

DCAF REGIONAL
PROGRAMMES

**THE SHANGHAI
COOPERATION
ORGANISATION
AND CENTRAL
ASIA'S SECURITY
CHALLENGES**

16

Anatoliy A. Rozanov (Ed.)



The Geneva Centre for
the Democratic Control
of Armed Forces

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The Shanghai Cooperation Organisation and Central Asia's Security Challenges

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Almaty – Minsk – Geneva, 2013

Geneva Centre for the Democratic Control
of Armed Forces
(DCAF)
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The Geneva Centre for the Democratic Control of Armed Forces is one of the world's leading institutions in the areas of security sector reform (SSR) and security sector governance (SSG).

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PREFACE

The Geneva Centre for the Democratic Control of Armed Forces (DCAF, www.dcaf.ch) presents the product of a timely and concise study on the activities of the Shanghai Cooperation Organisation. The study was conducted in the framework of a joint project with the Belarusian State University in Minsk. We were fortunate to attract as partners in this publication individual experts from Kazakhstan, as well as the Kazakh Institute for Strategic Studies (KISS) to the President of the Republic of Kazakhstan, thus marking the association of Kazakhstan with DCAF in 2012 as an observer.

Insufficient knowledge brings fear and lack of trust. Therefore DCAF, with the support of its 61 member states, undertakes studies aimed to identify best practices in the governance of security and development at national, regional and global levels. Following the 2010 publication of the study on the CSTO—the first, as far as we are aware, comprehensive treatment of the CSTO evolution—now we are trying to address another knowledge gap by publishing this study on the Shanghai Cooperation Organisation. This publication series will be continued, and the CSTO and SCO studies will be regularly updated.

Geneva and Brussels, May 2013

Philipp Fluri
Deputy Director DCAF

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List of Acronyms

AF	Armed Forces
ANSF	Afghan National Security Forces
ASEAN	Association of Southeast Asian Nations
CA	Central Asia
CAEC	Central Asia Economic Community
CAR	Central Asian Region
CARICC	Coordination Centre for Combating Illicit Trafficking of Narcotic Drugs and Psychotropic Substances
CAU	Central Asian Union
CES	Common Economic Space
CHG	Council of the Heads of Government
CHS	Council of the Heads of States
CICA	Conference on Interaction and Confidence Building Measures in Asia
CIS	Commonwealth of Independent States
CNPC	China National Petroleum Corporation
CPC	Communist Party of China
CPE	Command Post Exercise
CRRF	Collective Rapid Reaction Forces
CSTO	Collective Security Treaty Organisation
DCAF	Geneva Centre for the Democratic Control of Armed Forces
DDC	Department of Drugs and Crime
ESCAP	Economic and Social Commission for Asia and the Pacific
ETIM	East Turkestan Islamic Movement (known also as “Turkestan Islamic Movement,” TIM)
EU	European Union
EurAsEC	EurAsian Economic Commonwealth
FBI	Federal Bureau of Investigation
FDCS	[Russian] Federal Drug Control Service
FSB	Federal Security Service of the Russian Federation
FTZ	Free Trade Zone

GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency
IMU	Islamic Movement of Uzbekistan
IRA	Islamic Republic of Afghanistan
ISAF	International Security Assistance Force (in Afghanistan)
KISS	Kazakh Institute for Strategic Studies
MGIMO	Moscow State Institute of International Relations (also: MGIMO University)
Mol	Ministry of the Interior
NATO	North Atlantic Treaty Organization
NPC	National People's Congress (<i>literally</i> : All-Chinese Assembly of People's Representatives)
NPT	Non-Proliferation Treaty, also known as Treaty on the Non-Prolif- eration of Nuclear Weapons
OPEC	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Co-operation in Europe
PRC	People's Republic of China
RAS	Russian Academy of Sciences
RATS	Regional Anti Terrorist Structure
RF	Russian Federation
RK	Republic of Kyrgyzstan
SC	(UN) Security Council
SCO	Shanghai Cooperation Organisation
SCR	Security Council Resolution
SOF	Special Operations Forces
TCS	Treaty on Collective Security
TIM	Turkestan Islamic Movement (known also as "East Turkestan Islamic Movement," ETIM)
UES	United Energy System
UES CA	United Energy System of Central Asia
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNO	United Nations Organization

UNODC	UN Office on Drugs and Crime
USA	United States of America
WCA	Wider Central Asia
WTO	Warsaw Treaty Organization (more commonly referred to as “Warsaw Pact”)

Introduction

Anatoliy A. Rozanov and Roza M. Turarbekava

This study was conducted as part of a joint research project of the Geneva Centre for the Democratic Control of Armed Forces (DCAF) and the Foreign Policy and Security Research Centre in Minsk. Its implementation would not have been possible without the commitment and the financial support provided by DCAF. The study allowed to strengthen the fruitful cooperation between the two centres, initiated with the joint CSTO study, published in October 2010 first in Minsk, and then in Geneva.¹

The interest in the Shanghai Cooperation Organisation (SCO) is based on the fact that this forum for cooperation between Russia, China, and the countries of Central Asia (CA) already filled a unique niche in the system of international relations in Eurasia, the Organisation gradually expands its sphere of activities, and intensifies the cooperation in many areas. Even though in the beginning the “Shanghai Five” were oriented primarily towards the military dimension of security (settlement of border issues, demilitarization of border areas, etc.), SCO, created in 2001, currently deals with a broad spectrum of political, economic, social, and humanitarian issues. Although progress in some fields of cooperation within the SCO could possibly be more visible and intensive, a lot was done in the ten years of existence of the Organisation, and the anniversary summit in Astana on 15 June 2011 outlined new horizons of cooperation and identified concrete measures for reinforcing its activity.

This study was organised in a way allowing to track the SCO creation and evolution, to outline the main aspects of its activity, to comprehend the ways in which China, Russia, Kazakhstan and other Central Asian countries approach the Organisation, to define its role in providing regional security, and to explore the energy track in its activity. Generally, the contributors tried to clarify whether SCO may become a key, effective pillar for the stable and safe evolution of Central Eurasia, as well as its real capacity to fundamentally reform the problem of security and stability in the centre of Eurasia.

The specifics of this study is in the examination of SCO's creation and activity as an experience of contradictory, competitive interaction and cooperation between Russia and China in an attempt to maintain and consolidate the status quo in Central Asia. It needs to be underlined that the study is based on analysis of official SCO documents, original Russian and Chinese sources, as well as assessments of experts from the region of Central Asia.

¹ Anatoliy A. Rozanov and Elena F. Dovgan, *Collective Security Treaty Organisation: 2002-2009* (Geneva: DCAF, 2010), www.dcaf.ch/Publications/Collective-Security-Treaty-Organisation-2002-2009.

Methodologically, the study approaches the issue not only from a functional point of view, i.e. looking at the effectiveness of the Organisation's activity and the match between declared goals, tasks, and programmes and the degree of their realisation, but also from an institutional point of view. In the framework of the latter, the study examines the issue of motivation of SCO founding members in creating the Organisation, searches for a rational basis for their behaviour, and the creation of new, competing fora of international relations. In addition, it utilises the contextual approach in analysing Central Asia's regional security challenges, the role of People's Republic of China in the region, and the energy track of cooperation.

As a whole, the application of diverse analytical approaches allowed to create several cross sections of the issue at global, regional, and national levels, in the fields of security, economics, and foreign policy of individual states.

Each chapter here represents the specific individual approach of the contributing author. Nevertheless, the researchers came to a consolidated conclusion on the nature of the Organisation, the specific evolution and the essence of the integration processes in Eurasia in the framework of SCO.

Alena F. Douhan provides an assessment of the SCO creation and evolution from the point of view of international law, and examines the SCO status, structure and specifics as an international organisation. In addition, she explores the possibility to classify SCO as a regional organisation for collective security.

A special attention in this monographic study is paid to the role of China as a 'new' and rather promising player in Central Asia, as well as to its policies towards CA, the change of priorities in cooperation and the results achieved.

A separate theme under consideration is the analysis of the approaches to the SCO activity of the two biggest members of the Organisation – Russia and China. Practically, their interaction determines the direction and the speed of SCO's evolution and the effectiveness of its decisions. In the opinion of Maryia V. Danilovich, the differences in their approaches stem from the synthesis of the potential and the motivation of these two members, and since they do not coincide, the transformation of SCO into a military-political alliance has been put on hold.

Regional security continues to be a central issue, where SCO is trying to position itself as one of the most important elements of the evolving system of international interaction. Hence, this volume presents two related views. In the chapter on security issues, Anatoliy A. Rozanov evaluates SCO as a nonspecialised organisation from a military-political point of view; nevertheless, as an international structure, SCO is capable of taking upon itself the responsibility for preventing threats like terrorism and drug trafficking. On the other hand, in the chapter on 'third players' (Kazakhstan and other countries from Central Asia) Roza M. Turarbekava provides a critical assessment of the overall activity of SCO in the field of security based on the specific problems encountered by Central Asian countries, as well as on the respective measures, or just statements, undertaken by SCO member states. Generally, the authors concur on the relatively 'moderate' role of SCO in the Eurasian security architecture and the partial realisation of its potential in the field of security.

Since SCO brings together major suppliers and users of energy resources, energy cooperation is the most important economic component for members of the Organisation. Hence, this topic is adequately presented in the volume. Maryna V. Shavaliyova reckons that this issue is treated in the framework of 'unofficial' dialogue and, strictly speaking, up until now SCO has not completed the normative and institutional foundation for collaboration in the field of energy.

Chapters 7 and 8 provide for important contribution by Kazakh experts. Zhenis M. Kembaev adds his analysis on the legal aspects of the SCO activity and underlines how important for the foreign policy of Kazakhstan is the multilateral diplomacy and the role of the Organisation in creating the regional and global security architecture. Murat T. Laumulin, in turn, contributes his political analysis on the place and role of Kazakhstan in the Eurasian integration processes, including in the framework of the "Shanghai process."

Overall, and in spite of some critical assessments of SCO, the authors agree that the potential of the normative foundation and the composition of member states allow to consider a more prominent future of the Organisation as a possible pillar of international cooperation in Central Eurasia.

Chapter 1

Evolution, Status, and Main Fields of Activity of SCO

Alena F. Douhan

The international legal base of the SCO was created by the governments of the so called “Shanghai Five”: China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan, who after the disestablishment of the USSR were forced to solve the problems around the former Soviet-Chinese state borders.¹

Measures to secure the integrity of the external borders of the Commonwealth of Independent States (CIS) were taken at this time not only within the CIS through declaring the integrity and defining the regime of security of external borders (Agreement on the establishment of the Commonwealth of Independent States of 8 December 1991, p. 5,² Agreement for cooperation among Commonwealth states to ensure the stability of their external borders of 12 October 1992,³ Memorandum of cooperation on the protection of their external borders of 24 December 1993,⁴ etc.), but also by signing bilateral agreements (Russia and China 1994; Kazakhstan and China 1994, 1997, 1998, etc.⁵) and agreements between all members of the “Five” (Agreement on confidence building in the military field in the border area of 26 April 1996⁶; Agreement on mutual reduction of armed forces in the border area of 24 April 1997⁷).

¹ On the history of SCO formation see Samatov, O.Zh. International legal basis of SCO as an instrument for stability and development of the Central Asian region of CIS, *Law and politics* 12 (2005); *Consultant Plus: Comments on legislation. Technology Prof.* Moscow: YurSpektr, 2012.

² Agreement on the establishment of the Commonwealth of Independent States of 8 December 1991. *Consultant Plus: International legal acts. Technology Prof.* Moscow: YurSpektr, 2012.

³ Agreement for cooperation among Commonwealth states to ensure the stability of their external borders of 12 October 1992. *Consultant Plus: International legal acts. Technology Prof.* Moscow: YurSpektr, 2012.

⁴ Memorandum of cooperation on the protection of external borders of 24 December 1993. *Consultant Plus: International legal acts. Technology Prof.* Moscow: YurSpektr, 2012.

⁵ See O.Zh. Samatov, *Ibid.*

⁶ Agreement between the Russian Federation, the Republic of Kazakhstan, Kyrgyzstan, Tajikistan and the People's Republic of China on confidence building in the military sphere in the

In 2001 Uzbekistan started to cooperate with the “Five.”

Adopted at the summit in Shanghai in 2001, the Declaration on establishment of SCO⁸ (hereinafter “*The Declaration*”), despite its name “Declaration” represents an international agreement due to the fact that it was signed by all member countries. SCO was founded on the basis of this document and this is stipulated in Par. 1 of the Declaration. Later, the status of SCO was settled in the Charter of the Shanghai Cooperation Organisation, adopted on 7 June 2002 (hereinafter – *SCO Charter*).

In order to ensure the independence of SCO, the Charter directly indicates that it has international legal personality (Article 15), and assigns to the organisation itself, its officers and representatives of the government a significant amount of privileges and immunities (SCO Charter, Article 19; Convention on privileges and immunities of SCO of 17 June 2004⁹).

Membership

Currently, SCO comprises six member countries – its founders: Kazakhstan, Kyrgyzstan, China, Russia, Tajikistan and Uzbekistan.¹⁰ The Organisation is not closed. The opportunity for including new members was provided in Par. 7 of the Declaration, and the mechanism of acceptance is explained in detail in Article 13 of SCO Charter.

At the same time, as noted in the doctrine, the attitude of the SCO member states to its enlargement is quite different. The largest members of the Organisation (Russia, China) claim that such a move is premature.¹¹ References are made to the absence of mechanisms regulating the interaction between the countries that make up the core of SCO, the lack of clear parameters for the admission of new members, and unclear “benefits” for the SCO member countries from the enlargement.¹²

border area, *Bulletin of Russian-Chinese agreements. 1949 - 1999*. Moscow: Terra-Sport, 1999, pp. 365 – 373.

⁷ Agreement between the Russian Federation, the Republic of Kazakhstan, Kyrgyzstan, Tajikistan and the People's Republic of China on mutual reduction of armed forces in the border area of 24 April 1997, *Bulletin of International Agreements* 6 (2002): 21–60.

⁸ Declaration on the establishment of the Shanghai Cooperation Organisation, 15 June 2001, *Shanghai Cooperation Organisation* (2012), www.sectsc.org/RU/show.asp?id=83 (3 Sep. 2012).

⁹ Convention on privileges and immunities of SCO of 17 June 2004, *Bulletin of International Agreements* 11 (2008): 3–10.

¹⁰ Member States, Shanghai Cooperation Organisation (2012), <http://www.sectsc.org/RU/#> (3 Sep. 2012).

¹¹ O.Zh. Samatov, *Ibid.*

¹² SCO Secretary General's speech at the Round table “SCO – a contemporary model for regional cooperation,” *Shanghai Cooperation Organisation* (2012), www.sectsc.org/RU/show.asp?id=124 (3 Sep. 2012).

Main focus of activities

The objectives of SCO are stipulated in its founding documents (Declaration, Par. 2; SCO Charter, Art. 1, 3) and include:

- strengthening of mutual trust, friendship and good neighbourliness between member states;
- promoting effective cooperation between them in the political, commercial and economic, scientific and technical, cultural, educational, energy, transport, environmental and other areas;
- joint efforts to maintain and ensure peace, security and stability in the region, the construction of a new democratic, just and rational political and economic international order.

In practice, the main focus to date has been on the maintenance of international peace and security and the fight against modern challenges and threats, primarily against international terrorism, separatism and extremism.

In order to combat these phenomena, simultaneously with the adoption of the Declaration, the Shanghai Convention on combating terrorism, separatism and extremism was signed on 15 June 2001,¹³ setting out the basic principles of cooperation between the countries in this area, including information exchange, requests for search operations, development of common and coordinated measures to prevent and suppress illegal activities, exchange of experience, information, regulations, etc. (Par. 6). The Convention, referring to ten of the 16 major universal documents on combatting terrorism, provides a definition of terrorism (Par. 1(1)), and regulates the issues of cooperation in combating separatism and extremism.

It is also significant that the only permanent non-administrative body of SCO—RATS—was established to coordinate the activities in this particular area. In addition to coordinating the work, RATS provides information to member states and creates a database of terrorist organisations and terrorists linked with terrorist activities, and accumulates information on the status, dynamics and trends in the spread of terrorism, affecting member states (Agreement on the Regional antiterrorist structure, Art. 6 (3-5)¹⁴ /hereinafter – Agreement on RATS/).

From 2004 until 2010, seven more international agreements were signed within the SCO, regulating different aspects of the fight against international terrorism. These are: Agreement on protecting classified information within RATS, on 17 June 2004,¹⁵ Agreement on the organisation and joint antiterrorist activities on the territory of SCO member

¹³ Shanghai Convention on combating terrorism, separatism and extremism of 15 June 2001, *Bulletin of International Agreements* 1 (2004): 29–36.

¹⁴ Agreement on the Regional antiterrorist structure of 7 June 2002, *Bulletin of International Agreements* 3 (2005): 35–41.

¹⁵ Agreement on protecting classified information within RATS in SCO of 17 June 2004, *Kazakhstan legislation on-line* (2012), www.pavlodar.com/zakon/?dok=03228&all=all (3 Sep. 2012).

states, on 15 June 2006¹⁶; Agreement on cooperation in identifying and blocking the channels of penetration on the territory of SCO member states of individuals involved in terrorist, separatist and extremist activities, on 15 June 2006¹⁷; SCO Convention against terrorism, on 16 June 2009¹⁸; Agreement on staff training for antiterrorist units in SCO member states, on 16 June 2009¹⁹; Agreement on cooperation between the governments of SCO member states in the fight against crime, on 11 June 2010.²⁰

It should be noted that the SCO Convention against terrorism demonstrates the desire of member states to deepen their cooperation in this field. It not only provides a definition of terrorism, but also defines the principles of jurisdiction with regard to acts of terrorism (Article 5), establishes the duty of the national law to criminalize terrorist acts and offences which have been recognized as criminal by universal counter-terrorism conventions (Article 9), and defines the principles of responsibility of legal entities involved in terrorist activities (Article 10). In this case, the convention may be considered as the basis for extradition with regard to offences covered by the Convention (Article 11 (3)), may determine the form of the request for information or apply measures and other responsibilities (Article 14-15).

Other documents signed within the framework of SCO with the purpose to maintain international peace and security are related to the fight against illicit trafficking of weapons, ammunition and explosives,²¹ narcotic drugs, psychotropic substances and their precursors,²² training and qualification of customs officers,²³ joint exercises²⁴ and infor-

¹⁶ Agreement on the organisation and joint antiterrorist activities on the territory of SCO member states of 15 June 2006, *Data base of legal acts of the Republic of Kazakhstan* (2012), http://adilet.minjust.kz/rus/docs/Z070000281_ (3 Sep. 2012).

¹⁷ Agreement on cooperation in identifying and blocking the channels of penetration on the territory of SCO member states of individuals involved in terrorist, separatist and extremist activities of 15 June 2006, *Bulletin of International Agreements* 12 (2011): 5–9.

¹⁸ SCO Convention against terrorism of 16 June 2009, *Legislation acts of the Russian Federation* 11 (12 March 2012), Art. 1274.

¹⁹ Agreement on staff training for antiterrorist units in SCO member states of 16 June 2009, *Legislation acts of the Russian Federation* 46 (14 November 2011), Art. 6410.

²⁰ Agreement between the governments of SCO member states on cooperation in the fight against crime of 11 June 2010, *Consultant Plus: International legal acts. Technology Prof.* Moscow: YurSpektr, 2012.

²¹ Agreement between the governments of SCO member states on cooperation in the fight against illicit trafficking of weapons, ammunition and explosives, *Bulletin of International Agreements* 1 (2011): 3–7.

²² Agreement between the governments of SCO member states on cooperation in the fight against illicit trafficking of narcotic drugs, psychotropic substances and their precursors of 17 June 2004, *Bulletin of International Agreements* 7 (2008): 16–22.

²³ Protocol between the customs offices in SCO member states on cooperation in training and qualification of customs officers of 14 October 2009, *Consultant Plus: International legal acts. Technology Prof.* Moscow: YurSpektr, 2012.

mation security.²⁵ In the period 8-14 June 2012, joint anti-terrorist exercises “Peace Mission 2012” were conducted on the territory of Tajikistan with the participation of troops from Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan.²⁶

Signed on 16 August 2007, the Treaty on long-term good relations, friendship and cooperation of SCO member states²⁷ was also directed primarily to the proclamation of the basic principles of peace and security in the region (Art. 2-11). Parties also expressed readiness to develop cooperation in all spheres, including the economy, trade, finance, environment, industry, law, agriculture, energy, transport, information, telecommunications, aviation, space, culture, art, education, science, innovation, technology, health care, tourism, sports and others (Art. 13-19). At the same time, just a few treaties, detailing the obligations of cooperation outside the military-political sphere, have been signed within the framework of SCO to date, namely the agreements on cooperation in the field of education²⁸ and in agriculture.²⁹

Structure

The Declaration on the establishment of SCO does not consolidate the precise structure of the SCO organs; it provides only for the conduct of annual meetings of Heads of State, regular meetings of the Heads of Government, the establishment of the Council of National Coordinators and the possibility of creating other mechanisms (Par. 3, 11). The system of authorities in SCO was regulated in detail in the SCO Charter, and the provisions of the main bodies of the SCO were approved by the Council of Heads of State of the SCO, dated 29 May 2003.³⁰

According to Art. 4 of the Charter, SCO bodies are:

²⁴ Agreement between the governments of SCO member states on cooperation in emergency situations dated 26 October 2005, *Consultant Plus: International legal acts. Technology Prof. Moscow: YurSpektr*, 2012.

²⁵ Agreement between the governments of SCO member states on cooperation in international information security of 16 June 2009, *Consultant Plus: International legal acts. Technology Prof. Moscow: YurSpektr*, 2012.

²⁶ Joint anti-terrorist exercises “Peace Mission 2012” were conducted in Tajikistan, *Shanghai Cooperation Organisation* (2012), www.sectSCO.org/RU/shownews.asp?id=532 (3 Sep. 2012).

²⁷ Treaty on long-term good relations, friendship and cooperation of SCO member states of 16 August 2007, *Cooperation* (2012), <http://infoshos.ru/ru/?id=22> (3 Sep. 2012).

²⁸ Agreement between the governments of SCO member states on cooperation in education of 15 June 2006, *Bulletin of International Agreements* 10 (2008): 4–7.

²⁹ Agreement between the governments of SCO member states on cooperation in agriculture of 11 June 2010, *Consultant Plus: International legal acts. Technology Prof. Moscow: YurSpektr*, 2012.

³⁰ On the approval of provisions regarding SCO bodies, Decision of the Council of Heads of State of the SCO of 29 May 2003, *Consultant Plus: International legal acts. Technology Prof. Moscow: YurSpektr*, 2012.

- The Council of Heads of State is the supreme body of the SCO, which convenes annually (SCO Charter, Art. 5);
- The Council of Heads of Government is responsible in the first place for the budget and economic issues and convenes once a year (SCO Charter, Art. 6);
- The Council of Ministers of Foreign Affairs examines current issues in the work of the SCO (SCO Charter, Art. 7);
- The Council of National Coordinators coordinates and manages the current activities of the SCO (coordination of cooperation and interaction of relevant ministries and governmental institutions). The Council meets three times a year (SCO Charter, Art. 9, Declaration, Paragraph 11);
- RATS is a permanent body of the SCO whose mission is to coordinate the fight against international terrorism, separatism and extremism (SCO Charter, Art. 10; RATS Agreement, Art. 3, 6). Located in Bishkek (RATS Agreement, Art. 2);
- Secretariat – a permanent administrative organ of the SCO, located in Beijing (SCO Charter, Art. 11).

The Charter also provides for holding regular meetings of the Heads of ministries and agencies (Article 8).

Based on the decisions of the Council of Heads of SCO member states, three non-governmental agencies were created to enhance cooperation in the field of economy and education, namely the *SCO Interbank Association* (2005), which includes the Kazakhstan Development Bank, China Development Bank, the Russian Vnesheconombank, the National Bank of Tajikistan, the National Bank for Foreign Economic Affairs of Uzbekistan³¹; the *SCO Business Council* (2006), bringing together representatives of the business community of the Member States³²; and the *SCO Forum* (2006) – a multi-lateral public consultation and expert mechanism, which includes research institutions of the Member States (The Institute for Strategic and Regional Studies under the President of Uzbekistan, Institute of Strategic Analysis and Evaluation of the President of the Kyrgyz Republic, China Institute of International Studies, the International Institute for Modern Politics (Kazakhstan), the Centre for East Asian studies and SCO at the Moscow State Institute for International Relations (University) – MFA of Russia, and the Centre for Strategic Studies under the President of Tajikistan).³³

³¹ SCO Interbank Association, *Shanghai Cooperation Organisation* (2012), www.sectSCO.org/RU/show.asp?id=61 (3 Sep. 2012).

³² SCO Business Council, *Shanghai Cooperation Organisation* (2012), www.sectSCO.org/RU/show.asp?id=26 (3 Sep. 2012).

³³ SCO Forum, Moscow State Institute for International Relations (U) – Russian Academy of Sciences, www.mgimo.ru/sco/index.phtml (29 Dec. 2011).

Cooperation with other countries and international organisations

The SCO constituent documents provide several mechanisms of cooperation with states and international organisations. Already in the Declaration, Member States expressed their willingness to develop “dialogue, exchanges and cooperation in all forms with other countries and relevant international and regional organisations” (Par. 7). In addition to interest in cooperation, Art. 14 of the SCO Charter provides the possibility to grant states and international organisations the status of an observer or a dialogue partner.

Similarly, the adoption of new members and the decision to grant a state or an international organisation the status of an observer or dialogue partner are approved by the Council of Heads of State of SCO after the proposal of the Council of Foreign Ministers (SCO Charter, Art. 13; Regulations on the Observer status at the SCO, Par. 1-6³⁴; Regulations on the Status of a Dialogue Partner of the SCO, Par. 2.1³⁵).

Unlike other organisations operating in the CIS, the legal status of observers and dialogue partners in SCO is regulated in detail. Observers have the right to: 1) attend open meetings and meetings of heads of ministries and/or state agencies of SCO member states; 2) participate, without right to vote, and with the prior consent of the presiding officer – in the discussion on matters within the competence of the SCO, distribute through the SCO Secretary written applications in the working languages of SCO countries on matters of mutual interest within the competence of the SCO; 3) obtain access to the documents and decisions of the SCO bodies referred to in Art. 4 of the Charter, if the respective SCO authorities do not impose restrictions on their distribution (Regulations of observer status at the SCO, Paragraph 7). At the same time, the observer status does not give the right to participate in the preparation and signing of documents of the Organisation. Observers do not participate in the decision-making process in SCO bodies and are not responsible for such decisions (Paragraph 8). Thus, in general, the legal status of the SCO observer corresponds to that in other international organisations.

The notion of a dialogue partner is not common in international law. In essence, this category is similar to the status of the observer, however not in the organisations as a whole, but only for some of its bodies, depending on the selected areas of cooperation (see Regulations, Par. 1.2, 2.2). As a consequence, the rights of the partner in dialogue regarding participation in meetings, presentations and access to documents are limited to meetings among specific ministries or agencies (Regulations, Par. 2.2).

Until June 2012, four states had the status of SCO observer states (India, Iran, Mongolia and Tajikistan), while two states were dialogue partners (Belarus and Sri Lanka).³⁶ At the meeting of the Council of Heads of SCO Member States on June 6-7, 2012 in

³⁴ Regulations on the Observer status at the SCO, *Shanghai Cooperation Organisation* (2012), www.sectSCO.org/RU/show.asp?id=97 (20 Aug. 2012).

³⁵ Regulations on the Status of Dialogue Partner of the SCO, *Shanghai Cooperation Organisation*, www.sectSCO.org/RU/show.asp?id=116 (20 Aug 2012).

³⁶ Observer states, dialog partners, www.sectSCO.org/RU/# (20 Aug. 2012).

Beijing, it was decided to grant Afghanistan the SCO observer status. Member States welcomed the accession of Turkey as a dialogue partner to the process of cooperation within the SCO.³⁷ To date, this status has not been granted to international organisations.

At the same time, the SCO collaborates with international organisations in other forms. To date, it has established partnerships with the UN, CIS, CSTO, EurAsEC, ASEAN, ESCAP and UES.³⁸

Thus, on 2 December 2004 the General Assembly of the United Nations granted SCO the observer status (resolution 59/48³⁹). In 2009 and 2010, the General Assembly adopted resolutions on the issue of cooperation with the SCO (resolutions 64/183 of 18 December 2009,⁴⁰ and 65/124 of 13 December 2010⁴¹), in which it commends the work of SCO in the area of security in its various aspects (including military and political), and emphasizes the need for regular contacts between the various bodies of the UN and the SCO, including participation of the SCO in the annual summits at the level of UN Secretary-General and the Secretaries General of regional organisations of collective security (resolution 63/128, Par. 2, resolution 64/124, Par. 3).

On 5 April 2010, in Tashkent the UN Secretary General and the SCO Secretary General signed a declaration on cooperation between the UN and SCO Secretariats.⁴²

Qualification

The doctrine gives an ambiguous qualification of SCO: a kind of “regional international organisation, in the early stages of its development,”⁴³ or even a regional organisation for collective security.⁴⁴

SCO is undoubtedly an international organisation, as far as it meets all the criteria: it was established in accordance with the international law, that is, it is legal; it was estab-

³⁷ Declaration of SCO Heads of State on building long-term peace and prosperity in the region, Beijing (7 June 2012), *Shanghai Cooperation Organisation*, www.scosummit2012.org/russian/2012-06/07/c_131638248.htm (10 Sep. 2012).

³⁸ Astana Declaration on the Tenth anniversary of the SCO, part II(6), *Shanghai Cooperation Organisation*, www.sectsc.org/RU/show.asp?id=474 (20 Aug. 2012).

³⁹ Resolution of UN General Assembly A/RES/58/48 of 2 December 2004, <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N04/479/14/PDF/N0447914.pdf?OpenElement> (20 Aug. 2012).

⁴⁰ Resolution of UN General Assembly 64/183 of 18 December 2009, <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N09/472/81/PDF/N0947281.pdf?OpenElement> (20 Aug. 2012).

⁴¹ Resolution of UN General Assembly 65/124 of 13 December 2010, <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/519/98/PDF/N1051998.pdf?OpenElement> (20 Aug. 2012).

⁴² Joint declaration on cooperation SCO/UN Secretariat cooperation of 5 April 2010, *Shanghai Cooperation Organisation*, www.sectsc.org/EN/show.asp?id=198 (20 Aug. 2012).

⁴³ Samatov, O.Zh. *Ibid.*

⁴⁴ Lyalina, I.S. Legal foundations for interaction between the CSTO and SCO, *Law and Politics* 5 (2006); *Consultant plus: Comments on legislation. Technology Prof.* Moscow: YurSpektr, 2012.

lished by an international treaty; it cooperates in specific areas; it has an organisational structure; it has its own rights and responsibilities.⁴⁵

SCO may also qualify as a regional organisation for collective security, as it corresponds to the essential requirements of Art. 52-54 of the UN Charter: its priority is the maintenance of international peace and security (Declaration, Preamble, Par. 8; Charter, Preamble, Art. 1, 3); it has a limited membership (6 states); its commitments correspond to the purposes and principles of UN (Declaration, Paragraph 5; Charter, Preamble; Treaty on good relations, Art. 2).

The UN Charter did not fix a definition of regional collective security organisation in order to extend the application of Chapter VIII of the Charter to all organisations and activities aimed at maintaining international peace and security.⁴⁶ As a consequence, the incorporation of other purposes and other focus of activities in SCO does not prevent the applicability of Chapter VIII of the UN Charter in respect to maintaining international peace and security.

As shown above, in the international arena SCO is seen primarily in its capacity as an organisation for collective security (Astana Declaration of the SCO Member States on 15 June 2011, (part I); UN General Assembly resolution 64/183 of 18 December 2009, Par. 1, 65/124 of 13 December 2010, Paragraph 1; Joint Declaration on Cooperation between the UN and the SCO Secretariats of 05 April 2010, Par. 2).

It should be noted that in the process of establishment of the SCO (and other organisations with strong involvement of countries from the post-Soviet territories), member states directly followed the scheme developed in the framework of the CIS, copying its advantages and disadvantages. Similar are the wide scope and vagueness of purposes (SCO Charter, Art. 3/ CIS Charter, Art. 2⁴⁷); the system of statutory bodies (SCO Charter, Art. 4/ CIS Charter, Section VI), including the establishment of industry cooperation (SCO Charter, Article 8/ CIS Charter, Art. 34); decision-making is a formal procedure in the form of consensus, perceived as lack of objections from Member States (SCO Charter, Art. 16/ CIS Charter, Art. 23), and implemented in practice by the signature of Member States.

⁴⁵ According to criteria of international organisations. See: K.A. Bekyahsev, ed. *International public law: textbook*. Moscow: Prospect, 1999, pp. 239-241; Brownlie, J. *Principles of Public International Law*, 6th ed. Oxford: Oxford University Press, 2003, p. 649.

⁴⁶ Commission to Study the Organization of Peace. *Regional Arrangements for Security and the United Nations*, Eighth Report and Papers Presented to the Commission. New York, 1953, p. 32; Documents of the United Nations Conference on International Organizations, San Francisco, 1945. Vol. XII. Commission III. Security Council. London/ New York: United Nations Information Organizations, 1945, p. 701; Hummer W., Schweitzer M. Article 52. In: B. Simma, ed. *The Charter of the United Nations: A Commentary*, 2nd ed., Vol. 1. München: C.H. Beck, 2002, p. 817; Walter, C. Security Council Control over Regional Action. In: *Max Plank Yearbook of the United Nations Law*, 1997, pp. 131-132.

⁴⁷ Charter of the Commonwealth of Independent States of 22 January 1993, *Information Gazette of the Council of Heads of State and the Council of Heads of Government of CIS "Commonwealth" 1 (1993)*.

Of all common defects we should point out the vagueness and non-compliance with the order of decision-making, the uncertainty of the legal nature of the decisions (“enforced by Member States in accordance with the procedures defined in their national legislation” – SCO Charter, Art. 17); the uncertainty of the forms of participation in the work of the organisation (similarly to the CIS, in addition to Member States, SCO documents mention Participant States – Declaration, Paragraph 11); rudimentary cooperation in areas not related to the maintenance of international peace and security; low legal technique of adopted documents (for example, Art. 15 of the SCO Charter, Art. 2(1) of the Convention and the Privileges and Immunities of the SCO reinforce the presence of international standing in SCO, not personality; Paragraph 7 of the Declaration distinguishes between international and regional organisations in spite of the fact that regional organisations are also international; the term in Paragraph 11 of the Declaration—“Member States”—is not disclosed in any of the documents of the SCO and, apparently, has no legal weight).

However, we must admit that to date SCO clearly appears as a regional organisation for collective security in which an extensive legal framework has been established for the fight against new challenges and threats, such as international terrorism, extremism, crime, and arms trade. Its effectiveness, however, can only be tested with time and depends primarily on the willingness of member states for real cooperation.

Chapter 2

Approaches to SCO: China and Russia

Maryia V. Danilovich

SCO is an international structure which is very interesting to analyze, initially uniting the People's Republic of China and the Russian Federation with the strategically important for them states of Central Asia. Officially declared as an organisation with a wide range of goals, objectives and areas of cooperation, it is, at first glance, a very ambitious project at the beginning of 21st century.

To adequately assess the structure, it is necessary to try to restore the original idea, invested by Member States in the SCO at its creation, and to track changes in their approaches to the organisation regarding its formation and development. In this case, it seems appropriate to focus on the interests and positions in SCO of two influential actors in international relations – China and Russia, who to a large extent determined the direction of the SCO evolution.

This chapter presents a comparative analysis of the approaches of China and Russia to the organisation according to their official positions, motivation, convergence and divergence of national interests, as well as the various estimates of the SCO in expert communities of both countries. The positions of the Chinese and Russian sides are presented in the form of a comparative analysis in key, according to the author, periods of formation and development of the organisation.

Prerequisites for the establishment of SCO: China and Russia in the late 1990s – 2001

The Chinese approach

In China, the development of cooperation initiatives in the format of the “Shanghai Five” took place in the background of enhanced multilateral diplomacy. Proposed by Deng Xiaoping, the foreign policy principle of “keeping a low profile” was the key in the first half of the 1990s. A situation that Chinese experts characterized by the formula of balance of forces “one superpower and many strong states.”¹ In the second half of the dec-

¹ Cit. in Medeiros, E. *China's International Behavior*. Santa Monica, CA: Rand Corporation, 2009, www.rand.org/pubs/monographs/2009/RAND_MG850.pdf (14 March 2010).

ade the formula sounded more categorically: “strengthening of super power and weakening of the strong states.”² Under such conditions of economic development and the growing dependence on oil imports, the situation in the neighbouring countries, and in particular, the threat to the safety of the Chinese north-west in the context of the Afghan conflict and the seizure of power by the Talibans in Afghanistan, led to the situation that “being in the shadow” could no longer guarantee complete security to China. The leadership of the country faced the problem of legitimacy of China’s participation in new foreign policy projects. Such a step was officially placed at the XV Congress of the CPC in 1997, proclaiming China as a “responsible power.” This new international role of China, according to the expert from the Chinese Academy of Social Sciences Jiang Yi meant its growing “desire to participate in maintaining international and regional stability.”³ Given the problems of modernization of the armed forces and the need to focus on the priority in southeast direction to solve the problem of “one China,” China, reaching an agreement to remove the “threat from the north” in 1996-1997, initiated further development of cooperation in the format of the “Shanghai five.” The possibility for China to solve the growing security problem in the north-west was limited. It was in this context that the strengthening of Chinese multilateral diplomacy in Central Asia took place. Ideologically, it was consistent with official party concepts such as “China’s development is inseparable from the world” and “China needs a favourable international environment at its borders.”⁴

The Chinese leadership first emphasised the joint approach to security in March 1997 at the ASEAN Regional Forum in the form of a “new security concept.”⁵ According to the words of the expert from China’s National Defence University, Juan Ichzhe, the new security concept was the embodiment of the Chinese idea of “new regionalism” – a synthesis of respect for sovereignty, complex (political, economic and military) security and cooperation on the basis of mutual trust, mutual benefit, equality and coordination. In theory, security cooperation was considered possible when observing three conditions: non-aggression against a third party, non-interference in internal affairs, and weakening influence of the ideology of the parties.⁶ In contrast to the “classical” regionalism, the “new regionalism” united countries with different political systems, traditions

² Medeiros, E. *China’s International Behavior*.

³ 姜毅 (Jiang Yi). 中国的多边外交与上海合作组织 (Chinese multilateral diplomacy and SCO), 俄罗斯中亚东欧研究 (*Russia, Central Asia, East European Studies*) 5 (2003), p. 47.

⁴ Cit. by 姜毅 (Jiang Yi). 中国的多边外交与上海合作组织 (Chinese multilateral diplomacy and SCO), 俄罗斯中亚东欧研究 (*Russia, Central Asia, East European Studies*) 5 (2003): 46-51. Quote on p.47.

⁵ Gao Fei. *The Shanghai Cooperation Organisation and China’s New Diplomacy*. Clingendael: The Netherlands Institute of International Relations, 2010, www.clingendael.nl/publications/2010/20100700_The%20Shanghai%20Cooperation%20Organization%20and%20China%27s%20New%20Diplomacy.pdf (29.03.2011).

⁶ 黃一哲 (Juan Ichzhe). 上海合作組織的現況與發展 (Current situation and development of SCO), 國防雜誌 (*Defence Magazine*) 24 (2008), p. 8.

and values, and was based on the practical interests of the cooperating countries, primarily in the areas of trade and economic—and not military-political—relations.⁷ Thus, the formula for foreign cooperation proposed by China originally contained an element of pragmatic connections of non-aligned character, focused on mutual benefits and economic interests.

These principles of the new security concept (mutual trust, mutual benefit, equality and cooperation) were included in the Russian-Chinese joint declaration on a multipolar world and the formation of a new international order in April 1997, and a provision was included that intergovernmental cooperation would not be directed against third countries.⁸ Under this indispensable condition, the Chinese side was extremely interested in the situation of global U.S. domination. Subsequently, the “Shanghai Five” annually addressed the topics of non-aggression against third countries and other principles of the new security concept until their formal inclusion in the statutes of the SCO.

