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**TÍTULO:** Cooperación Rusia-China en el Ártico: problemas y perspectivas.

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**RESUMEN:** Los autores proponen la cooperación internacional en el Ártico como el área más importante de la cooperación internacional basada en el cumplimiento y desarrollo del derecho internacional sobre una base acordada. También se enfatiza la asociación para unir las iniciativas One Belt, One Road y el espacio de Eurasia. El Libro Blanco, publicado el 26 de enero de 2018, describe los principios y parámetros básicos de la política ártica de China. La parte china se basa en la premisa de que todos los estados del mundo deberían participar en el desarrollo del Ártico, independientemente de su ubicación geográfica, siendo aconsejable considerar un posible establecimiento de un consorcio Rusia-China para la implementación de proyectos del Ártico.

**PALABRAS CLAVES:** Cinturón Ártico, Ruta del Mar del Norte, Cooperación Rusia-China, Competición en el Ártico, el Consejo Ártico.

**TITLE:** Russia-China cooperation in the Arctic: Problems and Prospects.

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**ABSTRACT:** The authors propose the international cooperation in the Arctic as the most important area of international cooperation based on compliance with and development of international law on an agreed basis. The partnership for matching the initiatives One Belt, One Road and the Greater Eurasian space is also emphasized. The White Paper, published on January 26, 2018, outlines the basic principles and parameters of China's Arctic policy. Chinese side proceeds from the premise that all states of the world should be engaged in the development of the Arctic, regardless of their geographic location, being advisable to consider a possible establishment of a Russia-China consortium for Arctic projects implementation.

**KEY WORDS:** Arctic belt, Northern Sea route, Russian-Chinese cooperation, competition in the Arctic, the Arctic Council.

**INTRODUCTION.**

**Formation of the problem.**

Since the explored natural resources in the Arctic are significant, the Arctic is today attractive not only to countries with jurisdiction over the territories in the Arctic zone, but also to other states that do not have a direct territorial boundary with the Arctic region (The Arctic, 2018; How does the world, 2017).

The greater attention of the world community to the Arctic is also due to the fact that the climate change is directly relevant to the Arctic ecosystem problems (Aksnes, 2016; The Arctic Freshwater System, 2016). An international organization, the Arctic Council (AC), was established in 1996 on the initiative of Finland. Its original purpose was to protect the unique nature of the northern territory. The AC currently includes Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States.

Almost all member states of the Council have developed national programs for the conservation, development and use of the potential of the Arctic regions, where priorities are set according to national development strategies of states. In the initial period of the Council, the tasks focused solely on ensuring environmental sustainability, creating conditions for the recreation of the environment as a sphere of human residence, the repopulation of the indigenous peoples of the North, and combining traditional employment with the need to involve the Arctic territories in the economic activities of individual countries (Surender et al, 2017; Dimri et al, 2019).

In the 21st century, there was a clear trend towards the priority of implementing national development strategies, ensuring national political and economic interests in the Arctic region, considered as a zone of competitive opposition of individual countries in terms of the resource potential of these territories, transport and communication interaction.

It is also characteristic that mostly all members of the Arctic Council declare their positions against the backdrop of the development of international law articles, thereby giving a message to the international community regarding the need to develop and adopt agreed regulatory and legal provisions that would be recognized by both continental and precedent legal systems.

The Arctic zone is a territory of strategic importance not only for the AC member states, but also for other countries; for example, in recent years, a number of Asian governments expressed interest in closer cooperation with the AC states, as well as their transition to the rank of permanent AC

members, moving from the observer status. This idea was launched by China, India, Japan, Singapore and South Korea in May 2013 (Lunde, 2015).

It is characteristic that the main initiatives of the Asian countries are focused on the possibilities to use the Northern Sea Route, to build the Arctic type of vessels, to develop fishing and mining (Perskaya, 2012; Yazdekhashti et al, 2015). However, there is a number of approaches of the countries, which differ significantly in terms of instruments and interpretation of economic cooperation substance, the development of coordinated political decisions on the use of Arctic territories.

## **DEVELOPMENT.**

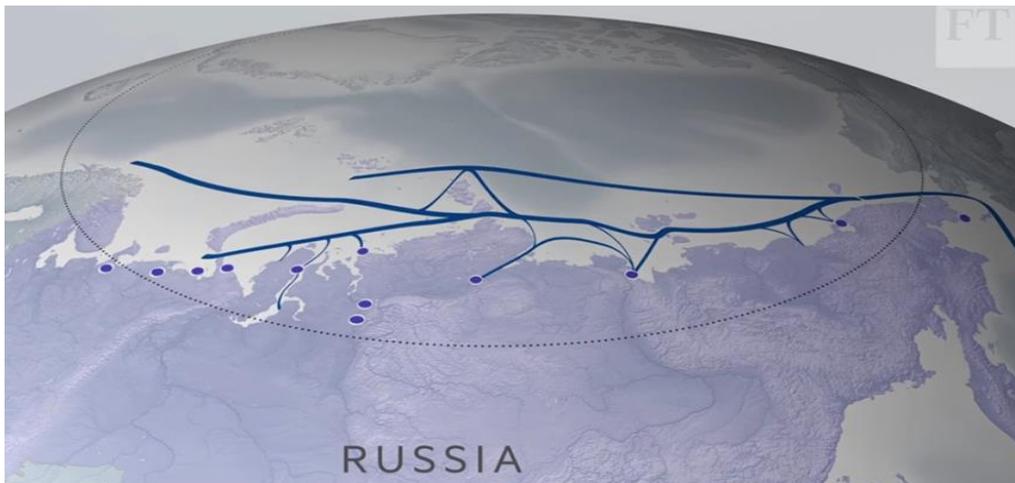
### **Economic importance of the arctic.**

