

SHANGHAI COOPERATION ORGANIZATION CHALLENGES AND RESPONSE

Ms. Sadia Nasir

Introduction

The Shanghai Cooperation Organization (SCO) is the successor organization of Shanghai Five, which consisted of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan. The group reshaped itself after the induction of Uzbekistan into the current form and expanded its focus to ensure regional security and stability by including in its agenda issues such as the fight against terrorism, drug manufacturing and trafficking and collective economic projects. The SCO also includes four observer nations: India, Pakistan, Iran and Mongolia and also a contact group with Afghanistan has been set up, bringing substantial weight to the organization.

The focus of the organization has shifted with the changing regional environment. The initial focal point of the Shanghai Five group was regional security and economic cooperation, which shifted towards counter-terrorism after the wave of terrorism in Uzbekistan in 1999. In the aftermath of the September 11, 2001 terrorist attacks on the United States and the consequent US-led War on Terror in Afghanistan, counter-terrorism has emerged as one of the important concerns of the organization. However, economic collaboration and development matters continue to constitute an important leg of its organizational agenda.

Nonetheless, this paper would discuss the issues pertaining to the potential of the organization. For instance, how the organization is responding to the regional challenges and what success has it achieved in this regard? How has the organization grown from a border settlement mechanism to a vibrant regional grouping? In the end, the study will mention the future prospects of the organization as an effective regional forum for Central Asian states. However, it would be pertinent to highlight the organizations' agenda and focus in order to understand its functioning.

SCO's Focus and Agenda

As a regional organization, the SCO started almost a decade ago as Shanghai Five, which aimed at achieving demilitarization and delimitation of international borders in Central Asia. On April 26, 1996, China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan concluded an 'Agreement on Strengthening Military Confidence in Border Areas' in Shanghai, which was named as Shanghai Five.

The organization has undergone changes and adjustments with time, which resulted in shift in focus and agenda of the organization from time to time. From the days of Shanghai Five until its founding time, the SCO dealt with common security threats faced by the members, particularly from religious extremism and terrorism. However, the organization soon widened its focus to encompass a wider range of issues, including economic cooperation, trade and investment, transportation, energy, telecommunication, infrastructure development, agriculture, water sharing, ecology, disaster relief, education, media, tourism, poverty alleviation and technical training.

The SCO has gradually established a foothold in Central Asian politics from a "low level institution confined basically to military security cooperation between China and its four neighbors sharing a common border."...to a "regional cooperation model featuring the basic consensus over the shared need for defending regional peace and stability through effective cooperation to mutual benefits; regional harmony"....and "an authority built on institutionalized regional cooperation through creating mutual military trust and troop reduction in solving border issues and combating religious extremists and organized trans-border crimes".¹

The initial SCO agenda enlarged over time with expansion in focus and interests of the SCO. New institutions and bodies were also established to cater for increasing requirements of the organization. The SCO emerged to "make its unique contribution to the world community's efforts to protect international security, speed up economic development of the region, preserve and develop

its unique culture.”² Some of the areas agreed to be explored have taken distinct shape through growing cooperation. However, the organization has many challenges to be resolved in order to achieve its agenda and to sustain as a true pan-regional organization.

Main Challenges for SCO

The growth of a relatively newer organization, such as the SCO is no doubt a long term and difficult task. The SCO may have emerged as the most prominent organization in Central Asia, but it still has a long way to go. There are at least 30 agreements and normative documents that must be drawn up to set forth the provisions of the SCO Charter.³ All of these agreements also have to be put into practice. The main challenges for the organization are:

Maintaining Cohesion among Members

An important challenge for the SCO remains maintaining cohesion on the home front, which not only includes establishing cooperative relations between its members but also covers promoting cordial relations between their respective state and civil society institutions. China and Russia being overwhelmingly stronger members and the unstable Central Asian members represents a situation of unequal membership.

The overbearing influence of Russia in the region has been considered a problem in the evolution of the SCO as a dynamic regional grouping. To reduce their dependence on Russia, the Central Asian states have pursued bilateral relations with the US and other Western states. The “temptation to do business with the US rather than relying on an autonomous collective security system in the region may be too great to resist for the Central Asian states,...which are traditionally inclined to pursuing a policy of seeking leverage by playing one external power against the other”.⁴ The Central Asian leaders may “seize the opportunity” of using ties with the US to balance their relations with Russia.⁵ Nonetheless, some of the security related problems in Central Asia stem from sources other than Islamic militancy and, thus, lie outside the focus of the US agenda. Disparity, unemployment and overall social

unrest are regional issues, and these can be better tackled through a regional grouping such as the SCO.

Moreover, the interests of the member states conflicts with each other in many areas. Kazakhstan and Kyrgyzstan have serious reservations and suspicions about the policies and goals of Uzbekistan. Central Asian states also have long-standing suspicions about Russo-Chinese cooperation and ambitions in the region.⁶ Uzbekistan, until recently, had been a US ally and had reservations about joining the Sino-Russian initiative. Another bitter fact is that Chinese and Russian interests do not always coincide. There are differences in their military and strategic considerations. Since 2004, top Russian officials have opposed Chinese military presence in Central Asia.⁷

The conflict of interests among SCO members is more pronounced in the energy sector. For instance, the Russians are interested in promoting the Trans-Siberian railway as a main connecting link between Asia and Europe. The Chinese are said to prefer the southern route to Europe across Central Asia-Transcaucasus-Turkey to the Mediterranean coast. This route is said to provide China's western region "a new geo-strategic importance."⁸ Similarly, the interests of Central Asian states may not coincide with China and Russia insofar as the exploitation of energy resources in the region is concerned.

