Strictly business?

CHINESE INVESTMENTS IN GREENLAND RAISE US CONCERNS

China’s growing interest in Greenland is being followed closely in the US and is putting a strain on the relationship between the Danish and Greenlandic governments.

Chinese investments in the Arctic have been the subject of much interest and debate among experts and policy-makers, especially since the publication this year of China’s Arctic Policy. The question is sometimes framed as a dichotomy: does China have legitimate scientific and business interests in the Arctic region, or is it seeking geopolitical influence? The answer is probably both.

RECOMMENDATIONS

- The Greenlandic and Danish governments must handle China’s intersecting business and political interests without straining the relationship between Nuuk and Copenhagen.
- Denmark and Greenland will have to manage not only growing Chinese investments, but also how the US chooses to push back against China’s interests.
- For now, at least, mining represents an opportunity to attract Chinese investment without alienating the US, but it will continue to generate strong local tensions.
In Greenland, two large infrastructure projects are currently in the spotlight because of Chinese participation:

1. the prequalification of a bid by Chinese construction giant China Communications Construction Company (CCCC) to construct and expand three new Greenlandic airports.

2. the Kuannersuit/Kvanefjeld rare earth elements (REE) mining project in Narsaq, partly owned by Chinese trading, mining and REE production giant Shenghe Resources.

With regard to the new airport project, the global struggle for power between the US and China and the US pushback against China’s agenda have clearly made themselves felt, whereas the mining of REEs at Kvanefjeld has received less US attention. This brief will provide a short overview of the two projects and discuss their main geopolitical ramifications.

**Building an airport, or building a military presence?**

The new airport project in Greenland has led to tensions between Denmark and the Greenland Self-Government after the Greenlandic airport authorities, having long encouraged Chinese investments, prequalified a proposal from China’s CCCC and five other companies. Because of the scale of the project and the debts incurred, Danish PM Rasmussen has raised concerns over it. The project falls into the grey zone between Greenland’s self-determination in relation to issues of development and infrastructure and Denmark’s jurisdiction with regard to foreign policy and security issues.

On the level of global politics, Chinese participation in the Greenlandic airport project could be seen as another example of what the current US administration’s narrative calls China’s ‘debt-trap diplomacy’. This analysis claims that China finances new Chinese-built infrastructure through loans that poorer countries cannot pay back with a view to gaining political and eventually military sway over them.

To accommodate its concerns, Denmark offered to part-finance and co-own the new airports in Nuuk, Ilulissat and Qaqortoq, echoing how in 2016 Denmark took a decommissioned US-built naval base, Grønnedal, off the market when it emerged that the Chinese company General Nice Group had expressed an interest in buying it.

However, Denmark has not demanded that the CCCC be blacklisted from the airport project in return for the investment. This situation prompted the US Deputy Assistant Secretary of Defense, Katie Wheelbarger, to warn Denmark publicly about China’s motives and how it uses its economic power to establish a military presence. Clarifying the Danish position, Danish Minister of Defense Frederiksen argued that, as long as the Greenland airport project is not financed or run by China, but by Denmark and Greenland together, Denmark sees no problem.

This example shows that Denmark and Greenland will have to manage not only growing Chinese investments but also how the US chooses to push back against China’s agenda.

In this case, even though the ‘debt-trap diplomacy’ argument had been made largely redundant, the US administration still came out against Chinese involvement in the airport. This was not unexpected, as Senior Researcher Henrik Ø. Breitenbauch has argued. The US is closely watching Chinese moves in the

Mining in Greenland is a business opportunity, but China is also seeking long-term political leverage.
Arctic and is scaling up its military activities. Thus, a week after the airport deal was announced, the US Department of Defense released its own statement, promising investments in Greenlandic airports which have dual civilian and military use, though the details remain sketchy.

The former US administration’s focus on climate change and regional governance may have been toned down, but it would be a mistake to assume that the Trump administration’s ‘America First’ agenda means that Greenland or the Arctic region have fallen off the US radar. As Arctic researcher Rasmus Kjærgaard Rasmussen has recently argued, Greenland is geographically part of the North American continent, and the US has a very low tolerance of Chinese activities close to its borders.

