ANALYSIS

THE TALSINKI TUNNEL
Channeling Chinese Interests into the Baltic Sea

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INTRODUCTION

On 3 September 2019 at the Party School of the Central Committee of the Communist Party of China (CPC), the party’s General Secretary, Xi Jinping, gave a speech titled “Struggle” (斗争, douzheng), in which he referred to recent history: under Mao, the Chinese people had stood up (站起来, zhan qilai); under Deng and his successors they became rich (富起来, fu qilai); and under Xi’s rule, they would become powerful (强起来, qiang qilai).1

Internationally, Xi’s assertive foreign policy is best known for the Belt and Road Initiative (BRI), which is expected to increase trade between China and participating countries through infrastructural development. In Northern Europe, China is interested in developing the Polar Silk Road which, using the Northeast Passage route, could significantly cut down the transit time between Asia and Europe. The Tallinn–Helsinki connection should be seen as part of this route, which helps explain why the Chinese investor TouchStone Capital and state-owned construction companies have shown interest in building an undersea rail tunnel between Helsinki and Tallinn (the “Talsinki tunnel”).

Furthermore, the Polar Silk Road’s entry point to Europe would be a deep-sea port at Kirkenes, Norway, which the Chinese state-owned enterprise (SOE) COSCO has shown interest in developing.2 The promoter of the Talsinki tunnel, Finnish businessman Peter Vesterbacka, is also planning to build a rail connection with the help of the Chinese called the Arctic Railway, that would connect Kirkenes with the Finnish railway system by linking it with the city of Rovaniemi.3 If all these infrastructure projects are one day linked with the European connectivity project Rail Baltic, China’s Polar Silk Road could stretch from the Arctic as far as Warsaw and Berlin.

This paper will look at the Talsinki tunnel project from a broad strategic perspective related to China’s assertive foreign policy in the framework of the BRI. The first section gives an overview of the project, the BRI and existing links between Estonia, Finland and China. The second section analyses Chinese strategic interests through the BRI initiative in general and the Polar Silk Road in particular. In section three, the focus is on the motives of the host countries of the planned tunnel project and asks how well they resonate with Chinese interests in the region. The fourth section looks at the preparations made for the implementation of the project, and the fifth describes the Chinese state actors involved in the project. The final, largest section analyses the security risks involved in the implementation of the tunnel project. In conclusion, it is highlighted that the project entails a number of potential security risks that need to be taken into consideration in its further evaluation by the host countries.

1. THE TALSKINKI TUNNEL AND THE BRI

The idea of connecting the capitals of Estonia and Finland via an undersea tunnel has been discussed on several occasions since the 1990s. There are currently two competing projects. The first is the official Estonian-Finnish joint preliminary study, the Finest Link Project, which estimates the cost of the rail tunnel to be 13–20 billion euros and the realisation of the project to last from 2025 to 2040.4 A feasibility study was conducted in 2016–18 at a cost of 1.3m euros, with co-funding from the EU’s Interreg Central Baltic programme and

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3 Perttu Ruokangas, “Kiinalaiset saattavat rakentaa Tallinnan tunnelin lisäksi Jäämeren radan – rahoitusta toivotaan etenkin Norjasta” (Besides building the Tallinn tunnel, the Chinese may also construct the Arctic Railway – funding is expected from Norway in particular), YLE, 9 July 2019, https://yle.fi/uutiset/3-10868641 (accessed 4 October 2019).
involve central and local government bodies from both countries.5

Second, there is the project involving a Finnish private company, FinEst Bay Area Development, which is interested in using Chinese expertise and financial assistance to build what would be the longest underwater tunnel in the world (total length 103 km). The proposed plans consist of a tunnel connecting the capitals of the two countries and an Arctic Railway connecting the Norwegian port of Kirkenes with Finnish city Rovaniemi in the framework of the BRI. The total cost of the tunnel project would be 15–20 bn euros and in the most optimistic scenario it could be finished by 2024.6 This paper focuses on this project.

