vihma (2018) supports this definition and share the emphasis on the strategic aspect of geoeconomics as means of statecraft. For Vihma as for Luttwak, strategy is central to geoeconomic analysis as it highlights a number of aspects relevant to global politics. Among these are aspects such as the competition among states that constitutes a zero-sum game, mid- to long-term temporal perspectives, and the hierarchical power positioning of states on a global level. "In principle, strategy gives coherence to foreign policy objectives. Geoeconomics is thus about shaping and managing the strategic environment in which the states operate for the pursuit of their national interests by economic means" (Vihma, 2018:4).

Not only do Scholvin & Wigell (2018) highlight the strategic aspect as a matter of definition, they also highlight it as it implies a geographical dimension of geoeconomics. The two scholars call for a more extensive focus on the geographical dimensions and argue that in order for a policy to be geoeconomic the objective of the strategy must have decisive geographical features and be geographically delimited. As an example, the mere use of monetary and financial policies does not qualify as geoeconomic, but they "become tools of geoeconomics when they are applied to control a sphere of influence" (Scholvin & Wigell, 2018:81). This is also an effort to build on Luttwak's more limited focus on the geographical aspects. For Luttwak, the geo-part of geoeconomics pertained to the definition of states as territorial-spatial entities more than to the actual inclusion of geographical dimensions of world politics. According to Vihma (2018:4), the explanation is that Luttwak's thinking was based on a 'foreign policy view' of the geo-dimension which is limited to a state's aim at controlling territories and/or flows.

Scholvin & Wigell (2018) perceive geoeconomics as a foreign policy strategy but also as an analytical framework. They agree that geoeconomics as an analytical framework builds on the realist assumption that states by nature compete for relative advantage, but they insist that geoeconomic analysis "transcends IR realism insofar as it recognizes that geographical features that are particular to places and

spaces shape international relations and foreign policy" (Scholvin & Wigell, 2018:81). Geoeconomics as an analytical framework distinguishes itself from analysis of international political economy by placing focus on the geographical aspects and by enhancing an alternative understanding of the geo-dimension. The scope of geoeconomic analysis focuses on specific places and spaces as objectives of the application of economic power (Ibid.) Mattlin & Wigell (2015:126) adds that geoeconomic analysis is particularly suited to understanding how the emerging powers operate in the contemporary political landscape. They point to a difference in the analytical scope between geopolitical analysis and geoeconomic analysis. Looking at global power politics in geopolitical terms, the US remains the undisputed hegemon on the basis of its military power. On the other hand, through geoeconomic lenses, the world looks different and increasingly multipolar. Following this logic, Vihma (2018:14) emphasises that geoeconomic analysis highlights how the contemporary geoeconomic poles of power are different from that of the geopolitical pole of power. Thus, the geoeconomic analysis seems better able to detect how major economic powers are behaving, for instance, when using means of 'soft balancing'. According to Hurrell (2006), means of soft balancing is preferred among economic powers as it is less direct and confrontational and most protective of their own agendas. The purpose of it is essentially to "use non-military tools to delay, frustrate and undermine aggressive unilateral US policies" (Pape, 2005:10, in Hurrell, 2006:15) in an attempt to challenge global power structures.

Rising powers' use of geoeconomic strategies

One of the most important reasons for the current interest in geoeconomics as a means of statecraft is the increased use of geoeconomic strategy by so-called emerging economic powers. Those are among the states that are "increasingly drawn to economic instruments as their primary means of projecting influence and conducting geopolitical combat in the twenty-first century" (Blackwill & Harris, 2016:34). Accordingly, emerging economic powers are of interest to geoeconomic analysis for two reasons. First of all, countries like China, Russia, India and Brazil possess a range of economic, military and political power resources, which have

the capability to contribute to the production of international order on both the regional and on the global level. Second, these are countries that share the perception that they are entitled to a more influential role in world affairs (Hurrell (2006:1-2).

In the post-Cold War era, there has been a resurgence of regional powerhood in which regional powers like China, Brazil, Germany, India, Japan, South Africa and Russia have come to exert great influence in their regions but also on the global level. This is mainly due to their economic capabilities, though with the partial exception of Russia due to its continued exercise of military power. According to Wigell (2015), the regional powers are foremost economic powers and their use of economic power constitutes their most important strategic asset. In fact, it seems to have been elevated on the scale of strategic priorities to a country's national interests. "As regional powers aim to expand their markets, guarantee their supply lines, and secure their access to finance and cutting-edge technologies, economic security has become a vital component of regional powers' ability to project their power and influence" (Wigell, 2015:137). However, the scope of regional powers is not limited to that. In fact, "they also control significant financial assets that can be deployed beyond their borders. This economic and financial potential provides them with asymmetric economic power that may be leveraged for national advantage" (Wigell, 2015:138). Thus, it is suggested that the regional powers are influential in their own region but also beyond. China is an example of that. While China is known to be influential all over the world, including the Arctic, China's primary area of interest is in fact its own region (Beeson, 2018:247).

According to Mattlin & Wigell (2016), geoeconomics manifests itself in today's global affairs as a "scramble to secure scarce natural resources; the merging of strategic and economic power pursuits; and a newfound interest in projecting politico-military influence over distinct geographical areas, or even beyond traditional geographical space into the world of global economic flows" (Mattlin & Wigell, 2015:130). This manifestation is also expressed in the foreign policies of emerging powers. Hurrell (2006:16) highlights that the imperatives of economic

development are starkly evident in the foreign policies of the BRIC countries. Specifically, for China's foreign policy, it pertains to the importance of raw materials and energy; in Brazil's foreign policy focus is on the diversification of export markets; while for India, the focus is on increase of Western investment. "Indeed, the geoeconomic drivers in the foreign policies of the BRICS countries and in their mutual cooperation seem clear. In many ways, geoeconomics seems to have risen to rival geopolitics as a strategic desideratum in the foreign policy of these regional powers and the means by which they go about asserting their national interests" (Mattlin & Wigell, 2015:127). However, the reason why geoeconomic strategy is of particular interest to several of the major emerging powers might be due to a lack of other alternatives. As some of the rising powers are non-democratic, the variety of geoeconomic instruments can in some cases be limited as other states remain cautious of their intentions. Nonetheless, rising powers are known to use a range of geoeconomic means, ranging from positive inducements used to charm to punitive measures that seek to coerce, while non-democratic states happen to resort to coercive geoeconomic measures due to a lack of other alternatives (Blackwill & Harris, 2016:34).

States as geoeconomic actors

In addition to an increased use of geoeconomic strategy by the so-called rising powers, the emergence of geoeconomics as a means of foreign policy can also be attributed to the changing role of the state. According to Blackwill & Harris (2016:36), the emergence of geoeconomics has led to a return of state capitalism in which ever more wealthy states play an important role as geoeconomic agents. Csurgai (2018) and Vihma (2018:2) argue that the state has a role to play in geoeconomics some of which is more extensive than what the neoliberal paradigm assigns it. Csurgai (2018) emphasises that strategic interaction and cooperation between states and their economic sectors have become a geoeconomic necessity in the pursuit of national interests and in order for states' to enhance their global power position. To achieve this, states need to undergo a transformation of its strategic role in order to adapt to a new power reality in the contemporary global

system. “The objective of this ‘Strategic State’ is to create the conditions for establishing a successful geoeconomic disposition that can create synergy between the private sector and government agencies” (Csurgai, 2018:43). Accordingly, state capitalist economies like China and Russia use this strategic alliance to gain geopolitical influence and in the pursuit of their national interests (Csurgai, 2018:39; Scholvin & Wigell, 2018:75-76).

In addition to strategic state-industry cooperation, it is also the case that certain states, especially those prone to economic display of power, have increased the amount of resources at their direct disposal. According to Grosse (2014:42), economic potential is of key importance for a state’s geoeconomic position and international standing, with wealth as the key indicator of potential. A country’s wealth can be expressed in a number of ways, for instance by the size of the financial assets, the ability to accumulate wealth, a positive balance of foreign trade, etc. However, the most important indicators pertain to a country’s GDP growth rate, the balance of current account and its financial resources. According to Blackwill & Harris (2016), governments “now own the world’s thirteen largest oil and gas firms and 75 percent of the world’s energy reserves. Between 2004 and 2009, 120 state-owned companies joined the Forbes’s list of the world’s biggest 2000 companies. (…) according to reports from 2013, state-backed companies account for 80 percent of China’s stock market, 62 percent of Russia’s, and 38 percent of Brazil’s. (…) one third of the emerging world’s foreign direct investment (FDI) from 2003 to 2009 came from state-owned firms. (…) the reserves of emerging nations have likewise increased, from just over $700 billion in 2000 to around $7.5 trillion in 2015” (Blackwill & Harris, 2016:36-37).

This gives an indication of how the wealth of states has increased during the last 20 years. Scholvin & Wigell (2018:75) argue that this increasing wealth has led emerging powers, and China in particular, to become cunning geoeconomic players. As state capitalist economies, they are endowed with geoeconomic means that are unusual for many Western countries. These are means that enable countries like China to engage in asymmetric investment and trade relations, which in turn

can lead to a politically leveraged position against their counterparts (Wigell, 2015; Wu & De Wei, 2014). As an example, emerging economies have used their power of investment to buy up rare earths, which, according to Scholvin & Wigell (2018:76), constitutes a significant base of power in potential conflicts with the West. Other examples are China's Belt and Road Initiative and the Asian Infrastructure Investment Bank, which are results of China's increased wealth (Cai, 2018). In Wu & De Wei's (2014) analysis of China's geoeconomic power, they identified the sources from which a country's financial power can come. These are sources such as "the economic capabilities and global reach of its domestic enterprises; the ability to impose economic sanctions; the possession of natural resources; the capabilities to produce/sell to, buy from, invest in, and donate aid to, countries around the world" (Wu & De Wei, 2014:783).

Nonetheless, Blackwill & Harris (2016:87-92) emphasise that not all states possess equal endowments that lead them to be successful in geoeconomics terms. They list four structural endowments of importance: the ability to control outbound investment; domestic market features (overall size; degree of control over one's domestic market, both in dictating terms of entry and in controlling import levels from a given sector or country; asymmetries in economic relationships with other states; perceptions of future growth); influence over commodity and energy flows; and centrality to the global financial system (reserve currency, forms of financial sanctions). According to Csurgai (2018:43), a state's geoeconomic disposition is also a matter of how well public and private sectors cooperate on areas like education and training, research and development, commercial strategy, economic diplomacy and economic intelligence. These aspects in combination can, at least in part, determine how much global influence a state is able to gain.