61 oil and gas deposits have been discovered in the Arctic, 43 of which are in Russia, 11 in Canada, 6 in Alaska and 1 in Norway (Lipponen, 2016. P. 4).

The Arctic seabed contains 13 percent of the world undiscovered oil and up to 30 percent of natural gas reserves (Manukov, 2018; Ingavale, 2013). More than 96 percent of platinum group metals, 90 percent of nickel and cobalt, 80 percent of gas, 60 percent of oil, 60 percent of copper are produced in the Arctic region of Russia (Remyga, 2016. P. 137). The seas of the Arctic ocean are also a fishing area of global importance. All of this increases the competition of countries, primarily AC members, for dominance in the Arctic basin and requires regulation of the activities of foreign economic entities (Revenko, 2017b; Tereso et al, 2018).

Five of the eight Arctic AC member states (Russia, the United States, Canada, Denmark and Norway) have land territories in this basin and adjacent territorial waters. Thirteen countries, incl. China, have the observer status in the AC which is of great political and economic importance for Beijing.

The control over the Arctic has strategic economic impact not only for the Arctic countries, but for the whole world. Over the next decade, melting polar ice will help create new shipping routes. The proposed sea route through the Arctic will be 6-19 days shorter (Business News, 2017) and appreciably less expensive than the existing route through the Suez Canal. Actually, this trade route, de facto controlled by Russia, can claim the paramount importance, and this appreciably increases the strategic importance of the country in the AC (Figure 1).

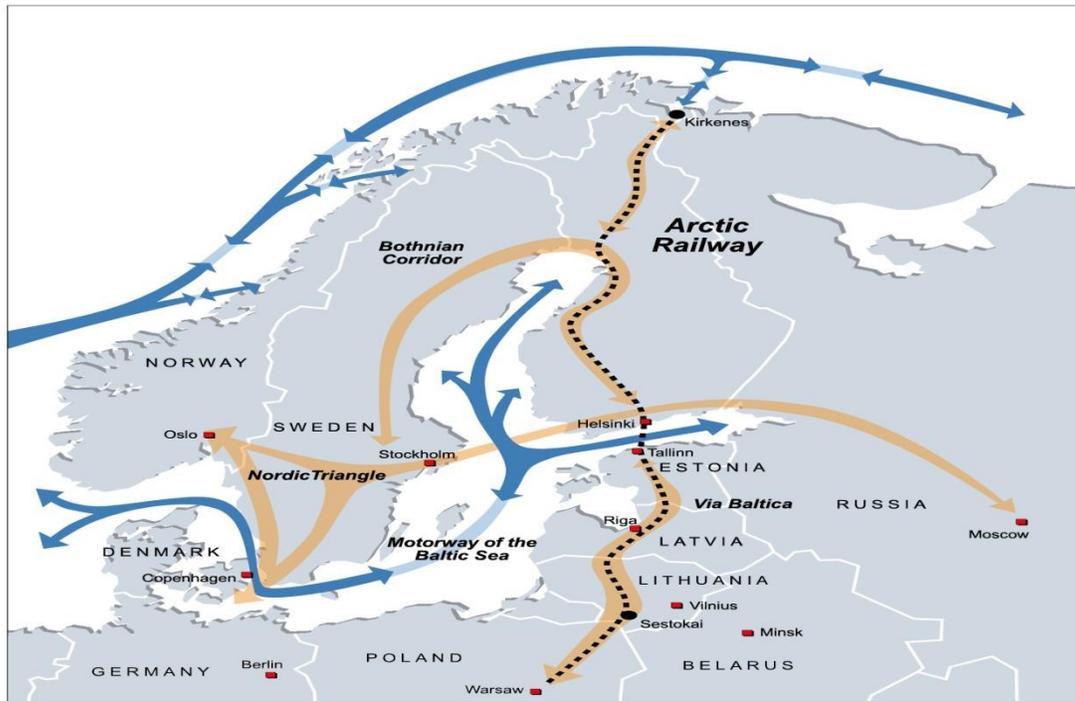


**Figure 1.** The Arctic component of the Silk Road Economic belt, being an object of interest for Russia. URL: Eurasia News Online. Russia – Arctic development (<https://eurasia-news-online.com/2016/10/25/russia-arctic-development/> - Date of access: 29.03.2017).