Chinese infrastructure investments abroad gained prominence in September 2013 when, during a state visit to Kazakhstan, Chinese leader Xi Jinping announced the Belt and Road Initiative.7 The BRI is marketed as the new “Silk Road”, comprising an “economic belt” connecting Asia with Europe through overland trade routes and maritime “roads” connecting Chinese ports with South-East Asian, Middle Eastern, African and European ones. Almost 70 countries, together accounting for 40% of global GDP, have joined the BRI.8

Estonia joined the BRI in 2017 by signing the Silk Road Initiative Memorandum with the aim of attracting Chinese investment and linking Rail Baltic with the East-West transport corridor.9 Lithuania also signed up at the same CEEC–China 16+1 summit (CEEC = Central and Eastern European countries) in Hungary.10 (Both countries followed Latvia’s example, which had joined in 2016.)11

Although Finland has not yet signed an MoU with China on the Silk Road, it has nevertheless been successful in using the east–west railway corridor connecting China with Europe. Since May 2019 a Russian company, RZD Logistics, has provided a freight rail service between the Chinese city of Hefei and Vuosaari in Finland every two weeks with a total transit time of 14 days, carrying everything from consumer goods to electronic equipment.12 RZD Logistics CEO, Viacheslav Valentinik, is also chairman of the board of Euro Rail Trans JSC, which is related to Russia’s geopolitical goals in Lithuania.13 The first freight trains from Kouvola in Finland to Xian in China travelled in November 2017 and in 2018 there were over 30 trains, departing for China every few weeks.14 In 2019 there have been only five trains from Kouvola to Xian, due to a change of operator from Kazakhstan’s KTZ Express to the Russian-Kazakh LogBox.15 By 2022, the Kouvola terminal should be able to facilitate trains between 740 and 1,100 metres long, thanks to the European Commission approving funding in the framework of TEN-T.16

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5 Interreg is the EU’s instrument for improving cross-border cooperation through project funding to tackle common challenges in health, the environment, research, education, transport and sustainable energy. Interreg, https://interreg.eu/about-interreg/ (accessed 23 October 2019); “First Est Link Project”, FinEst Link project website, http://www.finestlink.fi/en/first-link-project/ (accessed 4 October 2019).
15 Mirjam Tahkokorpi, “Kouvolasta on lähtenyt Kiinan tänä vuonna vasta viisi tavaraautoa – syynä operaattorin vaihtuminen” (This year only five freight trains have left from Kouvola to China – caused by the change of operator), YLE, 20 August 2019, https://yle.fi/uutiset/3-10929562 (accessed 4 October 2019).
16 “Centralising open access intermodal terminal operations for extra-long freight trains in the Kouvola rail-road terminal”, INEA https://ec.europa.eu/inea/en/connecting-europe-facility/cf-transport/2018-9-3-0039-w (accessed 4 October 2019). The TEN-T programme was established in 2006 by the European Commission to support the construction and upgrading of transport infrastructure across the EU.
2. Chinese Strategic Interests

In the Chinese historical consciousness, there is an open wound from the colonial era. This is why Mao declared after the establishment of the People’s Republic of China in 1949 that the Chinese people had stood up against the colonial powers. It is also the reason all Chinese leaders and political thinkers since the late Qing era have been fixated with the rejuvenation of the Chinese nation. In Xi Jinping’s eyes, the “Chinese dream” (Zhongguo meng, 中國夢) can be achieved by improving the livelihood, education and environment of the people and modernising the People’s Liberation Army (PLA), while staying loyal to the political system and communist ideology.

Instead of introducing political reforms, Xi Jinping believes that the CPC needs to be purged of corruption. Since 2012, more than 2.7 million officials have been investigated and over 1.5 million have been found guilty, amongst them Xi’s rivals Bo Xilai and Zhou Yongkang. In foreign policy Xi feels the time is ripe for great-power diplomacy (daguo waijiao, 大國外交), and he has been much more assertive in international affairs than his predecessors.

For China, the South China Sea is about access to natural resources and building buffer zones

In the South China Sea, China’s assertive foreign policy manifests itself in territorial claims and the building of artificial islands with airstrips and military facilities with area denial capabilities. The South China Sea is important to China due to its abundant natural resources, and artificial islands there create a buffer zone against any maritime blockade by the US and its allies.