Operationalisation of geoeconomics

The geoeconomic analysis in the present thesis takes its point of departure in the analytical framework outlined by Scholvin & Wigell. It is thus based on the understanding of geoeconomics as "the application of economic means of power so

as to realize strategic objectives" (Scholvin & Wigell, 2018:80). Understanding geoeconomics as such bears with it one significant analytical benefit: it enables me to provide an answer to the research questions as it identifies the strategic objectives China is seeking to realise.

Based on the definition, the aim of the geoeconomic analysis is to identify the following:

- The strategic objectives of China's investments in Iceland and Greenland.
- How the realisation of Arctic objectives feeds into China's foreign policy goals, including energy security.
- Whether China's Arctic cooperation with Iceland and Greenland constitutes a zero-sum game some of which is a key assumption in geoeconomics, or whether the cooperation leads to mutual benefits for all parties.
- How China as a geoeconomic actor behaves in the contemporary international system.

China's Geoeconomic Position and Foreign Policy Goals

> The domestic economic logic to China's diplomacy is its use of foreign policy to expand access to trade, aid, investment, resources, and technology and, specifically, to forge and maintain bilateral political relationships that will ensure continued access to these critical inputs to economic growth. (Medeiros, 2009 p. 51)

The wealthy and global China

China has become one of the world's most notable geoeconomic actors. Endowed with wealth that exceeds that of most countries, China's geoeconomic activities illustrate how wealth and power go hand in hand in contemporary international relations. According to Pathirana (2018), the 'rise of China' has been expounded as the most influential phenomenon affecting the world order in this century. China's ascent has had a profound effect on the contemporary geopolitical landscape, and it has contributed to a new world order in which geoeconomic competition is intensified. In this new world order, "China has been utilizing the economic tools at her disposal, such as trade, investment and finance in order to project power abroad and advance China's geopolitical objectives" (Pathirana, 2018:123). This capability is a result of an unprecedented economic development some of which started with the adoption of China's so-called 'Open Door' policy in 1978. This policy changed China's development strategy from one of self-sufficiency to one of active participation in the world market. With this as its starting point, China quickly became one of the world's largest foreign traders, while also integrating into international institutions like the International Monetary Fund, the World Bank and later the World Trade Organisation among others. The main purpose of the 'Open Door' policy was to close the gap in economic development, technology and military power between China and foreign powers. In addition, "this strategy is based on the assumptions that the contemporary world economy is an

interdependent one, and that each state should stress its own comparative advantages when participating in the international division of labor" (Huan, 1986:4). Hence the strive for relative advantages over foreign powers was officially initiated with the adaptation of the policy in question, which is also the assumption behind geoeconomics as a means of statecraft.

With this policy, China opened up to the rest of the world, and this led to unprecedented economic growth and wealth accumulation. During the last 30 years, China has transformed itself from being one of the world's poorest countries into being the world's second-largest economy. Since 1979, the Chinese economy has grown at an average of 9.6 per cent per year (Yueh, 2013:4). Since 2010, China's GDP has fallen to around seven per cent but it continues to out-do the growth rate of the US and its Asian neighbours. Within the next 10 years, China is expected to become the world's largest economy (Ross, 2019:303). In addition to being among the world's largest economies, China was also the world's second-largest investor in 2017. According to China's Ministry of Commerce, the country's outward FDI amounted to 5.9 per cent of global FDI outflows in 2017 (Shanshan, 2018). In addition, China has the world's largest official foreign exchange reserves amounting to more than $3.073 trillion in 2018 (Qiu & Yao, 2019). In 1985, the official foreign exchange reserves amounted to §12.5 billion, which points to the significant increase in China's export relations to world markets (Huan, 1986:9). China also has a number of sovereign wealth funds. These are state-owned investment funds some of which are generated from the balance of payments surpluses, official foreign currency operations, etc. In 2018, China Investment Corporation held $941.4 billion, Hong Kong Monetary Authority Investment Portfolio held $522.6 billion, SAFE Investment Company held $441 billion (estimate by Sovereign Wealth Fund Institute), National Social Security Fund held $255 billion, and China-Africa Development Fund held $5 billion (SWFI, 2018). According to the Sovereign Wealth Fund Institute's 2018 ranking of the largest global wealth funds, the aforementioned Chinese wealth funds ranked second, fifth, seventh, 12th and 47th (SWFI, 2018). Taken together, these macro statistics indicate

that the Chinese state possesses wealth, which exceeds that of most other states. The immense wealth at the disposal of the Chinese state enables it to pursue its strategic foreign policy goals beyond its own borders. In other words, the sheer wealth makes China a strong geoeconomic actor in the contemporary global system.

Another grand policy of importance for China's reach beyond its borders is the so-called 'Going Out' or 'Going Global' strategy which was adopted in the year 2000. The 'Going Global' strategy "encourages outward investment by Chinese companies, the promotion of trade and export of products, services and technologies, overseas exploitation of resources and infrastructure construction by Chinese enterprises" (Bohoslavsky, 2019:78). As a result of that, China went from having a relatively small outgoing investment to being the world's third largest exporter of FDI in 2014. To be precise, Chinese outbound FDI rose from $10.2 billion in 2005 to $92.8 billion in 2014. It is expected that the stock of Chinese outbound FDI will increase from $744 billion in 2017 to $1 to 2 trillion in 2020 (Wang & Hu, 2017:820). Chinese FDI has also found its way into the Arctic. Rosen & Thuringer (2017) estimate that China has invested over $1.4 trillion in the economies of the Arctic states (including Sweden and Finland) from 2005 to 2017, out of which $89.2 billion went into infrastructure, assets, cooperative agreements, financing agreements, and other projects within the Arctic. The annual economy of the Arctic amounts to $450 billion which indicates that the Chinese investment constitutes a significant portion of available investment capital. From 2012 to 2017, Chinese investment in Greenland amounted to 11.6 per cent of Greenland's GDP and 5.7 per cent of Iceland's GDP (Rosen & Thuringer, 2017:54).

The 'Going Out' strategy encouraged outbound investment undertaken by both State-Owned Enterprises (SOEs) and private enterprises. In fact, the SOEs have been the most prominent actors in the strategy. These SOEs are backed by government lending and export credit insurance. According to Kane (2017), China has the largest SOE sector in the world. The central government of China owns 51.000 SOEs estimated at a value of $29.2 trillion, whereas Hungary, the country with the second-largest SOE sector, has only 370 SOEs. The SOEs have a wide

reach beyond Chinese borders. Bohoslavsky (2019:82) highlights that by the end of 2014, 107 SOEs had set up 8.515 branches in 150 regions and countries and these accounted for 70 per cent of all Chinese outbound FDI. While Chinese FDI flowed to most parts of the world, the majority of the FDI from 2004 to 2013 went to countries in the so-called 'Global South', specifically 31 per cent to Asia, 14 per cent to Africa, and five per cent to Latin America. However, with the current slowing of the Chinese economy, the large amount of FDI outflows poses a threat to the country's financial stability. As a result, the Chinese government has put in place efforts to restrict capital outflows whereby the outbound FDI has been declined in recent years (Huang & Xia, 2018:1).

The Chinese state has accumulated massive financial wealth during the last 30 years, which has led China to become one of the world's most prominent geoeconomic actors. According to Wu & De Wei (2014), China has the necessary financial assets which enable it to exercise its power through financial mechanisms in its pursuit of foreign policy goals. However, financial assets are not enough in and of itself. On the contrary, "such assets may only be successfully transformed into foreign policy advancement with a set of mechanisms" (Wu & De Wei, 2014:784). These mechanisms are made up by China's SOEs, its state-owned banks and its sovereign wealth funds. It is through these mechanisms that the Chinese state can direct its foreign investment. As the SOEs are under the ownership of the state, their investment choices are also decided by the state. In addition, China has a number of policy banks, including the Agricultural Development Bank of China, China's Development Bank and Export-Import Bank of China, some of which function as means to further China's economic and political objectives. They do that through the ability to disburse loans and cheap trade credits. The third mechanism is the wealth funds some of which have control over a proportion of the state's official foreign exchange reserves. While China has some of the world's larger wealth funds, the highest number of SOEs in the world and the largest official foreign exchange reserve of $3.073 trillion, Chinese wealth has the potential to be powerfully distributed to meet strategic ends. After all, a country's wealth remains

the key indicator for geopolitical and geoeconomic potential as well as for a country's international standing (Grosse, 2014:42). With this in mind, let us turn to China's foreign policy goals.

Specifying China's foreign policy goals

Economic issues take a central place in China's foreign policies and in its foreign relations. The 'Going Out' policy is a good example of that. According to Kärkkäinen (2016:189), the core goals of China's foreign policy are often identified in terms of three main goals: to secure domestic economic development, to secure territorial integrity, and to enhance China's international position. In addition, Jakobsen & Lee (2013) highlight that the overriding and foremost publicly articulated goal of the Communist Party of China (CPC) is "to maintain political stability; this means keeping the CPC in power and the socialist system intact. In turn, economic growth and development is identified as the foundation of political stability" (Jakobsen & Lee, 2013:4). As a result, Chinese leaders agree that energy has become a key strategic issue for China's economic development, social stability, and national security. In addition, it is agreed that the realisation of core interests depends on access to sufficient energy resources (Xing & Bertelsen, 2013:5). A lack of supply can have severe implications for China's development as a great power and for maintaining its socialist system. As a result, the supply of natural resources constitutes an important dimension in the country's continued economic development and quest for international influence. In addition, Jakobsen & Lee (2013:5) argue that China's interest in the Arctic can be viewed through the scope of the 'Going Out' policy with overall goals pertaining to the improvement of the international competitiveness of Chinese enterprises and stable access to resources needed in the country's continued economic development.

