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Transcript

CHINA IN THE WORLD PODCAST

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Guest: **Alexander Gabuev**

Episode 47: Russia's Pivot to Asia

Relations

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Haenle: You're listening to the Carnegie–Tsinghua China in the World podcast, a series of conversations with Chinese and international experts on China's foreign policy, international role, and China's relations with the world, brought to you from the Carnegie–Tsinghua Center located here in Beijing. I'm Paul Haenle, the director of the Carnegie–Tsinghua Center and I'll be your host today.

I'm thrilled to have with us Alex Gabuev, from the Carnegie Moscow Center to discuss China-Russia relations and Russia's Asia pivot. Alex is a senior associate and the chair of the Russia in the Asia-Pacific program at the Carnegie Moscow Center. He came onboard in February, and we're pleased to have him as part of the Carnegie family. His research is focused on Russia's policy towards East and Southeast Asia, political and ideological trends in China, and China's relations with its neighbors, especially those in Central Asia. Prior to joining Carnegie, Alex was a member of the editorial board of Kommersant publishing house and served as deputy editor in chief of Kommersant Blast, one of Russia's most influential news weeklies. Alex, welcome to the Carnegie–Tsinghua Center, welcome to the Carnegie Endowment, thank you for being on today's podcast.

Gabuev: Great to be here.

Haenle: Alex, you have recently published, in February and March, one [paper] in connection with the Asan Forum—in which you participated in and gave a talk—and another with the European Council on Foreign Relations. Both have talked about, have referred to, Putin's pivot to Asia. In your view, when did the pivot begin, and how successful has it been to date?

Gabuev: I would say, what people really need to understand about Russia's attitude to Asia, and particularly the attitude of the Russian elite, is that even now, a year after Crimea annexation, people want to wake up in, somewhere in Mayfair, knowing that there is a report from a boarding school where your kids get educated, that you have a private jet going to Cote Azur to a nice party, or you get invited to Chelsea. So, personal outlook is very much plugged into the old European world.

Actually, Asia is new. It's not very much personally attaching many people in the leadership and in the elite, and it's not so much driving, as being part of the best. That's the basic fact, and that has been throughout all the periods since the independence of Russia and breakup of the Soviet Union—that Asia was remote, somewhere there, thousands of kilometers away, completely different civilization where Russians are very much plugged into this European context language-wise, cultural-wise, spending pattern-wise. And, they were never serious about it.

So, they sorted out their border issue with China, which was very good, and since then, the China card, or the Asia card, was always used as a bargaining chip talking to Europeans. Remember 2006? Putin came to Hu Jintao, they signed two memoranda about gas pipelines, and [the pipelines] never happened because they were not intended to be real projects, but to scare the investor and customers, which was achieved.

So, the first really serious thinking about the issue, in my view, started with the global credit crunch, 2008-2009, when the Russian political community and business community realized that there is no way to go to western stock exchanges; they were short of money, they were short of capital, and there is a huge market just next door, full of capital and full of interest to get their resources out of. So, that's the first attempt, serious attempt, to penetrate it. That's the year that we got the oil deal and oil pipeline to China constructed—2009—that's the first stage for the Russian,

first-ever, IPO in Hong Kong stock exchange, which was Rusal in early 2011, but that didn't last as the crisis was over and people just turned back to business as usual with Europe.

Haenle: And it sounds like it was very energy-focused.

Gabuev: Yeah.

Haenle: Did I take that correctly, that this was mostly about energy, and that other aspects of the relationship, in terms of the economy and security were not there yet?

Gabuev: Right. On the security side, that was always very symbolic as Russia turned more and more non-western first, and anti-western on later stages. We have the Shanghai Cooperation Organization, which was set up as a mechanism to sort out the border issue between the newly formed countries and China, and then became an ambition to become a more comprehensive security organization, which it never became, and will probably become in the future, but not yet. It's more about China and Russia trying to have a rapprochement, joint military drills, and so on, and not about really comprehensive regional architecture. And, it's definitely very much anti-American directed, so the Istana declaration of 2005, when the countries demanded that America withdraw troops from Central Asia is very much that, but nothing systemic has happened since.

Haenle: And how quickly is this pivot happening, in your view, and is it the right policy for Russia?

Gabuev: I would say that since 2014, right since the annexation of Crimea and slow imposition of different types of sanctions against Russia, Russia definitely has no other choice but to look for other partnerships. And in terms of capital, and technology, and markets Russia may require, there is only one place to go—that's East Asia. But, as Japan and South Korea are U.S. allies then they have to be following the discipline of allies, and Japan is also a G-7 country, so it has to impose sanctions as part of this mechanism. There was only one large player they can go to, and that's China. So, when the pivot was invented or thought through as a strategy, back in the credit crunch, and then 2012 when Putin came to power, that was really diversifying from European dependency, to diversify to East Asia. But, what's happening now is not a pivot to Asia but pivot to China, which is happening in a dire enough situation where [Russia] has to do that on Chinese terms.

