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## The Making of the Finnish Polar Silk Road : Status in Spring 2019

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## **The Making of the Finnish Polar Silk Road: Status in Spring 2019**

### **Introduction**

In June 2017, China issued a document called “Vision for Maritime Cooperation under the Belt and Road Initiative” to synchronize development projects and plans along what China calls the “21<sup>st</sup> Century Maritime Silk Road” (China’s National Development and Reform Commission and the State Oceanic Administration, 2017). In this document, China envisioned a “blue economic passage... leading to Europe via the Arctic Ocean.” In addition, China clearly expressed that it wanted to take part in Arctic affairs, ranging from conducting scientific research and encouraging the involvement of Chinese enterprises in the commercial use of Arctic routes and resources to participating in events organized by Arctic-related international organizations. This document paved the way for the release of China’s first official Arctic policy several months later.

In January 2018, China presented its Arctic policy paper, which articulates and justifies Beijing’s interests in Arctic affairs and describes its proposal for a “Polar Silk Road” as an extension of its Belt and Road Initiative (BRI) (China’s State Council Information Office, 2018; Tillman, Jian, and Nielsson, 2018). These official moves are in contrast to China’s many years of a low-profile stance on Arctic matters for fear of attracting international suspicion of its ambitions in the Arctic region. Previous studies have addressed China’s interests in the Arctic (e.g., natural resources, shipping routes, participation in Arctic governance) (Huang, Lasserre, and Alexeeva, 2015; Peng and Wegge, 2015). This article, however, aims to examine whether and how China’s aspirations find resonance in Arctic states as Beijing becomes more vocal in Arctic affairs. It analyzes how such resonance enables China to take the idea of the Polar Silk Road beyond political rhetoric.

Finland is the focus of this study because it seems that Finland “might” be able to construct very concrete transportation lines with the support of Chinese funding and that these routes can be counted as an extension of the BRI initiative, thus the so-called Polar Silk Road. I stressed the term “might” because the construction of transportation lines is still in its infancy as of early 2019. Only time will tell if they will be successful. The nature of this study is hence exploratory. I will present the current status and future plans for this construction and, most important of all, I will unpack how this construction can take place. Who is making the Polar Silk Road happen?

Before delving into the Finnish experience, I intend to first present some thoughts on the nature of the BRI that I believe are vital to understanding how it can find support outside China. We can conceive the BRI as a form of building up regional cooperation without clearly delineating which states and actors can be included in the process. It is different from other kinds of regional cooperation, such as the Shanghai Cooperation Organization (SCO), which appear to be more exclusive and closed (Kaczmarek, 2017a and Kaczmarek, 2017b). One can conceive the BRI as a conceptual framework that awaits interested parties to give it substance and inject real meaning. As several recent studies have pointed out (Chen and Günther, 2019; Chen and Jiménez-Tovar, 2017; Liu and Lim, 2018), local elites (e.g. political, business) along the route of the “Road” or “Belt” play important roles in making sense of the BRI in their own countries. What this means in practical terms is that domestic stakeholders need Chinese capital and/or expertise to help them advance their own agendas. Accordingly, they have an interest in helping to justify and to legitimize the passage of the BRI through their own countries. Currently, there are few studies of how domestic stakeholders in various countries perceive the BRI and their efforts to give it real local meanings (Liu and Lim, 2018). This article uses the example of Finland to fill this empirical gap. In essence, we aim to uncover the main

actors supporting the BRI and the Polar Silk Road in Finland. Why and how do these actors show support? How exactly has the BRI manifested its influence in Finland?

The domestic stakeholders that this study aims to examine should not just be actors that use the banner of BRI or the Polar Silk Road at some of their events. Hence, Confucius Institutes are excluded from our examination here. As of 2019, there has been a Confucius Institute at the University of Helsinki for 11 years, and the University of Lapland is planning to establish one in the near future. Due to this Confucius Institute's nature as a joint venture between the Chinese Hanban and the Finnish host university, it is no surprise that it might from time to time use the banner of the BRI or Polar Silk Road at its events. These events might make their attendees aware of the existence of the BRI, but they are not sufficiently significant for the Confucius Institute to be included in this analysis. This study seeks to focus on non-Chinese actors in Finland who have taken up the BRI banner to advance their cause. We need to ask why they have an interest in advancing China's BRI and how they do this. This naturally leads us to two highly debated projects and their initiators in Finland: the Arctic corridor and the Helsinki-Tallinn tunnel. Ideas for these projects predate the birth of China's BRI. However, for a variety of reasons including a lack of money, concerns about returns on investment and their impact on the lives and environments of local populations (e.g., reindeer herders, indigenous Sami people), they have remained purely as ideas for decades. In recent years, their current Finnish advocates have come to notice the BRI and its potential and are trying to garner resources from China in the hope that these ideas can be given real substance. One of the prime players in making this happen is the Finnish entrepreneur Peter Vesterbacka, who is known internationally as the founder of the Angry Bird video game company.