Chinese interests in the tunnel project should be analysed in the context of China’s broader strategic interests. With the BRI China plans to promote cross-border trade with Central Asia, which would increase the development of its backward western regions and, through economic cooperation, limit the spread of terrorism from the Middle East. The BRI also enables the rapid transport of Chinese goods to their final destination in Europe and secures much-needed energy supplies for the Chinese economy. Investment in infrastructure would help China to deal with overcapacity in steel and cement production and maintain jobs in the construction industry. Moreover, by boosting regional trade the Chinese RMB could become the settlement currency for commodity trade in the region and increase the prominence of transactions conducted in RMB globally. This could potentially also help politically like-minded countries such as Russia escape US-imposed sanctions. In 2017 the RMB accounted for about 2% of global foreign exchange turnover and 1.5% of global payments, which is still relatively low given that China accounted for almost 20% of global output and over 10% of global trade.

From a strategic viewpoint, a land-based economic corridor through Central Asia and Russia to Europe would give China an alternative route to transport its goods to European markets and secure energy supplies in the event of a maritime blockade by the US and its allies. The Polar Silk Road announced by Xi Jinping in January 2018 could

serve a similar strategic purpose by providing an alternative route for China in reaching its target markets in Europe and guaranteeing supplies of natural resources from countries in the Arctic—which, as a politically stable region, is a more reliable source of resources than the turmoil-prone Middle East.24 In its white paper “China’s Arctic Policy”, China states its interests in exploiting the natural resources of the Arctic region and improving the supporting infra-structure to operate the Northern Sea Route on a regular basis. China sees possibilities for cooperation with Arctic states in scientific research, logistics, exploration and the exploitation of natural resources and building ice-class vessels.25

With the Polar Silk Road, China hopes to gain safe access to stable European markets and their natural resources

3. Shared Interests

Finland sees opportunities for cooperation with China in the bio refinining, bioenergy and biofuels sectors.26 In 2016 a Chinese company, Kaidi Sunshine New Energy Group, announced an investment plan for building a biofuel refinery in Kemi with a total price tag of almost one billion euros.27 The project was originally planned to be completed by 2019, but has not yet materialised.28 The parent company

Estonia is ranked as the eighth-most important BRI country in terms of natural resources. (Top of the list is Russia, followed by Kazakhstan and Kyrgyzstan.)29 The Shanghai chamber’s FDI country paper lists Estonian natural resources as 231m hectares of forest, 4.8bn tonnes of oil shale, 2bn tonnes of peat and 2.9bn tonnes of phosphate ore.30

Knight Frank, a global property consultancy, has developed a Belt and Road Index (BARI) that comprises six categories: economic potential,
demographic advantage, infrastructure development, institutional effectiveness, market accessibility and resilience to natural disasters. The BARI evaluates the real-estate market in all the BRI countries; Estonia ranks highest amongst the CEEC and seventh overall, just behind Malaysia (top of the list is Singapore).35

Besides keen interest in natural resources, the Talsinki tunnel project foresees real-estate development on an artificial island, which raises the question of territorial ownership. (The FinEst Bay tunnel project also envisions the construction of an artificial island that could house 50,000 people.)36 In addition, the rapid growth of Chinese investment in the real-estate sector could significantly increase the price of housing in the region; this has already happened in, for instance, Canada, where local people found it difficult to purchase private property and provincial governments had to intervene with tax increases for foreign nationals.37

On Knight Frank’s real-estate index of all BARI countries, Estonia ranks highest amongst the CEEC and seventh overall

4. PREPARATIONS FOR THE TALINKI TUNNEL PROJECT

The Chinese embassy in Estonia has been surprisingly quiet about the huge proposed investment and cooperation opportunity in building the Talsinki tunnel. A rare example of endorsement for the project came in ambassador Li Chao’s speech at the delivery ceremony for border surveillance systems to the Estonian Tax and Customs Board by Chinese company Nuctech on 31 May 2018.38 Speaking in Estonia’s easternmost city, Narva, ambassador Li acknowledged Estonia’s strategic location on the east-west and north-south transport corridors. He pointed out the possibility of connecting Rail Baltic and the Talsinki tunnel with China’s Arctic Silk Road initiative in the development of multimodal transport between Europe and Asia.39

Estonia is strategically located on the east-west and north-south transport corridors, says Chinese ambassador

At the Estonia-China Infrastructure Forum held in Tallinn in October 2018, the chairman of the China International Constructors Association (CHINCA), Fang Qiuchen, pointed out that there was room for cooperation between Estonia and China in infrastructure, in which China had the necessary expertise and means. Fang said that China was interested in Estonia due to its participation in the Three Seas Initiative, which involves 12 EU members states in the Adriatic,

Baltic and Black Sea regions. The former head of the Economic and Commercial Counsellor’s Office in Estonia, Wu Yan, said that Rail Baltic and the Talsinki tunnel projects were linked with the Chinese Polar Silk Road and as such contributed to the development of multimodal transport between Asia and Europe.

