

# Russia and China in Greenland?

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## Summary

Over the last decade, the Arctic region has become the site of new forms of great power interest. While the US has changed its hegemonic presence, other powers, in particular China and Russia, have been perceived to actively pursue Arctic strategies, perhaps seeking to undermine the western hegemony in the area. One of the most talked-about features of this new interest, has been the alleged Chinese desire to get engaged in Greenlandic mining. While there is certainly a desire among some in Greenland for alternative sources of revenue, direct Chinese involvement runs into a number of political and logistical challenges. To close observers, the narrative of heavy Chinese interest and involvement in Greenland probably says less about China and Chinese interests, than about dynamics in the relationship between Greenland and Denmark. Even with Greenlandic independence a possibility in the intermediate future, there seems to be no obvious hegemon to take the place of the already existing ones.

## Introduction

The last decade has seen a return of the Arctic to the geopolitical agenda, with old and new powers exploring new strategies and revisiting old relationships. Not only are the US and Russia actively engaged in the Arctic Council, but China has also recently become an observer in the Council. A number of policy commentators have claimed that great power interest in the Arctic region is about more than cooperation over natural resources and climate change, and that we are witnessing a “scramble for the Arctic” which heralds a renewed geopolitical engagement in the region. In this policy brief, we probe whether and to what extent there is such an interest underlying the policies of Russia and China towards Greenland. We do so by exploring the logic of asset substitution, asking whether provision of economic and public has broader links to security and geopolitical alignments; whether what we are seeing is an undermining

of western hegemony in the Arctic.

In October 2013, Greenland, having won more autonomy from Denmark in 2009, lifted its ban on uranium mining, and it was widely assumed that Chinese companies (and workers) would be prominently present in the mining of Greenland’s uranium and other Rare Earth Elements, as well as iron ore and other (as of yet) unexplored minerals. Yet, at the time of writing (December 2015), despite the “hype” about the Chinese interest in Greenland, little of this has materialized. While the case would at first hand seem like one in which China would actively engage in public goods substitution, and where Greenlandic nationalist could turn economic and political dependence on Copenhagen into independence thanks to Chinese investments, we show here that this did not take place. Probing the case for public goods substitution, we show that the extent of Chinese interest in Greenland might not have been as great as Danish and international media reported in the first place, and that the hype may in fact have been intended to deter further Chinese involvement.

This brief is part of a larger project, where we explore public goods substitution (Cooley et al 2015, Cooley 2015, de Carvalho & Leira 2016). While public goods substitution may be a favored way for great powers to gain influence at the expense of the hegemon, the case of Greenland suggests that such substitution is more likely to be effective if it is not being constructed as an outright political challenge. This constraint is amplified by Greenland’s political status. Through our interviews in Nuuk (and also in Reykjavik for another part of the project), it was time and again stressed how China cares dearly about its reputation, does not take public shaming lightly and is sensitive to challenges about meddling in the internal affairs of other states.

## The Logic of Hegemony and Asset Substitution

The main claim underlying the project for which this Policy Brief has been written (Undermining Hegemony) is that the politics of goods substitution are central to global politics. Yet, while the politics

of goods provision by hegemonic powers is central in upholding international order, the topic receives surprisingly little scholarly attention. Conversely, little attention has been paid to the interplay of goods provision and “goods-shopping” and how this influences the agency of receiving states. To put it briefly, “[a]t the most basic level, the dynamics of ‘goods substitution’ involve attempts by actors to either seek, or to attempt to serve as, a supplier for an asset currently provided by another actor—such as a state or an international institution—or the international order itself. In some cases, the provision and consumption of the relevant asset takes an additive form: the consumer gains additional providers of a similar good, such as foreign aid or security guarantees. In other cases, the politics extend to actual exit from an existing relationship, such as when client switches to a different security patron. Sometimes, however, the game involves leveraging the threat of exit for a better bargain.” (Cooley et al. 2015; see also Cooley 2016; de Carvalho and Leira 2016))

By goods substitution we thus mean competitive dynamics surrounding efforts by states to seek—or provide—alternative sources for economic, military, or social assets. When actors view the existing supply of such assets as politically or substantively problematic, they face incentives to seek substitutes. They may provide the relevant good for themselves, contract with another actor for supply of the good, or pool their resources to jointly produce the good.