At the same time, China and some other members of the “five” made a statement in Dushanbe Declaration, adopted one year before the establishment of the SCO, “against interference in the internal affairs” of other states, including the pretext of “humanitarian intervention” and “human rights.”⁹ China’s position became increasingly determined under the conditions of realpolitik of the world’s sole superpower, the sharp deterioration in Sino-US relations after the bombing of China’s embassy in Belgrade, and the aggravation of the Taiwan issue in 1999. Thus, cooperation of the “five” on the basis of the ideological principles proposed by China, for China was conditioned, first, by the common problems in regional security, and to a lesser extent, by the U.S. factor.

Analyzing the work of Chinese experts in international affairs, we can point out the following practical issues for China at the time of the creation of the SCO:

- Containment of the separatist forces of “East Turkistan” (Zhao Huasheng, Xing Guangcheng);
- Ensure a level of security, in which Central Asia is a reliable rear of China in tackling the southeast problem (Zhao Huasheng);
- Development of multi-faceted economic relations (trade, energy cooperation for import of energy resources) (Zhao Huasheng, Pan Guang, Xing Guangcheng);
- Strengthening the role of a “responsible power” and removing the so-called “Chinese threat” in neighbouring states (Jian Yi);
- Increasing the influence in the international arena, strengthening the capacity to control the situation in Central Asia, reducing the potential impact of a superpower in the region (Zhao Huasheng, Jiang Yi);

⁷ Cit. by Chien-Peng, Chung. The Shanghai Cooperation Organisation: China’s Changing Influence in Central Asia, *The China Quarterly* 180 (2004), p. 992.

⁸ Russian-Chinese joint declaration on multipolar world and the formation of a new international order, 23 April 1997, *Diplomatic Bulletin* 5 (1997), p. 20.

⁹ Dushanbe Declaration by the Heads of State of Kazakhstan, the People’s Republic of China, Kyrgyzstan, the Russian Federation and Tajikistan of 4 July 2000, *Russian Legal Portal*, <http://law7.ru/base50/part5/d50ru5034.htm> (29 Sep. 2011).

- Achieving a strategic consent between China and Russia in Central Asia, recognition of each other's interests in the region and the establishment of strategic cooperation (Zhao Huasheng, Jiang Yi).¹⁰

As for the last of these problems, it is worth noting that in the Chinese expert circles it is widely believed that Russia perceives Central Asia as a zone of its own interests and classifies it as a Russian sphere of influence. In one of his recently published works on the problems of the SCO, Professor Zhao Huasheng admits that a stumbling block to the development of Sino-Russian cooperation in the region could be “the Russian response to the Chinese acts,” which are entering a “traditionally Russian territory.”¹¹ In support of SCO, he expressed his view that without the new structure of cooperation Russia and China would have accumulated mistrust and mutual suspicion; the two states are “moving along similar ways” (he means, first of all, the expansion of China's economic presence in Central Asia) which would increase the risk of a potential conflict. This means that the SCO has emerged as a mechanism of “streamlining and systematizing a potential conflict between China and Russia,”¹² i.e., as a buffer structure, which is in a position to coordinate the actions of two large states in Central Asia, where their interests intersect.

In general, it is the “Shanghai process” and the subsequent establishment of the SCO that Chinese experts call “the most successful product of multilateral diplomacy” of the PRC.¹³ Such an assessment by the researchers coincides with the extremely positive publications in the official Chinese press during the period of registration of the SCO. The “Shanghai spirit,” present in the Declaration on the Establishment of the SCO of June 15, 2001 as the quintessence of the ideology of the organisation, was immedi-

¹⁰ See 邢广程 (Xing Guangcheng), 中国与中亚国家的关系 (Relations between China and the Central Asian states), *Slavonic Research Centre*, 2003, <http://src-h.slav.hokudai.ac.jp/publicn/85/9CA-Chinese.pdf> (18 Feb. 2011); Zhao Huasheng, *China, Central Asia and Shanghai Cooperation Organisation*. Moscow, 2005. – 63 pp.; 潘光 (Pan Guang), 从上海五国到上海合作组织 (From the “Shanghai Five” to SCO), *俄罗斯研究 (Russian Studies)* 2 (2002): 31-34; 姜毅 (Jiang Yi), 中国的多边外交与上海合作组织 (China's multilateral diplomacy and SCO) *俄罗斯中亚东欧研究 (Russia, Central Asia, East European Studies)* 5 (2003): 46-51; 赵华胜 (Zhao Huasheng), 中俄关系中的上海合作组织 (SCO as a mechanism of Chinese-Russian relations), *和平和发展 (Peace and Development)*, 2010).

¹¹ 赵华胜 (Zhao Huasheng), 中俄关系中的上海合作组织 (SCO as a mechanism of Chinese-Russian relations), *和平和发展 (Peace and Development)* 2 (2010): 39.

¹² *Ibid.*

¹³ See: 姜毅 (Jian Yi), 中国的多边外交与上海合作组织 (Chinese multilateral diplomacy and SCO), *俄罗斯中亚东欧研究 (Russia, Central Asia, East European Studies)* 5 (2003): 46-51; Gao Fei, *The Shanghai Cooperation Organisation and China's new diplomacy*. Clingendael: Netherlands Institute of International Relations, 2010, www.clingendael.nl/publications/2010/20100700_The%20Shanghai%20Cooperation%20Organization%20and%20China%27s%20New%20Diplomacy.pdf.

ately called in the main publication of the CPC, "People's Daily," "the embodiment of a new model of partnership co-operation, not a union," respect of the parties while pursuing their "own strategic interests," "search of communities while preserving their differences."¹⁴ This shows that the degree of integration of the members in the new organisation was initially low.

The Russian approach

In contrast to China, the foreign policy of Russia in the second half of the 1990s underwent fundamental changes compared to the first half of the decade. The turn away from the continental Euro-Atlanticism and the progress towards a multipolar world were shaped in doctrines after 1996, when Yevgeny Primakov became the Russian Foreign Minister. Russia once again focused on the key role of Central Asia for the security of its southern borders during the development of the Afghan conflict and the loss of power in Kabul of President Rabbani, who was recognized by Moscow. Extremely important in geopolitical aspect, Uzbekistan's relations of "strategic partnership" with the U.S. started developing. Official Tashkent sought security guarantees in the event of the Afghan conflict spreading out to the territory of Uzbekistan and willingly went to rapprochement with the U.S. and expanded its participation in the NATO "Partnership for Peace" programme. In Russia, the officially declared intentions to resist "attempts of other countries to limit its influence" and "weaken its position in ... the Caucasus and Central Asia"¹⁵ failed during the Asian financial crisis in 1997, the fall in energy prices and the weakening of stocks, currency markets and bonds, culminating in the default in August 1998. Economic integration in the CIS became almost impossible. The withdrawal of the Talibans to Afghanistan's northern border and the orientation of Uzbekistan, Turkmenistan and Kyrgyzstan to seek help of Western partners¹⁶ became a strong challenge for the Russian Federation in the region and in the CIS in general.

It should be noted that the relations between Russia and China in the second half of the 1990s consistently featured the desire to form a new, so-called multipolar international order as a response to the "new manifestation of bloc politics,"¹⁷ attempts to "expand and strengthen military alliances" [NATO]¹⁸ and the tendency to "establish the primacy of force over international law."¹⁹ Such convergence corresponded to the "Prima-

¹⁴ Cit.: Chien-Peng, Chung. The Shanghai Cooperation Organisation: China's Changing Influence in Central Asia, *The China Quarterly* 180 (2004), p. 991.

¹⁵ National security concept of the Russian Federation 1997, *Diplomatic Bulletin* 2 (1998): 3-18.

¹⁶ Akimbekov, S.M. The Afghan knot and security problems in Central Asia. Almaty, 2003. p.298.

¹⁷ Joint Russian-Chinese declaration on strategic interaction in the 21st Century, 26 April 1996, *Diplomatic Bulletin* 5 (1996), p.19.

¹⁸ Russian-Chinese joint declaration on multipolar world and the establishment of a new international order, 23 April 1997, *Diplomacy Newspaper* 5 (1997), p. 20.

¹⁹ Russian-Chinese relations on the threshold of the 21st century, Joint Statement on the outcomes of the Russian-Chinese summit on 23 November 1998, *Diplomatic Bulletin* 12 (1998), www.mid.ru/bdomp/dip_vest.nsf/99b2ddc4f717c733c32567370042ee43/c98b3f78c08af666c3256887004dfeef?OpenDocument (27 Nov. 2011).

kov Doctrine,” published in December 1998: moving towards multi-polarity and the formation of the desired triangle “Moscow – New Delhi – Beijing.”²⁰ Relations on the “Moscow – Beijing” axis developed in a situation where Moscow did not have sufficient economic and political influence in Central Asia, and China lacked the legitimate—from the point of view of Russia—justification to expand its presence in the region. For Moscow, the threat of destabilization in the region or filling the Central Asian “vacuum” by Western actors became a serious problem aggravated by the Russian financial collapse; therefore Russia agreed to negotiate with China the “rules of the game” in Central Asia. In doing so, the Russian initiatives at the summits of the “Shanghai Five” were not ideological, as were the Chinese, but of clear practical nature: it was in Russia’s best interest to expedite the meetings of defence ministers and meetings of heads of law enforcement agencies.²¹ This meant that Russia’s interests in the “Group of Five” were focused on the area of security.

After V. Putin took office as the Russian president, the formation of “a multipolar system of international relations” continued to be of key importance in the Russian foreign policy doctrine.²² Foreign policy remained to be a priority for the CIS, on whose territory in 2000 the new economic union EurAsEC was declared. The Russian economy did not completely recover from the crisis in 1998; furthermore, under the conditions of the second Chechen campaign it was hard to speak of a strictly independent solution of the security issue in the Central Asian region. At the same time, these problems did not lose their sharpness. During the systematic attacks of the Islamic Movement of Uzbekistan (IMU) on the territory of Kyrgyzstan and Uzbekistan in 1999-2000, the situation in the region came close to the critical point. The “Shanghai Five,” which was joined by Uzbekistan in 2000, could become an interesting mechanism to address security issues in Central Asia together with China. In terms of trade in the region, China was clearly lagging behind the Russian Federation.²³ The fundamental difference was in the fact that Russia was consistently losing ground in Central Asia, while China was gaining it

²⁰ Belokrenitskiy, V.Y. The Strategic triangle “Russia-China-India”: reality of configuration. In: A.V. Torkunov, ed. *China in the world politics: textbook*. Moscow, 2001, pp. 352-397.

²¹ Speech by B.N. Yeltsin at the summit of Heads of State of Russia, Kazakhstan, Kyrgyzstan, China and Tajikistan on 25 August 1999 in Bishkek, *Diplomatic Bulletin* 9 (1999), www.mid.ru/bdomp/dip_vest.nsf/99b2ddc4f717c733c32567370042ee43/dac66e2f91d6692bc32568860052429f?OpenDocument (27 Nov. 2011).

²² Foreign policy concept of the Russian Federation 2000, Foreign Ministry of the Russian Federation (2000), www.mid.ru/BI.nsf/arh/19DCF61BEFED61134325699C003B5FA3?OpenDocument (29 Oct. 2011).

²³ In 1999, the commodity turnover between Russia and the Central Asian states came to 3 970 million dollars (3 % of the total foreign trade) and exceeded three times the respective figures for China (1332 million dollars or 0.37 % commodity turnover). Data is based on *Russian statistic yearbook: statistic handbook*. Moscow: Goscomstat Russia, 1995. – 976 pp.; 赵常庆 (Zhao Changqing). 中国与中亚五国的经济关系 (Economic relations between China and the five states in Central Asia), 东欧中亚市场研究 (*Eastern Europe, Central Asia, Market Research*) 1 (2002): 24-31.

consistently. Under the above circumstances, agreement on the “Shanghai process,” initiated by China, seemed a necessary step.

At the summit of “the six” in June 2001, President Vladimir Putin made a distinct statement regarding the Russian view about SCO: the Russian side preferred to consider the emerging organisation as “the embodiment of the concept of security through cooperation.”²⁴ A month later, the consensus in SCO was officially sealed in the Russian-Chinese Treaty on Good Relations, Friendship and Cooperation, concluded for a term of twenty years. Russia and China were committed to “strengthening the stability, creating an atmosphere of mutual understanding, trust and cooperation in the regions adjacent to their territories,” facilitating “efforts to build in these areas the respective multilateral mechanisms on security and cooperation” (Article 14).²⁵ The reality in Central Asia at that time demanded urgent attention and led Russia to the SCO.

China and the Russian Federation in SCO: September 2001 – July 2005

The Chinese approach

It is well known that the primary purpose of the SCO was the fight against non-traditional threats to security or, in Chinese terms, “the three evils” – terrorism, separatism and extremism. This was formally incorporated in the texts of the June summit in Shanghai. In the summer of 2001, China and Russia finally stabilized the status quo in the Central Asian region, declaring the overall responsibility for the maintenance of security in it. In this situation, Central Asia remained on the periphery of Western interests. The states around the “half-forgotten” region, whose security regimes directly threatened the situation at the southern borders, opted for the SCO as a mechanism for maintaining a multi-vector policy of balancing between the possible growing influence of China, the traditional role of Russia, and co-operation with other actors. Chinese experts also paid attention to this. For example, Jiang Yi initially emphasized the desire of the Central Asian states to restrain the role of both China and Russia by the simultaneous development of cooperation with the “Western powers.”²⁶

However, the events in the autumn in 2001 caused a fundamental change in the situation in Central Asia. The murder of the leader of the Northern Alliance, A. Massoud, on September 9th could become the beginning of the complete victory of the “Taliban”

²⁴ Speech by V. Putin at the summit of Heads of State on 15 June 2001, Russian Foreign Ministry (2001), www.mid.ru/bdomp/dip_vest.nsf/99b2ddc4f717c733c32567370042ee43/cf06e1f13312cc9ac3256aa20025b877!OpenDocument (29 Oct. 2011).

²⁵ Treaty on Good Relations, Friendship and Cooperation between Russia and China, 16 July 2001, *Russian legal portal*, www.mid.ru/BDOMP/Ns-rasia.nsf/1083b7937ae580ae432569e7004199c2/432569d80021985f43256a8c004d1562!OpenDocument (20 Nov. 2011).

²⁶ 姜毅 (Jiang Yi). 中国的多边外交与上海合作组织 (Chinese multilateral diplomacy and SCO), *俄罗斯中亚东欧研究* (*Russia, Central Asia, East European Studies*) 5 (2003), p. 49.

movement over the Alliance²⁷ and bring a direct threat to the entire region. The New York terrorist attacks of September 11 led to the deployment of anti-terrorist operations of the coalition countries in Afghanistan. In the new context, the U.S. presence in Central Asia became an undeniable reality. Uzbekistan and Kyrgyzstan granted the U.S. military the right to lease the air base at Karshi-Khanabad, Kakaydy (Uzbekistan) and Manas (Kyrgyzstan), and the airport in Kulob in Tajikistan. States in the region did not oppose the use of their air space by American aircraft. For SCO this meant one thing: in the eve of its official formalization, the status quo was undermined. Not having a formalized legal framework, including a statute, or specialized structures for the realization of its main objectives, the organisation was faced with the problem of the relevance of its continued existence. China's reaction in the SCO was immediate: as early as September 2001, official Beijing stated the importance of speeding up the institutional formation and economic cooperation in the organisation and, further on, the emphasis on developing China's economic ties within the SCO became more prominent (see Chapter 5).

It is also worth noting the difficult situation in which China found itself following the events of September 11. Under the influence of Pakistan—traditional ally of the US—during operation “Enduring Freedom,” the improvement in US-Indian relations and, most importantly, the Russian-American rapprochement at the end of 2001–May 2002, China's leaders had to make a number of steps to pre-empt possible isolation from their neighbours and partners in the SCO. In November 2002, China turned to NATO with a request for a regular dialogue to discuss common security threats and the actions of NATO in Central Asia. According to Professor Chan Chin Peng from Lingnan University (Hong Kong), this meant that Beijing seriously considered the possibility of rapprochement between Russia and NATO.²⁸ Fundamentally, the new security system in the region, focused on the U.S. and NATO, presented a threat to the state interests of the PRC. This was also proved by the simple fact that, after the fall of the Talibans, China fully retained its armed forces in the Xinjiang Uighur Autonomous Region (XUAR) stationed on the border with Afghanistan, Tajikistan and Pakistan.²⁹

However, as it was acknowledged by Professor Zhao Huasheng, it was after the events of the autumn of 2001 that China realized better the importance of its geopolitical interests in Central Asia.³⁰ At the same time, China realistically approached the appearance of American forces in the region, trying to take advantage of the situation. As the director of the Centre for studies of SCO Pan Guang noted, after the meeting between President Jiang Zemin and U.S. President George Bush Jr. in October 2001 and Febru-

²⁷ Akimbekov, S.M. *The Afghan knot and problems of security in Central Asia*. Almaty, 2003, p. 341.

²⁸ Chien-Peng, Chung. The Shanghai Cooperation Organisation: China's Changing Influence in Central Asia, *The China Quarterly* 180 (2004), p. 1006.

²⁹ Chien-Peng, Chung. The Shanghai Cooperation Organisation: China's Changing Influence in Central Asia, *The China Quarterly* 180 (2004), p. 1003.

³⁰ 赵华胜 (Zhao Huasheng). 中国的中亚外交 (*Central Asian diplomacy of China*). Beijing: Shishi, 2008, p.82.

ary 2002, the strategy for counter-terrorism cooperation between the PRC and the U.S. was outlined.³¹ China was successful in officially including the separatist “East Turkestan Movement” on the list of international terrorist organisations.³² In September 2002, in accordance with decree number 13224 of the U.S. President, all accounts of the “Movement” in U.S. banks were frozen.³³ Quite naturally, in this situation China could not help making a number of concessions to the U.S. In late 2001, FBI representative was officially authorized to work at the U.S. Embassy in Beijing to find any possible sources of funding for terrorist groups in Chinese banks. New regulations were adopted on the direct control of the Chinese State Council over the companies engaged in export of missiles and related technologies.³⁴ This was a winning situation for China, for whom the activities of “East Turkestan Movement” was still a serious security threat in the early 1990s.

In general, the Chinese government took a “wait and see” stance regarding the U.S. actions in Afghanistan and later in Iraq, as well as regarding Russia’s reaction to them. Given the new situation, China clearly realized that for SCO, which was established by the Chinese initiative, “in the long run it will be very difficult to become a centre of Central Asian security, multilateral cooperation, or even just a cohesive structure.”³⁵ Beijing’s moves in the SCO during the observed period corresponded to the situation. The Chinese initiatives switched to the commercial and economic sphere of cooperation – the development of transport and logistics links, establishment of a free trade area, the offer of concessional loans to the Central Asian states. Constantly speaking of speeding up the formation of legal framework of the SCO and institutes (in particular, the Secretariat in Beijing, the Interbank Association and the Business Council), China deliberately gave the lead role in SCO in the military and political sphere to Russia.

However, with the increasing influence of the West and the wave of “colour revolutions” on post-Soviet territories, the support, provided by the SCO statute, to the established political regimes in the Central Asian region became attractive again. The Kyrgyz “Tulip Revolution” in March 2005 was the first example of the change of power in a SCO member state. The events in Kyrgyzstan (in particular, the loss of control of Bishkek over the Kyrgyz part of the Fergana Valley – Jalalabad, Osh and Uzgen) worsened the situation in the Uzbek part of the territory of Fergana. The violent suppression of riots in Andijan, Uzbekistan in mid-May 2005 and the refusal of the authorities to grant permis-

³¹ 潘光 (Pan Guang). 从上海五国到上海合作组织 (From the “Shanghai Five” to SCO), 俄罗斯研究 (*Russian Studies*) 2 (2002), p. 34.

³² Terrorist Exclusion List, *Press Release*, 29 December 2004. Office of the Coordinator for Counterterrorism, U.S. Department of State, www.state.gov/s/ct/rls/other/des/123086.htm (29 Sep. 2010).

³³ Individuals and Entities Designated by the State Department under E.O. 13224. Office of the Coordinator for Counterterrorism, U.S. Department of State (2010), www.state.gov/s/ct/rls/other/des/143210.htm (5 Nov. 2010).

³⁴ Chien-Peng, Chung. The Shanghai Cooperation Organisation: China’s Changing Influence in Central Asia, *The China Quarterly* 180 (2004), p. 1004.

³⁵ *Ibid.*

sion to the Western European and American non-governmental organisations to carry out independent investigations received the silent and full support of the SCO. The Andijan issue was not discussed during President Islam Karimov's visit to China at the end of May 2005. It became clear that by 2005, the security guarantees provided by the United States to Uzbekistan after the beginning of the Afghan campaign, were outweighed by the threat of forced democratization. Tashkent "returned" to the SCO, announcing that it granted the U.S. forces 180 days for their complete withdrawal from its territory³⁶ and received support by the fourth summit of the organisation in Astana. The call to the participants in the antiterrorist coalition to decide "on the deadlines for the temporary use of ... infrastructure and the presence of military contingents on the territories of the SCO member-states,"³⁷ as well as to confirm the priority of "fighting terrorism, separatism and extremism in the SCO on their own"³⁸ signalled further changes in the situation in the region and a cohesion in the political cooperation of the SCO that was impossible immediately after September 2001. In this respect, the new position of Uzbekistan fully responded to the interests of China: for China further political turmoil in the region meant a direct threat to the stability of the situation in the north-west.

The Russian approach

The events from the autumn of 2001 initially led to reconsideration of the relations between Russia, the U.S. and NATO. This was formalized in a Joint statement on the new relationship between Russia and the United States in November 2001, and then in a Joint Declaration on the New Strategic Relationships in the spring of 2002. At the end of May 2002, the Russia–NATO Council commenced work. Russia's calm reaction regarding the deployment of U.S. bases in Central Asia did alert the attention of PRC. Events questioned their declared strategic partnership and as a result, the effectiveness of the SCO. In this context, the institutionalized organisation became extremely slow, and mainly due to the initiative of the Chinese side. Russia began strengthening a different structure to ensure regional security, promoting the conversion of the Treaty on Collective Security in the CSTO in 2002.

Cooling down Russia's relations with the United States in light of the Iraq war and the prospects for the U.S. withdrawal from the ABM Treaty caused further activities in Moscow to strengthen their own armed forces and the CSTO. Under these circumstances, after the beginning of a sustainable growth in energy prices in 2003, the economic situation in Russia began to stabilize. At the end of 2003, resources allowed the Russian Federation, on behalf of the Collective Security Treaty Organisation, to open its

³⁶ Uzbeks Ask U.S. to Leave Karshi-Khanabad, *American Forces Press Service News Articles*, 1 August 2005, www.defense.gov/news/Aug2005/20050801_2309.html (18 Apr. 2010).

³⁷ Declaration of SCO Heads of State of 5 July 2005, *Shanghai Cooperation Organisation*, www.sectsc.org/RU/show.asp?id=98 (12 Dec. 2009).

³⁸ Concept on cooperation between SCO Member States in the fight against terrorism, separatism and extremism, 5 July 2005, *Shanghai Cooperation Organisation*, www.echrats.com/ru/normative_documents/1558 (12 Oct. 2010).

first air base in Kyrgyzstan (Kant), at a distance of 30 km from the U.S. base at Manas. Moscow considered that it was appropriate to initiate in 2003 the cooperation between CSTO and the SCO,³⁹ which, however, did not cause much enthusiasm on the part of China. The Russia-led organisation, except for China and former TCS member Uzbekistan, was attended by all the member states of the SCO. Cooperation with the CSTO could in the future remove the exclusivity of the Chinese initiative.

Furthermore, the SCO retained relevance to Russia for a number of reasons. The further development of the organisation clearly gained a new impetus in 2004, when the Secretariat of the organisation and the Executive Committee of the Regional Anti-Terrorist Structure (RATS) in Tashkent began working on permanent basis, the first anti-terrorist exercises of the SCO were conducted, the Agreement on cooperation in the fight against drug trafficking, psychotropic substances and their precursors was signed, and Mongolia received observer status. At the summit in Tashkent in 2004, Putin initiated the establishment of the contact group SCO–Afghanistan.⁴⁰ It appears that such attention by Russia to the SCO and to the relations with China in the region was, firstly, due to the spread of the “colour revolutions” in 2003-2004, which threatened to affect Central Asia. Secondly, Russia’s relations with the West caused anxiety, especially after the second wave of NATO enlargement to the East in the spring of 2004. Third, in 2003 a sharp increase in drug trafficking from Afghanistan was registered.⁴¹ Under these circumstances, in the summer of 2005 both Russia and China once again recognized the complexity of creating a new, multipolar world order, rejected the “imposition from the outside ... of the model of social and political order,” and called for the formation of a new international security architecture.⁴² At the SCO level, this mutual understanding was reflected in the categorical tone of the above mentioned Astana Declaration. The relations between SCO member countries and Afghanistan were a continuation of the initial suggestion of the Advisory Contact Group, proposed earlier by Russia. The acceptance of Iran, India (with the support of the Russian Federation) and Pakistan as observers completed the picture of “upsurge” of the SCO and caused a mixed assessment

³⁹ Meeting between N.N. Bordiuzha and Zhang Deguang, 16 June 2003, *Diplomatic Bulletin 7* (2003), www.mid.ru/bdomp/dip_vest.nsf/99b2ddc4f717c733c32567370042ee43/959cb66c5e3edc5cc3256d860038345a!OpenDocument (12 Dec. 2011).

⁴⁰ Speech by V.V. Putin at the meeting of the Council of SCO Heads of State, 17 June 2004, *Diplomatic Bulletin 7* (2004), www.mid.ru/bdomp/dip_vest.nsf/99b2ddc4f717c733c32567370042ee43/ef25b0726173b6c4c3256ef500491555!OpenDocument (10 Dec. 2011).

⁴¹ According to data from Russian power structures, for 2003 the flow of drugs to Russia and the countries in the Asian region has increased 2.5 times. See: All that is declared is CIS, and all that works is CSTO, interview with CSTO Secretary General N. Bordiuzha, *Central Asia*, www.centrasia.ru/newsA.php?st=1066861800 (12 Dec. 2011).

⁴² Joint declaration of the People’s Republic of China and the Russian Federation on the international order of the 21st century (Foreign Ministry of China, 2 July 2005), www.fmprc.gov.cn/rus/zxxx/t202668.htm (12 Apr. 2011).

by Western scholars as progress on the way to a “new Warsaw Pact” or “anti-NATO.”⁴³ By mid-decade, the organisation claimed for the second time that it was, first and foremost, a structure to combat security threats. It was in this particular role that Russia perceived it.

2006 – 2012: the situation in SCO and adjustment of the approaches in China and Russia

After the adoption of the Astana Declaration in August 2005, the question remained to what extent the appeal of the SCO for withdrawal of the Western anti-terrorist coalition from the region corresponded to reality. And, as subsequent events showed, it turned out to be inconsistent. The strength of NATO troops in Central Asia not only did not decrease, but increased significantly in number during the third stage of the expansion of ISAF in Afghanistan⁴⁴ after the Talibans became more active in late 2005.

In assessing the Chinese view of the threats and prospects of development of the SCO in the mid-2000s, it is worth noting the reaction of Chinese experts to the ambitious project initiated by the director of the Institute for Central Asia and Caucasus, F. Starr (USA), “Greater Central Asia Partnership for Cooperation and Development” (GCA), published in 2005. The project involved the consideration of the Central Asian states and Afghanistan as constituting GCA single region, focusing on the uncoordinated work of the State Department and the U.S. Defense Department with these countries, the need for the United States to focus on various aspects of life in the region – from security and control to the economy and education.⁴⁵ Commenting on the attention given by the United States to GCA project, the experts from the Centre for Research on SCO Pan Guang and Zhang Yifeng drew attention to the apparent anti-China, anti-Russian and anti-SCO overall thrust of the new ideas. The United States relied on the economic attractiveness of the project for the Central Asian countries, which could weaken the economic cooperation in the SCO. At the same time, Chinese experts rightly emphasized GCA key problems: the difficulties in bringing Kazakhstan in the project and the situation in Afghanistan, which was far from stable.⁴⁶ In general, they did not see possibilities of any practical implementation of the project and the real competition with the SCO.

⁴³ Cooley, A. The Rise of the Shanghai Cooperation Organisation: Western Perspectives. Lecture Delivered to the American University in Central Asia Social Research Center, Bishkek, Kyrgyzstan. *Meken* (2008), www.meken.biz/node/81 (30 Mar. 2010).

⁴⁴ ISAF's Mission in Afghanistan, The Official NATO Website (2011), www.nato.int/cps/ru/natolive/topics_69366.htm (15 Nov. 2011).

⁴⁵ Starr, F. Partnership for Central Asia, *Russia in the Global Politics*, www.globalaffairs.ru/number/n_5459 (24 Nov. 2009).

⁴⁶ 潘光, 张屹峰 (Pan Guang, Zhang Yifeng). 大中亚计划: 美国摆脱全球困境的重要战略步骤 (Plan “Greater Central Asia”: an essential US step in the strategy for coming out of the complex global situation), *外交评论 (Foreign Affairs Review)* 2 (2008): 14-20.

A similar view on the prospects of the GCA developed in Russia as well. The director of the Centre for East Asian Research and SCO Moscow State Institute for International Relations (RAS) A.Lukin believed that for the United States the project was difficult to realize. Nevertheless, it was dangerous for the Russian Federation: Enhancing the participation of high-ranking representatives of Central Asia in events, organized by the United States, could cause “marginalization of the SCO” and hinder “the course of the Russian foreign policy aimed at strengthening cooperation in Asia.”⁴⁷

As for the expansion that drew serious attention to the SCO, the Chinese approached this problem with major reservations. Expert circles noted lack of a direct mechanism at SCO level for investment in the economy of Mongolia and concerns of the latter about possible military and political orientation of the organisation, Iran’s anti-American policy, improvement of Indo-American relations and, of course, the Indo-Pakistani conflict.⁴⁸ China considered Pakistan as the most promising candidate for membership in SCO with its potential to ensure a transport, trade and energy corridor and the prospects to solve a very serious problem for China – the problem with offshore oil routes.⁴⁹

The uncertainty with the admission of new members resulted in the prolonged development of appropriate criteria and, as a consequence, the introduction of a temporary moratorium on the expansion of the organisation in 2006. However, receiving the same year a request from Belarus for admission in the SCO as an observer, at the summit in Yekaterinburg in 2009 the members of the organisation granted Belarus and Sri Lanka the status of dialogue partners. According to the view of the Russian expert Mikhail Starchak, this was a possibility for lifting the moratorium on the expansion and admission of new members to the SCO, whereas for Russia supporting the candidature of Pakistan looked promising in order to convince its strategic partner India also to apply for membership in the SCO.⁵⁰ The admission of Mongolia with its resource potential would have a “demonstration effect” for the SCO, as well as providing the status of an observer to the NATO member Turkey.⁵¹

Starting from 2005, amid the increasing demand of China for diversification of oil imports and the beginning of natural gas import, the attention of Chinese experts increas-

⁴⁷ Lukin, A.V. Shanghai Cooperation Organisation: what is next? *Russia in the Global Politics* 3 (2007), www.globalaffairs.ru/number/n_8818 (12 Nov. 2011).

⁴⁸ 黃一哲 (Huang Yizhi). 上海合作組織的現況與發展 (Current situation and development of SCO), *國防雜誌 (Defence Magazine)* 24 (2008). Quote on p. 15.

⁴⁹ Ibid.

⁵⁰ Starchak, M. Shanghai Cooperation Organisation: opportunities for Russia, *Central Asia and Caucasus* 14:2 (2011), www.ca-c.org/journal/2011-02-rus/11.shtml (10 Nov. 2011).

⁵¹ Lukin, A.V. Shanghai Cooperation Organisation: what is next? *Russia in the Global Politics* 3 (2007), www.globalaffairs.ru/number/n_8818 (12 Nov. 2011).

At the Beijing summit in 2012, Turkey, who had applied for SCO in 2011, was the third to receive the status of a dialogue partner: Declaration of the SCO Heads of State on building a region with long-term peace and joint prosperity, 7 June 2012, *Official site of SCO summit 2012*, www.scosummit2012.org/russian/2012-06/07/c_131638248.htm (24 June 2012).

ingly turned to enhancing the work of the Russian Federation in the development and transportation of Central Asian resources and desire to occupy a dominant position in the energy sector in the region.⁵² This was clearly evident at the summit in Shanghai in 2006, when Russian President Vladimir Putin invited SCO member countries to establish an Energy Club.⁵³ The Russian initiative did not bring China's enthusiasm: "gas OPEC" could dictate the price of gas in the long run, as it would include the global leaders in the gas reserves Iran, Russia (third in the world rankings), and possibly Turkmenistan (fourth position). For such a large importer as China, with its growing interest in the Central Asian and Russian resources, such monopolization of prices was obviously not profitable. According to Pan Guang, the draft clearly showed Moscow's response to "the growing interaction between China and Kazakhstan in the sphere of energy."⁵⁴ Beijing began to insist on the operation of the Club as an exclusively advisory structure.

Although China continued to focus on the implementation of the Programme for multilateral trade and economic cooperation, in the middle of the decade there was no significant progress in its implementation and cooperation was still in the form of bilateral trade and economic relations. A. Lukin pointed out the fact that the statements of representatives of the ministries of economy were limited "to the bureaucratic re-writing" in bilateral (rarely multilateral) projects, "none of which appeared as a project of the SCO."⁵⁵ Under these circumstances, official and expert circles in China expressed their opinion on the need to develop non-governmental entities (Interbank Association and Business Council), creating the SCO Development Fund for the implementation of a very important long-term programme.⁵⁶ Nevertheless, Russia actually rejected the idea of state funding for SCO economic programmes and the establishment of the SCO Development Fund.⁵⁷ The different positions of China and Russia on the future priorities of

⁵² 潘光 (Pan Guang). 上海合作组与中国的海外能源发展战略 (Shanghai Cooperation Organisation and the Chinese strategy for development of foreign energy resources), 世界经济研究 (*World Economy*) 7 (2005): 4-9.

⁵³ Speech by V.V. Putin at the enlarged meeting of Heads of SCO Member States, 15 June 2006, *President of Russia* (2006), http://archive.kremlin.ru/appears/2006/06/15/1040_type63377_107105.shtml (12 Dec. 2011).

⁵⁴ Cit.: Marat, Erica. The SCO and Foreign Powers in Central Asia, *The CACI Analyst* 5 (2008), p. 2.

⁵⁵ Lukin, A.V. Shanghai Cooperation Organisation: what is next? *Russia in the Global Politics* 3 (2007), www.globalaffairs.ru/number/n_8818 (12 Nov. 2011).

⁵⁶ 黄一哲 (Juan Ichzhe). 上海合作组织的现状与发展 (Current situation and development of SCO), 国防杂志 (*Defence Magazine*) 24 (2008), p. 11; Xu Tuncay. The implementation and deepening of regional economic cooperation in the SCO, In: *Shanghai Cooperation Organisation: from foundation to comprehensive development* (materials from the third meeting of SCO Forum). Moscow: Moscow State Institute for International Relations (U), 2008, pp. 101-104.

⁵⁷ Starchak, M. Shanghai Cooperation Organisation: opportunities for Russia, *Central Asia and Caucasus* 14:2 (2011), www.ca-c.org/journal/2011-02-rus/11.shtml (10 Nov. 2011).

the SCO became more visible. In China, this fact was recognized at the level of their experts whose opinions were taken into consideration by the leadership of PRC. The deputy chairman of the China National Research Centre of the SCO, China's former ambassador to Russia Li Fenglin, noted that "Russia was still considering the Central Asian region as an area of special interest and was focusing primarily on the CSTO and EurAsEC, while SCO was only an additional channel to maintain its influence in the region and to maintain relations with China." According to him, Russia "did not show much interest in ... economic integration within the SCO."⁵⁸

In this context, the summer of 2008 turned into the apogee of differences of opinions and influence in the SCO. The inflexibility of the official Chinese line regarding the denial of separatism and its growing economic influence in the region gave its result: none of the SCO member states supported the position of Russia in its Georgian campaign in August, coinciding with the opening of the Olympics in Beijing. The SCO Declaration of Dushanbe of August 28 completely ignored the independence of Abkhazia and South Ossetia,⁵⁹ recognized by Moscow two days earlier. The position of the parties in the Declaration was expressed briefly, with emphasis on the international debate on the status of unrecognized republics: "the SCO member states welcome the approval on 12 August 2008 in Moscow of the six principles for resolving the conflict in South Ossetia and support the active role of Russia in promoting peace and cooperation in the region."⁶⁰ One can assume that after the Dushanbe summit Russia finally began to consider the SCO as a mechanism for the dissemination of Chinese influence in Central Asia. A similar opinion was recently expressed in an interview by American expert M. Olcott.⁶¹ The Russian Federation has not developed a unified position on the development of the desired military strategic cooperation in the SCO. As noted by Y. Nikitin, Russia still "does not formally view China as a military ally" because of lack of a general political agreement on military cooperation between the two countries.⁶²

Special attention shall be paid to the extremely interesting new approach of the Chinese experts to the security threats to China. The publications in the influential Journal of Tsinghua University, "China and the World Review," traced the idea that in the short

⁵⁸ Mochulski, A. The Chinese approach toward the Shanghai Cooperation Organisation: economic aspect, *New Eastern Review* (2010), <http://journal-neo.com/?q=ru/node/520> (12 Dec. 2011).

⁵⁹ See Decree of Russian President of 26 August 2008 # 1260 On recognizing the Republic of Abkhazia; Decree of Russian President of 26 August 2008 # 1261 On recognizing the Republic of South Ossetia, *President of Russia*, <http://text.document.kremlin.ru/SESSION/PILOT/main.htm> (15 Oct. 2010).

⁶⁰ Dushanbe Declaration of SCO Member States, 28 August 2008, Shanghai Cooperation Organisation (2008), www.sectsco.org/RU/show.asp?id=115 (12 Dec. 2009).

⁶¹ 王雅平 (Wang Yaping). 上海合作组织的初十年 (The first decade of SCO), 卡内基中国透视 (Carnegie Center, The Chinese Perspective), http://chinese.carnegieendowment.org/experts/?fa=expert_view&expert_id=532 (15 Aug. 2011).

⁶² Y.A. Nikitina. *CSTO and SCO: Models of Regionalism in the Security Sector*. Moscow: Navona, 2009, p. 94.

term the possibility of an armed conflict between Taiwan and China was virtually eliminated. Therefore, according to the expert from the Military Academy of China, Jia E, it was time to focus on the north-west – the area of traditional weakening of security for China. For example, the developing infrastructure facilities in the north-west of the country could become an attractive target for terrorists. Therefore, China was supposed to increase the armed forces there and in parallel with the economic diplomacy in Central Asia, gradually to extend military cooperation in the SCO beyond its state borders.⁶³ The same opinion was expressed by his colleague Chen Yaven: China as a nation “of both continental and marine type” should take into account the growing role of Central Asia and Russia in the energy supply. The Eurasian vector is of increasing importance for the public interest of the country and therefore it is necessary to improve the efficiency of China’s infrastructure links with the states in this area, and in the military sphere – to improve the combat capability of the Air Force (not the Navy) as the “main strategic military forces today.”⁶⁴

To increase the emphasis on trade and economic dimension of the SCO, China gradually added another area of cooperation inherent in the organisation’s charter. In the mid-2000s, China began to pay attention to humanitarian cooperation in the SCO, highlighting specific initiatives. At the Astana summit in 2005, Hu Jintao proposed the idea to organize in China the three-year training of 1500 specialists and managers from the SCO.⁶⁵ Cooperation in the field of education could further enhance the credibility of China in the region and was in line with Beijing policy to promote Chinese culture, as well as the concept of “soft power” in foreign policy, officially approved at the XVII Congress of the CPC in 2007. In this context, China’s leaders consistently offered scholarships and organized courses for students from the SCO member countries.⁶⁶ The Russian reaction in the humanitarian area was the following: in 2007, President Putin justified the need for the creation of SCO University as a network of educational institutions

⁶³ 贾也 (Jia E). 西北安全是中国国家战略的基础 (Security in the north-west – a basis for China’s national strategy), *中国与世界观察 (China and the World Watch)* 1 (2008): 15-21.