In the following section, I will begin by introducing the Arctic corridor and Helsinki-Tallinn tunnel projects. The third section will move on to elaborate on my hypotheses of how China's BRI can be realized in different countries. The fourth section will explain my research method and data, and the fifth section uses the Finnish case to test the hypotheses. It is this fifth section that will discuss who Peter Vesterbacka is, his agenda, and his China linkage. I should caution readers in advance, however, that this study can only present the current (as of spring 2019) status of the initial plans to construct the Polar Silk Road in Finland. None of these have yet borne fruit, but, as my report will show, at least significant steps seem to have been taken because of Peter Vesterbacka's efforts. The most recent step was Peter Vesterbacka's announcement that his firm has garnered €15 billion from China to advance his tunnel project between Helsinki and Tallinn (Yle News, 2019; Pohjanpalo, 2019).

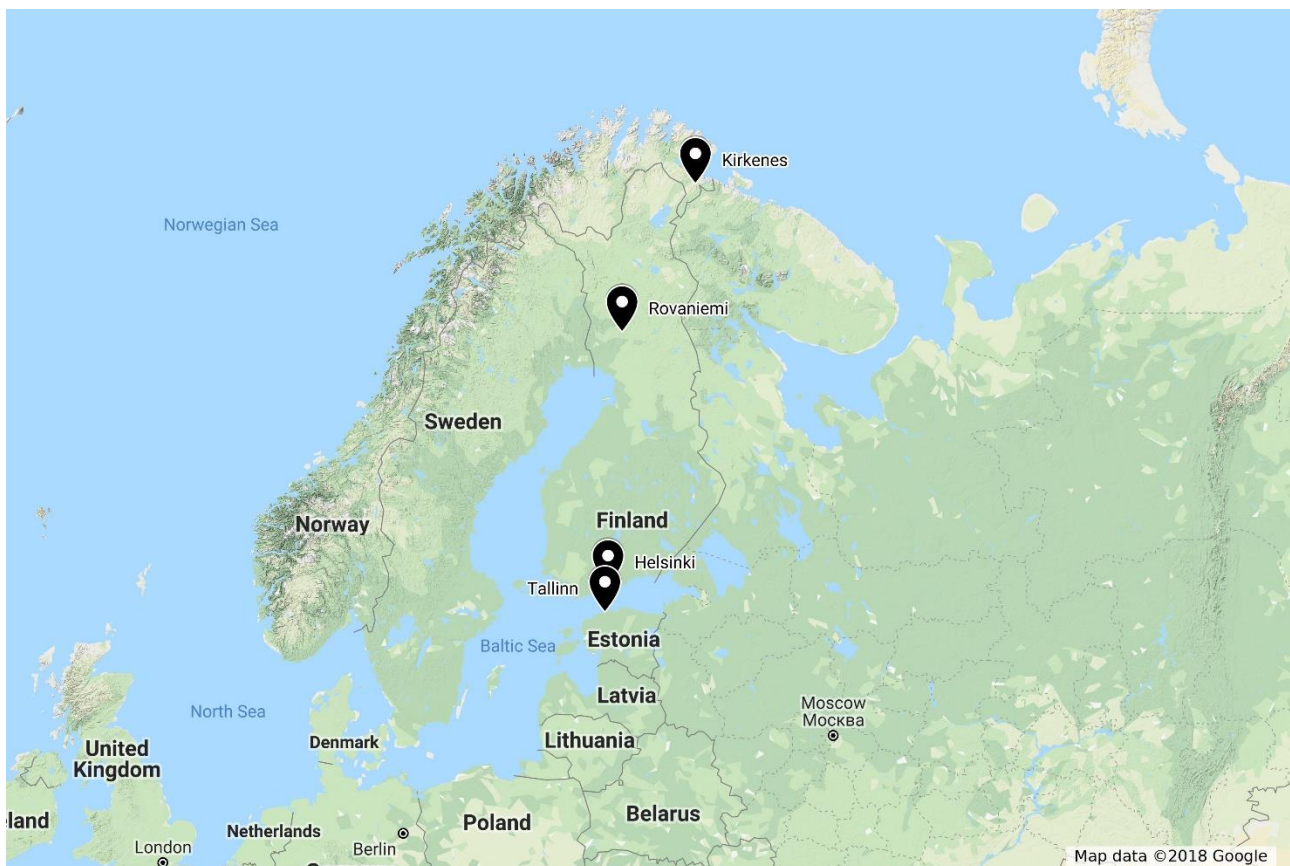
By looking at the Finnish experience, it is hoped that this article can contribute further empirical evidence of the BRI's impact on developed countries. China frequently portrays the BRI as contributing to peace and development. This often leads scholars to examine its influence in developing countries, such as those in Central Asia and Africa (Chen and Günther, 2019; Chen and Jiménez-Tovar, 2017). However, China is also interested in developed countries because in these, areas such as the Arctic require further development. Even developed countries do not necessarily have enough funding for such huge projects, and Chinese capital can thus make a contribution. Toward both developing countries and developed countries, China uses the same tactic of becoming a co-sponsor rather the sole sponsor of these countries' development. This is practical for China, as it is difficult for Beijing to simply invent a project for construction in a foreign land. Being a co-sponsor allows China to gain the trust of cooperators, boosting the image the BRI as being for the common good of both China and the states engaged (Hodzi and Chen, 2017). In the next section, we introduce the two projects that could make the Finnish side of the Polar Silk Road a reality.