Energy security

Energy security is an important strategic priority for the Chinese state. Energy security can be defined as "the ability of a country to procure sufficient, affordable and reliable energy supplies" (IEA, 2007:140, in Kennedy, 2011:121). As a result

of its strategic importance, energy security was adopted as a key policy priority in China's 12th Five Year Plan (Wu & De Wei, 2014:790). Data provided by the Institute for Energy Research (2012) shows that China is the world's largest energy consumer. In 2012, fossil fuels supplied over 90 per cent of the country's energy needs. To be specific, coal accounted for 66 per cent, oil accounted for 20 per cent, hydroelectric power accounted for eight per cent, natural gas for five per cent, while nuclear power and renewables each accounted for one per cent or less. In 2014, China overtook the US as it became the world's largest net importer of petroleum. According to Tan (2019), China continues to be the world's largest importer of oil in 2019 with imports rising four per cent from last year. In addition to being the world's largest energy consumer and the largest oil importer, China is also the world's third largest importer of natural gas (Hsiung, 2016:245). In the period 2000 to 2009, China doubled its energy consumption and it is estimated that China accounts for 63 per cent of the world's new energy demand in that period (Kennedy, 2011:121). It is expected that China will account for one-fourth of the global net growth in gas consumption and more than half of the net growth in oil consumption until 2035 (Odgaard & Delman, 2014:107). However, what is problematic for China is its dependency on other countries for its supply of natural resources. It is problematic as it makes China's economic stability vulnerable to supply instabilities. Essentially, the fear of the Chinese Communist Party is that supply disruptions or supply shortages could derail its economic momentum and thereby cause social unrest and potentially jeopardise the survival of the regime (Rainwater, 2013:64). In other words, "given the high levels of import-dependency, the domestic power-wealth structures in China rely on uninterrupted supplies from beyond state borders" (Amineh & Guang, 2018:9).

China is more dependent on other countries for its supply of oil than of any other resource. The Chinese state has therefore adopted a number of supply-side policies to ensure its access to oil supplies. These include support of the international expansion of state-owned national oil companies (NOCs), diversification of sources of supply, strengthening of naval capabilities, and the

development of its own strategic petroleum reserve. With the 'Going Out' strategy, the Chinese government encouraged the NOCs to go out and secure the country's oil supply, thereby trying to create a reliable and sufficient supply system. From 2002 to 2009, Chinese NOCs participated in 43 separate foreign oil and gas acquisitions some of which took place in 31 different countries, mainly in developing countries, and these were worth an estimated $65 billion (Kennedy, 2011:124). In an attempt to secure a reliable flow of oil, China's NOCs have engaged in oil-for-loans and oil-for-infrastructure agreements with countries in Latin America and Africa. In 2011, China imported 19.7 per cent of its crude oil from Africa and 7.2 per cent from Latin America. In order to avoid fluctuation of oil prices and the potential of oil being withheld in case of political disagreements, China entered into agreements with countries in both regions that promised China a fixed number of oil barrels per day in exchange for loans, aid and investments. In addition to the loans-for-oil agreements, China's NOCs have also acquired stakes in local oil companies as a way of securing supply (Wu & De Wei, 2014:790).

Another supply-side policy which has been taken into use by the Chinese state is diversification of supply sources. In 1995, China relied mainly on the Persian Gulf and the Asia Pacific which supplied 88 per cent of its crude oil. However, in 2005, China began diversifying its oil imports. In 2010, the Persian Gulf supplied 47 per cent, Africa supplied 30 per cent, Asia Pacific supplied four per cent, countries from the former Soviet Union and Europe supplied 11 per cent, and the Americas supplied nine per cent (Kennedy, 2011:127). The question is whether the Arctic presents yet another option for diversification for China? As previously mentioned, the Arctic is potentially containing 22 per cent of the world's undiscovered fossil fuel reserves. In relation to this, Hsiung (2016) notes that it has frequently been claimed by Chinese scholars that "their country's main motivation for participating in Arctic energy resource development is related to energy security concerns" (Hsiung, 2016:247). While China has not previously had a significant energy presence in the Arctic, it seems to be changing. Its Arctic policy is an indication of this, while a number of commercial agreements and investment

projects by Chinese NOCs have also pointed in this direction. To support this assumption, Su (2016:41) argues that Arctic sea routes and resources development do represent alternative options for diversification. However, this is the case in a long-term perspective as the Arctic has little economic significance to China in the short- and mid-term. According to Hsiung (2016:248-249), it is mainly the two NOCs, China National Offshore Oil Corporation (CNOOC) and China National Petroleum Corporation (CNPC) that have specific plans and investments in the Arctic but the number of deals and joint ventures are rather limited. Nonetheless, Odgaard & Delman (2014) argue that regions that are politically stable seem of interest to China as it seeks to engage in energy diplomacy in places less prone to conflict and political instability. These two authors suggest that "China is quite active in soliciting arctic resources and seems to be looking at possibilities for offering attractive credits to the arctic countries to be able to access and possibly control parts of the resources in the area. If China is successful in gaining recognition and access, possibly even control over some of the resources, it will not only contribute to improved Chinese energy security, it will also contribute to more control over important transport routes used for China's trade with regions such as Europe" (Odgaard & Delman, 2014:115). As prices for Arctic oil remains high compared to other regions globally, Moe (2016:6) argues that it is very unlikely that a country like China, which has a wider choice of suppliers, would pay more for oil from the Arctic than from any other region in the world. Following this argument, Su (2016:37) notes that Arctic resources can be easily replaced by supplies from Latin America, Africa and Australia, which is associated with fewer costs and fewer risks.

According to Amineh & Guang (2018), there is also another option for China in terms of being energy secure. In order to reduce its import-dependency, China can also acquire a higher energy efficiency and/or invest in clean energy. According to the International Renewable Energy Agency (2019), China's energy security will benefit from a transition to green energy. By increasing its share of renewable energy, China will increase its energy independence. In fact, "leaders in

technological innovation are positioned to gain the most from the global energy transformation. No country has put itself in a better position to become the world's renewable energy superpower than China" (International Renewable Energy Agency, 2019:40). In China's Renewable Energy Outlook 2018, it is estimated that 15 per cent of the country's energy comes from renewable energy in 2020 and 20 per cent in 2030. It is expected that renewable energy sources dominate China's energy supply in 2050 with 70 per cent stemming from solar and wind power. According to the newspaper China Daily, renewable energy made up 11.7 per cent of China's primary energy consumption in 2017 (Zhihua & Xin, 2018), while in 2012, renewables made up less than one per cent. In 2017, the Chinese state adopted its 13th Five Year Plan for the development and utilization of geothermal energy. In 1977, China started its exploration of geothermal energy, and in 2014, China's installed capacity of power generation from geothermal heating ranked 18th on a global scale. The use of geothermal heating is thus playing a significant role in China's energy transition (National Department and Reform Commission). Accordingly, China is turning 20 cities into smokeless cities based on the utilisation of geothermal power (Richter, 2017). Arctic cooperation is also expected to help China on its way to changing its energy mix. In China's Arctic policy, it is stated that China wants to cooperate with the Arctic states to "strengthen clean energy cooperation, increase exchanges in respect of technology, personnel and experience in this field, explore the supply of clean energy and energy substitution, and pursue low-carbon development" (The State Council).

Thus, while there continues to be a great demand for imports of fossil fuels, China is also concerned with sustainable energy sources for the sake of energy independence and mitigation of climate change. In the foreseeable future, fossil fuels are still needed in China's further development and for the satisfaction of the needs of its citizens. As already mentioned, Odgaard & Delman (2014:107) expect that China will account for 25 per cent of global net growth in gas consumption and more than 50 per cent of net growth in oil consumption until 2035. The question is

how China's Arctic priorities fit into reaching its overriding goals of continued economic development.

Arctic goals

China published its first Arctic policy in January 2018, which was in fact earlier than expected among scholars and politicians. While there has been a discrepancy between the media and academia as to how important the Arctic is to China (Jakobsen & Lee, 2013:4; Hsiung, 2016:244; Su, 2016:41), the publication of a policy suggests that China's interest in the Arctic is increasing. While its presence in the Arctic makes up only a fraction of its global outreach, the Chinese state seems ready to seize new windows of opportunities which the warming Arctic represents (Peng & Wegge, 2015:2). In the Arctic policy, China presents four policy goals: "to understand, protect, develop and participate in the governance of the Arctic, so as to safeguard the common interests of all countries and the international community in the Arctic, and promote sustainable development of the Arctic" (The State Council). To 'understand' the Arctic, China wants to improve the capacity and capability in scientific research, thereby increasing the understanding of climate changes occurring in the Arctic and to find ways to improve the protection, development and governance of the Arctic. To 'protect' the Arctic, China will actively respond to climate change in order to protect the natural environment of the Arctic and its indigenous peoples. To 'develop' the Arctic, China wants to improve the capacity and capability in using applied technology, contribute to the development of shipping routes, resource utilisation, environmental protection, etc. And lastly, to 'participate' in Arctic governance, China wants to contribute to managing and regulating affairs and activities in the Arctic based on international law. Thus, the four policy goals centre around scientific research, environmental protection, economic development and participation in Arctic governance. In addition, it is stated in the policy that China intends to reach its policy goals through the application of four basic principles: "respect, cooperation, win-win results and sustainability" (The State Council). For China, 'respect' is the key basis for participation in Arctic affairs, 'cooperation' is the effective means for its

participation, 'win-win results' is the value pursuit of its participation, and 'sustainability' is the fundamental goal for China's participation.

China's Arctic policy is seemingly prioritising scientific, economic and environmental goals. In the policy, it is stated that "China prioritizes scientific research, underscores the importance of environmental protection, rational utilization, law-based governance and international cooperation, and commits itself to maintain a peaceful, secure and stable order" (The State Council). While these intentions seem to be in accordance with the goals of Arctic cooperation in general, China is often assumed by Western media to focus only on the economic and extractive potentials of the Arctic. In line with that assumption, the study by Rosen & Thuringer (2017:57) shows that Chinese FDI is predominantly directed into sectors of energy, infrastructure and mining. This is also supported by Su's (2016:36) findings, which are based on papers about the Arctic from China's most authoritative journals and newspaper database, China National Knowledge Infrastructure. These papers suggest that China's Arctic interests are characterised by seven overall themes with the following order of priority: Arctic exploitation, cooperation with Arctic states, law, governance, security, geopolitics, and risk. Even though economic concerns are represented among the most important aspects, Su (2016:41) argues that the Arctic is likely to be of less economic significance in the short- and mid-term due to low global oil prices, decreasing number of transits through the North-East Passage, high exploitation costs, and environmental concerns. Instead, China is likely to await the development of Arctic economic opportunities, while focusing on scientific innovation, regional cooperation and sustainable development in the short-term. Sørensen & Klimenko (2017) support China's statement in the Arctic policy, which claims that scientific research has foremost priority for China in its Arctic affairs. They argue that the first of China's Arctic objectives pertains "to build[ing] a solid Chinese polar research capacity, which primarily relates to how ongoing changes in the Arctic climate have direct implications for China" (Sørensen & Klimenko, 2017:1). In relation to that, Jakobsen & Lee (2013) argue that China's incentive to engage in scientific research

and environmental protection has an economic objective. To be specific, "China's most important concerns relate to how the country can benefit from the economic opportunities borne by the warming of the Arctic and how a warming Arctic will adversely affect its economy" (Jakobsen & Lee, 2013:4). China has already been active in Arctic science for decades. In 1993, China acquired the icebreaker, the Snow Dragon, which is used on its expeditions and, in 2014, China established the Yellow River research station in Svalbard (Sørensen & Klimenko, 2017:6). In 2016, China completed its seventh scientific expedition. In addition to this, China is a member of the International Arctic Science Committee and Ny-Ålesund Science Manager's Committee. Chinese Arctic scholars and institutions have also embarked on several scientific collaborations with other Arctic states, including Norway and Russia (Hong, 2018:15). China has also established the China Nordic Arctic Research Center, which is a science framework that includes nearly ten Chinese and Nordic universities and research institutions (Su, 2016:40). Thus, Arctic science is arguably of importance to China whether it serves economic or environmental purposes. Nonetheless, the Arctic policy states that "the utilization of sea routes and exploration and development of the resources in the Arctic may have a huge impact on the energy strategy and economic development of China", thus indicating that sea routes and natural resources are of significance to the Chinese state as well. Based on this, it seems that the objective of engaging in scientific research and extraction of natural resources is the same: both pertain to protecting and pursuing national economic interests.