⁶⁴ 程亚文 (Chen Yaven). 中国国家安全战略应向欧亚大陆倾斜 (China’s national security strategy shall be focused on the Eurasian continent), *中国与世界观察 (China and the World Watch)* 1 (2008): 58-65.

⁶⁵ 胡锦涛在上海合作组织阿斯塔纳峰会上讲话(全文) (Hu Jintao’s complete speech at Astana summit), Chinese Ministry of Foreign Affairs, 6 July 2005, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t202425.htm (20 Oct. 2011).

⁶⁶ 加强睦邻互信, 推动和平发展 (Enhance mutual trust and promote peace and development), Hu Jintao’s complete speech at the 7th SCO Heads of State summit. Foreign Ministry of China, 16 August 2007, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t352274.htm (21 Oct. 2011).

of the six states with coordinated curricula.⁶⁷ The Network University project was launched in 2010.⁶⁸

Despite the constant lobbying of Russia for Partnership between SCO and the CSTO in the region and the possible organisation of joint anti-terrorist manoeuvres, such initiatives did not correspond to the Chinese interests. This was proved by the ambiguous wording in the Memorandum of Understanding between the SCO and the CSTO in 2007 with the consensus of the parties on the participation in “relevant activities undertaken in the framework of the SCO and the CSTO, as visitors.”⁶⁹ In the same year, at a meeting of SCO defence ministers in Bishkek, the proposal of Russian Defence Minister A. Serdyukov to prepare in a year’s time a general document concerning military cooperation in the SCO certainly did not meet the approval of the Chinese participants.⁷⁰

After the beginning of the global financial and economic crisis which seriously affected the Russian economy, China’s position in Central Asia increased significantly, and China’s official approach to the development of the economic aspect in the SCO became even more prominent (see Chapter 5). As a result, in the summer of 2009, China, in contrast to Russia the previous year, received the official support of the SCO countries in the settlement of the conflict in Xinjiang. On July 10, shortly after the start of the unrest in the town of Urumqi, SCO Secretary-General recognized Xinjiang as “an integral part of China” and stated that the events there were “purely internal affairs.”⁷¹ The growing dependence of SCO Central Asian partners on China and the impact of the rising level of instability in Xinjiang on the economy in the border states resulted in the full approval of China’s position and its actions to suppress mass protests. Russian experts started paying serious attention to the issue of possible dominance of China in the SCO. Therefore, in his article in 2009, A. Lukin pointed out that unless there were initiatives from state structures in the funding of the SCO and the due contribution of the Russian Federation to the organisation, the SCO would eventually turn into a structure

⁶⁷ Speech by V.V. Putin at the enlarged meeting of Heads of SCO Member States in Bishkek, President of Russia (6 August 2007), <http://archive.kremlin.ru/text/appears/2007/08/141411.shtml> (21 Oct. 2011).

⁶⁸ Speech by D.A. Medvedev at the enlarged meeting of Heads of SCO Member States, Astana, President of Russia (15 June 2011), www.kremlin.ru/transcripts/11578 (21 Oct. 2011).

⁶⁹ Memorandum of Understanding between SCO Secretariat and CSTO Secretariat (05 October 2007), Shanghai Cooperation Organisation (2007), www.sectsc.org/RU/show.asp?id=112 (14 May 2010).

⁷⁰ On the visit of Russian Defence minister A. Serdyukov in Kyrgyzstan, 27 June 2007, Russian Embassy in the Republic Kyrgyzstan, http://www.kyrgyz.mid.ru/press_rel/07_03.html (12 Dec. 2010).

⁷¹ Statement by the Secretary General of the SCO B. Nurgaliev with regard to the events in Urumqi Xinjiang, China, 10 July 2009, Shanghai Cooperation Organisation (2009), www.sectsc.org/RU/show.asp?id=346 (14 Feb. 2010).

with China as its leader and donor.⁷² The expert from Moscow State Institute for International Relations, A. Moczulski, expressed his solidarity believing that in terms of multi-lateral economic cooperation with Central Asia in the SCO, “chances were that Russia might be too late, moreover not in the too distant future.”⁷³

In the past years, the situation in Afghanistan has remained a major concern for the SCO. As Secretary General B. Nurgaliyev noted in his speech at the Special SCO conference on Afghanistan, initiated by Russia (2009), at the time of the event the overall contributions made by SCO for Afghanistan amounted to “about 220 million dollars,” while China has decided to “transfer its earlier credit to the category of grant aid.”⁷⁴ This loan amounted to 75 million dollars, that is, just over one third of all the assistance from the SCO. This indicated that China’s strategic interest in Afghanistan was actively growing.

However, in 2009 B. Nurgaliyev noted that the situation in Afghanistan had deteriorated and under the new conditions “pointing at some shortcomings and mistakes in the strategy of the anti-Taliban coalition from the position of the SCO was not productive.”⁷⁵ This, in turn, meant that the SCO had finally accepted the presence of Coalition forces in the region. Moreover, it did not officially consider “the possibility of a physical presence in Afghanistan as part of any counter-terrorism or counter-drug forces,” preferring to conduct activities on its territory.⁷⁶ However, SCO work with regard to Afghanistan became more and more problematic: after the re-election of Afghan President Hamid Karzai, his power was in fact limited in territory and directly controlled by NATO. The observer cannot help raising the question about the situation in the country in the event of the withdrawal of U.S. and NATO forces and SCO respective action under these circumstances. In a recent publication, this question was raised by Chinese scholars in international affairs Xiaohui Zhang and Xiao Bin, stressing that the conference on Afghanistan and other SCO steps in this direction have only a coordinating nature and cannot bring real results.⁷⁷ As a possible answer they offer further cooperation with the United Nations – in fact, finally recognizing the total incapability for SCO to solve the problem of regional security. Russian expert S. Luzyanin believes that the U.S. and

⁷² Lukin, A. Overview of Russia’s SCO Presidency, *International Affairs* 6 (2009): 58–71. Quote on p. 67.

⁷³ Mochulskiy, A. China’s approach to Shanghai Cooperation Organisation: an economic aspect, *MSIIR*, www.mgimo.ru/news/experts/document150812.shtml (12 Dec. 2011).

⁷⁴ Statement by the Secretary General of the SCO B.K. Nurgaliev at the special conference on Afghanistan, 27 March 2009, *Shanghai Cooperation Organisation* (2009), www.sectSCO.org/RU/show.asp?id=177 (12 Dec. 2011).

⁷⁵ Afghanistan – not a source of threats, but a victim of circumstances and chaos, Interview with Secretary General of the SCO B. Nurgaliev, *Information Agency Kazinform* (19 March 2009), www.sectSCO.org/RU/show.asp?id=176 (15 Apr. 2010).

⁷⁶ *Ibid.*

⁷⁷ 张晓慧, 肖斌 (Zhang Xiaohui, Xiao Bin). 地区安全主义视野中的上海合作组 (SCO through the prism of regional security), *俄罗斯东亚中欧研究 (Russian East European Studies)* 4 (2011): 64-69.

NATO are not interested in the future settlement of the Afghan conflict, and can remain in the country to maintain their influence on the geopolitical developments in Asia. In this situation, the SCO will not prevent in the medium term the establishment of a regular dialogue with NATO.⁷⁸

Russia's position on this issue includes a proposal to create a contingent for anti-terrorist, anti-drug and financial security together with the CSTO, and to establish a mechanism for anti-drug cooperation.⁷⁹ Despite the adoption in 2004 of the previously mentioned SCO Agreement on cooperation in the fight against drug trafficking, the first five-year anti-drug strategy of SCO was only approved at the summit in Astana in 2011 not without the influence of SCO recognizing the development prospects of the Afghan scenario. Real cooperation between SCO nations in this area during the ten years of NATO forces' presence in the region remained at the declarative level.

Another factor, which exacerbated the problem of the future of the SCO, were the events in Kyrgyzstan in 2010. After the transition of power in the country in April 2010, as noted by the expert on security issues in the post-Soviet era, P. Dunay, the SCO did not immediately come out with a clear response to the Kyrgyz issue. China itself expressed its readiness to cooperate with the new government of Kyrgyzstan and also stated respect for the sovereignty of the country.⁸⁰ However, after the development in June of the ethnic conflict in the south, in the Osh and Jalal-Abad regions, and the displacement of over a hundred thousand Uzbeks from Kyrgyzstan to Uzbekistan, the regional impact of these events became obvious.⁸¹ At the SCO summit in Tashkent, the SCO members declared their position "against interference in the internal affairs of sovereign states, as well as against actions that could cause tension in the region, for the resolution of any dispute exclusively by political and diplomatic means through dialogue and negotiations."⁸² The question about SCO effective assistance in solving the acute problems of Ferghana was not put forward. However, as noted by Xiaohui Zhang and Xiao Bin, the key principle of "non-interference" in the SCO may hinder the effectiveness of further cooperation on regional security and long-term development of the organisa-

⁷⁸ S. Luzyanin, SCO decade: results and perspectives of development. In: *Kazakhstan's chairmanship in SCO: materials from international research conference*. Almaty, 2011, pp. 42-44.

⁷⁹ Statement by Russian Prime Minister V.V. Putin at an enlarged meeting of the Council of Heads of Government of SCO Member States, observers and visitors, 25 November 2010, Government of the Russian Federation (2010), <http://premier.gov.ru/events/news/13093> (12 Dec. 2011).

⁸⁰ 外交部发言人姜瑜就吉尔吉斯斯坦当前局势发表谈话 (Press release by the Secretary of China Foreign Ministry Jiang Yu on the situation in Kyrgyzstan). China Foreign Ministry, 16 April 2010, www.fmprc.gov.cn/chn/pds/wjdt/fyrbt/t682135.htm (12 Dec. 2011).

⁸¹ Dunay, P. Not Beyond Limits: The Prospects of the Shanghai Cooperation Organisation (SCO), *GCSP Policy Paper 5*. Geneva: Geneva Centre for Security Policy, 2010. – 6 pp.

⁸² Declaration of the Tenth meeting of Heads of SCO Member States, 10–11 June 2010, Tashkent, *Shanghai Cooperation Organisation* (2010), www.sectsco.org/RU/show.asp?id=395 (13 Dec. 2011).

tion.⁸³ The need to strengthen the SCO influence was also emphasized by researcher Zhong Feyten. Recognizing the increasing role of Central Asia in the Chinese border strategy, he distinguished the risk from the changing circumstances in the region for the Chinese economy and security.⁸⁴ In other words, the possibility of changing the position on the active participation of SCO law enforcement agencies (and, hence, China) in the settlement of conflicts in the region was not excluded at the expert level.

Professor Zhao Huasheng considered the factors of uncertainty in the SCO more specifically. First, he rightly stressed the lack of real progress in the organisation in the implementation of the Programme for multilateral trade and economic cooperation and the prospects for establishing a free trade area in the region by 2020. Second, he did not ignore the lack of “one intended path for long-term perspective” in SCO, neither the symbolic value of the organisation as “the spokesman of collective relations” and not as a cohesive and active structure.⁸⁵ Third, he pointed to the lack of a balanced structure of the political forces and the imperfect mechanism of transfer of power in Central Asia, which in case of resignation on behalf of the president could lead to “significant political and social upheaval and sudden changes of policy” in the region.⁸⁶ Finally, he emphasized that Russia did not leave plans for a new integration within the CIS. That is why Russia was “careful about the presence of any other great powers in the region” and, unlike China, did not act unconditionally for the development of the SCO.⁸⁷

All of these problems are obvious, and in the short term the common or different positions of the participating countries depending on their decision may equally lead to the transformation of the SCO into a more active regional security structure, more comprehensive in the trade-economic aspect of the organisation, or to a further conflict of interests of its founding states or even to the loss of interest to the work of SCO.

To some extent, this statement proves the results of the SCO summit in Beijing in 2012. During the two-day meeting of the heads of the SCO member states, the projects initiated by China and related to the SCO Development Bank and Special Account, as well as a free trade area on the territory of the Organisation were actually blocked by Russia since they all meant further consolidation of China's financial and economic cooperation in the SCO. As a result, these issues were abandoned for further investiga-

⁸³ 张晓慧, 肖斌 (Zhang Xiaohui, Xiao Bin). 地区安全主义视野中的上海合作组 (SCO through the prism of regional security), 俄罗斯东亚中欧研究 (*Russian East European Studies*) 4 (2011), p. 66.

⁸⁴ 钟飞腾 (Zhong Feyten). 后危机时代中国周边的战略形势 (The forms of Chinese diplomacy in border countries in the post-crisis era), 中国周边安全形势评估 (Assessments of border security in China). Beijing: AON, 2011. pp. 109-119.

⁸⁵ 赵华胜 (Zhao Huasheng). 上海合作组的可能性和限度 (Capabilities and limitations of the Shanghai Cooperation Organisation), 国际观察 (*International Observation*) 3 (2011), 33.

⁸⁶ Zhao Huasheng. *China, Central Asia and the Shanghai Cooperation Organisation*. Moscow, 2005. p. 53 (in Chinese).

⁸⁷ 赵华胜 (Zhao Huasheng). 中俄关系中的上海合作组织 (SCO as a mechanism for Chinese-Russian relations), 和平和发展 (*Peace and Development*) 2 (2010): 37-42.

tion.⁸⁸ According to reports in the Russian press (most of the official documents, signed at the last summit, were not available to mass media due to insufficient development of the information service of the SCO), the difference between the views of the Chinese and Russian sides on the principles of work of the Bank for Development (the Russian proposal to establish it on the basis of the Eurasian Bank for Development EurAsEC did not correspond to the interests of China) and the Special Account (as analogue of IMF without the mandatory reimbursements /PRC/ and as a fund for the return of financial resources as payback for joint projects /Russian Federation/)⁸⁹ led to a lack of progress on these issues. Moreover, the Russian side officially re-emphasized the need for greater communication between SCO, EurAsEC and the CSTO,⁹⁰ which was not in the interest of China who was not willing to lose its significant role in the SCO.

Thus, ten years after its establishment, the Shanghai Cooperation Organisation is no longer a firm structure to coordinate the steps of Russia and China in Central Asia. The different interests of the two largest actors in SCO became visible from their reactions to the changes in the region. Established as a general mechanism that formally provided security guarantees to all its members, the SCO retained initially a certain degree of declaratory character and did not use in practical terms its stated potential.

This is largely due to the differences in the initially coinciding interests of China and Russia in the SCO. For China, the new geopolitical situation in Central Asia in 2001 meant the removal of a direct threat to national security in the north-west. The presence of antiterrorist coalition forces in the region and the orientation of Central Asian states created the conditions for activation of the economic dimension of the SCO, which was fully consistent with the imperatives of the foreign policy and domestic needs of China. Due to the lack of consensus in the organisation on the priority of economic and trade cooperation and its long-term perspective, this aspect continued to develop in the form of bilateral relations between the member states. Russian competing initiatives in the military-political and energy areas did not initially comply with the national interests of China. Only in recent years, a debate started in China at the expert level on the chances and conditions for the revitalization of its armed forces in the Central Asian region within the SCO.

Unlike China, Russia, after the geopolitical changes in Central Asia in the autumn of 2001, lost the initial impetus for cooperation in the SCO. However, in 2003-2004 under the threat of "colour revolutions" on the territory of CIS, NATO expansion, the increased flow of drug trafficking from Afghanistan, and as a result of improvement in its own eco-

⁸⁸ The outcomes of the SCO Beijing summit could be summarized by the five "new characteristics," Statement by the Foreign Ministry of the People's Republic of China, Official site of the SCO Summit 2012, www.scosummit2012.org/russian/2012-06/08/c_131638944.htm (24 June 2012).

⁸⁹ Between rubles and yuans, *Kommersant* 23 (977) (2012), <http://kommersant.ru/doc/1947318?themid=136> (27 June 2012).

⁹⁰ Speech by V.V. Putin at the meeting of Heads of SCO Member States on 7 June 2012, President of Russia (2012), <http://президент.рф/%D0%B2%D1%8B%D1%81%D1%82%D1%83%D0%BF%D0%BB%D0%B5%D0%BD%D0%B8%D1%8F/15589> (24 June 2012).

conomic situation, Russia became more active with security-related initiatives in the SCO. China's actual blocking of Russian projects in the military-political and energy sectors and the lack of support for Russia in the SCO on the South Ossetian and Abkhazian issues in 2008, in the context of the world financial crisis made the Russian Federation look at SCO differently as a mechanism for expanding China's influence in Central Asia.

Maintaining the declaratory character of SCO and the further divergence of Chinese and Russian priorities may turn into a serious challenge for the organisation in the new environment during the second decade of its existence.

Chapter 3

The Issue of Security in the SCO

Anatoliy A. Rozanov

The role of the SCO in maintaining regional security has been reflected in the analytic literature, both Russian and Western. Among Russian publications it is worth mentioning the works of S.G. Luzyanin, first deputy director of the Institute for Far Eastern Studies at the Russian Academy of Sciences; the Director of the Centre for Strategic Problems in North-East Asia and SCO, A.V. Lukin; the Director of the Centre for East Asian and SCO Studies in the Institute for International Relations (University) – Russian Foreign Ministry and associate professor of international political processes Y.A. Nikitin.¹ Among the publications that have appeared in recent years in the West, we should mention the analytical reports issued in the framework of the projects of the Stockholm International Peace Research Institute and the Geneva Centre for Security Policy.² These studies contain interesting assessments and observations and they undoubtedly contribute to the adequate understanding of the place of SCO in the present structure of international security, particularly in the regional context. Paying tribute to the provisions set forth in the framework of the above-mentioned works, we will note that the place and role of the SCO as a security tool requires further study and, perhaps, a more balanced and realistic approach in the light of new developments, factors and trends.

The group of “Shanghai Five” was formed on the basis of agreements on confidence-building measures in the military field and mutual reduction of armed forces in the border area signed in Shanghai and Moscow respectively in 1996 and 1997. In accordance with the agreement on mutual reduction of armed forces in the border area, the member states of the “Shanghai Five” committed themselves to set limits on the number of personnel, weapons and military equipment in the military units located in the geographical area (100 km from the border). In addition, this agreement also provided for

¹ Luzyanin, S.G. Eurasian security: cooperation or conflict of interests? *New Eastern Review* (27 June 2011), <http://journal-neo.com/?q=ru/node/7271> (20 Oct. 2011); Lukin, A.V. Is it necessary to enlarge the SCO? *Russia in the global politics*, www.globalaffairs.ru/number/Nuzhno-li-rasshiryat-ShOS-15227 (25 Oct. 2011).; Nikitina, Y.A. *CSTO and SCO: Models of Regionalism in the Security Sector*. Moscow: Navona, 2009, pp. 81-130.

² Bailes, A.J.K., Dunay, P., Guang, P., & Troitskiy, M. The Shanghai Cooperation Organisation, *SIPRI Policy Paper 17*. Stockholm: Stockholm International Peace Research Institute, 2007; Dunay, P. *Not Beyond Limits: The Prospects of the Shanghai Cooperation Organisation (SCO)*, *GCSP Policy Paper 5*. Geneva: Geneva Centre for Security Policy, 2010.

the establishment of a Joint Control Group, which followed an annual plan for inspections in the military units located in this geographical area.³ Thus, the issues of military security played a fundamental role in the development of the SCO.

Later, cooperation in the framework of the Organisation spread to the political, trade, economic, cultural, scientific, technical and other spheres, and the problem of military security lost its exceptional significance over time. Nevertheless, even today the SCO consistently advocates for the creation of a stable security system within the area of its responsibility that would give equal consideration to the interests and approaches of all the participants.

The Declaration on the establishment of the Shanghai Cooperation Organisation, signed on 15 June 2001, specifies “joint efforts to maintain and ensure peace, security and stability in the region as one of the purposes of the Organisation.” The document emphasizes that the SCO member states firmly comply with the purposes and principles of the UN Charter, the principles of mutual respect for independence, sovereignty and territorial integrity, equality and mutual benefit, the resolution of all issues through mutual consultations, non-interference in internal affairs, non-use of force or threat of force, rejection of unilateral military superiority in contiguous areas.⁴

The participating States have committed to work closely together to implement the Shanghai Convention on Combating Terrorism, Separatism and Extremism of 15 June 2001, including through the establishment of the Regional Anti-Terrorist Structure (RATS). In addition, it was decided to sign relevant multilateral agreements on cooperation in combating illicit trafficking of arms and drugs, illegal migration and other types of criminal activity.

These objectives and principles in the work of SCO in the security area were confirmed in the Charter of the Shanghai Cooperation Organisation, adopted in St. Petersburg on June 7, 2002. The position of SCO on regional and international security was specified and supplemented with new theses and scenarios in the subsequent documents.

Thus, the Declaration of the Heads of SCO Member States, adopted at the meeting in Astana on July 5, 2005, stated the need to unite the efforts of the SCO member states to effectively counter new challenges and threats to international and regional security and stability. Such cooperation should be of comprehensive nature and promote reliable defence of the territories, populations, critical infrastructure and key infrastructure of the Member States from the devastating impact of the new threats and challenges, creating the necessary conditions for sustainable development of the SCO.⁵ Cooperation should include the development of close collaboration between foreign, foreign economic, law

³ Altymashev, K. Peculiarities of the military cooperation between SCO Member States, *Eastern Time*, www.easttime.ru/reganalitic/1/257.html (14 Oct. 2011).

⁴ Declaration on the creation of the Shanghai Cooperation Organisation, 15 June 2001, *Shanghai Cooperation Organisation* (2001), www.sectsco.org/RU/show.asp?id=83 (13 Apr. 2010).

⁵ Declaration of the Heads of SCO Member States, 05 July 2005, *Shanghai Cooperation Organisation* (2005), www.sectsco.org/RU/show.asp?id=98 (11 Nov. 2009).

enforcement, intelligence and defence agencies of the Member States; the active use of the mechanism of meetings of Secretaries of Security Councils of the participating countries; the development of effective measures and mechanisms for joint response of SCO to situations that threaten the peace, security and stability in the region; joint planning and conduct of anti-terrorist activities; the harmonization of national legislations on security issues; cooperation in the development and use of modern technical equipment used in the fight against new challenges and threats; the formation of an effective mechanism for information counteraction against new challenges and threats; training of personnel to solve problems in the field of security in the SCO.

The SCO member states committed themselves to terminate on their territories all attempts to prepare and carry out acts of terrorism, including those directed against the interests of other states, not to grant asylum to persons accused or suspected of terrorist, separatist and extremist activities, and to hand over such persons if asked by another state of the SCO in strict accordance with the laws of the Member States.

The SCO member states consistently and firmly believed that the fight against terrorism should be based on the norms and principles of international law and should not be identified with the struggle against any religion, country and nationalities.

In the fight against international terrorism, the SCO announced its intention to solve the problems associated with the liquidation of its resources, especially by combating illicit trafficking in arms, ammunition, explosives and drugs, organized cross-border crime, illegal migration and mercenary. According to the declared position of the SCO member states, special attention should be given to preventing the use of components of weapons of mass destruction and the means for their delivery by terrorists.

The SCO member states believed that the security of Central Asia was inextricably linked to the prospects of the peace process in Afghanistan. They repeatedly stated their support for the efforts of the international coalition conducting anti-terrorist operation in Afghanistan. As it is well known, some SCO member states provided their ground infrastructure for temporary deployment of military contingents from the Coalition countries, and their territory and airspace for military transit in the interests of the anti-terrorist operation. In addition, the Declaration from the SCO summit in Astana in July 2005 included the following position, which resonated with the international community at that time: "Given the completion of the active military phase of the antiterrorist operation in Afghanistan, the Member States of Shanghai Cooperation Organisation consider it necessary that the relevant members of the antiterrorist coalition decide on the deadlines for temporary use of infrastructure and the presence of military contingents on the territories of the SCO member states."⁶ This formulation was received with concern by the United States and its allies who were actively involved in the military operation in Afghanistan. However, no immediate practical steps were taken to implement the official position of the SCO at the time.

The Declaration on the occasion of the fifth anniversary of the Shanghai Cooperation Organisation, accepted in Shanghai on 15 June 2006, stressed that the SCO would

⁶ Ibid.

make a constructive contribution to the creation of a “global security structure of a new type,” the core of which would be mutual trust, mutual benefit, equality and mutual respect, compliance with the generally recognized norms of international law excluding “double standards,” settlement of disputes through negotiations based on mutual understanding, respect for the right of each State to guarantee its integrity and protect its national interests, independence in choosing their own path of development and building their internal and foreign policy, participation in international affairs on an equal footing.⁷ This approach, often referred to as the “Shanghai spirit,” is treated as innovation in contemporary international relations and international security.

At a meeting of the Heads of States of SCO member states on the occasion of the fifth anniversary it was noted that the SCO has the potential to play an “independent role in maintaining stability and security in its area of responsibility.” In this regard, it was stated that in case of extraordinary events that threaten the peace, security and stability in the region, the SCO member states will immediately contact and consult each other on the operational joint response in order to protect the interests of the organisation as a whole, as well as its Member States to a maximum extent. It was considered appropriate to examine the possibility of establishing within the SCO a mechanism for prevention of regional conflicts.⁸

Promoting cooperation in the security area, Member States consistently emphasized that joint efforts in this area and strengthening the Organisation’s capacity to provide security and stability did not mean a step toward the creation of a military-political bloc or a closed alliance.

Since 2003, meetings of defence ministers of the SCO member states were held on a regular basis to discuss the further development of cooperation in the field of defence and security and exchange of information on the situation in the SCO zone of responsibility. These meetings approved a number of documents, the most important of which are the Agreement between the SCO member states on conducting joint military exercises (27 June 2007), the Agreement on cooperation between the defence ministries of the SCO Member States (15 May 2008), and a Plan for cooperation between defence ministries in the SCO member states for 2010-2011. It shall be noted that on 29 April 2009 at a meeting of SCO defence ministers in Moscow, the Deputy Minister of Defence of the Republic of Uzbekistan, R.S. Niyazov, stated it was not necessary to develop the military component of the Shanghai Cooperation Organisation as, in his opinion, the SCO Charter provided for the development of cooperation only in the economic, social and cultural spheres. In connection with this position, R.S. Niyazov, in his capacity of the leader of the Uzbek delegation, did not sign the Plan for cooperation between the defence ministries of the SCO member states for 2010-2011.⁹

⁷ Declaration of the first five years of the Shanghai Cooperation Organisation, 15 June 2006, *Shanghai Cooperation Organisation* (2006), www.sectesco.org/ru/show.asp?id=108 (4 Nov. 2011).

⁸ *Ibid.*

⁹ Altymashev, K. Peculiarities of the military cooperation between SCO Member States, *Eastern Time*, www.easttime.ru/reganalitic/1/257.html (14 Oct. 2011).

The documents of general political nature reflected to a certain extent the attitude of the Organisation to some key issues of international security and arms control. The SCO member states believed that globalization not only did not decrease, but, on the contrary, in many ways increased the role of such factors as the maintenance and strengthening of strategic stability, including the issue of non-proliferation of weapons of mass destruction. In the field of nuclear non-proliferation they consistently called for strict compliance with the provisions of the Treaty on Non-Proliferation of Nuclear Weapons, including the peaceful use of nuclear energy. The SCO member states considered the establishment of a zone free of nuclear weapons in Central Asia an important element of regional peace and security that could make a significant contribution to strengthening nuclear non-proliferation and increasing the level of regional and international security.

SCO documents reflected on the current problems of the deployment of U.S. global missile defence. At the tenth meeting of the Council of Heads of SCO Member States on June 10-11, 2010 in Tashkent, it was stated that “the uncontrolled deployment of a global missile defence system, as well as the danger of disposition of weapons in the outer space, could become a source of destabilization of the international situation and lead to the spread and rise of missile weapons in different parts of the world.”¹⁰

In the Resolution of the 65th session of the UN General Assembly—“Cooperation between the United Nations and the SCO”—adopted in December 2010, SCO was called “the most important regional organisation to address security issues in the region in all its aspects.”

The main results of the SCO activities, including those in the field of security, were summed up in Astana Declaration of 15 June 2011 on the occasion of SCO tenth anniversary. It was noted that during the ten-year period the SCO had become “a universally recognized and respected multilateral organisation that actively promoted peace and development in the region, and effectively resisted challenges and threats.”¹¹

At the meeting in Astana, the heads of the SCO member states stated that effective cooperation existed within the Organisation in the security field, focused on combating terrorism, separatism and extremism, drug trafficking and arms trafficking, and transnational organized crime. In support of this thesis, it was pointed out that the SCO had set up mechanisms of regular meetings between the Security Council secretaries, attorneys general, judges, ministers of defence and emergency situations, ministers of the interior and public security, leaders of anti-drug agencies that address current issues related to the joint struggle against new challenges and threats.

The Astana Declaration outlined the following priorities: “building security for all states without any exception, cooperation and prosperity based on the understanding of

¹⁰ Declaration of the Tenth meeting of Heads of SCO Member States, 10–11 June 2010, Tashkent, *Shanghai Cooperation Organisation* (2010), www.sectsco.org/RU/show.asp?id=395 (2 Nov. 2011).

¹¹ Astana Declaration of the decade of the Shanghai Cooperation Organisation, *Shanghai Cooperation Organisation*, www.sectsco.org/ru/show.asp?id=474 (4 Nov. 2011).

current realities in the absence of attempts to manage their own security at the expense of others.”¹² The thesis of the indivisibility of security, as known, was the backbone of the Russian initiative, formulated by President D.A. Medvedev in 2008 in the context of the need to update the Euro-Atlantic security architecture.

The meeting of the Council of Heads of SCO Member States on June 6-7, 2012 in Beijing approved a new version of the Regulations on Political and Diplomatic Measures and Mechanisms of SCO response to situations that present a threat to peace, security and stability in the region, and the Programme for cooperation of SCO member states to combat terrorism, separatism and extremism for 2013-2015, which expanded the legal basis for cooperation of Member States in the field of security.

It should be stressed that the SCO has no symptoms or characteristics of a military-political bloc, it has no intention of becoming an alliance with a strong military component, and the interaction between the defence departments is focused exclusively on anti-terrorist activities. According to its stated position, SCO activities are inconsistent with the ideological and confrontational approaches to topical issues of international and regional development. This, according to the national coordinator of the Russian Federation in the SCO, K. Barsky, is “a new word in global politics.” According to this perspective, SCO is an example that non-bloc associations are able to provide international security.¹³ It has been confirmed that this paradigm has important conceptual importance as globalization objectively determines the diminishing role of military force in world politics, bringing to the fore factors such as international cooperation, economic feasibility, “soft power,” etc. Accordingly, the new architecture of security in Eurasia, as well as in other parts of the world, should be equitable, transparent, based on legal and accountable principles, and the non-bloc legitimate security interests of all states.

A similar view is shared by the Russian researcher D. Zhirnov. He believes that the “Shanghai process” is “a movement towards the formation of a pluralistic security community on the Asian continent, in which the maintenance of the military-political stability rests on multilateral negotiation mechanisms. This is its main difference from the amalgamated security infrastructure, characterized by the presence of formal centralized institutions of response.”¹⁴ D. Zhirnov, in our view, rightly believes that in this geopolitically diverse region with many “burning coals” of interstate and internal contradictions, the idea of a region-wide “hard” security system (in the form of military and political alliances) could hardly find effective approval.

As for the SCO area of responsibility, it can be concluded that to date, the full-scale cooperation in the SCO regional security is focused on the fight against such threats and challenges as international terrorism, separatism and extremism, and drug trafficking. In this particular direction the Organisation was able to advance forward, to take

¹² Ibid.

¹³ Barsky, K. Shanghai Cooperation Organisation: a new word in world politics, *International Life* 8 (2011): 11–25. Quote on p. 15.

¹⁴ Cit: Kamynin, V.D. Shanghai Cooperation Organisation as a topic of study in the domestic science, *Proceedings of the Ural State University* 3:80 (2010), [http://proceedings.usu.ru/?base=mag/0080\(04_03-2010\)&xsl=showArticle.xslt&id=a06&doc=../content.jsp](http://proceedings.usu.ru/?base=mag/0080(04_03-2010)&xsl=showArticle.xslt&id=a06&doc=../content.jsp) (28 Oct. 2011).

specific steps and measures, including joint exercises, which suggests the presence of SCO own potential in the area of regional security.

In accordance with SCO Charter, the Regional Anti-Terrorist Structure of the member states of the Shanghai Convention on combating terrorism, separatism and extremism of 15 June 2001 became a permanent body of the Organisation in the field of anti-terrorism with headquarters in Tashkent. In October 2003, the governing body of the structure, RATS Council, began its work. Within the framework of RATS, specific action plans were developed and a number of legal documents were approved to ensure its effective operation, to give a systematic and deliberate nature of the interaction within the SCO framework for the implementation of the Shanghai Convention on Combating Terrorism, Separatism and Extremism.

It is interesting to mention that SCO countries established the practice of conducting joint antiterrorist exercises. In October 2002, bilateral anti-terrorist exercises were held with the participation of China and Kyrgyzstan. In August 2003, the first joint anti-terrorist military exercises "Interaction-2003" were held, where 1,300 troops from five countries (Kazakhstan, Kyrgyzstan, China, Russia, Tajikistan)¹⁵ took part. They were conducted in two phases, first in Kazakhstan, then – in the PRC.

In the period 9-17 August 2007, China and Russia hosted the anti-terrorist command post exercise (CPE) "Peace Mission 2007." The first phase of the CPE took place in China, and the second (active phase of the exercise involving troops and military equipment) – in Russia, in the Volga-Urals Military District. Over 7,500 troops and more than 1,200 pieces of weapons and military equipment were used on Chebarkul range (Chelyabinsk region). During the active phase of the exercise, the following units showed their level of training: 34th Infantry Division from the Volga-Urals Military District, the army and tactical aviation of the 5th Army Air Force and Air Defence, units from the Airborne Troops, as well as the troops from the Interior Ministry, the Border Service and other law enforcement agencies of Russia, more than 1,700 Chinese soldiers, 100 soldiers and officers from the armies of Kazakhstan and Tajikistan, and a special forces squad with 30 soldiers from Kyrgyzstan.¹⁶

The anti-terrorist exercises "Nurek-Anti-Terror 2009" were conducted from 6 to 19 April 2009 at the high range Fakhrabad, located near the Tajik town of Nurek, to coordinate and work out cooperation between the armed forces of the SCO member states in resisting terrorist attacks. Special forces from 5 countries (Kazakhstan, Kyrgyzstan, China, Russia, and Tajikistan)¹⁷ were involved in the final stage of the exercise.

In September 2010, anti-terrorist command post exercise "Peace Mission-2010" took place in Kazakhstan (Training Ground "Matybulak" in Zhambyl region) under the aegis of the SCO. More than 6,000 soldiers and over 1,500 pieces of weapons and military

¹⁵ Nikitina, Y.A. *CSTO and SCO: Models of Regionalism in the Security Sector*. Moscow: Navona, 2009, p. 91.

¹⁶ Matveev, A. "The Shanghai Spirit" in the fight against terrorism, *Military-Industrial Courier* 32 (2007), <http://vpk-news.ru/articles/3884> (15 Oct. 2011).

¹⁷ Korbut, A. Fight against terrorism: together or apart? *Military-Industrial Courier* 14 (2009), <http://vpk-news.ru/articles/3903> (15 Oct. 2011).

equipment were involved in the exercise. For two weeks, troops of SCO member states worked out issues of command and control, security and interaction during the antiterrorist operation.¹⁸ It should be noted that during previous joint exercises of this kind the main participants were Russian and Chinese troops and naval forces with tactical and strategic aircraft from the Armed Forces of Russia and the PRC. This time, except for the Russian and Chinese units, an active role was played by formations from Kazakhstan.

In the framework of the SCO RATS Council decision of 23 September 2010, from 5 to 8 May 2011 the city of Kashgar, Xinjiang hosted joint anti-terrorism drills "Tianshan-2-2011" of the special services and law enforcement agencies of the SCO. The event was attended by the Director of the RATS D. Jumanbekov, Deputy Secretary General of the SCO Hong Jiuyin, heads of anti-terrorist agencies of the SCO member states, as well as representatives from the SCO observer states – India, Pakistan and Mongolia.¹⁹

Joint anti-terrorist military exercises "Peace Mission-2012" were conducted in the period 8-14 June, 2012 in Tajikistan. They involved over two thousand soldiers and officers from Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan. A joint military operation took place on June 14 on the range "Chorukh-Dayron" in the Sughd region in Tajikistan.²⁰

How effective and efficient are collaboration and cooperation in the anti-terrorist sphere within the SCO? Official data can actually be impressive. The Deputy Director of the Russian Federal Security Service, S. Smirnov, announced that only in 2008, thanks to the joint efforts of the SCO anti-terrorist structures more than 100 terrorist-related crimes were prevented, out of which more than 50 were planned to take place in crowded places. "In 2008, Smirnov said, as a result of joint actions of the power structures, 429 improvised explosive devices, 2.2 tonnes of explosives and 2.3 tonnes of toxic chemical agents were confiscated on the territory of SCO member states. Due to the rapid exchange of information between SCO members, 180 training camps for terrorists were located and destroyed, more than 500 militants were detained, and a large quantity of arms and ammunition was seized."²¹

Attention was drawn to enhancing the cooperation in the fight against illicit trafficking of drugs, psychotropic substances and their precursors, in accordance with the Agreement on cooperation in combating illicit trafficking of drugs, psychotropic substances and their precursors of 17 June 2004.

SCO announced its readiness to actively participate in the international efforts to build anti-drug belt around Afghanistan in the development and implementation of spe-

¹⁸ Anti-terrorist exercises "Peace Mission – 2010" in Kazakhstan, www.sco2011.kz/node/369 (18 Sep. 2011).

¹⁹ Anti-terrorist exercises "Tien-Shan-2 – 2011" in China, www.sectesco.org/ru/show.asp?id=464 (18 Sep. 2011).

²⁰ Joint anti-terrorist exercises "Peace mission – 2012" in Tajikistan, Shanghai Cooperation Organisation (2012), www.sectesco.org/RU/shownews.asp?id=532 (3 Sep. 2012).

²¹ Korbust, A. Fight against terrorism: together or apart? *Military-Industrial Courier* 14 (2009), <http://vpk-news.ru/articles/3903> (15 Oct. 2011).

cial programmes of assistance to Afghanistan in order to stabilize the socio-economic and humanitarian situation.

In 2003, Afghanistan became the world's monopolist in the production of heroin. The centres for processing extracted opium into morphine, and then into heroin are located in the provinces of Paktia, Helmand, Kunar, Balkh, and Kunduz. According to the Russian Federal Drug Control Service (FDCS), Afghanistan produces 800 tons of heroin annually. About one-third of the heroin goes along the so-called northern route – through the Central Asian states to Russia and beyond. The cultivation of opium poppy in Afghanistan in the past ten years, i.e. during the period of the anti-Taliban operations, has increased about 40 times.²² The Director of the Federal Drug Control Service, Viktor Ivanov, said that only in the past two or three years, more than 225 thousand hectares of land, formerly used for traditional cultures, were sown with poppy.²³

Russia has been criticizing the U.S. and its partners for a long time for not taking enough, from her point of view, measures to eliminate poppy cultivation and drug laboratories in Afghanistan. The U.S. and NATO argue in response that the eradication of the crops could turn the local population against the coalition and strengthen the position of the Talibans. Thus, NATO official representative James Appathurai rejected the Russian proposal for a large-scale destruction of opium poppy cultivation in Afghanistan by spraying pesticides. The Alliance continues to hold the position that the issue of drug production in the country needs to be addressed very carefully in order not to lose the loyalty of local residents, for many of which growing opium poppy is essentially the only source of income.