It is specific that the Western partners in the AC negatively assess Russia's balanced investment strategy for the implementation of its section of the road, users of which can be the Republic of Korea, Vietnam, India, Singapore, China and other countries. A possible priority positioning of China in the project is considered by them as an increase in the international status of the PRC as a world power. In addition, there is an attempt to introduce a destructive element into the interaction in the project implementation, to undermine the unity of partners and form coalition groups that could preserve the dominance of the West in the world economy; for example, Latvia and Finland are claiming a key role in implementing the project in terms of the Arctic vector.

Helsinki believes that goods from China, and oil and gas from the Arctic regions can be transported by ships to west along the Northern Sea Route to Kirkenes. Further, the goods can be shipped by rail to the states of Northern Europe and other European countries.

The so-called Arctic Corridor project, in Finland's opinion, is very important, as it provides an alternative for connecting Asia with the Arctic and Europe (Figure 2.)



**Figure 2.** The Arctic Corridor Project in the interpretation of Finland. URL: Tsuruoka D. (2017).

Finland could serve as China's Arctic gateway for Obor. 02.07.2017.

(<http://www.atimes.com/article/finland-serve-chinas-arctic-gateway-obor/> - Date of access: 27.03.2018).

EU experts also point out that the geographical situation, developed since the USSR, logistics and accumulated experience make Latvia and Finland a natural and logical way for the "northern rails" that could satisfy the needs of the Belt and Road Initiative. In addition to its airports and railway, Finland offers the port of Helsinki, and Latvia its industrialized port city of Riga.

In addition, experts strongly suggest raising the level of constructiveness of the EU dialogue with China and gradually reducing the role of Russia, using, among other things, its lack of involvement<sup>1</sup>, including because the pace of economic development of the country is unlikely to provide it with an opportunity to realize its goals. At the same time, it is proposed that Europe maintains its global position within the project on the development of standards and rules for the standardization and management of rail transport, with reference to the European Rail Traffic Management System (ERTMS) (Gleave, 2018. P. 18).

One of the largest sources of funding for China within the Belt and Road Initiative could be long-term programs under the OECD Arrangement on Officially Supported Export Credits (OECD Arrangement), although the PRC is not a member of this organization. In EU studies, special attention is drawn to the appeal to the Chinese government to encourage access of partners from the European Union to the Chinese market and to protect the intellectual property of European companies. At the same time, the EU proceeds from the premise that China's participation in the OECD Arrangement should be a key objective of the EU negotiating strategy (Gleave, 2017. P.19). It seems also important to note the positions of such AC countries as the USA and Canada.

The so-called circumpolar Arctic observation network is being developed in the United States through the cooperation of various scientific organizations, academic staff and just residents of the Arctic with regard to the dissemination and use of scientific knowledge, which in future should create a solid footing for the implementation of American initiatives in this region. It is assumed that climate change and the release of a number of areas from ice should be the basis for cooperation between states in the developing circumpolar observation network, regardless of the state ownership of the liberated territory (Perskaya, 2012. P.8).

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<sup>1</sup> According to the information available to the EU experts, only one of the four projects with Russian participating within the Belt and Road Initiative has been launched.

It is characteristic that the U.S. directives are aimed at international cooperation in creating a solid basis for ensuring the scientific priority positioning of the United States among other countries and taking advantage of scientific and research cooperation to achieve the goals of U.S. domestic and foreign policy.

The United States pay a particular attention to maintaining and developing sea shipping in the region, which should promote the implementation of U.S. foreign policy priorities in the region, ensure safe, reliable and continuous navigation, protect sea-borne trade and environment. An important component of this directive is to ensure the environmental sustainability of the region in the face of the high risks of conducting various economic activities there. In particular, priority is given to elimination and prevention of environmental pollution, development of international standards or indicators that would determine the permissible level of such pollution.

In this connection, it is logical to assume that international cooperation will be instrumental in both the development of such standards and subsequent penalties for violating the ecological balance in the Arctic zone.

It is of interest the position of the United States in assessing the energy potential of the Arctic zone. Thus, the economy section (directive NSPD-66 / HSPD-25, 2009) indicates that the Arctic contains a significant amount of undiscovered natural resources and the U.S. is able to ensure the development of energy in the region in an environmentally safe way, taking into account the interests of indigenous peoples and local communities, as well as on the basis of open and transparent market principles, since these resources should be used for the benefit of the global economy.

The Report to Congress on strategy to protect United States security interests in the Arctic region (Report to the Congress, 2016) focuses on the development of military forces, cooperation of NATO member states, as well as on the possibility of ensuring continuous control of the Arctic territories by the United States (Report to the Congress, 2016. P. 2, 15-16), reducing risks associated with the

growth of the region's geostrategic importance and growing problems in the region, functioning of existing control structures in these territories, as well as strengthening of Russian potential in the Arctic and development of cooperation between the Russian Federation and Asian countries. The United States will seek to balance the availability and development of natural resources of the continental shelf with the unconditional preservation of the ecological environment.