Haenle: And, how receptive has China been to date?

Gabuev: China has not been too receptive. So, it has picked up some cherries, picked up some nice things it wants, but with a lot of domestic risks inside of the Russian economy—for example, if you are a company and want to invest into a Russian company or a Russian project, with the current devaluation of the ruble, you cannot calculate any reasonable financial law for that. You don't know how much the agencies will downgrade the Russian economy and the Russian sovereign risk. So, it's very scary even for large SOE. Being a private investor, it's even more scary because the expertise is not there. So, the Chinese are very much putting it on hold and domestic developments within China in regards to the anti-corruption campaign and a slower government reaction to different stimulus is definitely affecting that relationship as well.

Haenle: Three Russia-China summits will take place this year. First, in May, on May 9 in Moscow for Russia's commemoration of the 70th anniversary of the end of World War II. The second one, in July, in Ufa for the Shanghai Cooperation Organization meeting, and in September, in Beijing, for China's 70th anniversary military parade, which will commemorate the end of World War II.

What do you say to the intense speculation in recent months that the appearance of warming ties between Presidents Xi and Putin—do you think Xi and Putin are forming a much stronger personal relationship, and what notable changes have we seen in the relationship between Russia and China as of late? Are China and Russia really becoming much more aligned, as people like to say?

Gabuev: I would say that on the leadership scale, we definitely see much more close ties, personally, between Putin and Xi. Remember, Jiang Zemin may be the last Chinese leader who fluently spoke Russian, but he was 20 years older than Putin. Hu Jintao was 10 years older. So, we see Putin is just half a year older than Xi Jinping, so they are more or less the same generation, with more or less the same outlook. Putin's personal diplomacy is very much concentrated on building these personal relationships with top leaders, that was his job with KGB. And, as far as I know, the two guys got drunk during Putin's birthday party in Bali back in 2013, so Xi Jinping was the only foreign guest at a very small private party of 10 people in Putin's compound in Bali. So, that's where the relationship went very smooth, they had sympathy for each other. You may see that—

Haenle: Sympathy for each other in what regard?

Gabuev: —Putin had always a certain image here in China, as a strong personal leader who can fly a fighter jet and who fights corruption and who fights oligarchs, and many people speculate in Russia, and heard from some Chinese colleagues, that [Xi] might be emulating or at least looking at Putin's public image there. And, I know very well that Russians are looking into the anti-corruption campaign which is happening now in China and very closely at how Xi Jinping executes that, and what's really going on.

Haenle: And, in terms of the two leaders, Putin and Xi Jinping's view of the West and the United States, is there a common view there?

Gabuev: I would say, from the talks and people who participate in the talks, they would seem to be very much united in their stance. But, I would say their backgrounds are different. Xi Jinping's favorite movie, as he claims, is *Saving Private Ryan*. So, he's much more westernized—his daughter was at Harvard, he likes to play soccer—so he's much more a global man than Putin is. And, serving in Eastern Germany shouldn't mislead anyone, because he was serving in a second-tier city, basically doing counterintelligence against Russians working there—so, he was not exposed to it that much, so, I would doubt that.

Putin, coming from a KGB background, has a greater sense of conspiracy about the West, and, I would say, Xi Jinping might be much more open and realistic about it.

Haenle: In the last two to three decades China has really grown its economy, as you know. In the early '90s, Russia and China's economies were on par with one another, and now China's is four

times the size of Russia's. So, there's been, in a very short time period, this sort of flip flop in who, from an economic standpoint, at least, is the stronger of the two.

Does that affect the relationship at all? Does President Putin, or the Russians, harbor any resentment or ill feelings towards China because of this reversal, with China now a much stronger economic power?

Gabuev: I would say that this ill feelings and some deep suspicions about long term Chinese intentions were always there on the Russian side. If you go back to Soviet history, the Soviet-China border was one of the most militarized borders in human history, in terms of the mass of army units held there. So, the Soviets were not afraid of China as an economic powerhouse, but as a demographic powerhouse. And, if you look at a map of Asian Siberia and the Russian forests—where there are six million people and there are about 120 million people just across the border [in China], people sometimes get afraid, and when they don't operate on proper facts about the levels of migration there, which, is not so much. There is no visible Chinese presence or Asian presence in Pacific Russia, which is sad to me. But people—

Haenle: I remember traveling there in the late '90s, and went into Russia and spoke to border guard officials, and one of them described the northeast part of China as a boiling pot of 1.3 billion Chinese getting ready to boil over.