The Central Asian states also perceive their interests and role of the SCO differently. Uzbekistan and Kazakhstan want to play an important role in the region and consider SCO's prestige as helpful in enhancing their own prestige. Kyrgyzstan and Tajikistan, on the other hand, consider their participation in the SCO as tool for resolving domestic issues of economy and stability. Kyrgyzstan particularly co-relates its "domestic stability with security cooperation within the SCO framework".⁹ The Kyrgyz are said to be unsatisfied with "ceding a mountain range to China in the framework of a peace treaty".¹⁰ After the Askaniya riots in 2002, an anti-government rally in Kyrgyzstan protested the government's decision to cede "too much" territory to China in land negotiations.

Such difference in perspective does influence the participation and interests of the members-states in the organization. This leads to questions such as how much priority the SCO enjoys in the foreign policies of the Central Asian countries, or to what extent these countries are willing to invest in the SCO, both politically and economically.

The inclination of the Central Asian states towards the US can particularly hinder their participation in regional groupings, since the interests of an extra-regional power and regional powers may not always coincide. Until 2005, SCO's effectiveness as a strategic alliance had been limited by "multi-directional foreign policies of the Central Asian states for gaining maximum advantage by playing off the West—particularly the United States—against the incipient Moscow-Beijing axis".¹¹ Until the recent past, Central Asian states' short-term security priorities did not match with SCO's long-term developmental strategy. Gradually, however, they have started to express greater interest in the latter.

Another policy dilemma for the SCO in maintaining cohesion is the question of its future role. China and Russia have both stated their desire for the organization to serve as a regional provider of security through intelligence and economic cooperation. Yet, this declared commonality belies certain visible differences between Beijing and Moscow.¹² Among the two important areas of SCO agenda, security and development, Russia emphasizes security, while the Chinese focus has been on development. Hence, a consensus on the future shape of the organization does not exist due to difference in the interests of the members.

In addition, the membership of almost all of the organizations working in Central Asia is overlapping, which means that the members of one organization are also members of other parallel organizations. These security arrangements not only overlap in membership but also in their goals, which limits the commitment of the members, particularly of Central Asian states in a particular organization. The overlapping membership results in differing priorities that member states place on any of the organizations, which may become an obstacle for the SCO. The political interests

of the member states overshadow their commitment to the organization.

Central Asian states' internal politics also has had serious implications for regionalization in Central Asia, which has been a state-centric process without the involvement of civil society. Regional dynamics are being defined by interactions between "highly personalized regimes" rather civil societies. Central Asian leaders do not seem to be fully committed to the agendas of any regional organization that may affect their 'ability to act unilaterally'.¹³ Consequently, the rulers have been reluctant to create mechanisms making agreements binding upon their regimes, a factor that has hindered implementation and failure of several of the SCO agreements.

The Economic Challenge

All of the Central Asian states are mired in extreme poverty. Economic decline in Central Asia is coupled with security, border, water and developmental issues. Given that, "there is still little prospect of major Western investment in several of the countries. As for now, the region is too remote, the market too fragmented, and the future too uncertain".¹⁴ Such disappointing economic situation of SCO members surely hinders the implementation of SCO's developmental plans. Central Asian states expect China and Russia to provide for economic development of the region, as they face tremendous difficulties in opening up their markets.¹⁵ However, for their part, China and Russia can spare limited financial and economic resources for the region. This implies that the SCO has to operate within the budget constraints.

Even though, SCO member-states have a common interest in the exploitation of energy resources, expansion of transportation and communication lines, and promotion of trade and economic cooperation, they are a long way from creating a common market. Thus, in the foreseeable future, there is no prospect for the establishment of a free trade zone in the region, since SCO countries differ greatly in their respective domestic economic and political realities.¹⁶ It is China that has pressed the SCO to move towards the

establishment of a free trade zone in the region—a move which Russia has not supported.

Boris Rumer points out that Central Asian states lack “objective preconditions for regional unity’ as neither they share interest in a single market, as in European Union, nor large investment resources from one of the member states, as the US in NAFTA.”¹⁷ The intra-regional trade in Central Asia is low and external trade dependence is high. Exports are mainly in agricultural and mineral products, while informal trade has gained importance with large distortions in the market system. There is limited scope for trade expansion within the region as all of the five Central Asian states export similar range of products. For instance, Kazakhstan exports oil and metal product, Kyrgyzstan exports mainly gas and electricity, Tajikistan exports electricity, cotton and aluminum, Turkmenistan’s products are cotton and natural gas and Uzbekistan exports cotton and gold. Therefore, their economies are more competing than complementary.¹⁸

In the energy sector, Central Asian states have focused on import-substitution rather than regional trade. Limited rail and air links within Central Asia are also a major constraint on intra-regional trade. There is a serious need for improving transportation infrastructure between Central Asian states. Protectionist trade policies have aggravated the existing heavy dependence on fewer export commodities, making the region more vulnerable to price shocks. Central Asian economies are dependent on a small group of producers, creating monopolies and also a limited market for investors.

In retrospect, the SCO needs to focus on creating a favorable environment for economic cooperation by helping to coordinate relations among governments and relevant departments of the member states. The economic projects intended to strengthen regional economic growth should be supported by initiatives for mutual assistance directed towards encouraging small and medium production units to create more employment opportunities.¹⁹ The SCO has taken several measures and numerous agreements have been signed to boost economic cooperation. However, much more

remains to be done.