An aspect of interest, which is important for the United States, is the interaction with the indigenous peoples of the North, the population of certain countries in the Arctic zone in terms of studying its potential and hydrocarbon raw materials, climate change, the use and restoration of bioresources, water resources, water resources, including fresh waters, and their purification ones, etc., for example, a directive is considered, addressed to all officials involved in the Arctic problems, to study the need for additional forums organization or providing practical assistance (including, for example, equipment leasing, exploration works, development or transportation by the US forces) in the infrastructure development, as well as the development of a variety of cooperation mechanisms with the Arctic region countries, recognizing that the largest oil and gas resources are beyond U.S. jurisdiction.

Canada, in fact, fully shares the U.S. position in terms of the policy implementation in the Arctic zone, with the exception of differences in border disputes in the Beaufort Sea and the legal purpose (international or inland waters) of the North-West Passage (Transatlantic Policy, 2009).

It is also indicative that Arctic development in Canada, like in the United States, is managed by an extensive network of governmental bodies, and Arctic issues are an integral part of the national economic strategy determined by specific natural, climatic, ethnic and other features. On December 20, 2016, the Canadian Prime Minister announced a new Arctic policy framework until 2030. to be implemented in cooperation with indigenous, territorial and provincial partners, which will replace

Canada's Northern Strategy (2009) and Declaration on Canada's Arctic Foreign Policy (2010) (Towards a New Arctic Policy).

The Federal Government of Canada will work closely with the residents and authorities of the Arctic Territories to ensure Canada's priority in the circumpolar Arctic. The topics that can be subjects of joint discussion are the development of an integrated Arctic infrastructure; strengthening the Arctic community of citizens; sustainable and diversified economy of the territories; the development of Arctic science and the study of indigenous peoples; protection of the environment and conservation of Arctic biodiversity, as well as the place of the Arctic in a global context, which is generally aimed at building a model of Canada's Arctic leadership (Towards a New Arctic Policy). It is to stress that Canada's new Arctic structural policy, based on the Arctic's circumpolar nature, still retains the authority of the Canadian government to decide on issues related to Canada's protection, its foreign policy and other issues of national interest.

### **The Silk Road Arctic belt.**

The Silk Road Arctic belt is one of the components of the grandiose Belt and Road Initiative promoted by China. According Xi Jinping, PRC President, "the pursuit of the Belt and Road Initiative is not meant to reinvent the wheel. Rather, it aims to complement the development strategies of countries involved by leveraging their comparative strengths" (Xinhua, 2017b).

According to experts, the publication of the Belt and Road Initiative (as well as the election of Trump D. Trump as president of the United States) completes the seventy-year rule of the liberal world order with the leading role of the United States and turns China into the epicenter of the world system (Pepe, 2018).

In the age of the American-centric world economy, transnational and multinational corporations were the main actors in the development of international economic cooperation. When the world community moved to multipolarity, the Chinese side advanced the idea that such an initiative as a

project of multilateral cooperation could become driver for the world economy development. With the implementation of the Belt and Road Initiative, no institutions are envisaged, that is why it can be viewed as a new step of international cooperation in a polycentric world community.

The significance of this initiative as a form of modern development of the world community was evaluated, though very cautiously, in the study of the European Parliament. In particular, it notes that the PRC is ready to " share practices of development with other countries without intention to interfere in other countries' internal affairs, export its own social system and the development model," and that the initiative is "a new model of win-win cooperation" (Gleave, 2018. P. 26).

This project is aimed at ensuring the stable harmonious coexistence of the countries of the world community, using the comparative advantages and potential of each state for achieving economic integration and mutually dependent development.

The Belt and Road Initiative is in fact a new approach to the process of institutionalizing the world economy in modern conditions, or in other words, a project approach capable of uniting the efforts of 68 countries, as of early2018 (Xinhua, 2017c) which signed cooperation agreements with China on the initiative implementation.

The main specific feature of this project that its goal settings should be consistent with the national strategies of the countries' internal development. In fact, the results that will be obtained upon the project completion are intended to change infrastructure of the world economy through the development of a new model of mutually beneficial partnership, which, according to the Chinese leadership, should replace the obsolete geopolitical maneuvering (Xinhua, 2017b; Baykalova et al, 2018).

The initial interest of the Chinese side in the Arctic was related to climate and environmental studies. Later Beijing came to the conclusion that further participation in the development of this region would stimulate modernization in areas where the implementation of the project is of strategic

importance to the PRC. This refers to the shipbuilding cluster (ice-class vessels Arc7, Arc8 and Arc9) and to ensuring competitive advantage with the Republic of Korea and Japan for future contracts on supplies from Russia. In addition, the objectives of modernizing Chinese economy will be cooperation in carrying out seismic work and acquiring drilling experience in the Arctic zone (China Arctic as, 2017. P. 16). EU member states advance the idea that China will receive new technologies necessary for the modernization of the national economy only through cooperation with the European Union.