Thus, it is suggested that China's initial interest in the Arctic pertains to scientific research, while economic opportunities are likely to become more important over time when exploration and exploitation become more accessible. However, it is also articulated by scholars that China's growing interest in the Arctic is an expression of the country's idea of its own place in the world. Accordingly, "the Arctic is one of the most recent examples of Beijing's commitment to cross-regional diplomacy as the country grows more confident of its great power status" (Koivurora et al., 2019:21). Jakobsen & Lee (2013:4) have

long perceived China's desire to exert influence as a rising power as an underlying motive behind its Arctic activities. This indicates that China's Arctic presence should not only be understood in terms of the abovementioned aspects, but also as a matter of exerting global influence and as an attempt to balance geopolitical power. To accommodate this goal, "Beijing has understood that the most powerful source of leverage lies in its vast capital and technological know-how" (Allan, 2018:7). China's national interests in the Arctic is therefore likely to be a matter of gaining influence and creating dependency relationships with Arctic states – and perhaps the 'weaker' Arctic microstates in particular – as much as it is a matter of securing a steady supply of natural resources. Accordingly, China perceives the polar region as a strategic frontier one of which is "decisive for the future of the world and for world dominance" (Brady, 2017, in Breum, 2018).

Tools of geoeconomics

According to Scholvin & Wigell (2018), geoeconomic analysis ought to take account of the geographical dimensions that are place-specific and thereby influencing foreign policy and international relations between states. The two foreign policies that are relevant in this respect are China's 'Going Out' policy and its Arctic policy. According to Jakobsen & Lee (2013:5), China's Arctic interests ought to be viewed through the scope of the 'Going Out' policy as it encourages outward investment and overseas acquisition of natural resources. In addition, China's Arctic interests should of course also be viewed through the scope of its official Arctic policy, which clearly states its Arctic goals. The 'Going Out' policy has a global reach and is therefore also applying to the Arctic. Both the 'Going Out' policy and the Arctic policy can therefore be regarded as geoeconomic. The former does not have a geographical delimitation to the Arctic, but it does become a tool of geoeconomics in the sense that it is "applied to control a sphere of influence" (Scholvin & Wigell, 2018:81). The Arctic policy is, on the other hand, geographically delimited and it has decisive geographical features. All four of its policy goals are specifically related to different aspects of Arctic affairs, including Arctic scientific research, environmental protection, development of shipping

routes, resource exploitation, and governance. Hence focus is placed on the geographical dimensions of China's Arctic strategy and on the Arctic's geographical features that shape international relations among the states.

The examination of China's foreign policy goals indicates that China seeks to realise a number of foreign policy goals through its economic relationships with the two Arctic microstates. The overriding goal of the Chinese state is to maintain political stability for the purpose of protecting the communist regime. In so doing, economic development and energy security are vital underpinnings and important goals of the state's foreign policies. The Arctic policy seems to feed into accommodating these overarching goals as the Arctic focus areas all relate to the maintenance of the country's economic situation in one way or another. This is the case whether they are related to scientific research, renewable energy, or resource development and extraction. Getting China's Arctic priorities into an exact order of importance is difficult due to the fact that scholars offer varying opinions on what is China's main priority and not all agree with China's own statement in its Arctic policy, where it emphasises its foremost commitment to scientific research. However, based on the examination of China's Arctic goals, the below geostrategic objectives have been identified. They have been divided into two to illustrate the difference between China's stated priorities and the priorities scholars assume China is pursuing.

Based on China's Arctic policy (cf. the order given in the Arctic policy paper):

1. Scientific research
- Environmental protection
- Rational utilization
- Law-based governance
- International cooperation

Based on scholars' views on China's Arctic interests:

1. Arctic exploitation, scientific research, influence
- Cooperation with Arctic states

- Law
- Governance
- Security
- Geopolitics
- Risk

The examination of China's investments and bilateral activities in Iceland and Greenland will give an indication of what strategic objectives China is in fact pursuing in its cooperation with Iceland and Greenland and whether they are in accordance with its stated priorities or with the priorities posed by scholars.

China's Arctic Diplomacy and Relations

> China has also made strong overtures towards a number of Northern European countries by extending its domain and influence into the region through its assiduous diplomacy and grand strategy to nurture and sustain cordial bilateral relations. (Sakhuja, 2011 p. 3)

Strategic bilateral cooperation

For China to strengthen its bilateral ties with Arctic nations is called out by scholars as a way for China to increase its influence in Arctic affairs (Allan, 2018; Hong, 2018; Koivurova, 2019; Peng & Wegge, 2015; Su, 2016; Sørensen & Klimenko, 2017; Wu, 2016; Yilmaz, 2017). Hong (2018) argues that the promotion of bilateral ties with Arctic states serves a strategic purpose one of which is better reached through bilateral rather than multilateral cooperation. This is due to the fact that different states have different interests and cooperating with the states individually gives China "much more leeway for strategic operations" (Hong, 2018:5). In addition, China is advancing its bilateral diplomacy in the Arctic region through two efforts: one is through resource-oriented diplomacy, and; the other is through bolstering of relations with the Northern European states for the purpose of increasing its Arctic influence. However, Chinese cooperation with the Northern European states is not as much a matter of gaining access to resources as it is a way of expanding its influence in the Arctic. In Hong's assessment, China will be able to increase its Arctic influence if it manages to establish long-term cooperation on Arctic issues with the Nordic states (Ibid.). Sørensen & Klimenko (2017) argue that science diplomacy is also a priority in China's cooperation with the Nordic states. "For China, scientific cooperation facilitates its Arctic diplomacy and accordingly contributes to strengthening the image of China in the region and Chinese relations with the Arctic states, thereby gradually building trust and integrating China into Arctic governance structures" (Sørensen & Klimenko, 2017:6-7). Peng & Wegge (2015:5) argue that, while China's resource-diplomacy is important in its relations to the Arctic, science-diplomacy remains the most important dimension of its Arctic

affairs. Brady (2017) argues that great *polar* powers are characterised by something beyond the traditional forms of power and influence. In fact, "a state's investment in polar-related science is a fundamental indicator of power and intentions" (Brady, 2017). Whether it concerns resource- or science-diplomacy, Allan (2018:11) notes that the increasing integration of China and the strengthened bilateral cooperation overall are perceived to create a so-called 'fait accompli'. Essentially a situation which necessitates China's continued presence in the Arctic. Grosse (2014) perceives the creation of relations of interdependence as a favourable dimension of geoeconomics, where the dominating country seeks to maximise its own benefits as well as to "change the relation of interdependence into a more hierarchical relations, and in fact to strive to gradually make other actors of the world economy dependent on (or subject to) one's leading position (Grosse, 2014:43). Essentially, the use of economic means is applied to exert geopolitical influence and to improve the country's international standing – also in distant regions – while at the same time weakening its 'opponents', thereby creating relations of interdependence (Ibid.).

In the Arctic policy, China emphasises its focus on win-win outcomes and on the socio-economic development of the Arctic. In the Arctic policy, it is stated several times that Arctic cooperation should lead to mutually beneficial outcomes, and that win-win results are the direct *value* pursuit of China's participation in Arctic affairs. According to the policy, China expects that its capital, technology, market, knowledge and experience will play a major role in facilitating the economic and social progress of Arctic coastal States along the routes. In addition, China respects "the efforts made by the Arctic states to empower the local citizens, foster their social and economic progress, and improve education and medical services, so that the Arctic residents, including the indigenous peoples, will truly benefit from the development of Arctic resources" (The State Council). However, according to Peng & Wegge (2015), there is a fear among the Arctic states that bilateral cooperation with China will lead to unilateral benefits for the latter part. "Essentially questions have been raised concerning the degree to which China is

using its economic clout to promote its unilateral strategic interests, interests that do not necessarily overlap with those of the Arctic states" (Peng & Wegge, 2015:2). Taking geoeconomic theory as a point of departure, one should assume that China's intentions amount to its own strategic interests be that increased influence, knowledge of the impacts of climate change, shipping, fishing and/or extraction of natural resources. However, one should be aware that the strengthening of the bilateral ties between the Arctic microstates and China is not only a result of Chinese desire. The Arctic states, including Iceland and Greenland, have also encouraged cooperation with China through different initiatives. Thus, China is not simply imposing itself on the Arctic region. As the cases below will show, the Chinese presence in the Arctic is in some respects invited and welcomed (Hong, 2018:5; Peng & Wegge, 2015:9; Sakhuja, 2011:3; Sørensen & Klimenko, 2017:7).