In May 2018 two Finnish entrepreneurs, Peter Vesterbacka and Kustaa Valtonen, founded FinEst Bay Area Development in Finland. In November 2018 Finest Bay Area Development Estonia OÜ was founded in Estonia for the building of the Tallinn–Helsinki tunnel. The following month it was announced that FinEst Bay had found its first external investor, ARJ Holding of Dubai, which had promised to invest 100m euros in the project.

In January 2019, the heads of China Railway International Group (CICG), Chen Shiping, and Chinese investment fund TouchStone Capital Partners, Kenny Song (Song Qingrong), and Peter Vesterbacka met Estonian prime minister Jüri Ratas and former minister of economic affairs and communications Kadri Simson to discuss the building of the Tallinn – Helsinki tunnel. In March it was announced that FinEst Bay and TouchStone had signed an MoU for financing the tunnel to the tune of 15 billion euros, of which one-third would be in the form of investment and two-thirds in the form of a loan.

In May FinEst Bay announced the signing of an MoU with Norwegian development company Sør-Varanger Utvikling for building an Arctic Railway connecting Kirkenes with Rovaniemi in Finland, thus linking the Northern Sea Route with the European railway system. In July Finest Bay and TouchStone signed an MoU with CICG, China Railway Engineering Corporation (CRECG) and China Communications Construction Company (CCCC) for the final design and construction of the Talsinki tunnel.

**Artic Railway connects Northern Sea Route with European railway system**

**Rail Baltic and Talsinki Tunnel projects are connected with Chinese Polar Silk Road, says Chinese counsellor**

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(CREC), of which CICG is a subsidiary.) 49 One party to the MoU was a Turkish company, GAMA Holding, with whom TouchStone has created a joint venture50 in order to build large-scale industrial and infrastructure projects.51 One such project is the construction of the multilevel Istanbul tunnel.52

To sum up, China is interested in developing a multimodal transport network between Asia and Europe and the tunnel project would be just one part of the planned transport corridor linking the Northern Sea Route with the European railway system, stretching from northern Norway down to Berlin in the heart of Europe.

5. Chinese State Actors

The main proposed source of finance for the Talsinki tunnel, TouchStone Capital Partners, does not hide its close connections with Chinese SOEs, but nor does it mention any specific names. TouchStone’s website states that of its 30 partners, 15 are SOEs and 15 are insurance and finance companies.53 This kind of secrecy goes against the company’s publicly declared values of clarity and transparency.54 The founder and chairman of the board likes to appear under different names—Kenny Song, Song Fuzai and Song Qingrong (宋青融)—which also goes against the company’s policy of transparency.55

The China International Constructors Association (CHINCA) is a national organisation established in 1988 to promote China’s international investments and economic cooperation abroad. Its members have participated in various international projects from transportation, communication and construction to energy and the housing sector. Member companies do not just implement a project, but also provide technical personnel and financial services.56 Chinese practice in building infrastructure in Kolasin, Montenegro, is good example: of 2,189 workers on the project, 1,491 (roughly 70%) are Chinese.57 In Serbia, the Sino-Serbian Friendship bridge was built by China Road and Bridge Corporation (CRBC), using about 7,000 Chinese employees.58 In the context of building the Tallinn–Helsinki tunnel, this could mean that the 26,000 jobs allegedly created in Finland and Estonia would be filled by Chinese workers.59

CHINCA members provide technical personnel and financial services

In China all SOEs and even the majority of private companies, both domestic and foreign,

have CPC committees in their governing structures, and CHINCA is no different from the companies it represents. Its chairman, Fang Quchen, is also first secretary of the CPC committee in the association.