A strong impetus to work together to fight drug trafficking is given by the Anti-drug strategy for 2011-2016 and the Programme for its implementation approved by SCO members states at the anniversary summit in Astana (15 June 2011). The cooperation between the SCO Secretariat and the UN Office on Drugs and Crime (UNODC) will open additional capabilities in countering the drug threat. To this end, a Memorandum of understanding was prepared and signed in Astana by SCO Secretary General, M.S. Imanaliyev, and UN Deputy Secretary General, Director of UNODC Y. V. Fedotov.

At the anniversary summit in Astana on June 15, 2011, the heads of the SCO member states formulated a number of interesting ideas and initiatives aimed at strengthening the potential of the security sector. Thus, the President of Kazakhstan, Nursultan Nazarbayev, in particular, proposed to set up a meeting to resolve the territorial and regional conflicts that would draw up preventive measures in potential "hot spots" in SCO area of responsibility. Russian President Dmitry Medvedev stressed the need for development of SCO potential in ensuring regional security, strengthening of the financial base and the staff of the RATS, increasing efforts to combat drug trafficking and cyber threats. Chinese President Hu Jintao proposed the creation of an enhanced system of

²² Lukin, A.V. Central Asia and Afghanistan in the Russian strategy, *International Life* 7 (2011): 51–58.

²³ Lamtsov, M. The Afghan drug trade is no less dangerous than terrorism, *Military-Industrial Courier* 46 (2011), <http://vpk-news.ru/articles/8390> (28 Nov. 2011).

cooperation in regional security by strengthening the capacity of rapid response of the SCO and the development of mechanisms of cooperation in energy, financial and food security.

However, in general, the role of the SCO as a tool for regional security and its potential in this dimension should not be exaggerated. As Yu. A. Nikitina rightly observed, SCO "is currently focused on addressing the general political and economic issues and has no practical joint mechanisms and structures to respond to security threats."²⁴ In addition, her belief that in order to improve the effectiveness of regional security cooperation, we can talk about "bringing together the CSTO and SCO, including the creation of a coalition between CSTO and SCO to address specific issues related to the fight against new challenges and threats," looks, perhaps, overly optimistic and this scenario is hardly possible in the foreseeable future.

Without the presence of a significant military component no special rapid reaction forces or peacekeeping forces of the SCO could become an influential factor in the field of security. If the SCO really intends to prepare for an adequate response to non-traditional threats to security in its area of responsibility, it is obvious that there is no other way but to enhance the interoperability of units of the Member States through joint exercises, constantly improving their scenarios and learning tasks.²⁵

Apparently, the role of the SCO in the region will increase as a result of the planned withdrawal of coalition forces from Afghanistan by 2014. On June 22, 2011 U.S. President Barack Obama announced that by mid-2012 33,000 U.S. troops are expected to leave Afghanistan (about as many as Obama sent to go to Afghanistan in late 2009 as part of his new Afghan strategy). The remaining 66,000 U.S. soldiers will leave gradually until the end of 2014, while the share of Special Operation Forces (SOF) will significantly increase.

The plans of the current U.S. administration envisage training and assisting the Afghan security forces in controlling the situation in the country on their own and a gradual return of U.S. soldiers back home. These plans, however, may not be realized for various reasons: the obvious weakness of the central Afghan government, the lack of operational effectiveness and lack of training of the national army and police, serious ethnic tensions, deep corruption at high authority levels, etc. The deterioration of the situation in Afghanistan after the withdrawal of International Security Forces in Afghanistan (ISAF) can have the most negative impact on regional security. In this case, the SCO will probably not stay aside, although it is possible that the organisation will confine itself only to statements and declarations.

It is characteristic that, as stated at the international conference "Security and Stability in Central Asia after the withdrawal of ISAF troops from Afghanistan in 2014," held in Dushanbe on September 29, 2011, the positions of the SCO member states on the Af-

²⁴ Nikitina, Y.A. CSTO and SCO as models of interaction in the field of regional security, *Security Index* 17:2 (2011), p. 51.

²⁵ Golobkov, A. Forces for anti-terror, *Military-Industrial Courier* 49 (2009), <http://vpk-news.ru/articles/6782> (18 Nov. 2011).

ghan issue have not been coordinated yet. Each state has its own view on the issue of resolving the situation in Afghanistan, and it does not match other positions. Therefore, there was scepticism in regard to the probability that SCO member states will coordinate their positions on Afghanistan in the near future, or will make any major changes to the existing approaches to the problem.²⁶

The potential of SCO in terms of extending its involvement in the settlement of the Afghan problem and the possibility that the Organisation will play greater role in the international efforts in Afghanistan are recognized by Western experts, including prominent American figures.²⁷ However, some analysts, such as the member of the influential New York-based Council on Foreign Relations, A. Scheineson, believe that a more prominent role of the SCO in Afghanistan is unlikely – largely because of the Russian “obstructionism.”²⁸

It should be noted that some Western experts tend to view the SCO primarily as a “powerful anti-US bulwark in Central Asia,” while other analysts are paying attention, first of all, to the fact that the latent tensions between Russia and China will not allow the SCO to become a “strong and unified” anti-American structure.²⁹ It must be mentioned here that authoritative Russian experts also see a kind of anti-American implications in the SCO work. For example, S.G. Luzyanin believes that “the ideological basis of the SCO” is the doctrine of “containment” of the U.S. and its allies which has not been formally declared yet.³⁰ Indeed, the desire to counter the attempts of the United States to “systematically challenge”³¹ the interests of China and Russia in Central Asia is pushing the leadership of China and the Russian Federation to cooperate more closely in the framework of the SCO, notwithstanding the rivalry between them on many other issues.

Although apparently the United States have no clear, unambiguous strategic line about Central Asia, one aspect of American policy in the region can be seen quite clearly – “differentiation” in the relations with the Central Asian member states of the SCO, which objectively could weaken the internal cohesion of the Organisation.³² In this context, as recognized in the report of the U.S. Congressional Research Service, the United States are very interested in the question with which of the states in the region

²⁶ SCO shall build a new model of regional security: expert, *Regnum* (29 September 2011), www.regnum.ru/news/1450693.html (20 Oct. 2011).

²⁷ Scheineson, A. *The Shanghai Cooperation Organisation*. Council on Foreign Relations, 24 March 2009, www.cfr.org/international-peace-and-security/shanghai-cooperation-organization/p10883 (22 Nov. 2011).

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ Cit.: Kamynin, V.D. Shanghai Cooperation Organisation as a topic of study in the domestic science, *Proceedings of the Ural State University* 3:80 (2010), [http://proceedings.usu.ru/?base=mag/0080\(04_\\$03-2010\)&xsl=showArticle.xslt&id=a06&doc=../content.jsp](http://proceedings.usu.ru/?base=mag/0080(04_$03-2010)&xsl=showArticle.xslt&id=a06&doc=../content.jsp) (28 Oct. 2011).

³¹ Blank, S. The Strategic Importance of Central Asia: An American View, *Parameters* 38:1 (Spring 2008): 73–87. Quote on p. 84.

³² Dunay, P. Not Beyond Limits: The Prospects of the Shanghai Cooperation Organisation (SCO), *GCSP Policy Paper* 5. Geneva: Geneva Centre for Security Policy, 2010, p. 3.

they should enhance their partnership. Until the mid-2005 (before the events in Andijan) representatives of the administration of George Bush Jr. emphasized the strategic importance of relations with Uzbekistan. In the post-Andijan period, the United States focused their relations of strategic partnership on Kazakhstan.³³ For example, in fiscal year 2008, out of 324 million dollars allocated by the United States for aid to the five states of Central Asia, nearly 176 million were intended for Kazakhstan.³⁴ It is true that in fiscal year 2010, Kyrgyzstan received the largest portion of U.S. aid to the Central Asian countries (54 million out of 149 million), which was due to ethnic clashes in the country and the need for the United States to do its best to keep their military base in Manas, which plays a crucial role in the transfer of troops and equipment to Afghanistan. Approximately the same was the ratio in favour of Kyrgyzstan in the request of the U.S. administration for the 2011 fiscal year (50 million out of 138 million dollars).³⁵

In 2010-2011, the U.S. started a new policy of rapprochement with Uzbekistan, which differed from the U.S. attitude to the country after mid-2005, when following the crackdown of Uzbek opposition in Andijan, Washington practically ceased cooperation with the regime of Islam Karimov, and Tashkent in its turn insisted on closing the U.S. military base at Karshi-Khanabad. After the key areas of supply for U.S. forces in Afghanistan were moved to the Northern route, the Obama administration began to show interest in Tashkent, Uzbekistan being a critical element of the transportation chain in the North.

In 2011, the tone of U.S. statements against Islam Karimov and his policy changed: if earlier American officials mentioned the violation of human rights by the Uzbek authorities, now, as a rule, they tended to neglect it. In October 2011, U.S. Secretary of State, Hillary Clinton, stated that Uzbekistan was "showing signs of improvement regarding the human rights situation and was expanding political freedom." Apparently, the United States had not found a substitute for the role of Tashkent as a regional strategic ally and was interested in returning to the country. For Uzbekistan it was of special importance to have military cooperation with the United States, including the receipt of U.S. weapons, which were used in Afghanistan and after the withdrawal of U.S. troops along the North route could be left in Uzbekistan. However, so far the U.S. aid to Uzbekistan is limited to non-lethal types of military equipment and technology: armoured vehicles, personal protection equipment, radios, night vision devices, devices for listening and control of terrain, mine detectors. It should be noted that 99 % of the Uzbek army weapons are of Soviet and Russian origin.³⁶

The "differentiated" U.S. policy toward Central Asia, for all its importance is still not a decisive factor which will have a strong impact on the prospects for the evolution of the

³³ Nichol, J. *Central Asia's Security: Issues and Implications for U.S. Interests*, *CRS Report for Congress*. Washington, DC: Congressional Research Service, March 2010, p. 36, p. 53.

³⁴ *Ibid.*, p. 63.

³⁵ *Ibid.*, p. 63.

³⁶ Solovyov, V., Tarasenko, P., & Yusin, M. The United States and the situation in Uzbekistan. Washington is considering options to move troops through its territory, *Kommersant* (3 October 2011), <http://kommersant.ru/doc/1786654> (4 Oct. 2011).

SCO. Most significant for the future of the Organisation will be the relationship China–Russia, the degree of compatibility of the interests of these two powers in relation to the structure and objectives of the SCO, and the priorities of the Organisation in the space of its responsibilities.

In general, it could be concluded that the potential of SCO to promote regional security has not been fully implemented yet. It is also doubtful whether there is a reason to believe that the Organisation is now on a way that clearly leads to the situation when SCO will turn into an effective prevailing security structure in the centre of Eurasia. The Organisation certainly has its own place in the architecture of regional security and the very fact of its existence helps stabilize the situation in Central Asia and beyond; however, in our opinion, it is unlikely that it will play a much more substantial role.

Chapter 4

Energy: Cooperation and Competition within the SCO

Maryna V. Shavaliova

Cooperation of SCO member states in the energy sector is an important component of international relations in economy, and a significant component of the regional and Eurasian security. The region has enormous resources, and also acts as a transit area where the most important highways and, respectively, the infrastructure for transfer of energy resources are located.

Far from minimizing the importance of the above resources and transit potential of SCO member countries and the large number of energy projects implemented by them—both collaborative and competitive—the author deliberately skipped considerations on these aspects. The purpose of this chapter is to analyze the formation of the structure and the functioning of the energy area of cooperation of the SCO as an organisation: it is this region that is currently the most problematic for the SCO and, what is typical, it is the least studied.

Cooperation of SCO member states in the energy sector takes place at two levels – formal and informal (so-called second track). At present, both levels are already well organized and even institutionally formalized. Official contacts in the field of energy are mainly in the framework of multilateral economic cooperation among the SCO countries: meetings of ministers responsible for foreign economic and trade relations, as well as meetings of the special working groups on the fuel and energy complex, led by Russia.¹ The informal level of cooperation in the energy sector is performed through the activities organized by the two main institutions—the SCO Business Council and SCO Forum—non-governmental actors who “accompany” the work of the official bodies. The SCO Energy Club, whose registration is being completed at the moment, will become a new institution for the organisation of informal contacts between SCO member countries in the energy sector.

It should be noted that the above mentioned formal and informal levels of cooperation between the SCO countries are difficult to distinguish. This is because, firstly, the

¹ See: *Shanghai Cooperation Organisation (SCO): General information*, www.economy.gov.ru/wps/wcm/connect/f686618040a07cd3ace4eeb1e9ba48ef/shos_spravka.doc?MOD=AJPERES&CACHEID=f686618040a07cd3ace4eeb1e9ba48ef (30 Nov. 2011).

area of cooperation—the energy sector—is seen by each member of the SCO as a component of national security and, therefore, controlled by the state; and secondly, the energy sector is owned by the state or has a high share of state participation. In this regard, any initiative in the field of energy within the framework of informal cooperation usually comes from officials or international bodies and they make key decisions regarding the implementation of transnational projects in the field, while in the activities of the main non-governmental institutions of the SCO operating in economy, the so-called “administrative resource” is widely involved. In addition, the statutes of the Business Council and SCO Forum clearly call for the “interaction” between these non-state actors and the governing bodies of the SCO; and one of the main tasks indicated is to promote the advancement of multilateral projects, defined in the Programme for multilateral trade and economic cooperation of the SCO member states. Thus, even being labelled as a typical second track, the informal level of cooperation between the SCO countries in the energy sector is subjected to the formal level and develops under its coordination, complementing and accompanying the formal part.

Taking into account the above-mentioned features, it is useful to trace the development of cooperation in the energy sector among the SCO member states (at formal and informal level), how the idea to create the Energy Club—a specialized SCO body to deal with multilateral energy cooperation—was envisioned and implemented.

Cooperation between SCO member states in the energy sector, despite its importance and relevance, went through a long period of formation – from 2003 to 2009. It was then that the regulations and the formation of major intergovernmental and non-governmental SCO institutions in the field of economics took place. In the same period, the reform of the national legislations of SCO member countries in the energy sector was completed and the tasks of energy policy were identified. In 2008, cooperation became more intensive and initiatives were launched to implement multilateral energy projects within the SCO. In 2009, as a consequence of the global financial crisis, SCO member states faced some problems in the implementation of bilateral and multilateral economic projects. In addition, in 2009 the relations between the Central Asian states concerning energy supplies exacerbated, which led to the actual collapse of the United Energy System of Central Asia. Furthermore, in 2009-2010, in the most troubled period, the informal relations between SCO states became more active, the idea of the establishment of an Energy Club was renewed, and different events were held in the field of energy under the auspices of the Organisation.

In the early 2000s, when SCO had just become an organisation, cooperation in the energy sector among its members was not a priority. The situation in the energy sector in the SCO member states was different; their economic potential and resources were different as well. The relationships between the SCO members in the field of energy were built on the foundations laid in the 1990s; therefore, they developed mainly at bilateral level. Initially, the SCO member states did not formulate a common approach on how to engage in multilateral cooperation and what mechanisms to use. One can only note that energy was directly related to cooperation in the field of economics, and not to security (although this area was always distinguished as part of cooperation in regional

security.) To formulate the common approaches and objectives of energy cooperation in the early 2000s was quite difficult because for two members of the organisation—Russia and China—the actual problem was and still is the diversification of supplies (exports and imports) and transit of energy resources. In the late 1990s and the beginning of the 2000s, the states in Central Asia were concerned about the status of the electric power industry: the problems of energy supply and distribution of electricity. The development of the energy sector and the solution of the problems in this area became part of the national programmes for economic development of Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan. This was reflected in the normative documents developed by the states in Central Asia in the late 1990s – early 2000s.

A major problem in the relations between the Central Asian members of the SCO became the functioning of the United Energy System of Central Asia. It should be pointed out that the issues of energy supplies and transmission of electricity, faced by the Central Asian republics, were addressed primarily at the national level or at the level of bilateral relations, but never through the mechanisms of the SCO.

The United Energy System of Central Asia was established back in the Soviet period. At that time it was called the United Energy System of Middle Asia, and included the energy systems of the south Kazakh SSR, the Uzbek SSR, Turkmen SSR, Tajik SSR and Kirghiz SSR. The regional management was in Tashkent. The United Energy System of Middle Asia worked in isolation from the Unified Energy System of the USSR, but was subordinated to the Central dispatch management of the USSR. The system combined 83 power plants; 30 % – water power plants, and 70 % – thermal power stations.² The presence of the United system ensured the balanced energy supply to Central Asian republics, and the water depots were used for irrigation (thus, power and irrigation were interrelated). After the collapse of the Soviet Union, the United Energy System of Middle Asia was the only energy system on post-Soviet territory, which continued to exist. In the 1990s – early 2000s the management system was reformed several times: in 1991 the participants—now independent states—established a “Joint management of the power systems in Central Asia,” which was transformed in 1994 into the Joint Management Centre “Energy,” and on September 29, 2006 – into the non-profit organisation Coordination dispatch centre “Energy,” located once again in Tashkent. The system itself was named United Energy System of Central Asia and it included, as before, the energy systems of the south – Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan. On June 17, 1999, the four members Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan signed an Agreement on the parallel operation of the power systems in Central Asia; the draft was worked out by the Council of the United Energy System of Central Asia. Under the provisions of the Treaty, “each party

² Here and further on UES CA see: Shamsiev H. A. Regional cooperation issues in the United Energy System of Central Asia, Report by the director of Coordination centre “Energy” at the meeting of the Coordination committee of the energy sector, 2–3 September 2009, Central Asia Regional Economic Cooperation. Almaty: CDC “Energy,” 2009, www.carecprogram.org/uploads/events/2009/8th-ESCC/Central-Asia-Integrated-Power-System-ru.pdf (2 Dec. 2011).

determines the scheme and the capacity of their networks for parallel operation with the United Energy System of Central Asia based on their national interests.”³ Articles 7 and 8 of the Agreement stated the most serious problems for the parties: participants were obliged to “prevent unsanctioned leaking of electricity by the consumers,” as well as “in case of emergency and disaster to provide mutual assistance to eliminate failures in power plants and to restore normal power supply to consumers.”⁴ Violations of these particular provisions of the Agreement were the main reason for criticism to the United Energy System of Central Asia in the early 2000s and a justification for the unilateral actions taken by Kazakhstan and Uzbekistan in 2009. In 1999, Turkmenistan refused to participate in the Agreement, and in June 2003 announced its withdrawal from the United Energy System of Central Asia. Thus, in their capacity of members in the United System, the four Central Asian states developed mechanisms of cooperation before the formation of the SCO, and until 2009 the multilateral cooperation in the Central Asian countries in the power sector was based on the 1999 Agreement.

In addition to their participation in the United Energy System of Central Asia and the Agreement of 1999, the Central Asian states almost simultaneously reformed their national legislations in the energy sector, the energy sector was transferred “to market economy,” each state identified the tasks and main directions for development of the fuel and energy complex (FEC), included in the relevant acts of national legislation.

Perhaps the most serious problems in the power sector reform happened to be in Kazakhstan. According to the “Programme for Energy Development until 2030,” which was adopted on April 9, 1999 and became part of the national programme for development of the Republic of Kazakhstan, “the formation of the Unified Energy System of Kazakhstan” and “restoration of parallel operation with the Unified Energy System of Russia and the energy systems of Central Asia” were identified as “strategic topics” for the development of the national energy sector.⁵ The main problem in the energy system of Kazakhstan was the lack of a unified state power system by virtue of regional division of the energy system of Kazakhstan, established back in the Soviet period. Thus, the Northern and Central regions of Kazakhstan were connected to the United Energy System of Russia since the electrical network of the Northern region of Kazakhstan used to be part of the United Energy System of the USSR. The Southern Region, as it was mentioned above, was part of the United Energy System of Middle Asia, therefore it remained connected with Kyrgyzstan and Uzbekistan. In 1998, the Southern Region of Kazakhstan started to operate in parallel with the Northern one. The Western region of

³ Agreement between the Governments of the Republic of Kazakhstan, the Republic of Kyrgyzstan, the Republic of Tajikistan and the Republic of Uzbekistan on the parallel operation of power systems in Central Asia (Bishkek, 17 June 1999), Legislation of the countries in Central Asia on conservation of biological diversity in transborder context, www.ca-econet.info/dogovory/98.htm (30 Nov. 2011).

⁴ *Ibid.*

⁵ *Programme for energy development until 2030*, Approved by Resolution of the Government of the Republic of Kazakhstan of 09 April 1999 # 384, Kazakhstan Electricity Grid Operating Company, www.kegoc.kz/up_files/prog_razvitia.doc (30 Nov. 2011).

Kazakhstan was connected with the collective network, while Aktobe region worked in isolation.⁶ Thus, as outlined in the Programme, “the energy system of Kazakhstan, which was formed by three quite disparate (isolated) zones integrated with the unified energy systems of the neighbouring republics of the former Soviet Union, is on the way to create a unified national power grid of the country,”⁷ which identified the priority areas for the development and reform of the industry in Kazakhstan in the late 1990s – early 2000s.

Along with the above mentioned problems, Kazakhstan was reconstructing and modernizing the energy industry, which was relevant to all the SCO members, including Russia. The production of electricity for domestic purposes, as well as the development of “export-oriented energy”⁸ was identified as a separate track for the development of the power system in Kazakhstan. All of these tasks were completed in the early 2000s without any resources from the SCO. Kazakhstan’s energy cooperation with China was included in the programme for 1999 and started in the early 2000’s and it developed purely bilaterally without the help of SCO mechanisms. Kazakhstan planned to export electricity to China through power lines; oil and gas pipelines were designed parallel to the main transport routes.

During this period, the other states – participants in the United Energy System of Central Asia—Tajikistan, Kyrgyzstan and Uzbekistan—were involved mainly in the modernization of the energy industry, defined the principles and methods of regulating the activities in the industry, and developed the legal norms governing the investment and operation of foreign companies on the territory of the country. The legal acts of Tajikistan, Kyrgyzstan and Uzbekistan in the energy sector, approved on the edge between the 1990s and the 2000s provide only the legal basis of their national policies and regulate the business of domestic actors.

Thus, the Tajikistan Law “On Energy” # 33 of 29 November 2000 gave energy industry “independence in its work,” but at the same time clearly defined mechanisms of state control. According to the Law, the Government could “give a concession” to power facilities (referring to the investigation, development and exploitation of resources by foreign investors).⁹

Kyrgyzstan Law “On Electric Power Industry,” adopted on January 28, 1997, apparently focused on the implementation of the Programme for denationalization and privatization of the energy sector, therefore it only governed the state energy policy (in the transition to a market economy), determined the methods of state regulation in this sector (state licensing system), and the authority of the State Agency for Energy of the

⁶ Data on the energy system in Kazakhstan see: *Programme for energy development until 2030*.

⁷ *Ibid.*

⁸ *Ibid.*

⁹ Law of the Republic of Tajikistan “On Energy” # 33 of 29 November 2000, *Knowledge portal for water and environment issues in Central Asia*, www.cawater-info.net/library/rus/taj_energy_1.pdf (30 Nov. 2011).

Kyrgyz Republic.¹⁰ The main objective of the state policy in the energy sector was “a safe and secure energy” in the industrial facilities in Kyrgyzstan.¹¹

Uzbekistan was the last of all participants in the United Energy System of Central Asia to approve the legislation of its state energy policy. The Law of the Republic of Uzbekistan “On Energy” of 24 June 2009 regulated the “introduction of market principles and mechanisms in the system of control and economic relations in the production, transmission and distribution of electrical energy.”¹² The goal of government policy was “to ensure safe and reliable operation of the power grid.”¹³ It should be noted that in 2009 Uzbekistan completed the so-called “Loop” of the national energy system to overcome the dependence on energy supplies from abroad,¹⁴ so the problem of setting up and securing the operation of the power system in the country was—and currently remains—the basis of the energy policy in Uzbekistan.

From the above brief review of the legislative acts in the energy sector of the Central Asian republics from the late 1990s and early 2000s, it becomes obvious that in this period the governments were accomplishing strictly national objectives. The Central Asian countries did not develop any basis for a foreign policy strategy in this area and, therefore, failed to present a concept for multilateral cooperation in the energy sector. Actually, at the time this was not a goal for the Central Asian SCO members.

Only one member of the SCO—the Russian Federation—specified and included in a public legal act some foreign policy components of the state energy policy. The “Energy Strategy of Russia until 2020,” adopted in 2003, formulated the tasks in the sector that were very similar to those of the Central Asian republics: reduce energy consumption by industry, modernize the energy industry, and reform the state’s internal energy market.¹⁵ The main objectives in the “External Energy Policy” include “strengthening of Russia’s position in the global energy markets,” achieving “the most effective export opportunities for the energy industry,” and “increasing the competitiveness of Russian fuel and energy sector,” as well as “establishing non-discriminatory treatment in foreign trade” and “promoting the interests of Russian energy companies in foreign markets.”¹⁶ A priority task

¹⁰ Law of the Republic of Kyrgyzstan “On Energy” # 8 of 28 January 1997 (as amended by the Law of the RK of 26 February 2003 # 43, 6 December 2004, # 187, 28 December 2006, # 207), Ministry of Energy of the Republic of Kyrgyzstan, <http://energo.gov.kg/ru/?d=legislation/laws/electro> (30 Nov. 2011).

¹¹ *Ibid.*

¹² Law of the Republic of Uzbekistan “On Energy” # ZRU-225 (Adopted by the Legislative Chamber on 24 June 2009), Uzgosenergonadzor, www.energonazorat.uz/showimage.php?t=docs&id=122 (30 Nov. 2011).

¹³ *Ibid.*

¹⁴ See: Uzbekistan quit the United Energy System of Central Asia, <http://bc-sco.org/?level=10&id=966&lng=ru> (30 Nov. 2011).

¹⁵ Energy development strategy of Russia until 2020 (Approved by decision of the Government of the Russian Federation of 28 August 2003 # 1234-p), *GasForum*, www.gasforum.ru/concept/strat_2020.shtml (30 Nov. 2011).

¹⁶ *Ibid.*

was the “diversification of the commodity structure of exports and the markets for sale of energy resources.” Apparently, some Russian problems in the external and internal energy policies are quite typical for the state, which is a global manufacturer and exporter of resources: they are directed to support the export (in the case of Russia, the state is mainly limited to this).

The Russian Energy Strategy identified promising regional partners and international organisations, with which to develop cooperation in the energy field in 2003; the paper envisaged an “active dialogue” with the countries from CIS, the Eurasian Economic Community and North-East Asia. Interestingly, the SCO was not mentioned among the regional organisations, which probably indicates that from the very beginning Russia did not consider the SCO as an opportunity for a dialogue on cooperation in the energy sector.

China, being the largest regional importer of energy resources and a prospective investor in this area, formulated two main objectives in the “external energy strategy”: “diversification of import sources, types of imported raw materials and forms of its transportation” and “participation in the development of fields in other countries.”¹⁷ It was not planned to use the tools and capabilities of the SCO, nor of any other above mentioned partners in the organisation, to achieve these objectives in China.

Thus, in the initial phase of the SCO existence the member states did not develop common mechanisms and principles of multilateral cooperation in the energy sector. Governments worked out mainly domestic issues and worked in the established and familiar format. SCO, on the other hand, was not able to offer any of its own resources or institutions that would be able to organize multilateral cooperation in the energy sector.

Official contacts between the SCO member states in the field of energy began to develop in 2003 as part of the working bodies of the SCO, which coordinated economic cooperation. SCO institutions working in the energy sector were formed later – in 2006-2007. It should be mentioned that the normative framework of the SCO—both in the field of economic cooperation in general, and in the energy sector in particular—is small. There are no special documents regulating the relations between SCO states in the energy field; the conceptual framework for multilateral cooperation has not been formally established to date, either.

The first document that regulated cooperation between the SCO nations in the economic sphere was the Programme for multilateral trade and economic cooperation of SCO member states, adopted on September 23, 2003. This document hardly mentions any cooperation in the energy sector. Since, as noted above, in this period the SCO member states dealt with the modernization and development of the fuel and energy complex and reformed the internal energy market, the Programme states: “We will ex-

¹⁷ It is possible that China lacks a concept or a legal act to define the state energy policy. Here and further the source is the *Asia Energy Strategy Draft*, proposed by Kazakhstan in 2007. See: *Asian Energy Strategy* (draft), International institute for modern politics, www.iimp.kz/default.aspx?article_id=984 (2 Dec. 2011).

plore the potential for expanding mutually beneficial cooperation in the development of new deposits of hydrocarbons and their processing.”¹⁸ This Programme, in fact, remains the main and the only normative document in SCO, regulating the foreign economic activities of the Organisation. The Programme was adjusted several times, but did not change significantly.

On October 30, 2008, the Action Plan for the implementation of the Programme for multilateral trade and economic cooperation in SCO was approved. All the practical work of the participants in the Organisation in the field of economy is still conducted in accordance with this Plan. As far as cooperation in the energy sector is concerned, the work plan included only “joint seminars, research projects, conferences on topical issues of cooperation in the energy sector, exchange of information on the progress of market reforms in the energy sector and the prospects for development of the industry and the regulatory and legislative issues of the SCO Member States in the energy industry, cooperation and exchange of information on the implementation and use of renewable energy sources, as well as the development and implementation of innovative technologies in this field.”¹⁹ States also planned to create in 2009-2010 a unified “data base for international tenders for energy projects.”²⁰ As seen from the quoted papers, the problems of cooperation in the energy sector were formulated quite generally: probably, for the SCO countries still remained the issues of modernizing the energy industry, attracting investments in the energy sector and harmonizing legislation, but not the organisation of multilateral cooperation in this area.

Thus, in 2003 an “official channel” began functioning in the SCO where the issues of multilateral cooperation in the economic field were discussed at the intergovernmental level. However, the development of the energy sector was just one of the topics, not a priority. The countries held regular meetings of the ministers responsible for the foreign economic and trade relations. The first meeting of the SCO ad hoc working group on the fuel and energy complex took place on June 29, 2007 in Moscow. The two above-mentioned mechanisms became the main formation bodies of the SCO, working at “official level.”

Along with the official dialogue, an informal channel started work in 2006 – the so-called “second track.” The unofficial channel includes several specialized non-governmental structures, bringing together representatives of business, financial and academic circles that may be involved in the discussion and formulation of conceptual documents, proposals and implementation of specific business projects, presentation of expert as-

¹⁸ Programme for multilateral trade and economic cooperation of the SCO Member States, Approved by Decision of the Council of Heads of Government of SCO Member States # 1 of 23 Sep. 2003, *Russian-Chinese Trade and Economic Cooperation*, www.crc.mofcom.gov.cn/crweb/scor/info/Article.jsp?col_no=67&a_no=721 (2 Dec. 2011).

¹⁹ Plan for the implementation of the Programme for multilateral trade and economic cooperation between SCO Member States, Approved by Decision of the Council of Heads of Government of SCO Member States # 35 of 30 October 2008. *SCO Business Council*, <http://bc-sco.org/media/plan.doc> (2 Dec. 2011).

²⁰ *Ibid.*

assessments on the work of a particular organisation or any specific directions of its activity. In 2006, two such non-governmental structures were formed in the framework of the SCO – the SCO Business Council and SCO Forum.

The SCO Business Council established on June 14, 2006 in Shanghai is a non-governmental structure with national representatives – “the most influential members of the business communities” of the six states.²¹ According to the statutory documents, the Business Council is “a non-governmental organisation that brings together business and financial circles from the member states of the Shanghai Cooperation Organisation.”²² The purpose of the Business Council was defined as “expansion of economic cooperation within the Organisation, direct communication and dialogue between the business and financial communities of the SCO member states, promoting the practical advancement of multilateral projects defined by Heads of Government in the Programme for trade and economic cooperation in 2003.”²³

The Business Council could be called a “semi-official” organ of the SCO, because it “operates in conjunction with the Meeting of Ministers of the SCO member states responsible for foreign economy and trade, the SCO Secretariat, and other SCO structures.”²⁴ The expedience of this institution, operating in parallel and in coordination with the official intergovernmental bodies of the SCO can be explained as follows. First, a semi-official structure like this is able to attract the business community to participate in major projects sponsored by the Governments of the SCO member states. Second, as stated in the objectives of the Business Council, this authority may contribute to “the development of direct contacts and communication between the business circles in the SCO,”²⁵ as well as between representatives of the business and financial structures. Such contacts are likely to help find funding for public and private projects and the development of investments in the SCO member states. Third, the unification of business people and their participation in the implementation of international projects, as a rule, tends to promote the state support to business circles, working abroad, or, if necessary, to promote specific projects and lobby for the interests of “their” companies. Thus, the objectives of the SCO Business Council include “interaction and consolidation of relations with economic, financial institutions, chambers of commerce and businesses from the SCO member states and other countries, exchange of information and assistance to the SCO business communities in promoting their economic activities abroad.”²⁶

²¹ *SCO Business Council*, www.sectSCO.org/RU/show.asp?id=26 (28 Nov. 2011)

²² Statement on the Business Council of SCO Member States, Approved by Decision of the Session of SCO Business Council (Shanghai, 14 June 2006), *SCO Business Council*, <http://bc-sco.org/?level=28&lng=ru> (10 Oct. 2011).

²³ SCO Business Council, www.sectSCO.org/RU/show.asp?id=26 (28 Nov. 2011).

²⁴ Statement on the Business Council of SCO Member States, Approved by Decision of the Session of SCO Business Council (Shanghai, 14 June 2006), *SCO Business Council*, <http://bc-sco.org/?level=28&lng=ru> (10 Oct. 2011).

²⁵ *Ibid.*

²⁶ *Ibid.*

The decision on the establishment of the SCO Business Council was adopted and implemented quickly enough: the national components were formed in 2005, the first meeting of the Board was held on October 25, 2005 in Moscow, and the constituent assembly – on June 14, 2006 in Shanghai. The first working meetings of the chairmen of national components of the Business Council were held on September 22, 2006 in Irkutsk and on December 6, 2006 in Moscow. Apparently, this shows that the project was well received both at the international level and in the business circles in the SCO member states.

It is remarkable that energy was immediately identified as one of the areas of interest for the SCO Business Council, although cooperation in this area did not become a priority: the parties merely noted the importance of the “interaction of various government and business entities in the energy and transport sectors.”²⁷ The specific goals of the Business Council in the field of energy were very similar to those identified in the Programme for Multilateral Trade and Economic Cooperation of the SCO member states in 2003: “the joint organisation of geological and research activities,” “cooperative efforts in the development of natural resources in Central Asia,” “the implementation of the economic and energy interests” of Russia, China and the Central Asian countries of the SCO.²⁸ It is interesting to point out that the parties immediately identified the need to “work out the rules of ‘fair competition’ between energy corporations in the struggle for access to oil and gas resources in the region with the perspective to form the Central Asian market for hydrocarbons.”²⁹ It is likely that business and energy companies were more interested in the development of the rules of “fair competition.” The idea of creating a “Central Asian market for hydrocarbons,” later transformed into the concept of an “Asian energy market,” was apparently a “creature” of SCO official circles who were interested in developing a unified energy policy in order to, as stated in the official publications of the SCO, “provide in the broad sense of the word a total energy security and to avoid losses from the competitors for resources in the region.”³⁰ For government circles, as well as for the industry representatives, it was important to ensure relative stability in the energy market. Working in cooperation with institutions, such as the SCO Business Council, probably makes the activities of non-state actors more “transparent” and under the control of the intergovernmental structures.

The second non-governmental body of the SCO operating in this sphere was the SCO Forum, created in May 2006. This structure, in contrast to the above mentioned Business Council, was a typical example of an institute, working at an informal level (second track). Thus, according to the statutory document—the Regulation of the Forum—this was a “multilateral group for public consultations and expertise and a mechanism for promotion and support to research in the SCO, for interaction between scientific

²⁷ SCO Business Council: A new informal level of cooperation, <http://www.sectSCO.org/RU/show.asp?id=43> (28 Nov. 2011).

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ *Ibid.*

research and political science centres in SCO member states, for joint research on topical issues, for explanation of the SCO objectives and principles, for expansion of collaboration with scientific and public circles, and for exchange of ideas between scientists and experts in the fields of politics, security, economy, environment, new technologies, in humanitarian and other areas.”³¹ The Forum includes one scientific institution from each state with the status of a National Research Centre of the SCO. The first (constituent) meeting of the SCO Forum was held in Moscow on May 22-23, 2006.

Both non-governmental institutions of the SCO—the Business Council and the Forum—were established almost simultaneously. These institutions have different specializations, but the energy sector is not specific for either organisation. In addition, it was the Business Council and SCO Forum that became the main “platform” for discussing the concept of creating a specialized body – the SCO Energy Club. In 2006, the idea of establishing an Energy club was discussed at the meeting of the Business Council: this structure was most interested in the implementation of this project because, as it was emphasized, “many executives from the Russian fuel and energy complex were members of the Business Council.”³² The draft Regulations of the Energy club of the Shanghai Cooperation Organisation were discussed at the second meeting of the SCO Forum in Almaty on June 15, 2007.³³

The idea of creating an Energy club within the SCO came shortly before the two non-governmental agencies were formed. There is little information on how the idea evolved, and reports on the creation of the SCO Energy Club are somewhat contradictory. To date, it is not clear whether the Energy Club has been officially established and if it is an official functioning body.

According to information provided by the SCO Business Council and, subsequently, repeatedly stated by experts, the concept of the Energy Club was first proposed in 2004.³⁴ In December 2005, the international conference “Energy markets in Central Asia: Trends and Prospects”³⁵ took place in Tashkent. Presumably, the concept of the Energy Club was formulated at this conference (roundtable).³⁶ The formal proposal to create an Energy club was brought by Vladimir Putin in June 2006 in his speech at the

³¹ Rules of the Forum of the Shanghai Cooperation Organisation, Approved at the Constituent Assembly of the SCO Forum, 22 May 2006, www.iimp.kz/bullets/shos/news2.html (12 Dec. 2011).

³² *SCO Business Council*, www.sectesco.org/RU/show.asp?id=26 (28 Nov. 2011).

³³ See: SCO Forum: An institute for multilateral cooperation, www.iimp.kz/bullets/shos/news1.html (13 Nov. 2011).

³⁴ See: “Xi’an initiative”: The beginning of the SCO Energy Club, <http://russian.dbw.cn/system/2011/09/28/000406494.shtml> (30 Nov. 2011); Luzyanin, S.G. Eurasian security: cooperation or conflict of interests? *New Eastern Review* (27 June 2011), <http://journal-neo.com/?q=ru/node/7271> (20 Oct. 2011).

³⁵ SCO Business Council opened the doors of the Energy Club, <http://bc-sco.org/?level=10&id=979&lng=ru> (29 Nov. 2011).

³⁶ Moscow discussed the prospect of creating SCO Energy Club, <http://bc-sco.org/?level=10&id=940&lng=ru> (29 Nov. 2011).

SCO summit in Shanghai. According to information in the regional media, the Energy Club was formed then, but no official announcement regarding its creation followed. It was reported that the idea of the Russian President was supported by all members of the SCO, and he is often credited as being the auth of the concept. In 2006, as noted above, the concept of the Energy Club was discussed in the working sessions of the Business Council. The overall goal of this new SCO structure, then, was as follows: "To provide within the SCO Energy Club a discussion platform for regular debates on the energy strategy, opportunities for joint projects focused on the research, production, processing, transportation and transit of energy resources."³⁷

The draft of the charter document—Regulations of the Energy club of the Shanghai Cooperation Organisation—was reviewed and approved, as already stated, on June 15, 2007 at a meeting of the SCO Forum. Taking into account that the institution is a non-governmental body, uniting only the expert circles of SCO, this event is unlikely to consider the adoption of a formal agreement. Moreover, the "competing" project—Asia Energy Strategy—developed by the Kazakh International Institute for Modern Politics was discussed at the same meeting of the Forum.³⁸

In 2007, those two projects—the SCO Energy Club and the Asia Energy Strategy—were regarded as competitive and even contradictory. It should be noted that the discussions on the contents of the two documents criticized the Russian project (Energy Club), rather than discussed the Kazakh one. Criticism to the Energy Club came mostly from Chinese experts. In this regard, the Russian and Kazakh projects, proposed in 2007, and the resulting discussions were considered as a competition or rivalry between Russia, Kazakhstan and China for leadership in the Asian energy market or for leadership in the SCO, as well as an attempt to undermine the leading position of Russia in the SCO energy sector. Of course, these interpretations are very interesting and to some extent they were justified. Furthermore, we would like to mention the following. First, the criticism to the concept of the Energy Club, which was the basis of this discussion, is logical and does not need to be perceived as undermining the position of Russia in the SCO. The 2007 project for the formation of SCO Energy Club remained the only document submitted for discussion in the framework of inter-governmental and non-governmental bodies of the SCO and, accordingly, caused a major wave of criticism. Second, SCO officials—representatives of Russia and Kazakhstan—claimed repeatedly that there was no competition and no contradictions between the two proposed initiatives, as they were inherently different. The statement of the Deputy Minister of Industry and Energy of Russia, Igor Materov, is an example: "Now, the organisation is considering the establishment of an Energy Club. As I understand, the Kazakhs view the Asia Energy Strategy as something broader, with the Energy club being one of its compo-

³⁷ *SCO Business Council*, www.sectesco.org/RU/show.asp?id=26 (28 Nov. 2011).