Sino-Icelandic relations

Geographical and economic specifications

Iceland is located in the North-Atlantic Ocean at the junction of the Arctic Ocean and covers an area of 103.000 km^2 with a population of approximately 348.000 inhabitants. The island is the world's 18^{th} largest island. 11 per cent of Iceland is covered by glaciers, and the remaining terrain consists of plateaux, mountain peaks and fertile lowlands (Promote Iceland a). Iceland became an independent nation in 1918 and has since then developed to become a high-income economy. Since 1918, its GDP has risen 1700 per cent. Iceland's economy is the smallest within the OECD with a GDP of $24.7 billion in 2017, while its GDP per capita places it on a 16^{th} place globally. The size of the Icelandic economy corresponds to 0.12 per cent of the US economy. Prior to the financial crisis in 2008, Iceland experienced a growth in GDP from 2004 to 2008 of 6.5 per cent on average per year. While it went down during and after the crisis, the GDP rose again and, in 2016, Iceland's GDP was the highest among OECD countries and seventh highest on a global scale. Iceland's Central Bank expects that the economy will continue to grow but at a slower pace of approximately three per cent in coming years. However, as the Icelandic

economy is relatively small, it remains relatively more volatile to changes. This is mainly due to a lack of diversification and relatively large external influences. In addition to this, Iceland is very dependent on international trade (Fjeldsted et al., 2018).

The island has several natural resources of importance for its economy. The first one is fishing, which is the mainstay of the Icelandic economy. The second natural resource pertains to its renewable energies, including hydroelectric power and geothermal energy. Iceland produces all its electricity from emission-free and sustainable natural resources (Promote Iceland b). Iceland is the world's largest producer of renewable power per capita, with 73 per cent of electricity stemming from hydropower and 27 per cent stemming from geothermal power. The natural resource sector, and the industries around this sector, account for 71 per cent of Iceland's total exports. The resource sector is divided into three main sectors, respectively tourism, the seafood industry and the energy-intensive industries. Of mineral industries, aluminium is Iceland's leading mineral commodity. Iceland has three large aluminium plants some of which accounts for 17 per cent of the country's exports and 1.5 per cent of the global aluminium production. Currently, Iceland has three silicon plants and there are proposals to construct two more. Two of the plants have faced difficulties out of which one has been shut down indefinitely. The one that is running is expected to produce 33.000 tons of metallurgical grade silicon (Fjeldsted et al., 2018). Iceland is not knowingly rich in fossils fuels or minerals compared to other Arctic nations. However, there are a few places some of which potentially hold hydrocarbon resources and gas, but they are so far undiscovered (Rosen & Thuringer, 2017:20-21).

Bilateral cooperation and Chinese investment

China and Iceland's bilateral relationship goes back to 1971 when diplomatic relations were established. Despite a few bumps on the way, China and Iceland's bilateral relationship has continued to strengthen throughout the years. According to Sakhuja (2011:4), Iceland has received more Chinese delegations than the US,

Great Britain, Germany, France, Italy and Spain combined, and the President of Iceland has made four visits to China. This gives an indication of the importance of the cooperation for both parties. During the financial crisis in 2008, China came to play a particularly important role in Iceland's economic recovery. With the collapse of three Icelandic banks, Iceland was looking to the US and European countries for help. However, the one coming to Iceland's rescue was China. China's help included a $500 billion currency swap deal (Sakhuja, 2011:4). According to Su (2016:40), China has made particular progress with Iceland out of the Arctic states. In 2013, China and Iceland entered into a free trade agreement (FTA) as a means to deepening their mutually beneficial co-operation in the fields of trade and investment. Prior to this, in 2012, China and Iceland signed a number of bilateral deals, including a framework accord on Arctic cooperation (Peng & Wegge, 2015:10). In regard to the FTA between China and Iceland, which is the first FTA between China and a European state, Arctic cooperation is also a topic. More specifically, "the two sides agreed to further enhance their exchange and practical co-operation on the Arctic, marine, geothermal, geo-scientific, environment protection, climate change and other issues" (Government of Iceland 2013). In addition, Iceland is perceived to be strategically important for China due to its positive stance on the inclusion of non-Arctic states in Arctic cooperation. Peng & Wegge (2015:10) emphasise that Iceland, during its bilateral meetings with China in 2012, was eager to offer support for China's application to become an observer to the Arctic Council. This political support is perceived to have "helped facilitate China's access to and influence on Arctic institutional developments" (Sørensen & Klimenko, 2017:7)

According to Sakhuja (2011:5-7), China is interested in cooperating with Iceland on a number of issues some of which are aligned with Chinese national interests. One is clean energy, where Iceland is a global frontrunner, a position China would like to assume among the great powers. Another area is Arctic science, which is a cornerstone in China's Arctic interests. The third important area is in regard to the realisation of the Polar Silk Road. According to Rosen & Thuringer

(2017:54), China has invested $1.2 billion in Iceland between 2012 and 2017. This corresponds to 5.7 per cent of Icelandic GDP. While the Chinese FDI has primarily gone into energy, infrastructure and mining sectors in the Arctic states, China has made significant investments in research and renewable energy in Iceland. The China-Iceland Arctic Science Observatory (CIAO) is an example of a science-related joint venture. CIAO opened up in October 2018, and it is a collaboration between the Icelandic Centre for Research (Rannis) and the Polar Research Institute of China (PRIC). The aim is to further scientific cooperation between China and Iceland and to advance knowledge in different fields related to the Arctic. In addition, the CIAO has a guest centre that focuses on public outreach and functions as an attraction for tourists and researchers (Arctic Portal 2018). According to Halldor Johannsson, vice-chair of the observatory, Iceland would never have been able to create a facility like the CIAO, and adds, that the Chinese partner has "basically paid for all of it" (Schreiber, 2018). The PRIC is affiliated to the State Oceanic Administration, the People's Republic of China and the Chinese Arctic and Antarctic Administration, which are in charge of organising research expeditions and Arctic-related affairs (Polar.org.). According to Conde & Sánchez (2017), the Chinese partner has invested an estimated ISK 300 million corresponding to $2.5 million in the CIAO. This not the only science-related partnership between China and Iceland. In 2011, they partnered up and made a polar research expedition to the North Pole (Degeorges, 2012:309).

China has also made investments in other sectors. In 2010, a Hong Kong-based company acquired a 43 per cent stake in the Icelandic fishing corporation, Stormur Seafood, through two subsidiaries. However, after this incidence, rules were changed so that foreign companies can hold a maximum share of 25 per cent in Icelandic fishing companies (Einarsson, Bailes & Hannibalsson, 2014:6). In 2011, the Chinese firm, National Bluestar, acquired a Norwegian company, which operated a ferrosilicon plant in Iceland. National Bluestar is 80 per cent owned by China National Chemical Corporation, which is a Chinese SOE (Einarsson, Bailes & Hannibalsson, 2014:7). In 2012, the Chinese SOE, Sinopec, and the Icelandic,

Orka Energy, announced its plan to invest more than $100 million in geothermal energy (Hong, 2018:13). In 2014, a consortium of CNOOC Iceland with a 60 per cent share, Eykon Energy with a 15 per cent share and Petoro Iceland with a 25 per cent share were granted an offshore oil exploration license by Iceland's national energy authority, Orkustofnun. CNOOC (China National Offshore Oil Corporation) is a state-owned Chinese oil company. The exploration project was estimated to amount to $17-25 million (Einarsson, Bailes & Hannibalsson, 2014:7). According to Peng & Wegge (2015:10), China has also demonstrated its intention to invest in new port facilities.

This examination indicates that Chinese companies, including SOEs, have made diverse investments in Iceland, including research facilities, oil exploration, a fishing company, geothermal energy and a ferrosilicon plant. In the future, new ports are likely to be constructed. However, it is not all Chinese investments that have been approved by the Icelandic government. In 2011, the Chinese company, Zhongkun, bought a 330 square kilometre large piece of land for $8.8 million on condition of approval from Icelandic authorities. The latter part rejected the investment on grounds that it would set a 'dangerous precedent' (Jackson & Hook, 2011) and it was essentially perceived as a "clandestine effort to build an Arctic port" (Yilmaz, 2017:17). According to Rosen & Thuringer (2017), Iceland remains wary of Chinese FDI despite the fact that it is perceived as the "most enthusiastic country to embark on an extensive Arctic partnership with China" (Rosen & Thuringer, 2017:9). In addition, Sakhuja (2011:8) emphasises that the Icelandic population has an overall negative impression of Chinese intentions and that they remain cautious of Chinese investment. Einarsson, Hannibalsson & Bailes (2014:11-12) conclude in their study of Chinese FDI's consequences for Icelandic national security that China's investments in Iceland do not adhere to a plan of gaining a strategic foothold in the region. They agree that Chinese FDI can challenge aspects of Icelandic security but that it does not pose a 'hard' national security threat.

Sino-Greenlandic/Danish relations

Geographical and economic specifications

Greenland is the world's largest island. It is located within the Arctic Ocean and the North-Atlantic Ocean, and it covers an area of 2.166.086 km^2. Greenland has the lowest population density in the world with only 56.648 inhabitants. Approximately 85 per cent of the island is covered by ice, leaving only 15 per cent of the coastal line inhabitable (Government of Greenland a). Since 1721, Greenland has been linked to Denmark and for 232 years, Greenland was a colony to Denmark. In 1953, Greenland's status changed from colony and into being a county of Denmark. In 1979, Greenland was granted home rule as a result of the Home Rule Act, which included a transfer of power from Denmark to Greenland. As a result, Greenland's Parliament and the Government of Greenland were established, and Greenland assumed responsibility for areas such as education, health, environment and fisheries. To support the Greenlandic economy, the Danish government started to issue an annual block grant of approximately DKK 3.4 billion (app. $512 million). However, the Greenlandic people are determined to become an independent nation. In 2009, Greenland acquired self-rule and it was established that the people of Greenland have a right to self-determination and independence. Until it becomes independent, the block grant will be paid out every year and certain competencies will remain in the hands of Denmark, including areas such as foreign policy and security (Mazza, 2015:321). According to the Danish news channel, Danmarks Radio, on April 5, 2019, the Greenlandic government now wants to start composing Greenland's future constitution, which will apply to Greenland as a sovereign nation. The Greenlandic government wants it completed by 2021 (Lindqvist, 2019).

