Changing geopolitical realities in the Arctic region
Possibilities and challenges for relations between Denmark and China

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This article analyzes and discusses how Denmark seeks to manage the changing geopolitical realities in the Arctic region specifically focusing on how Denmark seeks to manage its relations with China in the Arctic region.

The geopolitical focus on and significance of the Arctic region are growing. There are two main driving factors. Firstly, the Arctic region contains large untapped energy and natural resource reserves that especially states with fast growing economies and high dependencies on imported energy and natural resources are attracted by. Secondly, with the melting and receding ice, new sea lines linking Asia and Europe will become navigable in the coming decades. This increases the importance for states of being able to influence the ‘rules’ for access to and transportation in the Arctic region as well as it intensifies the interests and stakes involved in the still unsolved territorial and maritime disputes in the Arctic region. On top of this, the ongoing developments in the Arctic region involve issues of climate change affecting all states. In response to the growing geo-strategic importance of the Arctic region, all the great powers are currently examining how to strengthen their economic, political and military presence and influence in the region. Seen in this context, Denmark is in many ways a minor player – a small state – but if the focus is on ‘the Kingdom of Denmark’ (the kingdom consists of Denmark, Greenland and the Faroe Islands), then Denmark has a major role to play.
How to manage the changing geopolitical realities in the Arctic region is an increasingly challenging question for Denmark also because this question relates directly to the future of the ‘the Kingdom of Denmark’ and thus the future relations between Denmark, Greenland and the Faroe Islands. Here especially Greenland is changing its bargain power in relation to Copenhagen in these years as a consequence of Greenland’s increasingly important geo-strategic location and its expected rich natural resources. In order to further explore and extract the natural resources on Greenland there is however a huge need for foreign investments. China has the money to invest and also has a huge and still growing need for natural resources.

The debate in Denmark – and Greenland – on future developments in the Arctic region therefore tends to focus on China and the Chinese strategy and interests in the Arctic region. On the one hand, there is a strong interest in attracting Chinese investments to develop Greenland, but on the other hand there is a fear of Chinese investors, firms and workers coming to ‘take over’ as Greenland opens more up for exploration and extraction. On top of this, there is in Copenhagen an acknowledgement of the potential benefits for Denmark – for relations between Denmark and China on many other issues – in supporting a Chinese role in the Arctic region, e.g. in the Arctic Council, and in strongly engaging China on Arctic issues.

Relations today between Denmark and China are good with cooperation strengthening on many issues and frequent high-level visits and dialogues. In April 2014 the Danish Queen had a very successful state visit to China with the signing of many important political and cultural agreements and a large business delegation was with her. The queen was met by President Xi Jinping, who during their meeting proclaimed that China in the near future will send two pandas to Copenhagen ZOO as a proof of the strong relationship – friendship – between Denmark and China. Copenhagen’s strong support for granting China observer status in the Arctic Council has contributed to this strong and positive relationship between Denmark and China. China was granted
observer status in the Arctic Council in 2013 together with five other states including India and South Korea.

However, as China becomes more active in the Arctic region, relations between Denmark and China also risks being more challenged by the Arctic issue. This especially if China becomes more involved in the economic development on Greenland. It might also become more challenging for Denmark to manage its relations with China in the Arctic region if great power relations – great power competition – start to influence developments in and around the Arctic region more. NATO and the US continue to be the strongest strategic partners – the main strategic framework – for Denmark, and here it might become more difficult for Denmark to isolate its relations with China in the Arctic region from Denmark’s relations with the EU, NATO and the US. Following the crisis in Ukraine there are growing tensions in relations between Russia on the one side and the EU, NATO and the US on the other side. Depending on how these relations further develop in the next months, new conditions for Denmark’s relations with China in the Arctic region might develop.

What is ‘the Kingdom of Denmark’?

‘The Kingdom of Denmark’ consists of Denmark and its two overseas regions Greenland and the Faroe Islands. The most northern part of ‘the Kingdom of Denmark’ is Greenland, which is also the only Arctic territory in ‘the Kingdom of Denmark’.

Greenland has an area of over two million km2 making it the biggest island in the world, and Greenland makes up around 98 percent of the total area of ‘the Kingdom of Denmark’. The population on Greenland however is only around 58.000, which is only around one percent of the Danish population of 5.5 million on an area of Denmark of just around 43.000 km2. The Faroe Islands are very small – in total around 1.400 km2 with a population around 50.000. Consequently,
it is due to Greenland with its increasingly important geostrategic location and its expected rich natural resources that Denmark has a major role to play in the Arctic region. As Copenhagen is increasingly realizing in these years it is however not an easy role to fulfill and manage, and this also because Greenland in these years is seeking a more independent role and a stronger voice.

**How are relations in ‘the Kingdom of Denmark’ organized and changing?**

The relationship between the three territories is one of a unitary nature – one common constitution, one common queen, one common prime minister and one common parliament in Copenhagen. Significant powers over internal affairs are however devolved to Greenland and the Faroe Islands, who both have their own parliaments and governments as well but are also represented in the common parliament in Copenhagen. It is thus one kingdom but with two self-governing areas. Greenland and the Faroe Islands are both referred to as ‘self-governing territories’.