### Greenland and the world

Despite the large literature and the “hype” around Greenland, by some even dubbed the “scramble for Greenland”, our first key finding was that there was virtually no Russian interest in Greenland. In terms of the Chinese interests in Greenland, these are mainly in the mining sector, and mainly indirect, subject to a number of limitations. Neither Russia nor China can thus be said to be engaged in public goods substitution in Greenland. The extent of Greenland’s direct involvement with China is limited to financing the mining sector, with Greenlandic delegations regularly traveling to China to seek such financing.

Rhetoric aside, both South Korea and Japan have been more active towards Greenland than China, with the former sending delegations and engaging in cultural diplomacy. The former South Korean president has visited Greenland, and there have been numerous visits to Greenland by various ambassadors. There is also one consul general (from Iceland) and around 10 honorary consuls (although only from “the West”, with the Philippines and Thailand being further candidates) in Nuuk.

The background of colonialism has led to a level of distrust of Denmark in Greenland, and potential Greenlandic independence was mentioned by many commentators in the aftermath of increased home rule in 2009. Nationalist arguments reached a peak in 2011-13. There is nevertheless very little explicit systematic thinking or discussion about Greenland’s current and future role in the world in Greenland, and most external relations are formulated and put into action by a limited group of individuals in politics and the administration. Several of these

have had an explicitly nationalist agenda. During our interviews in Nuuk, politicians made no secret of their medium-term ambitions to achieve independence from Denmark. This, quite often, was based on a vision of large future foreign investments in Greenland.

In the diplomatic realm, Greenland has had its own Brussels office for over a decade. The opening of a Greenlandic Delegation in Washington, D.C. in 2014 was seen as a first step towards establishing a presence in Beijing. Although Nuuk’s strategic vision was to forge closer ties with China with a view to facilitate a larger Chinese financial investment in Greenland, there was an understanding that for tactical reasons, representation in the US had to come first. Representation in Beijing has not yet materialized, and we were given the impression that this was no longer prioritized, and there was still a fair amount of hesitation as to what was to come from the representation in the US.

These elements of a separate foreign policy, alongside Denmark yet distinguished from it, have come to a halt, largely due to the lack of development of the mining sector. Conversely, there is little systematic thinking about the practical consequences of Greenland’s current attachment to Denmark for the Danes. When Denmark, for instance, claimed the North Pole in 2014, as widely reported in the Norwegian press, it was stressed in Greenland that the initiative was strictly Greenlandic, and based on a long-term view of the interests of an independent Greenland. Greenland had dictated the terms of the Danish arctic policy.

### Greenland’s Danish Connection

Outside the circle of nationalist politicians, the prospects of Greenlandic independence seemed to most interlocutors rather unlikely, both at the present moment and in the near future. Greenland is still strongly dependent on revenues from Denmark, and few developments suggest that this is likely to change. Currently, around half of Greenland’s national budget comes from Denmark (as a block grant) and the EU. Greenland is furthermore dependent on Denmark beyond the financial situation. Most of the central Greenlandic administration is staffed by Danes, and Greenland is dependent on Copenhagen for skilled labour to staff other key functions such as the health sector. Danish is still the working language of the Greenlandic administration.

Likewise, Denmark is still committed to Greenland, although the reason for being so pertains less to financial issues than to the status consequences of being the Kingdom of Denmark and Greenland. Greenland connects Denmark to a greater and more glorious past, and gives Denmark a seat at tables where it would not otherwise be present. In fact, Greenland gives Denmark an arctic presence, the possibility of being alongside the US, China and Russia in the Arctic Council, and on the whole making Denmark something bigger than “just another of the Benelux kingdoms” as one of our informers told us. It is nevertheless hard for Copenhagen to admit to this. Structurally, then, Denmark, more so than the US, must be understood as the local hegemon.

This does not mean that there is no interest in Greenland from the US. The US still has a significant military presence in Greenland through the Thule airbase. Although downsized as compared to the cold war, the Thule base plays an important part in the US current

global military engagement as a communications hub. Greenland is also of key importance to the US and NATO through its geopolitical situation in the Arctic, although this is taken care of largely through Denmark rather than any direct US involvement. While Greenland is important strategically, this does not seem to give Greenland itself any leverage towards the US, but, rather, makes Denmark a more attractive defence partner of the US and in NATO.

The current situation opens for the potential of goods substitution in Greenland, what we have referred to as demand-side drivers (Cooley et al. 2015) are certainly in place. Should other states such as Russia or China wish to compete with Denmark for influence in Greenland, there might well be a sentiment for taking such a deal in Nuuk. In fact, we were told repeatedly by our Greenlandic informers that the price for such influence would equal the annual block grant which would allow the island independence from Denmark. But while Greenland today has the ability to declare its own independence should it wish to do so, and while Denmark in principle has opened the door to this, it is unlikely that such a process would take place without the US weighing in.