The Greenlandic economy is the smallest of the Arctic nations. In 2016, Greenland's GDP was $2.7 billion which is the second highest in Greenland's history, only out-done by $2.8 billion in 2015 (World Bank). In comparison to Iceland, Greenland's GDP makes up just about one-seventh of Iceland's GDP in

2016 (World Bank). The annual Danish block grant supplies app. 40 per cent of Greenland's GDP (Grunfelder, Rispling & Norlén, 2018:103). According to Statistics Greenland (2018), the Greenlandic economy has experienced an increase in the country's growth rate from 6.2 per cent in 2014 to 7.4 per cent in 2016. In addition, the GDP per capita has been slowly rising in the period 2011 to 2016 from $38.400 to $49.100 (Statistics Greenland, 2018:35). Greenland's economy is largely dependent on natural resources. The backbone of the Greenlandic economy is fishing. In addition to this, the tertiary sector is also relatively large as a result of growing tourism and infrastructural businesses. Nonetheless, fishing remains the single most important trade in the Greenlandic economy, making up 92 per cent of the country's exports. The stability of Greenland's economy is therefore very dependent on the fishing industry and on international buying prices. The one-sided nature of Greenland's economy creates a dependency on the outside world for import of commodities used in households, businesses and institutions (Statistics Greenland 2018). While hunting, agriculture and tourism are also important sectors, the Greenlandic government is seeking to expand its energy and mineral sector in an effort to diversify its sources of income and to attract foreign investment. Since 2014, the government has prepared a number of promising mining prospects some of which are open until 2019. The purpose of this effort is essentially to make "Greenland one of the most interesting mining nations in the years to come" (Government of Greenland b). So far, deposits of zinc, lead, coal, molybdenum, gold, platinum, palladium, copper, iron, and precious and semi-precious stones have been found. As the icecap retreats, it is expected that new deposits containing reserves of diamonds, platinum, oil, and gas will be discovered and accessible in the future. There are currently ten active or prospective mines in Greenland (Rosen & Thuringer, 2017:23-24). Greenland is also home to a number of Rare Earth Elements (REE) deposits. In recent times, the global demand for REEs has been rising, and especially China has an interest in acquiring the REEs as it close to having the monopoly on the world's consumption and production of these (Koivurova et al., 2019:49). A report by the Geological Survey of Denmark and Greenland states that Greenland has eight REE deposits out of which two of these

are expected to be among the world's ten largest deposits (Sørensen, Kalvig & Rosa, 2018:4). Several of these are already covered by exploration licences. In addition to this, Greenland is expected to have deposits of 39 billion barrels of oil (Rosen & Thuringer, 2017:20).

According to Christensen (2016:103), extraction of raw materials offers the most realistic opportunity for growth in Greenland's business sector. However, obstacles such as low levels of education, high transportation costs, and high costs of development and extraction of natural resources are currently in the way of realising this potential. Nonetheless, "the path to a prosperous future, leaders argue, lies with the exploitation of Greenland's resources. This is a feat that cannot be undertaken without the assistance of outside capital. For Greenland's part, the source of that capital is of lessor importance, so long as the terms are favorable and the amount of capital is sufficient" (Rosen & Thuringer, 2017:55). In fact, the exploitation of Greenland's natural resources is perceived as a way to acquire independence. In order to become independent, 20 new large-scale mining projects would be required to yield enough capital to finance the Greenlandic society (Taagholt & Brooks, 2016:363). Thus, capital is needed to realise the wealth of Greenland's natural resources and for encouraging the country's economic prosperity. All of this serves the purpose of becoming an independent nation (Mortensen, 2015:113-114).

Bilateral cooperation and Chinese investment

China and the Kingdom of Denmark established their bilateral ties in 1950, and the two countries have maintained a good relationship throughout the years. In 2008, a Comprehensive Strategic Partnership was established, which has accelerated and strengthened cooperation between the two countries in areas such as trade and investment. In 2017, the partnership was taken to a higher level resulting in the China-Denmark Joint Work Programme (2017-2020). The general principle is that China only deals with states and not autonomous territories. In spite of this, China and Greenland have strengthened their bilateral Arctic relations. In 2005, 2011 and

2017 Greenlandic delegations led by former Premier, Hans Enoksen, in 2005; Minister for Industry and Natural Resources, Karl Berthelsen, in 2011; and current Premier Kim Kielsen in 2017 have paid official visits to China. In 2011, the Greenlandic Minister for Industry and Natural Resources was received by the Vice-Premier, Li Keqiang. This indicates the importance of Greenland to China, especially as this level of meeting is usually difficult to get for ministers from e.g. G8 or G20 countries. The meeting was reciprocated with a visit by a Chinese delegation led by China's Minister for Land and Resources, Xu Shaoshi, to Greenland in April 2012 (Degeorges, 2013:10-11). At the beginning of 2018, another remarkable meeting took place. The Greenlandic Minister for Independence, Foreign Affairs and Agriculture, Suka Frederiksen, met the Chinese ambassador to Denmark in Copenhagen, for a 'local exchange'. A statement issued after the meeting revealed that this local exchange should be viewed as an instigation to the strengthening of Sino-Greenlandic cooperation and exchanges in areas of tourism, culture and Arctic affairs (Sørensen, 2018:5).

China is also important for Greenland. As a result, Greenland has sent delegations led by the Minister of Finance and Mineral Resources to participate in China Mining Congress and Expo every year since 2011. In 2014, a Greenlandic delegation participated in the major mining conference, Mining and Money, in Hong Kong, which is considered an important platform for attracting mining investment (Mortensen, Su & Mouyal, 2017:193). During the visit in 2017, the Greenlandic Minister of Mineral Resources stated that "Chinese enterprises and investors are welcome to Greenland for mining and conducting geological research (Danish Ministry of Foreign Affairs). Not only is Greenland inviting Chinese investment and cooperation in Arctic-related activities, Greenland is also proving to be a political support for China's involvement in Arctic affairs. Accordingly, Kluth & Lynggard (2018) argue that the Danish realm was particularly supportive of China's quest for observer status to the Arctic Council. The two scholars speculate as to why Denmark would be supportive of inviting in a great power like China when in fact some of its allies were indecisive and hesitant about the

inclusion of China. One of their explanations regards the support as a strategic enticement of Chinese investment into Arctic mineral extraction. Also, at the time when China became an observer in 2013, China and Denmark/Greenland had already paid each other a number of visits, and Denmark had received its first-ever state visit by a Chinese president in 2012 (Degeorges, 2013:10). It is thus speculated whether the Danish political support was a way of reciprocating the Chinese interest and investment in Arctic development in Greenland.

In the period 2012 to 2017, China has invested $2 billion in Greenland, which corresponds to 11.6 per cent of Greenland's GDP (Rosen & Thuringer, 2017:54). China's investments have primarily been directed into mining activities. The Joint Work Programme (2017-2020) is also marked by this. The programme states that China Geological Survey, the Geological Survey of Denmark and Greenland, and the Danish Ministry of Energy, Utilities and Climate will work together on the development of activities relating to natural resources, including minerals. Independent of this, the Chinese State Oceanic Administration and the Greenlandic Ministry of Education, Culture, Research and Church have also entered into an agreement relating to Arctic scientific research. This agreement came into effect in 2016 and it aims to increase research networks and exchanges between China and Greenland. To further extend the scientific cooperation, China has made efforts to establish a research station and a satellite receiving station in Greenland but so far these projects are in their early planning stages (Sørensen, 2018:5). According to Greenlandic officials, the Chinese NOCs, China National Petroleum Corp and China National Offshore Oil Corp., are very interested in bidding for onshore oil and gas blocks in Greenland when they become available in 2021 (Daly, 2018). According to Koivurora et al. (2018:49), China has also shown interest in developing Greenland's REE mines. One of Greenland's most prospective REE mines, Kvanefjeld, is already in the hands of the Australia-based Greenland Minerals and its Chinese shareholder and strategic partner, Shenghe Resources. This is, in fact, a multi-element deposit from which uranium, zinc and fluor are meant to be extracted in addition to the REEs (Andersson, Zeuthen & Kalvig,

2018:9). In August 2018, they signed a Memorandum of Understanding to further establish their corporation on the project which commences within a few years. It is estimated that the mine has an after-tax value of $1.4 billion. Chinese companies are involved in three additional mining project. In Citronen Fjord, the Perth-based company, Ironbank, has partnered with the Chinese company, China Nonferrous Metal, to develop a zinc mine. In Isua, the Chinese company, General Nice, holds the full rights to the development of a potential iron mine (Koivurora et al., 2018:49). The third project is in Carlsberg Fjorden where the Chinese companies, Jiangxi Union Mining and China Nordic Mining hold the exploration license. The exploration has discovered promising deposits of zinc and copper (Mortensen, Su & Mouyal, 2016:193).

Like the case in Iceland, it is not all Chinese investments in Greenland that have been approved. This is mostly a result of Danish resistance and often with American backing. In 2016, General Nice tried to buy the abandoned and American-built naval facility, Grønnedal, which the Danish Ministry of Defence had offered for sale. The Danish Prime Minister, Lars Løkke Rasmussen, blocked the sale (Koivurora et al., 2018:49). This is not the only time the Prime Minister has blocked a Chinese investment. In 2018, the Chinese SOE, China Communications Construction Company (CCCC), attempted to invest in airport facilities in the Greenlandic capital, Nuuk. To prevent this, Prime Minister Rasmussen made a deal with Greenland's Premier, Kim Kielsen, to accept an investment of DKK 700 million ($109 million) for a 33 per cent stake in the Kalaallit Airports. In addition to this, Denmark would provide a DKK 450 million ($67.3 million) credit for the project while also providing state guarantee for another loan of DKK 450 million provided by the Nordic Investment Bank. It is speculated that the Danish blocking of Chinese investments takes place to keep good relations with the US and as a means of protecting Greenlandic economic sovereignty (Gronholt-Pedersen & MacSwan, 2018). This latter act by Denmark sparked a political uproar in the Greenlandic government. As a result, the party in favour of fast Greenlandic independence, Partii Naleraq, left the government in

protest of the Premier's support of the Danish rejection of the Chinese investment (Andersson, Zeuthen & Kalvig, 2018:2). Greenland had, in fact, encouraged the Chinese investment during the Premier's visit to China in 2017, where meetings were held with the two Chinese SOEs, China Construction Communications Corp and Beijing Construction Engineering Group, and with the Export-Import Bank of China, one of China's state-owned and state-funded policy banks. According to a high-ranking government official, Greenland's efforts to acquire Chinese funding was a great source of concern on Denmark's part (Matzen & Daly, 2018).

Realising Geostrategic Objectives

> What increases the strategic importance for China of strong relations with Iceland is the fact that Iceland has taken a proactive role in institutional developments in Arctic politics and economics. Especially Iceland's positive stand on the role of non-Arctic states has helped facilitate China's access to and influence on Arctic institutional developments. (Sørensen & Klimenko, 2017 p. 7)

> Greenland has a strategic value for China both as a source of important minerals and as a foothold for accessing the Arctic region. (Andersson, Zeuthen & Kalvig, 2018 p. 11-12)

Geoeconomics as a foreign policy strategy "refers to the application of geoeconomic means of power by states so as to realize strategic objectives" (Scholvin & Wigell, 2018:80). The examination of Sino-Icelandic and Sino-Greenlandic Arctic relations and Chinese investments in Iceland and Greenland shows that the Chinese state has been active in strengthening its diplomatic relations with these microstates and that geoeconomic means of power, i.e. the economic power of investment by the Chinese state through state agencies, state-owned enterprises and private companies, has been applied in the pursuit of strategic objectives in Iceland and Greenland. In addition to this, the examination pinpoints the kinds of national interests China is pursuing in its cooperation with Iceland and Greenland through specific activities and investments.

