



China's Political Priorities in the Nordic Countries

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Cover image: Xi Jinping looking at a charging pole for electric vehicles during a visit to the Hammarby Sjöstad residential area, Stockholm, Sweden on 30 March 2010. Xi was visiting Sweden as China's vice-president at the time.
(Anders Wiklund/SCANPIX)

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Sammanfattning

Kinesiska beslutsfattare har identifierat ett antal prioriteringar som motiverar dem att observera och interagera med de nordiska länderna. Dessa fem länder har unika kompetenser och är öppna för ökat engagemang med Kina. Dessutom uppfattas de som enkla att ha att göra med och har blivit viktiga motparter i Pekings ansträngningar att skapa närmare relationer med regeringar runtom i världen.

Denna studie ger en ögonblicksbild av Kinas prioriteringar i de nordiska länderna under Hu Jintao/Wen Jiabao-administrationens andra period och Xi Jinping/Li Keqiang-administrationens första år. Det är en analys av information inhämtad via intervjuer som genomförts i Stockholm, Oslo, Köpenhamn, Helsingfors och Reykjavik under hösten 2013. Studien kommer fram till att Kinas prioriteringar är nära förknippade med landets ambition att uppnå långsiktig ekonomisk tillväxt för att i förlängningen värna om inhemsk politisk stabilitet, d.v.s. det kinesiska kommunistpartiets fortsatta maktmonopol.

Nyckelord: Norden, Sverige, Danmark, Norge, Finland, Island, Kina, utrikespolitik, internationella relationer, kärnintressen

Summary

Chinese policymakers have identified a number of priorities that motivate them to observe and interact with the Nordic countries. These five countries – Sweden, Norway, Denmark, Finland and Iceland – have unique competences and are open to increased engagement with China; moreover they are perceived as being easy to deal with and have become important partners in Beijing's effort to forge closer ties with governments across the globe.

This study offers a snapshot of China's priorities with the Nordic countries during the Hu Jintao/Wen Jiabao administration's second term and the first year of the Xi Jinping/Li Keqiang administration. It is an analysis of information gathered from interviews conducted in Stockholm, Oslo, Copenhagen, Helsinki and Reykjavik during the autumn of 2013.

The study finds that China's priorities are closely linked to its ambition to achieve long-term sustainable economic growth in order to safeguard domestic political stability – i.e. the Chinese Communist Party's continued monopoly on power.

Keywords: The Nordic region, Sweden, Denmark, Norway, Finland, Iceland, China, foreign policy, international relations, core interests

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1 Introduction

China's relations with great powers, neighbouring countries and developing economies are the key components of Chinese foreign policy.¹ In this sense, it is far from obvious why Chinese policymakers would pay much attention to the Nordic countries, being small, far-flung and – from China's perspective – insignificant in terms of international influence.² Nevertheless, Chinese policymakers have identified a number of priorities (outlined below) that motivate them to observe and interact with these five countries – Sweden, Norway, Denmark, Finland and Iceland.

Bilateral relations between China and each of the Nordic countries have in general been stable or improving in recent years – especially if one judges by economic ties, which are characterised by a steady growth in trade and, to some extent, increasing investment.³ While one can assume that the Nordic countries appear far from frequently on China's foreign policy agenda, the sheer number of high-level visits to the five Nordic countries in recent years reflects a certain level of political interest from the part of China. Importantly, the Nordic countries are seen as easy to deal with, being open to international cooperation and supporters of free trade. Moreover, the region is a potential source of unique technology and know-how.

This study aims to clarify what China's political priorities in this region entail; to examine to what extent Chinese officials engage in promoting those interests; and to make an assessment of future Chinese engagement in the Nordic region. The study focuses on the period 2007–2013 and is based on an analysis of official statements, academic papers and reports from think-tanks, as well as interviews conducted in the Nordic capitals during the autumn of 2013.⁴

Chinese and Nordic interlocutors make very similar assessments of China's priorities in the Nordic countries. Some of the themes that were raised by the

¹ See, for example, Ministry of Foreign Affairs of the People's Republic of China, 外交部亚洲司司长罗照辉谈中国周边外交新征程 (“外交·大家谈” 微访谈实录) [Luo Zhaohui, Director of the Foreign Ministry's Asian Affairs Department, Talks about the Chinese Periphery Diplomacy's New Journey (Transcript from “Everybody Talks about Diplomacy” micro-interview)], Published: 2013-12-27, Accessed: 2014-03-07.

² A Chinese diplomat even asserts that the sheer geographical distance between China and the Nordic countries means that there are no immediate interests for China. See Manila Bulletin, *New Chinese Ambassador Finds Post “Challenging”*, Published: 2012-03-16, Accessed: 2014-03-01.

³ See Appendix III for an analysis of Nordic-Chinese trade data.

⁴ The author would especially like to thank Pi Lijun, who headed the political section of China's Embassy in Stockholm until January 2014 and assisted in arranging interviews at China's embassies in the Nordic countries. He would also like to express his gratitude to Kaan Korkmaz, analyst at the FOI Asia Security Studies Programme, who provided valuable advice during the process, and Eve Johansson, who language-edited and copy-edited the report.

interlocutors encompass all of the five countries, while others are country-specific.

According to the interviewees, China's Nordic-wide priorities include the following areas:

- **Promotion of China's *core interests*.** This is a priority for China globally, which is mainly reflected in the Nordic countries in terms of safeguarding non-interference in Chinese domestic politics. For example, China put political relations with Denmark and Norway on hold in 2009 and 2010, respectively, due to such perceived interference by the two governments.
- **Acquisition of technology.** Technologies that are of importance to China include those related to renewable energy solutions and "clean technology", defence, deep-sea oil drilling and geothermal energy. In order to facilitate technology transfer to China, it has become a priority for the Chinese government to create an environment for continued investment activities in the Nordic region by Chinese corporations.
- **Acquisition of know-how.** Following decades of studying the Nordic social models, Chinese scholars and officials are increasingly gaining know-how in a range of other areas, in particular issues concerning developments in the Arctic.
- **Utilising the Nordic region as a sounding board and door-opener** for politically motivated activities elsewhere, especially within the European Union (EU) and its member states. China's initiative to establish a free trade agreement with Iceland is raised as a prominent example.
- **Improving perceptions of China.** Officials at China's embassies in the Nordic countries are attempting to promote a positive and "objective" image of China and to correct what they see as misconceptions about China's domestic policies and its role in international affairs.

1.1 Aim of the study and method

The aim of this study is to identify and analyse some of China's political priorities in the five Nordic countries; the means by which Chinese officials are working to promote those interests; how its Nordic counterparts respond to China's promotion of its interests; to what extent China is succeeding in promoting its interests, and finally to make an assessment of future Chinese engagement in the Nordic region.

As this study focuses on China's political interests in the Nordic countries since 2007, it offers a snapshot of Sino-Nordic relations during the Hu Jintao/Wen Jiabao administration's second term and the first year of the Xi Jinping/Li Keqiang administration.

The study is an analysis of information gathered from interviews conducted in Stockholm, Oslo, Copenhagen, Helsinki and Reykjavik during the autumn of 2013. Nordic perspectives in this study are reflected by interviews with scholars, officials and "China watchers", whereas the majority of Chinese interlocutors are diplomats at China's embassies in the region. In addition, the analysis takes perspectives from media reports, official statements, academic papers and reports from think-tanks into account.

The material used in this report includes both primary and secondary sources. Interviews were semi-structured in nature, implying that the questions asked were to some extent dependent on the respondents' answers. The interviewees participated on the condition of anonymity.

1.2 Limitations

In this study, "China's political priorities" are defined as the priorities of the Communist Party of China and thus by extension the priorities of the Chinese state. One interviewee objected to this definition, arguing that the Party's interests are by definition in accordance with the interests of the Chinese public.⁵ Nevertheless, considering the difficulty of assessing the correlation between the Party's political goals and the wishes of the general public, the author has decided to adhere to the above definition.

While the study aims to cover China's priorities in all of the five Nordic countries, due to time constraints some of the areas of interest from the Chinese side have been limited to examples in specific countries. Moreover, while Nordic perspectives in this study are reflected by interviews with scholars, officials and "China watchers", the selection of Chinese interlocutors has been limited to diplomats at China's embassies. A majority of the interviews were conducted with embassy staff and Foreign Ministry officials, reflecting perspectives within the foreign services of the six countries concerned. Hence, the Chinese priorities identified in the study are to a large extent limited to those raised by the respective foreign policy establishments.

⁵ Interview #18, 2013-10-23.

1.3 Outline of the study

This study consists of three chapters beyond this introduction. Chapter 2 provides a brief overview of Chinese perceptions of the Nordic countries. Chapter 3 describes China's political priorities divided into five key areas: promotion of core interests, acquisition of technology, acquisition of know-how, the Nordic region as a "sounding board" and "door opener", and, finally, efforts to influence perceptions of China. The fourth and final chapter sums up the main conclusions and discusses potential future Chinese engagement in the Nordic countries.

2 Perceptions of the Nordic countries

The countries in the Nordic region – literally “Northern Europe” (北欧, Běi Ōu) in Chinese – were among the first to establish diplomatic relations with the People’s Republic of China (PRC) after its establishment on 1 October 1949. From the Chinese perspective, this is an aspect that holds important symbolic value, reflecting historic ties between Nordic nations and China. It is emphasised in official statements and was stressed as well by the interlocutors in the interviews conducted by the author at the Chinese embassies in the Nordic capitals during the autumn of 2013.⁶

Sweden, Denmark, Norway and Finland recognized the PRC as early as January 1950. On 9 May the same year, Sweden became the first Western country to establish formal diplomatic relations with the PRC, and was followed by Denmark the same month, by Finland in October and by Norway in October 1954. Iceland recognized the PRC and established formal diplomatic relations in December 1971, after the PRC had replaced the Republic of China (Taiwan) at the United Nations earlier the same year.⁷

Despite conflicting values in regard to (for example) human rights, current bilateral relations are described by Chinese diplomats as being “comparatively smooth”, using China’s relationships with the United States and the United Kingdom as points of reference.⁸ Public opinion in China of people in the Nordic countries is regarded as an important element in the relationships; we are seen as being “diligent, honest and disciplined – more so than Southern Europeans”⁹ and the countries are seen as “open”.¹⁰

According to a survey conducted in 2008, Chinese perceptions of the Nordic countries tend to be rather positive. The five countries are perceived as having considerable social capital and responsible approaches towards the environment. Moreover, they are perceived as successfully balancing social, environmental and economic achievements.¹¹

Chinese officials characterise the Nordic countries as having strengths in terms of technology and know-how. Meanwhile, they are also seen as being easy to deal with; they are politically stable, pro-free trade and, importantly, described as

⁶ Interview #15, 2013-10-21; Interview #13, 2013-10-16; Interview #18, 2013-10-23.

⁷ Ministry of Foreign Affairs of the People’s Republic of China, (*Official website*), Published: March 2013, Accessed: 2013-11-18.

⁸ Interview #13, 2013-10-16.

⁹ Ibid.

¹⁰ Interview #15, 2013-10-21; Interview #18, 2013-10-23.

¹¹ Spaven, Patrick, *Perception of the Nordic Countries: China Survey*, Tema Nord, Nordic Council of Ministers (2008). The survey was based on a semi-stratified random sample of 2,053 persons in China.

less suspicious towards China than many other “Western” countries. These perceptions also serve as an important basis for Chinese involvement in the region, regardless of the priorities concerned.

3 China's political priorities in the Nordic region

China faces serious domestic challenges in a wide range of areas, from official corruption to environmental degradation. In the light of these challenges, China's foreign policy is to a large extent a tool for coping with some of these challenges and safeguarding national interests, with the overarching ambition of securing the current political system under the leadership of the Communist Party.

In terms of foreign policy, China's focus is on neighbouring countries and global powers.¹² Hence, it is likely that the Nordic countries are of limited importance, at least in the context of bilateral relations, that is, outside of their roles as EU and NATO member states. Nevertheless, the Nordic region has a role to play, considering China's demand for technology and know-how to support the sustainability of its economic development, and its need for a stable external environment for this development.

For example, few issues are given as much focus in official statements as the area of renewable energy technologies – regardless of which of the Nordic countries is concerned. An equally important priority according to Chinese interlocutors is to acquire know-how on Arctic affairs, especially with the prospect of new sea lanes becoming available for commercial shipping due to the melting of the Arctic ice.

Moreover, the five Nordic countries are regarded as being both stable and predictable in terms of how they pursue their political goals – and easy to manage. Therefore, the region is seen as being suitable for foreign policy experiments, including (for example) free trade agreements. Experiences from engagement with the Nordic countries can be useful in wider international interaction with, for example, the European Union. Moreover, the region can be used as a springboard in which bilateral agreements could become a basis for deepened cooperation with the EU as a whole.

At the same time, Chinese officials and policymakers face challenges in some of the Nordic countries in terms of conflicting values. On the one hand, China wishes to steer clear of issues that could put political relations in jeopardy while, on the other hand, it will not accept perceived external interference in its domestic affairs. In Nordic countries with a tradition of engagement and activism in the sphere of human rights, China's defence of its so-called *core interests* is affecting bilateral relations. The issue of core interests as a priority in China's relations with the Nordic countries is the topic of section 3.1.

¹² See, for example, China Daily, *Diplomacy to Focus on Neighborhood*, Published: 2014-01-02, Accessed: 2014-03-17.

3.1 Promotion of *core interests*

China has identified a number of non-negotiable *core interests* (核心利益, *héxīn lìyì*), which are increasingly forming part of its rhetoric in bilateral relations and in international forums.¹³ China's core interests cover three areas: domestic political stability – the Chinese Communist Party's continued monopoly on power; territorial integrity and national sovereignty – including national reunification with Taiwan and issues relating to Chinese sovereignty over Tibet and Xinjiang; and sustainable economic and social development.¹⁴

Although the Nordic countries rarely appear on Beijing's foreign policy agenda, even smaller countries will become a priority for the Chinese leadership when issues relating to China's core interests are concerned.¹⁵ Being an overarching priority in China's bilateral relations across the globe, the issue of core interests in the Sino-Nordic context mainly relates to non-interference in Chinese domestic politics and respect for China's political choices.

Despite being a fundamental aspect of the bilateral ties, the issue of core interests is politically sensitive in nature and is rarely raised by Beijing publicly, unless a country is perceived as having challenged these interests. Rather, this priority is only alluded to implicitly in Chinese statements, where the importance of "mutual respect for national interests" is often emphasised. This is also the phrasing used by interlocutors at China's embassies where the issue of core interests is concerned.¹⁶

Out of the five Nordic countries, Finland is seen as being more sympathetic to Chinese political interests than the others – and more reticent on the issue of human rights in China. A Finnish scholar argues that Finland always has had a more "pragmatic" approach vis-à-vis China, as reflected by, for example, Finnish statements in favour of lifting the 1989 EU arms embargo on China.¹⁷ Finland has been described as favouring good political relations with China, as they are expected to lead to commercial benefit. As such, Finland can be seen as part of a

¹³ For an exhaustive analysis of China's "core interests", see Swaine, Michael D., *China's Assertive Behavior – Part One: On "Core Interests"*, China Leadership Monitor, Published: 2010-11-15, Accessed: 2013-11-28.

¹⁴ Dai Bingguo, *坚持走和平发展道路 [Stick to the Path of Peaceful Development]*, Published: October 2010, Accessed: 2013-11-18; Information Office of the State Council, *China's Peaceful Development*, Published: 2011-09-06, Accessed: 2013-11-18.

¹⁵ Interview #23, 2013-10-15.

¹⁶ For example, Interview #15, 2013-10-21.

¹⁷ Interview #35, 2013-09-03. For example, in July 2006 Finland's ambassador to China, Antti Kuosmanen, described the embargo as out of date and suggested that it should be lifted. See Kuosmanen, Antti, *Partnership Benefits EU, China*, China Daily, Published: 2006-07-18, Accessed: 2013-12-18.

group of European states that have kept the EU from developing a more assertive stance towards China on human rights.¹⁸

Chinese interlocutors paint a positive picture of China's engagement with the Nordic countries, describing bilateral relations as overwhelmingly stable and smooth. They do note, however, that China has had to raise the issue of core interests a number of times since 2007.¹⁹ Denmark, Norway and Sweden have been subject to Beijing's indignation over actions that it has labelled as interference in China's internal affairs.

For example, the Chinese leadership has publicly responded to Sweden's criticism of China's suppression of protests in Tibet in March 2008;²⁰ the Danish prime minister's meeting with the Tibetan spiritual leader, the Dalai Lama, in 2009; and the Norwegian Nobel Committee's decision to award the 2010 Nobel Peace Prize to the imprisoned Chinese activist Liu Xiaobo.²¹ Moreover, Chinese officials have opposed asylum bids by members of China's Uighur minority – whom Chinese authorities often perceive as suspected criminals – including the Swedish Migration Board's decision to grant asylum to a former Uighur detainee at Guantanamo Bay.²² The two cases involving Denmark and Norway, which led China to halt political exchanges, are discussed in the sections below.

China faces a dilemma in its international engagement in that it values stable bilateral relations on the one hand, but it has an obligation to safeguard its core interests, on the other hand – meaning that relations will be affected negatively when a particular country is seen as challenging those core interests. Hence, Chinese officials have to make sure that officials in the Nordic countries are aware that there is a potential for repercussions when infringing on these core interests.

Sweden, for example, can expect strong reactions from Beijing if an official on the vice-ministerial level or above, or the king, meets the Dalai Lama or the prime minister (Sikyong) of the Tibetan government-in-exile. According to a

¹⁸ Fox, John and Godement, François (2009), *A Power Audit of EU–China Relations*, ECFR, Published: April 2009, p. 6.

¹⁹ Interview #18, 2013-10-23.

²⁰ United Nations, *Human Rights Council Discusses Human Rights Situations that Require Its Attention*, Published: 2008-06-06, Accessed: 2013-12-06; Sceats, Sonya and Breslin, Shaun, *China and the International Human Rights System*, Chatham House, Published: October 2012, Accessed: 2013-12-06, p. 12.

²¹ Global Times, *UK, Norway Are Paying Price for Arrogance*, Published: 2012-06-15, Accessed: 2013-11-18; Tang Guoqiang, *How I Look at the Norwegian Nobel Committee's Choice for 2010*, Embassy of the PRC in Norway, Published: 2010-12-02, Accessed: 2013-11-18.

²² Sveriges Radio, *Kinesiska påtryckningar i asylärende [Chinese Pressure in Asylum Case]*, Published: 2009-03-27, Accessed: 2014-03-09.