## **The Finnish Side of the Polar Silk Road**

### *The Arctic Corridor and Arctic Railway*

Various Arctic states, including Finland, have been conceptualizing and discussing the Arctic corridor for years. The term “Arctic Corridor” in Finnish is *Jäämeren käytävä*, which is thought to have been coined over 100 years ago and literally means “Finland’s connection to the Arctic Ocean.” Timo Lohi, spokesperson of the contemporary Arctic Corridor project, has said that he updated the concept in April 2008 and invented the English name the “Arctic corridor” around 2009–2010. The authorities in northern Finland liked the idea and decided to prepare an action plan for it in 2009. The first study for the Arctic Railway was published in February 2010, and the authorities subsequently started to prepare marketing material for both the Arctic Corridor and the Arctic Railway. According to the project’s self-definition, the Arctic Corridor is a “global economic region” and a “transport and development corridor” that connects Finland and Europe to the deep-water ports of the Arctic Ocean, large production areas of oil and gas, and the western end of the Northern Sea Route (Arctic Corridor, 2018).

The Finnish and Norwegian Ministries of Transport believe that the most realistic plan would entail a railway between Finland’s Rovaniemi and Norway’s Kirkenes, as this would complete the rail route connecting the Arctic Ocean to the Mediterranean (Arctic Corridor, 2018, see also Figure 1). Kirkenes is ice-free and is the closest Western port to Asia. Chinese goods as well as oil and gas from the Arctic fields in Russia could be transhipped at Kirkenes for movement by rail southward to Helsinki and other Scandinavian countries, the Baltic states, and the rest of Europe. The cost is estimated to be between €5 billion and €1.5 billion. The wide range of this estimate is related to issues such as whether to use existing tracks or not, routing and other options (Vauraste, 2018). It is estimated that construction could commence as soon as the 2020s and be completed by 2030 (Arctic Corridor, 2018). The railway project is still in its infancy, as the Finnish and Norwegian authorities need to study not only issues of financial viability but also environmental impacts and reindeer husbandry and take the life of indigenous Sami population into account (Finnish Ministry of Transport and Communications, 2019; Vauraste, 2018).



**FIGURE 1: Kirkenes, Rovaniemi, Helsinki and Tallinn**  
(Source: Map drawn using Google's My Map)

As noted earlier, observers have been aware of China's interest in Arctic shipping routes for many years (Huang, Lasserre, and Alexeeva, 2015; Peng and Wegge, 2015), but it is only in the 2018 Arctic policy paper that the Chinese government officially proposed that it wishes to support all parties interested in developing the Arctic shipping routes. The Arctic corridor is perceived by the Chinese Arctic policy paper as the Polar Silk Road. However, so far there has been no real action, including political decisions and financial plans for the construction of the Arctic Railway (Lindström, 2018). As a 2019 report from the Finnish Prime Minister's Office stated, so far there is no formal Chinese involvement, but there have been "interests from Chinese media and informal expression of interests from Chinese business actors" (Koivurova, Kauppila, Kopra, Lanteigne, Shi, Smieszek and Stepien, 2019: 73). It could be that if the railway project can move further to an implementation stage, formal interests from Chinese companies would arrive (Koivurova, Kauppila, Kopra, Lanteigne, Shi, Smieszek and Stepien, 2019: 73).

In contrast, although the Helsinki-Tallinn tunnel project was not specifically noted by the Chinese Arctic policy paper as a part of the Polar Silk Road, it appears that it will be built sooner than the Arctic Railway. As noted earlier on, in spring 2019, there is official news that Chinese investment will be involved in the tunnel project. This could offer very preliminary evidence of the Chinese intent to construct the Finnish/Estonian section of the Polar Silk Road. The following discussion further introduces the tunnel project.

*The Helsinki-Tallinn Tunnel*

The Helsinki-Tallinn tunnel has been planned by Finnish and Estonian governmental agencies and businesses for many years. In an opening speech at a seminar on the link between Helsinki and Tallinn in 2016, the then mayor of Helsinki, Jussi Pajunen, said that the idea of building a fixed link in the form of a bridge had been discussed as long ago as 1871 (Nordic Investment Bank, 2016a). At present, Helsinki and Tallinn are seen jointly as an economic area with a population of 1.5 million. People from both sides frequently move between them for work and leisure. Traffic between the two port cities has grown. According to the Port of Helsinki's 2017 annual report, Helsinki had become the busiest passenger port in Europe with 12.3 million passengers, and the Helsinki-Tallinn route in particular carried the most traffic.

In 2016, authorities from Helsinki city, Tallinn city, the Helsinki-Uusimaa Regional Council, Estonia's Harju County, the Finnish Transport Agency, and the Estonian Ministry of Economic Affairs and Communications applied for EU funding and received €3.1 million to commence a comprehensive feasibility study of the viability of constructing a fixed link between Helsinki and Tallinn (Nordic Investment Bank 2016a and 2016b; Tsurouka, 2017). A consortium of interested business entities subsequently took up the task of the feasibility study, which included cost-benefit analyses, impact assessments for both the rail and marine options, technical proposals of how the undersea tunnel could be built, and price tag determinants for construction, maintenance and rail traffic. It also laid out the main features, such as routes and stations. In the feasibility study, the undersea tunnel was proposed to be 90 kilometers long. At present, it takes about two hours to travel by ferry from Helsinki to Tallinn, if the weather permits. The tunnel and a high-speed train would remove the uncertainty of weather conditions and shorten the journey to only 30 minutes.

