"Polar Silk road": project implementation and geo-economic interests of Russia and China

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Abstract. The authors focus on the Northern sea route of Russia, which is considered as a transcontinental Euro-Asian sea transport corridor. It is emphasized that the Arctic is not only a reliable source of energy security of Russia, but also an important geostrategic region. In this regard, the Northern sea route will be modernized even if the Chinese idea of the "Polar silk road" is not implemented at all. The role of China in the development of the transit highway project, which remains a reserve of the international transport system, is analyzed. There are some high expectations of Russia from the project, as the neighboring country is extremely cautious in its implementation, investing capital mainly in mining. In addition, there is a fear that the declared principles of the project implementation will lead, if not to the complete displacement of Russian business, then to a sharp weakening of its positions. This point of view is confirmed by the policy of Chinese investors to exercise strict control over the emerging transport arteries. Among the vulnerable points of the silk road project implementation are severe natural conditions, restrictions of the navigation season, insufficient capacity of the icebreaker fleet, economic sanctions of the United States and Western Europe, as well as the difficulties of creating a modern transport infrastructure along the sea route.

1. Introduction

Globalization, as a leading trend in the modern world economy, is most often analyzed using its four dimensions: economic, technological, political and cultural. The paramount importance of the economic factor, manifested primarily in the expansion of financial markets and the expansion of transnational companies, is quite obvious [1, 2]. But it is the results of the activities of the transnational oligarchy and the world market that serve today as the main "target" of the multiplying opponents of globalization.

Since global processes no longer fit into the straightforward, compromised concept of globalization, the United States - as the main subject of international relations, seriously engaged in the search for a new global strategy of global leadership. Perhaps its main goal is to establish control over the key resource-strategic regions of the world, through which it is possible to achieve the possession of the levers of global governance. The world instead of "postamerican", is declared "flat", "interpolar" [3] or in general "polarless", "the Kingdom of freedom and liberal democracy". However, these names do not indicate a change in US global leadership strategy [3, 4, 5]
Another powerful supporter of globalization - China, in the face of fierce competition with the United States, is implementing its own strategy to strengthen its influence in the world. The current leadership of this country believes that globalization is the key to the economic development of the country and to ensuring a better future for the largest people in the world [6]. The country is creating an unprecedented favorable environment for attracting foreign investors, looking for new ways to use foreign capital, expanding trade and economic cooperation with the world.

The place of Russia in the globalizing world is deeply and in detail analyzed in a number of works of authoritative authors. The emphasis is on the social component of globalization, which is evaluated with a minus sign. Most authors agree that it has already led to a marked increase in social and economic inequality, to a progressive deterioration of the situation of the poorest peoples of the world. Dangerously expanded environment of terrorism, crime, drug addiction, environment degraded, etc. Therefore, recognizing the need for Russia's active participation in international structures and global processes, the authors emphasize that globalization is not a legal concept, but an economic, political and social one. [7, 8, 9]. Hence, all economic projects of international importance should be subjected to rigorous, comprehensive examination, taking into account the fact that the free market is the most effective engine of economic progress [10].

It is in the context of this position that we analyze the geo-economic interests of Russia and China in connection with the implementation of the Polar silk Road project, which is based on the reanimation of the Northern sea route (NSR) in an updated form.

2. Implementation of the project: strategic breakthrough with high expectations?

2.1. NSR as an element of China's "silk nostalgia"

A well-known propensity of the Chinese people (not only ancient) to all sorts of metaphors pertaining to the fateful pages of their lives. According to archaeologists, in the 3rd Millennium BC was laid "lapis lazuli path", associated with semi-precious stone lapis lazuli, transported from the mountains of Badakhshan in the Near Mesopotamia, South Asia and, of course, in China. A little later (from the end of the 2nd Millennium BC) began to function "jade way", which connected Central Asia (Kun'-Lun' region) with the crystallization core of modern China and specialized in the trade of gems in exchange for silk.

The most vividly reflected in the historical memory of the peoples The Great silk road, was the longest (more than 7 thousand km) caravan route. It is believed that it was laid after the "jade" way, has repeatedly strengthened the economic and cultural exchange of China with many countries of the West and East. Of course, the "silk road" crossed the territory only of the Russian Empire, and not the borders of the current state. The main route ran from the present Xian through the plain of Guanzhong and Tarim depression into the oases of East Turkestan and the Fergana valley and then reached Northern Persia and beyond. But it is believed that he had a beneficial effect on the Eurasian space.