Chinese diplomat, such a meeting would be perceived by Beijing as challenging China's territorial integrity.²³

In its China Action Plan from 2010, the Finnish Ministry for Foreign Affairs states that "China seeks to exert influence on Finland", both in terms of issues raised in the EU "that are of key interest to China" and, bilaterally, relating to issues "of importance to China", such as how Finland should relate to Taiwan.²⁴ The issue of Taiwan's international role – also referred to as "cross-Straits relations", or the "one-China Policy" – is raised by China's embassies in all the Nordic capitals on a "case-by-case basis".²⁵ However, a Chinese diplomat asserts that China is not trying to influence the Nordic countries' domestic politics, but officials merely express concerns in certain cases.²⁶

In order to thwart Taiwan's attempts to become part of international forums, Beijing objects strongly whenever Taiwanese participation is suggested. For example, the Chinese embassy in Copenhagen briefed the Danish government in regard to Taiwan's interest in joining the International Civil Aviation Organisation (ICAO) as an observer.²⁷ Officials in Beijing also voiced their opposition to inviting Taiwan to the Global Forum on Migration and Development (GFMD) during the Swedish GFMD presidency.²⁸

Chinese delegations tasked with disseminating Beijing's position on issues relating to its core interests occasionally visit the Nordic countries to meet with journalists, policymakers and members of the general public. China's embassies have for instance assisted in arranging seminars and exhibitions on Tibet and Xinjiang.²⁹ The websites of China's embassies, globally, also carry information on Tibet, Xinjiang and Taiwan.

In rare cases, such as with China's diplomatic freeze of Norway in reaction to the 2010 Nobel Peace Prize award, China makes use of its economic strength to underline its emphasis on core interests. Whether or not Norwegian exports to China have suffered from the halt in official relations is debatable, but this prospect at least sends a signal to other countries that Beijing is ready to sacrifice its economic interests "in order to uphold what we think is right".³⁰

There is also evidence that China is working proactively to prevent external interference in its core interests by other than strictly diplomatic means. For

²³ Interview #7a, 2013-04-17.

²⁴ Ministry for Foreign Affairs of Finland, *Finland's China Action Plan*, Published: 2010-07-06, Accessed: 2013-12-01.

²⁵ Interview #15, 2013-10-21.

²⁶ Interview #18, 2013-10-23.

²⁷ Interview #15, 2013-10-21.

²⁸ Interview #36, 2014-03-07.

²⁹ See further in section 3.5, "Improving perceptions of China".

³⁰ Interview #18, 2013-10-23.

example, an official at China's embassy in Sweden was involved in espionage on Uighur exiles, according to a verdict by the Stockholm District Court in March 2010.³¹ China's Ministry of Foreign Affairs denied Chinese state involvement in the affair.

3.1.1 Core interests and Denmark: the Dalai Lama's visit in 2009

In May 2009, Danish Prime Minister Lars Løkke Rasmussen and Foreign Minister Per Stig Møller met with the Dalai Lama. Noting interference in its core interests, China's response was to suspend political relations. From the Danish government's perspective, it had taken all the necessary precautions; China had been informed, the meeting took place on neutral ground and the Dalai Lama was received as a religious, not a political, leader.

This was not the first time a Danish political leader had met the Tibetan spiritual leader. Social Democratic Prime Minister Poul Nyrup Rasmussen had met the Dalai Lama in May 2000, and was followed by Liberal Prime Minister Anders Fogh Rasmussen in June 2003. Both had informed China in advance, and Denmark did not face major Chinese reprisals apart from the expected verbal protests from Beijing.³²

Hence, based on the experiences from the two previous meetings, the Danish government was taken by surprise by China's tougher reaction in 2009.³³ According to the Chinese Ministry of Foreign Affairs, the meetings had "severely harmed China's core interest and China-Denmark relations, and destructed [*sic*] friendly cooperation between China and Denmark".³⁴ Following the strong protest from the Chinese government, Beijing cancelled visits to Denmark by Chinese delegations as well as Danish ministers' travels to China. Moreover, a number of Danish companies were unable to conclude ongoing business negotiations with Chinese counterparts and there was a drop in Danish exports to China as political and trade officials were no longer able to meet.³⁵

One explanation for the harsher Chinese response, according to a Danish diplomat, was that Beijing felt less vulnerable and acted more assertively after the Beijing Olympic Games in August 2008. From the viewpoint of policymakers in Beijing, the Olympics showed that China was now a respected

³¹ Stockholm District Court, *Dom 2010-03-08, Mål nr B 8976-09 [Sentence 2010-03-08, Case No. B 8976-09]*, Published: 2010-03-08.

³² Brødsgaard, Kjeld Erik, *Danish-Chinese Relations: The Collapse of a Special Relationship*, Copenhagen Business School, Published: 2010-12-14, Accessed: 2013-12-06; Interview #14, 2013-10-21.

³³ Interview #14, 2013-10-21.

³⁴ Xinhua, *China Protests Danish Officials' Meeting with Dalai Lama*, Published: 2009-05-30, Accessed: 2010-08-06.

³⁵ Brødsgaard, *Danish-Chinese Relations: The Collapse of a Special Relationship*.

member of the international community. As such, the Games could very well be the turning point for China's ability to wield international influence after years of breakneck economic growth – at least in terms of leverage on asserting its core interests. Later the same year, French President Nicolas Sarkozy announced that he would meet the Dalai Lama. The move, which occurred during the French EU presidency, prompted China to pull out of the 12th EU–China Summit. This was the first time China had cancelled a high-level meeting with the EU since the first summit was held 11 years earlier.³⁶

In January 2009, Chinese Premier Wen Jiabao deliberately bypassed France on a five-nation European tour and Chinese officials avoided meeting French companies during a trade round. Sarkozy, feeling obliged to make some form of concessions to China, signed a statement in April 2009 where he reaffirmed France's position that Tibet is part of China and vowed not to support any form of Tibetan independence activities.³⁷ China finally agreed to re-establish bilateral relations on a ministerial level.³⁸

The fact that the French president had agreed to issue an apologetic statement created a feeling in Beijing that the game had changed – China had gained the upper hand and could expect other countries to deliver on its demands regarding core interests.³⁹ Indeed, the Chinese boycott of France in 2008–2009 stood in sharp contrast to the aftermath of the meeting between Sarkozy's predecessor, Jacques Chirac, and the Dalai Lama in 1998, which did not result in any severe Chinese criticism or repercussions.⁴⁰

Shortly before the Dalai Lama's meeting with Sarkozy, he had visited Belgium, where he met Prime Minister Yves Leterme. There was no stronger-than-usual Chinese reaction, but Beijing came back after the French communiqué was issued to demand a similar statement from Belgium.⁴¹

What Denmark had not realised was that Beijing had been able to get what it wished for from France and Belgium, and that it was now possible to receive guarantees from other governments that they would not interfere in Chinese domestic affairs. Moreover, China was eager for Denmark to produce a verbal note in response to Chinese concerns ahead of the climate change summit in

³⁶ Embassy of the People's Republic of China in France, *Communiqué de Presse Sino-Français (Traduction) [Sino-French Press Statement (Translation)]*, Published: 2009-04-01, Accessed: 2013-12-06; Kwok, Kristine, *Hu and Sarkozy Bury the Hatchet – Up to a Point*, South China Morning Post, Published: 2009-04-03, Accessed: 2013-12-06.

³⁷ Embassy of the People's Republic of China in France, *Communiqué de Presse Sino-Français (Traduction)*; Kwok, *Hu and Sarkozy Bury the Hatchet – Up to a Point*.

³⁸ BBC News, *China and France Resume Contacts*, Published: 2009-04-01, Accessed: 2013-12-06.

³⁹ Interview #14, 2013-10-21.

⁴⁰ AFP, *China's Press Berates French President over Dalai Meeting*, Published: 2008-12-12, Accessed: 2013-12-06.

⁴¹ Interview #14, 2013-10-21.

Copenhagen (COP15). According to a Danish official, Beijing pointed out that Premier Wen Jiabao could not be seen with the Danish prime minister if the issue had not been resolved.⁴²

Beijing did not agree to resume diplomatic ties with Denmark until seven months after the meeting with the Dalai Lama, in December 2009, when the Danish government publicly reiterated its opposition to Tibetan independence and vowed to consider China's reaction carefully before inviting the Dalai Lama again.⁴³ The Danish statement on Tibet came just as the Copenhagen climate conference opened, in an apparent bid to ensure China's attendance at the summit. In April 2010, Prime Minister Løkke Rasmussen visited Beijing, where he stated that "it is important that we have good relations on the political level in order for our business ambitions to be realised."⁴⁴

Foreign Minister Per Stig Møller commented at the time that the government had not promised not to meet the Dalai Lama again; however, Chinese diplomats have interpreted the statement differently.⁴⁵ According to a Chinese official, "after deep consultations and negotiations, we reached a consensus: Denmark recognizes the one-China policy and will hold no future meetings with the Dalai Lama."⁴⁶ As in the case of China's political boycott of Norway outlined below, Beijing's ambition was to get a guarantee that there would be no future disturbances in the relationship related to Chinese domestic affairs, rather than merely securing an apology from Copenhagen.

While the Dalai Lama has visited Denmark since, no government official has met him in public, despite significant interest in the Danish Parliament in issues regarding human rights in Tibet.⁴⁷ Apart from UK Prime Minister David Cameron, very few European high-level officials have met with him.⁴⁸ Moreover, it seems unlikely that the leader of any big European country will receive the Dalai Lama again.⁴⁹

3.1.2 Core interests and Norway: the 2010 Nobel Peace Prize

China put its political relations with Norway on hold in October 2010 in response to the Norwegian Nobel Committee's decision to award jailed dissident Liu

⁴² Ibid.

⁴³ AFP, *Denmark Seeks to Pacify China over Tibet*, Published: 2009-12-10, Accessed: 2010-08-06.

⁴⁴ Olsen, Nils, *Glem Tibet, nu handler det om eksport til Kina [Forget Tibet, Now It's About Exports to China]*, Politiken, Published: 2010-04-13, Accessed: 2013-11-18.

⁴⁵ Ritzau, *Danmark siger nej til tibetansk selvstændighed [Denmark Says No to Tibetan Independence]*, Published: 2009-12-09, Accessed: 2013-12-06.

⁴⁶ Interview #15, 2013-10-21.

⁴⁷ Interview #14, 2013-10-21.

⁴⁸ Ibid.

⁴⁹ The Economist, *Lip Service: China Seems to be Winning Its Arguments with the West over Tibet and Human Rights*, Published: 2013-12-07, Accessed: 2013-12-09.

Xiaobo the 2010 Nobel Peace Prize. Since then there have been no bilateral high-level official exchanges and China's principal objective in its relationship with Norway has become to restore normal relations.⁵⁰ Importantly, Beijing insists that the initiative to act in a way that is conducive to the normalisation of diplomatic ties lies with Oslo.

One of the latest bilateral high-level meetings as documented by China's Ministry of Foreign Affairs had been in late August, 2010, when Xi Jinping – vice-president at the time – met with Norway's foreign minister, Jonas Gahr Støre, in Beijing. In the meeting, Xi stated that bilateral relations would enjoy healthy development as long as there was mutual respect for each other's core interests.⁵¹

Just five weeks later came the announcement of the Nobel Peace Prize, which China interpreted as an assault on those very core interests – including that others should respect its choice of political system. From the Chinese perspective, the Nobel Committee had questioned China's judicial system by awarding the Peace Prize to a convicted felon.⁵²

In reaction to the announcement China promptly cancelled a ministerial trade delegation to Norway and negotiations for a Sino-Norwegian free trade agreement were postponed indefinitely. Norway, which had a market share for salmon exports to China of over 90 percent in 2010, saw those exports drop by half in early 2011. Overall bilateral trade between China and Norway, however, was largely unaffected. In fact, bilateral trade rose sharply in 2012.⁵³

Before the autumn of 2010, Sino-Norwegian relations had been strong. Norwegian King Harald V attended the 2008 Olympic Games in Beijing and economic ties were growing stronger, including Chinese investment deals in Norway.⁵⁴ At the time of the Nobel Prize announcement, a subsidiary of China National Chemical Corp., China BlueStar, was in negotiations with Elkem to acquire the Norwegian company. Interestingly, despite the subsequent political freeze, China BlueStar was able to complete the acquisition.⁵⁵

The political freeze remains despite Beijing's realisation that the Nobel Committee is, in fact, independent from the Norwegian government. What

⁵⁰ Interview #13, 2013-10-16.

⁵¹ Ministry of Foreign Affairs of the People's Republic of China, 习近平会见挪威外交大臣 [Xi Jinping Meets Norway's Minister of Foreign Affairs], Published: 2010-08-30, Accessed: 2013-11-26.

⁵² Interview #13, 2013-10-16.

⁵³ Reilly, James, *China's Economic Statecraft: Turning Wealth into Power*, Lowy Institute for International Policy, Published: 2013-11-27, Accessed: 2013-12-04.

⁵⁴ Interview #13, 2013-10-16.

⁵⁵ Interview #9, 2013-10-07.

Chinese officials point out instead as the main irritant is the government's support for the Nobel Committee's choice.⁵⁶

The Chinese embassy in Norway has published commentary on the 2010 Nobel Peace Prize award extensively on its website, both from Chinese media and from its ambassador.⁵⁷ According to Tang Guoqiang, China's ambassador in Oslo until 2012, China's strong dissatisfaction with the Nobel Prize decision was that it was an "attempt to undermine China's stability and development".⁵⁸ A Chinese diplomat also points out that the fact that a convicted criminal was awarded the prize meant that China's judicial system was being criticised.⁵⁹

According to interlocutors, there were signs of relations improving during the first half of 2013. A Chinese diplomat also notes that the Conservative Party (Høyre) and the Progress Party (Fremskrittspartiet) that form the new coalition government in place since the autumn of 2013 have stated an interest in restoring bilateral relations with China.⁶⁰ Nevertheless, the Norwegian government sees a risk that the political boycott could continue in the years ahead.⁶¹

China asserts that political trust has been ruined and that it has to be rebuilt through "joint efforts".⁶² Unlike disputes related to meetings with the Dalai Lama or other individuals that Beijing sees as questioning its authority, however, the Nobel Prize dispute cannot be resolved merely by a statement from the Norwegian government – after all, it has no influence over the Nobel Committee and is not able to guarantee that a similar situation will not occur again.

What China wants is *not* an apology from the Norwegian government, but that "the root cause needs to be addressed" – that is, a similar situation will not occur again. From the Chinese perspective, part of the solution to the current political crisis could be a reform of the Norwegian Nobel Committee, for example, by removing any ties to the government.⁶³ To this day, there are no politically viable solutions that could put an end to the diplomatic freeze.

3.2 Acquiring technology

Chinese outward foreign direct investment (OFDI) has risen substantially in recent years, particularly since 2004. Mergers and acquisitions make up a large

⁵⁶ Interview #13, 2013-10-16.

⁵⁷ Embassy of the People's Republic of China in Norway, *Embassy News*, Accessed: 2013-11-18.

⁵⁸ Tang Guoqiang, *My Rethinking*, Embassy of the PRC in Norway, Published: 2010-12-12, Accessed: 2013-11-18.

⁵⁹ Interview #13, 2013-10-16.

⁶⁰ Ibid.

⁶¹ Interview #35, 2013-09-03.

⁶² Interview #13, 2013-10-16.

⁶³ Ibid.

part of the FDI, with energy and electricity as the dominant sectors for acquisitions. In 2012, overseas acquisitions by China's three biggest energy companies were valued at over US\$25 billion.⁶⁴

The Nordic countries, despite being small in terms of population, have developed unique technologies and become known for their innovation capabilities. The investments and trade deals made by Chinese corporations are a reflection of China's priorities in terms of technology needs, at least in terms of available sectors for overseas investment in the region.

Judging by major completed acquisitions, it is possible to identify three sectors of interest: technology and manufacturing (e.g. the acquisition of Norway's Elkem, an energy-efficient producer of high-grade silicon for solar technology and computers), brands (e.g. the acquisition of Swedish car manufacturer Volvo Cars), and services (e.g. the acquisition of Norway's Awilco, which provides oil and gas drilling services and operates oil tankers).⁶⁵

The areas highlighted by Nordic and Chinese officials include renewable energy solutions, deep-sea offshore drilling technology (Norway) and geothermal energy technologies (Iceland). There is also an interest in defence technology, in terms of both imports and direct investment (Sweden in particular); however, such deals are hampered by the EU arms embargo.

When attempting to make overseas acquisitions, Chinese corporations are faced with two major challenges: political obstacles and lack of sufficient international experience. Due to the domestic demand for technological development supporting China's broader economic development, it has become a political interest for the Chinese government to facilitate this overseas expansion. Chinese scholars suggest that the Chinese government should be using diplomacy as a tool to assist companies in limiting the political risks when they are expanding overseas.⁶⁶

While the Nordic countries are generally open to foreign investment, China has witnessed opposition in some countries to acquisitions in sectors that are deemed as sensitive or otherwise vital for national security. A prominent example is the failed attempt by the China National Offshore Oil Corporation (CNOOC), a major Chinese state-owned firm, to acquire US peer Unocal Corp in 2005. CNOOC dropped its US\$18.4 billion bid after US lawmakers voiced concerns that economic and national security interests could be threatened if a company with ties to the Chinese government were to buy a major American oil

⁶⁴ Guan, Xiuli, 我国海外并购面临的监管问题探析 [*Analysis of Regulatory Issues faced by Chinese Overseas Mergers and Acquisitions*], 宏观经济管理 [Macroeconomic Management] 5 (2013).

⁶⁵ Azure International/Cleantech Scandinavia, *China Outbound Investment Strategies in the Cleantech Sector – Nordic Opportunities* (2013), p. 17.

⁶⁶ See, for example, Guan, *Analysis of Regulatory Issues...*

company.⁶⁷ To date, however, there is no openly accessible information to suggest that attempts by Chinese corporations to acquire companies in the Nordic region have been turned down due to security considerations.

Chinese outward foreign direct investments in Europe cover a wide range of sectors in both manufacturing and services. As of 2012, the four biggest industries by value have all seen at least one large-scale acquisition: utilities, chemicals, automotive and coal, and oil and gas.⁶⁸ During 2007–2012, Chinese companies have made a number of investments and acquisitions in the Nordic region. While the scope has been rather limited in the broader context of Chinese investment activities abroad, a few have attracted international attention.

The best-known of these investments has been Zhejiang Geely Holding Group Co.'s US\$1.8 billion acquisition of Volvo Cars in March 2010. Two deals struck in Norway have, however, been larger in size. In July 2008, China Oilfield Services – a subsidiary of CNOOC – acquired Awilco Offshore ASA for about US\$2.5 billion.⁶⁹ In January 2011, China BlueStar, a unit of China National Chemical Corp., took over Elkem in a deal valued at US\$2 billion.⁷⁰

Despite the fact that China and Iceland signed an investment treaty as early as 1994, Chinese companies have so far made no direct investments in Iceland. One single *indirect* investment has been completed to date: the acquisition of Elkem also included the Norwegian company's Icelandic subsidiary, Elkem Ísland.⁷¹ This is not necessarily evidence of a lack of Chinese corporate interest in Iceland: it could as well reflect the fact that several sectors of the Icelandic economy are protected from foreign investment.