China's 2018 Arctic policy paper did not specifically mention this tunnel project, but internationally known Finnish entrepreneur, Peter Vesterbacka, the former co-founder of Angry Birds, had been actively promoting the tunnel project and lobbying various stake-holders to let Chinese investors be involved. In Vesterbacka's narrative, the tunnel is a "natural" project of China's BRI (Kustaa Valtonen & Peter Vesterbacka, 2018). The necessity of building the tunnel and how it should

be constructed have been hotly debated in Finland. Against this background, the tunnel project is included in this study.

## Conceptual Frameworks and Hypotheses

Because neither of the above two projects has been constructed and only very recently (spring 2019) has Peter Vesterbacka announced that his firm will receive Chinese funding of €15 billion Euro to construct the tunnel, our main research question focuses on what has sparked the BRI's involvement in these two projects. This is essentially connected to who or what kind of stakeholders have an interest in linking the BRI to these (originally) purely European infrastructure projects and what actual efforts they are making.

Two streams of political science theories are relevant here: interest group theories and international relations (IR) theories. This is because, ultimately, we seek to explore what kind of Finnish non-state players would make efforts to link the BRI to the Arctic railway and Helsinki-Tallinn tunnel projects. How are they mobilized? What is their connection with Finnish and/or Chinese state actors and under what conditions would they make real impact by realizing the Polar Silk Road?

Finnish non-state actors, such as Arctic Economic Council, Peter Vesterbacka's firms and other firms that cooperate with him, are all acting in nature as interest groups to advance the building of Arctic Railway and the Helsinki-Tallinn tunnel. Various schools of interest group theories can help us conceptualize the importance of entrepreneurship, resources and collective interests in making these Finnish non-state actors successful or not successful in their work. The reason why IR theories, particularly those on transnational non-state actors are relevant here is that Finnish non-state actors also coordinate with non-state actors and state actors from China, Estonia, Norway, Germany and others to prepare for these ambitious construction projects. As Willetts (1982) and Risse (2001: 258; also cited as Risse-Kappen elsewhere in this article) have both pointed out, literature on transnational non-state actors is, to a certain degree, "commensurate with the study of interest groups".

Pertaining to a larger contention between the state-centered theories and society-centered theories in the study of Political Science, researchers have long debated the influence of non-state actors in international relations. State-centered theories (Evans, Rueschemeyer and Skocpol, 1985; Skocpol, 1992) highlight the "autonomy" of the state in the policy-making process, while society-centered theories (Dahl, 2005 & 1967; Lipset, 1969) stress the demands or interests of collective societal actors in affecting the process. Society-centered theories have a strong root in the pluralist school of perspectives prevalent in the US during the 1950s and 1960s (Risse-Kappen, 1999: 17; Evans, Rueschemeyer and Skocpol, 1985: 4). This debate, in Risse-Kappen's (1999: 14-5) view, is misleading. Regarding the state-dominated view, Risse-Kappen (1999: 15) criticizes that "there is no logical connection between the argument that states remain dominant actors in international politics and the conclusion that societal actors and transnational relations should, therefore be irrelevant". In criticizing the society-centered view, Risse-Kappen (1999: 15) comments that "confusing the impact of transnational relations on world politics" with such a view "leads one to overlook the more interesting question of how inter-state and transnational relations interact" (Risse-Kappen, 1999: 15). We do not have to do away with the "state" in research (Risse-Kappen, 1999: 15). The solution Risse-Kappen (1999: 19-25) proposes is a domestic structure approach, permitting the "differentiation between various degrees of state strength and autonomy vis-à-vis society to go beyond the generalities of *statist* versus *pluralist* approaches to the state" (Risse-Kappen, 1999: 19).

Risse-Kappen's (1999: 19-25) domestic structure approach suggests that researchers should look into the arrangement of political institutions, policy networks, and the structure of demand-formation in civil society inherent in a particular state. Examination of these domestic structures will

help shed light on what stimulates the formation of a particular interest group in a particular state. In discussing the question of under what conditions could transnational non-state actors exert influence, Risse-Kappen (1994: 187) proposed that accessing the right policymaking body and cooperating with the right allies are crucial.

Keck and Sikkink (1998), however, pointed out the shortcoming of the domestic structure approach. The key problem is that this approach has so far primarily stressed the formal aspects of political and social arrangements in the studied state (Risse, 2001: 266). Keck and Sikkink (1998: 202) raised the question of why human rights groups were more successful than environmental groups in changing the US policies under Presidents Carter and Reagan, given that both types of groups operated in the same American political and social settings. To remedy this flaw, Keck and Sikkink (1998: 202) took a constructivist approach and suggested that researchers should consider alternative explanations such as the factors of norms and values in determining interest groups' impact. The successful framing of issues by interest groups will reflect the norms and values of the society that they wish to influence. Whether Risse-Kappen's or Keck and Sikkink's theories are valid will be tested in this study. Below, I first propose three hypotheses derived from these theories.