A pilot joint project between China and Iceland on the use of Icelandic knowledge and experience in the field of geothermal energy, started in Xianyang City (Shaanxi Province) in 2006 can be mentioned as an example of such cooperation. Initially, it was planned to heat and provide electricity to 1 million square meters of living space, but over time this figure was revised, and in 2017 the total area of residential premises under geothermal service exceeded 30 million square meters. It is expected that in 2020 it will reach 100 million square meters, which will make Xianyang the most environmentally friendly city in China.

The success of the project was tested in the provinces of Baoding, Shandong, Sichuan, Yunnan, in Tibet and Xinjiang Uygur Autonomous Region. As of January 1, 2015, 85% of all residential premises in Baoding (1.6 million square meters) were heated by geothermal energy, which saved 120 thousand tons of coal. At the same time, heating costs for local households decreased to 15-18 yuan per square meter instead of 24 yuan when coal was used as the main source of heat (China Arctic as, 2017. P. 17). This and other projects have resulted in the growth of Chinese investment in the study of the Arctic (Heininen, 2017. P. 313).

On January 26, 2018 a White paper, containing the main principles and policies and action plan of China in the Arctic region, was published in Beijing (Xinhua, 2018a). The appearance of this

document indicates that the Chinese continue to build the country's development strategy for many years to come.

A great deal of preparatory work was carried out recently, with the coordinating role of the Arctic and Antarctic administrations, which is also in charge for China's scientific programs in the Arctic and Antarctic. When it was carried out with the participation of a large number of various Chinese institutes and organizations, the experience accumulated during the transportation of cargoes along the Northern Sea Route and the work of various hydrographic expeditions was summarized.

Beijing believes that the Arctic is an important region for all mankind. As the White paper notes, the situation there goes beyond its original inter-Arctic states or regional nature. For this reason, any state, regardless of its geographical location, has the right to be engaged in the Arctic development. The only condition is that the norms of international law, including the provisions of the United Nations Convention on the Law of the Sea of 1982 and the Charter of the United Nations, must be strictly observed (Manukov, 2018).

The White paper stresses that in the Arctic situation can have global impact, because it has a vital bearing on the interests of the international community as a whole and the interests of all states outside the region. For example, it influences the climate and ecological situation in China and, as a result, on such branches of economy as fishery, agriculture and forestry, and also on maritime navigation. It is for this reason that the PRC is involved in addressing global and regional problems related to the Arctic, such as climate change, the use of transport routes, geological prospecting, mining. All these issues are extremely important for the whole of mankind and, undoubtedly, influence both China and all non-Arctic states.

Another argument of China is that it is geographically close to the Arctic, being essentially a near Arctic country close to the Arctic Circle (Xinhua, 2018a).

However, it should be stressed that China considers the Belt and Road Initiative as important a substantial part of bilateral relations with almost all Eurasian countries. As S.G. Luzyanin points out in his study, "in general, the overall orientation of the project is conceptualized in China as "dunwen - beizang - nanzia – sitjin" (东 稳 北 强 南 下 西 进) or "East stable - North strong - South down - Westward". This doctrine can be seen as a long-term Chinese stratagem of transport exit beyond the PRC territory (Luzyanin, 2018. P. 2). This being said, promoting the creation of a number of free trade zones, investment development, trade facilitation and construction of transboundary parks in many countries are considered as priority.

A whole section of the White paper is devoted to cooperation with the Arctic states, whose strategy in the region is not always rational. In addition, the interests of non-Arctic countries and neighbors are not sufficiently taken into account. For example, the United States, Canada and other Arctic states are still very wary of China's initiatives, which affects the decisions of the Arctic Council.

### **Russian interests in the implementation of the Silk Road Arctic belt.**

Regions of the Russian Arctic are among the priorities of its economic interests, including due to the fact that they account for about 20 percent of Russia's GDP and 22 percent of Russian exports (Revenko, 2017a, P. 100). Such regions having access to the Arctic Ocean and the North Sea route, are the Republic of Karelia, Arkhangelsk and Murmansk regions, Nenets autonomous district, Yamal-Nenets autonomous district, Krasnyarsk region, the Sakha Republic, Chukotka autonomous district. In addition, at the suggestion of the Russian Ministry of Economic Development 8 new "support zones" as a new mechanism for regional development were defined (Arkhangelsk, Nenets, Vorkuta, Yamal-Nenets, Taimyr-Turukhansk, North Yakursk and Chukotka) that implies a holistic approach to territorial development (Smirnova, 2016. P. 151-152).

The international cooperation of Russia in the Arctic zone is based on a traditional and emerging institutional basis: the existing legislative framework in terms of industrial and trade policies and the organizational system of state structures and economic entities. It is based on the Federal Law "On Industrial Policy in the Russian Federation" of December 31, 2014, which sets out the basic principles of the Russian industrial policy and outlines areas for cooperation for more effective use of the economic resources available to Russia.