The three SOEs (CREC, CICG and CCCC) that signed the MoU with FinEst Bay for the building of the Talsinki tunnel are members of CHINCA. All three operate under the supervision of the State Council’s State-owned Assets Supervision and Administration Commission (SASAC). The head of the State Council is premier Li Keqiang, who is also a member of the Politburo Standing Committee, ranked second in the CPC hierarchy only after Xi Jinping. As for CHINCA, the chairmen of the aforementioned SOEs are also the first secretaries of the party committees in the organisations they represent. CREC’s former chairman Li Changjin was the first secretary of the party committee in CREC and since August 2019 the new chairman, Zhang Songyan, has the same role. The chairman of CICG, Chen Shiping, is also the first secretary of the group’s party committee and the chairman of CCCC, Liu Qitao, holds the same position.

When talking about China, one has to bear in mind that society’s governing structures are still communist, which means that political and economic power is practised at all levels of society primarily by the CPC. The party is mainly concerned with staying in power, which enables it to make decisions that might not be profitable in the short term but become valuable assets in the long run.

6. SECURITY IMPLICATIONS

Contrary to claims of profitability, Chinese infrastructure projects abroad have thus far often not lived up to the official slogan of a win-win outcome for both sides. The BRI land belt operator China Railway admitted in August 2019 that on one particular train service to Europe only one of 41 containers was carrying goods. In 2018, with new regulations limiting the number of empty containers to 10% per train and government subsidies up to 50% of the cost of shipment, the numbers allegedly improved and last year only 6% of containers towards Europe and 29% towards China were empty.

The Finnish Ministry of Transport and Communications found that the proposed Arctic Railway project was not commercially viable and that freight must reach 2.5 million tonnes a year just to cover annual maintenance costs. The EU’s Interreg programme financed the FinEst Link project, which researched the possibility of linking Helsinki with Tallinn via an undersea tunnel. The study found the infrastructure


project to be feasible, if the EU grant covered 40% of the construction cost and the annual subsidies for operating the tunnel were 280 million euro for 40 years. The CEO of Estonian ferry company Tallink, Paavo Nõgene, said that with such substantial subsidies the three major ferry companies operating on the Helsinki–Tallinn route would be happy to provide their passenger services free of charge. The CEO of Estonian ferry company Tallink, Paavo Nõgene, said that with such substantial subsidies the three major ferry companies operating on the Helsinki–Tallinn route would be happy to provide their passenger services free of charge.

Official studies consider the Arctic Railway and Talsinki tunnel projects are not feasible

If the BRI is not profitable for China, why does it continue to pursue costly infrastructure projects across the world? First, it should be noted that Chinese SOEs do not have to report back to their investors and constantly please the stakeholders with growth numbers, as public companies in the West do. This enables the SOEs to invest and participate in projects that are not profitable but serve the CPC’s long-term strategic goals. Moreover, we should take into consideration the Chinese political system, which—unlike democracies—does not depend on short-term political cycles and consequently enables policymakers to plan ahead for longer periods of time. By October 2019, the CPC had been in power for 70 years.

China’s 2015 white paper on Military Strategy states, alongside the importance of safeguarding security and sovereignty, the need to protect China’s development interests. The paper argues that, contrary to the former emphasis on land-based threats, the focus should shift to the seas and oceans and to the protection of maritime rights and interests. The paragraph on Force Development in Critical Security Domains says: “protect the security of strategic SLOCs and overseas interests, and participate in international maritime cooperation, so as to provide strategic support for building itself into a maritime power.” The 2019 Defence White Paper “China’s National Defence in the New Era” states that China’s overseas interests are a crucial part of the country’s national interests and the PLA’s job is to protect Chinese people, organisations (zu Bushi, 组织) and institutions (ji jie gou, 机构) overseas. To protect China’s national interests, it is necessary to build long-distance forces (yu yang yang liang, 远洋力量) and overseas supply points (hai wai bu jidi an, 海外补给点) supporting power projection abroad.

The American Center for Advanced Defense Studies (C4ADS) researched China’s maritime infrastructure investments in the Indo-Pacific region and found that, contrary to the BRI’s official rhetoric of win-win economic development, the investments are seen by Chinese scholars as an opportunity to create political influence and build dual-use infrastructure to support China’s long-distance naval operations. C4ADS refers in its report to the 2015 consensus opinion of 50 scholars from over a dozen prominent Chinese government and university research institutes which stated that, in order to protect China’s core interests (hexin li yi, 核心利益), it was necessary to develop strategic support states (zh an lue zh idian guo jia, 战略支点国家) in the periphery. Goodwill and cooperation can be promoted by offering public goods (gong gong chan pin, 公共产品) to these strategic support states.