#### *Hypothesis of the importance of a local champion in BRI recipient states*

Risse-Kappen's (1999) domestic structure approach suggests that gaining access to policymaking apparatus and cooperating with the right domestic actors have strong impacts on the success of interest groups. Several recent surveys of people in Central Asia and Central and Eastern Europe indicate that locals usually have little knowledge of China's BRI (Hodzi and Chen, 2017). This shows that Chinese influence through the BRI is mostly at the elite level, with either business or political elites (Chen and Günther, 2019; Chen and Jiménez-Tovar, 2017). Although the BRI is often seen as part of China's charm offensive, its soft power influence is actually quite limited (Hodzi and Chen, 2017). I therefore hypothesize that if the BRI can find a champion (or champions) in countries where it seeks to have influence, its projects are more likely to come to fruition. Hence, I first postulate the importance of a local Finnish champion (or champions) who can cooperate with right domestic stakeholders to make the Polar Silk Road a reality.

#### *Hypothesis of the importance of governmental support from BRI recipient states*

My second hypothesis concerns a positive relationship between the support of the BRI recipient states and the successful implementation of the BRI. Again, this hypothesis is drawn from Risse-Kappen's (1999) domestic structure approach, which suggests the significance of winning allies in affecting the outcome of interest groups' politics. In this respect, the Finnish government's support is vital for the BRI to be realized in Finland.

#### *Hypothesis of the importance of the nature of the BRI or the Polar Silk Road*

As noted above, Keck and Sikkink (1998) took a different approach from Risse-Kappen by underlining the importance of norms and values in determining the influence of transnational networks. They believed that the nature of an issue proposed by transnational networks is crucial to the success or demise of a campaign. The most successful networks in Keck and Sikkink's (1998) study were those that focused on issues that involve bodily harm to vulnerable individuals or the rejection of legal equality of opportunity. This proposition is similar to the resonance hypothesis developed by Finnemore and Sikkink (1998), which argues that if transnational networks can create an issue or idea that resonates with pre-existing beliefs in the target state, they are more likely to be influential. These ideas, in essence, come from the constructivist line of thought and echo a greater theoretical debate within social science about the influence of norms and values on the behaviors of states. In this study, the target state is Finland and I postulate that if the nature of the BRI or the Polar Silk Road resonates or is compatible with the pre-existing beliefs of the Finnish government or society, the BRI (or more specifically, the Polar Silk Road) is more likely to be constructed.

## Methods and Data

The primary method was the qualitative analysis of policy documents, speeches, news reports, marketing materials, and press releases. Focused interviews with key actors or, in some cases, email correspondence with them was used to cross-examine preliminary findings.

## Empirical Analysis

The following discussion reports and analyzes the development of the two projects studied as of spring 2019. Progress before then was quite slow, but as we can see, in 2018 it appears that government-led studies and private entrepreneurship pushed the discussion of these two projects to a new and positive level. The environment is also becoming slightly more favorable for BRI to find its connection to these two European projects.

### *Development of Domestic Opportunities: Governmental Support for Private Entrepreneurship*

Peter Vesterbacka is one of Finland's internationally known entrepreneurs. He is the co-founder of the Angry Birds video game franchise and the founder of Slush, an international initiative that organizes startup-related events in Helsinki and other countries, including China. Peter Vesterbacka has a keen interest in China and visits the country frequently. In 2011, TIME magazine nominated him as one of the world's most influential people.

After his successful career in Angry Birds, Peter Vesterbacka was looking for new projects to work on. In 2016, the idea of constructing the Helsinki-Tallinn tunnel attracted him. He took up the cause and endeavored to make it happen (Breum, 2018). In the summer of 2016, Peter Vesterbacka and his team attended Latitude 59, the flagship tech event of Estonia, where he approached the Estonian Foreign Minister Marina Kaljurand and declared his determination to take up the tunnel project. Not knowing about Peter Vesterbacka's involvement, the Estonian minister was bewildered (Kustaa Valtonen & Peter Vesterbacka, 2018). His bewilderment actually speaks to the core of the problem. Who is the main actor in the tunnel project? Is it the government or private business?

As already noted, governmental authorities had been weighing the pros and cons of both the Arctic railway project and the Helsinki-Tunnel project. As of spring 2019, however, the Finnish government had not made any political decision to start planning or building the Arctic railway or the tunnel. Despite this, years of debate and studies of the possibility of building these projects had prepared the ground for private entrepreneurs such as Peter Vesterbacka to involve themselves in the projects. This is because it became clear that these projects simply could not be built with public funding.

Pre-feasibility and feasibility studies have pointed out that the tunnel project is mega in its scale (Finnish Ministry of Transport and Communications, 2018a; Finest Link, 2019). Public funding from both Finnish and Estonian governments is insufficient for such giant project. It may be possible to look to the European Union (EU) for funding, but solely relying on the EU would not be viable either. Studies have found that private investment for the project is necessary, and public-private partnership might be an option (Finnish Ministry of Transport and Communications, 2018b). However, a private-led model would be even more realistic. Governments, in a private-led model, should act as "enablers" to "support, give commitment, facilitate, monitor, authorize and accept" the project, as laid out in the report of the tunnel task force issued by the Finnish Ministry of Transport and Communication in 2018.