More specifically, Greenland and the Faroe Islands have what is referred to as ‘home rule’, which means that they have power over all internal matters while Copenhagen maintains responsibility over external matters such as defense and foreign affairs. However, Greenland and the Faroe Islands can conclude international agreements if they concern only their own part/territory of the kingdom. An example is that Denmark is part of the EU, while both Greenland and the Faroe Islands have opted to remain outside of the EU.

Relations between Denmark, Greenland and the Faroe Islands are continuously adjusted and re-negotiated, and especially Greenland has gained greater autonomy in recent years. The Greenlanders are now also established as a separate national people under international law with their own language. Furthermore, the ‘self-rule’ law from 2009 gives Greenland the right to its natural resources as well as the possibility to gradually take over more administrative areas from Copenhagen and one day choose full independence.
Greenland has in recent years also become less economically dependent on Copenhagen. Still Copenhagen annually transfers a block grant of approximately 650 million USD to Greenland, but it is agreed that when Greenland starts gaining more economically from its natural resources, the block grant will gradually be reduced. After the first approximately 14 million USD, which will go directly to Greenland, Denmark and Greenland will have to share the earnings from natural resources until they cover the block grant and then all future earnings will go to Greenland. Consequently, a main enabling condition for greater autonomy to Greenland is the further exploration and extraction of natural resources on Greenland. Today most Greenlanders rely on fishing and hunting for a living.

In many ways Greenland is in a state-building and economy-building process in these years and its increasingly important geo-strategic location and its expected rich natural resources – which, however, are very demanding and costly to start developing and therefore need outside help and investments – makes this process very unprecedented and complex.

There are more conflicts developing in relations between Denmark and Greenland in these years – who to govern and take decisions on which issues? Such conflicts especially develop because there are many new issues coming up in these years, where the geopolitical focus on and significance of the Arctic region are growing and more outsiders – states, big international companies and investment actors etc. – are getting interested and involved in developments in the region and on Greenland. Especially the question of who decided on the natural resource reserves on Greenland has proven controversial in relations between Denmark and Greenland. Exploration and extraction of natural resources on Greenland will involve foreign firms and states, why it might become related to issues of foreign policy.
How has Denmark so far tried to deal with the changing geopolitical realities in the Arctic region?

Denmark has been a little late in realizing the growing geopolitical and potential geo-economic importance of the Arctic region, but Copenhagen has in recent years increased the focus and has tried to take a more proactive approach. Denmark has especially tried to increase the role and influence of the Arctic Council and tried itself to play an active role in the council. Emphasis is on multilateral cooperation as well as on international law – ‘the United Nations Convention on the Law of the Sea’ (UNCLOS) especially. This focus on multilateral cooperation as well as on international law is typical for Danish foreign policy. Also there is close coordination from Copenhagen with the US, which is also typical for the Danish foreign policy in these years. The Danish Foreign Minister Lidegaard in early May 2014 visited the US and in the meeting with the US Foreign Minister Kerry coordination on the two states’ policies in the Arctic region was an important issue. It is thus important to emphasize that Denmark is unlikely to do anything in the Arctic region that is not in line with American and NATO policies and interests.

More specifically, a joint policy document between Denmark, Greenland and the Faroe Islands “the Kingdom of Denmark’s Strategy for the Arctic 2011-2020”, was adopted in 2011. The focus in the strategy is twofold. Firstly, how to react to the significant environmental and geopolitical changes in the Arctic and the growing global interest in the region? And secondly how to define a new position for ‘the Kingdom of Denmark’ and strengthen the Danish status as a player in the Arctic region? The goal of the strategy is a peaceful, secure and safe Arctic region with self-sustaining growth and development, and with respect for the Arctic’s fragile climate. The development should further benefit the inhabitants of the Arctic region and should contribute to the socioeconomic development of the areas in the Arctic region, e.g. Greenland. Also the strategy aims to work against militarization of the Arctic region.
Regarding more concrete issues and suggestions, the strategy highlights strengthening efforts to resolve territorial and maritime disputes in accordance with international law and through negotiation and enhancing maritime safety through cooperation, clear rules and standards of navigation. Also there are suggestions for joint search and rescue operations as well as joint research. Regarding the still unsolved territorial and maritime disputes in the Arctic region, the signatories to ‘the Ilulissat Agreement’ including all five coastal states of the Arctic Ocean – ‘the Kingdom of Denmark’, Norway, Canada, Russia and the US – have assured each other that these disputes will be settled according to international law and by negotiation and if necessary according to ‘the United Nations Convention on the Law of the Sea’ (UNCLOS). The US has not ratified UNCLOS, but by agreeing to ‘the Ilulissat Declaration’ in 2008, the US has agreed to its relevance and use in the Arctic region.