The main tasks set by this law are:

- To create and develop of the industrial infrastructure and infrastructure supporting industrial activities, consistent with the goals and objectives.
- To create proper conditions for conducting business in the industrial sphere in comparison with the conditions of such activity in foreign territories.
- To stimulate the subjects carrying out activity in the industrial sphere, to introduce the results of intellectual activity and to develop production capabilities for innovative products.
- To stimulate such subjects to efficiently and rationally use financial, material, natural and labor resources, to increase labor productivity, to introduce resource-saving and import-substituting technologies.
- To increase production of goods with a high share of value added, to support the supply of such products for export.
- To carry out technological re-equipment of entities engaged in industrial activities; increasing the pace of modernization of basic production assets.
- To create conditions to prevent emergency technogenic situations at industrial facilities.
- To ensure technological independence of the Russian economy.

The focus on economic development of the Arctic is one of the main components of Russia's industrial policy. In this regard, the law takes into account its regional aspects. According to this document, inter alia, public authorities of the constituent entities of the Russian Federation were given the right to develop and implement innovative and scientific and technological projects and programs at the expense of regional budgets; to assist entities of the industrial sphere to develop international and interregional cooperation; to inform these entities about the availability of labor resources and the needs for new workplaces; to set out additional requirements for industrial parks, industrial clusters and specialized organizations of such clusters (Federal Law on Industrial Policy, 2014).

Accordingly, the Russian regions located in the Arctic zone have the right to carry out international cooperation in order to implement the industrial policy stances that are relevant to them, taking into account their natural conditions, geographical location, economic, cultural and social traditions.

Other legal documents related to the development of Russia' Arctic zone are the Russian Federation State Policy Framework for the Arctic until 2020 and beyond, the State Program of the Russian Federation "Socio-Economic Development of the Arctic Zone of the Russian Federation for the Period to 2020" and the Strategy for Development of the Arctic Zone of the Russian Federation and Ensuring National Security for the Period until 2020.

An urgent task for Russian Arctic regions is to create innovative territorial systems that use both internal resources and the results of international cooperation. They create on their territory industrial parks attractive for foreign investors to stimulate the release of new products, including in the light of export-substitution policy. According to experts, this work strengthens public-private partnerships, creates rules that are clear for everyone, both for the mid and long terms.

According to experts, the use of this tool unites interests of the state and business, regions and central government, as well as Russian and foreign investors, creating clear and transparent playing field.

**Russia-china cooperation in the arctic as two initiatives matching.**

Russia's cooperation with China in the Arctic region can be viewed in the context of matching two initiatives, i.e. the Russian one on the Greater Eurasian Partnership and the Belt and Road advanced by Beijing.

The impetus was given by approval by the Russian government of the new version of the state program "Socio-Economic Development of the Arctic Zone of the Russian Federation" on August 31, 2017, which was prolonged until 2025. Its implementation envisages the allocation of budgetary funds in the amount of more than 190 billion rubles (Government of the Russian Federation, 2017).

The following projects implemented by Russia in the Arctic region are of the greatest interest for China:

- Use of the Northern Sea Route (NSR) for the goods traffic.
- Creation of the necessary infrastructure along the NSR.
- Completion of Sabetta port construction on the Yamal peninsula, including another terminal designed for handling bulk cargo.
- Construction of railways Northern latitudinal path (including the bridge over the Ob River near Salekhard) and Bovanenkovo-Sabetta.
- Development together with Russia of oil and gas fields along the created transport arteries, and in the long term - on the sea shelf.
- Construction of oil and gas chemical enterprises near the oil fields for the processing of raw materials.
- Construction of the Polar Trans-Siberian pipeline (the Belkomur project), including the new seaport in Arkhangelsk.

All these projects of system nature, which have an intersectoral and extraterritorial orientation, are among the priorities for Russia (Ministry of Economic Development, 2016).

The main direction of Russia's cooperation with China, of course, is the establishment of regular cargo traffic along the Northern Sea Route, as evidenced by the statement of V. Putin on May 14, 2017 in Beijing at the opening ceremony of the summit on the Chinese the Belt and Road Initiative. In particular, he said that "infrastructure projects ... in conjunction with the Northern Sea Route are able to create a fundamentally new transport configuration of the Eurasian continent, and this is the key to developing the territory, reviving economic and investment activity" (RIA-Novosti, 2017).

The Northern Sea Route is the most important component of the Far North economic infrastructure. In addition to being a convenient and safe artery for delivering cargo from Europe to the Far East, this mainline connects several large rivers of northern Russia, as well as other modes of transport. Its value is invaluable for the Arctic islands, Chukotka and settlements located on the coast, as the transportation of goods and providing the population living there with all necessary things needed are carried out mainly by sea transport.

The exploration of the Arctic by China was started in 1994 using the largest non-nuclear icebreaker Xuelong (Snow Dragon) bought from Ukraine, capable of splitting ice up to 1.5 meters in thickness. Later, the Chinese began to create their own icebreaking fleet, and in 2013 a powerful icebreaker designed to work in ice up to 4.5 meters thick, which is equipped with underwater robots and bathyscaphes for exploring the ocean floor, was launched.

The use of the NSR for cargo transportation faces a number of problems, including the weak infrastructure and seasonality; for example, leaves much to be desired for the equipment of ports serving the NSR and cargo transportation along important Siberian river arteries. Although considerable financial costs are required for their re-equipment in accordance with the requirements, the economic effect of such investments is quite high, including taking into account that the

development of the ports of Dixon, Dudinka, Igarka, Pevek, Providence and Tiksi will be a powerful impetus for the development of rich Siberian deposits.