The development of an understanding like this is critical, as it allows the Finnish and Estonian authorities to correctly understand where they should stand in such an issue. Instead of being the initiators of these projects, governmental authorities come to understand that their roles should be as



the enablers of private businesses involvement. This environment, or what Risse-Kappen (1999) termed “domestic opportunity structure,” thus became more and more favorable for Peter Vesterbacka to advance his agenda.

In an EUobserver press report in February 2018, Risto Murto, deputy director-general of the Networks Department of the Finnish Ministry of Transport and Communications, “confirmed that the governments of Finland and Estonia are studying how they may act as enablers of Vesterbacka’s efforts – basically forsaking earlier suggestions of a publicly-funded tunnel” (Breum, 2018). As the government moved from being a potential competitor of Peter Vesterbacka to becoming an enabler, his role as a champion for the tunnel project could be established.

Since 2016, Peter Vesterbacka’s team has been garnering funding and preparing vital first steps, such as obtaining licenses and permits. For instance, comprehensive environmental impact assessment is essential to obtaining governmental approval and licenses. Peter Vesterbacka’s team cooperated with Pöyry, a consulting and engineering firm, to work on the obtaining the necessary permits. Meanwhile, the tunnel project was included in the governmental regional plan. This signaled government support to progress the tunnel project. Until thus far, empirical evidence has supported the first and second hypotheses mentioned previously.

### *Peter Vesterbacka’s Vision*

Peter Vesterbacka called his project the FinEst Bay Area project. FinEst is pronounced as “finest”, the superlative of “fine”. In Peter Vesterbacka’s vision, the tunnel project would be based on the private funding that he can pull together. If governments wish to join his project, the project would then become public-private. The same applies to the construction of the Arctic railway, which is also included in Peter Vesterbacka’s long-term plan.<sup>1</sup>

The FinEst Bay Area project estimates that the tunnel will cost €15 billion, while the government-led feasibility study has estimated that the cost will range between €13 to €20 billion. Peter Vesterbacka’s team believes that the FinEst Bay Area project’s estimation is more accurate and is lower than the one estimated by the government’s feasibility study. The FinEst Bay Area project proposes the opening of the tunnel in December 2024 while the government-led feasibility study predicted the opening year to be in 2040. The FinEst Bay Area project is actually larger than the railway project in that it is proposed to build two artificial islands along the tunnel. The islands will house 50,000 inhabitants, and financing for building these could be private. While the government-led feasibility study suggested the use of trains that would run at 200 kilometers per hour, Peter Vesterbacka has proposed using Chinese technology for a very fast train with speeds of up to 389 kilometers per hour.

As FinEst Bay Area project and the government-led studies have different visions of the routing, timetable, modes of transportation and other issues concerning the tunnel, some media reports have framed this as two competing projects (Jarvia, 2018; Oja, 2018). In a press event on December 3, 2018, however, Peter Vesterbacka had tried to reject such framing. He understands the importance of governmental support to make his project come true. As he becomes capable of garnering sufficient funding for this project, he actually turns the situation in his favor in the sense that he could negotiate differences such as routing, timetable, modes of transportation and other issues directly with the government.

Peter Vesterbacka’s current goal is the Helsinki-Tallinn tunnel, but his larger ambition is to use this to attract investors to stimulate the growth of the metropolitan areas of Helsinki and Tallinn and, in the much longer term, to build the Arctic Railway (Kustaa Valtonen & Peter Vesterbacka, 2018). As Peter Vesterbacka declared in a press event on December 3, 2018: “It is not about the tunnel, but what it enables.” He sees the tunnel as an enabler of drawing future talents, investments,

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<sup>1</sup> The Finnish authorities have not held any discussion with Vesterbacka regarding his plan for the Arctic railway and is not aware of his plan (Lindström, 2018).

and growth. Peter Vesterbacka believes that the tunnel will create a center of gravity that leads to the metropolitan area linking Helsinki and Tallinn becoming a region of rapid economic growth.

#### *Where BRI Could Contribute: Framing the Finnish Projects as Part of the BRI*

There is interest in utilizing Chinese capital to help realize the Arctic railway and Helsinki-Tallinn tunnel projects, both from Peter Vesterbacka's team and other stakeholders (Kustaa Valtonen & Peter Vesterbacka, 2018; Lohi, 2018). Most of this interest remains as expressions of interest. Peter Vesterbacka's team is the exception; they have been actively visiting Chinese investors but are not able to reveal details of current negotiations.

The fact that China's BRI has an open and inclusive nature is important. There are no geographical or spatial boundaries to the BRI's outreach. China defines the BRI in functional terms, supporting any international project that has the potential to become part of the BRI (Kaczmarek, 2017a: 1364–1366; Kaczmarek, 2017b: 1040). There is no concrete definition of what kind of cooperative engagement there should be (Kaczmarek, 2017a: 1359). This opens the door to many possibilities, encouraging interested stakeholders in Finland to justify how their projects can be part of the BRI and thus obtain Chinese investment (Kaczmarek, 2017a: 1359).