Due to the Volvo/Geely deal, Sweden ranked fourth among the (then) 27 EU member states in terms of the value of Chinese investment during 2000–2011, after France, the UK and Germany, with a total FDI of US\$2.3 billion. The fact that the Volvo acquisition makes up the largest part of Chinese investment in Sweden during this period highlights a broader challenge for Nordic countries hoping to attract FDI from China: while China is looking to invest in large-scale operations, rather than small and medium-sized businesses, the extent to which larger corporations are up for sale is extremely limited in the Nordic countries.⁷²

⁶⁷ Associated Press, *China's CNOOC Drops Bid for Unocal*, Published: 2005-08-02, Accessed: 2014-02-25.

⁶⁸ Hanemann, Thilo and Rosen, Daniel H., *China Invests in Europe: Patterns, Impacts and Policy Implications* (Rhodium Group, 2012), p. 40.

⁶⁹ Reuters, *China Oilfield to Buy Awilco for \$2.5 bln*, Published: 2008-07-07, Accessed: 2013-11-14.

⁷⁰ Reuters, *Orkla Sells Elkem to China's BlueStar for \$2 bln*, Published: 2011-01-11, Accessed: 2013-11-14.

⁷¹ Interview #25, 2013-10-30.

⁷² Interview #35, 2013-09-03.

Finland and Denmark, which were to be found at the bottom end of the list, had attracted Chinese FDI of US\$48 million and US\$30 million, respectively.⁷³ Investments in Denmark are characterised by a Chinese diplomat as being “in the initial stage”.⁷⁴ In Finland, the level of Chinese investments remains modest despite officially expressed interest in Finnish nanotechnology. As of late 2013, there have been no Chinese investments or acquisitions in Finland’s nanotechnology sector.⁷⁵

One of the major Chinese business deals in Denmark to date has been Huawei Technology Co’s contract in 2013 with TDC AS, worth US\$700 million, to upgrade the Danish telecoms operator’s mobile network. The contract was followed by an announcement by Huawei that it would invest US\$500 million in Denmark’s next-generation mobile network.⁷⁶ TDC said that it studied the national security implications before deciding on Huawei.⁷⁷

Huawei established a research and development office in Sweden in 2000, near the headquarters of one of its main competitors, AB Ericsson. During the European recession in the early 2000s, Huawei was also able locally to recruit engineers with a background at Ericsson.⁷⁸ Huawei in 2012 opened a research facility in Finland, planning to invest €70 million over five years in the country. The company now has approximately 800 employees in the Nordic region.⁷⁹

Chinese officials also see the opening up of the Arctic leading to new areas for Chinese investment, including infrastructure, for example, the building of deepwater ports in Iceland and Norway.⁸⁰ While it is possible that Chinese investors could become more active in the development of Arctic infrastructure, one of their main interests in Iceland currently is the hotel industry, according to a Chinese interlocutor. Such investment would primarily be directed towards facilities catering to Chinese tourists. Nearly 20,000 tourists from China are said to have visited Iceland in 2012.⁸¹

In 2011, Chinese real estate developer Huang Nubo announced his intention to establish a resort catering to Chinese tourists in north-eastern Iceland’s Grímsstaðir. Huang’s project, which would involve the acquisition of 0.2 percent of Iceland’s territory, raised controversy in Iceland and received international

⁷³ Hanemann and Rosen, *China Invests in Europe: Patterns, Impacts and Policy Implications*, p. 38.

⁷⁴ Interview #15, 2013-10-21.

⁷⁵ Interview #35, 2013-09-03; Interview #17, 2013-10-23.

⁷⁶ Interview #15, 2013-10-21.

⁷⁷ Osawa, Juro, *Huawei Wins \$700M Contract to Upgrade Mobile Network for Denmark’s TDC*, The Wall Street Journal, Published: 2013-10-24, Accessed: 2014-03-10.

⁷⁸ Augustsson, Tomas, *Spektakulär satsning av kinesisk snabbväxare [Spectacular Drive by Chinese Fast-grower]*, Svenska Dagbladet, Published: 2013-09-21, Accessed: 2014-03-10.

⁷⁹ Ibid.

⁸⁰ Interview #29, 2013-10-31; Interview #23, 2013-10-15.

⁸¹ Interview #29, 2013-10-31.

attention, including in China. Iceland's Ministry of the Interior ultimately rejected an application from Huang Nubo, citing Icelandic law which prohibits non-Scandinavians from buying land in the country.⁸²

As can be seen from the above, Chinese investment in the Nordic region has been largely limited to company acquisitions. However, during his visit to Sweden in April 2012, Chinese Premier Wen Jiabao announced that China would offer €1 billion for cooperation projects with Sweden. The bid had not been communicated to the Swedish government previously and therefore came as somewhat of a surprise. It was widely interpreted as a commitment from the Chinese government to invest in Sweden.⁸³

The subsequent dialogue between Swedish and Chinese officials, however, indicated that China would support Swedish investment *in China*, rather than the other way around. Moreover, credit would be offered by the China Development Bank (CDB), China's biggest lender, and would probably be on similar terms to what Swedish firms could access on financial markets – not more beneficial. Swedish policymakers have now lowered their expectations of what the Chinese government is actually able to offer. Given that the CDB is, in effect, a Chinese foreign policy actor – striving to combine political goals with commercial goals – accepting financial support from the bank could also be politically problematic for Sweden.⁸⁴

Following Premier Wen's visit to Sweden, he also made a similar statement in Poland, offering a credit line of US\$10 billion to East European countries. The loans would support Chinese investments in Central European infrastructure, new technology and renewable energy.⁸⁵ The commitment was made as the Chinese premier proposed the launch of an economic and trade cooperation platform with 16 Central and East European (CEE) countries.

3.2.1 Renewable energy

China became the world's largest energy producer and energy consumer in 2010. In 2013, the increase in Chinese oil consumption accounted for one-third of world oil consumption growth and the country is expected to move from being the second-largest net importer of oil, on an annual basis, to being the largest in

⁸² Fontaine, Paul, *Friends With Benefits*, The Reykjavík Grapevine, Published: 2012-07-05, Accessed: 2014-03-10.

⁸³ Almgren, Jan, *Kina plöjer in 9 miljarder i Sverige [China Ploughs 9 Billion Crowns into Sweden]*, Svenska Dagbladet, Published: 2012-05-29, Accessed: 2014-03-11; DagensPS, *Kinas miljardchock tog regeringen på sängen [China's Billion Shock Took the Government by Surprise]*, Published: 2012-05-29, Accessed: 2014-03-11.

⁸⁴ Interview #37, 2013-11-27.

⁸⁵ Millner, Caille, *Eyes on the Prize: Beijing Sets its Sights on Central Europe*, Spiegel Online, Published: 2012-05-18, Accessed: 2014-03-10.

2014.⁸⁶ With its surging energy consumption, China is increasingly contributing to global environmental degradation and climate change. Moreover, if China is not able to address its environmental problems successfully, they are likely to affect overall economic growth in the long term. As a result, a new interest in renewable energy has emerged in China in recent years.

It has become a major task for the Chinese government to reduce energy intensity and to increase the proportion of clean energy in the country's energy mix while not jeopardising economic growth.⁸⁷ In order to achieve these goals, the government is putting much effort into accessing renewable energy technology from overseas and enhancing cooperation with the international energy community. Judging by official statements from Nordic–Chinese high-level meetings, cooperation in clean energy is a top priority for both sides. The importance of clean energy cooperation is also echoed by diplomats at China's embassies in the Nordic countries.⁸⁸

Sweden in 2008 launched a drive to promote clean technology (or cleantech) exports, with a focus on exports to China, but also to Russia, India and Indonesia. In terms of visiting delegations there is now more activity with China than the other three countries combined. Since 2008, the Swedish government has received more than 100 high-level environment-related delegations from China.⁸⁹

Since 2009, Sweden's cleantech exports to China have been worth approximately 2 billion SEK (US\$320 million) annually.⁹⁰ Exports of what can be defined as cleantech products tend to account for roughly 7–8 percent of Sweden's total exports to China, according to a Swedish official. This is twice as much as the share of Swedish cleantech exports to other countries.⁹¹

A Swedish government official asserts that China will “totally dominate the market for green technologies” within ten years' time. Part of this development is expected to happen through technology transfer based on large-scale investment in Europe.⁹²

Chinese official interests in the cleantech sector are reflected in high-level exchanges such as the visit by Yu Zhengsheng, one of the seven members of the Standing Committee of the Chinese Communist Party Politburo. Yu is also

⁸⁶ U.S. Energy Information Administration, *Analysis: China*, Published: 2014-02-14, Accessed: 2014-03-10.

⁸⁷ See, for example, Deng Yanhua and Yang, Guobin, *Pollution and Protest in China: Environmental Mobilization in Context*, The China Quarterly, Vol. 214, Published: 2013-06-25, Accessed: 2013-10-02.

⁸⁸ Interview #13, 2013-10-16.

⁸⁹ Interview #3, 2013-10-18.

⁹⁰ Miljöaktuellt, *The Man Tasked With Opening Doors*, Green Solutions From Sweden, Vol. 5, Published: 2013, Accessed: 2013-12-12.

⁹¹ Interview #3, 2013-10-18.

⁹² Ibid.

chairman of the Chinese People's Political Consultative Conference (CPPCC) where he oversees ethnic minority affairs, for example, Tibet and Xinjiang, as well as Hong Kong, Macau and Taiwan affairs. However, the theme for the visit to Helsinki, Stockholm and Copenhagen was green technology.⁹³

In the political dialogue with Sweden, Chinese officials routinely raise environmental issues. However, the emphasis on renewable energy cooperation in official statements remains to be reflected in actual business deals. As such, the emphasis on cleantech should be seen more as political rhetoric, according to a Swedish official, who states that "many statements about cooperation in green technology are just greenwash."⁹⁴

3.2.2 Deep-sea offshore oil exploration technology

The acquisition of deep-sea offshore technology in the area of hydrocarbon exploration and wind power is described as one of China's top priorities in Norway.⁹⁵ Norway played a central role in the building up of China's offshore oil industry, as well as the Chinese shipping and fishery industries in the 1970s and 1980s.⁹⁶

China's interest in offshore technology is reflected by state-run China Oilfield Services' US\$2.5 billion acquisition of Norway's Awilco Offshore, one of the largest acquisitions by a Chinese company in the Nordic region to date.⁹⁷ Offshore drilling technologies would also have been an important part of the free trade agreement (FTA) that the two countries were planning to finalise in 2011.⁹⁸ China, however, pulled out of the FTA talks in reaction to the Nobel Peace Prize award in October 2010. Despite the current diplomatic freeze, cooperation in the area of offshore technology continues, reflecting a certain level of pragmatism among policymakers in Beijing.⁹⁹

3.2.3 Defence technologies

Given China's ambitions to modernise its armed forces and increase its military capabilities, in part by acquiring defence technologies and equipment from overseas, it is reasonable to assume that China is also interested in acquiring military equipment from the Nordic countries. Sweden, for instance, plays a leading role in a wide range of defence technologies, including aerospace,

⁹³ Interview #15, 2013-10-21.

⁹⁴ Interview #3, 2013-10-18.

⁹⁵ Interview #9, 2013-10-07; Interview #13, 2013-10-16.

⁹⁶ Interview #11, 2013-10-07.

⁹⁷ Reuters, *China Oilfield to Buy Awilco for \$2.5 bln*.

⁹⁸ Interview #23, 2013-10-15.

⁹⁹ Interview #34, 2014-02-19.

submarine technology, systems integration, homing and targeting technology and sensor systems.¹⁰⁰

Arms transfers to China, however, are restricted by the arms embargo adopted by the EU in 1989. The embargo comprises “trade in arms”, but the declaration does not define what is meant by “arms” and it is not legally binding. Sweden, for example, interprets the embargo as a total prohibition on arms exports to China, including Taiwan.¹⁰¹ In spite of the embargo, China has been able to acquire dual-use products¹⁰² from European companies, including all-terrain vehicles and explosives from Sweden.¹⁰³ According to one interlocutor, a publicly-listed Chinese company was scanning all Scandinavian markets for possible investments in military technology during 2013.¹⁰⁴ Again, it is up to each country to define whether the embargo also restricts access to defence technology by way of investments in the defence industry.

Chinese officials have lobbied EU member states for the embargo to be lifted, contributing to increasing support for a lifting of the embargo in 2004–2005. Sweden, for example, indicated that it would support a common EU decision to lift the sanctions in 2005.¹⁰⁵ In the light of European concerns about China’s human rights record, not least in the Nordic countries,¹⁰⁶ and resistance from the United States to any moves that would facilitate arms transfers to China, the embargo is likely to remain in place for the foreseeable future.

3.3 Acquiring know-how

For many decades, China has studied the Nordic countries from various perspectives in order to gain know-how that can serve Beijing’s interests. In particular, two areas are raised by Chinese and Nordic officials: Arctic affairs and social models. Other spheres of interest include pension fund management, judicial affairs and know-how obtained through military exchanges.

In recent years, it has become a priority for Chinese diplomats in the Nordic countries to learn about Arctic issues, reflecting Beijing’s increasing interest in the effects of climate change, with a focus on the prospects for Arctic shipping.

¹⁰⁰ Interview #5, 2013-10-01.

¹⁰¹ Hellström, Jerker, *The EU Arms Embargo on China: A Swedish Perspective*, Swedish Defence Research Agency (FOI), Published: January 2010, p. 24.

¹⁰² Dual-use technology refers to products which can be used for both civilian and military means.

¹⁰³ Hellström, *The EU Arms Embargo on China: a Swedish Perspective*, p. 27.

¹⁰⁴ Interview #17, 2013-10-23.

¹⁰⁵ Hellström, *The EU Arms Embargo on China: a Swedish Perspective*, pp. 16–17.

¹⁰⁶ See, for example, recommendations made by the Nordic countries to China at the 17th session of the Universal Periodic Review: <http://webtv.un.org/meetings-events/human-rights-council/universal-periodic-review/17th-upr/watch/china-review-17th-session-of-universal-periodic-review/2760262775001>.

Hitherto, much effort has also been put into research regarding the Nordic social models. These two spheres of interest are discussed further below.

One of China's major challenges is to ensure that its social and economic development is sustainable, which explains why international pension fund management has become a particular area of interest. Chinese and Norwegian interlocutors refer to the need for China to study different ways to manage state ownership and how to govern sovereign wealth funds (SWFs).¹⁰⁷ The focus, in the Nordic region, is on Norway's SWF. Since China launched its first SWF, the China Investment Corporation, in 2007, the practices of SWFs such as Norske Bank Investment Management (NBIM) – also known as the Norwegian oil fund – has attracted significant attention among Chinese scholars and officials.¹⁰⁸

Chinese officials also have an interest in learning about legislative and judicial affairs, the focus here being on Finland. The two ministries of justice have a long-running dialogue, which is referred to as “one of the most prominent features” of Sino-Finnish relations, with annual meetings on judicial affairs.¹⁰⁹ China's Ministry of Public Security also received a delegation from the Nordic national police authorities in December 2012.¹¹⁰ One result of the visit was an agreement to cooperate on issues including illegal migration; however, it is not evident what can be gained from the exchanges with the Nordic authorities in terms of know-how.¹¹¹

Interaction between the Chinese People's Liberation Army (PLA) and its counterparts in the Nordic countries can also provide China with know-how in military affairs. Chinese UN peacekeeping personnel, for example, undergo training in Finland. Moreover, Chinese military delegations occasionally visit Finland to discuss training issues with their Finnish counterparts and gather information related to peacekeeping operations.¹¹² Before China's diplomatic freeze on Norway starting in 2010, the two countries had active military cooperation and dialogue, with frequent visits. China's main interest in the

¹⁰⁷ SWFs are state-owned investment vehicles, which typically look to invest the receipts from budget or trade surpluses to achieve national objectives. Interview #13, 2013-10-16; Interview #10, 2013-10-07; Interview #11, 2013-10-07.

¹⁰⁸ See, for example, Liu Liping, 全球主权财富基金的发展及对我国的启示 [*Development of Global Sovereign Wealth Funds and Implications for China*], 借鉴与启示 [Jiejian yu qishi] 8 (2013).

¹⁰⁹ Interview #18, 2013-10-23.

¹¹⁰ For example, Sweden was represented by Maria Bredberg Pettersson, deputy national police commissioner.

¹¹¹ Ministry of Public Security of the People's Republic of China, *Minutes of The First Law Enforcement Cooperation Working Meeting between The Ministry of Public Security of People's Republic of China and Police Organizations of Nordic Countries*, 6–7 December 2012; China Police Daily Online, 李伟会见北欧客人 [*Li Wei Meets with Nordic Guests*], Published: 2012-12-08, Accessed: 2014-03-07.

¹¹² Interview #18, 2013-10-23; Interview #35, 2013-09-03.

military exchange with Norway is said to be deepened navy-to-navy cooperation, as reflected by the visit to Oslo and Bergen by PLA Navy Chief of Staff Wu Shengli in 2009. The dialogue with both Norway and Sweden has also involved UN peacekeeping operations.¹¹³

Several PLA commanders have received and visited their Swedish counterparts, discussing matters which include peacekeeping operations. China's embassy in Denmark is trying to promote bilateral visits between the Danish and Chinese ministers of defence; however, an official at the embassy refers to "a lack of exchanges" to date, due to "technical arrangements".¹¹⁴

Finally, efforts to improve its capabilities for innovation can be seen as an important part of China's acquisition of know-how. Indeed, "innovation" has recently become somewhat of a catch-phrase in Chinese official statements on Nordic affairs.¹¹⁵ In order to improve its innovative capabilities, China supports the establishment of research and development facilities by foreign enterprises in the country. Naturally, acquisitions of innovative companies can serve the same purpose.

3.3.1 The Arctic

China is paying increasing attention to the consequences of climate change in the Arctic. Chinese officials as well as Nordic diplomats and scholars regard gaining know-how on Arctic affairs as one of China's priorities in the Nordic region. Each of China's five embassies in the Nordic region seeks to follow the development of Arctic affairs and they have been tasked with acquiring basic understanding about the Arctic.¹¹⁶

Chinese interlocutors suggest that China has three main interests in the region: research in the area of climate change – which will also affect China, for example, in terms of food security; potential sea routes; and potential energy resources. While the Arctic is expected to hold vast resources of oil and natural gas, exploration of the resources could be highly challenging. Hence, energy

¹¹³ Interview #13, 2013-10-16. For more on China's engagement in UN peacekeeping, see Hellström, Jerker, *Blue Berets Under the Red Flag: China in the UN Peacekeeping System*, Swedish Defence Research Agency (FOI), Published: June 2009.

¹¹⁴ Interview #15, 2013-10-21.