The examination of China's foreign policy goals, including its Arctic goals, shows that scientific research, resource exploitation and influence in Arctic affairs are among China's main objectives in the Arctic. Below, I will go into depth with the analysis of China's investments in Iceland and Greenland as a means to elaborate on the strategic objectives some of which China is pursuing in its Arctic relations with the two microstates. In addition to that, the aim is to compare how the actual investments correspond with China's written policy goals and to find out

whether there are differences between its written policy goals and its actual investments. The analysis goes on to ask whether China's activities and investments feed into the country's overarching goal to increase its energy security cf. the 'Going Out' policy. The last point of investigation relates to whether the Sino-Icelandic and Sino-Greenlandic cooperation result in so-called 'win-win' outcomes or whether the cooperation and investments constitute a zero-sum game in China's favour.

Realising geostrategic objectives in Iceland

The analysis of Chinese investment in Iceland suggests that Iceland plays an essential role in China's pursuit of national interests such as Arctic influence, scientific research and renewable energy. Iceland's importance for China is demonstrated through the many visits by Chinese delegations, their free trade agreement, which also includes an Arctic focus, and by the relatively large investments in Arctic-related areas. The examination of China's investments in Iceland shows that China has invested in diverse sectors, including an Arctic science observatory, a fishing company, a ferrosilicon plant, a project on geothermal energy, an off-shore oil exploration license and it intends to invest in the construction of new port facilities. The study of these investments indicates that China's focus is diverse and adapted to Iceland's geographical specifications. It has not been possible to find the amount of all the investments, hence the difficulty of determining into what sector the largest investments have gone. Out of the ones where it was possible to find the sum of the investments, the largest investment went into a geothermal energy project. The investment amounted to more than $100 million and was invested by the Chinese SOE, Sinopec, and the Icelandic partner.

Furthermore, the analysis of the Sino-Icelandic Arctic cooperation suggests that China's investments have been reciprocated with political support from Iceland's side. Peng & Wegge (2015) highlight an interesting mechanism in their analysis of the Sino-Icelandic bilateral relationship. It is suggested that China's willingness to invest in and finance Arctic-related activities has been reciprocated

with political support from Iceland in relation to China's inclusion into the Arctic Council in 2013. Iceland's proactive role and openness to cooperation with non-Arctic states can be thought of as having played a strategic role as it facilitated and increased China's access to Arctic governance (Sørensen & Klimenko, 2017:7). In other words, China's 'geostrategic use of economic power' in Iceland has led to an increased Arctic influence by means of Iceland's political support and willingness to engage in Arctic cooperation with Chinese companies and state agencies. The analysis also shows that Chinese SOEs and state agencies play a significant role in the cooperation between the two states. These actors have served as mechanisms for directing foreign direct investment into projects and areas of strategic interests, which are in line with Chinese foreign policy goals. According to Wu & De Wei (2014), the SOEs function as a mechanism for the Chinese state in that they channel financial assets into specific sectors that leads to the realisation of foreign policy goals. That is the function which the SOEs, China National Chemical Corporation, Sinopec, China National Offshore Oil Corporation and the Polar Research Institute of China (PRIC) have performed in Iceland to this point.

The financial-political reciprocity between China and Iceland indicates that the bilateral relationship produces desirable outcomes for both parties and it is clear that the cooperation is one both parties are seeking. As previously mentioned, Iceland is among the most enthusiastic of Arctic states in terms of engaging in cooperation with China. Its enthusiasm is expressed through the extensive Arctic partnership Iceland has embarked on with China. Iceland's Premier has also visited China a number of times to reciprocate the many visits by Chinese delegations. Besides the financial help provided by China during the financial crisis in 2008, China's investments have enabled the realisation of projects such as the CIAO that would have otherwise been difficult to realise. China's benefits from the partnership pertain to the aforementioned political support for its participation in Arctic affairs. In addition to the geopolitical outcome, China has engaged in a range of activities relevant to its foreign policy goals, i.e. Arctic science, renewable energy and oil exploration. Interestingly, the Chinese SOE, Sinopec, which invested in geothermal

energy in Iceland, is now developing 20 smokeless cities in China that are based on geothermal energy (Richter, 2017). That corresponds with China's 13th Five Year Plan from 2017, which emphasises the importance of geothermal energy utilisation.

Overall, it appears that both Iceland and China are benefitting from the bilateral cooperation. Nonetheless, there are indications that Iceland is cautious in regard to certain Chinese investments. Particularly those that can negatively affect its sovereignty and national security.

Realising geostrategic objectives in Greenland

The analysis of the Sino-Greenlandic Arctic relationship suggests that Greenland's endowment of natural resources has attracted the interest of China. The examination shows that Greenland plays an essential role in China's Arctic endeavour and in its pursuit of national interests such as influence in the Arctic Council, Arctic science and mining of REEs and other minerals. China's interest in Greenland pivots around the island's deposits of mineral resources, which has resulted in Chinese companies engaging in four mining projects. Mining is essential in the Sino-Greenlandic cooperation, but Arctic scientific research and the potential of future oil and gas development are also important aspects. Greenland and China have already entered into an agreement on scientific research and scientific exchanges, and China expects to invest in a research station and a satellite receiving station in the coming years. Thus, China's investments in Greenland are less diverse than in Iceland and they pertain primarily to mining and Arctic science. In Greenland's case, Chinese SOEs are involved but not to the same extent as in Iceland. Aside from the state agencies involved in natural resource development and Arctic science, only China Nonferrous Metal is a state-owned company (according to the available company information). However, the two companies that are interested in bidding on future oil and gas fields are also SOEs. The remaining companies involved in the mining projects are however private. Whether state-owned or private, the companies' investments in mining activities align very well with the objectives of the 'Going Out' policy.

Greenland's importance to China has been demonstrated through high-level meetings in China and Denmark/Greenland and relatively large amounts of Chinese FDI flowing into Greenland compared to the size of the Greenlandic economy. Just like the case with Iceland, Denmark/Greenland offered political support for China's inclusion into the Arctic Council. Despite Denmark's caution of Chinese investment and the potentially negative effects of Chinese investment on Greenland's economic sovereignty, Denmark showed its willingness to support China in the pursuit of observer status to the Arctic Council in 2013. Scholars are speculating whether this political support was a way of reciprocating China's interest in mining development in Greenland (Kluth & Lynggard, 2018). If so, Greenland/Denmark has contributed to providing a gateway for China to get a foothold in the Arctic region – at least to some extent. Following this line of thinking, it seems that the same mechanism is taking place in Greenland's case as in the case of Iceland: Chinese investment and cooperation have been reciprocated with political support, hence leading China to become relatively more embedded into Arctic governance. As in Iceland, China's 'geostrategic use of economic power' in Greenland is providing access to a more significant Arctic position for China by means of the Danish/Greenlandic political support. However, it seems that China would have been more present in Greenland if Denmark did not possess the ability to make decisions on grounds of national security and foreign policy. After all, Greenland has been relatively more welcoming to Chinese investment than Denmark has. In some cases, Greenlandic officials have made efforts to find Chinese investors to realise projects in Greenland like in the case with the construction of airports in Nuuk. In spite of the fact that Greenland initiated this development, Copenhagen blocked the Chinese investment with the purpose of keeping China from acquiring the control of critical infrastructure.

As the case with Iceland, Greenland has enticed Chinese cooperation and investment. Greenland's participation at various mining conferences and expos indicate that it is striving to attract Chinese investment to the island's mining sector. As mentioned, Greenland's economic progress is highly dependent on the

development of its natural resource sector and, for this reason, China's capital and demand for such resources are of interest – particularly as it has the potential to aid Greenland's way toward independence. Greenland's mineral endowments are of interest to China as minerals, including rare earth elements, are essential in the production of technological products etc. and hence of economic significance. Based on this, it seems that both Greenland and China are benefitting from the cooperation as well as actively seeking it. However, Denmark fears that China's investments come with hostile intentions that can have negative impacts on Greenland's sovereignty.

Foreign policy goals, energy security and zero-sum game

The analysis of China's investments in Iceland and Greenland shows that scientific research and natural resources assume the main priorities in China's bilateral relations with the two microstates. Specifically, China has invested in Arctic science facilities and science cooperation and in natural resources of various kinds (geothermal energy, fishing, ferrosilicon, oil exploration license and mining). These are investments that are dependent on the islands' place-specific features and local geographical specifications. According to Scholvin & Wigell (2018), place-specific features need to be recognised when places become targets for the application of geoeconomic power. The specific investments and the areas of Arctic cooperation between China and the two microstates have indicated which place-specific features that shape the international relations between the parties.

Scholars argue that science diplomacy and resource diplomacy are the most important aspects of China's Arctic affairs but they disagree which one is the most important of the two (Brady, 2017; Hsiung, 2016; Peng & Wegge, 2015; Sørensen & Klimenko, 2017). Nonetheless, China has engaged in both science and resource-related projects in Iceland and Greenland, which emphasises the importance of both in the context of diplomacy. Science and resources-related projects and investments are important as both of them relate to the core goals of the Chinese state, i.e. domestic economic development and enhancement of its international position.

Essentially, both science and resource-related investments serve economic purposes in that they increase the knowledge of the economic effects on China's economy as a result of Arctic warming (Sørensen & Klimenko, 2017) and in that natural resources contribute to the country's economic development and as sources of energy. The essentiality of scientific research in Arctic affairs was emphasised by the Chinese state in its Arctic policy and it is the activity of highest priority according to the Arctic policy paper. Scholars argue as well that scientific research figures among the main priorities of China in the Arctic and that it is an activity that gradually builds trust between China and its partners (Sørensen & Klimenko, 2017:6-7). Brady (2017) goes as far as to argue that polar-related science is an indication of power and intentions in Arctic affairs. The analysis of this thesis supports the argument that scientific research is among the main priorities. But the analysis shows as well that scientific research shares its place of priority with the development of natural resources, including development of renewable energy sources such as geothermal energy. Thus, development and exploitation of natural resources are also among the main priorities even though China ranks it as a lower priority in its Arctic policy paper. Scholars, on the other hand, assessed that the development and exploitation of natural resources are at the same level of priority as scientific research which this analysis supports.