Counter-Terrorism

Terrorism has been a high priority issue in the SCO agenda since the beginning, as the ‘perceived potential danger of Islamist militants is the main threat that binds regional security policies of the SCO countries together’²⁰. The SCO has established a Regional Anti-terrorism Structure (RATS), but its capacity is limited by the unwillingness of the member states to exchange intelligence.²¹ Also the contribution of the member states in terms of military intelligence and police assets remains limited. The RATS has not been able to contribute to regional security in a substantial way due to the lack of resources.

All of the members continue to share unease with separatist movements, and it has increased the importance of the SCO for the members. China faces its persistent Uyghur separatist problem in Xingjian; Russia wages its costly war in Chechnya, and Tajikistan, Kyrgyzstan, and Uzbekistan all struggle with violent Islamist movements, like Hizb-ut-Tahrir and the Islamic Movement of Uzbekistan (IMU). Kazakhstan, Kyrgyzstan and Tajikistan share borders with Xingjian, whose population shares religious and cultural links with the Turkic Muslim population of Central Asia. The unrest in Uzbekistan and Kyrgyzstan is said to have spill over effect on Chinese Uighur problem, due to links between Uighur separatists and terrorist groups in Central Asian nations, particularly Kyrgyzstan.²² Such extremist and terrorist activities and linkages cannot be tackled by the governments individually. They need a collective response from the SCO, which is seriously lacking. For instance, during the terrorist attacks in Tashkent and Bukhara in 2004 and in Andijan in 2005, SCO’s operational capability was not effectively used.²³

Institutional Issues

Institutionalization of a multilateral organization is important for identifying the policy issues and processes. The degree of institutionalization of a regional organization is collectively determined by “objectives outlined and achieved; established norms,

procedures, or written set of rules, the size of its physical structures and permanent staff...'²⁴ The SCO has, indeed, progressively institutionalized, but the proliferation of bureaucratic structures and mechanisms for regular high level interaction among the member governments still constitute a major problem in this context.²⁵ Several mechanisms dealing with issues like dispute settlement and membership still need to be established.

The SCO has identified 127 areas for cooperation but, due to difference of opinion on the implementation process,²⁶ most of them have not translated into agreements or been practically implemented. This has reduced the credibility of the organization. Given that, there is a need to develop an institutional structure with specialized organs so that issues such as dispute settlement can be handled effectively. There is no permanent body to settle disputes among the SCO member states. Article 22 of its Charter stipulates no alternatives for dispute settlement other than negotiations and consultations.²⁷ Most of the regional organizations in the world are equipped with a judicial body for settlement of disputes among members. Hence, it is appropriate that the SCO establishes a judicial body to overcome the challenge of dispute settlement.

The expansion of SCO membership does not appear to be a priority for the SCO. Its Charter does not have any provision regarding the issue of membership. The SCO lacks the legal document on the issue of accepting new members.²⁸ The organization does have observer states, who were admitted under the Regulations for SCO Observers approved at the Tashkent summit, which serves as a practical basis for external cooperation. However, the lack of an explicit process for membership creates suspicion regarding the agenda of the organization. Also Iran has recently applied for membership and in case the organization considers the application seriously, it would require an explicit process for induction of new members.

The Image Problem

Since its inception, the SCO has been perceived by a section of scholars and policy makers as an anti-West, China-dominated

organization with a “hidden agenda” of reducing US influence in Central Asia. The SCO is perceived as a “ploy for expanding Chinese influence,”²⁹ or to contain US influence in the region. Such negative image has been an obstacle to enhancing SCO cooperation with extra-regional organizations and actors, and has created difficulties for the SCO members, particularly for Central Asian states, in formulating their foreign policies.

These negative perceptions were reinforced by a statement issued during the July 2005 SCO summit in Alma Ata, calling on the US to set a deadline for the removal of its military bases in Central Asia.³⁰ Uzbekistan, since 9/11, has been a strategic partner of the US and the US, in return, has guaranteed the security of Uzbekistan, while also providing it with military equipment. However, Washington bitterly criticized the Uzbek government for its crackdown in the country’s Andijan province after the May 2005 uprising there. By then, the Uzbek government had also become suspicious of the US involvement in pro-democratic revolutions in Kyrgyzstan, Ukraine and Georgia. This led to deterioration of Uzbek-US relations. It was essentially in this backdrop that the July 2005 SCO Declaration was issued. From the SCO perspective, the removal of US bases from the region was a common stand of the organization to avoid any physical presence of outside powers in the region, and it was not merely an anti-US step.

The SCO has been perceived as a “Sino-Russian alliance that seeks to compete against” the US and NATO influence in Central Asia. Such perception is derived from the fact the Shanghai Five was established at a time when US relations with both China and Russia were at a ‘dismal low’ and, at that time, China and Russia were beginning to be considered as strategic partners.³¹ The “big brother image” of China and Russia has repeatedly been pointed out in the West and has been perceived negatively. This image, in particular, has been associated with China since the Shanghai Five period. As Farkhod Tolipov pointed out, “We should bear in mind that today China is treating the ‘Shanghai Five’ as a ‘transitory structure’ – the basic agreements will expire on 31 December, 2020, that is, they are valid for the period of China’s possible development into a world center of power. After that China will probably act

harshly, especially towards its neighbors".³²

Central Asian states often played one external power against another in the past. Given that, their participation in the SCO and stand against US bases in the region is considered by some critics as being motivated by the desire gain leverage for more profitable future negotiations.³³ However, it is a fact that Central Asian states have a greater involvement in the affairs of the SCO at present. They have also improved their bilateral relations with China. Central Asian states' greater participation and growing economic integration with the SCO will strengthen their commitment towards the organization and will subsequently reduce the uncertainty about its future.