China hopes to generate support by offering public goods

This goodwill is explicit also in Chinese external lending practices, as described in research by Rhodium Group, which reviewed 40 completed renegotiations between 2001 and 2019. These
Foreign infrastructure can lead to political influence

In Europe we already have examples of diplomatic favour given to China in the hope of investment or in the case of existing investments. In 2016 Greece, Hungary, Croatia and Slovenia wanted to play down the EU’s condemnation of a Permanent Court of Arbitration ruling on China’s illegal claim over Philippine territorial waters. In 2017 Greece vetoed the EU’s condemnation of China’s human rights violations in the UNHRC.

FinEst Bay’s proposed financing plan sees the tunnel being built by Chinese SOEs. The Chinese company TouchStone Capital signed an MoU with FinEst Bay for the financing of the project. As already mentioned, one-third of the promised 15 billion euros is investment and two-thirds is a loan. This makes Chinese investors the majority stakeholders and it is more than likely that they will also gain operational control of the project, which can be used as political leverage against the host countries. The BRI slogan of win-win diplomacy in this case means that China wins both times by being the main creditor and the constructor of the project while in addition it gains political leverage by acquiring operational control. The implementation of the project could also lead to technological dependence on China.

It should not be forgotten that China is not a member of the OECD and consequently is not bound by OECD rules on lending, which limit the practice of tied aid credit (the requirement that the money lent is spent on buying goods and services from the lender), set minimum interest rates based on the level of country risk (which makes Chinese loans more attractive than those from OECD members) and impose maximum repayment terms (for the lender it is more profitable to generate interest over a longer period than to receive all the money back before the set date).

If a country is unable to repay the debt, the lender can, in the renegotiating process, demand financial concessions, equity in a project, or non-financial concessions. In 2017 Sri Lanka was unable to repay its loans from China for building a new port at Hambantota.

If you wish to reference the text from the document, please use the following information:

and in the process of renegotiations in return for writing off a debt of 1.12 billion US dollars it gave China a controlling stake in the port and a 99-year lease to operate it.82

### Inability to pay back debt can lead to non-financial concessions

Besides the risk of falling into a dept trap, all infrastructure has the potential for dual use, which means that commercial infrastructure could be easily used for military purposes.

### Commercial infrastructure could be easily used for military purposes

The wars in Afghanistan and Iraq are proof of the growing trend of military logistics chains depending more and more on private companies.83 Rail Baltic can transport passengers from Tallinn to Warsaw but could just as easily move pre-positioned NATO tanks from Poland to the Baltics.

If this scenario is unrealistic at the moment, it does not eliminate the possibility that in the future Chinese navy vessels will patrol the Northern Sea Route together with Russian forces to protect the Arctic Connect underwater data cable that is planned to connect Europe with Asia via a direct link.84 With China’s growing influence in the region, it is possible that one day “friendly states” in fear of economic sanctions will be forced to permit the PLA navy to service its ships in the Norwegian deep-water port of Kirkenes in which Chinese shipping company COSCO has shown interest and transport its armoured infantry vehicles via the Arctic Railway and Tallinn–Helsinki tunnel to hold a joint exercise with Russia in Kaliningrad.85 In July 2017 the Russian and Chinese navies held a week-long military exercise in the Baltic Sea, which should not have been a surprise because they have been holding joint exercises since 2012.86

A clear sign of Chinese interest in playing a bigger role internationally in security matters is the creation of a legal basis for Chinese overseas military operations, put in place through Article 71 of China’s 2015 counterterrorism law, which states that, with the approval of the Central Military Commission, the PLA and the People’s Armed Police (PAP) can assign people (pai yuan, 派员) on a counterterrorism mission abroad.87 In 2016 China reached agreement with Djibouti to build a PLA navy support base and it is believed that in the same year the PLA started joint military patrols with Afghanistan in the Wakhan Corridor and established a small military base in Tajikistan.88

Mathieu Duchâtel, Director of the Asia Programme at Institut Montaigne, believes that following the Djibouti example China is likely to build other naval bases abroad to support its operations in foreign seas, but the problem for Beijing lies in the perception of whether the bases enhance or hinder the international security environment.89 Regardless of denials by Chinese and Cambodian officials, there are serious allegations that Cambodia has granted China a 30-year lease on a port near Ream with the right to deploy military personnel and weaponry.90