It is obvious that the association of the NSR with the ‘silk road’ is due to China's search for new geo-economic zones, the expansion of cross-border trade, and the intensification of investment processes. The current authorities of this country are aware that only through the development of innovative transport infrastructure, it is possible to expand the capacity of the national market, using the economic potential of the "roadside" states for this purpose [11].

For the first time, the PRC openly declared its interest in the Northern sea route in 2009 during the construction of the first Chinese icebreaker "Snow dragon" and the preparation of its route in the polar latitudes. The association with “the polar silk road" appeared later - after Chinese President Xi Jinping put forward the concept of “The Economic belt of the Silk road" as a global economic strategy. In the beginning, the Chinese project was limited to three "corridors" of the silk road: the Northern and Central land, as well as the Southern sea [12]. Thus, the Northern land "corridor " (from the North of China through the Pamirs and the Aral sea to the Lower Volga and then to Central Russia), which promises to significantly change the geo-economic and geopolitical situation in Russia, has nothing to do with “the polar silk road".
A new surge of interest in China to the Northern transport artery occurred in 2017, at the ceremony of the first loading of liquefied gas at the Yamal plant, when Russian leader Vladimir Putin, in the presence of representatives of the official Chinese transport delegation, made a landmark statement: "The silk road has reached the North. We will combine it with the Northern sea route and it will be what is needed, and we will make the Northern sea route Silk" [13]. The idea of creating the "Polar silk road" acquired an official "status" in China, which served as a signal to expand the relevant scientific developments. Two arguments are obvious here. First, 90% of Chinese goods are delivered by sea, and, secondly, if now the way from the Northern ports of China to Europe takes about 48 days, the use of the Northern sea route can reduce this time almost three times [14, 15].

2.2. Advantages of the project and high expectations from its implementation

When fixing the competitive advantages of the "Polar silk road" most often refer to the possibility of a shorter and faster communication between the countries of Western Europe and the ports of East Asia, primarily China, Japan and South Korea. Thus, if through Suez the distance between Yokohama and Hamburg is 18,350 km, the Northern route is 7,250 km shorter, which makes it possible to reduce the travel time by almost 40% (from 22 to 15 days). The transcontinental route around the Cape of Good Hope is even longer. Nor should we lose sight of the fact that the sea route from Russia to the shores of North America (for example, from Murmansk to Vancouver) is almost twice as short as sailing through the Panama canal [16]. These competitive advantages cannot be ignored.

The risks associated with the Arctic ice regime are partially "compensated" by the congestion of the Suez canal, the unpredictable situation in the Middle East, marked only in recent years by the bloody "Arab spring", the growth of tension in the Strait of Hormuz, the attack of pirates on transit ships, etc. In addition, NSR's competitive advantages could increase significantly as the Arctic ice sheet melts, resulting in significantly reduced transportation costs.

At the same time, numerous difficulties in the implementation of "the Polar silk road" are obvious. Some authors argue [17, 18] that the Northern sea route exists primarily in the world of dreams and forecasts for a very distant time. Among the arguments given, first of all, the harsh ice situation, with this meaning solder, that is, fixed ice. But there is still mobile ice, which still requires the presence of an icebreaker fleet or, at least, a strong strengthening of the hull, which significantly increases the cost of shipping. It is no coincidence that in recent years only no more than 20 vessels pass through the NSR every year, while the Suez canal on average passes more every day. In this regard, the optimistic forecasts of the Russian authorities about 64 million tons of cargo in 2020 look clearly overstated.

Until recently, the icebreaking support of Russian sea exports was provided by 4 nuclear icebreakers. However, by 2024, only one of them will remain in service - "50 years of Victory", the others are subject to disposal. And despite the fact that 4 more ultramodern nuclear icebreakers are being built, their capacities are unlikely to be enough in case of a sharp intensification of even summer and autumn navigation.

Objectively, the Northern route is significantly shorter than the traditional route (Shanghai-Rotterdam) through Suez. However, many shipowners still prefer to use the long route, noting the many risks. The continuing ice situation in any case forces to rent icebreaking support and pay Russia a lot of money, including for the use of territorial waters. Refusal of icebreaking escort is fraught with getting stuck in the ice Africa and enormous losses.