There is need for political image building of the SCO. This image needs to evolve more closely with the organization's political principles and agenda. To counter its image as an anti-US/West organization, SCO has already emphasized in many of its declarations that it intends to cooperate with all of the states, and that is not a bloc against any state. Moreover, the SCO leadership has frequently stressed that the organization's agenda is geared towards promoting cooperation in non-political areas such as trade and economic issues. Still the organization needs to do a lot more to address its image problem.

Environmental Concerns

Central Asia is engulfed with environmental problems, particularly pertaining to water scarcity. A serious crisis seems to be evolving due to the availability of fewer water resources, including disappearance of Aral Sea and growth of deserts. The principle supply of water in Central Asia comes from the Amu Darya and Syr Darya rivers. However, because of agricultural and industrial development, these rivers have been polluted and are shrinking. This problem is not likely to subside anytime soon as the water demand is increasing and the resources are diminishing.

Such environmental issues have a significant impact on the security, economic stability and social development of Central Asia. Water management has become a major source of dispute among

Central Asian states. For instance, due to the loss of water resources for farming, 15,000 sq km of Kazakh cotton went un-irrigated and rice output decreased approximately 40 percent in 2004. In addition to negatively affecting the economies, water scarcity has aggravated relations between countries of the region. For instance, in 1997, Kyrgyz-Kazakh dispute over water led to a shut down in cross border trade.³⁴ Such incidents are set-back for regional harmony.

Central Asian states have failed to manage the problem on their own. The SCO has taken some concrete steps to improve the economic and security situation of the region. Nonetheless, without peaceful water management in the region, an effective implementation of SCO economic policies cannot be guaranteed. The role of SCO in solving Central Asian water problem will be a test for the organization's long-term viability.

Tackling the Challenges

The SCO has a long way to go to be accepted as an influential player at the international level. In this time of rapid changes, the SCO needs to face the above-mentioned challenges to contribute to substantial development of the region. The SCO can increase its international stature only by actively dealing with these challenges. For the purpose, it has to increase the capabilities of its two permanent institutions; i.e., the Secretariat and RATS.³⁵ Cooperation within the SCO should not be limited to acceleration of economic growth; rather, it should be broad based, encompassing social and cultural contact among people across border and aimed at solving a multitude of political, economic and social problems.

The organization also needs to outline a clear approach towards environmental protection, poverty elimination, sustainable development and cultural cooperation. Apart from terrorism, the non-traditional security threats are also a major challenge for the region, and some mechanism should be evolved to tackle them. The SCO has endeavored to create "strong linkages between economic development and security in Central Asia".³⁶ However, much remains to be achieved in the security domain.

SCO's Response and Achievements

Over the last few years, the SCO has grown and created mechanisms to fulfill its regional agenda. Efforts are being made to deal with the challenges that the organization and the region as a whole are facing, and some success has been achieved. The SCO has made progress mainly in four areas: establishing mechanisms to deal with security issues particularly with terrorism, progress in economic situation, enhancing its political and international image and creating harmony among the members. Yet, with this success, a lot more needs to be accomplished, though the progress has already begun.

Successes in the Security Sector

Ensuring regional security and stability is another focus of the cooperation among the members, as trans-border security threats call for an effective collective response. Although the SCO agenda had focused on security aspect since the 'Shanghai five' time, serious doubts were expressed after 9/11, as the SCO failed to deliver a collective response to the event other than issuing a collective statement of condemnation. The member states responded individually, creating doubts about the relevance and future of the organization. However, for an objective view of the organization, it should be kept in mind that the organization was created in June 2001 and lacked an institutional structure to respond to such incidents.

SCO has strengthened over time and launched several anti-terrorism initiatives. Establishment of RATS was an important step in this regard. RATS, with its headquarters in Tashkent, was formed in 2004 to help Central Asian states and their neighbors to deal with terrorism problem. The main function of RATS is to coordinate SCO member's activities against terrorism, separatism and extremism. The RATS mandate also includes coordination of services such as border police, customs and national security services. During RATS meeting in April 2006, 14 terrorist organizations were identifying as potential threat for the region,

while RATS efforts for preventing over 250 terrorist attacks in member states, were also commended.³⁷

The functions of RATS broadly include (or are likely to expand to include) collection and analysis of information about terrorists organizations, exchange of relevant information and experience among the SCO members, study of different forms of terrorism, monitoring the anti-terrorist struggle of the SCO members, searching for new approaches and methods of anti-terrorism campaign, development of cooperation with similar centers and organizations, encouraging successful implementation of the Shanghai Convention on combating terrorism, separatism and extremism and publication and dissemination of relevant materials.³⁸

Several collective anti-terrorism exercises have been conducted among the members to enhance the organization's capability and capacity to respond to the terrorism threat. Such anti-terror exercises have been important in improving anti-terrorism cooperation among the members and also in updating joint command and coordination in anti-terrorist operations. The current strategic role of the organization is not only confined to traditional security, but the non-traditional threats such as smuggling of arms, narcotics and illegal migration are also to be dealt with.

Apart from regional level work, the SCO has also began to interact with other international agencies and has been sending representatives to other international forums on counter-terrorism to learn about the experiences and knowledge of others.³⁹ It has also established an SCO-Afghan Contact Group to assist reconstruction process in Afghanistan and to control illegal cross-border activities exacerbating terrorism and drugs trafficking problems in Central Asia.