In addition to these more specific activities, there is another objective of utmost importance to the Chinese state which is increasing its Arctic influence and enforcing its global position as a great power. There is reason to believe that this is also among the main objectives some of which China is seeking to realise in its Arctic activities. Its Arctic cooperation has after all resulted in political support from Iceland and Greenland/Denmark in terms of its inclusion into the Arctic Council. In other words, China's financial engagements with Iceland and Greenland has also produced a geopolitical result. That follows Hong's (2018) expectation as he predicts that long-term bilateral relations with Arctic member states will lead to increased influence in the Arctic region. As the Arctic cooperation between China and the Arctic microstates has a relatively short history so far, it is difficult to

predict what effect the diplomatic relations will have in terms of increasing China's Arctic influence. Nonetheless, the analysis of Sino-Icelandic and Sino-Greenlandic relations show that China and Iceland/Greenland have already put efforts into building strong diplomatic relationships. What is also evident is that Chinese capital is welcomed as means to realising Arctic projects, which is yet another starting point for further cooperation or, as the fearful have it, relationships of dependency in favour of China and at the expense of the Arctic microstates (Grosse, 2014; Rosen & Thuringer, 2017).

Natural resource development and exploitation of various kinds take up a large part of China's activities in Iceland and Greenland. However, on a global scale, China's presence in the Arctic makes up only a fraction of its global outreach (Peng & Wegge, 2015:2). Therefore, it is reasonable to assume that China's investments in natural resources in the two microstates take place as a result of the 'Going Out' policy, which encourages Chinese companies to invest in natural resources overseas as a means to securing the country's supplies of energy. Scholars disagree whether the Arctic constitutes a path of diversification for China in terms of securing its energy supply (Moe, 2016; Odgaard & Delman, 2014; Su, 2016). Based on the examination in the present thesis, it seems unlikely that Iceland and Greenland at the present time can provide a significant contribution to China's energy security in terms of the supply of oil and gas which China continues to be largely dependent on. Out of the Arctic states, Russia seems better able to contribute to increasing China's energy security based on its large reserves of oil. As of December 2018, Russia became China's largest supplier of crude oil (Meng, Aizhu & Daly, 2019). However, in terms of clean energy, China is able to increase its experience with the use of geothermal power from its project in Iceland. This experience can be imported back to China and used in its green energy transition and in projects such as the transition to smokeless cities (Richter, 2017). In this indirect way, Iceland is able to contribute to China's energy security. Su (2016) argues that China is likely to focus on scientific research in the short-term and direct its focus onto resource development and extraction in the long-term when the Arctic

resources become more easily accessible. However, the analysis of the two cases shows that China is currently engaging in both kinds of activities and is planning to invest further in research facilities and in oil and gas fields in Greenland in the short-term. Based on that, it is suggested that China focuses on both activities, but Su's (2016) prediction is very likely to be correct as there is a chance that more oil and gas fields will be exposed when the ice cover recedes further in the future.

According to Vihma (2018), the benefits of geoeconomic analysis is that it sheds light upon the competitive aspects of international relations as well as the temporal perspectives. After all, geoeconomics builds on the assumption that states compete for relative advantages. The analysis in this thesis shows that the Sino-Icelandic and Sino-Greenlandic cooperation are encouraged and strengthened by means of all parties, and all parties benefit from the cooperation in one way or another. There is compatibility in their cooperation in that China has the capital that Iceland and Greenland seek, and Iceland and Greenland are Arctic members with Arctic influence, Arctic geographies important for scientific research and great reserves of various natural resources. However, as Blackwill & Harris (2016) emphasise, geoeconomics is about the promotion of national interests and the production of beneficial *geopolitical* results. China's investments in Iceland and Greenland are realising both these dimensions. In fact, China's 'geostrategic application of economic means of power' exceeds that of supply and demand in that it seeks something beyond natural resources and scientific knowledge. Essentially, it seeks to produce beneficial geopolitical results, i.e. it seeks to achieve political influence in Arctic affairs and hence enhance its global position as an emerging power. Thus, looking at it in a grand perspective, China is likely to benefit relatively more from the cooperation with the Arctic microstates than the two microstates as China's activities feed into realising its grand strategy. The bilateral cooperation aids China's pursuit of world dominance and an enhanced international position (Allan, 2018; Brady, 2017; Hong, 2018). Let us not forget that "China sees the polar regions as it does the great oceans and outer space: As strategic frontiers decisive for the future of the world and for world dominance" (Brady, 2017, in Breum, 2018). While

the realisation of projects relating to Arctic science and development of natural resources are pursued in the short-term and will be in the long-term, the acquisition of power and influence in Arctic affairs is a pursuit that takes place in a long-term perspective. As mentioned above, Hong (2018) emphasise that it is the establishment of *long-term* bilateral cooperation that will lead to influence. He speculates as well that China's interest in the Arctic is not so much about the development of natural resources as it is about acquiring influence. Thus, the awareness of the short- and long-term perspectives adds to the understanding of China's behavior in the Arctic and of its cooperation with the Arctic microstates.

Conclusion

The Arctic is among the world's last so-called frontiers. The receding ice-cover is unveiling significant economic potentials of interest to countries all over the world. While China has no sovereign rights to Arctic land, water or influence, it has utilised one of its most powerful tools as a means to increasing its Arctic presence and its Arctic influence. The Chinese state has utilised its enormous wealth to pursue goals of its foreign policies. To support this endeavour, the Chinese state has created strong diplomatic friendships with the Arctic microstates, and it has utilised its global reach by means of its state-owned enterprises. In line with the overall aim of geoeconomic analysis, the examination of China's foreign policy goals, including its Arctic goals, and its activities and investments in Iceland and Greenland has led to insights about the role of geoeconomics in the contemporary global system and into the global behaviour of one of the world's wealthiest states.

In their capacity as Arctic microstates and member states of the Arctic Council, Iceland and Greenland have attracted China's attention. The two islands are strategically located in and around the Arctic Circle and they are endowed with geographic features that make them interesting in an Arctic context. This is the case as their locations endow them with influence in Arctic affairs in addition to the fact that they open up possibilities for scientific research and exploitation of natural resources. All three dimensions, political influence, Arctic science and natural resource development, bear essentiality in China's Arctic policy and they relate to the 'Going Out' policy as well in regard to the acquisition of natural resources. Furthermore, the analysis of this thesis has paid attention to how place-specific geographical features of the microstates are shaping international relations among Arctic and non-Arctic states. China's relationships with Iceland and Greenland are good examples of that. In fact, the Arctic geography proves to be just the place Käpylä & Mikkola (2016) described in the introduction: one that is increasingly globalised and important in geopolitical and geoeconomic terms as a result of the retreating ice cover.

Below, I will provide answers to the three research questions.

What geostrategic objectives is China seeking to realise through its investments in Iceland and Greenland?

The present thesis had as its main endeavour to examine the Sino-Icelandic and Sino-Greenlandic bilateral relations with focus on Arctic cooperation and Chinese investment in the two Arctic microstates. The analysis has shown that China primarily engages in projects relating to Arctic science and natural resources of various kinds. This includes agreements on scientific cooperation, the construction of the China-Iceland Arctic Science Observatory, investments in geothermal power, oil exploration, fishing and mining of uranium, zinc, fluor, REEs, iron and copper. In addition, the Chinese state and state-owned enterprises have plans for the future. In 2021, two Chinese state-owned enterprises expect to bid on oil and gas fields in Greenland, and Chinese state agencies expect to build a research station and a satellite receiving station in Greenland. Thus, Arctic science and natural resources assume the main priorities in China's relations to Iceland and Greenland. The pursuit of these goals is in line with China's goals in its Arctic policy. In this, China emphasises its focus on scientific research as its main priority. While utilisation of natural resources appears to be of less importance, the analysis suggests that it assumes a main priority as well.

Arctic science and natural resources figure among China's main Arctic objectives. However, one geostrategic objective of utmost importance remains and that is influence. Scholars argue that strong bilateral relations between China and Arctic states can increase China's Arctic influence. Thus, in a long-term perspective, Iceland and Greenland can contribute to fulfilling China's pursuit of global influence and an enhanced international position by means of cooperating with China, by seeking and accepting (most) Chinese investments and by further strengthening their bilateral relationships. Iceland and Greenland have already contributed to China's increased embeddedness in Arctic affairs by offering their political support for China's inclusion into the Arctic Council. After all, the political

support was momentous after China's application to the Arctic Council had been rejected three times before (Hong, 2014:282).

How do these objectives relate to increasing China's energy security?

China's investments in the natural resources sectors of Iceland and Greenland should be viewed through the scope of the 'Going Out' policy and the Arctic policy. The current contribution of Iceland and Greenland to the increase of China's energy security is relatively small compared to other regions of the world such as Russia and the Middle East that are rich in oil. So far, Greenland and Iceland do not supply China with either oil nor gas, which are the energy sources China is largely dependent on. However, the case might be different in relation to clean energy. In the free trade agreement between China and Iceland, the two states agreed to enhance their cooperation on geothermal energy and environmental protection. China has also invested in a geothermal energy project. Geothermal energy is an essential area in China's energy transition, which is emphasised by its 13th Five Year Plan on geothermal energy. Thus, knowledge and experience from the cooperation on geothermal energy with Iceland has the potential to increase China's energy security to some extent.

Does the bilateral cooperation constitute a zero-sum game?

The analysis of Sino-Icelandic and Sino-Greenlandic relations has also shown that the cooperation between China and Iceland/Greenland is sought by all of the parties. All parties have something to contribute to the cooperation and they all somehow benefit from it. The Chinese state has the capital available to realise projects that might not otherwise be realised at the same speed or at all. On the other hand, Iceland and Greenland have strategic locations and their geographical specifications are enticing to China in terms of realising its foreign policy goals. The analysis suggests that the cooperation is not a zero-sum game in the sense that one party gains the exact amount the other parties loose. However, it appears that China benefits relatively more than the two microstates. This is the case as China's presence and growing influence in the Arctic feeds into a grand scheme of the

Chinese state, which is to enhance its international position. Iceland and Greenland are contributing to enhancing this goal as they support China's inclusion in Arctic affairs by means of strengthened bilateral ties, enticement and acceptance of Chinese investments and political support.

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