The Danish strategy also mentions NATO as an element in securing sovereignty and national security, but that only in case the focus on multilateralism and international law is not possible to follow. This Danish ‘just in case’ emphasis on NATO underlines the strong weight that Denmark puts on its relationship with NATO and on the strategic partnership with the US. As indicated above, the crisis on Ukraine and the growing tensions between Russia on the one side and the US and NATO on the other side therefore might also strongly influence the room of maneuver for Denmark in the Arctic region. In order to implement its Arctic strategy, Copenhagen needs a good relationship with Russia and there are therefore growing Danish concerns that the tensions between Russia on the one side and the US and NATO on the other side could negatively influence established cooperation with Russia and generally the established multilateral cooperation and institutional set-up in the Arctic region that Denmark highly values.

The Danish strategy furthermore has a strong focus on how to develop Greenland economically – to develop new economic activities and industries in Greenland but doing it in a
sustainable way applying the highest environmental standards. A key point in order to develop Greenland economically of course is attracting know-how and investments, which as mentioned above has put the focus on China.

A main overall concern in Copenhagen that is also reflected in the strategy is how to deal with issues related to the Arctic region on the one hand and to the future development of ‘the Kingdom of Denmark’, especially the future relationship between Denmark and Greenland, on the other hand. On some issues Copenhagen is simply afraid to overrule Greenland – to act as a colony master – but there are strong interests involved from Copenhagen, not least in relations with China, and Greenland still lacks capabilities to deal with the many and complex issues. Also Greenland’s international status – not a sovereign state – makes it difficult on some issues to ‘do it alone’.

**How has Denmark so far sought to manage its relations with China in the Arctic region?**

As mentioned above Denmark has this rather ambivalent view on China in the Arctic region. There are strong Danish, especially Greenlandic, interests in attracting Chinese investments, but there is also a fear of Chinese investors, firms and workers coming to ‘take over’ as Greenland opens more up for exploration and extraction. On top of this, Copenhagen acknowledges the potential benefits for Denmark – and Danish relations with China in general – in supporting a Chinese role in the Arctic region and in strongly engaging China on Arctic issues. The Danish overall position is also in favour of inclusiveness involving the participation of non-Arctic states in the development of the Arctic region. There are therefore many and often conflicting interests and views involved both in Copenhagen and in Copenhagen compared to on Greenland. As also mentioned above, Copenhagen maintains responsibility on foreign, security and defense policies, so Greenland has to go through Copenhagen for some issues related to China, while on others it can deal directly with Chinese
counterparts, but sometimes the Chinese counterparts due to issues of sovereignty do not want to deal directly with Greenland but insist on going through Copenhagen.

**Implications for relations between Denmark and China – possibilities and challenges?**

Regarding possibilities, the Arctic region opens a potential field of cooperation between Denmark and China as it has also done so far. Especially in developing joint research on Arctic issues, e.g. climate change, there are opportunities and there is already Sino-Danish cooperation established in this area. Also there are common interests in developing Sino-Danish cooperation on maritime transport, where both Denmark and China are maritime nations and thus depend on safe sea lines of transportation for economic growth and so on. Also there is potential in a joint Sino-Danish focus on strengthening multilateral structures in the Arctic region. As a way to deal with – and try to influence – Chinese interests and activities in the Arctic region, Denmark has strongly supported granting China observer status in the Arctic Council, and continued strong Danish engagement of and cooperation with China on Arctic issues could also ‘spill-over’ on other fields of Sino-Danish relations. However – and here come the challenges – as China gets more active in the Arctic region and great power relations gets to ‘set the stage’ more in the Arctic region, it might as discussed above become a bigger challenge for Denmark to deal with China in the Arctic region. Also if China – as Greenland hopes – gets more active and more involved in developing Greenland economically, this might result in new challenges for Denmark both in its relations with Greenland and with China. There are legal issues, e.g. if extract uranium on Greenland, which China might be interested in and which Greenland’s economy might benefit a lot from, then it could be an issue of national security, which falls under Copenhagen, where there might be other more strategic interests, concerns and pressures, e.g. from the US, not to develop uranium. Same tension – and thus limits on Greenland’s right to full management of their natural resources – is developing in relation to rare
earth, where Greenland is also expected to have a big potential. Another angle here is that even though the ‘Great Scale Law’ adopted in Greenland in January 2013 opens the way for establishing big mines in Greenland and for hiring foreign workers on Greenlandic minimum wages, then immigration law is still decided on in Copenhagen, where again other issues and concerns will play in.

There is no doubt that the Arctic region will only get more important as well as more challenging for Copenhagen to deal with both in the future development of ‘the Kingdom of Denmark’ and in Denmark’s foreign policy, especially in Denmark’s relations with China. In many ways Denmark – and Greenland – is in a learning process these years. The major international focus on the Arctic region and on Greenland is new for both Denmark and Greenland and how to deal with it and how to best ensure Danish, including Greenlandic, interests that is a growing and increasingly complex question in Copenhagen these years.

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