Drug trafficking is another major challenge for the security of the region and the SCO has also extended its joint response to eradicate this problem. Since 2003, joint anti-trafficking exercises have been carried out annually and have included the relevant agencies of all the member states. These exercises and joint operations have achieved the desired targets, for instance, as a result

of 'Kanal 2006' operation, the anti-drug agencies intercepted and destroyed '19285 kg of narcotic substance'.⁴⁰ Central Asia has been one of the major drug trafficking routes in Eurasia due to weak border control and insufficient anti-trafficking coordination.

Within the security agenda, military cooperation is also taking place among the SCO member, though to a limited extent. However, such ventures are not directed against any state or a group; rather, these are intended to enhance the cooperation among the member. Regular meetings among the defense ministers of the member states have also been held to discuss issues of collective importance. The SCO also held a joint military exercise in Russia in August 2007, to improve the ability of the SCO states to combat terrorism, separatism and extremism and to maintain peace and security of the region. It is worth noting that most of the activities of the SCO reflect the generally accepted Western policy aims⁴¹ and that has brought reputation for the organization.

Progress in Economic and Social Field

Achieving economic development for member-states has been an important item on the agenda of SCO since its inception. Different strategies have been considered for fostering economic cooperation, and increasing trade and communication links among the members. Soon after SCO's formation, heads of state of the member-states met in September 2001 and signed the 'Memorandum of Regional Economic Cooperation'.⁴² The need for creating favorable conditions for economic cooperation among the members, including development of communication corridors and reduction of tariff barriers was emphasized.

In May 2002, SCO members announced the start of negotiations for establishing a SCO free trade zone, aimed at increasing trade liberalization at an advanced pace. Although efforts are under way in this regard, the plan has not materialized yet. During the 2003 prime ministerial council meeting of the SCO, an outline for multilateral economic and trade cooperation was adopted, formulating a macro programme for promotion of regional economic integration and free flow of commodities, capital, skills

and services among member-states in twenty years.⁴³ The Heads of States also considered creation of SCO Development Fund and SCO Business Council for stimulating developmental activities.

At the 2004 SCO summit, China offered \$900 million in credit at preferential rates to other SCO members. The organization also expanded its horizon to include, among other developmental activities, curtailing uranium pollution in water supply, preventing desertification and effective management of dams' construction.⁴⁴ Such activities are not only aimed at ensuring economic development but also in achieving social welfare in the member-states.

In 2005, President Hu Jintao announced that China would set aside development fund of \$10 million for training 1,500 people from other SCO countries, in areas of economic, scientific-technical and humanitarian cooperation.⁴⁵ At the bilateral level, China signed an energy agreement with Uzbekistan worth \$600 million. While the bilateral agreement between China and Tajikistan on construction of the 410 km Dushanbe-Ayni-Shahriston-Istaravshon-Khujand-Buston motorway along the Tajik border would revitalize the transport and communication links.⁴⁶

There have also been some multilateral cooperative ventures, like Chinese, Kazakh and Russian investment in hydroelectric power sectors of Kyrgyzstan and Tajikistan. Thus, the regional initiative has also resulted in greater bilateral cooperation among the members. Along with these projects, economic cooperation has also resulted in higher bilateral trade. The trade volume grew to \$1.82 billion from \$460 million during 1992 to 2000. In 2005, it reached \$8.7 billion. In year 2006, the trade volume exceeded \$10 billion.⁴⁷ For many Central Asian countries, China has become the second most important trade partner after Russia, as bilateral trade among the SCO members continues to grow.

An Entrepreneurs Committee of SCO has been established as a forum for enterprises of the member states to directly collaborate with each other. 127 cooperative projects involving quality identification, custom house, investment, tele-commerce,

telecommunication, traffic and transport, energy and other fields have already started or will start in the near future.⁴⁸ Also Russian President Vladimir Putin has initiated creation of an 'energy club' within the SCO, which would possess half of natural gas reserves and almost a quarter of all oil reserves, if Iran is included in the initiative.⁴⁹ Such a project can bring enormous fortune for the region. The SCO is also focusing on construction of roads and particularly China appears to be interested in investment in this area.

The main developmental goals of regional economic cooperation are to identify economic mutual compatibility among the states, expanding trade and investments, facilitating joint ventures and trade activity, creating suitable conditions for gradual free movement of goods, capital, services and technologies. It is also important to harmonize the respective national legislations regulating foreign economic activity and effectively using the existing communication and transportation infrastructure, while also developing mechanisms of regional economic cooperation.⁵⁰ Hence, one of the major contributions of the SCO has been enhancement of multilateral economic cooperation by first developing a legal framework for such cooperation.

Improvement of International Political Image

The SCO has improved its image from an anti-US and China-dominated to a regional organization based on the principles of multilateralism and multiculturalism. One of the important factors contributing to this image is SCO's cooperation with other international organizations and non-SCO nations. The SCO obtained observer status in the UN General Assembly in 2004 and signed memorandum of understanding with the CIS and ASEAN in 2005,⁵¹ thus opening up to the outside actors and removing external misgivings about itself.

The SCO has also started accepting observer states, which can participate in the SCO process under the 'Regulations on the Observer Status of the Shanghai Cooperation Organization'. With the inclusion of observer states in the SCO, its influence has grown and its political clout has enhanced. India, Iran Mongolia and

Pakistan have been admitted as observers. Some other nations, including the United States, have expressed interest in gaining observer status in the organization. This alone shows the growing political importance and international image of the organization.