¹¹⁵ Embassy of the People's Republic of China in Sweden, *Red Plums on White Snow: H.E. Ambassador Chen Yuming's Speech at the Arrival Reception*, Published: 2013-12-05, Accessed: 2014-03-10; Ministry of Foreign Affairs of the People's Republic of China, *CPPCC Chairman Yu Zhengsheng Meets with King Carl XVI Gustaf of Sweden*, Published: 2013-06-04, Accessed: 2014-03-10; Ministry of Foreign Affairs of the People's Republic of China, *CPPCC Chairman Yu Zhengsheng Holds Talks with Parliament Speaker Per Westerberg of Sweden*, Published: 2013-06-04, Accessed: 2014-03-10; and Xinhua, *China to Promote Cooperation with Sweden in Sustainable Development: Chinese Premier*, Published: 2012-04-25, Accessed: 2014-03-10.

¹¹⁶ Interview #13, 2013-10-16.

prices and costs for exploration will have to be favourable in order for Arctic energy exploration to materialise.¹¹⁷

The melting of the ice in the Arctic Ocean raises the prospect of the Arctic being navigable for commercial shipping during the summer months, which most interlocutors see as China's main priority within the realm of Arctic affairs.¹¹⁸ The distance between Europe and China is substantially shorter through Arctic sea routes than via traditional routes using the Panama Canal or Suez Canal.¹¹⁹ Considering China's strong dependence on shipping as a means of trade, Beijing needs to keep itself informed on the development of sea lanes, including in the Arctic.

Chinese Arctic research efforts so far remain relatively modest, and include the establishment of a station for Arctic research – the Yellow River Station – on Norway's Spitsbergen Island in 2004 and the opening of the China–Nordic Arctic Research Centre (CNARC) in Shanghai in 2013. Despite China's political boycott of Norway, close research cooperation between Shanghai and Tromsø continues, as do the activities of three Chinese researchers at the Yellow River research station who are studying climate change, glacier change and Arctic minerals.¹²⁰ Icelandic and Chinese research institutes also cooperate in the area of climate change and Northern Lights research in Iceland.¹²¹

Despite its low-key approach to the Arctic, China's research activities, its development of ice-breakers, its efforts to join the Arctic Council as a permanent observer, and its potential interest in Arctic energy resources and minerals have all contributed to concerns that China could eventually challenge the interests of Arctic littoral states.¹²²

In 2012, the ice-breaker *Xuelong* ("Snow Dragon") was the first Chinese vessel successfully to navigate the Northern Sea Route into the Barents Sea.¹²³ China is building a second ice-breaker that is due to enter operations in 2014, with some technology assistance from, for example, Finland.¹²⁴ Moreover, in September 2013 the *Yong Sheng* was the first Chinese cargo ship to sail through the Northeast Passage. The vessel, operated by China's Cosco shipping group, sailed

¹¹⁷ Interview #9, 2013-10-07.

¹¹⁸ Jakobson, Linda, *China Prepares for an Ice-Free Arctic*, SIPRI, Published: March 2010.

¹¹⁹ For a detailed comparison between the distances, see Lasserre, Frédéric, *China and the Arctic: Threat or Cooperation Potential for Canada?*, Published: June 2010, p. 6.

¹²⁰ Interview #13, 2013-10-16.

¹²¹ Interview #29, 2013-10-31.

¹²² See, for example, Reuters, *First Chinese Ship Crosses Arctic Ocean amid Record Melt*, Published: 2012-08-17, Accessed: 2014-02-26.

¹²³ Jakobson, Linda and Lee, Syong-Hong, *The North East Asian States' Interests in the Arctic and Possible Cooperation with the Kingdom of Denmark*, SIPRI, Published: April 2013, p. 9.

¹²⁴ Xinhua, *China's New Icebreaker Project Pushes Forward*, Published: 2012-07-31, Accessed: 2014-02-24; Interview #35, 2013-09-03.

from Busan in South Korea to the Dutch port of Rotterdam in five weeks. It is estimated that the voyage would have taken two weeks longer via the Suez Canal.¹²⁵

In May 2013, the eight member states of the Arctic Council approved China's application to become a permanent observer at the council's meetings. Prior to the council's decision on new observers,¹²⁶ officials from China's embassies had contacted the ministries for foreign affairs in the Nordic countries in order to "convey the message" of China's legitimate role in the Arctic Council.¹²⁷ China, an ad hoc observer in the council since 2007, had lobbied hard to be accepted as a permanent observer.¹²⁸

However, the Nordic countries were perceived as being generally positive to the idea of Chinese accession as a permanent observer and there was no need to engage in any actual lobbying. In this respect, China's embassies in the US, Canada and Russia were more active, as these countries were perceived as being more sceptical about China as a permanent observer.¹²⁹ In contrast, in the words of a Chinese diplomat, "Nordic countries are open and invited China to the Arctic Council".¹³⁰

Nevertheless, in 2013 there was some speculation as to whether Norway would rebuff China's application to join as an observer, based on China's political boycott of the country. Officially, however, Norway consistently supported the idea of new observers on the council.¹³¹

Potential Chinese interest in Greenland's untapped mineral wealth has also garnered international attention. In particular, the prospect of the Chinese mining sector engaging in exploration in Greenland has raised some concerns in Denmark.¹³² Not only would Chinese investment contribute to Greenland's ability to gain at least economic independence from Denmark; it could also lead to the influx of "thousands of Chinese workers".¹³³ However, in the words of

¹²⁵ The Financial Times, *First Chinese Cargo Ship Nears End of Northeast Passage Transit*, Published: 2013-09-06, Accessed: 2014-02-26.

¹²⁶ India, Italy, Japan, South Korea and Singapore were also welcomed as new permanent observers by the Arctic Council.

¹²⁷ Interview #7b, 2013-09-19.

¹²⁸ Jakobson and Lee, *The North East Asian States' Interests in the Arctic and Possible Cooperation with the Kingdom of Denmark*, p. 13.

¹²⁹ Interview #7b, 2013-09-19.

¹³⁰ Interview #18, 2013-10-23.

¹³¹ Interview #9, 2013-10-07.

¹³² Interview #11, 2013-10-07.

¹³³ An EU negotiator has claimed that 2,000 Chinese workers were already on the ground in Greenland. See, for example, AFP, *EU Fights to Catch Chinese in Greenland Rare-earths Goldrush*, Published: 2012-08-05, Accessed: 2013-12-18; Interview #11, 2013-10-07.

Danish diplomat and analyst Jonas Parello-Plesner, “Chinese investors – and their workers – are waiting and watching, rather than invading.”¹³⁴

China has become increasingly frustrated with the way in which its activities in Greenland have become politicised, according to an interlocutor with expertise on Arctic affairs.¹³⁵ This is also reflected in statements from China’s Foreign Ministry, which has referred to media reports as “groundless hype”.¹³⁶ Playing down concerns over China’s role in Greenland, a Chinese diplomat asserted that China does not aim to become a big player in Greenland. The diplomat stated that Chinese engagement was subject to “media hype” and that South Korea had invested more than China in Greenland.¹³⁷

Chinese officials are concerned that “some Arctic stakeholders” see China’s role in the Arctic as a challenge to their interests. This “fear of China’s activities in the Arctic is baseless”, according to a Chinese official.¹³⁸ Indeed, media reports often link China’s interests in the Arctic to its demand for natural resources and its growing ability to project military power overseas.

Observers in Norway and Denmark also state that the extent of Chinese interests in the Arctic may have been heavily exaggerated by scholars and the media.¹³⁹ A Danish interlocutor states, for example, that China’s Arctic interests relate to “anything but hardcore security and military capabilities”. The fact that Chinese activities in the Arctic are a rather “new” issue could explain much of the international attention.¹⁴⁰ “The Arctic is not even on Beijing’s top-100 list of interests” according to a Norwegian scholar who states that the Chinese government naturally needs to keep itself informed on Arctic matters, just as other powers do.¹⁴¹

The *Xuelong*’s Arctic journey in 2012 has been portrayed as a reflection of China’s ambition to increase its influence in the Arctic. An Icelandic interlocutor, however, notes that the voyage was, in fact, suggested by Iceland’s President Grimsson, and was not entirely a result of Chinese strategic planning.¹⁴²

¹³⁴ Parello-Plesner, Jonas, *The Chinese Scramble into Greenland Over-hyped*, China-US Focus, Published: 2013-05-07, Accessed: 2014-03-10.

¹³⁵ Interview #23, 2013-10-15.

¹³⁶ Ministry of Foreign Affairs of the People’s Republic of China, *Foreign Ministry Spokesperson Hua Chunying’s Regular Press Conference on March 15, 2013*, Published: 2013-03-16, Accessed: 2013-12-18.

¹³⁷ Interview #15, 2013-10-21.

¹³⁸ Ibid.

¹³⁹ Interview #11, 2013-10-07; Interview #14, 2013-10-21.

¹⁴⁰ Interview #14, 2013-10-21.

¹⁴¹ Interview #11, 2013-10-07.

¹⁴² Interview #20, 2013-10-01.

Nevertheless, the Chinese government has reacted to international concerns by toning down its rhetoric regarding its rightful role in Arctic affairs. As noted in an often-cited study on China's Arctic aspirations by the Stockholm International Peace Research Institute (SIPRI) in 2012, Chinese Arctic scholars have become more subdued in public since 2011.¹⁴³ Issues relating to sovereignty and security in the Arctic are rarely raised by officials and scholars, who are instead stressing matters of global relevance such as climate change and the rights of indigenous peoples.

For example, a Chinese diplomat raised the issue of Arctic development and its "great importance to indigenous people" as an important interest for China in the Arctic.¹⁴⁴ In order to legitimise its role in the Arctic region, Chinese interviewees also state that China is a "near-Arctic country" and an "Arctic stakeholder", that is, it has a role to play, and should play a role, in Arctic governance.¹⁴⁵ China's previous ambassador to Iceland, Su Ge, even referred to the two countries as being "neighbours".¹⁴⁶ While a Chinese official asserted that "the Arctic region belongs to the world", which could be interpreted as putting the sovereignty of littoral states into question, such public statements are rare.¹⁴⁷

In spite of an increasing interest among scientists, academics and officials in China in the Arctic region, the Chinese government has yet to issue an authoritative statement of policy in regard to the Arctic.¹⁴⁸ The Chinese Foreign Ministry's Department of Treaty and Law, which is the government entity responsible for the management of Arctic issues, would probably play an important role in the formulation of such a policy.¹⁴⁹ A Chinese diplomat, however, suggests that China does indeed have an Arctic policy and that it revolves around protection of the environment and the need to conduct joint scientific research on climate change.¹⁵⁰

¹⁴³ Jakobson, Linda and Peng, Jingchao, *China's Arctic Aspirations*, SIPRI, Published: November 2012, p. 15.

¹⁴⁴ Interview #18, 2013-10-23.

¹⁴⁵ Interview #13, 2013-10-16.

¹⁴⁶ Chen Lidan and Gao Yinan, *Former Ambassador: to Iceland, China Not Far Apart*, People's Daily Online, Published: 2013-11-05, Accessed: 2013-12-10.

¹⁴⁷ Interview #29, 2013-10-31.

¹⁴⁸ Campbell, Caitlin, *China and the Arctic: Objectives and Obstacles*, U.S.-China Economic and Security Review Commission Staff Research Report, Published: 2013-04-13, Accessed: 2013-12-18.

¹⁴⁹ See Ministry of Foreign Affairs of the People's Republic of China, *The Department of Treaty and Law*, Accessed: 2014-02-24; Interview #7b, 2013-09-19; Interview #28, 2013-10-31.

¹⁵⁰ Interview #29, 2013-10-31.

3.3.2 Social models

The Nordic welfare systems garnered much international attention in the 1960s and 1970s, and have since attained the status of an experimental laboratory for China. Chinese scholars view the models as a benchmark for interpreting the successes and failures of the welfare state idea.¹⁵¹ Acquisition of know-how regarding welfare systems is to a large extent a politically motivated area of social sciences research in China. Sweden, Norway, Denmark and Germany have become the countries of focus for major state-sponsored research projects.¹⁵²

According to a Nordic diplomat, Chinese officials and academics have been gathering information about the social models for over a decade and are now in the process of implementation. The input will be part of the Communist Party's ambition for China to become a "moderately well-off" society (*xiaokang shehui*) by 2020.¹⁵³ Part of the information-gathering has come about through dialogue with research institutions in the Nordic countries.

From the Chinese perspective, relevant aspects of the Nordic models to study include their considerable redistribution of income, low poverty levels and a far-reaching institutionalisation of welfare provision.¹⁵⁴ According to Chinese interlocutors, it can be important to learn from "good experiences and good ideas" in the Nordic countries related to their development of social security systems. In addition to social services, such as care of the elderly, there is also an interest in "green development". Chinese diplomats also make the observation that the social model in the Nordic countries coped quite well during the global financial crisis, making it an important area for China to study – not least for provincial leaders visiting the region. However, as one diplomat points out, "someone else's shoes will not fit your feet" – these social models naturally have to be adapted to Chinese circumstances – and the Nordic model is still being reformed.¹⁵⁵

3.4 The Nordic region as a "sounding board" and "door-opener"

The Nordic countries offer China an environment in which to conduct "smaller-scale, isolated experiments", similar to the local experimentation that the Chinese government has engaged in domestically since the foundation of the People's

¹⁵¹ Lin Ka, *Chinese Perceptions of the Scandinavian Social Policy Model*, Social Policy & Administration 35, no. 3 (2001).

¹⁵² Interview #10, 2013-10-07; Interview #11, 2013-10-07.

¹⁵³ Interview #10, 2013-10-07.

¹⁵⁴ Lin, *Chinese Perceptions of the Scandinavian Social Policy Model*.

¹⁵⁵ Interview #15, 2013-10-21.

Republic.¹⁵⁶ Referred to by a Chinese interlocutor as experiments “in the spirit of [late patriarch] Deng Xiaoping”, interaction with Nordic countries provides experiences that can be useful in wider international interaction with, for example, the European Union. The free trade and currency swap agreements with Iceland as well as the strategic partnership with Denmark can be seen as such experiments.¹⁵⁷ The Nordic countries can also be used as a springboard: as a Chinese diplomat expresses it, these bilateral contacts “can have a positive effect on the EU as a whole”.¹⁵⁸

Iceland and Norway, not being EU member states, are easy for China to deal with for the simple reason that Beijing will never have to involve Brussels in bilateral matters. A Chinese diplomat asserts that Iceland can serve as a role model for dealing with small countries.¹⁵⁹ Apart from expanding trade (see Appendix III), China’s economic engagement in the Nordic countries is limited to a small number of acquisitions; the level of Chinese investment remains modest.

In order to strengthen economic ties, China has negotiated a free trade agreement with Norway and completed such an agreement with Iceland, while an FTA with Sweden, Denmark or Finland is inconceivable due to their membership in the EU. That said, substantially higher up China’s agenda is an FTA with the EU, and the China–Iceland FTA should be viewed against this backdrop. As such, the main purpose of the agreement is likely to be its potential function as a sounding board and door-opener to European markets.

In June 2010, China also signed a three-year currency swap agreement with Iceland worth over US\$500 million, aimed at promoting bilateral financial cooperation and trade.¹⁶⁰ The deal is one of several swap agreements that the People’s Bank of China, China’s central bank, has signed since 2008 in order to increase international exposure to the Chinese currency, and potentially move towards convertibility. The agreement, which was extended for another three years in 2013, has yet to be utilised.¹⁶¹ Just as in the case of the FTA, the swap

¹⁵⁶ Ibid.

¹⁵⁷ For full-text versions of these agreements, see Ministry for Foreign Affairs of Iceland, *Free Trade Agreement between Iceland and China*, Published: 2013-04-15, Accessed: 2013-12-10; Central Bank of Iceland, *The People’s Bank of China and the Central Bank of Iceland Have Renewed Currency Swap Agreement*, Published: 2013-09-30, Accessed: 2013-12-10; and Xinhua, *Joint Statement Between China and Denmark on Establishment of Comprehensive Strategic Partnership*, Published: 2008-08-25, Accessed: 2013-12-10.

¹⁵⁸ Interview #15, 2013-10-21.

¹⁵⁹ Interview #20, 2013-10-01.

¹⁶⁰ Ward, Andrew, *Iceland Secures China Currency Swap Deal*, Financial Times, Published: 2010-06-09, Accessed: 2014-03-10; Xinhua, *China, Iceland Extend Currency Swap Deal*, Published: 2013-09-30, Accessed: 2014-03-10.

¹⁶¹ Interview #27, 2013-10-31.

agreement could be of symbolic importance to China, and if it is not utilised that may be its main purpose.

China has established over 20 strategic partnerships with countries around the globe. To date, Denmark is the only Nordic country to sign such an agreement with China. The two countries agreed in 2008 to establish a “comprehensive strategic partnership”, aiming to promote cooperation in areas including science and innovation. The extent to which it is “comprehensive” and “strategic” in nature may be limited, as reflected by a Chinese diplomat who states that the main purpose of the partnership was that both sides felt a need to “upgrade” the relationship, reflecting existing good relations.¹⁶² A Danish official refers to the partnership agreement as a declaration without any real content – bilateral cooperation is not affected and exchanges of visits are what really matters.¹⁶³ Again, there are expectations from the Chinese side that the agreement with Denmark could create an interest in other Nordic countries to establish similar arrangements.¹⁶⁴

3.4.1 The China–Iceland FTA

China and Iceland agreed in April 2013 to establish an FTA, which was ratified by the Icelandic Parliament in January 2014. The FTA will enter into force when legal procedures of acceptance in both countries have been concluded.¹⁶⁵ The finalised agreement should be viewed in the context of Chinese priorities to gain a larger foothold in European economies and as a potential “side door” to the EU, which has yet to acknowledge China as a full market economy.¹⁶⁶ Moreover, Iceland has been a training ground for Chinese diplomats and bilateral trade negotiators engaged in the Sino-Icelandic FTA dialogue.¹⁶⁷

Formal negotiations on the FTA began as early as April 2007 and went on until the fourth round in April 2008, after which the process slowed down considerably due to events in both countries. In China, the earthquake in China’s Sichuan province in May and the Beijing Olympic Games in August required attention from Chinese policymakers. The launch of FTA talks with Norway in September and ongoing FTA negotiations with other countries meant that Chinese negotiators had fewer resources for engagement with Reykjavik.

¹⁶² Interview #15, 2013-10-21.

¹⁶³ Interview #14, 2013-10-21.

¹⁶⁴ Interview #15, 2013-10-21.

¹⁶⁵ Ministry for Foreign Affairs of Iceland, *Parliament Adopts Iceland–China Free Trade Agreement*, Published: 2014-01-30, Accessed: 2014-02-28.

¹⁶⁶ Lanteigne, Marc, *Northern Exposure: Cross-Regionalism and the China–Iceland Preferential Trade Negotiations*, The China Quarterly 202 (2010).

¹⁶⁷ Jónsson, Örn D., Hannibalsson, Ingjalður and Li Yang, *A Bilateral Free Trade Agreement between China and Iceland*, Published: October 2013, Accessed: 2013-12-10.