³⁸ International Institute for Modern Politics, www.iimp.kz/default.aspx?article_id=984 (2 Dec. 2011).

nents. But we would first like to see the accomplishment of the Energy Club project. Only after that we could deal with more extensive projects.”³⁹

If we compare the two proposed initiatives, the basic idea of the Kazakhstan project that could compete with the Russian Energy Club project could only be the proposal to establish a SCO Energy Agency. According to Nazarbayev’s statement, it “could become a kind of ‘intellectual centre’ and a database”⁴⁰ of the organisation, which coincides with the key idea of the Russian project for an Energy Club. In general, the Kazakhstan concept was aimed at creating a future Asian energy market (in the framework of SCO), while for the implementation of this project it was planned to use specially created SCO institutions – oil and gas agencies and a SCO exchange. However, this project does not exclude, but supports the creation of the SCO Energy Club “as the basis for further development of the energy market in the Asian region.”⁴¹

Russian experts and SCO officials provided the Energy Club project with quite good information support.⁴² In their speeches, SCO officials repeatedly emphasized that the Energy Club would never become a “cartel like OPEC.” SCO Secretary General Bolat Nurgaliev stated in an interview: “Given the important role of the SCO member states in the global energy mix, the potential role in energy security, and reserves in the SCO countries (in terms of oil, gas, uranium and hydropower), as well as the needs for economic development of the six states, the initiative is quite reasonable.”⁴³ In 2007, all SCO members declaratively supported the initiative to establish an Energy Club. Kazakhstan and China did not object to the approval of the Russian project as the foundation for multilateral cooperation in the energy sphere. For example, in a speech at the press conference following the meeting of Heads of SCO member states in Bishkek on August 16, 2007, N. Nazarbayev said: “Kazakhstan, along with Russia and China, being the largest producer and exporter of energy, is interested in creating a coherent energy infrastructure within the SCO. The solution to this problem will facilitate the creation of the SCO Energy Club, which will be a milestone on the way to the approval of the Asia

³⁹ The idea of developing Asia Energy Strategy does not contradict the SCO Energy Club project, *Information system “Paragraph,”* 9 November 2007 www.zakon.kz/97243-ideja-razrabotki-aziatskoj.html (3 Dec. 2011).

⁴⁰ Kabanova, T. The future of SCO and integration problems in the energy sector, *Information-analytical portal “Space for free thought,”* 25 May 2011, www.sv-misl.ru/main/politics/1395.htm (22 Dec. 2011).

⁴¹ Asian Energy Strategy (draft), International Institute for Modern Politics, www.iimp.kz/default.aspx?article_id=984 (2 Dec. 2011).

⁴² See: Saharov, E.V. SCO Energy Club: the Asian strategy of the winners, *Eastern Time*, www.easttime.ru/analitic/1/3/239.html (2 Dec. 2011).

⁴³ Kazakh initiative for Asia Energy Strategy does not contradict the idea of SCO Energy Club – Secretary General of “Shanghai Six,” *Information system “Paragraph,”* 4 December 2007, www.zakon.kz/99147-kazakhstanskaja-iniciativa-aziatskoj.html (3 Dec. 2011).

energy strategy, whose draft was recently presented by the Kazakh side to all Member States of the Organisation for familiarization.”⁴⁴

It seems that the concept of the SCO Energy Club has been accepted by all participants due to the fact that it is more liberal and is not binding. According to the draft, the SCO Energy Club is a “non-governmental advisory body uniting representatives of government and business circles, as well as information, analysis and research centres operating in the energy industry.”⁴⁵

Along with the approval of the project to create the SCO Energy Club, in 2007, the energy aspect was for the first time included in the problematics of regional and international security, as reflected in the Bishkek SCO declaration: “A secure and mutually beneficial cooperation in various energy sectors will contribute to the security and stability both on the territory of SCO countries and on a global scale. A current issue is the comparison of energy strategies within the SCO. Given the available resources, needs, capabilities and potential, SCO member states will continue to promote dialogue on energy issues and practical cooperation between states – producers, transit countries and consumers of energy.”⁴⁶

Enhanced energy cooperation within the SCO started in 2008: at the declarative level and in the speeches of top government officials and SCO administrative employees one could constantly hear the idea of the “start” of multilateral cooperation between SCO countries in the energy sector, creating “energy community,” or the formation of a “common energy space.”

The idea of developing energy projects in the SCO was proposed by the President of the Russian Federation during his visit to China in his speech at Beijing University in May 2008. At that time, energy cooperation among the SCO member states was considered as “new.”⁴⁷ In May 2008, SCO Secretary General, Bolat Nurgaliev, made a similar statement at the opening of the International Forum of advanced technologies and financial innovations at the 11th Beijing Science and Technology Fair. Energy was simply listed among the priority areas of economic cooperation within the SCO.⁴⁸ The vice-spokesman of the State Duma of the Russian Federation and President of the Russian Gas Society, V. Yazev, spoke on July 3, 2008 at the video press conference Moscow–

⁴⁴ Speech by President N.A. Nazarbaev at the press conference on results from SCO Heads of State meeting (Bishkek, 16 August 2007), www.akorda.kz/ru/speeches/press_conferences/speech_by_president_of_the_republic_of_kazakhstan_nursultan (21 Dec. 2011).

⁴⁵ Statement on the Energy Club in the Shanghai Cooperation Organisation (draft), Ministry of industry and trade of the Russian Federation, www.minprom.gov.ru/activity/inter/news/168/Polozhenie_Energ_kluba_s_pravkami.doc (21 Dec. 2011).

⁴⁶ *Bishkek Declaration*. Bishkek, 16 August 2007, www.sectsc.org/RU/show.asp?id=111 (28 Nov. 2011).

⁴⁷ Dmitry Medvedev: It is necessary to develop energy projects in SCO, <http://bc-sco.org/?level=10&id=419&lng=ru> (14 Nov. 2011).

⁴⁸ B. Nurgaliev: “SCO member states have a colossal common market, huge deposits of mineral resources, powerful production base and research potential,” <http://bc-sco.org/?level=10&id=411&lng=ru> (14 Nov. 2011).

Beijing. With regard to the Energy Club, he pointed out that “the issues connected to its creation are under discussion.” Energy, he said, will be one of the main areas of cooperation in the framework of the SCO; however, when covering specific initiatives he spoke only of bilateral Russian-Chinese projects.⁴⁹ A meeting of the SCO Heads of Government took place on October 30, 2008 in Astana, where the Prime Minister of Kazakhstan, Karim Massimov, delivered a speech. He reiterated the idea of organizing a “unified SCO energy space” with the help of which it would be possible to “harmonize the interests of producers, transporters and consumers of energy resources.”⁵⁰

The intensification of the official dialogue concerning the development of the SCO cooperation in the energy sector, noted in 2008, can be explained with the following factors. First, according to the statements of SCO officials, the Treaty on Long-Term Good Relations, Friendship and Cooperation, signed by the Heads of State in Bishkek in 2007, came into force in 2008, therefore the “public and private companies in SCO member states” can now “get legal guarantees for the successful implementation of economic projects on the territory of other SCO countries.”⁵¹ Second, as noted by many experts, due to the fact that in 2008 the price of energy was volatile, “energy-supplying countries in Central Asia noticed that the price in long-term agreements was more reliable,”⁵² which greatly intensified the work in these oil and gas companies and initiated the development of long-term projects, including multilateral ones. Third, in 2008 Russia strongly advocated for the formation of the SCO Energy Club, which had the support of SCO partners. This, perhaps, provoked the numerous statements and speeches of officials from Russia and SCO regarding cooperation in the energy sector within the Organisation. Fourth, in 2008 it was noted that there was potential for cooperation in this area and it was possible to use it, since the participants were able to overcome the earlier negative impact of two factors: “the sensitive political positions of world powers in the region” and “obsolete infrastructure.”⁵³

In 2009, relations in the energy sector between the SCO member states suffered a crisis. This happened in the first place due to the global financial crisis and, respectively, as a result of the exacerbating problem with pricing of energy resources. Second, the issue of energy supplies worsened the relations between the Central Asian states, leading, as it was mentioned above, to the actual disintegration of the United Energy System of CA. Kazakhstan and Uzbekistan made claims to Tajikistan regarding its ongoing unauthorized use of power. On February 29, 2009 the energy system of Kazakh-

⁴⁹ See: Vice-spokesman of State Duma of the Russian Federation: In SCO there are good opportunities for energy cooperation, <http://bc-sco.org/?level=10&id=487&lng=ru> (14 Nov. 2011).

⁵⁰ Kazakhstan supports the creation of a unified energy community in SCO, <http://bc-sco.org/?level=10&id=586&lng=ru> (28 Nov. 2011).

⁵¹ Vice-spokesman of the Russian State Duma: In SCO there are good opportunities for energy cooperation, <http://bc-sco.org/?level=10&id=487&lng=ru> (14 Nov. 2011).

⁵² “Xi’an initiative”: The beginning of the SCO Energy Club, <http://russian.dbw.cn/system/2011/09/28/000406494.shtml> (30 Nov. 2011).

⁵³ *Ibid.*

stan was transferred to a different regime of operation from the United Energy System of CA.⁵⁴ On December 1, 2009 Uzbekistan quit the United Energy System of Central Asia.⁵⁵ The first signs of the Uzbek leadership regarding the planned withdrawal were made in November 2009. According to their statement, “individual countries only satisfy their own selfish interests, without taking into account the negative effect of their actions on other states.”⁵⁶ The official request for withdrawal was made on November 23, 2009. It should be mentioned that, in addition to the charges against Tajikistan, the Uzbek authorities gave another explanation for their actions: the unified system worked ineffectively, “the indications from the combined dispatch service, having no binding character, were taken mainly as information, some countries constantly violated the established norms of energy supply and consumption from the public network, which in turn had disastrous consequences.”⁵⁷ It should be noted that these actions on behalf of Uzbekistan were not spontaneous; this move was planned and it is unlikely that it was a response to the specific actions taken by Tajikistan. In early December, Uzbekistan started the exploitation of power line “Guzar-Surhan” that allowed them to refuse transit of electricity from Tajikistan, which was to supply the region of Surkhandarya.⁵⁸ The actions of Kazakhstan and Uzbekistan caused a debate on the appropriateness of retaining the United Energy System of CA: there were opinions that the system was “a relic of the past which needed radical transformation or complete elimination.”⁵⁹

Two key issues in 2009—the overcoming of the consequences of the global financial crisis and the use of water and energy—were topics of discussion concerning the activities undertaken by the SCO. On May 18-19, 2009, during the preparation for the summit of the Organisation in Cholpon-Ata (Kyrgyzstan), the fourth meeting of the SCO Forum was held; it was dedicated to finding a way out of the global financial crisis. Among other topics, the Forum discussed the “role of the SCO in finding solutions to problems related to the efficient use of water and energy resources.”⁶⁰ On 15-16 June 2009, Yekaterinburg hosted the SCO summit. The Declaration of Heads of SCO Member

⁵⁴ Kazakhstan declared it is possible to return to the United Energy System of CA no later than April 2009 if Tajikistan reimbursed the used energy. See: Kazakhstan energy system will resume its regime of parallel work with Central Asian countries in mid-April 2009, <http://bc-sco.org/?level=10&id=714&lng=ru> (12 Nov. 2011).

⁵⁵ Uzbekistan quit the United Energy System of CA, <http://bc-sco.org/?level=10&id=966&lng=ru> (30 Nov. 2011).

⁵⁶ The United Energy System of CA did not live long, <http://89.108.120.121/bigtiraj/66125-obedinennaya-yenergeticheskaya-sistema-centralnoj.html> (30 Nov. 2011).

⁵⁷ Uzbekistan quit the United Energy System of CA, <http://bc-sco.org/?level=10&id=966&lng=ru> (30 Nov. 2011).

⁵⁸ Ibid.

⁵⁹ Balayan, A. *The crisis of the United Energy System of Central Asia*. Research and education centre for cooperation with the CIS and Baltic countries in Saratov State University “N.G. Chernyshevsky,” www.cis-center.ru/index.php?option=com_content&view=article&id=534:2010-02-02-09-09-53&catid=20&Itemid=86 (13 Nov. 2011).

⁶⁰ Main events in the SCO in 2009, www.sectscsco.org/RU/show.asp?id=346 (28 Nov. 2011).

States reflected only the general provisions regarding the need to continue cooperation in the energy sector. In particular, the Declaration stated: "Pointing out the crucial importance of the energy sector for the successful economic development and creation of favourable conditions for improving the quality of life of their citizens, [the parties] declare their determination to further advance mutually beneficial cooperation in this field on the basis of equality in order to provide efficient, reliable and environmentally responsible supplies of energy."⁶¹

The third Eurasian Economic Forum was dedicated to the problems of the crisis. It took place on November 16-17, 2009 in Xi'an, where the meetings were focused on economic cooperation in SCO, including in the energy sector.⁶²

On 23-24 April 2009, the international conference "Reliable and stable transit of energy and its role for the sustainable development and international cooperation" was held in Ashgabat (Turkmenistan). It was attended by representatives of international organisations, including the SCO. Since Turkmenistan is not a member of the SCO, the problems related to cooperation in the energy sector were not discussed. Only the "opportunities to promote energy partnership" in the Organisation were discussed at the meeting between the President of Turkmenistan and the Secretary General of the SCO.⁶³ Initiated by Turkmenistan, this international conference focused on the discussion and "development of a comprehensive document, which combined all the rights and obligations of energy producers and consumers on the basis of the contemporary international law."⁶⁴ The discussion was based on the UN General Assembly resolution on the role of safe transportation of energy to international markets, adopted in December 2008. The Turkmen Initiative is unlikely to be considered as an alternative or a rival to SCO projects. Perhaps the project proposed by Turkmenistan was an attempt to promote initiatives, previously discussed in the UN, as well as an opportunity for integration into the regional energy market, projected by SCO.

It is remarkable that throughout the crisis year 2009, a lot of events aimed at enhancing the cooperation in the energy sector were organized by non-governmental SCO institutions. The main generator of the events was the SCO Business Council, but typically, co-organizers came from the governmental institutions of the Russian Federation. These conferences justified once again the idea of the SCO Energy Club, which enjoyed now quite impressive government support. Thus, on June 5, 2009, during the 13th Economic Forum in St. Petersburg, the conference "SCO – space for economic cooperation and countering global crisis" took place, organized by the Business Council and the Interbank Consortium. The Chairman of the Business Council, D. Mezentsev, reiterated in his speech the basic function of the SCO Energy Club: "As part of the work of

⁶¹ Yekaterinburg Declaration of Heads of SCO member states. Yekaterinburg, 16 June 2009, www.sectSCO.org/RU/show.asp?id=230 (16 Nov. 2011).

⁶² Main events in SCO in 2009, www.sectSCO.org/RU/show.asp?id=346 (28 Nov. 2011).

⁶³ *Ibid.*

⁶⁴ Ashgabat hosted the conference "Reliable and stable transit of energy and its role for the sustainable development and international cooperation," <http://bc-sco.org/?level=10&id=764&lng=ru> (20 Dec. 2011).

the Energy Club ... we could provide a discussion forum for advice on the organisation of cooperation in the energy field.”⁶⁵

In September 2009, the Ministry of Economic Development of the Russian Federation expressed support to the idea of “establishing a special energy committee in the framework of the SCO.” The Head of the Department for Economic Cooperation with the CIS countries, S. Chernyshev, said in an interview: “No one is speaking about an analogue to OPEC, or some kind of a cartel ... The main function of such a committee should be the exchange of information among its members and the creation of conditions for the development and implementation of energy saving technologies.”⁶⁶

In October 2009, the SCO Business Council supported by the Ministry of Energy of the Russian Federation organized a round table in Moscow, which was attended by business representatives and experts. The main topic of discussion was “possibilities of developing a common strategic policy of the SCO in the energy sector.” It should be noted that this was the first discussion panel with experts and business circles from SCO member states, where the concept of the Energy Club was considered. In the course of discussions, different approaches to the formation and functions of this structure were considered and proposed. According to the opinion of the Special Representative of the Russian President for SCO and the National Coordinator of the Russian Federation for SCO, L. Moses, the Energy Club “can become the brain and the information centre to promote coordination of long-term programmes in the energy industry.”⁶⁷ The advisor to the Chairman of the Board of “Gazprom,” Alexander Mastepanov, said: “We support the idea to have a place where we could in an informal setting, in detail, at the level of experts discuss and carefully consider the various problems before they fall within the scope of official discussions.”⁶⁸ A similar idea was expressed by the Chairman of the Chinese Committee for International Trade to Russia, Van Chunzhun: he called the Energy club “a platform” for co-operation between companies and countries.⁶⁹ The problems of consolidation of the approaches to the formation of the SCO Energy Club were identified, mostly by experts and members of the organisation itself. They touched upon the main problem – the lack (or still weak organisation) of direct cooperation within the SCO, since economic and energy projects, though implemented in large numbers, did not have any relevance to the Organisation itself. A. Mochulski, associate at the SCO Research Centre and the Institute for East Asia said: “We are still operating following mainly the formulations of national interests and bilateral co-operation, rather than the interaction within the SCO ... Our approaches to the formation of the new SCO mechanism often differ – from a clear structured organisation to some sort of fuzzy

⁶⁵ Dmitry Mezentsev speaks at the SCO conference during the Economic forum in St. Petersburg, <http://bc-sco.org/?level=10&id=821&lng=ru> (21 Dec. 2011).

⁶⁶ The Russian Ministry of economics supports the idea of creating SCO Energy committee, <http://bc-sco.org/?level=10&id=915&lng=ru> (20 Dec. 2011).

⁶⁷ Moscow discussed the perspective of creating SCO Energy Club, <http://bc-sco.org/?level=10&id=940&lng=ru> (29 Dec. 2011).

⁶⁸ *Ibid.*

⁶⁹ *Ibid.*

structure with a configuration of a discussion club, and nothing more.”⁷⁰ The response of the Executive Secretary of the SCO Business Council, S. Kanavsky, was quite revealing: “It is always easier for two sides to agree, and when they are more there are often problems ... But recently we have seen an increase in cooperation both in bilateral and multilateral formats ... In any case, it is about the interaction within our organisation. A purely mathematical approach is not suitable here.”⁷¹ The above discussion, it seems, reflects the most common approaches and assessments of the work of the Organisation in the field of multilateral cooperation.

It is believed that the first event of the SCO Energy Club was the conference “Nuclear cooperation in the SCO,” held in Moscow in April 2010. It is interesting to note that no official announcement about the establishment of the Energy Club was made. The fact that this conference was an event of the SCO Energy Club was announced by the Business Council: “The conference made it clear that the mechanism of the energy dialogue in the SCO had been launched, and this was its first act.”⁷² Interestingly enough, people spoke about the Energy Club in the future tense: it was noted that it can “become a comfortable ‘platform’ for demonstrations and promotion of business projects, a place for interesting expert ideas, strengthening the legal framework, searching for all paradigms of optimal partnership in the energy sphere,” “this will be an open platform for discussions, promotions, analysis and validation of the ‘package’ of energy problems.”⁷³ The basic concept of the SCO Energy Club was declared by the Executive Secretary of the SCO Business Council, S. Kanavsky: “Here we can express different views and engage experts so that later the ideas of projects may be proposed to the heads of the SCO member states ... We invite for participation in this forum representatives of government structures, business, scientific and expert communities from the SCO, observer-countries and dialogue partners.”⁷⁴ According to the statement of the representative of the President of Russia in the SCO, L. Moses, the dialogue in the energy sector can be arranged “in parallel in two formats: official – in ad hoc working groups, senior official Commissions, at meetings of managers of energy agencies, and informal – within the Energy club or ‘round tables’ on energy issues.” In his view, “these two areas could complement each other.”⁷⁵ Thus, the Energy Club is seen by its creators as “the second track.”

It is noteworthy that the first event in the framework of the SCO Energy Club was devoted to cooperation in the field of nuclear energy, and the Kurchatov Institute was the conference co-organizer. The organizers explained their choice of theme with the need to develop this energy sector: “Today, nuclear energy has no alternative. Only nuclear power is able to satisfy the growing appetite for energy in this rapidly developing

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² SCO Business Council opened the doors of the Energy Club, <http://bc-sco.org/?level=10&id=979&lng=ru> (29 Dec. 2011).

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Ibid.

world." Apparently, right now it is not necessary to draw conclusions about the priority of energy cooperation between SCO member states, as the ongoing scientific and practical fora do not necessarily correspond exactly to the priorities of the organisation. Actually, neither the SCO, nor the Energy club have built a "hierarchy of priorities" to date. However, it can be assumed that this conference has set some prospective developments for cooperation in the energy sector: not only direct participants will be involved in the activities, but also representatives from the observer-nations and dialogue partners. The Conference on the development of nuclear energy gathered quite a large number of participants, with the involvement of SCO observers and dialogue partners.

The last event, aimed to finalize the formation of the SCO Energy Club, was held on September 23, 2011 in Xi'an (within the Eurasian Economic Forum) at a meeting of the heads of energy agencies of China, Russia, Tajikistan and Kyrgyzstan, the outcomes of which were the adoption of the programme "Xi'an Initiative."⁷⁶ The objectives of the Organisation, according to the document, are defined as follows: "to accelerate the start-up process of the Energy Club" and create a "special working group for the SCO Energy Club."⁷⁷ The concept for work of this institution has remained unchanged: the Energy Club "had to become an open and multilateral consultation platform; it will be open to representatives of government agencies, research institutions and commercial organisations."⁷⁸ The establishment of the SCO Energy Club was announced for the last time at the meeting of the SCO Heads of Government in St. Petersburg on November 7, 2011. The Prime Minister of the Russian Federation, V.V. Putin said that "in principle the decision for the establishment of the SCO Energy Club had already been made, and now we had to go through the organisational phase and coordinate a work plan."⁷⁹ Perhaps this can be considered the final stage of formation of a new non-governmental SCO structure, operating in the energy sector.

The energy sector is now seen by many experts as the most promising area of economic cooperation among SCO member countries. The questions in what format will collaboration take place and what will become the SCO Energy Club are still disputable: will it be a separate institution within the Business Council, as Kazakhstan insisted,⁸⁰ or, according to the vision of the Russian experts, political and business circles, it will be only "a discussion forum" to "create an atmosphere of openness, trust in the discussion on vital economic and legal issues, and a free exchange of views on how to address

⁷⁶ China, Kyrgyzstan, Russia and Tajikistan approved the "Xi'an initiative," <http://biz.infoshos.ru/ru/?newId=8837&domainId=sh> (30 Dec. 2011).

⁷⁷ "Xi'an initiative": the beginning of SCO Energy Club, <http://russian.dbw.cn/system/2011/09/28/000406494.shtml> (30 Dec. 2011).

⁷⁸ "Xi'an initiative" was approved, http://caspenery.com/index.shtml?id_node=2520&id_file=30168&lang=ru (30 Dec. 2011).

⁷⁹ Putin supported the creation of SCO Energy Club, www.vesti.ru/doc.html?id=623261 (23 Dec. 2011).

⁸⁰ See: Shimyrbaeva, G. Towards the summit: SCO states need constant analysis of the rapidly changing situation in the world, *Kazakhstan today* (5 June 2012), www.kazpravda.kz/print/1338844373 (30 Aug. 2012).

them, especially at the expert level, not limited by the rigid framework of established procedures.”⁸¹ At the official level, the energy sector is still declared only as a necessary component of regional cooperation in the security field. Thus, the Declaration of the Heads of States – members of the Shanghai Cooperation Organisation on building a region with long-lasting peace and common prosperity, adopted at the summit of the Organisation in Beijing on June 7, 2012, states: “Member States are making efforts to ensure energy security in the SCO.”⁸²

As a result, the analysis of work in the energy sector of SCO leads to the conclusion that this area of cooperation among SCO member states has not become a priority neither in the area of regional security, nor as part of economic cooperation among the member states. Being the largest producers and exporters of energy resources and active participants in the global energy market, the regional governments failed to form institutions or mechanisms in the SCO, defining and coordinating multilateral cooperation in this field. The countries have not yet worked out a normative and conceptual framework for the energy sector in SCO. Existing mechanisms for bilateral and multilateral energy cooperation should not be regarded as “products” of the SCO, since they were designed and implemented outside this organisation.

The development and institutional formation of the energy sector in the SCO took quite a long time and this process shall not be considered completed yet. Cooperation among SCO member states which takes place at two levels—formal and informal—has been the most effective at non-governmental level. This work resulted in the conceptual and structural design of the SCO Energy Club – “a discussion platform” which, presumably, can be a forum for discussion of the conceptual and regulatory basis of the SCO in the energy sector; however, it is doubtful that such a structure will facilitate the implementation of any specific energy projects. It can be assumed that the parties will continue their cooperation in the more familiar bilateral format. The institutions of the SCO—the Business Council, the Forum and the Energy Club—could be involved as advisory bodies or additional mechanisms of interaction within the SCO framework, attracting observer-countries and dialogue partners.

⁸¹ Bushuev, V., Pervuhin, V. SCO Energy Club: what will it be? *Information portal of the Shanghai Cooperation Organisation* (2012), <http://infoshos.ru/ru/?idn=9616> (30 Aug. 2012).

⁸² Declaration of SCO Member States on building a region of long-term peace and mutual benefit. Beijing, 7 June 2012, http://news.kremlin.ru/ref_notes/1232 (1 Sep. 2012).

Chapter 5

The Role of China in Central Asia: “Instrumentalization” of the SCO

Maryia V. Danilovich

The Shanghai Cooperation Organisation is an international organisation with some experience from its establishment and development, adapting to changes in the international situation. During the decade of its existence, SCO witnessed the gradual formation of new centres of power and the challenge of the crisis shock to the global financial and economic system. Originally, SCO was in fact the result of a consensus between China and the Russian Federation on the Central Asian question (see Chapter 2). Therefore, the period 2001-2011, under the conditions of immediate appearance in Central Asia of “external” interested parties and, above all, the United States, has become a test of the viability of the organisation.

In 2002, China officially announced its intention to restore its status of “a great power” and has gradually strengthened its position in the global arena. The concept of “China’s rise” is more and more often found in expert judgments and on the pages of the world media. We should not forget that China was originally the inspirator of the “Shanghai process,” offering its conceptual, theoretical and ideological shape, constructively participating in its development and in the formation of the SCO.

China’s active role in the initiation and formation of the new regional organisation cannot remain unnoticed. The official position of the Chinese government, announced in the speeches of Chinese leaders and reflected in the documents of the SCO, states that the SCO is based on the fundamental equality and mutual benefit of the Member States. However, given the context of the emergence and development of the organisation it seems logical enough to look at the SCO from a different angle and to consider it as a “tool” of accomplishing the interests and influence of China in Central Asia.

This chapter provides analysis of the interaction between China and the countries in Central Asia through the SCO. China’s moves to promote their initiatives in the region are considered in chronological order, from the general background and specific pre-conditions for the establishment of the SCO in the 1990s, the first two years of the existence of the organisation, until the phase of enhancing China’s participation in the energy sector along with the Central Asian States (2003-2005 and 2006-2008), and the development of relations during the global financial and economic crisis after 2008.

China in Central Asia: the 1990s

It is well known that the so-called “Shanghai process,” launched by China, Russia and China’s neighbours in Central Asia (Kazakhstan, Kyrgyzstan and Tajikistan) in 1996, was marked by agreements on confidence-building in the areas around the interstate borders, mutual reduction of armed forces on the borders, and demarcation of most disputable border areas. This regulation took place in the period of China’s gradual shift from a strategy of gathering strength and smaller steps as the basis of foreign policy in the first half of the 1990s¹—in the context of events in 1989 influencing the image of the country and changing the geopolitical balance of power to the end of the Cold War—to proclaiming the status of a “responsible power” and the export orientation of the Chinese economy at the XV Congress of the National People’s Congress in 1997.² This policy focused on the priorities to strengthen the country, restore the “one-China” (the return of Hong Kong and Macau, the settlement of the Taiwan issue) and the resolution of internal economic development issues. The latter suggested the urgent need to defuse tension in the Chinese north-west, which remained one of the most economically depressed and conflict areas of the country. Directly bordering Central Asia and associated with it historically, religiously and ethnically, Xinjiang could become the Achilles’ heel for the PRC in terms of national identity and nationalism in the new states of Central Asia, the presence of large Uighur communities,³ and potentially more rapid development of the Central Asian economies. As Chinese economist Zhao Changqing noted in 2001, in the second half of the 1990s the domestic economic situation in Central Asia started to improve somewhat compared with the decline in the first years of independence, and in terms of attracting foreign investments, this region significantly exceeded the numbers in Xinjiang. Foreign capital in Xinjiang for 1998-1999 was estimated at 266 million dollars, while in Kazakhstan it was 7.79 billion, Uzbekistan – 5.5 billion, Turkmenistan – 5.2 billion USD.⁴

¹ The strategy was defined by Deng Xiaoping and included an appeal for *cold-blooded surveillance; strengthening of positions; coping and overcoming of hardships; staying in the shadow; the ability to defend their own views, as well as avoid being at the front* (cit.: Syroezhkin, K.L. *China: Military Security*. Almaty: KISS, 2008, p. 22).

² 江泽民在中国共产党第十五次全国代表大会上的报告 (Report by Jiang Zemin at the XV Congress of NPC), 中国共产党新闻网 (*News portal of CPC*), <http://cpc.people.com.cn/GB/64162/64168/64568/65445/4526285.html> (16 May 2011).

³ In Kazakhstan the most numerous are the Uighur diaspora (over 200 000), in Kyrgyzstan their number was about 30 000 Uighurs. According to official Chinese data, 8.5 million Uighurs lived in the middle of the 1990s in Xinjiang. See 邢广程 (Xing Guangcheng). *中国与中亚国家的关系* (Relations between China and Central Asia states), Slavic Research Center, <http://src-h.slav.hokudai.ac.jp/publicn/85/9CA-Chinese.pdf> (18 Feb. 2011).

⁴ 赵常庆 (Zhao Changqing). *中亚五国与中国西部开发的关系* (The relationship between the five Central Asian states and the development of western regions in China), *东欧中亚市场研究* (*Eastern Europe, Central Asia, Market Research*) 12 (2001): p. 35.

At the same time, despite the possible security threats, the withdrawal of Central Asia from Moscow's sphere of influence was favourable to China in the new environment and this was recognized by leading Chinese experts.⁵ "The opening" of the region to the external world made it possible to diversify transport routes to the west by creating alternative to the Trans-Siberian highway – a "second bridge" to Europe through Central Asia, as well as a transport corridor to South Asia and the Middle East. The direct access to Central Asian markets could contribute to the economic development of Xinjiang and the neighbouring provinces, and, accordingly, the decrease of mass tension in the volatile north-west of the country.

It should be noted that official Beijing made certain steps with regard to Central Asia throughout the entire decade that preceded the establishment of the SCO.

First, as early as 1992 the importance of the development of trade and economic relations between Xinjiang and its neighbouring republics was recognized at the highest political level of China, as well as the complementarity of the economies of China and Central Asia, after which Xinjiang authorities were allowed barter trade with neighbouring countries.⁶ However, a wave of "shopping-tourism" and poor quality Chinese products at the markets of neighbouring countries caused a sudden reduction of trade (especially with Kazakhstan), as did the growing fear of "Chinese expansion" in the region. To correct the situation and convince the neighbours of China in its peaceful and friendly disposition, it was necessary to enhance contacts in the region at official authorities level. During the first visit of Prime Minister Li Peng and accompanying heads of the Chinese industrial and commercial structures in Central Asia in April 1994, the states in the region were invited to build relationships based on friendship and good neighbourliness, peaceful co-existence, mutually beneficial cooperation and common prosperity, non-interference in internal affairs, respect for national sovereignty and promoting regional stability.⁷ These provisions incorporated five principles of peaceful co-existence – the basis of the foreign policy positions of the PRC (mutual respect for sovereignty and territorial integrity, non-aggression, non-interference in internal affairs, equality and mutual benefit, and peaceful co-existence). The visit signalled that the higher authoritative circles in China had begun formulating the first Central Asian strategy with a focus on commercial, economic, transport links and on the principles that are

⁵ See Sun Zhuangzhi. The relationship between China and Central Asia, *Slavic Research Center*, http://src-h.slav.hokudai.ac.jp/coe21/publish/no16_1_ses/03_zhuangzhi.pdf (24 Mar. 2011); 邢广程 (Xing Guangcheng). 中国与中亚国家的关系 (The relationship between China and Central Asia), *Slavic Research Center*, <http://src-h.slav.hokudai.ac.jp/publicnt/85/9CA-Chinese.pdf> (18 Feb. 2011).

⁶ See 邢广程 (Xing Guangcheng). 中国和中亚各国新的关系 (New relations between China and Central Asia), *东欧中亚研究 (Eastern European and Central Asian Studies)* 1 (1996). Quote on p. 63.

⁷ 邢广程 (Xing Guangcheng), 中国和中亚各国新的关系 (New relations between China and Central Asia), *东欧中亚研究 (Eastern European and Central Asian Studies)* 1 (1996), p. 59.

present in the subsequent official documents signed between China and the countries of Central Asia.

However, by the middle of the decade trade in the region remained at a negligible level, accounting for 0.28 % of the total foreign trade of China. A successful increase in turnover was observed only in Kyrgyzstan, almost exclusively due to the increasing imports of cheap raw materials and metals.⁸ In the late 1990s, China's trade with Central Asia increased only slightly and reached 0.37 % of the total foreign turnover of China in 1999,⁹ while steady growth occurred only in the case of Kyrgyzstan and Kazakhstan. The policy of export-oriented economy, announced at the XV Congress of the National People's Congress in 1997, predetermined the further steps to expand the economic presence of China in the neighbouring Central Asian countries.

Second, starting in the mid-1990s, the oil factor for the first time began to draw attention to the region. The import of oil in China since 1993, the gradual disbalance of supplies from the Middle East by sea routes and the ongoing problem of piracy in the strategically and economically important for marine supplies Malacca Strait raised the need for diversification of supplies of "black gold" and testing the ground for cooperation with new energy exporters. According to official Chinese assessments of oil reserves, quoted by Zhao Changqing, oil in Kazakhstan (excluding the Caspian deposits) amounted to 3 billion tons, natural gas reserves in Uzbekistan – 2 trillion, and in Turkmenistan – 21 trillion cubic meters.¹⁰ At the same time, the gradually increasing U.S. interest in Central Asian energy resources could not but cause concern in China about the possibility to "miss the chance" in the Central Asian petroleum sector. Under such circumstances, China joined the competition for energy resources in the region, winning the tender for the privatization of Kazakh companies "Aktobemunaigas" and "Uzenmunaigas" in 1997.¹¹ The contracted amounts of investments by China National Petroleum Corporation (CNPC) in the local companies were, according to expert Sun Zhuangzhi, the largest in the history of China so far.¹² Talks started in Beijing about the prospects of land access to the resources of the Persian Gulf and a possible construction of the trans-Asian pipeline "Uzen – Bandar Abbas" from Kazakhstan to Iran via Turkmenistan. The agreement with Kazakhstan on the construction of the first section of the pipeline to

⁸ 赵常庆 (Zhao Changqing). 中国与中亚五国的经济关系 (Economic relations between China and the five Central Asian states), 东欧中亚市场研究 (*Eastern Europe, Central Asia, Market Research*) 1 (2002), p. 25.

⁹ Ibid.

¹⁰ 赵常庆 (Zhao Changqing). 中国与中亚五国的经济关系 (Economic relations between China and the five Central Asian states), 东欧中亚市场研究 (*Eastern Europe, Central Asia, Market Research*) 1 (2002), p.32.

¹¹ Syroezhkin, K.L. *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 1: In the beginning. Almaty: KISS, 2010, p.154.

¹² Sun Zhuangzhi. The relationship between China and Central Asia, Slavic Research Center, http://src-h.slav.hokudai.ac.jp/coe21/publish/no16_1_ses/03_zhuangzhi.pdf (24 Mar. 2011).

the Turkmen border was signed in the same year, 1997.¹³ It was at this time and not without the active support of China that it was decided to resume the meetings of leaders from China, Russia and the three Central Asian countries.

Third, in the late 1990s, the results from the socio-economic development in the north-western regions were much lower than expected. In Xinjiang, the cases of people's discontent, pogroms and explosions, officially classified as "acts of separatism and terrorism," increased in number.¹⁴ Since the southeast remained the main focus for Beijing, plans were made to relieve tension in the West through acceleration of economic development. As a result, the 4th Session of the NPC XV convocation in the fall of 1999 approved the programme "The Great Western Development," where priority was given to Xinjiang among the provinces and autonomous regions subject to "development." The Chinese leadership regarded Xinjiang as "the dragon's head" and "the main battlefield."¹⁵ This growing attention to the largely Muslim-populated north-west of China was probably caused by an imminent threat to the stability of regimes in Central Asia (and, consequently, the deteriorating situation in Xinjiang) in the context of the movement of Afghan Talibans to the border with Uzbekistan, and their approach to the Tajik border in the early autumn of 1998.

With regard to security, the Afghan factor and the growing Islamist threat in Tajikistan, Kyrgyzstan and Uzbekistan in 1998-1999 became more urgent for the participants in the "Shanghai process." Such was the environment at the time when the Chinese initiative for the establishment of a mechanism of regular meetings, announced in 1996 in Shanghai, was extended in the format of "five" independent participants. At the first multilateral summit (previous format was "two sides – five governments") in Almaty, President Jiang Zemin paid special attention to the "favourable conditions for bilateral and multilateral commercial, economic and technical cooperation" among countries, expressed the desire of the PRC to "actively develop economic co-operation" with partners, and proposed enhanced contacts in the field of trade, transport, energy, etc., as well as fostering mutual investments and joint production.¹⁶ Taking into consideration the context of China's growing attention to Central Asia, it can be assumed that the Chinese leadership, after the settlement of the extremely important for the national security border issues, regarded the development of the "Shanghai process" as an opportunity to enhance foreign economic relations in the region. At the same time, at a meeting in Al-

¹³ Vinogradov, O.V. Resources "Greater Caspian": Expectations and opportunities in figures, *Pro et Contra* 5:3 (2000): 103-118. Quote on p.110.

¹⁴ 吴绩新 (We Jixin). 中俄在中亚的反恐合作 (China-Russia cooperation in the fight against terrorism in Central Asia), *俄罗斯研究 (Russian Studies)* 4 (2006), Quote on p. 58.

¹⁵ 王海燕 (Wang Haiyan). 中亚五国与中国新疆经济合作的互补性分析 (Analysis of complementary economic cooperation between China's Xinjiang and the five Central Asian states), *东欧中亚市场研究 (Eastern Europe, Central Asia, Market Research)* 2 (2002), p. 15.

¹⁶ 江泽民主席在五国会晤时发表讲话 (President Jiang Zemin made a speech at the meeting of the five states), *Information agency Xinhua*, 3 July 1998, http://news.xinhuanet.com/ziliao/2000-12/31/content_478667.htm (18 Sep. 2011).

maty in 1998, China proposed to start drawing up a list of terrorist organisations and individuals involved in terrorist activities.¹⁷ The struggle against non-traditional security threats occupied central position in the Forum's agenda, staying in the focus of attention of the PRC.