The SCO has repeatedly declared that it is not an alliance against any other state or organization, and its interaction with other institutions and states has helped it enhance its international status. The SCO also established linkages with other regional organizations. In April 2004, the SCO Secretariat and the CIS Executive Committee signed a Memorandum of Understanding, expressing willingness to cooperate in areas of trade, anti-terrorism and social contacts. Similar memorandum was signed between SCO Secretariat and ASEAN Secretariat, for cooperation in economic, finance, tourism, environmental protection, use of natural resources, social development, energy and fight against transnational crime.⁵²

The beginning of an institutionalization process of the organization has also consolidated its international image. Although this process is still incomplete, the establishment of the two important permanent organs has given it legal character that is required for any credible international organization. Institutionalization has brought about multi-level cooperation among member-states and helped the SCO to expand its main operative goals. Further institutionalization of the organization will increase cooperation among the members on broader issues.

Over the past five years, the image and international standing of the SCO has gradually improved and the concept of 'Shanghai Spirit' has been accepted as a new security concept for the region. The initial criticism and mistrust associated with the organization was mainly because at the time of the creation of Shanghai Five the relations of the US with China and Russia were not good and the organization was perceived as a Sino-Russian alliance to curb US influence in the region.⁵³ However, with gradual improvement of bilateral relations of China and Russia with the US and with growth of SCO as a vibrant regional organization, focusing mainly on security and economic cooperation, this negative view has begin to subside.

Consolidation of Ties among Member-States

During the past decade, bilateral relations among the SCO members have improved. The bilateral relationship between China and Central Asian states has also developed and translated into political, economic and military cooperation. A number of cooperation agreements providing legal basis for friendly relations have been signed. Economically, there has been some 'preliminary success' and trade has steadily increased reaching \$2 billion.⁵⁴ However, speedier progress for the purpose is being constrained due to mutual mistrust among Central Asian states and their security concerns vis-à-vis China and Russia.

The SCO is also serving as a mechanism to mutually balance Russia and China, while also involving Central Asian members. This has also led to reduction of Russian influence in the region and a more balanced environment. China's participation in the Shanghai Five is not only increasing the military-political potential, but is also making it possible for the Central Asian participants to use it as a tool for creating balance between Russia and China, whose interests are represented in the region.⁵⁵

The mechanism for foreign policy coordination has also been rationalized. The SCO Charter envisaged common viewpoints on foreign policy issues of mutual interest. The Moscow declaration of April 2006 reinforced the need to ensure efficient cooperation between the foreign policy structures, along with other areas. The importance of invigorating contacts between the foreign policy establishments of member-states on matters of international affairs and international organizations was highlighted.⁵⁶

The harmony among the members is also a result of disengagement of the West from the Central Asian affairs and focus of SCO on many of the regional problems which were not considered seriously by the West. This has led to a more positive tilt of Central Asian member-states towards the organization. The SCO has also acted as a catalyst for new Chinese, Russian and even Western technical, educational and financial ventures aimed at strengthening Central Asian defense capabilities. The number of

Central Asian personnel going to Russia for study exchange and training has increased and China has opened up its law enforcement and military training institutes for Central Asian states.⁵⁷

The SCO process has helped the Central Asian regimes and leaders to pursue a spirit of dialogue among them. The leaders now meet at least annually and there are also many regular contacts within the organizational functioning. Revival of contacts among the members has helped build confidence and bring development and stability in the region. Differences and tensions among Central Asian states have been curtailed, and steps have been taken to resolve tensions on Uzbek-Kyrgyz and Uzbek-Tajik borders. For instance, in 2004, the Uzbek President announced his country's readiness to de-mine the border zone with Tajikistan and Kyrgyzstan.⁵⁸

SCO: A long way to go

With growing interdependence among states, the role played by global and regional economic cooperation organizations has enhanced. The SCO has played a significant role in building mutual trust and developing state-to state relations based on partnership rather than alliance.⁵⁹ However, factors of instability exist in the region and it would take a long time for the states and the SCO as a regional organization to deal with them.

The SCO has provided a diverse opportunity for the member states to cooperate and resolve issues of concern at a multilateral level. The SCO is turning in to an effective mechanism for boosting mutual trust, economic cooperation and building a positive image at the international level. The prospects for cooperation are broad; however, a lot of problems persist. There are loopholes in every area and much more commitment is required from the members to ensure regional development.

The future of the organization would undoubtedly depend on the success of the SCO in addressing common problems of the region such as terrorism, smuggling, economic problems and also environmental problems like water issue. These issues have to be

tackled gradually, in order to vitalize the SCO as a representative organization in Central Asia.

Future Prospects: A reflection

It is clear from the preceding discussion that the original agenda of the Shanghai Cooperation Organization has not fundamentally changed. Rather, its focus has shifted and expanded over a period of time. The challenges being faced by the SCO, and the way it has responded to them, establishes the fact that the organization was essentially created to meet the objective needs of its members and their realization that a multitude of problems they faced could only be solved through mutually beneficial cooperation. Two features that distinguish the SCO from other Central Asian organizations are the diversity of its membership and its consensus-based policies. From a strategic perspective, the Sino-Russian partnership in a regional organization is significant. This factor plus the presence of four Central Asian states makes the SCO a regional organization whose international significance, especially in coming years and decades, cannot be overlooked.