For instance, Timo Lohi, the spokesperson of the Arctic Corridor project, became aware of China's BRI around 2015–2016. In his view, the BRI might take part in “financing, building and operating the Arctic railway” in the long term. However, as of late 2018, there has been no direct BRI investment in transport and logistics in northern Finland (Kustaa Valtonen & Peter Vesterbacka, 2018; Lohi, 2018). Similarly, feasibility studies and reports have noted the potential connection of the tunnel project to China's BRI. Peter Vesterbacka is by far the most active actor by taking real steps to negotiate with potential Chinese stakeholders to attract investment (Breum, 2018).

Peter Vesterbacka's active engagement with China is not only shown by his very frequent visits to the country. His team's office at the We+ co-working space in Helsinki is actually a Chinese-owned share-space office. He has been using We+ to help Finnish industry start-ups interested in the Chinese market. In addition, he was also said to be one of the main people pushing the Finnish tax administration to offer services in Chinese. In 2017, the Finnish tax office launched its first China desk, making Finland the first foreign tax administration in the world to offer Chinese services.

At a press event on December 3, 2018, Peter Vesterbacka explained that he spent a lot of time elaborating on one particular slide of his pitch presentation to potential Chinese collaborators. His pitch to investors was encapsulated by four bullet points on this slide: Finland's clean air, high education, low corruption, and the fact that Finland is ranked the happiest country in the world by the United Nations 2018 World Happiness Report.

By framing Finland as a Eurasian country, Peter Vesterbacka repeatedly reminds investors that Finland, albeit on the northern periphery of Europe, is actually the “closest neighbor of China, India and Japan in the EU” and that Finland has direct air connections putting it 6–8 hours from China, India, Japan and the rest of Asia. It is interesting to note that a similar Eurasian discourse is used by promoters of the Arctic Corridor project to create a sense of spatial closeness with Asia and thus legitimize the project's natural contribution of Asian investors. For instance, in a report by Breum (2018), Risto Murto, deputy director-general in the Networks Department of the Finnish Ministry of Transport and Communications, said “When we think of new corridors to China, we are halfway between Europe and Asia. Finland is not an island anymore. We look at our geopolitical position in a whole new way.”

It is clear that the entrepreneurial efforts of Peter Vesterbacka has helped establish the relevance of these two seemingly European-based projects to China's BRI, thus making the Polar Silk Road from imagination to reality. This is particularly remarkable since China's Arctic Policy initially did not mention the tunnel project, but the open and inclusive nature of the BRI or the Polar Silk Road concepts has been useful for Vesterbacka to make the linkage to his own project. This support the validity of the third hypothesis mentioned previously.

It is vital to note, however, that the principal-agent problem mentioned at the outset of this paper still exists at this stage. Although Peter Vesterbacka's entrepreneurship has shown some preliminary evidence of success in making the Polar Silk Road closer to reality, anonymous officials from the Finnish Ministry of Foreign Affairs have revealed that they do not support the narrative that Polar Silk Road has found its Finnish route. The fundamental problem for them is that Finland has not officially joined the BRI. As one of the anonymous officials from the Ministry of Foreign Affairs explained to the author, the ministry does not have a position on the tunnel project and is generally supportive of increasing connectivity between Europe and Asia. Such connectivity, however, does not need to be seen in the context of BRI at all. To some extent, I have observed that Peter Vesterbacka does understand this point. Yet, he adds the concept of the Silk Road to his campaign for clear reason: to attract Chinese capitals and legitimize Chinese involvement.

### *First Sign of Success in Spring 2019?*

Although Peter Vesterbacka is not willing to disclose details of his ongoing negotiations in China, there is some evidence to suggest that the process might have not been easy. In an EUobserver report published in February 2018, Peter Vesterbacka claimed that "Chinese investors will cover two-thirds while northern European pension funds will probably cover most of the rest of the €15 billion" (Breum, 2018). This funding plan and the proportion of Chinese investments seems to have decreased over time. In a press event held in Helsinki on December 3, 2018, Peter Vesterbacka said that 50% of the funding would be from Europe with the other 50% coming from Asia, where countries such as Japan, China, India and others could play a role. This plan differs from the February EUobserver report that Chinese involvement would be greater. At the same press event, Peter Vesterbacka proposed that 30% would be equity funding while 70% would be loans. He announced that he had secured seed funding from the first outside investor; Dubai-based ARC Holding would finance the seed stage of funding in the amount of €100 million. No Chinese investment had been secured as of late 2018.

One should bear in mind that in other countries with China-funded projects, the projects are normally implemented by Chinese companies and China typically offers loans not investments. The current development shows a different arrange in the case of Finland. In spring 2019, Peter Vesterbacka officially announced his success in obtaining €15 billion for his project. A private equity firm called Touchstone Capital Partners Ltd will contribute one third of the money through equity investment, thus getting a minority stake in this project. The remaining two thirds will be a loan.

Although Touchstone Capital Partners Ltd claims to be a private equity firm, it has an OBOR Consortium Group that including 15 China's leading state-owned enterprises (SOEs) and 15 international firms. With this, the firm has €100 billion USD One Belt One Road Fund to expand OBOR's related business.