The documents from the annual meetings consistently pointed out the high priority of cooperation in the security field. In the Dushanbe Declaration of 2000, which formally declared the intention to turn the "group of five" into a "regional structure of multilateral cooperation in various areas," all five parties gave their full support to the concept of "one China" policy and China's position against plans to include Taiwan in the NATO theatre missile defence system.¹⁸ A separate provision on the trade and economic partnership "based on the principles of equality and mutually beneficial cooperation" served the interests of China. For China, steps to enhance trade and economic cooperation with its neighbours meant something more than just an element of regional partnership: strengthening ties with Central Asia would increase the opportunities for social and economic development of the troubled Xinjiang, as well as possible perspectives to expand participation in the energy sector in the region.

However, regardless of the gradually increasing attention on behalf of the Chinese leadership to Central Asia, the region continued to occupy a peripheral role in the layout of the foreign policy interests of the PRC. Central Asia remained a kind of "region for the future" where the PRC opted to take the role of an external calm observer, sharing the position on common security issues, rather than being an active participant, openly promoting their own interests.

China and Central Asia in the SCO: 2001 – 2002

At the time of its official establishment, the SCO responded to some extent to the interests of all members of the "five" and Uzbekistan. In addition, despite the formal equality of its members, the creation of the SCO seemed as a consensus of two major powers—China and Russia—on the general "rules of the game" in the Central Asian region. China was trying absolutely "legally," with the approval of the states in the region and Russia, which continued to be regarded here as a traditional power, to enter Central Asia. At the "constituent" Shanghai summit, President Jiang Zemin announced the ideological content of the new organisation—"mutual trust, mutual benefit, equality, con-

¹⁷ Gao Fei. *The Shanghai Cooperation Organisation and China's new diplomacy*. Clingendael: Netherlands Institute of International Relations, 2010, www.clingendael.nl/publications/2010/20100700_The%20Shanghai%20Cooperation%20Organization%20and%20China%27s%20New%20Diplomacy.pdf (29 Mar. 2011).

¹⁸ Dushanbe Declaration of the Heads of State of the Republic of Kazakhstan, the People's Republic of China, Kyrgyzstan, the Russian Federation and Tajikistan of 4 July 2000, *The Russian Legal Portal* (2000), <http://law7.ru/base50/part5/d50ru5034.htm> (29 Sep. 2011).

sultations, respect for cultural diversity and desire for common development”—summarized in the rather lofty notion of the “Shanghai spirit.”¹⁹

The key documents from the Summit (Shanghai Convention and the Declaration on the establishment of the SCO) placed the fight against non-traditional threats in the centre of attention of the members of the new organisation. And this is understandable: at the time of establishment of the SCO it was the security issue that brought the “six” together. Trade and economic cooperation was second in the SCO agenda. Moreover, figures of trade exchange between China and the countries in Central Asia at the time of the establishment of the organisation were not impressive. The country was the second largest importer from Kazakhstan (7.3 %, lagging behind Russia – 12 %), fourth – from Kyrgyzstan (8.7 %), whereas for the rest of the Central Asian states China was not a priority partner for the purchase of goods. In terms of product supplies in the region, according to available statistics, China came after Russia, Germany, USA, Turkey, and the Central Asian states.²⁰ It was time to correct the mistakes of the 1990s and enhance economic cooperation between China and the countries in the region. It was the SCO that could provide China with this opportunity.

However, the subsequent large-scale U.S. and NATO operations in Afghanistan and, in fact, the involvement of the U.S. in the competition for dominance in Central Asia and their military presence on the territory of some of the SCO member states jeopardized the interests of China in the region and, in the long term, the interests of its national security. In response to the new situation, China’s leaders decided to minimize the consequences from the change in the balance of power in the region by banning at the international level the activities of the Movement of East Turkestan, keeping and developing relations with Central Asian governments, and speeding up the legal framework and institutions of the SCO.

In order to strengthen relations with its Central Asian neighbours, in 2002 China signed agreements on friendship and cooperation for a term of twenty years with Kyrgyzstan and Kazakhstan. The documents established specific bans on the use of national territories “to the detriment of national sovereignty, security and territorial integrity” of other countries, as well as on any activities of groups and organisations, potentially threatening the safety of a neighbouring country. The treaties emphasized the importance of cooperation within the SCO.²¹ The need for speeding up cooperation was clearly expressed by China in mid-September 2001. At the Almaty summit of SCO Heads of Governments, Chinese Premier Zhu Rongji stated the importance of acceler-

¹⁹ 江泽民主席在“上海合作组织”成立大会上的讲话 (Jiang Zemin’s speech at the summit on education of the Shanghai Cooperation Organisation). Foreign Ministry of China, 22 June 2001, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t4637.htm (25 Sep. 2011).

²⁰ The World Factbook. Washington, DC: Central Intelligence Agency, 2011, <https://www.cia.gov/library/publications/index.html> (20 Oct. 2011).

²¹ See: Treaty on good relations, friendship and cooperation between the Republic of Kazakhstan and the People’s Republic of China (Beijing, 23 December 2002). In K.L. Syroezhkin, *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 3. Almaty: KISS, 2010, pp. 42-49.

ating the working out of the organisation's charter and the opening of an Anti-Terrorism Centre, and proposed to combine future multilateral economic cooperation with already existing bilateral projects.²² President Jiang Zemin's "legacy" at the Second SCO Summit was eloquent enough (after the XVI Congress of the CPC in November 2002, power was transferred to the "fourth generation" of party leadership). This was a thesis on the interrelation of cooperation in the fields of security and economy being the "two wheels" for the further development of the organisation.²³ Together with SCO non-aggression to other states and a special emphasis on the importance of the "Shanghai spirit," this looked like determining priorities for China in the SCO in a new global environment. In 2001, the Department for economic development within the SCO was established in the Chinese Ministry of Commerce. This clearly underlines the importance that the PRC initially gave to the economic cooperation in the SCO.

With the emergence of the USA in the region and the West providing a "second chance"—in the words of the American expert M.B. Olcott—for reformation of the Central Asian political systems, China could assess the possible scenarios for future development in Central Asia. The attractiveness of the SCO to guide the states in the region was originally incorporated in the Charter, where the goal was formulated as "the promotion of a new, democratic, just and rational political and economic international order."²⁴ Unlike the U.S., the SCO guaranteed at least moral support to the regimes in Central Asia. This principle worked: in 2005, all the Central Asian SCO members, including the "windy" Uzbekistan, approved the anti-Western attitude of Astana Declaration. Immediately after the events in Andijan, Chinese diplomacy had success in signing a third treaty of friendship and cooperation with the countries in the region, this time with Uzbekistan.

The SCO and China in Central Asia: 2003 – 2005

After the XVI Congress of the CPC, the new leadership committed itself to strengthening the economic diplomacy and restoring the status of "a great power." In the Central Asian aspect, the format of the SCO fit perfectly for the implementation of Hu Jintao's ideas. However, in the third year of its existence, the Organisation still did not have an officially appointed Secretariat. At his first SCO summit in Moscow in 2003, Hu Jintao identified the acceleration of institutionalization of the SCO as a "top priority" and put forward the

²² 上海合作组织成员国总理举行首次会晤 (The first meeting of the Heads of Government of the Shanghai Cooperation Organisation), *People's Daily Online* (14 September 2001), www.people.com.cn/GB/shizheng/16/20010914/561051.html (18 Oct. 2011).

²³ 弘扬“上海精神”促进世界和平 (Develop Shanghai Spirit, promote peaceful global environment), President Jiang Zemin's speech at SCO summit in St. Petersburg, China Foreign Ministry, 8 June 2002, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t10897.htm (18 Oct. 2011).

²⁴ Charter of the SCO of 07 June 2002, Shanghai Cooperation Organisation (2002), www.sectesco.org/RU/show.asp?id=86 (12 Dec. 2009).

Chinese proposal "to provide an office for the Secretariat free of charge."²⁵ As a result, the organisational and executive body of the SCO started work in Beijing in 2004. A number of Chinese experts, including the well-known specialist on Central Asia, Zhao Huasheng, always contested the location of the headquarters of the Secretariat in the Chinese capital as a signal for China's domination in the organisation.²⁶ Taking into consideration the context of the early years of the SCO, it appears that China, in the tradition of "taking advantage of the moment," first put forward a proposal about the Secretariat, and it was China who was mostly interested in this location with the projection of possible scenarios for development in SCO countries.

At the above mentioned summit in 2003, Hu Jintao outlined the economic cooperation as a priority for the development of the SCO and suggested starting with its promotion in the transport sector, accelerating multilateral agreements on road transport.²⁷ As mentioned earlier, the territory of Central Asia was extremely favourable for the reduction of the transport routes to Europe and the opportunities of land gateway to the Middle East. The joint repair of the Karakoram Highway (Agreement between the governments of China, Kazakhstan, Kyrgyzstan, Tajikistan and Pakistan in 2004), China's large investments in building the Pakistani port of Gwadar, the construction of a railway road between the Chinese Pacific coast and Uzbekistan through the Kyrgyz Irkeshtam, shortening the route from Xinjiang to Uzbekistan by 1,400 km – these are some of the important initiatives in the transport sector, indicated by the consultant to the SCO Secretary General, A. Hasim, in his article.²⁸ China's willingness to use the transport potential of Central Asia increased in the light of the new foreign policy imperatives of the state. In addition, the potential development of transport infrastructure could be used by China in case of immediate threats to its national security in the region.

The year 2003 was particularly important for the PRC because of the U.S. campaign in Iraq and the sustainable growth of the world oil prices. At that time, the country imported about 130 million tons of oil (48 % of the total consumption), nearly half of which was imported from the Middle East.²⁹ The situation provoked the Chinese vigorous inter-

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- ²⁵ 承前启后，继往开来 努力开创上海合作组织事业新局面 -
在上海合作组织成员国元首莫斯科会议上的讲话 ("Based on the past, open doors to the future, continue to make efforts to identify the new role of the SCO" – speech at SCO summit in Moscow). China's Foreign Ministry, 30 May 2003, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t24657.htm (18 Oct. 2011).
- ²⁶ See the often cited work by Zhao Huasheng. *China, Central Asia and the Shanghai Cooperation Organisation*. Moscow, 2005. – 63 pp.
- ²⁷ Based on the past, open doors to the future, continue to make efforts to identify the new role of the SCO, Speech at SCO summit in Moscow, 30 May 2003.
- ²⁸ 阿伯杜拉·哈斯莫夫 (Abdullah Hasim). 上海合作组织与中亚交通运输 (The SCO and transportation in Central Asia), 俄罗斯中亚东欧市场 (*Russia, Central Asia, Eastern Europe*) 11 (2004): 1-8.
- ²⁹ Data are presented in Andrews-Speed, Ph. China's Oil Imports Strategies. UK Centre for Energy, Petroleum and Mineral Law and Policy, www.dundee.ac.uk/cepmlp/journal/html/Vol14/Vol14_6.pdf (16 May 2011).

est to the energy resources of Central Asia. Kazakhstan was the third in the list of states that President Hu Jintao visited during his first visit abroad in May-June 2003. At his meeting with Nazarbayev, energy was the main topic of discussion. At the same time, CNPC bought from Kazakhstan a quarter of the shares of "CNPC-Aktobe," becoming its sole shareholder.³⁰ China accelerated the construction of the pipeline "Atasu-Alashankou" – the first part of the pipeline project "Western Kazakhstan–Western China," the memorandum on the construction of which was signed in 1997. In October, CNPC signed a relevant agreement with the "KazMunaiGas" with a liability to cover all the costs for the construction of the final stage of the pipeline. In addition, CNPC bought out from "Nimr Petroleum" (Saudi Arabia) and U.S. "Chevron" shares of "Texaco North Buzachi" receiving complete access to the largest proven reserves of North Buzachi Mangistau region.³¹

Besides the importance of the energy factor, the rapid development of trade with Central Asian neighbours was of strategic importance for the success of the programme for development of China's west. In 2003, China's trade in the region amounted to 4 billion dollars, exceeding the corresponding figures in 2000 by 70.4 % (1.8 billion dollars).³² Using the format of the SCO, China voiced for the first time its vision regarding the perspective for regional trade and economic cooperation. At the Beijing meeting of Heads of Government, Premier Wen Jiabao suggested that SCO member countries consider the formation of a free trade zone.³³ The Chinese initiative was not rejected, though it raised concerns over the regional dominance of China with its economic strategy of "output outside" (Zou chutshyu) in case this project was implemented in the SCO. The idea of the formation of a free zone for transfer of goods, services, capital and technology in the region was included in the Programme for multilateral trade and economic cooperation until 2020, approved at the meeting in Beijing.

At the next SCO summits, China began to put forward even more eloquent initiatives. In 2004, at the Tashkent summit, China offered concessional lending to partners from the organisation at the amount of 900 million dollars. However, the loans provided by China to foreign partners, by definition, suggested the use of allocated funds only for the purchase of Chinese goods, or for projects with the participation of Chinese companies.³⁴ China's profit from this lending procedure was apparent from the very beginning.

³⁰ Syroezhkin, K.L. *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 1: In the beginning. Almaty: KISS, 2010, p. 256.

³¹ Mukimdzhanova, R.M. *The countries in Central Asia: the Asian factor in foreign policy*. Moscow: Science Book, 2005, p. 151.

³² Data are presented in: Syroezhkin, K.L. Xinjiang China. In: B.K. Sultanov, ed. *Central Asia: 1991–2009*. Almaty: KISS, 2010, p. 283.

³³ 上海合作组织成员国总理会晤在北京举行温家宝讲话 (Wen Jiabao's speech at the meeting of Heads of Government of the SCO in Beijing), *Information Agency Xinhua*, 23 September 2003, http://news.xinhuanet.com/newscenter/2003-09/23/content_1095574.htm (19 Apr. 2010).

³⁴ Syroezhkin, K.L. Xinjiang China. In: B.K. Sultanov, ed. *Central Asia: 1991–2009*. Almaty: KISS, 2010, p. 282.

During this period, trade was steadily growing between Xinjiang, China and the Central Asian republics. According to official Chinese data, the total volume of foreign trade with the region of Xinjiang in 2004 was 5.6 billion U.S. dollars.³⁵ Kazakhstan remained its main regional partner, while the growth of trade indicators was still ensured by supplies of cheap Chinese consumer goods.

The proposal of the President of Kazakhstan, Nursultan Nazarbayev, in 2004 to establish a free trade zone near the checkpoint "Khorogos" also met China's interests. This project gave opportunities for the expansion of trade and transit of goods from China through Kazakhstan to Russia and Europe. After the conclusion of the agreements at the highest levels of leadership in Xinjiang, a project was launched for the construction of cross-border exchange market and an international trade centre on the territory of the free economic zone,³⁶ which placed the Kazakh partners well ahead.

However, despite the declared intentions to intensify multilateral trade and economic cooperation in the region, there was no real advance in this area. All of the "success" in SCO was based on bilateral relations. The long-term programme in 2003 was supplemented with 127 specific projects in the Plan for its implementation in 2004, and the following year the last step was made to the next document – Measures for the implementation of the Plan for the implementation of the Programme for long-term economic and trade cooperation. Behind this cumbersome name lay slowness, and perhaps just a lack of interest on behalf of the countries to accelerate progress towards the common market. Direct investments and bilateral relations were more convenient for the Chinese partners.

In 2005, which was unique for the SCO and marked by the unity of its members in response to the presence of U.S. and NATO forces in the region, and the adoption of the controversial Astana Declaration, China publicly expressed their support to the Central Asian regimes at the summit in Kazakhstan. "We believe that the countries of Central Asia are the hosts of their region ... and we hope that all forms of bilateral and multilateral cooperation will steadily grow and deepen, encouraging resistance to the challenges, stimulating regional development, and maintaining stability."³⁷ Being a guarantee to the political situation in Central Asia, at a meeting of the Heads of Government China suggested that it credited the economies in the SCO. In his speech, Premier Wen Jiabao clearly outlined the possibility to provide Chinese purchase loans at the amount of 900 million dollars for the "realization of specific regional projects," as well as the prospects for the provision of such loans in the future.³⁸ As noted by the Kazakh expert,

³⁵ Data are presented in: Syroezhkin, K.L. Xinjiang China. In: B.K. Sultanov, ed. *Central Asia: 1991–2009*. Almaty: KISS, 2010, p. 285.

³⁶ Syroezhkin, K.L. *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 1: In the beginning. Almaty: KISS, 2010, p. 295.

³⁷ 胡锦涛在上海合作组织阿斯塔纳峰会上讲话(全文) (The complete text of Hu Jintao's speech at SCO summit in Astana). *China's Foreign Ministry*, 6 July 2005, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t202425.htm (20 Oct. 2011).

³⁸ 温家宝出席上海合作组织成员国总理第四次会议 (Wen Jiabao attended the fourth meeting of the Heads of Government of the SCO Member States). *China's Foreign Ministry*,

M. Laumulin, and we can agree with his statement, this threatened especially the interests of Kazakhstan and the Russian Federation as a potential “energy rear in China’s strategy.” Therefore, it is not surprising that they took the offer without enthusiasm. SCO could become an “economic protectorate” of China.³⁹ This was a critical issue in a situation of increasing the strength of NATO military forces in the region by the end of 2005 and the extension of the lease for U.S. bases: the declarative “attack” of the SCO in Astana had no results and the political cooperation of the Member States had passed their peak phase of consolidation.

The possibility to increase the supply of energy resources from the region to China was not fictional at all. In November 2005, a month ahead of schedule, the pipeline “Atasu–Alashankou” was completed with capacity of 10 million tons per year and plans to further increase the supply. At the same time, CNPC opened in Xinjiang a gasket in the oil pipeline “Alashankou–Karamay,”⁴⁰ the end point of which was the largest centre of oil production and processing in Xinjiang. In addition, CNPC bought the Canadian assets in “PetroKazakhstan” which was in control of a number of major Kazakh deposits with a total of proven reserves of 550 million barrels, for the impressive amount of 4.18 billion dollars.⁴¹ With this, China surpassed its main rival India, which was the most likely buyer of “PetroKazakhstan.” Thus, in the middle of the decade, China continued to consolidate positions in the energy sector in the region, planning future oil supplies from Kazakhstan and Russia by Kazakh pipelines.

In addition, 2005 became a starting point for China’s imports of natural gas. The activities in the oil sector in Kazakhstan attracted the attention of the Chinese oil and gas companies to the region.

As for the trade between China and Central Asia, it continued to grow. In 2005, China took the first position in the list of exporters to Kyrgyzstan (43 %, while the share of the Russian Federation fell to 20 %), it was the second among the suppliers of goods to Kazakhstan (21 %), the fourth – to Uzbekistan (7.2 % after Russia, South Korea and Germany), the fifth – to Tajikistan (7 %).⁴² If we take into account the sustainable difference in the statistics of non-Chinese experts, in which the figures of Chinese foreign trade statistics significantly outnumber the corresponding figures in Central Asia,⁴³ we

26 Oct. 2005, www.fmprc.gov.cn/chn/pds/wjb/zzjg/dozys/dqzsoys/shhz/xgxw/t218696.htm (20 Oct. 2011).

³⁹ Laumulin, M.T. SCO – a grand political bluff? French Institute for International Relations (IFRI), www.ifri.org/downloads/laumullinrusse.pdf (25 Jan. 2010).

⁴⁰ Syroezhkin, K.L. *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 1: In the beginning. Almaty: KISS, 2010, p. 275.

⁴¹ *Ibid.*, p. 279.

⁴² *The World Factbook*. Washington, DC: Central Intelligence Agency, 2011, <https://www.cia.gov/library/publications/index.html> (21 Oct. 2011).

⁴³ This problem was considered by R. Mukimdzhanova and K. Syroezhkin. See Mukimdzhanova, R.M. The countries in Central Asia: the Asian factor in foreign policy. Moscow: Science Book, 2005, p.160; Syroezhkin, K.L. *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 1: In the beginning. Almaty: KISS, 2010, p. 297.

can speak of the remaining problem in Central Asia – the control over import and export of Chinese goods. In this case, the real picture of China's trade relations with the countries in the region (especially in the border areas) is presumably much more complicated.

China's role in Central Asia: 2006 – 2008

When the activation of the Taliban in Afghanistan demanded a further increase in the number of military contingents of NATO, the closure of U.S. bases in the region was postponed. In addition to the American factor, China's interests were threatened by the growing influence of the Russian Federation in the military-political sphere of cooperation in the SCO (see Chapter 2), and the Russian initiatives in the energy sector in the region. It was at this time when another feature of the Chinese "author's project" in the SCO began to take shape – the ability to restrain the Russian initiatives in the region.

At the next SCO summit in June 2006, Hu Jintao emphasized in his speech the significant role of the SCO in Chinese foreign policy, and for the first time energy was placed first among all the areas of economic co-operation.⁴⁴ China's activities in the energy sector in the region continued to increase: in April the first inter-governmental agreements were signed on deliveries of Turkmen gas starting from 2009 along the pipeline "Turkmenistan–China." China unreservedly started to fight as an export destination of the Central Asian energy resources. The proposal of Russian President Vladimir Putin to create the SCO Energy Club did not arouse much enthusiasm among the Chinese. "Gas OPEC" could dictate the world prices for gas in the future, as it included the global leader in natural gas reserves Iran (observer in the SCO), Russia (third position in the world ranking) and, possibly, Turkmenistan (world's fourth largest reserves of gas). For China, with its growing energy demands and starting to import natural gas, the participation of the Central Asian partners in the monopolist club would have looked threatening.

The rising oil and natural gas prices in the region in 2007-2008 reflected the serious competition for local energy resources. However, China continued to move toward its large-scale project for the pipeline "Central Asia–China" from Turkmenistan to Xinjiang. In April 2007, an agreement on the construction of the Uzbek section of the pipeline was reached with the government of Uzbekistan, while in November, the agreement between JSC "NC KMG" and CNPC established the basic principles of construction and operation of the Kazakh section of the pipeline.⁴⁵ During the negotiations on the price of Turkmen gas, according to experts from the International Energy Agency, China consistently

⁴⁴ 共创上海合作组织更加美好的明天 (Together to create a better future for the SCO – the full text of Hu Jintao's speech at the sixth summit of Heads of SCO Member States). China's Foreign Ministry, 15 June 2006, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t258102.htm (20 Oct. 2011).

⁴⁵ For details see Syroezhkin, K.L. *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 2: In the format of strategic partnership. Almaty: KISS, 2010, pp. 169-177.

offered sums greater than those of Russia.⁴⁶ Access to local resources became strategically important.

Despite the importance of the energy sector, the development of trade and economic cooperation between China and the neighbouring countries became more tangible, although less noticeable at first glance. According to official Chinese data, the export of Chinese goods to Tajikistan and Kyrgyzstan in 2007 marked an increase by 1.7 times and in Kazakhstan – 1.6 times compared to the previous year.⁴⁷ China became the third in the list of suppliers of goods to Tajikistan (11 %), the second – to Kyrgyzstan (15 %), which became a hub for Chinese products, and the second after Russia to Kazakhstan (22 %).⁴⁸ If you add the credits of the Chinese “Eximbank,” we can claim that the Central Asian neighbours were on the way of becoming dependent on production and financing from China. At the same time, bilateral trade and economic relations continued to dominate in the SCO.

At the outbreak of the global financial crisis, the countries of the SCO felt deeply the impact of globalization. In 2008, China imported 49 % of the domestic consumption of oil, out of which 76 % came from the Middle East and the African continent. The country took the fourth place in the world (after the U.S., EU and Japan) in terms of oil imports (4.393 million barrels per day).⁴⁹ Taking advantage of the start of the global economic downturn, China strengthened its bilateral economic cooperation with the countries in the region, increasing the size of investments in their infrastructure. In the new environment, China did no longer talk about economic cooperation within the SCO in “complex” wording. At the meeting of the Council of Heads of Government in 2008, the speech of the Chinese Premier sounded quite categorically: SCO was doomed to failure if not enough attention was paid to the economic aspect of cooperation within its framework.⁵⁰

The role of China in Central Asia: after 2008

The position, stated in 2008, was reiterated by Chinese President Hu Jintao at the summit in 2009: trade and economic cooperation within the SCO was far behind the goals of the organisation, it was necessary to speed up the implementation of projects in

⁴⁶ Nobuyuki, Higashi. Natural Gas in China: Market Evolution and Strategy, *International Energy Agency Working Paper*, June 2009, p. 21.

⁴⁷ The data is collected from different Chinese sources and included in: Syroezhkin, K.L. *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 2: In the format of strategic partnership. Almaty: KISS, 2010, p. 366.

⁴⁸ *The World Factbook*. Washington, DC: Central Intelligence Agency, 2011, <https://www.cia.gov/library/publications/index.html> (20 Oct. 2011).

⁴⁹ The data is from: Medeiros, E. *China's International Behavior*. Santa Monica, CA: Rand Corporation, 2009, www.rand.org/pubs/monographs/2009/RAND_MG850.pdf (14 Mar. 2010).

⁵⁰ 上海合作组织成员国第七次总理会晤举行温家宝出席并讲话 (Wen Jiabao delivered a speech at the Seventh meeting of Heads of Government of the SCO Member States). China's Foreign Ministry, 30 Oct. 2008, www.mfa.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/xgxw/t520366.htm (21 Apr. 2010).

the field.⁵¹ The culmination was the Chinese proposal to allocate 10 billion dollars to SCO for the establishment of a crisis stabilization fund. It became clear who was who in the SCO in the foreseeable future.

The effectiveness of China in the energy sector in the region kept the momentum. As economist Liu Qian emphasized, there was not an officially published energy strategy in China, but by the end of the decade its foreign aspect was clearly outlined: orientation to the regions in which China did not encounter any obstacles to their activities – Africa, Latin America and Central Asia. Among foreign energy importers, in 2009 Kazakhstan occupied the sixth place, importing in China 5.7 million tons or 3.2 % of all Chinese oil imports.⁵² In the same year, China became the third largest importer of oil, surpassing Japan.⁵³ In December 2009, the gas pipeline "Central Asia–China" was officially opened in the contract area Bagtyyarlyk in Turkmenistan. According to the plan, the pipeline was to reach its full capacity of 40 billion m³ (gas from Turkmenistan, Uzbekistan and Kazakhstan) in 2015. In 2010, Turkmenistan delivered 3.55 billion m³ of natural gas to China.⁵⁴

As for the dependence of the region on Chinese loans and trade with China, at the end of the decade the Central Asian experts began to sound the alarm for a good reason. In 2009, the volume of Tajikistan's foreign debt amounted to 25 % of its GDP, whereas China became the main creditor of the country.⁵⁵ According to statistics, in 2010 China was the main supplier of goods to Tajikistan (35 %), and Chinese imports in the unstable Kyrgyzstan reached the very disturbing figure of 61 %, in Uzbekistan – around 14 %, in Kazakhstan – 28 %. China became the leader among the buyers of raw materials and resources from Uzbekistan (22 %) and Kazakhstan (20 %).⁵⁶ China's willingness to give credits to the economy in SCO became more and more insistent: in 2011, at the tenth anniversary summit in Astana, Hu Jintao put forward a proposal for soft loans amounting to more than 12 billion dollars.⁵⁷ At the Beijing Summit in 2012,

⁵¹ 携手应对国际金融危机 共同创造和谐美好未来 (Hand in hand to withstand the international financial crisis, work together to build a bright and harmonious future), Speech at the Ninth summit of the SCO Member States). China's Foreign Ministry, 16 June 2009, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t567931.htm (21 Apr. 2010).

⁵² Liu Qian. *The States in the Shanghai Cooperation Organisation in the energy strategy of China*, PhD dissertation 08.00.14. Moscow, 2009.

⁵³ *The World Factbook*. Washington, DC: Central Intelligence Agency, 2011, <https://www.cia.gov/library/publications/index.html> (20 Oct. 2011).

⁵⁴ *BP Statistical Review of World Energy*. British Petroleum Company (June 2011), www.bp.com/statisticalreview (13 Oct. 2011).

⁵⁵ Syroezhkin, K.L. *Kazakhstan – China: from cross-border trade to strategic partnership*, Vol. 2: In the format of strategic partnership. Almaty: KISS, 2010, p. 109.

⁵⁶ *The World Factbook*. Washington, DC: Central Intelligence Agency, 2011, <https://www.cia.gov/library/publications/index.html> (20 Oct. 2011).

⁵⁷ 和平发展世代友好 (Peaceful development, friendship of the century), Speech at the Tenth Summit of Heads of SCO Member States). China's Foreign Ministry, 15 June 2011, www.fmprc.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_59/zyjh/t830978.htm (20 Oct. 2011).

Chinese President reiterated the offer for loans to SCO partners for a total of 10 billion dollars.⁵⁸ The debts of the Central Asian countries on loans would further consolidate China's economic presence in the region. The upcoming change of the Chinese leadership in the fall of 2012, regardless of the traditional continuity of the course of the CCP, can bring new imperatives in China's strategy. China is facing serious internal problems (including employment and further development of the western regions) and their decision must be reached in a timely manner to prevent the growth of internal stress. The further intensification of activities in the neighbouring Central Asian region could become more persistent.

We should also mention a certain decline in the growth rate of trade between China and the Republic of Kazakhstan in 2011, and especially in the first half of 2012, which was due to intensification of trade and economic relations in the framework of the Customs Union.⁵⁹ The reduced rate of growth of imports in Kyrgyzstan also occurred as a consequence of the unrest in the Central Asian republic in the spring of 2010.⁶⁰ Along with the changing situation in Afghanistan, these factors resulted in a slight change of the Chinese priorities, announced at the 2012 summit: in his speech, Hu Jintao stressed on the priority of security cooperation, then – on the economic and trade cooperation, and finally, on cultural and humanitarian cooperation within the Organisation. The latter received special attention: China proposed to prepare 1,500 specialists within three years, and to grant government scholarships to 30 thousand students from SCO countries within a period of ten years, as well as to offer internship to ten thousand teachers and students from these countries.⁶¹

In the middle of 2012, there was still no real progress in SCO regarding the implementation of projects from the Programme for long-term cooperation in 2003 and the establishment of a free trade zone. Bilateral intergovernmental relations dominated in the course of the entire decade since the formation of the organisation. Further differentiation of Chinese and Russian interests along the “economy–politico–military line” did

⁵⁸ 胡锦涛在上合组织成员国元首理事会第十二次会议上的讲话维护持久和平 促进共同繁荣 (Protect the long-term peace, promote common prosperity. Hu Jintao's speech at the 12th meeting of Heads of State of the SCO), *Official site of the summit SCO 2012*, www.scosummit2012.org/china/2012-06/07/c_112146557.htm (24 June 2012).

⁵⁹ At the beginning of 2012 there was significant import from Russia to Kazakhstan and reduction of corresponding trade and economic indicators with China. See: Main indicators for the Republic of Kazakhstan for January–June 2012, Statistics Agency of the Republic of Kazakhstan, 2012, www.stat.kz/digital/vnesh_torg/Pages/default.aspx (28 July 2012); *The World Factbook*. Washington, DC: Central Intelligence Agency, 2011, <https://www.cia.gov/library/publications/index.html> (20 Oct. 2011).

⁶⁰ *The World Factbook*. Washington, DC: Central Intelligence Agency, 2011, <https://www.cia.gov/library/publications/index.html> (20 Oct. 2011).

⁶¹ 胡锦涛在上合组织成员国元首理事会第十二次会议上的讲话维护持久和平 促进共同繁荣 (Protect the long-term peace, promote common prosperity. Hu Jintao's speech at the 12th meeting of Heads of State of the SCO), *Official site of the summit SCO 2012*, www.scosummit2012.org/china/2012-06/07/c_112146557.htm (24 June 2012).

not contribute to the multilateral trade and economic cooperation. In this context, professor Zhao Huasheng concluded in a recent publication that the SCO was not currently able to become an economic union, the free trade zone "has no real perspectives" until 2020, and that "the SCO has not yet achieved even its short-term goals" of economic cooperation.⁶² In general, China would prefer to see these states as members of the WTO, and not members of the new integration initiatives of the Russian leadership.

Chinese crucial interests in Central Asia became visible in the period 2001-2012. The implementation of the "output outside" strategy and expanding the economic presence, the supply of oil and gas from the region, the development of transportation projects were consistent with the internal and external interests of the PRC. The global financial crisis became another "favourable moment" for the growing influence of China in the region. The absence of real progress on the way towards the common economic space of the SCO is still compensated by the increasing dependence of the Central Asian neighbours on China on a bilateral level through the provision of loans and the growing amount of Chinese imports. However, it is quite obvious that the SCO does not lack its "instrumental" status to promote the interests of China in the region. And here we are not talking about the ephemeral success of multilateral cooperation which was an ambition at the time of creating the Organisation. SCO made the presence of China in Central Asia legal: in political terms, it was needed to keep the "balance of power" between the states of the region, and in trade and economic terms – it was extremely important.

In the light of the latest approval, it is necessary once again to return to the question discussed at the beginning of the chapter. Was the SCO originally conceived as a strategic tool for economic dominance of China in the region? Available reference materials and numbers suggest that the theoretical concept of the new organisation included Chinese dominance in Central Asia as a desirable prospect, but not as a primary goal. In the late 1990s – early 2000s, China faced the problem of guaranteed access to the "vacant" at the time region, as well as the threats to the stability of the situation in the north-west of the country. Security interests prevailed under those conditions. The economic aspect was part of the official plan for development of the north-west; it was incorporated in the SCO for "the future," and was enabled only when the suitable situation occurred. Taking advantage of the changes in the disposition of forces in the region, and later of the global economic recession, following the adjusted course of the new generation of party leadership, China finally came to Central Asia and began to settle in the region.

⁶² 赵华胜 (Zhao Huasheng). 上海合作組的可能性和限度 (Capabilities and limits of the Shanghai Cooperation Organisation), 国际观察 (*International Observation*) 3 (2011), p. 33.

In this respect, the SCO became a “tool” for consolidating the role of China in Central Asia in accordance with the development of the situation in the designated time period.

Chapter 6

The Third Player: Kazakhstan and Central Asia in the Context of Regional Security

Roza M. Turarbekava

To understand the importance of Kazakhstan and, in a wider context, the entire region of Central Asia for the SCO, it is necessary to remember the history of the establishment of the Organisation, but not from the point of view of global design, or even from the perspective of authoritative Russian and Chinese experts, who continue to “create” the story of the SCO, but in the local (Central Asian) context.

In the late 1990s, the countries in Central Asia experienced serious problems: real GDP per capita in relatively rich Kazakhstan amounted to 4490 dollars per year, and in the impoverished Tajikistan – 2 180 dollars.¹

The problems associated with the development of the national economies is a separate topic of study, but it must be stressed that the position of a recipient in relation to the Union centre, and the low level of industrialization became important negative legacy that influenced the behaviour of the elites in Central Asia regarding membership in international organisations.

In this chapter, it is advisable to distinguish three levels of analysis: event-driven context, documents and decisions of the SCO, and expert assessments. Thus, we can obtain the big picture of the situation in the region, and its reflection within the region. In the late 1990s, the difficult social and economic situation in the Central Asian Region (CAR) exacerbated in the context of security. If the Tajik conflict was the key issue of regional security before 1997, starting from 1998, Central Asia faced a more serious challenge – the threat of dissemination of radical Islam by the Islamic Emirate of Afghanistan. The threat was seen not only in the movement of the Taliban to the border of the former Soviet Union, but in the rising wave of terrorism, which was directed to Uzbekistan.

¹ Falkingham, J. Initial circumstances at the beginning of the transition period, *Proceedings from the UNDP conference “Central Asia 2010 perspectives of human development.”* UNDP Regional bureau in Europe and CIS: Publ. ScanWeb, 2010, p. 19.

Against this “negative background” Kazakhstan’s position looked more promising, but we should not forget that the protection and strengthening of the national sovereignty of the republic were as vital as in the other new independent states of Central Asia. An important issue in foreign policy and security remained the demarcation of borders. One of the most disputed territories was the Kazakhstan-Chinese border.

Relations between China and Kazakhstan were established almost immediately after gaining independence (in February 1992, China opened its embassy in Kazakhstan; in December 1992 the Kazakh Embassy was opened in Beijing). In February 1992, a delegation from the government of Kazakhstan visited China, which laid the foundations of a mechanism of interaction between the two countries. Contacts have been quite active, but the border issue was solved in 1996-1997. During the meeting of the five Heads of States (China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan) the Agreement on Confidence Building in the Military Field in the Border Area was signed.

It is interesting that before 1996 China had raised a number of questions related to the accession of the Central Asian states to international organisations – this refers to the initiative of the Conference on Interaction and Confidence Building Measures in Asia (CICA), and the Eurasian Union. During the visit of Nursultan Nazarbayev to Beijing (April 1994), Premier Li Peng voiced his doubts that Russia would agree to equal terms with any of the former Soviet republics. China did not express such doubts with regard to CICA.²

Therefore, we can conclude that for Kazakhstan participation and initiation of international security structures was an important issue on the international agenda, while the integration processes in the CIS raised some doubts with the Chinese leadership.

It should be noted that apart from the border issue, the possibility of returning Kazakhs from China (they migrated to China in the era of Stalinist repressions, particularly during the process of collectivization) and the issue of disputed waters were important to the Kazakh government.

The position of Kazakhstan on separatism was important for Beijing since the border areas of Xinjiang were partially populated by Kazakhs (over 1 million people).

The first half of the 1990s was marked by the search for financial, technical and other assistance for the strengthening of sovereignty, and this not only eliminated the participation in international organisations, but was rather an additional foreign policy resource in the pursuit of national interests.

Under these circumstances, the aspirations of the Central Asian states had quasi-integrative nature. Kazakhstani expert A.K. Bisenbaev writes: “The integration efforts in Central Asia remind of the behaviour of people sitting at the same table, but playing different games. What is more, they are trying not only to get an extra bonus, but also to

² Tokaev, K.K. *Under the banner of independence: Essays on the foreign policy of Kazakhstan*. Almaty: Bilim, 1997, pp. 208-209.

determine the outcome of the game.”³ According to experts, the only problem to be solved at the multilateral level was the border issue (SCO was established on its basis).

The second problem which SCO had to solve in the future was the problem of radical Islam. In 1996, the Islamic Movement of Uzbekistan (IMU) was established based on the integration of two parties – “Birlik” and “Erk.” The main objective of the movement was to overthrow the secular regime in Uzbekistan and to create an Islamic state. Chronologically, this event coincided with the takeover of Kabul by the “Taliban” movement.

From today’s perspective it seems that some of the Central Asian countries (SCO member states) held a common position on Afghanistan in the late 1990s, although if we look at the analysis of Kazakh experts, in particular S. Akimbekov, not all is straightforward. The anti-Taliban alliance, formed in October 1996 and comprising most of the States in the region and Russia, according to the expert had a different orientation. There were disagreements between Russia and Tajikistan, on the one hand, and Uzbekistan-Kyrgyzstan – on the other. These differences concerned the issue of stabilizing Afghanistan and ensuring the transit of goods. As a result of relying on Russia and Iran, Northern Alliance leader Ahmad Shah Massoud was deprived of the transport corridor through Uzbekistan and Kyrgyzstan. In the autumn of 1998, the Taliban reached the Uzbek section of the border. In addition, Russian border guards left Kyrgyzstan, while Uzbekistan left the TCS in 2000.⁴

In the context of these differences, the position of the Kazakhstan’s leadership was positively neutral. For Kazakhstan, the crucial task remained to ensure favourable external conditions for the implementation of market reforms. The most important national project was the translocation of the capital city from Almaty in the south to Astana in the north, which happened in December 1997. This was also a geopolitical project: moving the capital city from the hectic and crowded south to the industrial north predominantly populated by Russian-speaking population. This was particularly appropriate given the expansion of the instability zone in the south of the region. In general, the expectations of the Kazakh leaders were justified in terms of both economic and geopolitical aspects.

The growing aggression against the Central Asian republic of Uzbekistan by the Islam Movement of Uzbekistan in the period 1999-2000 continued to destabilize the regional security.