Generally, however, given Denmark’s close alignment with American strategic interests, geopolitical tensions over Greenland remain at a low intensity. That could change were Greenland to obtain full independence from Denmark and therefore the freedom to negotiate foreign policy and security matters with whomever it chooses.

**Mining raises local concerns, but no US pushback as yet**

In Narsaq, a quiet, picturesque town in southern Greenland with a little more than 1500 inhabitants famous for producing sheep and vegetables, opinions are starkly divided over the Australian-based Greenland Minerals and Energy (GME) REE project. The local concern, however, is not so much the 12.5 percent Chinese ownership, but the environmental consequences of open-pit mining should it be given the go-ahead, which is looking increasingly likely.

Demand for REEs in the so-called green-energy sector is expected to increase in the coming years. Such minerals are used, for example, in wind turbines, solar energy and electric cars, as well as in products such as smart phones and flat screens. But in mining the Kvanefjeld REEs, GME will produce uranium as a...
byproduct, and it proposes to store the residue, or so-called tailings, in a lake in the mountains above Narsaq. The greatest challenge is how to manage the tailings and the radioactive water in the lake, the local concern being that the waste products will end up in the river and the town. To others, however, the mine represents the prospect of hundreds of new jobs and development, which are sorely needed in southern Greenland.

This fall the GME presented its final environmental assessment report, having spent almost a decade and about 100 million dollars in addressing the concerns of the Greenlandic authorities. The report is currently being read by Danish consultants. Leaks to the press say that there is little danger to people or nature. This conclusion, however, has already been contested by environmental organizations, and since uranium mining remains controversial in Greenland, the debate is likely to continue if the project enters its hearing phase next year.

Unlike the airport project, the US has not pushed back against Chinese participation in mining in Greenland, probably because, unlike an airport, mining is not of direct strategic concern to the US. Moreover, despite the name, REEs are not really that rare but difficult to mine and commercialize. Chinese companies have managed both the technological and the commercial aspects but, as some observers argue, should China dramatically raise REE prices or restrict their availability, production could be diversified to compensate. For now, at least, investing in mining represents an opportunity to attract Chinese investment in infrastructure without alienating the US.

One detail that could raise eyebrows down the line, however, is GME’s recent addition of China’s state-owned CCCC, among other engineering companies, in the construction of a new port facility at Narsaq. CCCC is one of the biggest companies in the world and, as mentioned above, is also bidding to construct the new Greenlandic airports.

In terms of the business arrangement at the Kvanefjeld project, GME needs state-supported Shenghe Resources’ technology to produce and market the REEs, while Shenghe Resources needs GME’s license for the Kvanefjeld plot to ensure the continued supply of raw materials for the global REE market that China already controls. Incidentally, Shenghe Resources is a major investor in the US too, having acquired Mountain Pass in California in 2017, one of the biggest REE mines outside China.

In an analysis of China’s state-supported mining and its place in China’s Arctic strategy, Patrik Andersson, Jesper Zeuthen and Per Kalvig have recently argued that ‘Greenland has strategic value for China both as a source of important minerals and as a foothold for accessing the Arctic region’. In other words, mining in Greenland is a business opportunity, but China is also seeking long-term political leverage through the limited options to become involved in the region.

Even if China wanted to play a greater part in the geopolitics of the region it has limited options of engagement, as China scholar Yun Sun argues. China is restrained by its geographical distance to the region and its non-Arctic status and therefore tends to pursue soft policy goals such as scientific and economic cooperation, especially on a bilateral level, and to shy away from political, security and military issues. However, Sun adds, China’s Arctic policy is only in its infancy and is expected to pick up steam in the coming years.

Further readings
Ulrik Pram Gad: “Imagining China on Greenland’s road to independence” from Arctic Yearbook, 2018
Yun Sun: “The Intricacy of China’s Arctic Policy”, 2018