Gabuev: Yeah, and that's very much the Russian perspective on it, and I would say Moscow's perspective as well, but the local perspective is that the natural migration pattern for Chinese people is to go to a richer province, or to southeast Asia, or to a normal country, which is the U.S. or Europe—it's definitely not Russia. So, I would say that still these deeply harbored feelings—we have a very complicated border story and border history. Russia invaded China, Russia chopped off part of its historical land, and so on, and we were happy to sort it out legally, thanks to Putin. That was one of his major achievements. But, these deep-seated suspicions are still there, and I would say China growing strong as an economy, and it happening, as you rightfully say, so rapidly, just in one generation, that Soviets used to be like—the Chinese have this expression *sulian dage*, don't worry about—

Haenle: Russia is the big brother.

Gabuev: —right, don't worry about it, Russia's the big brother. On the other hand, the Chinese were very smart and skillful not to show that.

So, Russia always, as a venerable power, wants to have these equal relationships. They are obsessed with having an equal relationship with the U.S., or with Europe, which the West doesn't necessarily want to grant, or want to grant according to certain policy, democracy, human rights records-related status—the Chinese were very smart in not showing that they are the real big brother, but treating Putin with all respect and equality. And, that goes very much to Central Asia, for example, where Russia has natural interests, long-term history of a presence, military assets and economic assets, and where we see Chinese investment just flooding the region, buying it up, which is normal and natural, because they're after natural resources. Russia is not wanting to buy Kazakh oil or Kazakh gas because we have it all. The Chinese are very skillful in showing appreciation for Russian historic stance and position in Central Asia.

Haenle: Let me shift, Alex, to Russia's ties with Japan and North Korea. Here we've seen in both cases over the past year a degree of warming; possibilities for diplomatic breakthroughs in certain cases with both countries exist. What, in your view, do these changing dynamics mean for regional geopolitics and for China?

Gabuev: I wouldn't say that these dynamics are stable, as we definitely saw Abe's government trying to reach out to Putin, and Putin very much wanting to pivot to Asia, including Japan, and not to China only. But, that was definitely put on hold by Russia's moves in Crimea and then eastern Ukraine. So, even if a bilateral summit happens, I don't think we have any sort of breakthrough on the northern territories, so the momentum for the political will was there, but it was lost.

On North Korea, there is a very new and inexperienced team which does the bilateral government to government commission, which has a very big target on the investment side and bilateral projects, and observing the history of Russian-North Korean relations. I would be very cautious in how much you can actually deliver, even in a year or two. So, I would see that the Chinese will be very patient in observing how much actually happens, and my bet is that, unfortunately, not so much will happen.

Haenle: Let me, with the final question, turn to China's new initiative called the New Silk Road Project. How do business circles in Russia, political elites, and the Russian people see China's new initiative, more as a threat or as an opportunity?

Gabuev: Russian people are illiterate, so they don't know too much about it. And, I would say even on the elite level, the understanding that this project is there and it's going to happen in one form or another is just forming as we speak. So, the concept is pretty new, and there are some internal groups which study what's actually on the table, and that's everybody's puzzle as Xi Jinping is about to present his newly adopted view and to present the road map of which projects will be invested in.

But, the business community definitely sees, and the private business community sees a lot of opportunities, because for the Eurasian economic union and the customs union—where cargo going through western China to Europe can cross just two borders and go directly, in a speedy way, through a very stable territory without any additional geopolitical risks, unlike the southern route through Iran and northern Iraq, or the very expensive route through the Caspian Sea, crossing the Black Sea as well—so, for Russia, this is a natural selling point. And, there are some concerns on the Russian railway monopoly side, which is a large player with the COB and a close friend of Putin's, which definitely wants to control the whole project, and so on. So, the Russian government is just trying to figure out how to combine its own agenda and interests with what is on the table on the Chinese side.

Haenle: Great. Well, we expect a Chinese white paper out soon on the New Silk Road Initiative, which hopefully will provide more details and next time you come back to the Carnegie-Tsinghua Center hopefully we can continue our conversations in this.

Gabuev: Absolutely. Thank you so much for hosting me.

Haenle: Well, thank you, Alex. Thank you for coming, thank you for spending time with us today, and throughout this week. That's it for this edition of the Carnegie–Tsinghua China in the World podcast. If you'd like to read or learn more about Russia-China relations and Russian foreign policy, you can find more of Alex's articles on the Carnegie Moscow website at www.carnegie.ru or follow Alex on Twitter: @alexgabuev. Thanks for listening and be sure to tune in next time.