It is necessary to state once again that the global threat of terrorism penetrated deep in the complex of regional security issues and received a new meaning after the bombings of U.S. embassies in Africa (the simultaneous terrorist attacks in Nairobi and Dar-es-Salaam in August 1998). Osama bin Laden declared a jihad to the United States and its allies that had serious consequences, especially for Afghanistan and Central Asia. The first U.S. bombings over Afghanistan were on 20 August 1998 as part of the operation “Infinite Reach” aimed at Al-Qaeda training camps. An important part of the context

³ Bisenbaev, A.K. *Not together: Russia and the countries in Central Asia*. St. Petersburg: Peter, 2011, p. 170.

⁴ Akimbekov, S.M. Russian policy in Central Asia, *Pro et Contra* 5:3 (2000), pp. 82-83.

of global and regional policy became Russia's default (it was announced by the Russian government on August 17, 1998), which extremely weakened the position of Moscow, including that in Central Asia. There were changes in the regional balance of power. How did the context of international and regional relations influence the formation of the SCO and its perception in Kazakhstan and Central Asia? It is necessary to elaborate deeply on this question.

Establishment of the SCO and regional security issues in 1998 – 2001

In the context of the events of 1998, it is necessary to distinguish the meeting of Ministers of Foreign Affairs of the "Shanghai Five" in Almaty (Kazakhstan), where on July, 3 a joint statement was approved. Regional experts and politicians assess this document as the beginning of the creation of the SCO. Apparently, they refer to paragraph 2 of this statement: "The parties, judging the realities in the region, have agreed to actively develop bilateral and regional dialogue and consultations on security issues, and welcome the process of joining of all interested countries in the region. It was agreed to convene meetings when necessary at the level of experts, foreign ministers, Heads of Government and Heads of State to address the issues of security and cooperation in Central Asia and on the Asian continent as a whole."⁵

In addition, paragraph 5 of this document conceptually outlines the primary purpose, and here even shows the motive that caused the parties to move towards each other. In particular, the statement said that "the sides agree that any manifestation of *national separatism, ethnic intolerance and religious extremism* is unacceptable. They will take measures to combat *international terrorism, organized crime, illegal trafficking of weapons, narcotics and psychotropic substances* and other forms of international crime, preventing the use of their territories for the organisation of activities detrimental to national sovereignty, security and public order, in any of the five states."⁶

These formulations were later transformed into the concept of fighting the "three evils," which was presented in one of the founding documents of the SCO. Another characteristic of the document is that the "Shanghai Five" supported Kazakhstan's initiative CICA. So far, none of the integration projects had received such approval.

Thus, the intent of the "Shanghai Five" in strengthening regional security marked on July 3, 1998, became the basis for the establishment of the SCO. It is interesting to mention that all of the negative events of the late summer and in the autumn of 1998 contributed significantly to the collective efforts to create a system of regional security. Unfortunately, rational motivation and a clear vision of the threats did not prevent any further development of the dramatic processes.

In 1999, the negative trends intensified. The destabilization of the situation in Central Asia was caused by Batken events. Kazakhstani expert S. Akimbekov said: "Groups of

⁵ Joint statement of the participants in the Almaty meeting, 3 July 1998, *Legislation of the Countries in Central Asia* (2003), www.ca-econet.info/dogovory/65.htm (24 Apr. 2011).

⁶ *Ibid.*, emphasis by the author.

IMU fighters, led by Juma Namangani, attacked from the territory of Tajikistan the mountainous areas in Kyrgyzstan and took over a few villages. They hoped to sneak into the Uzbek part of the Ferghana Valley and organize an uprising against President Karimov. The fightings which continued for more than two months, showed the complete incompetence of the state structures of Kyrgyzstan.⁷

The meeting of Heads of States of the “Shanghai Five” on August 25, 1999 was held in the Kyrgyz capital Bishkek and went into the history of the SCO. As a result, a Declaration was adopted, defining the regular mechanism of interaction between countries in the “Shanghai Five.” The summit took place at a time when the IMU combatants continued their attempts to enter Uzbekistan. Subsequently, these events were called by the informal name “Batken War.” This was the first time when a meeting of the foreign and defence ministers of Kyrgyzstan, Kazakhstan, Tajikistan, and Uzbekistan was convened in the town of Osh. As the Kyrgyz experts Nurbek Omuraliev and Ainura Elebaeva stated, this meeting produced a joint plan of action to eliminate terrorist groups, as well as a joint statement. It informed that the militant groups included not only immigrants from Central Asia, but also from a number of other states, and the conclusion was the following: the actions of international terrorists were aimed at destabilizing the situation in the region.⁸

Clashes in southern Kyrgyzstan lasted for two and a half months from the end of July to mid-October 1999 with 17 military casualties. For Central Asia, this was a real shock, because since in the first three weeks the Kyrgyz armed forces did not take active measures to eliminate militants, many civilians and members of the security services were taken hostages. There were foreigners among them – Japanese archaeologists. This act gave the event an international meaning. The aim of the militants remained the secular regime in Uzbekistan. This raised the question of Tashkent’s participation in the new, emerging security mechanism.

Turning to the text in the Bishkek Declaration of 1999, it should be noted that the paper does not mention the Batken events, despite their obvious importance to regional security. Furthermore, one provision in the Declaration has indirect relation to them. In particular, in Section 4 it is stated: “The parties are determined to prevent the use of their territories for the organisation of activities unfavourable to the sovereignty, security and public order in any of the five states.”⁹

One of the critical issues identified by the events in southern Kyrgyzstan was the lack of coordination among the Central Asian states in the fight against terrorism. Moreover, it seemed that the Kyrgyz authorities remained passive in the hope of voluntary withdrawal of IMU combatants, as their purpose was not Bishkek.

⁷ Akimbekov, S.M. Russian policy in Central Asia, *Pro et Contra* 5:3 (2000), p. 84.

⁸ Omuraliev, N., & Elebaeva, A. Batken events in Kyrgyzstan, *Central Asia and Caucasus* 1 (2000), www.ca-c.org/journal/cac-07-2000/04.omural.shtml (5 Nov. 2011).

⁹ Declaration of the Heads of State of the Republic of Kazakhstan, the People’s Republic of China, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan. Bishkek, 25 August 1999, www.ca-econet.info/dogovory/65.htm (5 Nov. 2011).

The deterioration of the security aspect of the situation in 1999 was directly linked with two factors: the termination of the civil war in Tajikistan, where the IMU fighters were “out of work,” and the movement of the Talibans to the border of the CIS, which was a motive for their activation.

The Summit of the “Shanghai Five” in 2000 was held in the Tajik capital Dushanbe. On July 5, a joint declaration was adopted, known in history as a preparatory document in the process of establishment of the SCO. Interestingly, the elaboration of the founding documents took place in the summer of 2000 and the text of the Declaration outlined their future contours. In particular, Paragraph 1 states: “The Parties shall put efforts to transform the “Shanghai Five” into a regional structure of multilateral cooperation in various areas.” In addition, Paragraph 2 emphasizes that “in view of the geopolitical situation prevailing in and around the region, the Parties are determined to deepen cooperation in the political, diplomatic, economic, trade, military, military-technical, and other areas in order to strengthen regional security and stability.”¹⁰ It is clear that from the very beginning the SCO was being formed as a multi-profile organisation, with an emphasis on security cooperation.

Considering the lessons from the “Batken War,” the Dushanbe summit of Heads of States of the “five” marked the presence of Uzbekistan as an observer, and the activation of Kyrgyzstan which launched a major initiative in the field of security – the creation of the Regional Anti-Terrorist Structure (RATS) with headquarters in Bishkek. Paragraph 5 of the Dushanbe Declaration stated that parties support this initiative and assign competent authorities in their countries to begin negotiations to prepare specific proposals.¹¹

In general, in 2000 the situation in Central Asia was characterized by experts as very volatile. The Talibans were successfully advancing to the Northern Alliance, but on the other hand, their power became weaker from the increasing local resistance. The Central Asian problematics at this time was part of the global agenda. At the beginning of August, US-Russian consultations on Afghanistan took place in Washington where it was decided to promote the creation of a coalition government.¹²

In early August 2000, Uzbekistan was once again attacked by IMU combatants, this time – in Surkhandarya region which borders Afghanistan. In addition, attacks on southern Kyrgyzstan continued. A political observer from Central Asia, E. Islamov, assessed the scale of attacks in 2000 as follows: “About 100 well-trained and heavily armed members of the IMU participated in Surkhandarya region during the events in 2000. Witnesses claim that several thousand soldiers from the combat-ready units of the Uzbek army were needed to restore order and security in the area. Taking counter-insurgency measures, the Uzbek units set here many mines ... In order to bring strict order the authorities detained all local residents suspected of any aid or assistance to Is-

¹⁰ Declaration of the Heads of State of the Republic of Kazakhstan, the People's Republic of China, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan. Dushanbe, 5 July 2000, www.ca-econet.info/dogovory/65.htm (6 Nov. 2011).

¹¹ *Ibid.*

¹² Akimbekov, S.M. Russian policy in Central Asia, *Pro et Contra* 5:3 (2000), pp. 84-85.

lamic militants. After the invasion in 2000, Uzbek security forces arrested about 100 people in the areas adjacent to the battlefield.”¹³

Thus, we can conclude that in the early 2000s an insurgency movement started that had its roots in Afghanistan. The most violent attacks were directed towards Uzbekistan and Kyrgyzstan. The formation of a regional security system became a priority issue. The countries of the “five” realized this, but the arrangements did not keep pace with the events. The situation was still controlled by the state agencies of Uzbekistan and partially of Kyrgyzstan. Kazakhstan’s situation in this context looked relatively safe. The leadership managed to protect the country from the mounting ethnic conflicts. The troubling events in the south of Central Asia as a whole did not reflect on the Kazakh security.

Establishment of the SCO and its institutionalization in 2001 – 2002 in the context of the operation in Afghanistan

By the end of 2000, participants in the “Shanghai Forum” finished work on the Convention on Combating Terrorism, Separatism and Extremism, and a Council of national coordinators was formed to play the role of a working body.

The establishment of the Shanghai Cooperation Organisation was announced on June 15, 2001 at a summit of the Heads of States of China, Russia, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan. Two fundamental documents were signed – the Declaration and the Convention. The last document—the Convention on Combating Terrorism, Separatism and Extremism—in fact, laid the foundation for cooperation among the parties. The Convention gave the definition of the “three evils.” Optimism about the future of the Organisation was based on the fact that the major powers of Eurasia—Russia and China—shared responsibility for the security in Central Asia. After signing the documents on the formation of Bishkek antiterrorist centre, on the establishment of a nuclear-free zone in Central Eurasia and the admission of Uzbekistan in the Organisation as a full-fledged participant, it was possible to state that a new interstate security structure existed in the region which claimed geopolitical influence. According to Kyrgyz researchers A. Saliev and E. Usualiev, the presence of Uzbekistan in the Organisation helped shift the focus on trade and economic cooperation.¹⁴

Furthermore, in the summer of 2001 the situation in the region deteriorated due to the military and political processes in Afghanistan. The destruction of one of the leaders of the Northern Alliance, Ahmed Shah Massoud, on September 9, 2001 was an important sign. Two days later, the events of September 11 changed the global and regional balance of power fundamentally. The war on terrorism started and the attention of the global player—the U.S.—focused on Central Asia.

¹³ Islamov E. IMU militants spotted in a remote area of Surkhandarya, www.centrasia.ru/newsA.php?st=1057869420 (21 Dec. 2011).

¹⁴ Saliev, A.A., & Usualiev, E.E. The formation of a system for regional security in Central Asia. In: A.D. Voskresenski, ed. *North-East and Central Asia: dynamics of international and inter-regional interaction: Textbook*. Moscow: ROSSPEN, 2004, p. 460.

Kazakhstani expert M. Laumulin estimated these geopolitical changes as follows: "Moscow and Beijing, who initially provided a substantial support to U.S. efforts in the fight against international terrorism in the autumn of 2001, in early 2002 faced a completely new situation in the region, affecting their national interests. The most obvious consequence of the geopolitical changes that took place was the long-awaited and quite frank move of Russia toward the West."¹⁵ This was proved by the effective consent of Vladimir Putin to allow the deployment of permanent U.S. and NATO military bases in Central Asia. This, in turn, provoked a lively political and expert discussion in Russia.

In addition, M. Laumulin pointed out that the qualitative change in the military-political situation in early 2002 was estimated as weakening of China's strategic position with the presence of NATO military bases in its rear. Thus, the author concludes, the long-standing efforts of the PRC were questioned, including those in the framework of the SCO.¹⁶

For the countries in Central Asia, the problem of the spread of radical Islam was removed from the agenda due to the U.S. military presence. The relevance of the SCO as the organisation responsible for regional security was lost to a large extent. As a key partner of the United States in the region, Uzbekistan did not seek political and military cooperation with Russia, while for China the economic track was more attractive.

For Kazakhstan, this turn of events meant the possibility of expanding the opportunities for manoeuvres. Despite the fact that Uzbekistan became a key partner to the United States, Kazakhstan was able to diversify its sources of arms purchases. In addition, some Kazakhstani experts noted that at first Operation "Enduring Freedom" planned to establish military bases on the territory of Kazakhstan. The active U.S. participation in the creation of the Kazakhstani fleet in the Caspian region is well-known. In this environment, it was difficult for the SCO to try to guarantee both national and regional security.

The institutionalization of the SCO, especially the establishment of permanent bodies, was a slow process. However, on June 7, 2002 at the Summit of Heads of Member States of the Organisation, the charter document was adopted – the Charter of the SCO, which specified the main activities of the Organisation. In particular, Article 3 says: "The main areas of cooperation within the SCO are: *strengthening of peace and security* and confidence in the region; *search for common positions on foreign policy issues* of common interest, including in international organisations and at international fora; *development and implementation of measures to jointly combat terrorism, separatism and extremism*, illicit drug and arms trafficking, other transnational crime and illegal migration; *coordination of efforts in the field of disarmament and arms control*; support and recognition of regional economic cooperation in various forms, creation of favourable environment for trade and investments in order to realize free movement of goods, capital, services and technologies; effective use of existing infrastructure in the area of

¹⁵ Laumulin M.T. *Central Asia in the foreign politics and global politics*, Vol. IV. Almaty: KISS, 2010, p. 75.

¹⁶ *Ibid.*, pp. 75-76.

transportation and communications, improvement of transit potential of the Member States, development of energy systems; effective environmental management, including the use of water resources in the region, the implementation of joint environmental programmes and projects; mutual assistance in the prevention of natural disasters and industrial failures and elimination of their consequences; exchange of legal information for the development of cooperation in the SCO framework; expanding cooperation in the field of science and technology, education, health, culture, sports and tourism.”¹⁷

It is clear from the provisions of the Charter that security issues remained a priority. On the other hand, based on the expert assessments of the event-driven context of Central Asia, the SCO was not recognized as a leader in dealing with security issues.

Despite the challenges of competition, the SCO member countries became more active in organizing events. An extraordinary meeting of the Council of Foreign Ministers of the Shanghai Cooperation Organisation took place on September 5, 2003. The meeting made a decision on the establishment of the SCO Secretariat in Beijing and the Regional Anti-Terrorist Structure, headquartered in Tashkent.

The activities of the SCO in 2003 – 2008

In 2003, the absolute dominance of the U.S. in the region was shaken. The military campaign against Iraq split the ranks of the Allies and made them change their policy concerning Afghanistan. In the summer of 2003, NATO led the International Security Assistance Force (ISAF) and developed a strategy for Central Asia.

The overly optimistic expectations of the U.S. military presence in Central Asia were replaced by the realization that Washington cannot solve all the problems of regional security. One of the most complex problems in the region—drug trafficking—was never solved; on the contrary, it was aggravated. M. Laumulin writes: “The international forces lack cohesion in the fight against drug trafficking. ISAF cautious attempts to press private mini-armies inevitably stumble into the opposition to the U.S. occupation forces, who often collaborate with warlords, who are in many cases also the ‘drug lords’.”¹⁸

Experts ascertained the impotence of the international community to solve the problem. In particular, it was reported that only in 2003, Afghanistan produced more than 7 tons of heroin (87 % of global consumption and nearly 100 % of the consumption in Europe).¹⁹ Restoring the pre-war volume of drug production and its sharp increase could mean an increase in funding not only to former mujahideen, but the Taliban as well. Undoubtedly, the threat of drugs is assessed as a transnational threat. For Kazakhstan,

¹⁷ Charter of the Shanghai Cooperation Organisation. St. Petersburg, 7 June 2002, www.sectSCO.org/RU/show.asp?id=86 (5 Nov. 2011). – emphasis by the author.

¹⁸ Laumulin M.T. *Central Asia in the foreign politics and global politics*, Vol. IV. Almaty: KISS, 2010, p. 250.

¹⁹ Kuprienko, E.E. The moral and psychological state of the population and personnel in the Armed Forces of Afghanistan, Institute for the Middle East, www.iimes.ru/rus/stat/2006/11-04-06.htm (6 Nov. 2011).

prevention of terrorist attacks was not a serious issue; however, the drug trafficking directly threatened the republic. In 2003, 340 thousand drug addicts were officially registered in the country. Experts explained this with the geopolitical position of Kazakhstan and the unresolved border issues.

The gradual activation of Islamists in Central Asia in 2003 was expressed in a variety of forms: acts of terrorist groups (such as the IMU); the explosion in Bishkek on December 27, 2003; the explosion in the city of Osh on May 8, 2003; activation of propaganda campaigns of "Hizb-ut-Tahrir" (for example, in Khujand, Tajikistan two modern underground printing presses were found where huge numbers of leaflets, books and brochures were printed). It was for this reason that in December 2003 the U.S. State Department warned its citizens of the possibility of terrorist attacks by Islamic radicals on hotels, foreign embassies and other institutions in Uzbekistan. The worst news for SCO was the foundation of the Islamic Movement of Turkestan (IMT), which included the IMU and Uighur separatists from Xinjiang, China. The wave of terrorist attacks moved to Russia as well.

The analysis of the SCO work in the Central Asian context would be incomplete without mentioning the sharp rise of the prices of mineral resources. For the countries of the region, rich in gas and oil fields, this was good news. China intensified its economic cooperation with Kazakhstan primarily in the energy sector. In a sense, in 2003 a new phase of cooperation within the SCO framework began, when the economic issues "aligned" their positions with security issues.

Negative trends in the regional security, which emerged in 2003, gained speed in the spring of 2004. In the spring, Islamists began a real terrorist war against Uzbekistan. The first attacks occurred on 28 March – 1 April in Tashkent and Bukhara. IMU took the responsibility for them. Officially, they were extremists from the underground organisation "Jamoat." As a result of the attacks, between 22 and 40 people were killed and about 50 were injured. In the course of the special operation and directly from the explosions 33 terrorists were killed. 45 suspected terrorists were detained and charged. The investigation found out that several subunits of "Jamoat" directly related to the "Hizb-ut-Tahrir" movement²⁰ had been working in Tashkent and Bukhara areas since 2000. The next series of terrorist attacks occurred on July 30. During the trial of suspects in the terrorist acts on March 28 – April 1, there were explosions outside the buildings of the American and Israeli embassies, as well as in the building of the Prosecutor General in Tashkent. The official report stated that as a result of attacks two people were killed and nine were wounded.²¹

The acts of IMU seriously worried the U.S. command in Afghanistan. During an operation of the Pakistani army in the southern part of the province of Waziristan (tribal

²⁰ Terrorist acts in Tashkent and Buhara were conducted by activists from the organisation "Jamoat," www.lenta.ru/terror/2004/04/09/uzbek (6 Nov. 2011).

²¹ Terrorist acts in Uzbekistan, www.utro.ru/articles/2004/07/30/335217.shtml (6 Nov. 2011).

area bordering Afghanistan), they came across large Uzbek formations (600-700 individuals), which, according to the Pentagon, were guarding top officials from Al-Qaeda.²²

Between these alarming events, on 16 and 17 June 2004, Tashkent hosted a summit of the SCO Heads of States, where a Declaration on the observer status was adopted. Uzbekistan came up with a proposal, the purpose of which was to strengthen regional security measures. The Declaration stated: "The Heads of States support the initiative of the Republic of Uzbekistan to hold regular meetings of the Secretaries of Security Councils of the Member States of the Organisation in order to strengthen the cooperation of the national authorities in combating new threats and challenges."²³

Apart from the negative factors, economic cooperation in Central Asia intensified. The Declaration from Tashkent stated: "The long-term Programme for multilateral trade and economic cooperation of SCO member states, approved by the Council of Heads of Government (Prime Ministers) in Beijing in September 2003, is of fundamental importance for the strengthening of the SCO as a whole and the development of its economy."²⁴

It was obvious that such documents reflected specific interests, in this case, the interests of China and some Central Asian states, such as Kazakhstan. Statistics show that the Programme had already been aligned with the Chinese strategy. According to Kazakh expert K. Syroezhkin, in 1993-1998 total foreign direct investments from China to Kazakhstan amounted to only 411.7 million dollars, in 2004 they were 393.5 million, and in 2005 – 1.2 billion dollars.²⁵

Thus, we can conclude that in 2004 the cooperation in Central Asia developed in a difficult environment of continuous destabilization of the ongoing campaign in Afghanistan, which had spilled over to neighbouring Pakistan. The activity of the SCO in the economic sector marked a considerable increase.

The economic and social situation in the countries of Central Asia in 2005 looked different. While in Kazakhstan the market reforms and rising oil prices gave positive results, in Uzbekistan the strict state control and security problems increased the attitude of discontent. Internal factors turned into catalysts for destabilization and motivated the activation of radical Islamists. In addition, the wave of "colour revolutions" did not bypass the region: during the parliamentary elections in February–March 2005 in Kyrgyzstan, an anti-government movement was formed with the participation of different political forces. As a result of the political destabilization of Kyrgyzstan, neighbouring countries decided to close the borders. On March 24, President Askar Akayev fled the country and the representatives of the South, led by President Bakiyev, came to power.

²² Tohid Ovitz. Uzbek bodyguards to Al-Qaeda, *Christian Science Monitor*, www.centrasia.ru/newsA.php?st=109649418 (6 Nov. 2011).

²³ Tashkent Declaration of Heads of State of members of the Shanghai Cooperation Organisation, 17 June 2004, www.sectsco.org/RU/show.asp?id=86 (6 Nov. 2011).

²⁴ *Ibid.*

²⁵ Syroezhkin, K. "The big game" in the Central Asian region, Institute for economic strategies – Central Asia, www.inesnet.kz/karkas/158-konstantin-syroezhkin-bolshaja-igra-v.html (13 Apr. 2010).

At the same time, protests against the economic policy of the government were organized in Uzbekistan. The increase of customs taxes on imported goods and trade restrictions in general caused social protest, as the country's "shuttle" trade offset the high level of unemployment.²⁶

In the context of these events, in May 2005 a riot broke out in Andijan (Uzbekistan) that was cruelly suppressed by the authorities. The number of casualties is still a matter of controversy: according to official figures, 167 people were killed, but according to witnesses their number was between 300 and 500. As a result, about 500 people fled from Andijan to Kyrgyzstan.²⁷ The EU and the U.S. demanded an international investigation into the events on May 12-14, but Tashkent refused. The negative appraisal of the brutal suppression of the Andijan uprising among the international community, especially the governments of Western countries, affected the balance of power in the region. Uzbekistan's relations with the Western allies sharply deteriorated; however, Karimov found support in Beijing and Moscow.

The Russian newspaper "Kommersant" published an adequate comment on the sharp foreign policy turn of Uzbekistan: "Apparently, perfectly aware of Islam Karimov's situation right after the events in Andijan, Vladimir Putin invited him to come to Moscow. Let us point out that in contrast to the West, where suspicions arose from the very beginning that the tragedy in Andijan was caused by an internal conflict, Moscow supported the thesis of "the external factor" and the "intrigues of international terrorism." Another world power which, in addition to Russia, did not join the chorus of voices condemning the Uzbek authorities, was China. As a result, Islam Karimov initially chose to go to Beijing, pointing out the fact that the visit to China had been planned in advance, and only then got to Moscow. Thus, Karimov was able to raise the stakes before his visit to Russia demonstrating that even in the unenviable situation in which he found himself, relations with Moscow were not the only "concept of salvation," and therefore "he did not intend to unconditionally accept all terms of Moscow, which was now trying to draw Tashkent into the orbit of its policy in Central Asia."²⁸

The visits of the President of Uzbekistan took place in preparation for the summit of the SCO, which was held in Astana on July 5. Following the meeting, a document was approved that went down in history as the anti-American declaration. The text did not quote directly the United States, but it was clear enough who the following statement was addressed to: "With the completion of the active military phase of the antiterrorist operation in Afghanistan, the Member States of the Shanghai Cooperation Organisation consider it necessary that the relevant members of the antiterrorist coalition set a dead-

²⁶ Uzbekistan: the Andijan uprising. Briefing on the latest developments. Briefing 38 Asia. Bishkek-Brussels: International Crisis Group, 25 May 2005, p. 1.

²⁷ *Ibid.*, p. 28.

²⁸ Solovyov, V. Survival visit. Islam Karimov requests intercession from Russia, *Kommersant*, www.kommersant.ru/doc/672428 (15 Nov. 2011).

line for temporary use of the above mentioned infrastructure facilities and stationing of military contingents on the territories of the SCO member states.”²⁹

It should be noted that at this time the whole Organisation was in a state of upsurge: the SCO accepted as observers countries like Pakistan, Iran, and India; the institutional structure was being rebuilt, e.g. the SCO Business Council, the Development Fund. SCO received an observer status at the UN General Assembly. In Astana, the decision was made for more serious involvement of the Organisation in the solution of the Afghan problem, and a Protocol was signed between the Shanghai Cooperation Organisation and the Islamic Republic of Afghanistan on the establishment of a SCO–Afghanistan Contact group. This kind of optimism was based on the progress made in Afghanistan: observers reported decrease in drug trafficking and active nation-building in Afghanistan, which inspired hope for the best. The adoption of the Constitution of Afghanistan, the formation of the government and the presidential elections – all that was particularly noted by both Western and Central Asian experts. Then, “Foreign Affairs” published F. Starr’s sensational article “Partnership for Central Asia,” which initiated the discussion around the project of “Greater Central Asia.”³⁰

In this situation, the withdrawal of the U.S. Air Force from “Karshi-Khanabad” looked logical. Uzbek President Islam Karimov, relying on the support of the SCO, demanded the withdrawal of U.S. troops from the territory of the country. Negotiations were conducted by the United States Assistant Secretary of State, Daniel Fried, who reported on September 28, 2005 that the troops will be withdrawn before the end of the year.³¹ For the Pentagon, it was an undoubted loss, especially given the fact that the resistance of the Taliban had not decreased – on the contrary, it began to increase.

The consequences in 2005 looked promising for SCO: raising the status of the Organisation due to the growing number of observer countries, strengthening of economic cooperation areas, and ousting the U.S. out of Central Asia.

The year 2006 was marked by the proliferation of violence and terrorism in Afghanistan. The media noted that following the start of the Iraqi war in 2003, the Islamists reorganized and regrouped their forces, adopting the methods of fighting from their Iraqi counterparts. Explosions by suicide bombers became common. The first major terrorist act of this kind was performed in January 2006, where the explosion killed 21 people. Later, these suicide bombings took place more frequently. Their targets were mostly soldiers of NATO troops, but most of the casualties were civilians. By the end of 2006, more than a hundred suicide attacks had been performed.

In addition to such acts, the Taliban increasingly used other methods: mining of roads and vehicles, attacks on police posts and bases of international coalition forces, murdering local authorities, threats to the local population, abduction. In late summer,

²⁹ Declaration of Heads of State of SCO Member States, Astana, 5 July 2005, www.sectesco.org/RU/show.asp?id=98 (15 Nov. 2011).

³⁰ Starr, F. Partnership for Central Asia, Russia in the Global Politics, www.globalaffairs.ru/number/n_5459 (24 Nov. 2009).

³¹ Goncharov, P. US troops leave Uzbekistan, <http://ria.ru/analytics/20050928/41537403.html> (12 Oct. 2006).

the scale of military acts performed by the Taliban became threatening: the Islamists had predominant influence in the four southern and two eastern Afghanistan provinces.³²

For Central Asia, destabilization in Afghanistan meant the rise of Islamists. Two explosions occurred in Dushanbe on July 25-26, which experts considered as acts of terrorism committed by the IMU. Independent research centre "Peaceful Asia" presented the results of a study of the situation in Kyrgyzstan in the spring and summer of 2006. In particular, it was noted that even a cursory analysis of incoming public data clearly showed the threatening dynamics of development of clandestine cells of terrorist and extremist organisations in the Kyrgyz Republic. It was also pointed out that they were located in the south of the country (Uzgen, Jalalabad).³³ Despite the limited locality, these attacks continued to seriously disturb the Central Asian countries.

The year 2006 marked the fifth anniversary of the SCO. At the summit of the Organisation on June 15, a Jubilee Declaration was adopted, which contained optimistic assessments of the situation in Central Asia: "As a whole, the situation in the Central Asian region is stable. The countries have achieved historic success in political and economic reforms in the sphere of social progress. Due to their unique historical and cultural traditions, the countries of Central Asia shall be treated with respect and understanding by the international community. It is necessary to support the efforts of the Central Asian governments to ensure security and stability, socio-economic development and sustainable growth of people's living standard."³⁴

During this period, the SCO faced another problem – the weakening of motivation of Central Asian partners. In particular, the Organisation became increasingly disappointed with the Kazakh establishment.

Kazakhstani expert M. Laumulin published a paper with an interesting and provocative title: "The SCO – a grand geopolitical bluff? A glimpse from Kazakhstan," which raised important questions about the role of the SCO for third players – the Central Asian states. Here is one of the statements in this article: "SCO's work in the security sector is largely declarative, although the organisation could play a big role, especially given the fact that the situation of threats coming from Afghanistan during the time of the Taliban has changed little. As before, drugs flow here, but the new administration pretends not to see. It can be assumed that a substantial portion of these funds are used to sponsor terrorist Islamist groups who have gone underground, but have not disappeared completely after the anti-terrorist operation "Enduring Freedom" under the auspices of the United States."³⁵ Further on the frustration was growing stronger.

³² Korgun, V. Afghanistan–2006, Afghanistan, www.afghanistan.ru/doc/7602.html (12 Oct. 2011).

³³ Usgen – Kadamzhaj – Zhalalbat: trend or coincidence. Independent research centre "Peaceful Asia," <http://studies.agentura.ru/library/uzgen> (12 Oct. 2011).

³⁴ Declaration of the first five years of the Shanghai Cooperation Organisation, Shanghai, 15 June 2006, Shanghai Cooperation Organisation (2006), www.sectsco.org/ru/show.asp?id=108 (4 Nov. 2011).

³⁵ Laumulin, M.T. SCO – a grand political bluff? French Institute for International Relations (IFRI), www.ifri.org/downloads/laumullinrusse.pdf (25 Jan. 2010).

During the years 2006-2007, Russia became more active in the process of the resuscitation of the Collective Security Treaty Organisation (CSTO). In particular, on October 6, 2007, at the session of the Collective Security Treaty Organisation in Dushanbe, the Agreement on CSTO peacekeeping activities was signed, which included the establishment of permanent CSTO peacekeeping forces.

The attempt to consolidate the CSTO, and therefore Russia, was supposed to strengthen regional security in Central Asia; however, the Collective Security Treaty Organisation could not compensate for the weakness of the regional security system, and the process of institutionalization of the CSTO was not completed. Initiated by Russia in 2007, a Memorandum of Understanding between the SCO and the CSTO was signed. Nevertheless, Moscow's attempts to integrate in the Memorandum security elements from the SCO and the Collective Security Treaty Organisation failed as a whole.

A summit of the Heads of SCO member states took place in Bishkek on August 16, 2007. The final document (Declaration) outlined the important security components in the Central Asian countries, the issues of anti-drug cooperation and energy security.

The emerging differences between the Chinese and Russian approaches to the integration projects in Eurasia were noticeable. The rise of the Russian economy and the high expectations helped to achieve SCO goals only partially. The conflict between the Chinese and Russian approaches to the integration processes reached its peak in 2008. This was largely due to the Russian-Georgian war in August 2008, when Moscow supported Abkhazia and South Ossetia during an attempt to restore Georgian sovereignty over Tskhinvali. For China, supporting their secession from Georgia was hardly any different from supporting Kosovo's separation from Serbia. For Beijing, separatism was one of the "three evils." As far as Central Asian countries were concerned, the rise of Russia was accompanied by both positive expectations and fears of the resuscitation of imperial sentiments. In general, the position of SCO member states could be called pessimistic and cautious at the same time.

The Dushanbe Declaration of Heads of SCO Member States from August 28, 2008 stated: "Relying only on the military solution has no prospects, it hinders the overall settlement of local conflicts; a comprehensive solution to the existing problems is possible only with full consideration of the interests of all parties, and their involvement in the process of negotiations, and not isolation." With regard to the Russian-Georgian armed conflict, the text of the document stated: "The SCO member states express their deep concern with the recent tensions around the South Ossetian issue and urge the parties concerned to peacefully resolve the existing problems through a dialogue, to work for reconciliation and facilitate negotiations. The SCO member states welcome the approval in Moscow on August 12, 2008 of the six principles for resolving the conflict in South Ossetia and support the active role of Russia in promoting peace and cooperation in the region."³⁶

³⁶ Statement on the dialogue partner status in the Shanghai Cooperation Organisation, Dushanbe, 28 August 2008, *Shanghai Cooperation Organisation*, <http://www.sectsco.org/RU/show.asp?id=116> (20 March 2010).

Astana's position was neutral. For Kazakhstan, the aggravation of the conflict between Russia and China was regarded as weakening of the Shanghai Cooperation Organisation and this put Central Asia in a vulnerable position. On the other hand, Kazakh experts claimed that the growing consolidation of Russia and China placed Kazakhstan in the role of a "slave." According to M. Laumulin, Astana received no tangible dividends from its participation in the SCO.

If we are to discuss the issues that really concerned Kazakhstan, then it is extremely important to mention the adoption of measures to prevent the effects of the financial crisis.

On October 31, 2008, the Council of Heads of Government of the SCO Member States met in Astana, where the President of Kazakhstan, Nursultan Nazarbayev, in particular, said: "Our countries need to work out a common set of measures to overcome the crisis phenomena and to go through them with minimum losses. Member States of the Shanghai Cooperation Organisation have all the necessary prerequisites to make the organisation a powerful financial and economic union." Kazakhstan offered to host in Almaty a meeting of the finance ministers and central bank governors of the SCO member and observer states on the issue of overcoming the financial crisis.

This concern of the President of Kazakhstan was quite understandable: the active involvement of the U.S. financial capital in the national financial system after the collapse of the financial markets in the first place affected such open financial systems like Kazakhstan.

The blow to the financial system of Kazakhstan became the "first sign" to the SCO. The escalation of the financial crisis into an economic crisis prompted the Central Asian states to search for support among such economically strong partners like China. Furthermore, Astana preferred to use the SCO as an engine to implement their economic initiatives. In addition to this Organisation, much attention was paid to the OSCE, OIC, etc.

For the SCO, 2008 was a year of strengthening the economic track, and, consequently, the influence of China.

SCO's activities in 2009 – 2012

In the spring of 2009, the Islamists in Uzbekistan activated their work again. On May 25-26, there were attacks on state institutions and suicide bombings with 16 casualties. Responsibility for the terrorist attacks was claimed by the organisation "Islamic Jihad," which, having separated from the IMU in 2002, became an independent organisation and was involved in the terrorist attacks in 2004. The Islamist attack was preceded by shooting on the Kyrgyz-Uzbek border. However, the Heads of SCO member states at their meeting in Yekaterinburg on June 16, 2009 identified the global financial crisis, energy and food security and climate changes as the new threats and challenges.³⁷

³⁷ Declaration of the Heads of States of SCO Member States, Yekaterinburg, 16 June 2009, www.sectsc.org/RU/show.asp?id=230 (6 Nov. 2011).

Based on the further activities of the SCO, it became clear that the problem of the financial and economic crisis became central. On December 9, 2009 in Almaty, a meeting of the finance ministers and governors of national banks in the SCO member states took place, which approved a Joint statement. In the search for effective steps, it was suggested that a Special account was created.

On 7-8 April 2010 in Bishkek, among the riots and demonstrations there was a second state coup. As a result, Bakiyev was ousted from the presidential post. It should be noted that external players, such as Russia and the United States, did not express much regret about it. For the neighbouring Central Asian states—Kazakhstan and Uzbekistan—this was a signal for a new round of destabilization, and suspicions on this count were justified.

From 10 to 16 June ethnic clashes broke out in southern Kyrgyzstan. The towns of Osh and Jalalabad were the epicentre of these events. According to official figures, the clashes between Kyrgyz and Uzbeks resulted in 275 casualties and 100 000 refugees to Uzbekistan. The country suffered serious material damages. Political commentator A. Shustov evaluated these events as follows: "The main goal of the disorders is the failure of the referendum on June 27, which is expected to legalize the provisional government. To some extent, this goal was achieved because with this huge number of refugees the referendum would be disputed. In addition to the Kyrgyz Republic, Uzbekistan and Tajikistan were indirectly involved in the conflict: the first one hosted the Uzbek refugees, while the latter was accused of being part of the organisation of the unrest. Further escalation of the conflict will inevitably affect these republics. If we take into account that Kyrgyzstan and Kazakhstan have a common border, it is clear that the danger is threatening the whole of Central Asia."³⁸

CSTO was unable to assist the Kyrgyz Government in the resolution of the Osh conflict. Experts noted that the SCO could not provide instruments to influence the conflict either. The Declaration of Heads of SCO Member States of 11 June 2010 states: "In light of the events in the Kyrgyz Republic, Member States reaffirm the position of mutual support to state sovereignty, independence and territorial integrity. They are opposed to interference in the internal affairs of sovereign states, as well as actions that could cause tension in the region, and encourage the resolution of any dispute exclusively by political and diplomatic means through dialogue and negotiations. Member States, emphasizing the importance of early stabilization of the political situation in Kyrgyzstan for the entire region, expressed their willingness to provide Kyrgyzstan with the necessary support and assistance for the accomplishment of this task."³⁹

For Kazakhstan, the events in Kyrgyzstan turned out to be a serious challenge to social stability in the region, especially in the context of the global economic crisis. In his

³⁸ Shustov A. The events in Osh: part two, www.centrasia.ru/newsA.php?st=1276744380 (15 Nov. 2011).

³⁹ Declaration of the Heads of States of SCO Member States, Tashkent, 10-11 June 2010, www.sectSCO.org/RU/show.asp?id=395 (15 Nov. 2011).

overview of the events, President Nursultan Nazarbayev emphasized the difficult social and economic situation of the Kyrgyz society.

Kazakhstan's chairmanship in the SCO: the results of the first decade

In June 2011, the SCO celebrated its anniversary. Ten years of existence is a period good enough for evaluation. Despite the convoluted path of development and too broad spectrum of cooperation, SCO became part of the Eurasian security architecture. For Central Asia, the Organisation acted as a platform for discussion of a number of regional issues, as well as a territory for geopolitical manoeuvring between Russia and China, in some cases within the triangle China–Russia–USA. Furthermore, the position of “junior partners” was quite noticeable and hampered the unconditional acceptance of all initiatives of the “senior.” Kazakhstan, being a regional leader, claimed to be the “third player,” but the interest in the SCO was slightly weaker than in the CICA – its own international initiative.

Kazakhstan's active role was noticeable throughout the whole of 2011, even more so with the coincidence of the anniversary celebrations and the year of SCO presidency. In March 2011, Nazarbayev published an article in “*Rossiyskaya Gazeta*,” which outlined the views of Kazakhstan's leadership with regard to SCO and its development prospects. It should be noted that the statement of the President of Kazakhstan looked convincing and optimistic. According to N. Nazarbayev, SCO's greatest success was in the area of security. He wrote: “I should point out that only in the period from 2004 to 2011 thanks to the efficient work of the Regional Anti-Terrorist Structure more than 500 acts of terrorism were averted and thereby thousands of precious human lives were saved.” The article paid special attention to the economic, technological and resource potential of the SCO. The author repeatedly reminded of the events in North Africa as a result of a failed crisis management. Against this background, the policy and the potential of the SCO member states were evaluated positively. In conclusion the article stated that the period of institutionalization of the SCO had been completed.⁴⁰

The President of Kazakhstan believes that economic cooperation continues to be a weakness in the SCO. In his words, “many of the programmes and plans are not implemented in full; they do not bring adequate returns and need a thorough revision.”⁴¹ The aid granted by the Organisation to Kyrgyzstan after the Osh conflict was given as evidence of the effectiveness of the SCO: the amount of the aid exceeded 50 million dollars. Nazarbayev did not exclude the possibility that the SCO would have to assume the burden to assist Afghanistan after the withdrawal of coalition troops in 2014.

