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Promises of hope or threats of domination: Chinese mining in Greenland

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ABSTRACT

Chinese investment plans in Greenland have been viewed by various Greenlandic governments with high hopes while their Danish counterparts have been much more reluctant and fearful of what some sort of orchestrated Chinese intervention would mean for the autonomous and supposedly less experienced part of the Danish Kingdom. Despite expectations, actual Chinese actions have not materialized in any of the ways that Greenland and Denmark have hoped or feared which could suggest that China's interest in Greenland was not as once thought. This article discusses the strategic implications of mining in Greenland, questioning the assumed coherence of Chinese interests and also examining both Greenland's and Denmark's role in staging strategic narratives. The article argues that while it is possible to identify Chinese state actors that believe Greenland should be highly prioritized, their approach so far has been very fragmented. In fact, the idea of a co-ordinated Chinese approach appears to have mainly been created in the contestation between Greenlandic hopes and Danish fears.

1. Introduction

'Greenland may become an Appendix to China' (Frederiksen, 2013), the leading Danish politician Claus Hjort Frederiksen said in 2013 in response to Chinese investment plans. While Denmark took a more fearful approach to China's investment plans, the Greenlandic prime minister, Kuupik Kleist, was much more hopeful, commenting that 'The Asians are humblear. They don't display the type of master mentality, that we see from Westerners' (Weekendavisen, 2013). Chinese investment intentions have been viewed very differently within the different parts of the Danish Kingdom, namely, Greenland and Denmark.[1] These hopes and fears were compounded by events in neighbouring Iceland. Struggling financially following the global economic downturn, Iceland had turned to China to rejuvenate its economy. The 2011 bid by the Chinese billionaire, Huang Nubo, to purchase land on the island, coupled by the Chinese government building Reykjavik's, by far the largest embassy as well as the signing of a free trade agreement between the two countries, the first of its kind to be signed by China with a European country, undoubtedly added to Denmark's fears and Greenland's hopes that China's influence in the Arctic would increase. While Chinese investments in Greenland remain extremely limited since the announcement of China's "going out" strategy in 2000, Chinese mining and energy companies have, however, made a series of high-profile overseas investments around the world which have been met with strong public opposition (Boersma and Foley, 2014: 44). These concerns have centred primarily around four key issues: (i) labour issues, in particular the use of Chinese workers and Chinese labour standards and employment practices in host countries; (ii) the potential threat of China to block long-term access to strategic raw materials, (iii) concerns that Chinese state investments and state-backed loans were undermining international standards and promoting corruption, and (iv) that China would expand its control over weaker countries (Boersma and Foley, 2014; Economy and Levi, 2014). Large-scale Chinese investments in natural resources following the intensification of its "going out" strategy have drawn particular attention and criticism. Some scholars argue that as part of China's "going out" strategy, Chinese state controlled companies in the resource sector in collaboration with various arms of the Chinese state have applied 'all means necessary' to gain access to those resources deemed strategically important by the Chinese state (Economy and Levi, 2014). Meanwhile, other scholars contend that the degree of co-ordination was more limited and state owned enterprises were in fact advancing their own objectives, including a strong commitment to profitability, in tandem with those of the government (Downs, 2011: 61). The result of China's "going out" strategy was that 'Chinese firms […] embarked upon a frantic shopping spree for commodities,' buying up oil, gas fields, and mines worldwide (Kurlantzick, 2007: 90). During this period, Chinese mining companies gained an exceptionally bad reputation, even within such a controversial sector, with regards to the environmental (industrial pollution, contamination and scarcity) and social impact (labour conditions and corruption) of its activities (Jakobson, 2009). Jakobson (2009), Smith (2013) and Downs (2011) among others, argue that the behaviour of Chinese mining companies

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[1] The third part of the Kingdom, the Faroe Islands, is not relevant in this context.

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can be explained, at least in part, by the fragmented nature of Chinese bureaucracy. While the majority of the Chinese companies investing in extractive industries are fully or partially state-owned and have considerable capital available for large-scale operations, they are controlled by various bureaucratic bodies and by different levels of government. This makes it much harder for the Chinese government to assert control over them from the top. As Fu argues, one of the biggest challenges facing China is how to 'regulate the behaviours and relationships of various stakeholders – different levels of government, the industrial sectors, and the public' (Fu, 2008: 611). Furthermore, following a series of bad investments during the first decade of the 2000s, China begun to invest in countries with a higher degree of accountability and with stable political and legal systems (Bräutigam and Tang, 2012; Feng et al., 2015; Co, 2013). For example, Chinese mining investments made in Australia between 2005 and 2015 exceeded those in Africa for the same period of time (American Enterprise Institute, 2016). Consequently, the need to consider the social and environmental impact of Chinese companies operating overseas has moved considerably up the political agenda.