The comparison of the polar route with the Suez route is clearly not in favor of the former. Traditionally, the following points are noted (10, p. 106) [19]:
- seasonality of transit shipping on the NSR and the need for ice-class vessels (the season for other vessels is limited to one and a half to two months-August and September);
- lack of container hubs in the North for distribution of container shipments;
- the weakness of the infrastructure base of the Northern ports of Russia, first of all, the lack of modern repair facilities and rescue services.

To this we add real obstacles of administrative and technical nature, including the requirements of the Russian authorities not only to pay for the freight of icebreakers, but also information about the ice
situation and weather reports, the hiring of pilots, the cost of insurance, etc. On the one hand, these requirements from the point of view of international Maritime law are quite legitimate, on the other - shipping companies consider such costs ruinous, "eating" the benefits of a shorter sea route.

Finally, many experts associate the year-round use of NSR with an environmental threat to the Arctic region. Usually followed by reminders that the Arctic ecosystems are very fragile, and possible environmental damage will be extremely not only difficult and very expensive to eliminate. But, there are nuances. Thus, sometimes the emphasis on pollution of marine waters by the engines of ships has no serious basis. The planned equipping of the Russian northern fleet with nuclear icebreakers almost completely removes the risk of pollution. This was proved by the use of Soviet nuclear icebreakers. As for the rest of the vessels, there is now a tendency to use gas as fuel rather than diesel or fuel oil. Increased requirements for tankers are also manifested in the fact that they are built tankers with double sides and double bottom.

In order to protect marine mammals, the choice of routes is supposed to be made so that they do not affect the places of their lairs. There is evidence of the use of satellite data to locate seals and alter ship courses [20].

It should be noted that many western companies motivate their refusal to transport in the Arctic precisely for environmental reasons, fears for melting ice and the need to preserve biodiversity. However, there is a belief that political problems are solved a priori under the guise of environmental problems. In this respect, China's position is sharply different from that of western companies.

3. Sphere of Geo-economics

3.1. China's economic interests in the project

Under the geo-economic strategy, it is logical to understand the long-term guiding dominant, which determines the direction of the country's development at the global and regional level in order to increase its role. In this regard, China's actions are aimed at becoming the global center of a broad economic and geopolitical system using trade, investment, monetary policy, infrastructure projects, sanctions, etc.

Being the world's largest exporter and the fastest growing consumer market, China does not miss any opportunity to create additional trade volume. In the case of the Polar silk road project, China, not Russia, will become its main "wholesaler", taking into account its enormous volume of container shipping. At the same time, it does not offer fundamentally new ways to strengthen its influence, and often follows the geo-economic practices used by the United States and Britain in the years when they dominated the global economy.

China shows commercial interest not only in transit, but also in the joint development of the natural resources of the Russian North and even in the development of the Arctic infrastructure, which remains today the "achilles heel" of the project. On the other hand, for Russia, the active participation of Chinese companies in the operation of the Northern sea route is attractive not only from the point of view of direct investment. We are talking about the services sector and, above all, the services of the Russian icebreaking fleet, port transshipment, etc. It is expected that in the future, the economic need for direct investment will inevitably appear in other countries of South and South-East Asia, as well as in the European Union.

However, there are grounds to argue that China's desire to become the locomotive of the project "Polar silk road" in the literature today is clearly exaggerated. From time to time, some Chinese experts have expressed skepticism about the project, believing that northern transit due to the climate and lack of infrastructure is commercially unviable. They believe that the project can become profitable only under the condition of high prices for hydrocarbons, when the oil savings outweigh the possible risks. For the growth of the slowing Chinese economy in recent years, it is extremely important to conquer new markets, but the "polar silk road" does not open new markets. It only shortens the previous path and is fraught with many difficult to calculate risks.

In addition, the reality shows that in terms of maritime transport, China is making a long-term bet on Suez [21]. A careful analysis of the entire Euro-Asian maritime transport corridor from Shanghai (or
Hong Kong) to Hamburg shows that there is already a strong Chinese presence at almost all transit points. This situation may change by the middle of the twentieth century due to global warming, but such planning horizons Chinese authorities are unlikely to be guided. Oil and gas from Arctic fields are of greater interest to Chinese companies.