Meanwhile, Iceland was plunged into recession towards the end of 2008, with the collapse of its three biggest banks in early October.¹⁶⁸

When the newly elected Icelandic coalition government decided in early 2009 to apply for EU membership, China called for a suspension of the FTA talks: Icelandic EU membership would invalidate the agreement. FTA negotiations were resumed in April 2012 during the official visit to Iceland by Chinese Premier Wen Jiabao, and resulted in an agreement during the official visit to China of Jóhanna Sigurðardóttir, Iceland's prime minister at the time.¹⁶⁹

While Chinese Premier Li Keqiang has dubbed the FTA a “major event in China-Iceland relations”, an Icelandic official asserts that it is far from obvious what the Chinese side has to gain from it. Indeed, a market of 320,000 people is not likely to be a priority for Chinese policymakers. During the FTA negotiations, Chinese officials have stressed that Iceland would be the first European country to establish an FTA with China, which an Icelandic official states has no relevance beyond the symbolic.¹⁷⁰

The FTA's relevance to China is, rather, mainly as an “ice-breaker” to European markets. Wen Jiabao stated during his visit to Iceland in 2012 that the FTA would “act as a model for others”.¹⁷¹ Moreover, the FTA means that Iceland – unlike the EU – has recognised China as a market economy. The EU's refusal to grant China market economy status remains one of the most contentious issues in Beijing's relationship with Brussels. In this sense, the FTA with Iceland is a “side-door approach” to further engagement with the European economy.¹⁷²

Free trade agreements and negotiations with the European Free Trade Area (EFTA) countries – Iceland, Liechtenstein, Norway and Switzerland – should be seen in the context of China's ambition to reach an FTA with the EU. They also demonstrate to the EU that China is willing to engage with small economies. Iceland provided a way for China to demonstrate that it is not interested in aiming only at trade partners over a certain size.¹⁷³

Asked to elaborate on China's interests in an FTA with Iceland, a Chinese diplomat simply stated that there was no special purpose behind the agreement, that “any market is important to China”, “bilateral trade is important for any country”, and that China's foreign policy is “based on mutual respect and benefit”. Moreover, as has become a common theme among Chinese officials

¹⁶⁸ Ibid.; Granholm, Niklas and Malminen, Johannes, *Islands strategiska ställning – en probleminventering [Iceland's Strategic Position. An Inventory of the Issues]*, Swedish Defence Research Agency (FOI), Published: July 2011.

¹⁶⁹ Jónsson, Hannibalsson and Li, *A Bilateral Free Trade Agreement...*

¹⁷⁰ Interview #25, 2013-10-30.

¹⁷¹ Chen and Gao, *Former Ambassador: to Iceland, China Not Far Apart.*

¹⁷² Lanteigne, *Northern Exposure...*

¹⁷³ Interview #23, 2013-10-15.

regarding China's interests in the Nordic region, China does not differentiate between bigger or smaller economies: "No matter if we're big or small, we have to treat each other as equals... Any country, no matter how small, has its strong points." China, as a diplomat puts it, "will cooperate with any country that is friendly to China".¹⁷⁴

In late 2010, China was in the final stages of negotiations with Norway to ink in its first European FTA. China however suspended these talks in reaction to the 2010 Nobel Peace Prize announcement in October the same year. The Sino-Norwegian FTA would have involved seafood and offshore drilling technologies.¹⁷⁵ China also signed an FTA with Switzerland in July 2013.

While the FTA with Iceland will bring negligible economic effects for China, the two major areas of interest in the agreement relate to exports of seafood and geothermal energy.¹⁷⁶ An Icelandic official suggests that access to geothermal energy and related technologies is China's top priority in Iceland.¹⁷⁷

There has been some speculation in Iceland that acquisitions of land, such as the attempt by Chinese businessman Huang Nubo to acquire land for a resort, would be facilitated under the FTA. Icelanders have also been concerned that the FTA could lead to an influx of Chinese workers. However, while the agreement is aimed at enhancing economic ties between the countries, there is nothing in the FTA that facilitates the movement of personnel or gives China the right to buy land in Iceland.¹⁷⁸

3.5 Improving perceptions of China

Media reporting in the Nordic countries on social and political issues in China is portrayed by Chinese interlocutors as having a negative bias. Chinese officials are concerned with what they see as a predominantly stereotypical image of Chinese policies, in line with other "mainstream Western media" (the *New York Times*, the BBC and CNN are specifically mentioned), and want to correct what they see as misconceptions about China's domestic policies and its role in international affairs.

At the same time, Nordic media are seen as being more "objective" in economic affairs.¹⁷⁹ That said, officials note a tone of mistrust towards China in local Nordic media in economic reporting, negatively affecting public perceptions of Chinese investment in the region. As a Chinese diplomat puts it, "the atmosphere

¹⁷⁴ Interview #29, 2013-10-31.

¹⁷⁵ Interview #23, 2013-10-15.

¹⁷⁶ Ibid.

¹⁷⁷ Interview #25, 2013-10-30.

¹⁷⁸ Ibid.

¹⁷⁹ Interview #15, 2013-10-21.

is quite alarmist.”¹⁸⁰ In general, Chinese interlocutors express a wish that Western media would focus more on positive aspects than on “negative matters”, such as issues involving political dissidents.¹⁸¹

Faced with these challenges, Chinese diplomats are striving to “provide the full picture” and attempt to promote a positive and “objective” image of China when the opportunity arises.¹⁸² Hence, staffs at the embassies’ political sections as well as the ambassadors are trying to reach out to the media in order to influence public opinion in the Nordic countries.

China’s ambassador to Iceland, Ma Jisheng, who served as deputy director-general of the Chinese Foreign Ministry’s Information Department prior to his move to Reykjavik, has been particularly active, with numerous articles published in Icelandic newspapers. For example, on 16 January 2014 Ma and China’s ambassador to Norway, Zhao Jun, had opinion pieces published in local newspapers in which they reacted to Japanese Prime Minister Shinzo Abe’s visit to the Yasukuni shrine the previous month.¹⁸³

Finnish media are seen as painting a more positive picture of China, but the Chinese embassy nevertheless occasionally contacts journalists to provide information and material about affairs of interest to China. For instance, the embassy arranged a seminar in Helsinki in 2012 where Chinese experts on ethnic minorities participated, and also invited journalists for a separate seminar on the 18th Party Congress, but noted that neither meeting resulted in any considerable media coverage. An official at the embassy emphasises that these contacts should not be interpreted as attempts to influence media reporting in the country.¹⁸⁴

Similar information efforts have taken place in the other Nordic countries. A delegation of Chinese Tibet scholars visited Stockholm and Copenhagen in November 2013, with the mission to “remove prejudice” in matters relating to Tibet and to “promote friendship and interaction” between China and Europe.¹⁸⁵

¹⁸⁰ Ibid.

¹⁸¹ Interview #18, 2013-10-23.

¹⁸² Interview #15, 2013-10-21; Interview #18, 2013-10-23.

¹⁸³ Several of China’s ambassadors in Europe have published criticisms of Abe’s decision to visit the shrine, which they see as a reflection of rising militarism in Japan. The shrine is dedicated to Japan’s war dead, including top war criminals. Ma Jisheng, *Hvernig skal túlka virðingarfött þjóðhöfðingja til stríðsglæpamanna? [How Should One Interpret a Prime Minister Paying Homage to War Criminals?]*, Visir, Published: 2014-01-16, Accessed: 2014-03-10; Ma Jisheng, *Gliittir í sannleikann [We Glimpse the Truth]*, Visir, Published: 2014-02-13, Accessed: 2014-03-10; Zhao Jun, *Om á kjenne sin besøkelsestid [Knowing When to Visit]*, Aftenposten, Published: 2014-01-16, Accessed: 2014-03-10.

¹⁸⁴ Interview #18, 2013-10-23.

¹⁸⁵ Chen Xuefei, *中国藏学家代表团访问瑞典举行学术讲座 [Delegation of Chinese Tibet Scholars Visit Sweden, Hold Academic Lecture]*, NordicChinese Times, Published: 2013-11-18, Accessed: 2013-12-03.

To endorse the Communist Party's interpretation of issues relating to Tibet, similar delegations had visited Stockholm in November 2006 and June 2009.

The Information Office of the State Council also dispatched delegations with Tibet scholars to Oslo, Copenhagen and Helsinki in October–November 2008.¹⁸⁶ In November 2011, a similar delegation visited Helsinki. These delegations have held seminars at universities as well as meetings with officials, scholars and journalists, and have witnessed “substantial misconceptions” in regard to what Chinese officials refer to as the “Tibet issue”.¹⁸⁷

While the media coverage of China is seen as unfairly negative, some expect that this may change in coming years. As one diplomat puts it, “people are starting to see China from a new perspective, because of the increasing interest in China”.¹⁸⁸

¹⁸⁶ Website of the National People's Congress, 全国人大西藏代表团首次访美展示真实西藏 [*Tibetan Delegation of the National People's Congress Visit the U.S. for the First Time, Revealing the Real Tibet*], Published: 2009-03-19, Accessed: 2013-12-03.

¹⁸⁷ See, for example China Youth Online, 中国藏学家代表团在欧洲看到了什么 [*What the Chinese Tibet Scholar Delegation Experienced in Europe*], Published: 2009-01-21, Accessed: 2013-12-13.

¹⁸⁸ Interview #15, 2013-10-21.

4 Conclusions

China faces serious domestic challenges, prompting it to focus on development and security within its borders when engaging with the outside world as well. In the context of its relations with the Nordic countries, China is also motivated by demands at home. Hence, its priorities are closely linked to its ambition to achieve long-term sustainable economic growth in order to safeguard domestic political stability – i.e. the Chinese Communist Party’s continued monopoly on power.

This study shows that the Nordic countries remain low on China’s international agenda. That said, the facts that they have unique competences and are open to increased engagement with Beijing, and are also perceived as being easy to manage, make them important partners in China’s effort to forge closer ties with governments across the globe.

The report of the 18th Party Congress (November 2012), which outlines the Chinese Communist Party’s strategy over the next five years, states that China should absorb “advances in overseas science and technology” in order to improve its capabilities for innovation.¹⁸⁹ In the Nordic context, the region’s five countries offer a platform for learning and technology acquisition, but also potential access to larger markets and cooperation with a wider range of international actors.

Beijing’s inward focus also means that Chinese foreign policy is, to a large extent, reactive. In the 18th Party Congress report, the Party pledges to “never yield to any outside pressure” and to “protect China’s legitimate rights and interests overseas” when working to promote public diplomacy.¹⁹⁰ First and foremost, China’s core interests, a set of non-negotiable issues relating to non-interference in China’s internal affairs, are setting the stage for the five Sino-Nordic bilateral relationships. Primarily, this relates to Chinese insistence on countries not challenging Chinese political norms.

Given that China’s domestic challenges will remain for the foreseeable future, it is likely that Beijing will stick to its current political priorities in the Nordic region. That said, it cannot be ruled out that the Chinese government could modify its efforts to safeguard these priorities. Regarding core interests, for instance, China has so far mainly defended its concerns by diplomatic means. Attempts to influence public opinion – which have been rare – could be expanded further, especially if Beijing were to improve its capabilities to project

¹⁸⁹ Xinhua, *Full Text of Hu Jintao’s Report at 18th Party Congress*, Published: 2012-11-17, Accessed: 2014-03-04.

¹⁹⁰ Jakobson, Linda, *China’s Foreign Policy Dilemma*, Lowy Institute for International Policy, Published: February 2013; Xinhua, *Full Text of Hu Jintao’s Report at 18th Party Congress*.

soft power in line with its growing economic weight. Such public diplomacy efforts could be limited to specific issues, but would probably be aimed at improving the image of China in the long run.

In recent years – in particular since 2008 – the Chinese government has shown that it will not tolerate any interference in its domestic affairs. The diplomatic boycott of Norway has been in place for over three years and there seems to be no politically viable approach for Oslo to take in order to normalise relations. For example, political leaders who apologise to Beijing after having met with the Dalai Lama will usually witness a restoration of bilateral relations. However, Chinese interlocutors state that an apology is not expected; China needs Norway to guarantee that a similar situation will not recur – meaning that the Nobel Committee would be deprived of its right to select its laureates independently. If the Nobel dispute between China and Norway is a precedent, it is possible that Beijing is now ready to interfere in the internal affairs of other countries, in order to prevent others from interfering in its own internal affairs.

Unlike many other countries, including the United States, the Nordic countries have so far refrained from referring to “mutual respect for core interests” in their respective joint statements with China. This is not mere semantics. In essence, governments which subscribe to China’s core interests offer Beijing a preferential right of interpretation in regard to issues that entail, for example, national sovereignty and human rights. There is a wide range of shared interests that serve as the foundation for stable Sino-Nordic bilateral relations; however, the ability to acknowledge and to manage diverging interests is at least as crucial in the long term.¹⁹¹

Moreover, China has so far managed its relations with the Nordic countries on bilateral terms, on a country-by-country basis rather than as a group. China could, however, begin to promote its interests in the Nordic countries by establishing a cross-regional approach.¹⁹² Just as with China’s economic and trade cooperation with Central and Eastern European (CEE) countries,¹⁹³ such an approach would involve EU member states (Sweden, Denmark and Finland) as well as non-EU members (Norway and Iceland). While a Sino-Nordic platform could potentially increase the Nordic countries’ ability to promote any common interests vis-à-vis China, it could be problematic for two reasons: first, the Nordic countries have yet to create mechanisms for policy coordination and would therefore be in an inferior political position to Beijing; and, second, it

¹⁹¹ For more on this topic, see Christensen, Thomas J., *The Need to Pursue Mutual Interests in U.S.-PRC Relations*, Published: April 2011, Accessed: 2013-11-28.

¹⁹² Such a framework was suggested to the author by an official at China’s Ministry of Foreign Affairs in February 2014.

¹⁹³ The so-called “16+1 platform” was created on the initiative of Premier Wen Jiabao in 2012 and involves 16 CEE countries, of which 11 are members of both the EU and NATO.

could be perceived in Brussels as a move to divide the EU, thereby weakening its influence on China.

Finally, the range of Chinese political priorities – from technology and know-how to core interests – shows that China continues to value what the Nordic countries have to offer, not least relating to its own economic development. Despite the increasing interaction with China, there seems to be a lack of coordination between government entities even in terms of information sharing. In order to make the most out of China's interests, Nordic governments would gain from further coordinating efforts domestically between and among state actors and the business community.

Appendix I: Official Chinese delegations

Recent years have witnessed high activity in terms of political exchanges between China and the Nordic countries – with the exception of Norway. While the main trend has been an increase in ministerial visits *to* China, rather than *from* China, the number of Chinese high-level delegations to the Nordic region has been substantial.

Neither China's embassies nor the foreign ministries in the Nordic countries have been able to provide detailed information in regard to the number of official delegations visiting from China. Approximate numbers provided by Chinese diplomats (below), however, demonstrate a substantial activity in recent years. In addition to official delegations, i.e. on the vice-ministerial level and above, there are even more visits from delegations on the director-general level. A common purpose for many delegations on any level in visiting the Nordic countries is to meet with officials for discussions on *green technology*.

The activity in terms of delegations could however decline in coming years. As noted by a Chinese diplomat, measures initiated by President Xi Jinping to curb official corruption have resulted in new standards for overseas visits: delegations are now obliged to present measurable results from their travels, stating the value of each completed visit.¹⁹⁴

Number of Chinese official delegations visiting the Nordic countries annually (approximate figures provided by Chinese diplomats)¹⁹⁵

- Sweden: 60 (2008-2013)
- Norway: 30–40 (until October 2010)
- Denmark: 40–50 (2008-2013)
- Finland: 40–50 (2008-2013)
- Iceland: 16–18 (in 2012)

Notable high-level visits to the Nordic countries, 2006–2013¹⁹⁶

- Sweden
 - Yu Zhengsheng (member of Politburo Standing Committee, CPPCC chairman), June 2013
 - Wen Jiabao (premier), April 2012
 - Gen. Chen Bingde (PLA chief of general staff), May 2011
 - Liu Qi (Politburo member), September 2010

¹⁹⁴ Interview #15, 2013-10-21.

¹⁹⁵ Ibid.; Interview #13, 2013-10-16; Interview #29, 2013-10-31; Interview #18, 2013-10-23.

¹⁹⁶ Ministry of Foreign Affairs of the People's Republic of China, (*Official website*).

- Hua Jianmin (vice-chairman of the National People's Congress Standing Committee), May 2010
- Xi Jinping (vice-president), March 2010
- Jing Zhiyuan (commander of the PLA Second Artillery Corps¹⁹⁷), November 2007
- Norway
 - Liu Qi (member of the Politburo, secretary of the Beijing Municipal Party Committee), September 2010
 - He Guoqiang (member of the Politburo Standing Committee), June 2010
 - Gen. Chen Bingde (PLA chief of staff), September 2008
- Denmark
 - Yu Zhengsheng (member of Politburo Standing Committee, CPPCC chairman), June 2013
 - Hu Jintao (president/general secretary of the Chinese Communist Party), Yang Jiechi (minister of foreign affairs), June 2012
 - Yang Jiechi (minister of foreign affairs), October 2011
 - Zheng Wantong (CPPCC vice-chairman), June 2010
 - Hua Jianmin (vice-chairman of the National People's Congress Standing Committee), May 2010
 - Liang Guanglie (PLA chief of staff), May 2006
- Finland
 - Yu Zhengsheng (member of the Politburo Standing Committee, CPPCC chairman), May 2013
 - Gen. Zhang Haiyang (political commissar of the PLA Second Artillery Corps), April 2012
 - Xi Jinping (vice-president), March 2010
 - Gen. Guo Boxiong (vice-chairman of the Central Military Commission), May 2009
- Iceland
 - Ma Kai (vice-premier), October 2013
 - Wen Jiabao (premier), April 2012
 - Liu Qi (member of the Politburo, secretary of the Beijing Municipal Party Committee), September 2010
 - He Guoqiang (member of the Politburo Standing Committee), June 2010

¹⁹⁷ The Second Artillery Corps controls China's land-based missile forces.

Appendix II: Staff at China's embassies

The numbers of diplomatic staff at China's embassies in the Nordic region can be seen as an indication of the relevance Beijing attaches to each country. To offer a comparison, China's embassies in Washington and London employ about 200 and 100 staff, respectively.¹⁹⁸

Amount of diplomatic staff at China's embassies (approximate figures provided by Chinese diplomats)¹⁹⁹

- Stockholm: 40
- Oslo: >20
- Copenhagen: 30
- Helsinki: 30
- Reykjavik: 8

Note: China's embassy in Reykjavik is one of the largest diplomatic missions to Iceland; measured by the reported number of personnel, China's embassy is for example similar in size to the embassies of the United States, France and the EU and approximately double the size of India's embassy.²⁰⁰

¹⁹⁸ Interview #13, 2013-10-16.

¹⁹⁹ Ibid.; Interview #15, 2013-10-21; Interview #18, 2013-10-23; Interview #29, 2013-10-31. The information in this appendix reflects the personnel situation as of October 2013.