The SCO has gradually evolved mechanisms for fulfilling various economic, political and security tasks. However, these mechanisms are not yet fully developed. Issues such as dispute settlement need specific mechanisms, which the SCO Charter does not provide for currently. Another issue that the SCO might face in future is that of crisis management. For instance, while the democratic upsurge of 2005 affected its Central Asian members, the SCO could not play any role in managing the ensuing crisis due to its principle of non-interference in the domestic affairs of its members. Given that, the SCO Charter may have to evolve some kind of mechanism in future to deal with such crisis under some regional security mechanism to avoid instability at the regional level.

Apart from this, the SCO will also have to concentrate more on deepening its existing partnerships rather than expanding the organization. Having admitted India, Iran, Mongolia and Pakistan as observers, the organization does not seem to be ready for new

members. The SCO is still not the highest priority of the Central Asian states, which hinders its effective role. Despite this, the organization has been instrumental in creating harmony among its members and promoting economic and security cooperation among its members, particularly between Russia and China. Its future viability, however, will be determined largely by greater economic cooperation. Enhanced economic and trade relations may discourage Central Asian member-states to look towards the United States and the West for assistance, thereby fostering harmony among all of the SCO members. It may be concluded from the study that the organization has been able to create a cooperative framework to address common concerns, particularly pertaining to security of the members and broadly in promoting stability in the region.

End Notes

- ¹ Xu Tao, "Regional Cooperation in Central Asia and Shanghai Cooperation Organization", *Contemporary International Relations*, Vol. 15, No. 11 (November 2005), pp. 19-20.
- ² A. Lukin, "Shanghai Cooperation Organization: Problems and Prospects", *International Affairs: A Russian Journal of World Politics, Diplomacy and International Relations*, Vol. 50, Issue 3 (2004), p. 34.
- ³ Gregory Logvinov, "The Shanghai Cooperation Organization: A New Qualitative Step Forward", *Far Eastern Review*, Vol. 30, No 3, (2002), p. 25.
- ⁴ Khalid Mahmud, "Shanghai Cooperation Organization (SCO): Beginning of a New Partnership", *Regional Studies*, Vol. XX, No. 1 (Winter 2001-02), p.14.
- ⁵ Roy Allison, "Regionalism, regional structures and security management in Central Asia", *International Affairs*, Vol. 80, No. 3 May 2004, p. 483.
- ⁶ Stephen Blank, "The Shanghai Cooperative Organization: Post-Mortem or Prophecy", *CEF Quarterly: The Journal of the China-Eurasia Forum*, Special Edition: The SCO at One, (July 2005), p. 14.
- ⁷ Ariel Cohen, "The Dragon Looks West: China and the Shanghai Cooperation Organization", *The Heritage Foundation*, 7 September 2006, <http://www.heritage.org/Research/AsiaandthePacific/hl961.cfm>, accessed on 7 April 2007.
- ⁸ Jyotsna Bakshi, "Shanghai Cooperation Organization (SCO) before and after September 11", *Strategic Analysis*, Vol. XXVI, No. 2, Apr-Jun 2002, www.ciaonet.org/olj/sa/sa_apr02baj01.html accessed on 10 Jan 2007.
- ⁹ Sun Zhuangzhi, "New and Old Regionalism: the Shanghai Cooperation Organization and Sino-Central Asian Relations", *The Review of International Affairs*, Vol. 3, No. 4, Summer 2004, p. 607.
- ¹⁰ Cohen, "The Dragon Looks West," op. cit.
- ¹¹ Dr. Michael A. Weinstein, "Intelligence Brief: Shanghai Cooperation Organization", 12 July 2005, www.pinr.com/report.php?ac=view_report&report_id=325&language_id=1 accessed on 3 April 2007.
- ¹² Stephen Blank, "China and the Shanghai Cooperation Organization at Five", *China Brief*, Vol. 6, Issue 13 (21 June 2006) http://www.jamestown.org/publications_details.php?volume_id=415&issue_id=3773&article_id=2371203, accessed on 3 April 2007.
- ¹³ Annette Bohr, "Regionalism in Central Asia: New geopolitics, Old Regional order" *International Affairs*, May 2004, Vol. 80, Issue 3, p. 498.
- ¹⁴ Rizwan Zeb, "Pakistan and the Shanghai Cooperation Organization", *The China and Eurasia Quarterly*, Vol. 4, November 2006, p. 5.
- ¹⁵ Zhuangzhi, "New and Old Regionalism", op. cit., p. 607.
- ¹⁶ Farkhod Tolipov, "On the Role of the Central Asian Cooperation Organization within the SCO", *Central Asia and Caucasus*, 2004, <http://cagateway.org/downloads/SCO-04-1.pdf> accessed on 10 January 2007.
- ¹⁷ Bohr, op. cit., p. 496.
- ¹⁸ Ibid.
- ¹⁹ G. Chuftrin, "The SCO: Changing Priorities", *International Affairs: A Russian*