Particular importance, given the underdevelopment and even lack of a road network in many Siberian regions, the NSR has for the forest industry. Since the construction of roads and their exploitation require huge funds, it is more rational to raft the forest along the rivers, which, as is known, flow into the Arctic Ocean.

Another NSR operation problem is the so-called inverse traffic, because cargoes are transported mainly from East to West. To interest companies in the transport of goods in the opposite direction, preferential tariffs are applied.

Construction and operating of Sabetta port at the mouth of the Ob River, which in fact made the Yamal Peninsula the center of Russian Arctic region became a breakthrough in the development of the Northern Sea Route. Cargo ships have been serviced there since October 2013, and gas carriers since December 2017.

The largest airport in the region, equipped to receive Ilyushin Il-76, Boeing 737, Boeing 767, A320 and other aircrafts, began operating in Sabetta. If China has a polar aviation (and it has such plans), it can be used for flights up to the North Pole.

At the same time, the port of Sabetta is not yet connected by rail with the existing railway network, and this creates certain problems with its operation. In this regard, the plans include the construction of the Bovanenkovo-Sabetta railway line with a length of a little over 170 km. Construction is also on the way in the Yamal-Nenets autonomous district of the Northern latitudinal path, a 700-km-long railway line, which is to connect Obskaya, Salekhard, Nadym, Novy Urengoy and Korotcha stations. A number of Chinese companies are already involved in Arctic projects. The most attractive of them is Yamal LNG, where the Chinese National Petroleum Corporation (CNPC), one of the largest companies of the PRC, and 9.9% of the Silk Road Fund participate with respectively 20 and 9.9

percent interest (the value of the deal amounted to 1.087 billion euros) (Neftegaz, 2013). The Fund also granted a 15 years loan for a total of 730 million euros (Remyga, 2018. P. 71). As Wang Yangzhi, president of the Silk Road Fund, stated, the organization he heads is interested in becoming a shareholder of Yamal LNG, which is considered one of the most promising and competitive LNG projects (Frolova, 2015).

In accordance with this project, production was started in 2017 in a gas liquefaction plant, which is being built on the basis of the South Tambey gas condensate field in Yamal. In total, it is planned to build four lines, three with a capacity of 5.5 million tons of LNG each and the fourth with a capacity of 1 million tons per year (Dzyadko, 2017). The launch of the Sabetta port became part of this project.

Participation of Chinese companies in the Arctic LNG-2, another project of NOVATEK company, was discussed by the heads of Russian and Chinese governments in November 2017. It is expected that the first line for production of liquefied natural gas with the capacity of 6 million tons will be become operational in 2023 and the plant with a total capacity of 18 million tons by 2025 (Mordyushenko, 2018).

It can be assumed that, following investments in LNG production, Chinese companies will begin to actively participate in other Arctic projects. Thus, several companies, including Port of Dalian, show interest in cooperation with Sabetta port and the construction of the Northern latitudinal path. They have a unique, highly efficient technology for building tunnels through rivers from immersed tubes, which is not yet very well known in Russia. Its use makes it possible to significantly reduce the cost of building transport junctions and shorten the period of their operation. It also reduces the risk of blockings and extensive floods during the spring ice drift, minimizing the burden on the environment.

Given the dependence of China on imports of energy and raw materials, participation in the extraction of minerals in the Arctic zone is another important area for cooperation. Given the lack of own financial resources, Russia has a unique opportunity to attract them from China. The mentioned Yamal LNG project is a vivid example of such cooperation.

### **Russia-China cooperation in the development of the arctic fleet.**

Regular transit of goods along the Northern Sea Route is impossible without ships capable of navigating in the northern latitudes. To eliminate this shortcoming, it is planned to build 15 gas carriers of the ice class. In addition, the Baltic plant in St. Petersburg builds three new powerful nuclear icebreakers: first-in-class the Arctic and two serial-built - Siberia and Ural, capable of breaking ice up to 3 meters thick (Nikolaeva, 2017). The Arctic has already been launched; completion of Siberia is expected in 2018, Ural in 2020.

It is also planned to build ice-class line ships, in particular, negotiations are under way with the Chinese company COSCO aimed at establishing a joint venture for the construction (and, possibly, operation) of Arc7 class lighter carriers.

It is assumed that the operation of such vessels will significantly expand the NSR navigation in the summer and will reduce costs for the year-round operation of this artery. They can follow the nuclear icebreakers in the ice corridor, work independently on shore ices in the port of Sabetta and in the Norwegian fjords, transport both bulk and bulk cargo. It is these vessels that are needed to work on the NSR today. It is expected that Union Wealth Investment Limited will finance the construction of 4-6 bulk carriers for the implementation of this project.