²⁰⁰ Ministry for Foreign Affairs of Iceland, *Diplomatic and Consular List*, Published: December 2012, Accessed: 2013-12-10. Staff members at selected embassies in Reykjavik according to the diplomatic list of 2012: China, 7; United States, 8; France, 7; EU, 7; India, 4.

Appendix III: China–Nordic trade

Bengt-Göran Bergstrand, FOI Defence Analysis

This Appendix illustrates how trade has developed between China and the five Nordic countries from 2000 up to 2012. All statistical data have been taken from the International Monetary Fund (IMF) publication *Direction of Trade Statistics* (DOTS) Yearbook, Volumes 2006- 2013. The DOTS yearbooks include export and import data in current US dollars (USD) for nearly all the countries of the world. The amounts reported in the DOTS show total exports from and total imports to countries but do not specify the goods traded.

In international statistics, including the DOTS, a distinction is often made between China (i.e. mainland China), Hong Kong and Macau. In this Appendix, the term “China” consequently refers only to mainland China, while the term “China+” refers to the three Chinese entities added together.

The Appendix consists of three parts. The *first* part illustrates the Nordic countries’ share of Chinese exports and imports. The *second* part makes some comparisons between the Nordic countries, with the *third* part providing more detailed data for each of the five Nordic countries.

The main conclusion of the data reviewed and the appraisal made in this Appendix is that China plays an increasingly significant role as a trading partner for all the Nordic countries, not only in absolute terms but also in relation to the Nordic countries’ total trade.²⁰¹

²⁰¹ It should also be added that the analysis here made based on DOTS data could naturally also be replicated for assessing and discussing trade flows between other countries, using a similar methodology and approach. Moreover, the Excel sheet used for drawing the graphs in this Appendix may easily be updated when new data become available. It may also be noted that in this Appendix, similar scales are used for the graphs and that the same colouring is used for each country, to facilitate comparisons.

Appendix III.1: The Nordic countries as markets for Chinese exports and as suppliers of Chinese imports

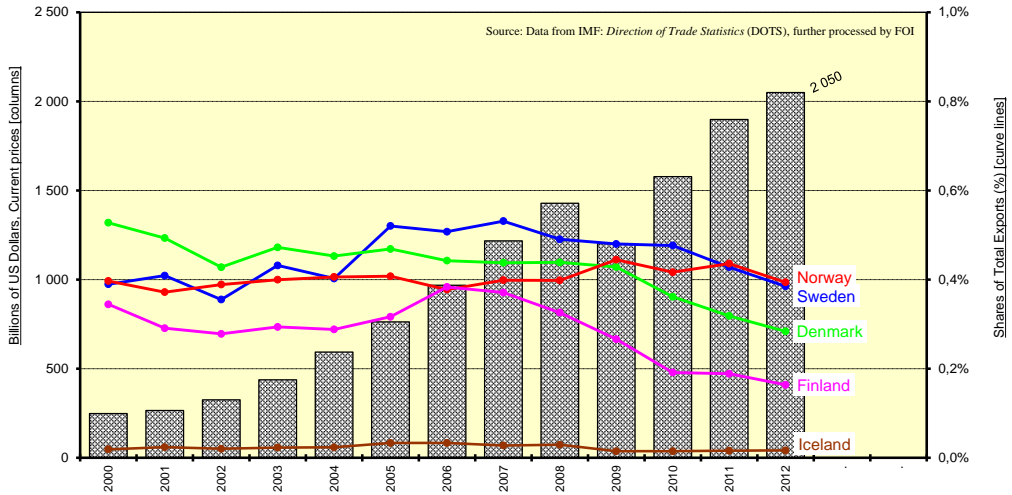
The columns in graphs I:A and I:B show Chinese exports and imports. Thus, in the year 2012, Chinese exports amounted to 2,050 billion USD while Chinese imports amounted to 1,817 billion USD, giving China a trade surplus of about 233 billion USD, an amount comparable to the Danish total gross domestic product (GDP).

Both Chinese exports and imports have risen rapidly during the period shown in the two graphs; total trade (export + imports) was more than eight times higher in 2012 than in 2000. With the global economic crisis, both exports and imports declined, temporarily, in 2009, but then continued to rise anew in 2010–12.

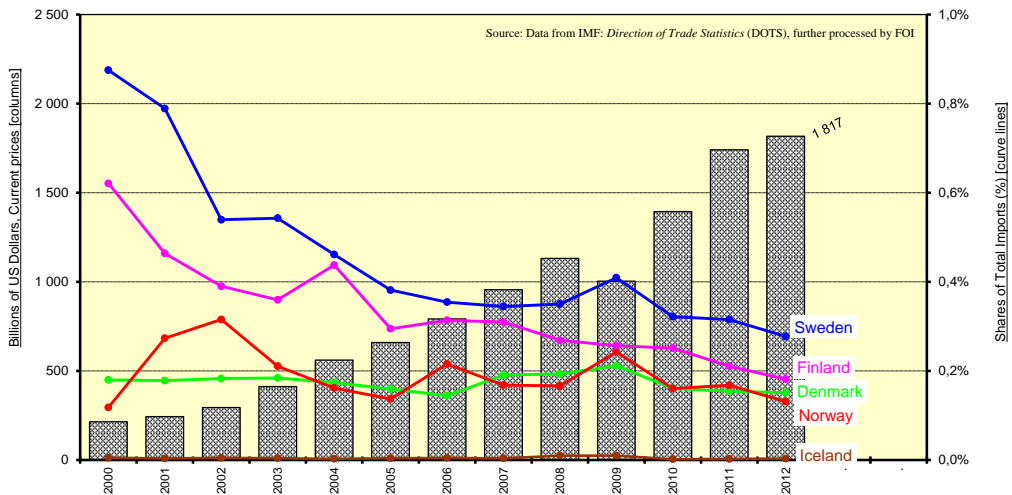
About two thirds of China's exports are destined for advanced economies including the United States, Japan and the major EU countries. In 2012, as illustrated by Graph I:A. Norway and Sweden each took about 0.4 percent of all Chinese exports, Denmark about 0.3 percent and Finland 0.2 percent. Hence, the Nordic market accounted for about 1.25 percent of China's total exports. Since 2007, this Nordic share has declined slightly, despite growing Chinese exports to Nordic countries. This decline is explained by a more rapid increase in Chinese exports to other countries, meaning that the Nordic share has decreased in relative terms.

Graph I:B shows that Chinese imports from the Nordic countries amounted to about 0.8 percent of China's total imports in 2012, reflecting a relative decline from 1.8 percent in the early 2000s. The graph also shows that Denmark and Norway have accounted for a fairly stable share of Chinese imports during the period, while imports from Finland and Sweden have decreased.

I:A China (Mainland): Total Exports & Exports to Nordic Countries,
 Billions of US Dollars, Current prices [columns] -/- Shares of Exports to Nordic Countries [lines]



I:B China (Mainland): Total Imports & Imports from Nordic Countries,
 Billions of US Dollars, Current prices [columns] -/- Shares of Imports from Nordic Countries [lines]



Appendix III.2: China as a market for Nordic exports and as a supplier of Nordic imports

The three pairs of graphs on the following three pages compare developments in Sino-Nordic trade as between the five Nordic countries. The upper graph on each page shows Nordic trade with “China+” in millions of US dollars, while the accompanying graphs on the lower part of these pages show the trade with China+ as a percentage of each country’s total trade.

The graphs in this section show that China+ has become an increasingly important trade partner for the Nordic countries, not least in its role as a source of imports (the Nordic countries usually run a large deficit in their trade with China). Graph II:C-1 shows that Nordic total trade (exports plus imports) with China+ nearly quadrupled during the period (from about 11.4 billion USD in 2000 to about 43.1 billion USD in 2012). Similarly, Graph II:C-2 shows that Nordic trade with China+ has also increased more rapidly than Nordic trade in general. In 2000, trade between the five Nordic countries and China+ averaged about 4.9 percent of total trade, a level that in 2012 had doubled to 9.9 percent, suggesting that Nordic trade with China is currently twice as important as it was ten years ago. When such percentages on the importance of China for Nordic trade are compared to similar percentages on the importance of the Nordic countries for Chinese trade, discussed in the previous section, it can also be said that China is more important for the five Nordic countries than the five Nordic countries are to China.

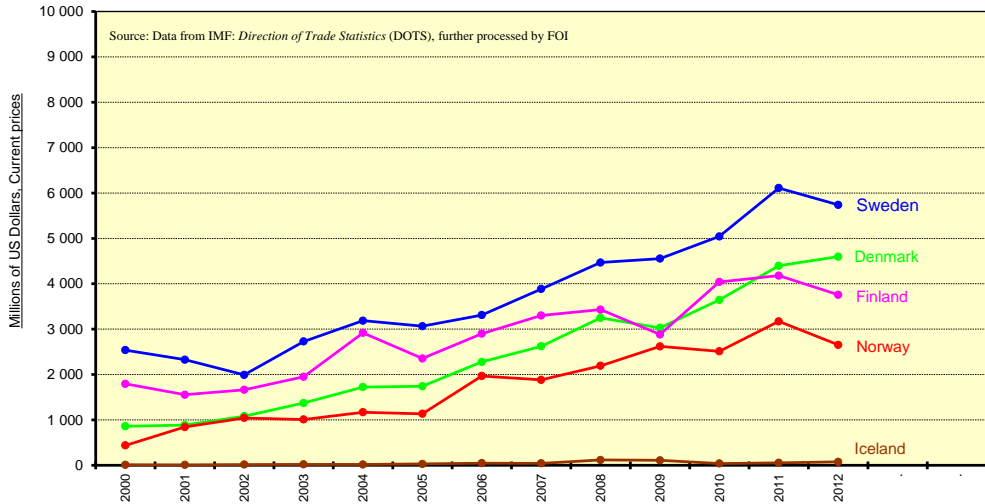
There is, however, also an interesting difference between Nordic export and import trends with regard to the economic crisis in 2009. In all five Nordic countries, Nordic imports from China+ dipped in 2009 (albeit temporarily in all countries apart from Finland), while Nordic exports were roughly stable in this crisis year.

Although there are great similarities between the five Nordic countries regarding their trade with China+, there are also some differences. While Swedish exports to China+ are the largest in absolute terms (Graph II:A-1), Finland is the country with the largest exports to China+ in relative terms (Graph II:A-2).

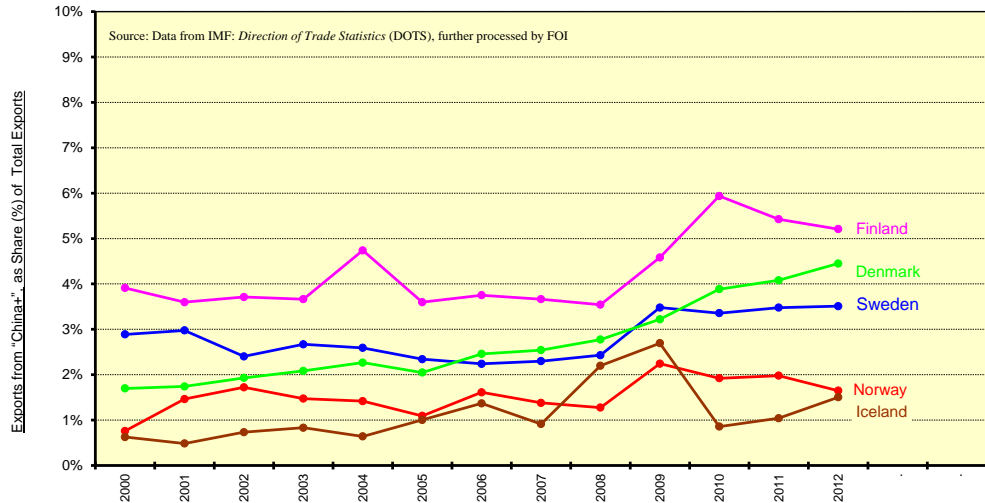
Similar observations can also be made regarding imports from China. Measured in US dollars, Swedish and Norwegian imports from China+ are of comparable size, and have also developed in a similar way (Graph II:B-1). Sweden’s imports from China+ accounted for roughly 5 percent of total Swedish imports in 2012, while Norway’s imports from China+ constituted more than 9 percent of total Norwegian imports (Graph II:B-2).

II:A-1 Nordic Countries: Exports to "China+"

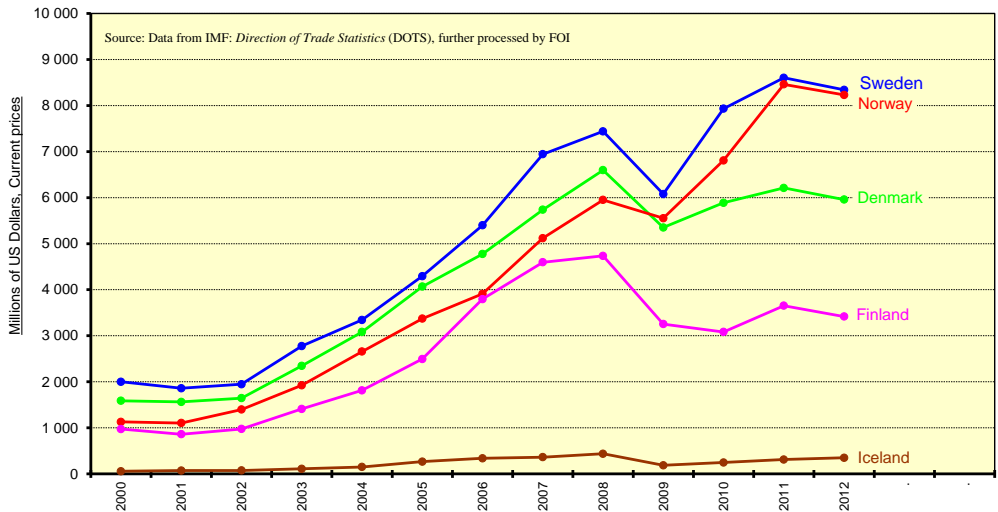
Aggregated Exports for China Mainland, Hong Kong and Macau; Millions of US Dollars, Current Prices

**II:A-2 Nordic Countries: Exports to "China+"**

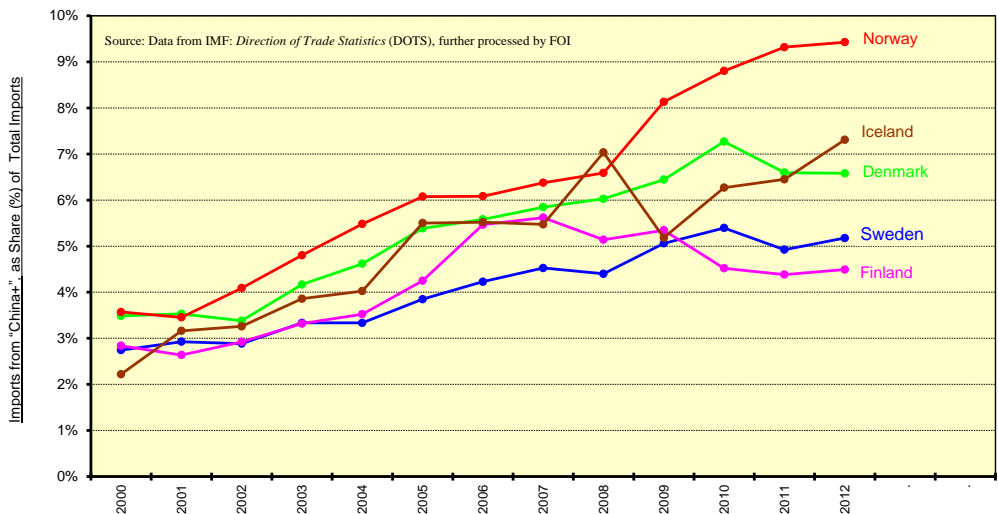
Aggregated Exports for China Mainland, Hong Kong and Macau as Share (%) of Total Exports



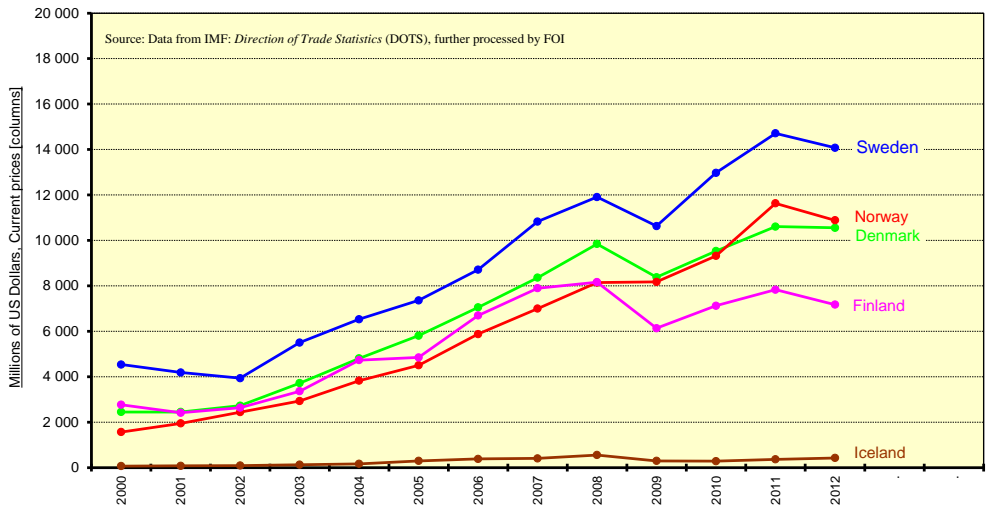
II:B-1 Nordic Countries: Imports from “China+”,
Aggregated Imports for China Mainland, Hong Kong and Macau; Millions of US Dollars, Current Prices



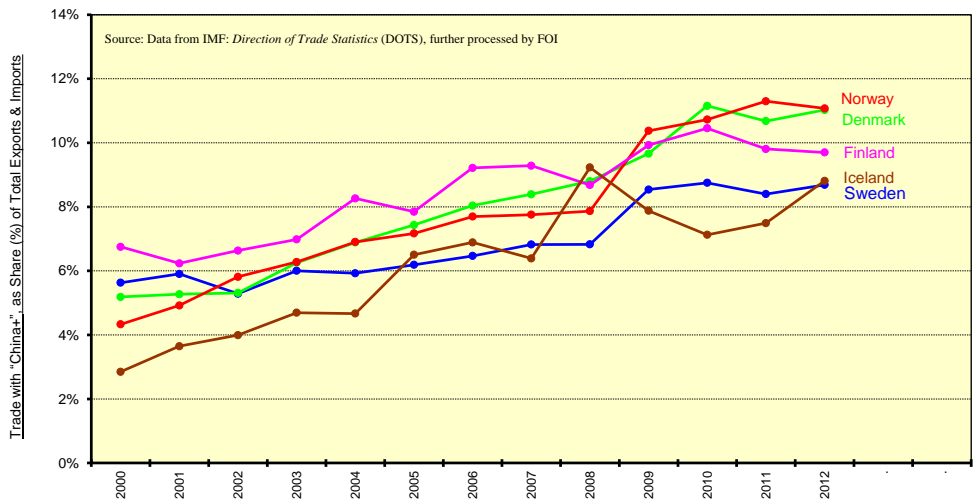
II:B-2 Nordic Countries: Imports from “China+”,
Aggregated Imports for China Mainland, Hong Kong and Macau as Share (%) of Total Imports



II:C-1 Nordic Countries: Total Trade (Exp.+ Imp.) with “China+”,
Aggregated Data for China Mainland, Hong Kong and Macau; Millions of US Dollars, Current Prices



II:C-2 Nordic Countries: Total Trade with “China+”,
Aggregated Data for China Mainland, Hong Kong and Macau as Share (%) of Total Trade



Appendix III.3: A further analysis of Nordic trade developments and Nordic trade with China

This section includes four graphs for each of the five Nordic countries, shown on five successive openings. The graphs numbered 1 and 2 show the imports from and exports to mainland China, Hong Kong and Macau, although data for Macau are minimal and not visible in the graph. The black curve line shows imports from and exports to China+ as a percentage of total imports and total exports for the country concerned. Graph 3 for each country compares imports from China+ with exports to China+, by placing a column (in red) showing imports beside a column (in green) showing exports. (As the imports of a recipient country are the exports of a supplier country, the data showing a country's Chinese imports also illustrate how Chinese exports to this country have developed.) Graph 4 is something of an addendum, showing total imports and total exports as columns, and as shares, in percentage terms, of GDP.