In examining the Chinese mining sector's approach to Greenland, the article argues that while the majority of actors who are involved in attracting Chinese mining investors as well as the potential Chinese mining investors themselves all appear to expect some form of support from the Chinese state, there does not appear to be a coordinated effort despite expectations that China would apply 'all means necessary' (Economy and Levi, 2014) to acquire the natural resources to maintain its economy. The Chinese state does not seem to have put pressure on investors to invest in mining in Greenland and appears to have made a very limited effort to encourage them to address some of the environmental and social concerns raised by Greenland and Denmark that would make investments from China more appealing. Furthermore, the staging of strategic narratives with regard to Chinese interests in the mining sector, on the one hand by Greenlandic policy makers who want to gain greater independence and on the other hand by Danish policy makers, who are keen to use the potential complications that could arise from China's interest as a justification to maintain partial control over Greenland's' natural resources, may have played a much more important role in making Chinese investment plans appear controversial than actual Chinese actions on the ground. However, a systematic measurement of the exact degree of coordination from both Denmark or Greenland is beyond the scope of this paper.

2. Methods and overview

The part of the Chinese state apparatus that has been most publicly pronounced in the promotion of Chinese engagement in Greenland (through annual minister level meeting etc.) is the Chinese Ministry of Land and Resources (MLR) and the various departments under its control, such as China's Geological Survey and the Polar Research Institute of China (PRIC) (Zeuthen, 2017). This article uses publicly available Chinese language material intended to advise China's mining sector on Greenland as our main source of information in studying the interests of the MLR in Greenland. According to the fragmented authoritarianism approach frequently applied in studies related to Chinese policy making, it would be expected that competing policies would be formulated by different sectors of the state (Lieberthal and Oksenberg, 1988). By selecting the MLR and the Arctic research institutions under its control, we focus on the sector within the Chinese state apparatus that is most likely to prioritise resource interests in Greenland. Looking beyond the state level we concentrate on how semi-state owned mining companies engage in two potential mining projects, Isua and Kvanefjeld, which involve three mineral resources – iron, rare earth elements (REE) and uranium. Given that these three resources are traditionally governed with different degrees of state interest, they are likely to involve different degrees of state priority.

The article combines the fragmented authoritarianism approach with a focus on the basis for staging strategic narratives (Roselle et al., 2014), i.e. building a basis for China to appear as an attractive investor. We assume that if China does have a coordinated approach towards Greenland, then China would make an effort to 1) encourage investments in Greenland 2) encourage investors to behave in ways that would appear attractive to Greenland, i.e. socially and environmentally responsible.

Apart from introduction, methods, and conclusion, this article is divided into four sections, beginning with the theoretical section. It is followed by a brief section on Greenland's and Denmark's approach towards China, and two analytical sections focusing firstly on the Chinese authorities' approach towards Greenland and potential Chinese investors and secondly, potential Chinese investors' interest in Greenland. The main source of data for the first analytical section is a sample of 1506 articles authored by the Chinese Ministry of Land and Resources (MLR) on investment opportunities overseas and how to adopt to foreign communities with a focus on the MLR's advice on Greenland and on how enterprises should adapt to environmental requirements and social demands. This data is supplemented with data collected through conversations with advisors to Chinese policy makers collected at conferences. Data for the second analytical section is a combination of ethnographic data (visit to a potential mining site, along with mining councillors, several conversations with geological and commercial counsellors based in Denmark and a conversation with a potential Chinese investor) and documentation on potential investors and their engagement in the mining projects that key informants believed were most likely to be implemented on a large scale collected between 2014 and 2017.

3. Fragmented strategic narratives

This article combines an analytical framework focusing on "strategic narratives" (Roselle et al., 2014) with the "fragmented authoritarianism" approach traditionally associated with the study of Chinese bureaucracy. The fragmented authoritarianism approach as highly relevant when analysing China's approach to mining given that the mining sector is dominated by companies that are either owned, founded, or closely related to different sectors within the Chinese bureaucracy (central/local government/various ministries). As Têtu and Lasserre (2017) and Zeuthen (2017) show, Chinese enterprises with an interest in Greenland are also under varying degrees of state control. While the fragmented authoritarianism approach has been widely applied to the study of China's domestic politics (Lieberthal and Oksenberg, 1988), it is an approach less frequently used in the analysis of China's foreign relations. Mertha (2009, 2015) has however, also used the concept in his discussions on the Chinese policy-making process in a foreign policy context, arguing that 'the rules of the policy-making process are still captured by the fragmented authoritarianism framework, but that the process has become increasingly pluralized' (2009: 995). The core assumption of fragmented authoritarianism is that different vertically divided sectors (*tiao*, 条) within the state each promote their own policy agendas. Contesting policy agendas from the centre are then bargained within horizontally divided units (provinces etc.; *kuai,* 块) whereby 'policy made at the centre becomes increasingly malleable to the parochial organizational and political goals of various vertical agencies and spatial regions charged with enforcing that policy' (ibid). Consequently, all outcomes are 'shaped by the incorporation of interests of the implementation agencies into the policy itself' (ibid). Given that China does not yet have an explicit Arctic policy agenda, (a white paper on an Artic strategy) (Yang, 2016), the room for bureaucratic bargaining on behalf of China's interests in the arctic is likely to be particularly large. For mining companies with links to the various sectors of Chinese bureaucracy, the lack of a formulated strategy can be viewed as both an opportunity and a threat. If a company's project becomes a part of the formulated policy, then it gains political will and state resources. However, should the project fail to be incorporated into