- Journal of World Politics, Diplomacy & International Relations*, Vol. 53, Issue 1 (2007), p. 60.
- ²⁰ Yom Sean L., “Power politics in Central Asia”, *Harvard Asia Quarterly*, Vol. VI, No. 4, Autumn 2002
http://www.asiaquarterly.com/index.php?option=com_content&task=view&id=129&Itemid=99999999
- ²¹ Allison, op. cit., p. 479.
- ²² Subodh Atal “The New Great Game”, *The National Interest*, No. 81 (Fall 2005), p. 101.
- ²³ Farkhod Tolipov, “Multilateralism, Bilateralism and Unilateralism in Fighting Terrorism in the SCO area,” *Central Asia and Caucasus*, 2004, p. 160,
<http://cagateway.org/downloads/SCO-04-1.pdf> accessed on 10 February 2007.
- ²⁴ Chien-Peng Chung, “China and the Institutionalization of the Shanghai Cooperation Organization”, *Problems of Post-Communism*, Vol. 53, No. 5 (September/October 2006), p. 6.
- ²⁵ Blank, op. cit., p. 13.
- ²⁶ Zhao Huasheng, “The Shanghai Cooperation Organization at 5: Achievements and Challenges ahead,” *China and Eurasia Forum Quarterly*, Vol. 4, No. 3, 2006, p. 112.
- ²⁷ Mutlaq Al-Qahtani, “The Shanghai Cooperation Organization and the Law of International Organizations”, *Chinese Journal of International Law*, Vol. 5, No. 1 (March 2006), p. 139.
- ²⁸ Ramakant Dwivedi, “Shanghai Cooperation Organization: A Critical Analysis”, *MosNews*, Vol 8, No. 1, (July-September 2006)
www.mosnews.com/news/2006russiachinasco, accessed on 4 April 2007.
- ²⁹ Ibid.
- ³⁰ John Chan, “Russia and China Call for Closure of US Bases in Central Asia”, *World Socialist Website*, 30 July 2005,
http://www.wsws.org/articles/2005/jul2005/basej30_prn.shtml, accessed on 19 August 2006.
- ³¹ Huasheng, “The Shanghai Cooperation Organization at 5,” op. cit., p. 108.
- ³² Tolipov, “On the Role of the Central Asian Cooperation Organization,” op. cit.
- ³³ Peter Mattis, “A Victory for China’s New Security Concept: The Shanghai Cooperation Organization”, *CEF Quarterly: The Journal of the China-Eurasia Forum*, Special Edition: The SCO at One, (July 2005), p. 41.
- ³⁴ Li Lifan and Liu Jingqin, “Central Asian Water Resources and the Future of the SCO”, *CEF Quarterly: The Journal of the China-Eurasia Forum*, Special Edition: The SCO at One, (July 2005), p. 34.
- ³⁵ Zhao Huasheng, “The SCO in the Last Year”, *CEF Quarterly: The Journal of the China-Eurasia Forum*, Special Edition: the SCO at One, (July 2005), p. 12.
- ³⁶ Marc Lanteigne, “In Medias Res: The Development of the Shanghai Cooperation Organization as a Security Community”, *Pacific Affairs*, Vol. 79, Issue 4, (Winter 2006-07), p. 620.

- ³⁷ Ibid., p. 619.
- ³⁸ Tolipov, "On the Role of the Central Asian Cooperation," op cit.
- ³⁹ Atal, op. cit., p. 102.
- ⁴⁰ Ruslan Maksutov, "The Shanghai Cooperation Organization: A Central Asian perspective" *SIPRI Project Paper*, August 2006, p. 17.
- ⁴¹ Ibid, pp. 7-8.
- ⁴² Zhuangzhi, "New and Old Regionalism", op. cit., p. 603.
- ⁴³ Tao, op. cit., p. 21.
- ⁴⁴ Lifan and Jingqin, op cit., p. 34-35.
- ⁴⁵ Chung, op. cit., p. 12.
- ⁴⁶ Maksutov, op cit, p. 20.
- ⁴⁷ Zhuangzhi, "From Neighbors to Partners", *Beijing Review*, 1 February 2007, http://www.bjreview.com/expert/txt/2007-02/01/content_54423_3.htm accessed on 10 January 2007.
- ⁴⁸ Gu Yu, "The Current Situation in Central Asia", *International Strategic Studies*, Vol. 84, No. 2 (April 2007), p. 72.
- ⁴⁹ Maksutov, op cit, p. 23.
- ⁵⁰ Logvinov, op. cit., p. 22.
- ⁵¹ Tao, op. cit, p. 24.
- ⁵² Huasheng, "The SCO in the Last Year", op cit., p. 11.
- ⁵³ Huasheng "The Shanghai Cooperation Organization at 5," op. cit., pp. 107 108.
- ⁵⁴ Zhuangzhi, "New and Old Regionalism," op cit, p. 602.
- ⁵⁵ As quoted in Tolipov, "On the role of the Central Asian Cooperation Organization", op cit.
- ⁵⁶ "Moscow Declaration of Heads of Member States of SCO", *The SCO Website*, 20 April 2006, http://english.scosummit2006.org/en_bjzl/2006-04/20/content_93.htm, accessed on 5 July 2007.
- ⁵⁷ Maksutov, op cit, p. 16
- ⁵⁸ Ibid, p. 18.
- ⁵⁹ "Government White Paper - People's Republic of China", *The Security Situation* (12 September 2002), www.china.org.cn/e-white/20021209/1.htm, accessed on 18 June 2007.

Author

Sadia Nasir is currently a visiting faculty at FAST National University and writes independently. She is a UNESCO/Keizo Obuchi research fellowship holder, for her work on 'Rise on extremism in South Asia', which has been published as IPRI paper. She had previously been associated with IPRI and FRIENDS as researcher. She has also participated in Regional Center for Strategic Studies, Colombo workshop on 'Defence, technology and cooperative security in South Asia'. She has several publications in different journals and newspapers and her main area of interest has been South Asian politics. She holds a M.Phil degree from Quaid-e-Azam University, Islamabad in International Relations.