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82 Hillman, “Influence and Infrastructure”, pp. 8–9.
85 Staalesen, “Kirkenes port developers put their faith in the Chinese”.
89 Ibid., p. 16.
Chinese professor and former Academy senior fellow at Chatham House, Xue Guifang, acknowledges the importance of security in developing the BRI and believes that in protecting its overseas interests China is more likely to use dual-use support facilities in overseas ports and docks than to build additional naval bases.\(^{91}\) China might use a twin-track approach in extending its military presence abroad. It can build naval bases in neighbouring countries with favourable governments like Cambodia, Myanmar, Pakistan and Sri Lanka and opt for dual-use support facilities in countries where governments are more cautious of China’s growing influence.

In the EU, Chinese SOEs already have stakes in the following ports: Piraeus (Greece); Bilbao and Valencia (Spain); Marseilles, Nantes, Le Havre and Dunkirk (France); Antwerp and Bruges (Belgium); Rotterdam (the Netherlands); and Marsaxlokk (Malta).\(^{92}\) However, China is facing growing resistance to its infrastructure building projects. In Lynskil, Sweden, a Chinese port-building project that involved CCCC was turned down over environmental and security concerns.\(^{93}\) In Greenland, CCCC pulled back from upgrading airports at Nuuk and Ilulissat due to Danish pressure over security concerns.\(^{94}\)

In 2017 the PLA navy made 290 port visits to all five continents. In the period 2003–18 Chinese naval vessels visited multiple times ports in the following EU member states: the UK, Greece, Germany, Italy, Portugal, Denmark, Finland and Sweden. Naval visits to ports reveal geopolitical, intelligence-gathering and cooperation-based priorities.\(^{95}\)

Even more significant than port visits are joint military exercises and, although the Chinese Ministry of Defence said that the Sino-Russian joint exercise in the Baltic Sea in 2017 was not aimed at any third party, it clearly sent a message of willingness to cooperate with the primary perceived adversary of the Baltic Sea region. According to Beijing-based navy expert Li Jie, it was meant to express Chinese sincerity towards Russia in a region contested between it and the US.\(^{96}\)

According to the scenario of the 2017 exercise in the Baltic, the two navies were practising joint operations in area denial, inspection and liberation of vessels and the protection of cargo ships.\(^{97}\) Expensive infrastructure beneath the Baltic Sea could give the Chinese navy an undeniable reason to seek a permanent presence in the region in the form of a support base, which would enable it to fulfil the task of protecting its overseas interests.

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With its Baltic Sea exercise, China added itself to the region’s security equation

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China might seek to establish a support base in order to protect the planned tunnel

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97 Weitz, “Assessing the Sino-Russian Baltic Sea Drill”.

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The Talsinki Tunnel
**CONCLUSION**

Chinese state actors are interested in developing the Talsinki tunnel project in the framework of the Belt and Road Initiative. The Chinese company TouchStone is interested in providing the finance and the Chinese SOEs CICG, CREC and CCCC are interested in building the tunnel.

Chinese interests in the region are connected with developing the Polar Silk Road that is planned to connect Asia with Europe via the Northern Sea Route, which would, in the event of a conflict with the US, enable China to avoid a maritime blockade. Linking the Northern Sea Route via the port of Kirkenes and the Arctic Railway with the Talsinki tunnel would create an interlocked railway system from the northern coast of Norway to Estonia and, if connected with Rail Baltic, even down to Warsaw and Berlin. China is also interested in having access to the natural resources of the Arctic and Northern Europe, which is a politically stable environment. Northern European countries are interested in increasing trade with China and attracting Chinese investment.

China experts say that, besides boosting trade, the BRI serves the purpose of creating political influence and gaining access to dual-use support ports in the participating countries. China is interested in developing support states to service its navy’s vessels abroad, which would enable China to protect its interests and investments in other countries.

With its joint exercise with Russia in the Baltic Sea in 2017, China has already practised the protection of its interests in the area of the proposed tunnel project.

To sum up, the main risks involved in Chinese-built strategic infrastructure are: increased Chinese political influence; operational control of the project; technological dependence on Chinese expertise; an inability to pay back loans, which could lead to non-financial concessions; and dual-use infrastructure that could be used for servicing and moving PLA forces. These risks must be taken into account when deciding on future steps regarding the Tallinn–Helsinki tunnel.