Looking at these five openings, the following observations can be made.

Sweden has often had a minor trade surplus in its overall trade, though in the last few years Swedish total exports and total imports have been of a similar size (Graph III:A-4). In its trade with China+, Sweden had a small surplus in the early 2000s which was reversed to a deficit in 2003. In 2012, Swedish imports from China amounted to about 8.3 billion USD, while Swedish exports to China were about 5.7 billion USD (Graph III:A-3).

Denmark shows a pattern which in several ways is similar to that of Sweden, though Denmark still shows a surplus in its overall trade balance, having higher total exports than total imports (Graph III:B-4). Danish imports from China+ have, however, been higher than Danish exports to China+ throughout the 2000–2012 period (Graph III:B-3). A significant share of Danish exports is also destined for Hong Kong and not for mainland China (Graph III:B-2).

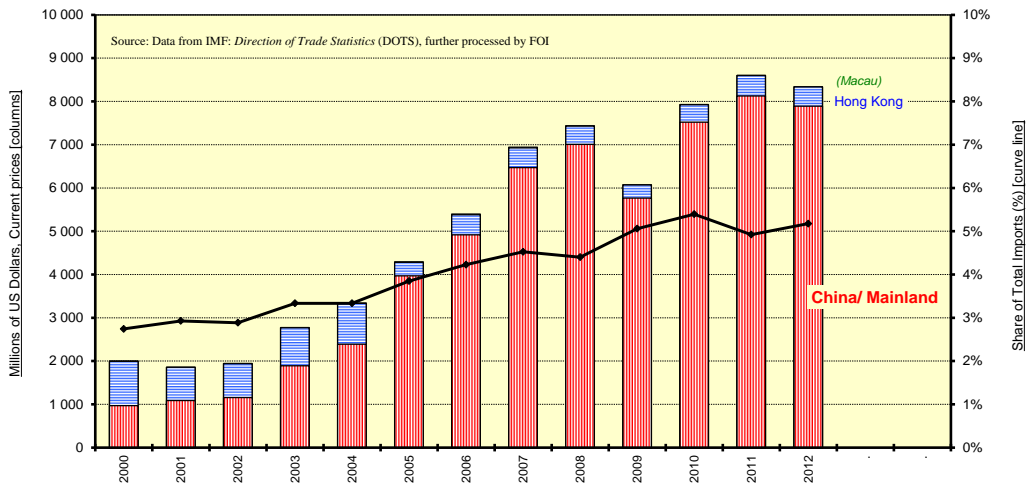
Norway's total exports are significantly larger than total imports, a fact that is explained by its high oil and gas exports. In 2012, the Norwegian trade surplus amounted to about 75 billion USD, equivalent to about 15 percent of Norway's GDP (Graph III:C-4). The Norwegian trade balance with China has, however, always been marked by a deficit (Graph III:C-3). As noted above, Norwegian imports from China+ were around 8 billion USD in 2012, equivalent to more than 9 percent of Norway's total imports – the highest level among the five Nordic countries – while Norwegian exports to China+ were only some 3 billion USD (Graphs III:C-1 and III:C-2). Consequently, Norway in 2012 ran a trade deficit with China+ of some 5 billion USD.

Finland had a surplus in its overall trade balance up to 2008–09, but during the most recent years total imports have exceeded total exports (Graph III:D-4).

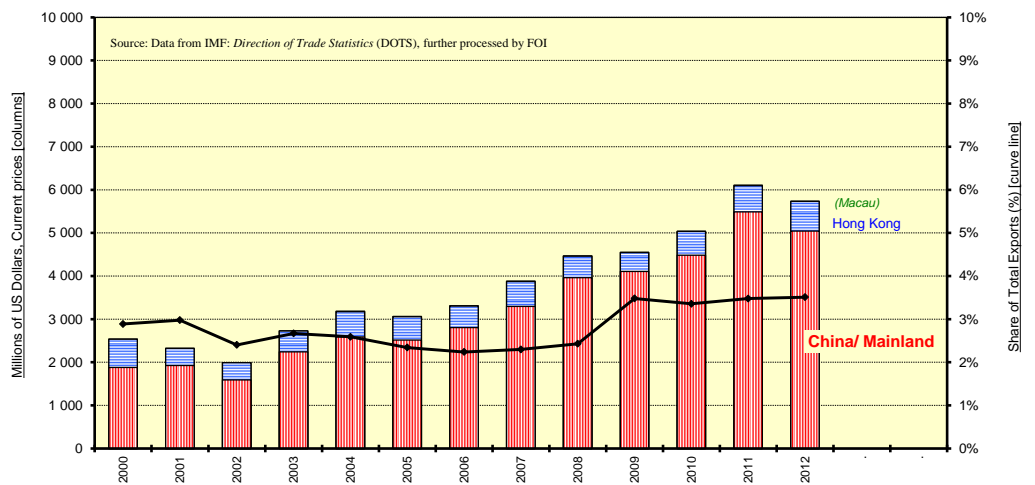
Finland has, however, had a surplus in its trade with China, both in the early 2000s and during the last few years (Graph III:D-3). For all Nordic countries, imports from China+ increased up to the economic crisis in 2009, when imports decreased. Apart from Finland, imports continued to rise during the following years, but in Finland imports have hitherto remained lower than they were before the 2009 crisis (Graph III:D-1). Finnish exports to China+ have, however, increased enough to give Finland a surplus in its trade with China+.

For *Iceland*, with its population of only 325,000 people, data in US dollars are of course much lower than for the other Nordic countries. Up to the economic crisis, Iceland ran a growing overall trade deficit, but since 2009, Icelandic total exports have exceeded total imports (Graph III:E-4). Icelandic trade with China+ is, however, marked by a large deficit (Graph III:E-3).

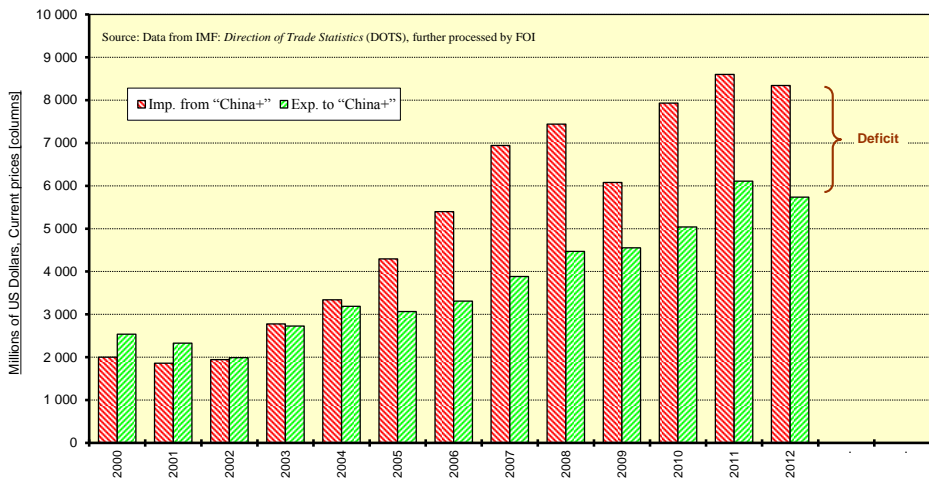
III:A-1 Sweden : Imports from China+,
Millions of US Dollars, Current Prices [columns] -/- Share of Total Imports (%) [black line]



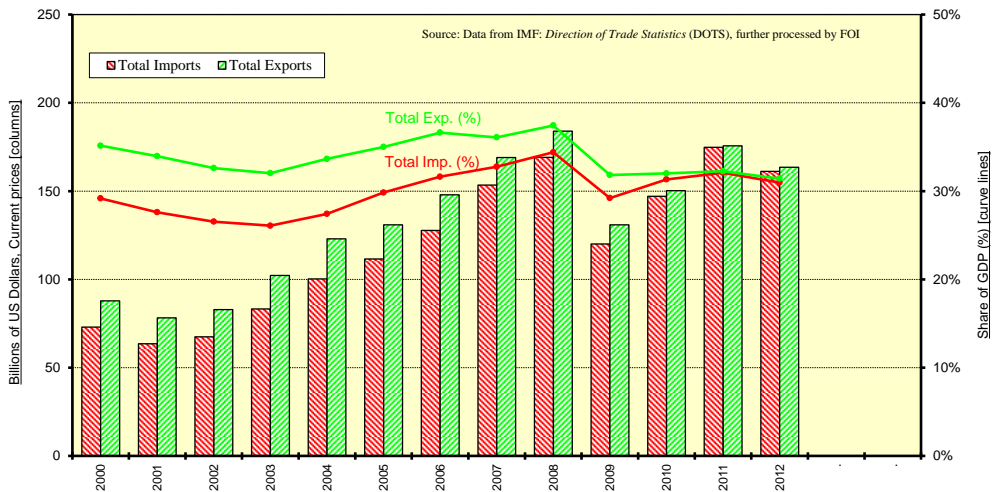
III:A-2 Sweden : Exports to China+,
Millions of US Dollars, Current Prices [columns] -/- Share of Total Exports (%) [black line]



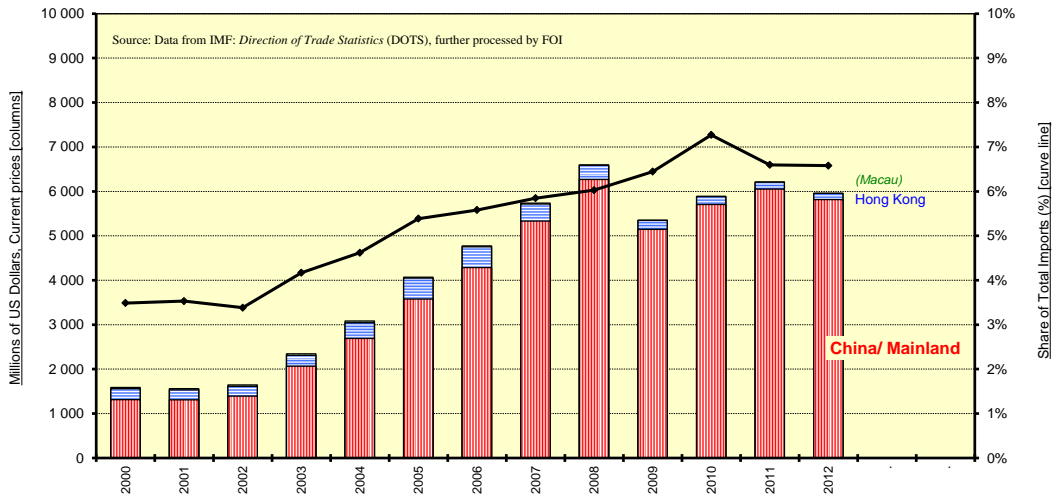
III:A-3 Sweden : Imports from and Exports to “China+”
Aggregated data for China Mainland, Hong Kong and Macao; Millions of US Dollars, Current Prices



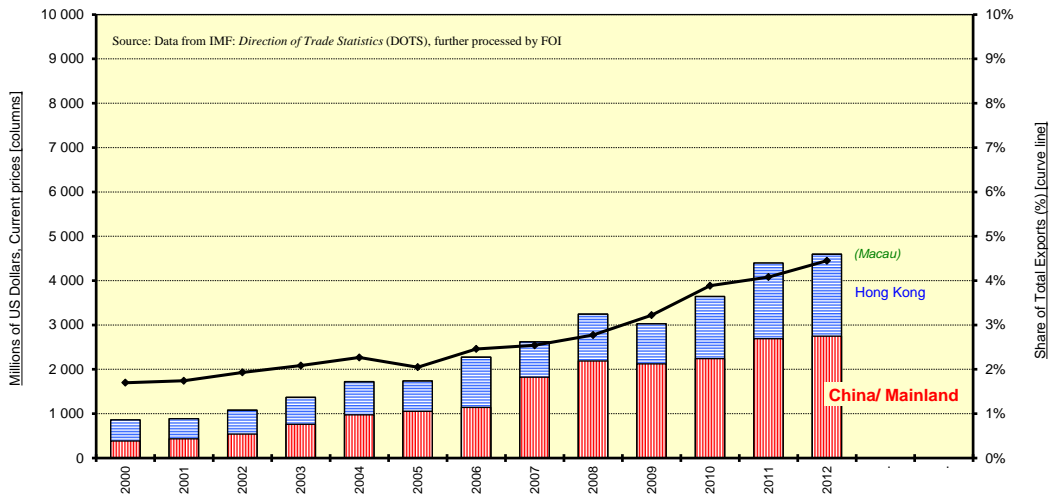
III:A-4 Sweden : Total Exports and Total Imports,
Billions of US Dollars, Current Prices [columns] +/- Share of GDP (%) [curve lines]



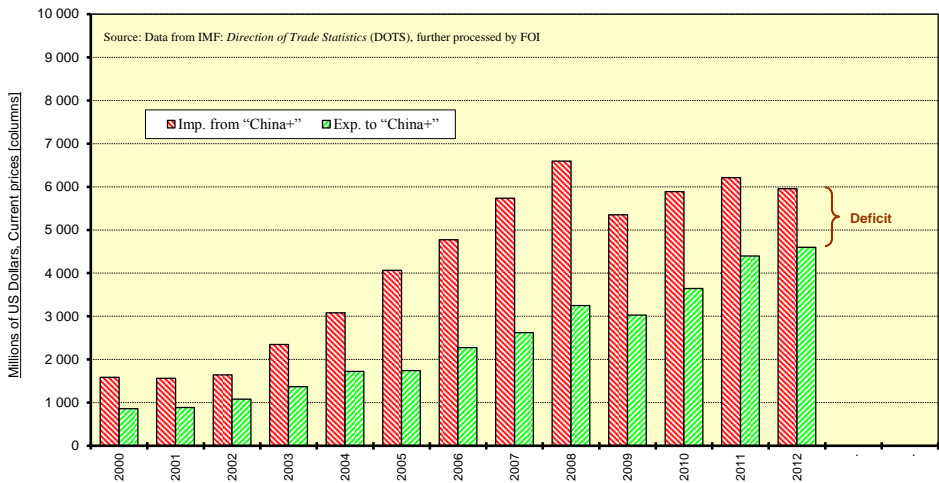
III:B-1 D e n m a r k : Imports from China+,
Millions of US Dollars, Current Prices [columns] -/- Share of Total Imports (%) [black line]



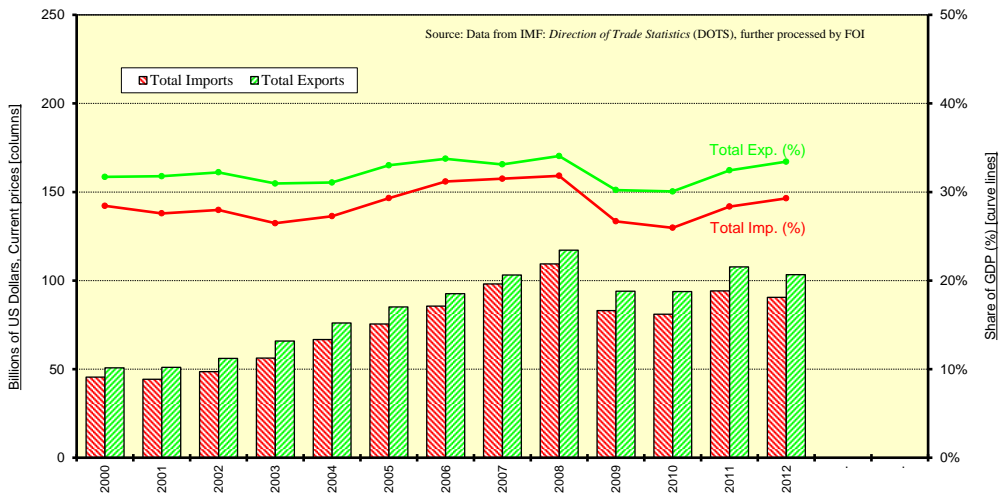
III:B-2 D e n m a r k : Exports to China+,
Millions of US Dollars, Current Prices [columns] -/- Share of Total Exports (%) [black line]



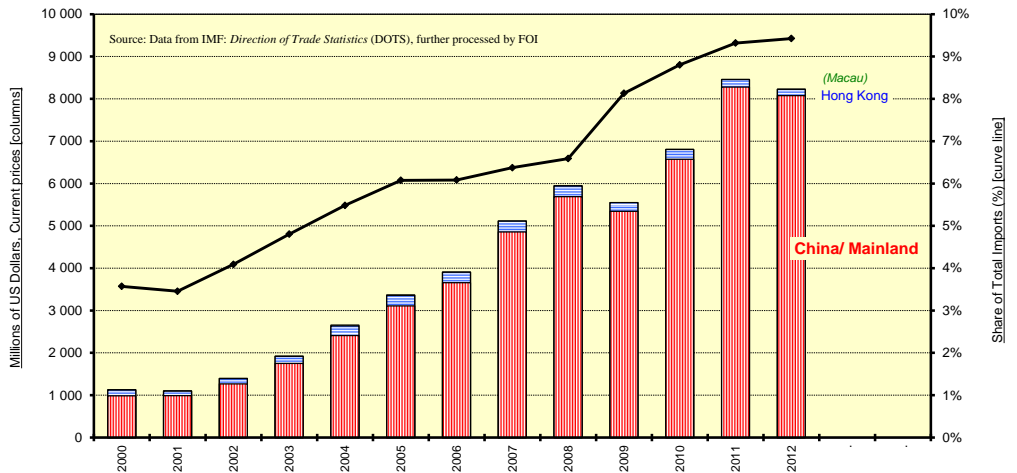
III:B-3 D e n m a r k : Imports from and Exports to “China+”
Aggregated data for China Mainland, Hong Kong and Macao; Millions of US Dollars, Current Prices