By the way, the current state of Russian-Chinese cooperation in the economic field does not allow us to build optimistic forecasts about the growth of exceptional investments from China to Russia. A real paradox is the fact that at the beginning of the second decade of the XXI century the largest foreign investors in the Russian economy were Cyprus, the Netherlands, Ireland, the Virgin Islands, the Bahamas, and not a neighboring friendly state that claims to be the leading center of economic power in the world. And although recent years have been marked by positive dynamics of Chinese investment growth, they are still inferior to the indicators of other countries, with which Russia does not even have agreements on long-term strategic partnership.

Chinese officials periodically express support for the polar silk road project, but investment flows into the project have not yet been observed. In this regard, the position of some Chinese authors, consisting in the fact that the probability of restoring allied relations between China and Russia is small, is regrettable. (By the way, this point of view belongs not to private experts, but to the authors of the famous Blue book "Report on the development of the Asia-Pacific region", published in 2013 by The Institute of Asia-Pacific and world strategy of the Academy of Social Sciences of China [22]).

3.2. Geo-economic strategy of Russia
The fundamental point of all discussions about the role of the Northern sea route in the Russian economy is that, regardless of the possibility of its transformation into a transcontinental Euro-Asian sea transport corridor, it remains a national priority. Today, the Arctic is home to the most important state interests - economic, defense, geopolitical, scientific and environmental. All of them directly depend on the functioning of the NSR and therefore are the sphere of maximum attention of the Federal center.

Of course, the importance of the sea route is primarily determined by the needs of economic development of the Far North of Russia [23]. We are talking about the development of coastal and offshore oil and gas fields in the Timan-Pechora province, the basins of the Ob’ and Yenisei rivers, gas condensate fields of the Kara and Barents seas, the Yamal gas field, etc. To date, it is sea transport that serves as an alternative way of supplying the Northern subjects of the Russian Federation not only with equipment, construction materials, industrial goods, but also food for the local population.

At the same time, the NSR has a huge geo-economic potential associated with the transformation of the waterway into an international transport highway, which remains a reserve of the international transport system. Attraction of foreign investors and development of the market of transport services is caused by numerous determinants, both objective, and subjective character. The latter are related to the sanctions policy of the United States and Western European countries, for which the fight against Northern sea transit is akin to the fight against “the Nord stream-2 gas pipeline”. In turn, objective determinants are associated with the need to reduce transport costs, increase the capacity of the icebreaker fleet, improve tax, customs and credit policies, etc.

China is the undisputed leader among potential users of NSR. Despite all the investment caution, China is gradually increasing its interest in Arctic projects, becoming the main foreign partner in the territory of The Russian Arctic. Thus, among the shareholders of a large enterprise for liquefied gas in Yamal are Chinese oil and gas company CNPC (20%) and the Chinese Silk Road Fund (9.9%). China imports liquefied gas from the Yamal terminal and declares its interest in the NSR. However, intentions are not billions of dollars of the country, whose trade turnover with the European Union in 2017 reached 572 billion euros, of which about 300 billion euros are sea transportation [24].

4. Conclusion
- Globalization. Sea transport in the polar latitudes of the Russian Arctic zone is an almost non-alternative way of involving the Northern territories in economic turnover and maintaining the life support of the population living there, even without taking into account
the defense, environmental and other spheres of state activity. Therefore, the Northern sea route is "doomed" to reconstruction and development regardless of the chances of turning it into an international "road of trade".

- Among the functions associated with giving a "new breath" to the Northern sea route is geo-economic, associated with its transformation into a transcontinental Euro-Asian Maritime transport corridor. A joint Russian-Chinese project called “the Polar silk road” is associated with this function.

- In the conditions of fair functioning of the system of international division of labor and non-application of sanctions, the possibility of transit traffic flows along the Northern sea route seems obvious. Their profitability will be determined by the capacity of the icebreaker fleet, the level of development of the transit infrastructure, as well as the development and proposal by Russia of a set of relevant trade, economic and legal norms.

- China is becoming the most important Russian partner in the Arctic. Many experts, both from China and Russia, rightly note that the "silk mega-initiative" is a promising opportunity for joint cooperation. However, the scale of China's investment in the project is still poorly correlated with its economic capabilities. In addition, there is a fear that the declared principles of the project will lead to the sharp weakening of the positions of Russian business. This point of view is confirmed by the policy of Chinese investors to exercise strict control over the emerging transport arteries.

- In this regard, we give a witty thought geopolitician: "It is impossible to allow the "democratic "loop of the Anaconda" was replaced by a "Communist string of pearls"."

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