Two bulk carriers of the sixth Arctic class with a displacement of 100 thousand tons with an option for several more vessels are being built in Shanghai by the Chinese State Shipbuilding Corporation. Construction is based on a unique project developed by the company's engineers. The first bulk carrier will become operational in mid-summer 2019, the second one three months later.

The above-mentioned Union Wealth Investment Limited, headquartered in Hong Kong, closely cooperating with Atomflot, the Russian State Hydrometeorological University, the Northern Sea Route Administration and other organizations, is the main partner in the transport of goods by the NSR. In addition, the holding has good contacts with the Russian ministries of economic development and transport, takes part in the activities of the Arctic and Antarctic Council under the Federation Council of the Federal Assembly of the Russian Federation.

According to information received from Union Wealth Investment Limited, the holding tentatively agreed to transport cargo from the Scandinavian, American and Canadian ports, which makes it possible to achieve a payback of 6-8 specially built vessels (each costing \$ 45 million) within 5-7 years.

Speaking in a cohesive way with the People's Republic of China regarding the development of the Arctic belt within the Belt and Road Initiative, Russia could substantially strengthen its influence in the Arctic Council and pursue a more fair policy in the Arctic region. Taking into account the prospects for cooperation with China in the Arctic, a Russia-China consortium or a corporation to implement Arctic projects could be established. The first step could be the development of a construction of ice-class ships program and, subsequently, of their joint operation. According to experts, 2-3 billion US dollars, including 500 million at the initial stage, will be required for its financing.

The planned development of cooperation with China in the Arctic would also be facilitated by the drawing up of a list of mutual interests that could become the basis for the development of a road map.

One of the important events could be the organization in 2020 of the international exhibition EXPO Arctic 2020 with the participation of all interested countries with the use of the already existing pavilions in Yekaterinburg, built for the Russia-China Expo (July 9-12, 2018).

Today, China's policy of gradual strengthening of its presence in the Arctic region and commercial profiteering therefrom is quite obvious. The PRC not only makes efforts to deepen cooperation with the Arctic states, but also develops and improve its own technological capabilities for exploring this region.

At the same time, as was noted above, Western partners, mostly AC members, believe that the Arctic belt within the Belt and Road Initiative has currently a low economic efficiency for China due to the significant potential costs required to deal with the existing technical problems. i.e. construction of nuclear icebreakers and ice-class vessels, improvement of ship systems, and training of personnel in working in the arduous Arctic conditions (Liu, 2017). In addition, a full-fledged presence in the region requires adaptation of crews to the north heavy-duty, as well as the availability of appropriate infrastructure and equipment. However, China consistently solves these problems, including by deepening cooperation with Finland, from which he expects to receive technical assistance and expertise, if Russia will provide support for merchant ships from China with nuclear powered icebreakers.

The implementation of the Arctic Belt project under the Belt and Road Initiative reflects China's desire to expand its presence in the Arctic region, including to reduce the strategic dominance of the United States in various parts of the world. Cooperation with Russia and the integrating efforts to jointly develop the Arctic, which is gradually becoming a new "strategic breakthrough area" for China, are consistent with its vision related to the need to stand up its national interests. At the same time, the implementation of this global project as a whole meets the national interests of Russia, its vision of polycentric organization of the world community based on sovereignty, territorial integrity and national identity of nations and peoples, on partnership not involving interference in domestic affairs and the imposition of values and ideals, that popular majority of the country does not share.

## **CONCLUSIONS.**

As a result of the study, there are some conclusions such as:

- The Arctic is the territory of the strategic interests, intertwining not only of the AC member states, but of other countries, including in Europe and Asia. The development of the international law on the basis of respecting interests of all countries only, can ensure the mutually beneficial partnership in the context of the formation of a multipolar world community.
- Cooperation between Russia and China in the implementation of the Belt and Road and the Great Eurasian partnership initiatives is an expression of the goodwill of states. It is based on interstate cooperation and does not involve exporting values and ideals specific to individual countries. It is based on a fair competition between the parties and the observance of norms and rules of international regulation.
- This project ensures preservation of national sovereignty and territorial integrity of the participating states, but does not exclude competition between them, information confrontation and even use of tools of unfair propaganda both in the media and in analytical materials prepared by the expert communities of competing countries.
- Cooperation between Russia and China in the Arctic is a set of specific projects that meet the national interests of both states. Taking into account that the two countries are priority strategic partners, its implementation will allow Russia to develop infrastructure in the northern regions, to quickly restructure the real sector of the country and ensure a progressive development of the national economy in the long term. At the same time, it is important for Russia not to allow the decision-taking that would cause economic damage, primarily with regard to the exploitation of the 200-mile economic zone.

- The dynamics of the economic cooperation development between Russia and China in implementing the Silk Road Arctic Belt project will entail increasing competition and development of even some confrontational line of the North American and European members of the Arctic Council aimed at winning the PRC over their side.
- A possible use by China of technologies lacking for the work in the Arctic zone is the incentive for increasing Chinese investment in the economies of the AC states. Given the fact that the current political situation does not contribute to the development of Russia's cooperation with other AC members, Russia faces a large-scale task of accelerating technological breakthrough, including with reference to the Arctic.

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