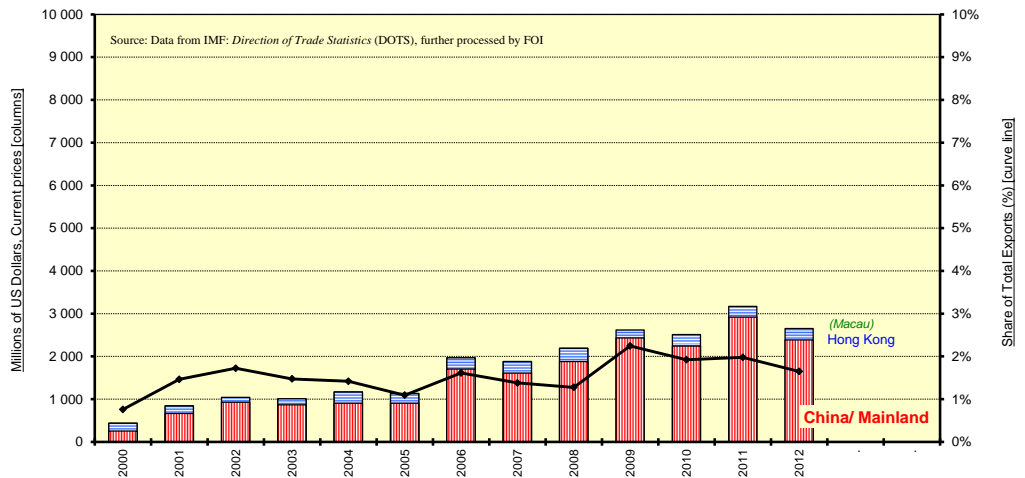
III:B-4 D e n m a r k : Total Exports and Total Imports,
Billions of US Dollars, Current Prices [columns] -/- Share of GDP (%) [curve lines]



III:C-1 Norway: Imports from China+,
Millions of US Dollars, Current Prices [columns] +/- Share of Total Imports (%) [black line]

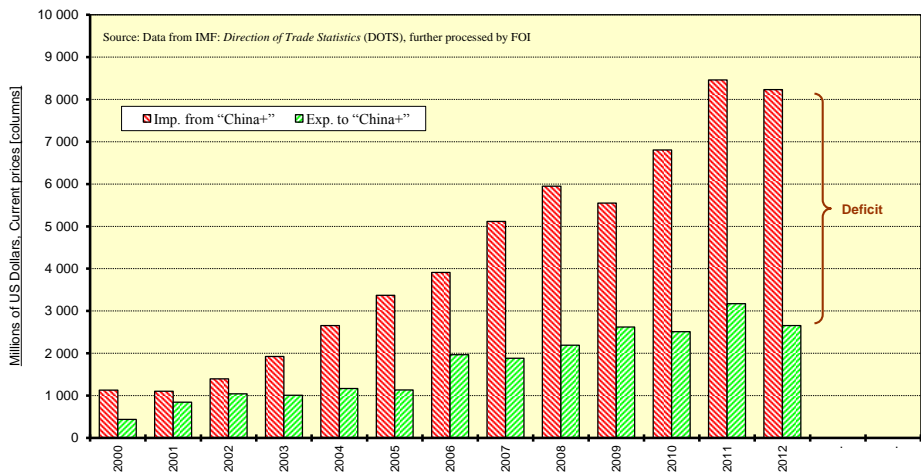


III:C-2 Norway: Exports to China+,
Millions of US Dollars, Current Prices [columns] +/- Share of Total Exports (%) [black line]



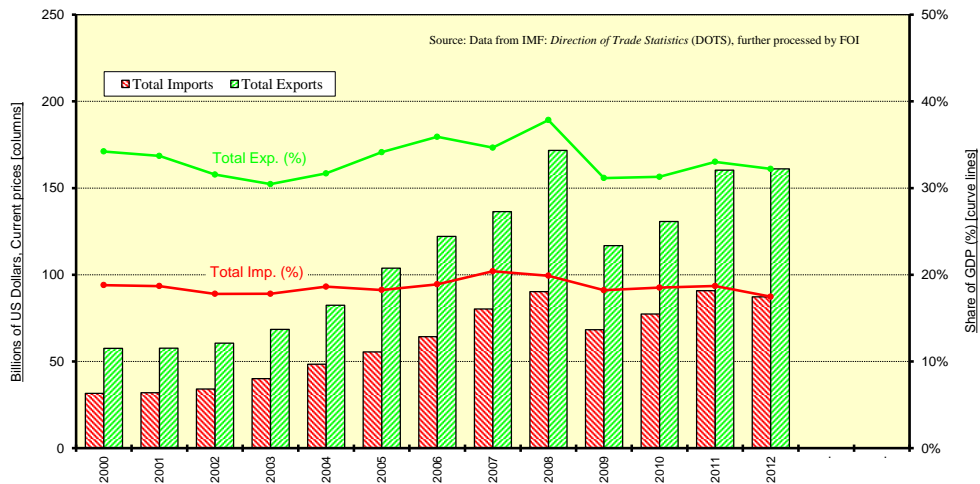
III:C-3 Norway : Imports from and Exports to “China+”

Aggregated data for China Mainland, Hong Kong and Macao; Millions of US Dollars, Current Prices

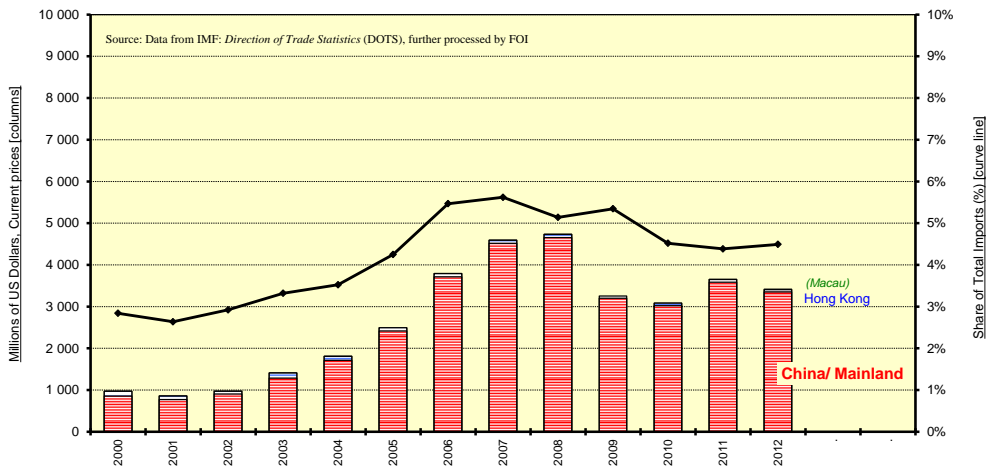


III:C-4 Norway : Total Exports and Total Imports,

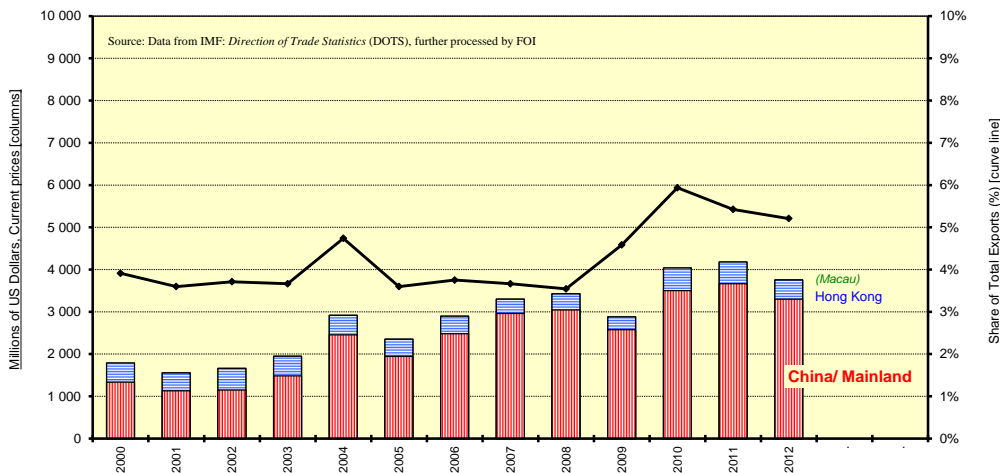
Billions of US Dollars, Current Prices [columns] +/- Share of GDP (%) [curve lines]



III:D-1 Finland : Imports from China+,
Millions of US Dollars, Current Prices [columns] +/- Share of Total Imports (%) [black line]

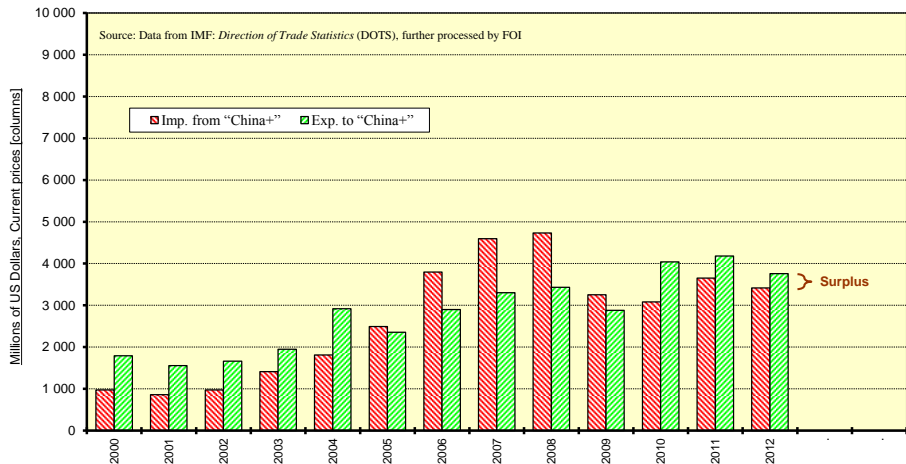


III:D-2 Finland : Exports to China+,
Millions of US Dollars, Current Prices [columns] +/- Share of Total Exports (%) [black line]



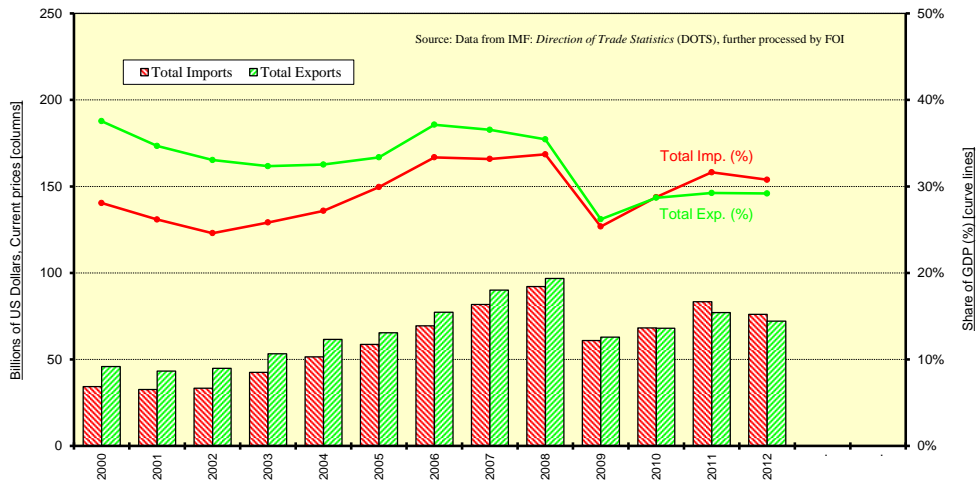
III:D-3 Finland : Imports from and Exports to "China+"

Aggregated data for China Mainland, Hong Kong and Macao; Millions of US Dollars, Current Prices

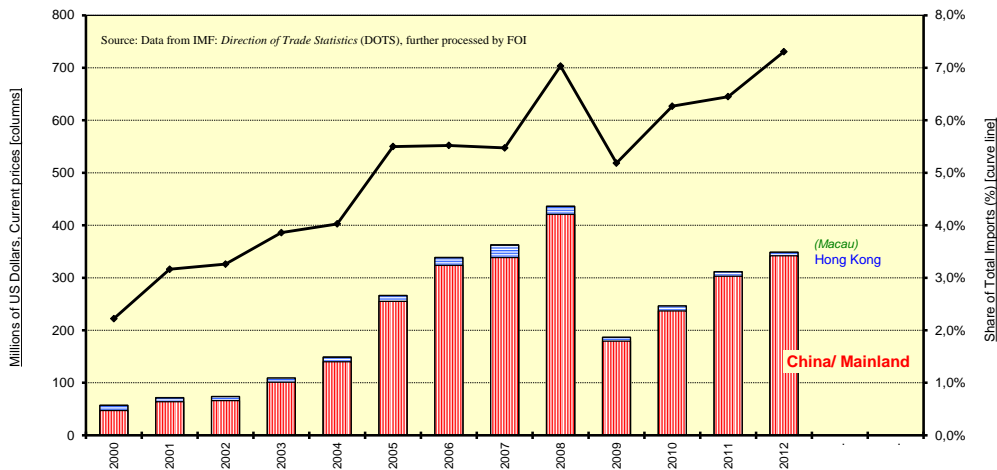


III:D-4 Finland : Total Exports and Total Imports

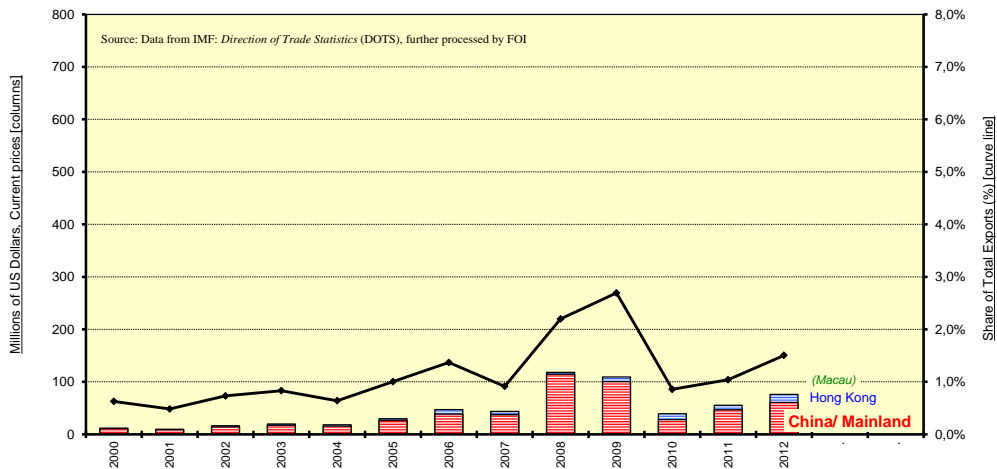
Billions of US Dollars, Current Prices [columns] -/- Share of GDP (%) [curve lines]



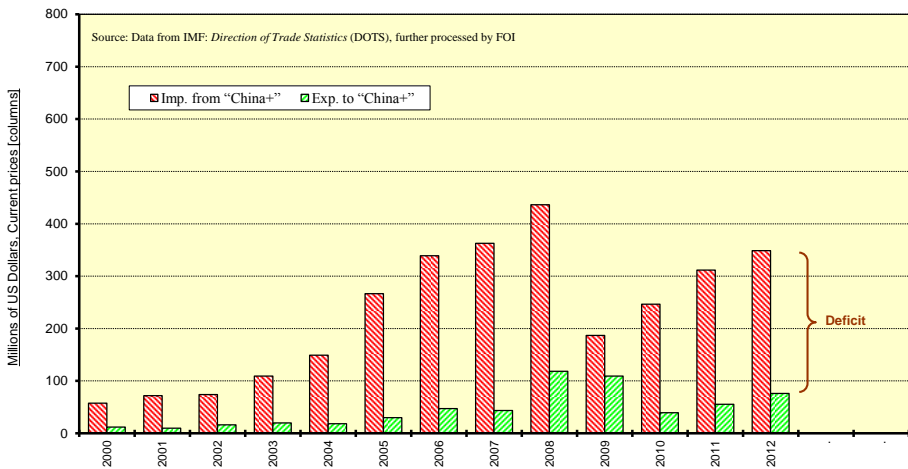
III:E-1 Iceland: Imports from China+,
Millions of US Dollars, Current Prices [columns] -/- Share of Total Imports (%) [black line]



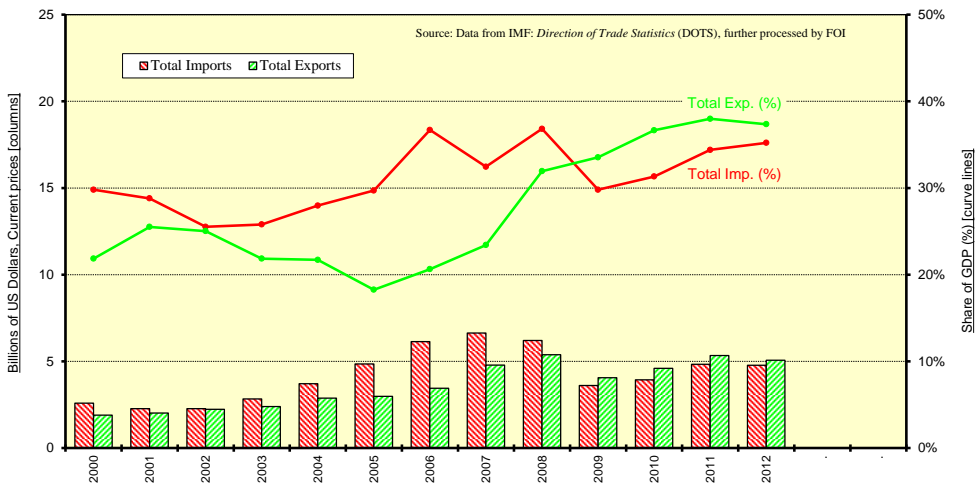
III:E-2 Iceland: Exports to China+,
Millions of US Dollars, Current Prices [columns] -/- Share of Total Exports (%) [black line]



III:E-3 Iceland : Imports from and Exports to “China+”
Aggregated data for China Mainland, Hong Kong and Macao; Millions of US Dollars, Current Prices



III:E-4 Iceland : Trade/ Total Exports and Total Imports,
Billions of US Dollars, Current Prices [columns] -/- Share of GDP (%) [curve lines]



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China's relations with great powers, neighbouring countries and developing economies are the key components of Chinese foreign policy. Hence, one can assume that the Nordic region appears far from frequently on China's foreign policy agenda. However, the sheer number of high-level visits to the five Nordic countries in recent years reflects a certain level of political interest from the part of China. Why do Chinese policymakers seem to pay so much attention to the Nordic countries?

This study offers a snapshot of China's priorities with the Nordic countries during the Hu Jintao/Wen Jiabao administration's second term and the first year of the Xi Jinping/Li Keqiang administration.