Current arrangement means that the FinEst Bay Area project will be able to remain majority Finnish-owned. In a report by the Finnish state media YLE NEWS, Peter Vesterbacka explained this arrangement as a result of the Finnish side's plan to restrict the amount of Chinese investment and makes the Finnish side to still obtain a majority stake in the project. As Vesterbacka clarified, "At the moment there is a global discussion in Finland and elsewhere, there is a desire to not have too much Chinese money" (Yle News, 2019).

In addition to Chinese funding, Peter Vesterbacka has talked to major Chinese state-owned entities that have already had funded BRI projects in other countries, such as the China Railway Group Limited (CREC). It is unclear to outsiders what CREC's role might be, but from the limited information that his team is willing to disclose, we know that Chinese technologies and expertise, along with technologies from other countries, will be used in building the tunnel and operating the very fast train. In sum, Chinese involvement in the tunnel project means bringing in Chinese capitals and contracts for Chinese companies and operators of infrastructure.

Lastly, I shall mention that the Chinese Embassy in Finland has had discussions with Peter Vesterbacka's team about the tunnel project and with the the Finnish Ministry of Transport and Communications about the Arctic Corridor project. However, this study does not have further details of their communications. Sabina Lindström, leader of the Task Force Study for the Arctic Railway, advised that the discussion remains "on a very general level, and no concrete proposals have been presented by either side" (Lindström, 2018).

### *Summary*

Current progress seems to suggest that domestic opportunity structure matters. A local champion such as Peter Vesterbacka in BRI recipient states makes a difference, as he can act to develop the tunnel project more quickly than the Finnish authorities. His team has indicated that looking for EU funding would delay the process. This stance differs from the feasibility studies pointing to potential support from the EU. Although his team has noted that obtaining public funding would slow the process, this team takes pains not to criticize the government, because it understands the importance of obtaining governmental support. The stance of the Finnish authorities to act as enablers of Peter Vesterbacka's plan is crucial. The fact that the tunnel has been included in the government regional plan and that his team has been able to obtain relevant licenses and permits signals the government's support.

The development of the domestic environment in Finland, moving the government from a potential competitor to an enabler of private entrepreneurship, and the championship of Peter Vesterbacka's team facilitates realization of the tunnel project and the potential connection of the BRI with Finland. This supports the use of Risse-Kappen's domestic opportunity structure approach to look at how the BRI can find relevance in potential target states.

In general, the BRI's space-free and functional approach to cooperation and Finland's desire to position itself as a major connecting point linking Asia and Europe match well. The BRI's promise of economic benefits for participants and openness to regional cooperation are also generally in line with Peter Vesterbacka's discourse of using infrastructural initiatives to revive regional economies. This allows Finnish stakeholders to justify attracting BRI capital and opens the door for BRI to construct its Polar branch. The Polar Silk Road is gradually being imagined, articulated and realized, despite its slow process.

It is important to note, however, that although the third hypothesis concerning the nature of the BRI is valid, it is only of secondary importance. It only provides a condition that can allow interested stakeholders to justify their projects' relevance to the BRI. Local championship and governmental support are integral to the realization of projects. Hence, Risse-Kappen's (1999) domestic structure approach allows a better interpretation of the Finnish case than the constructivists' concern for the nature of issues, values and norms. Knowing the nature of the issue is a necessary but not a sufficient condition for the BRI concept to become reality in a target state.

### **Conclusion**

This study shows the very preliminary development of two infrastructure projects in Finland that have the potential to be part of the Polar Silk Road of the future. In Finland, domestic discussion about these two projects and preparations for them became more active in 2018 than in any previous year. As the process is still embryonic, it is hard to be precise about the real Chinese involvement beyond our tentative knowledge of the potential arrival of Chinese capitals, technology and expertise in the tunnel project. But what is clear is that for the BRI to make its way to Finland, local champions and support from the Finnish authorities are needed to sow the seeds of further cooperation. Framing and justifying the BRI as relevant to the Finnish projects demands substantial effort. This framing should allow potential Chinese investors to feel comfortable with these projects and be willing to contribute to them. These framing processes are as important as the actual negotiations between the

Chinese and the Finnish stakeholders. The very preliminary findings that this study offers reveal the challenges faced by the BRI in making a real impact on target states. Future studies could take a more recipient-centered approach in looking at the influence of the BRI, which would give a more balanced picture of exactly the kind of impact that China can have on world politics and business.

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## **Face to Face Interviews, Phone Interviews, & Email Correspondences with Key Stakeholders**

1. Kustaa Valtonen & Peter Vesterbacka, Founders of FinEst Bay Area Project, Interviewed by Yu-Wen Chen, October 29, 2018
2. Timo Lohi, Spokesman of Arctic Corridor, Interviewed by Yu-Wen Chen, October 30, 2018
3. Sabina Lindström, Chair for Task Force Study for Arctic Railway, Interviewed by Yu-Wen Chen, November 9, 2018.
4. Tero Vauraste, Chair of Arctic Economic Council & President and CEO of Arctia (Finnish state-own company operating the Finnish icebreaker fleet), Interviewed by Yu-Wen Chen, November 12, 2018.