



Työ- ja elinkeinoministeriö
Arbets- och näringsministeriet

ARCTIC INTERCONNECTIVITY BY CHINESE-FINNISH COOPERATION 9.11.2018, SHANGHAI

The Ministry of Economic Affairs and Employment organised an event, titled Arctic Interconnectivity by Chinese Finnish Cooperation – sustainability, safety, reliability and operational performance, in Shanghai, China, on 9 November 2018. The event was part of the Arctic Economic Dialogue project. The event was organised in cooperation with the Ministry for Foreign Affairs, Team Arctic Finland and the Chinese Ministry of Transport.

Global warming is making the Arctic region more accessible, and opening up new business opportunities for example in the harnessing of natural resources. This is gradually translating into an increased economic activity in the region and a growing interest in Arctic sea routes.

As new routes are opening in northern sea areas, opportunities for logistics are also emerging. However, there are still some issues regarding the serviceability and economic potential of the emerging routes. These include climate conditions, the viability of the routes, and infrastructure development.

In January 2018, China published its first-ever white paper on Arctic policy, which emphasises sustainable development, climate issues, and economic and research cooperation. It also encourages companies to actively seek partnerships.

China's Arctic Strategy considers the northern sea routes as important transport routes for international trade, and part of the larger Belt and Road Initiative. However, some development measures are required to improve routes' viability. While the strategy identifies several practical problems and obstacles to the extensive use of the routes, the responsibility for solving such problems and for the utilisation of the routes is left to Chinese companies and other operators.

The purpose of the event was to explore the possibilities for cooperation regarding Arctic maritime transport and interconnectivity. One of the key objectives was to seek the views of the Chinese operators on the possibilities for cooperation and on the concrete challenges and opportunities of Arctic maritime transport, particularly concerning the Northeast Passage.

China's experiences and plans concerning the Arctic sea routes

With the climate change, the Arctic sea routes are becoming increasingly interesting. In the discussions, several speakers brought up China's commitment to the development of the "Silk Road on Ice", i.e. the Arctic sea routes. Perceived benefits of these routes include better

connections between Asia, Europe and North America. While better connections represent a time and cost factor, they also constitute a safety factor. Other issues mentioned in the discussions included the positive effect of the sea routes on the economy and development of the regions and towns along the routes.

Cooperation in the development of the sea routes was generally considered important. Speakers emphasised how important it was to involve all the different stakeholders in order to meet the objectives. Input from non-Arctic states was also considered important. Similarly, input from research institutes is required for the development of serviceable sea routes.

Chinese funding providers are already actively involved in various Arctic region development projects. The largest single funding item is the Yamal gas and oil reserve recovery project. The Arctic development projects involve challenges, as evidenced by the fact that significant funding has been allocated to machinery and equipment, buildings and infrastructure, and on ensuring maritime safety. The Arctic sea routes and the “Polar Silk Road” are an interesting and important opportunity from the funding providers’ perspective. In addition to commercialisation, funding priorities include the environment and environmental protection.

Chinese shipping companies have also discovered the Arctic sea routes. Since 2013, the Chinese shipping company COSCO has made 23 voyages on the Northeast Passage. Even though the numbers are still modest, the goal is to make maritime traffic in the Northeast Passage and in the Arctic sea routes standard practice, and to benefit from the opportunities available. However, the use of the route still involves many uncertainties, and regular use is not possible. Nevertheless, the Northeast Passage is regarded as an important waterway, and new transport solutions are to be expected. In the 2030s at the latest, the route is expected to be in much more active use.

For the shipping companies, the key benefits are savings in travel time and costs, but the safety of the routes compared to many others is also seen as an opportunity; fewer safety and security solutions are required. Compared to some routes, the Arctic Sea might even be less stormy. According to COSCO’s own experiences, they were able to save approximately two weeks in travel time. This reduction translates into lower fuel costs and fewer emissions.

Researchers pointed out that the Northeast Passage is primarily used for bulk freight, largely oil and gas. Meanwhile container traffic, which is the biggest global goods transport method, remains very modest. But transport volumes are expected to grow, following the rapid melting of the Arctic sea ice. Liquid bulk freight – oil and gas – will still remain an important transport item. Container traffic volume is estimated to grow but remain relatively low. This is due to the harsh conditions along the route and the lack of predictability, for the time being. Nonetheless, the Northeast Passage was envisioned as the route that will be used for the majority of Northern Europe’s freight transport.

Main challenges and priorities for future action

A general point made in the discussions was that investment and development efforts were still required to make full use of the Arctic sea routes. The introduction of regular and full-scale transport activities in the Arctic sea routes requires predictability and stability. The majority of problems brought up in the discussions were associated with the development of the physical and service infrastructure.

Poorly mapped routes and lack of sufficient marking was still considered a problem, which is why many speakers emphasised the need for better mapping and marking of the Arctic sea routes. Similarly, improvements are needed in weather services and information provision about sea conditions. Predictive services in particular were called for.

Ensuring the safety of maritime traffic is an important part of Arctic sea routes development. The need for such services, which include situation awareness, icebreaking services and maritime rescue services, was made very clear by shipping companies and researchers alike. In the context of this theme, the need for ice navigation competence and technology development was also identified. In addition to maritime rescue service development, personnel training was mentioned as a practical safety measure.

Several common research themes were identified. Opportunities for cooperation were identified in icebreaker technology and the design of vessels for Arctic conditions. Other areas where joint research was considered useful included safety and rescue and rapid response to emergencies. The need for environmental protection and climate and environmental research was also expressed. New environmental monitoring technologies provide an area for joint activities.

The need to ensure and safeguard basic preconditions was one key thematic area, but in addition to that, shipping companies brought into discussion smart logistics; an area that would support new development, and in which the Nordic countries were deemed competent and experienced. In this context, the smart ships theme (including autonomous ships) was considered an important area of cooperation.

The participants recognised a need for cooperation forums for discussions regarding the development and use of the Arctic region, and the related policy measures. The event held in Shanghai provided an opportunity for dialogue and networking between the Finnish and the Chinese participants. It is important to keep the contacts active and to bring the ideas and initiatives into fruition. The maritime logistics working group under the China-Finland Committee for Innovative Business Cooperation offers a platform for discussions and for action planning in line with the common purpose.