### **The Lack of Great Power Interest in Greenland**

Given the enthusiasm for independence in Nuuk, the question which must be answered is why there is so little great power interest in Greenland, and why the anticipated mining rush has not taken place.

From the American side, there seems to be little worry about the current situation and set-up of Greenland, with formal independence within the Kingdom of Denmark and Greenland lending itself to independence. The US, on the whole, seems to be happy with the current set-up. There was some concern voiced to us in Nuuk that the US was not sensitive enough in its interaction with the local population, especially as was about to grant a large civilian contract on the Thule airbase to a US rather than Greenlandic bidder, but on the whole, there were no major concerns with the US military presence there.

From the Chinese side, the situation may seem more puzzling at first sight. Although China is present indirectly through partial ownership of Australian mining companies, there is little Chinese presence in Greenland, China's global drive for natural resources notwithstanding. The investments foreshadowed only a few years ago never materialized. Informers we spoke with in Nuuk mentioned that investing in Greenland would represent tremendous outlays, as distances are vast, and infrastructure almost non-existent. Furthermore, we were told, China seemed unwilling to incur the political hassle represented by investing in Greenland. Indeed, as Greenland is solidly within the US sphere of influence, and large scale investments there may have been perceived as a more direct challenge to US influence than what China intends in the Arctic. As there was increasing talk of the possibilities of investing in Greenland, informers also told us that the Copenhagen media came to overplay the Chinese investment, turning it into an imminent take-over of Greenland when, in fact, the interest in practical terms was only a few Chinese-backed companies looking for investment possibilities.

It became clear, we were told, that the prospects of any large scale Chinese mining project became smaller as the Danish reaction played out. China, wary of international attention to Tibet,

did not want to be caught meddling into internal Danish affairs. Consequently, the Chinese ministry of foreign affairs do not have any relations or contact with the Greenlandic authorities, as that is handled by issue-specific ministries (mining, fisheries) to underline that there is no political interest in Greenland from China. These ministries, which are not as concerned with issues of sovereignty, we were told, were much easier to deal with for Greenland. To China, in short, investing in China may have come to cost more, economically and politically, than the Chinese were willing to risk.

### **Conclusions: Making Sense of the Greenland Hype**

Against the backdrop of the current lack of great power interest in Greenland, the scramble for Greenland which was heralded in 2012-2013 seems to have been blown out of proportions. Not before Greenlandic authorities had opened up for foreign labour, was it announced that this would pave the way for a USD 2 billion investment in mining from China, and that several thousand Chinese workers would come work in Greenland.

This image, which still is not uncommon to find in commentaries, emerged out of the confluence of several factors. Firstly, the general interest in the Arctic which we have been experiencing over the last decade or so. Secondly, the general Chinese interest in the Arctic, as witnessed by its observer status in the Arctic Council. Thirdly, the Chinese interest in large mining projects requiring the import of foreign labour due to the lack of qualified local labour. All these factors combined with the Greenlandic interest in foreign investments and the nationalist Greenlandic agenda, actively seeking to find alternatives to Danish money to create a scare in Danish media that Greenland might be slipping away.

These developments were picked up by the Danish media, who blew the Chinese tentative interest out of proportions resulting in a "China hype", and making Copenhagen less willing to go along with Greenlandic wishes. Seen from Greenland, this hype was rather stunning, as it did not reflect the realities of the Chinese interest in mining in Greenland, nor the degree of cooperation between the large island and the Asian power. The hype did in all likelihood deter some Chinese investments, we were told, and probably led to the Chinese backing off somewhat, as they felt unwanted. Yet the major fear on the Greenlandic side was that the US would be caught up in the China hype.

Nevertheless, we were told by informers that the most explicit nationalist rhetoric was somewhat unserious and naïve, giving outsiders the impression of Greenland as a risky place to do business. In combination with the slump in mineral prices, and the many bureaucratic challenges associated with mining in Greenland, most mining-projects in Greenland have been put on hold. Greenland was thus left without the investments it had hoped for and needed, and unable to use Chinese investments to leverage political gain.

Today, both Greenland and China would seemingly prefer there to be less talk about Chinese interests in Greenland, thus enabling what is perceived to be more constructive cooperation. However, there is clearly more Greenlandic interest in China than Chinese interest in Greenland. There is also little Chinese interest in an independent Greenland, as this would undoubtedly imply heightened US presence.

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