Undoubtedly, the article had a political nuance, but the expert assessment of the work of the Organisation was not very positive in terms of functional approach, in con-

⁴⁰ Nazarbayev, N.A., SCO – Ten Years of History, Russian Gazette, www.rg.ru/2009/06/16/regural/sammit-valuta-anons.html (16 Nov. 2011).

⁴¹ *Ibid.*

trast to the activities in Kazakhstan. The foreign policy of the Republic of Kazakhstan, including the SCO, was rated highly: creativity, a clear understanding of the current trends and, in some cases, even opportunistic approach.

During the term of its presidency in SCO, Kazakhstan initiated about 100 events. Astana, in particular, proposed the establishment of the SCO Interbank Reserve Bank, the formation of joint forces to combat cyber crimes, and other measures. Kazakhstan participated actively in the development of the SCO anti-drug strategy for the period until 2016.

Despite the constructive Kazakh initiatives, they could not serve as a full response to the challenges in the field of both regional and national security that came up in the last two years. For Kazakhstan, the years 2011-2012 were the time when the image of a strong and prosperous nation was undermined.

Terrorist acts committed in different areas of the country, according to most experts, were the result of Islamist underground work. The most striking of them were the attack on the frontier checkpoint "Arkagen" (15 dead) and the murder in the national park Ile-Alatau (11 dead) in the spring and summer of 2012. At first, the issue of destabilization of the situation in the country was raised by both experts and politicians. At a meeting on counter-terrorism in Akorda, President Nursultan Nazarbayev said: "We have to admit that radical extremist elements exert full pressure on the government and society as a whole."⁴²

For SCO, the destabilization of Kazakhstan may become a serious threat to the system, as its vast territory and extensive sections on the Kazakhstan–Russian and China–Kazakh border are the "core" of the area of responsibility of the Organisation. In this context, the withdrawal of NATO forces from Afghanistan and the ability of the Afghan National Security Forces (ANSF) to maintain control of the country becomes an urgent issue. In May 2012, Heads of NATO member states decided to set deadlines for transfer of control over Afghanistan from ISAF to the ANSF. In the context of the alarming events in Kazakhstan, it is time for SCO to remove the differences in approaches and to focus on security issues. This was emphasized at the Shanghai Summit of Heads of State on July 6, 2012.

Another disturbing event in Central Asia was the destabilization of Gorno-Badakhshan region in Tajikistan. The murder of the general officer in charge of the Tajik special services led to a military operation in the region in July 2012. Local people were shocked by the presence of Tajik armed forces. Furthermore, the difficult socio-economic situation in the region became an additional factor of discontent. The location of Badakhshan on the border with Afghanistan deserves additional attention from political and expert circles as to the potential threat of destabilization in Tajikistan as a whole. It is worth noting that joint military exercises of SCO member countries were conducted in the Sughd region in June 2012. Obviously, the Organisation is monitoring Tajikistan in

⁴² Skokov, I. Terrorist acts in Kazakhstan: not a threat but reality, <http://yk-news.kz/novosti> (27 July 2012).

particular in the sphere of military security. However, analysts believe that the measures taken by SCO to fight the “three evils” are inadequate.

In this context, it is highly recommended to study the expert discourse in Central Asia. Kazakh analyst K. Syroezhkin wrote in 2006: “In the SCO, as in any international organisation, there are several issues that make its existence complicated. First, this is the problem of unequal participation. Second is if not rivalry, then in any case the competition between Russia and China for leadership, complicated by the same irrational fear that China might become a leading power of the XXI century with the prospect of turning Russia and the Central Asian states into its raw material adjuncts. Third, the geopolitical factor related, on the one hand, to the military and political presence of the US in Central Asia, and on the other hand – the ambiguous position of Russia and China regarding their partnership with the United States, and therefore – the uncertainty of the attitude of other SCO member states on key issues of world politics. Fourth, the problem of further development of the SCO and its interaction with other integration structures and security structures in the region. Finally, the energy “thirst” of China and the problem of competition/cooperation in supplying the Chinese energy market by SCO member states.”⁴³

It is interesting to read E. Arslanov’s research “Shanghai Cooperation Organisation as an institution of regional security” in which the author’s analysis is based on the methodology of the Copenhagen School of International Relations. The main conclusion is the following: “The Shanghai Cooperation Organisation is a regional security complex with interregional structure having no analogue in modern integration processes, including post-Soviet countries, the South-East region and the Middle East. The objectives and tasks to be undertaken within the framework of the SCO are important for regional and global security. However, the problems that exist within this complex regional security create real difficulties on the way to integration.”⁴⁴

Until recently, the assessment of Kazakhstan within the framework of the SCO, particularly with a view to fight the “three evils,” was positive. In particular, the Kazakhstani expert L. Karataeva stressed: “Kazakhstan is putting more and more efforts to combat terrorism and religious extremism, now not only in real, but also in the information space. Of all the members of the SCO, Kazakhstan is the least vulnerable to the risk of terrorist attacks. We have a fairly balanced policy in the religious and ethnic areas. Great efforts are put to improve the level of social and economic development. Of course, all this is a deterrent to terrorist penetration in Kazakhstan.”⁴⁵

⁴³ Syroezhkin, K.L. Russia and Kazakhstan in SCO – problems and perspectives, *CentrAsia*, www.centrasia.ru/newsA.php?st=1166515560 (21 Nov. 2011).

⁴⁴ Arslanova, E.B. The Shanghai Cooperation Organisation as an institution for ensuring regional security, *Proceedings of the Ural State University*, [http://proceedings.usu.ru/?base=mag/0080%2804_\\$03-2010%29&xsl=showArticle.xslt&id=a10&doc=../content.jsp](http://proceedings.usu.ru/?base=mag/0080%2804_$03-2010%29&xsl=showArticle.xslt&id=a10&doc=../content.jsp) (21 Dec. 2011).

⁴⁵ Interview of the Academic Secretary of the Kazakh Institute for Strategic Studies to the President of the Republic of Kazakhstan L. Karataeva, *Evening Almaty*, www.vecher.kz/node/4932 (21 Nov. 2011).

The last comment is typical and until recently it was quite common. The events of 2011-2012 are to be analyzed, since it is still not clear whether the attacks in Kazakhstan are of “traditionally” religious nature.

Expert discourse around the problematics of SCO in Central Asia and Kazakhstan, as a rule, is concentrated on three issues. First, this is the problem of inequality (an obvious disproportion between Russia and China, on the one hand, and the countries of Central Asia – on the other); the second one – frustration over unresolved issues (in many cases boundaries in the region, water resources); and the third one – fear of instability in Central Asia, linked to religious and ethnic extremism. The method to solve problems is usually seen in the establishment of clear mechanisms for implementation of the decisions (management), in levelling the rivalry between Russia, China and other major players, in strengthening the political will of the member states of the SCO.

Based on the analysis of the events and international legal activities in the SCO, we could outline several stages in the work of SCO in Central Asia:

- Events and processes in 1998-2000, characterized by the fact that regional security issues moved from regional to a global level;
- The period 2001-2003, distinguished by stabilization in the security area, the creation of the Organisation, and identification of the players’ interests under the new geopolitical conditions;
- 2004-2008 – institutionalization of the SCO under the increasing threat of Islamism, revitalization of the economy due to the rise of the energy sector and the global financial crisis;
- 2009-2012, when the problems of the crisis stimulated cooperation in the economic sphere, and security did not lose its relevance and acquired a new meaning in the context of the events in Kazakhstan, Tajikistan and discussions on the withdrawal of NATO troops.

Kazakhstan’s position as the “third player” was important since first, until the middle of 2011 the security situation in the country was not as serious, as in the case of Kyrgyzstan, Tajikistan and Uzbekistan; second, large deposits of oil and gas, open market economy and other valuable resources attracted Russia and China while taking into consideration the interests of Astana and aiming to engage in its orbit the “rich” neighbour; third, the active foreign policy aimed at creating a positive image stimulated the Kazakh political and expert circles to put forward interesting initiatives for international cooperation, including in the framework of the SCO. Despite the importance of the SCO as a promising structure for cooperation in Central Asia, the Kazakhstan establishment was cautious in their assessments of the Organisation, as well as in their intent to take on additional responsibilities without having the prospect of solving their own important issues.

Chapter 7

Political and Legal Aspects of the Participation of the Republic of Kazakhstan in the Shanghai Cooperation Organisation

Zhenis M. Kembaev

Introduction

As a large multinational and multi-confessional state, located in the heart of Eurasia at the crossroad of completely different civilizations, the Republic of Kazakhstan has a vital interest to create a zone of good relations, stability and security, based on the universally recognized principles of international law, in particular, sovereign equality of States and their territorial integrity, non-use of force or threat of force in international relations and non-interference in the internal affairs of States, as well as peaceful settlement of international disputes and conflicts.

A logical consequence of this interest is the foreign policy of Kazakhstan aimed at building a system of international security and cooperation both at global (in the framework of the United Nations (UN)), and at regional level (especially in the framework of the Collective Security Treaty Organisation (CSTO), the Organisation for Security and Cooperation in Europe (OSCE), the Conference on Interaction and Confidence Building Measures in Asia (CICA) and the Shanghai Cooperation Organisation (SCO)). In this context, it is worth noting that Kazakhstan is the initiator of the CICA, as well as an active participant in the CSTO, OSCE and the SCO.

Each of the above organisations has its own specifics, and the participation of Kazakhstan in each one requires deep study on behalf of the scientific community (lawyers, experts in international affairs, political scientists, economists, etc.), and information about individual research. In this context, the purpose of this paper is to describe the political and legal aspects of the participation of the Republic of Kazakhstan in the SCO – an organisation which is of particular importance to the foreign policy of Kazakhstan in view of its member states (including key actors in international relations as Russia and China), the impressive in their length Kazakh–Russian (the longest in the world – 6846 km) and Kazakhstan–China (1533 km) borders, as well as the goals and objec-

tives of the organisation. The author attempted to identify the problems in the work of the SCO, and highlight future prospects of Kazakhstan's membership in the organisation.

Background

The importance of this course for the young post-Soviet state was determined also by the fact that in August 1969 there was an armed clash in its territory (near the Lake Zhalanashkol) along the then Soviet–Chinese border that threatened to grow into a full-scale war between the USSR and the People's Republic of China (PRC). Yet, both the Soviet and the Chinese leaders possessed the wisdom to stop the bloodshed and to start negotiations on the border and the resolution of territorial disputes (the Soviet government delegation included representatives of all Soviet republics neighbouring China).

This negotiation process moved slowly for a long time and surprisingly became more intense with the process of changes in the Soviet Union during the second half of the 1980s. At the same time, negotiations were characterized by commitment of the parties to make mutual compromises not only with respect to the border, but also on mutual disarmament in the name of security guarantees in the relations with each other and achievements of foreign policy stability. As a result, on April 24, 1990 an Agreement was signed between the Soviet Union and China on guidelines for mutual reduction of armed forces and military confidence-building in the area near the Soviet–Chinese border.

Rapprochement between the parties continued even after the collapse of the USSR, this time in the framework of five countries (the so-called "Formula 4 +1" – the four post-Soviet states: Kazakhstan, Kyrgyzstan, Russia and Tajikistan, and China). As a result, in July 1992 the Republic of Kazakhstan (as well as other former Soviet states) formed their national delegation, whose tasks included (based on the Soviet–Chinese agreement of 1990) not only the solution of border issues, but also the mutual reduction of armed forces and the strengthening of trust in the military area around the Kazakh–Chinese border.

Guaranteed by solid international legal basis, stability and predictability of international relations were regarded in post-Soviet countries and in China as an essential precondition for implementing all of the domestic reforms. If reforms in all post-Soviet countries were characterized by a hurried dismantling of communist ideology and socialist economy and led to a deep crisis in the 1990s, China chose the path of gradual modernization and began to develop rapidly and increasingly to strengthen political and economic power.

Under these circumstances it was logical to sign in Minsk on September 8, 1992 an Agreement between Kazakhstan, Kyrgyzstan, Russia and Tajikistan to conduct negotiations with China regarding the mutual reduction of armed forces and building confidence in the military field in the border area between the Commonwealth of Independent States (CIS) and China. In accordance with the Agreement, a joint delegation of the four post-Soviet states was nominated to negotiate with China, which could work out a common position during the negotiations with China on border issues, and (after the ap-

proval of the parties) defend it in the course of negotiations. This step, of course, contributed to the fact that China in principle recognized the pre-existing agreements with the USSR on territorial issues (which were based on agreements between the Russian Empire and China), and began the process of securing these agreements with each of the post-Soviet states in relevant bilateral agreements. As a result, on April 26, 1994 Kazakhstan and China signed an Agreement on the Kazakh–Chinese border, which was followed by a number of additional agreements.¹ This Agreement became the basis for the beginning of demarcation, which began in July 1996, and resulted in the signing of a Protocol on May 10, 2002.²

Finding a compromise on the principles of the settlement of territorial issues made it possible to begin to effectively address issues related to the strengthening of mutual trust along the entire perimeter of the boundaries of post-Soviet countries and China. A breakthrough in this aspect was made in Shanghai on April 26, 1996 with the signing of the Agreement between the four post-Soviet states and China on confidence building in the military field in the border area.³ From this moment on, the political and legal lexicon was enriched with the concept of “Shanghai Five.” A year later, on April 24, 1997, this time in Moscow, the “Shanghai Five” signed another important document: the Agreement on mutual reduction of military forces in border regions.⁴ The Heads of the five states agreed to meet on an annual basis and in the period 1998-2000 they alternately met in Almaty, Bishkek and Dushanbe where, in a friendly atmosphere on the basis of equality, mutual trust and seeking common development (which became known as the “Shanghai spirit”), they discussed key issues of regional and global security. Moreover, the parties significantly expanded the range of issues discussed, which now included economic cooperation, environmental protection, water resource management, culture, etc.

The productivity of these meetings and the mutual interest toward them made the parties realize the need for regular summits in the new regional organisation and the adoption of the Declaration on the establishment of the Shanghai Cooperation Organisation on June 15, 2001 in Shanghai by the initiative of the President of Kazakhstan, N.

¹ See: Supplementary Agreement between RK and China on Kazakhstan-China state border of 24 September 1997; Supplementary Agreement between RK and China on Kazakhstan-China state border of 4 July 1998; Agreement between RK, China and Russian Federation on intersection points of the state borders of the three states of 5 May 1999 and Agreement between RK, China and Kyrgyzstan on the intersection points of state borders of 25 August 1999.

² Total length of demarcation zone of the Kazakhstan-China border is 1782.75 km.

³ In particular, it was decided that the armed forces of the parties, stationed in the border area, will not conduct any military activity, threatening the other side and disturbing the peace and stability in the border area. The two sides also agreed to inform each other of troops' activities within 100 km of the border.

⁴ In accordance with this agreement, limits were set for the armed forces of 100 km from the demilitarized zone. Thus, virtually all of the military forces, except border units, were located at a distance of 100 km from the border line.

Nazarbayev. Additionally, on the same day Uzbekistan joined the ranks of the Alliance. The consolidation of the Alliance and its transformation into one of the most important factors of stability in the region and in the world, undoubtedly, were facilitated by the tragic events of September 2001 in the United States. At the next summit in St. Petersburg on June 7, 2002, the Heads of six states in the Alliance adopted the Charter of the SCO – a fundamental, statutory document, which entered into force on September 19, 2003 and outlined the objectives, principles, structure and main activities of the new organisation.

The significance of the Shanghai Cooperation Organisation for the Republic of Kazakhstan

The establishment of the SCO and the activities of the organisation are, without exaggeration, of great importance for the Republic of Kazakhstan. The first reason is the legal nature of the SCO which is strongly committed to the generally recognized principles of international law. Second is the nature of the objectives pursued by the SCO, namely: 1) the maintenance of both global and regional security through joint action on the basis of equal partnership, and 2) the establishment of close economic, social and cultural cooperation among its Member States to promote comprehensive and balanced economic growth and steadily improve the living conditions of the people in the Member States.⁵

In turn, the foreign policy of the Republic of Kazakhstan is firmly oriented to the principles of cooperation and good neighbourly relations with all states and is based on unconditional respect for the principles and norms of international law (Article 8 of the Constitution of Republic of Kazakhstan). In addition, the Constitution enshrines (as the top two) the following fundamental principles of the Republic of Kazakhstan: 1) social cohesion and political stability, and 2) economic development for the benefit of all the people (paragraph 2 of Art. 1 of the Constitution of the Republic of Kazakhstan). The implementation of these principles is not part of their officially fixed hierarchy; nevertheless, it can be argued that this sequence reflects the specifics of the evolution of modern Kazakhstan and the vision of its first president, N.A. Nazarbayev on the development of Kazakhstan's governance: "Economy first, politics next," "Democracy is not the beginning but the end of the road."⁶

⁵ Despite the fact that the SCO Charter defines the purpose of the organisation and promotion of human rights and fundamental freedoms, this objective can be achieved only in accordance with the national law of the Member States. In addition, during the existence of the organisation, no documents related to human rights and freedoms were adopted. Also, it is interesting to note that (unlike, for example, the OSCE) observers from the SCO assess the elections in Kazakhstan as fully compliant with democratic standards.

⁶ See, for example: Nazarbayev, N.A., *Economy First, Then Politics*, *Euronews* (15 January 2010), <http://ru.euronews.com/2010/01/15/nazarbayev-economy-first-then-politics> (11 Sep. 2012).

Hence, there is every reason to believe that the SCO is fully consistent with the vital interests of Kazakhstan, as it is obvious that achieving domestic stability and economic growth causes the provision of both global and regional security, as well as the development of trade and economic relations with neighbouring countries. As a consequence, the Kazakh government is one of the active participants in the SCO (and for many areas of cooperation – even a driving force) and strongly supports the achievement of its objectives.

The legal environment in the SCO

According to its legal nature, the SCO is an international intergovernmental organisation, whose Member States agreed, inter alia, to adhere to the following principles in order to achieve their common goals: a) mutual respect for sovereignty; b) the territorial integrity of states and inviolability of frontiers; c) non-interference in the internal affairs; d) non-use of force or threat of force in international relations, e) the peaceful settlement of disputes between member states, and e) the fulfilment in good faith of international obligations arising from instruments adopted within the framework of the SCO.

In particular, it should be noted that the SCO charter document emphasizes the principle of the sovereign equality of states, pointing out that the organisation will be based on the search for common positions on the basis of mutual understanding and respect for the views of each of the Member States (Article 2 of the Charter of the SCO). The principle of sovereign equality of states is fully reflected in the institutional structure of the organisation and the decision-making process, which strikingly resembles the CIS. Thus, the supreme body of the SCO, which determines the main activities of the organisation and the critical issues in its functioning, is the Council of Heads of States, which takes all decisions by consensus. The principle of consensus in decision-making is at the heart of other bodies of SCO as well: the Council of Heads of Government, the Council of Foreign Ministers, the Meeting of the Heads of ministries and/or agencies, the Council of National Coordinators, and the Regional Anti-Terrorist Structure. The sovereign equality of states is also implied in the fact that the executive secretary of the organisation (who is the Chairman of the Secretariat – the administrative organ located in Beijing) is appointed by the Council of Heads of States from among the nationals of the Member States on a rotation basis for a period of three years).

It should also be pointed out that the SCO is committed to working closely with other subjects of international law. To date, the Shanghai Organisation has established and is developing effective partnerships with international organisations, such as the UN, CIS, CSTO, EurAsEC, ASEAN, ESCAP and ECO. In addition, SCO was joined by a number of observer countries and countries with the status of dialogue partners. Currently, observer countries are Mongolia (since 2004), Pakistan, India, Iran (all since 2005), and Afghanistan (since 2012), while dialogue partners are Belarus, Sri Lanka (both states since 2009) and Turkey (since 2012). It should also be noted that as recently as August 2012, Ukraine expressed its intent to obtain observer status.

Thus, we can claim that the SCO format gives the Republic of Kazakhstan the opportunity to discuss on equal footing with its immediate neighbours (including the great

powers China and Russia) questions related to the maintenance of global and regional security, as well as the development of economic, social and cultural cooperation, and to take decisions that meet the interests of all parties.

Maintenance of global and regional security

The most important task of the SCO is to maintain international peace and security at the global and regional level. Regarding global security, the SCO has set the following objectives: a) building "a new, democratic, just and rational international political and economic order," b) maintaining and developing relations with other countries and international organisations, and c) prevention of international conflicts and their peaceful settlement.

SCO is determined to achieve the following goals related to regional security: a) strengthening of mutual trust and good relations between the Member States, as well as the maintenance and promotion of peace, security and stability in the region, b) joint counteraction to terrorism, separatism and extremism, and c) fight against trafficking of drugs and weapons, other transnational criminal activities and illegal migration.

With regard to the global goals of the SCO, it should be noted that such members of the organisation as China and Russia are great powers that seek to embody the idea of the so-called multi-polar world, in which they could remain the leading actors in international relations on an equal footing with other geopolitical powers, primarily the United States and the European Union. As a result, preventing the hegemony of any power and strengthening the balance in international relations are the milestones of the SCO global activities associated with the development of relations with other subjects of international law and resolution of international dispute. For example, at their regular meeting in June 2012, the SCO Heads of States expressed concern about the attempts to solve Iran's problem by force, as well as about the unilateral deployment of missile defence systems which, according to members of the organisation, could cause damage to the strategic stability and international security. At the same time, it must be stressed that the organisation has openly declared its "non-aggression against other countries and international organisations" (Article 2 of the Charter of the SCO). In other words, the SCO (in line with the foreign policy of Kazakhstan) has no intention to enter into an open confrontation with either the United States or the European Union, or with any other states and international organisations, and seeks to pursue its goals by peaceful means on the basis of the principles of international law.

With regard to regional security, it should be noted that this goal is (as it has already been mentioned) the starting point and the quintessence of the SCO. Accomplishing this objective, the SCO has made an invaluable contribution to the maintenance of peace in the world, especially in view of the fact that the total area of the SCO member states is equal to approximately 30.2 million square km, which is more than 20 % of the land of the Earth, and the population of 1 billion 556 million people represents 22 % of the world population.

Regarding the military aspects of cooperation, first of all it should be noted that the SCO member states have agreed to build their relationships based on the dismissal of

unilateral military superiority in neighbouring areas. In addition, it should be mentioned that although, in contrast to the CSTO, the SCO does not mean the creation of a collective security system, the SCO member states have decided to carry out their policy based on the prevention of any illegal acts against the interests of the organisation (Article 2 of the SCO Charter).

In accordance with the realities of the modern world, military cooperation within the SCO has the purpose to counter violent acts aimed at spreading terror in society, unlawful seizure of power and/or the violation of the territorial integrity of states. In this regard, it should be pointed out that on June 15, 2001 (along with the Declaration on the establishment of the SCO) the Shanghai Convention on Combating Terrorism, Separatism and Extremism was adopted – fighting the so-called “three evils” of modern society which are identified as the most serious problems in the life of all SCO member states. In accordance with the Convention, the Regional Anti-Terrorist Structure (RATS) was created, which is currently one of the statutory bodies of the SCO. Furthermore, starting in 2005, the SCO member states held annual joint anti-terrorist exercises named “Peace Mission,” which were given a legal status on August 28, 2008 with the adoption of the Agreement on governing the organisation and conduct of the exercise.

The problems of terrorism, separatism and extremism are largely due to the situation in Afghanistan – a country that borders directly with the Organisation member states and has a significant impact on the security of the entire region. In this regard, the SCO—as well as the Republic of Kazakhstan—has consistently advocated for an early solution to the Afghan problem and the establishment of Afghanistan as a stable and peaceful state. Therefore, the SCO member states, based on the current situation, are providing at this stage military and technical assistance to the forces of the international coalition in Afghanistan, primarily in the form of transport and logistic support. At the same time, the SCO member states have expressed their confidence that the Afghan issue shall be resolved in negotiations under the auspices of the UN.

It should be emphasized that the “three evils” of our time are closely related to another serious threat to regional and global security – drug trafficking. With regard to this, it should be noted that on June 17, 2004 the SCO approved the Agreement on cooperation in combating illicit trafficking of narcotic drugs, psychotropic substances and their precursors. Pursuing the implementation of this Agreement, SCO member states approved on their jubilee summit in Astana on 14-15 June 2011 an Anti-drug strategy for 2011-2016 and an Action Plan for its implementation, which were expected to enhance the effectiveness of joint efforts to counter the drug threat in the SCO, closely related to terrorism. In addition to the adoption of these documents, Kazakhstan made a significant contribution to the signing of the Protocol of Understanding between the RATS and the Central Asian Information and Coordination Centre for Combating Illicit Trafficking of Narcotic Drugs and Psychotropic Substances (CARICC),⁷ and initiated the adoption of a Memorandum of Understanding between the SCO and the UN Office on Drug and

⁷ The Agreement on the CARICC was signed by Azerbaijan, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan and came into force on 22 March 2009.

Crime (UNODC). Moreover, in order to block channels of penetration of persons involved in terrorism, illicit drug and arms trafficking and other forms of transnational crime, Kazakhstan offered to sign with SCO states the Agreement on cooperation in the fight against illegal migration.

In addition to the goals set out in the statutes of the organisation, another important aspect of the activities of the SCO in maintaining regional security is to contribute to the achievement of political stability in the Member States. Thus, in the course of the “Osh events” in 2010 in Kyrgyzstan, the SCO (under the presidency of Kazakhstan) provided the country with a significant financial and humanitarian assistance to overcome the devastating effects of destabilization and for the normalization of the situation in the country.

Finally, it should be stressed that Kazakhstan actively supports the international information security and the adoption of adequate international legal instruments. The SCO member states have not yet adopted such an agreement, but nevertheless on June 7, 2012, after the Beijing summit, they approved the final Declaration which expressed their determination to counter the use of information and communication technologies (and, above all, the global Internet) to promote the ideas of terrorism, extremism and separatism, and to build a “secure information environment” based on the principles of respect for national sovereignty and non-interference in the internal affairs of other states.

Development of economic, social and cultural cooperation

Strengthening of regional security and stability can only be possible in an environment of dynamic multilateral cooperation in such key areas as the expansion of economic cooperation, deepening of relations in the sphere of culture, education, science and healthcare. The perception of this truth was embodied in the following SCO goals: a) coordination of the approaches to integration into the world economy; b) development of cooperation in the economic (in particular energy, transport, credit and financial), social, cultural and other areas of common interest, and c) comprehensive and balanced economic growth, social and cultural development in the region through joint actions on the basis of equal partnership for sustainable improvement of living standards and living conditions of the people in the Member States.

With regard to ensuring the coordination between Member States during their integration into the world economy, it should be noted that at the time of the adoption of the Shanghai Declaration of June 15, 2001, out of the signatories, only Kyrgyzstan was a member of the World Trade Organization (WTO). On December 11, 2001, China became a member of the WTO and later facilitated the entry of other SCO member states into the Organisation – primarily to facilitate the access of Chinese products to their markets. Recently, on August 22, 2012, Russia joined the organisation and it is expected that Kazakhstan will soon follow suit. Negotiations on the accession of Tajikistan and Uzbekistan are under way, which like Kazakhstan are currently observers at WTO. It is possible that after the accession of all of its members in the WTO, the SCO will shift

its goal from integration into the world economy to close cooperation in the global trading system.

Of utmost importance is the development of regional economic cooperation within the SCO, which brings together countries with significant transit potential – the largest exporters of energy resources and their major customers. Here it should be noted that on September 23, 2003 the Programme for Multilateral Trade and Economic Cooperation in the organisation was approved. The aim of the programme was to create stable, predictable, transparent rules and procedures in the SCO, pertinent to trade and investment, to develop joint projects and programmes, as well as to create a system to support the priorities in the development of trade and economic cooperation. To facilitate the implementation of this programme, the SCO Interbank Association was established on October 26, 2005, and on June 14, 2006 – the SCO Business Council was found to promote dialogue between the financial and entrepreneurial circles in SCO member states to create a favourable investment environment and to implement major joint economic projects.

The next major step was taken on August 16, 2007, when the Treaty on long-term friendship and cooperation was signed, designed to promote the establishment of strategic partnership between the SCO Member States on strengthening security and stability, as well as in the field of economic, social and cultural cooperation. In order to implement this Agreement and further develop economic cooperation, the updated Programme for multilateral trade and economic cooperation between SCO member states was approved in Astana on October 30, 2008.

Due to the outbreak of the global recession in the autumn of 2008, the countries decided to take steps to minimize the impact of the economic downturn and encourage closer regional trade, economic and investment cooperation. During this period it became clear that the driving force in the field of economic cooperation was China. For example, on June 16, 2009 China decided to allocate a 10-billion dollar credit to the SCO countries to overcome the effects of the crisis, and on October 14, 2009 a joint initiative was launched in Beijing to strengthen multilateral economic cooperation to overcome the global financial and economic crisis. In this context, it is worth noting that in the period 2001–2011 the turnover between China and the other SCO members increased almost 10 times – from 12.1 billion to 113, 4 billion dollars.⁸ At the same time, China was interested in the further expansion of trade and economic relations, and on June 7, 2012 the country declared its readiness to allocate 10 billion dollars for projects of economic cooperation within the SCO.

China became a leading trade partner of Kazakhstan: in 2011 China accounted for 21.7 % of exports and 30.2 % of imports in Kazakhstan, which corresponded in value to 19.3 and 12.7 billion dollars respectively. There is no doubt that these foreign trade figures—as well as similar indicators of bilateral trade between other countries of the SCO—will continue to grow because of the huge potential of economic cooperation

⁸ See: Hui, L. Mutual benefit and common ambition to develop, *Rossiyskaya gazeta* (5 June 2012), www.rg.ru/2012/06/04/shankhay-site.html (8 Sep. 2012).

within the SCO framework. Currently, the creation of the SCO Energy Club is under discussion to promote the development of a common strategy in the fuel and energy complex, the signing of the Agreement on the Facilitation of International Road Transport, aimed at creating an integrated transport infrastructure and improving the use of the huge potential of the region's transit transport, as well as the creation of a Special Account – SCO Development Fund, whose funds will be used to finance joint projects.

Much attention is also paid to cooperation in the social and cultural spheres, especially in the field of education and science, the development of cultural and youth exchanges as one of the key factors in the continuous strengthening of friendship, good relations and mutual understanding between the people in the SCO countries. We should mention here the Agreement on Cooperation in the field of education, signed on June 15, 2006, in accordance with which the University of the Shanghai Cooperation Organisation was founded. In order to implement this Agreement, on October 24, 2008 the education ministers of SCO member states signed in Astana a Concept according to which the University was to become a part of a network of existing universities in the SCO countries, as well as in observer states. Training in the SCO University was supposed to be carried out as part of the cultural, scientific, educational and economic cooperation: history, computer technologies, linguistics, machine building, material sciences, metallurgy, construction, transport, environment and energy. SCO Network University began functioning in 2010 and currently it consists of more than 60 higher education institutions in SCO countries.

It is important to note that on May 4, 2009 the constituting conference of the Youth Council of the SCO took place, which helps to establish contacts between the young people of the SCO countries and demonstrates the intent of the organisation to build their relations on a long-term basis. The SCO has also established mechanisms for cooperation in the field of health and culture. The development of these mechanisms was facilitated a lot by the meetings of Health Ministers (18 November 2010) and the Ministers of Culture (18-19 May 2011), held in Astana. The parties agreed to strengthen their cooperation in the fight against infectious diseases which is vital to ensure sustainable economic development and welfare of the population of the region. In addition, the SCO countries decided to expand and strengthen cooperation in the intellectual and cultural sphere, as well as in the field of tourism and sports.

Problems in the Shanghai Cooperation Organisation

Based on the foregoing, it is evident that today the SCO has become one of the most important international organisations. The importance of the Shanghai Alliance is determined, above all, by the fact that this organisation has made a significant contribution to security along the perimeter of the former Soviet–Chinese border, which until a few decades ago was one of the most dangerous sources of tension in international relations. Moreover, the SCO has laid the foundations for the development of the strategic partnership between the Member States, two of which—Russia and China—are permanent members of the UN Security Council.

Naturally, Kazakhstan being a country with great potential for further growth and strengthening of its position in the international community, and a vested interest in friendly relations between all the countries of the region should continue to promote the development of the SCO, even more so because the organisation is experiencing a number of significant problems in its activities.

First, despite the declared unity, the SCO member states (especially China and Russia) have different visions on the further development of the organisation. If Russia is interested in maintaining regional security, developing a common position on issues of global policy, and implementing specific projects of economic, social and cultural nature, China is also willing to cooperate in the area of regional and global security and is aiming not only at the implementation of individual projects but also at the creation of a full-scale free trade zone, even more so because the SCO Charter stipulates as one of the areas of cooperation the free movement not only of goods, but also of capital, services and technologies. Thus, if Russia is interested in keeping the status quo in the region to the highest possible extent, in which it has the greatest influence in Central Asia, China, of course, wants to expand its presence in the rest of the SCO countries through greater use of the so-called “soft power” based primarily on the growing economic power.

The differences between China and Russia are clearly manifested on the issue of enlargement. Due to the fact that the SCO has proven its viability and achieved obvious success, full membership in the organisation is attracting a number of other countries that are currently in the position of observer states (India, Iran and Pakistan). At the same time, the SCO member states despite years of negotiations have not been able to develop a legal framework for the expansion of the membership of the Organisation. Although in June 2010 they agreed that the Council of National Coordinators would prepare a memorandum and other documents regulating the legal, organisational and financial aspects of accession of the SCO states concerned, these documents were not approved. Undoubtedly, the reasons for this are the differences between China and Russia on the admission of new SCO members. These differences are manifested, in particular, in the support of Russia to the admission of its traditional ally – India. For this reason Russia has agreed that Pakistan, who is traditionally friendly to China, may join the organisation, while China’s attitude to such plans is quite cautious. It is obvious that such an expansion of the Organisation and, above all, India’s admission will create a significant counterweight to China and, of course, will slow down any plans to create a free trade zone in the SCO for a long time.

Second, it must be stressed that from the very beginning the SCO expressed the desire of some of its Member States (including China and Russia) to prevent the world hegemony of the United States in international relations which had started with the end of the Cold War and the collapse of the bipolar world, and maintain a system of so-called multi-polar world, implying the presence of the world’s few poles of power.

This tendency is clearly manifested in the charter document of the SCO, according to which the Member States are making joint efforts to “contribute to peace, security and stability in the region in terms of political multipolarity” (Preamble of the Charter of the

SCO). Moreover, as noted above, despite the fact that the SCO proclaimed “non-aggression against other states and international organisations,” the member states of the organisation have agreed to implement policies based on prevention of any illegal acts against the interests of the organisation (Article 2 of the Charter of the SCO).

In our opinion, with regard to its consolidation the SCO is increasingly becoming an alternative to the so-called Western world geopolitical bloc. The process of creating such a bloc has both positive and negative aspects. On the one hand, the whole human history teaches that the best guarantee of peace is the presence of balance of power in international relations. On the other hand, finding this balance that certainly implies extension of the alliance shall be developed on the basis of a strong political will and continuous commitment to the strengthening of international peace and security. In other words, this process shall under no circumstances lead to the development of international tension and confrontation between different geopolitical centres.

In June 2011, on the eve of the SCO summit in Astana, Kazakhstan President N. Nazarbayev said that the intent of a number of observer countries to become full members of the organisation is “well-founded,” but at the same time “the future expansion of the SCO shall not be an end in itself, and even more so to the detriment of the organisation, or a substitute for the true meaning of its existence.”⁹ This perception was shared by other countries of the Shanghai Alliance and as a consequence the next summit in Beijing decided that the countries under UN Security Council sanctions (such as Iran) cannot become members of the Shanghai Cooperation Organisation.

There is no doubt about the importance of developing further close cooperation between the SCO and India, Iran and Pakistan. At the same time, in our opinion, the most optimal form of this cooperation would not be the expansion of the SCO, but increasing the efficiency of the CICA.

The prospect of membership of the Republic of Kazakhstan in the Shanghai Cooperation Organisation

Despite existing problems, the operation and further development of the SCO is of huge and vital importance to the Republic of Kazakhstan due to the large contribution of the organisation to the strengthening and maintenance of peace and security in Eurasia, and the huge potential of the SCO in the development of economic, social and cultural cooperation between all countries of the region. It is worth noting that SCO will have to bear the main burden after the planned withdrawal of the international coalition from Afghanistan in 2014. In addition, it is clear that only in the framework of the SCO Kazakhstan will be able to realize its full economic potential in the transit corridor between East and West. So, there is every reason to believe that in the course of its further participation in the SCO the Republic of Kazakhstan will make every effort to solve the above problems and improve the efficiency of the Shanghai Alliance to achieve its goals.

⁹ See: Nazarbayev, N.A. SCO – Ten Years of History, *Russian Gazette*, www.rg.ru/2009/06/16/reg-ural/sammit-valuta-anons.html (16 Nov. 2011).

Contributing to the development of the SCO, as well as in its own interest, Kazakhstan will actively support the idea of a multi-polar world. It is clear that attempts to establish any other alternative geopolitical structure (e.g., the concept of “one world” proclaimed at the time by U.S. President Franklin D. Roosevelt, or of “bipolar world” existing during the Cold War) in present-day realities can lead to disastrous in their consequences conflicts which in this case could easily spread to the territory of Kazakhstan. Therefore, Kazakhstan will defend the position that the SCO should address not only purely regional issues, but also become a powerful and responsible global player and thus convert their potential into real influence on global processes. In this context, it is expected that the SCO will promote strict compliance with international law, the organisation will lay a solid foundation for peaceful coexistence and mutually beneficial cooperation between different countries and civilizations, as well as offer alternative solutions to overcome the great crises such as the recent events in North Africa and the Middle East. In addition, Kazakhstan hopes that the SCO will facilitate the transformation of the world financial architecture, the global regulation of markets and the reformatting of the global economy on a more equitable basis.

Kazakhstan will advocate the intensification of multilateral economic cooperation within the SCO. Despite the significant increase in the volume of export-import operations between Kazakhstan and China (as is the trade between SCO members), according to the words of N.A. Nazarbayev “economic cooperation is still the weak link in the SCO.” Therefore, we need as fast as possible “to significantly expand bilateral trade, create new markets, give new impetus to regional development, and diversify transport corridors between Europe and Asia on equal terms.”¹⁰ There is a reason to believe that Kazakhstan may well support China in its efforts to create a free trade zone in the SCO, which undoubtedly will raise relations between the countries of the organisation to a different level.

At the same time, Kazakhstan will take steps so that the creation of a multipolar world does not turn into an ideological and political confrontation between different geopolitical poles, but will rather encourage peaceful competition of different civilizations for the good of all mankind. It is important to mention the appeal of the President of Kazakhstan, N. Nazarbayev, to promote “constructive multilateralism,” which is a “balanced system of geopolitical constraints and counterbalances” where there are no “bloc-psychology” and “geo-political snobbery.”¹¹ Moreover, only such a geopolitical structure could extinguish smouldering regional conflicts, control the proliferation of nuclear weapons, effectively fight against international terrorism and extremism, as well as solve the pressing problems of the global economy and ensure the sustainability of mankind development.

¹⁰ Ibid.

¹¹ See, for example: Speech by the President of the Republic of Kazakhstan Nursultan Nazarbayev at the 5th Astana economic forum, 23 May 2012, Official site of the President of the Republic of Kazakhstan (2012), http://akorda.kz/ru/page/vystuplenie-prezidenta-respubliki-kazakhstan-nursultana-nazarbaeva-na-v-astaninskom-ekonomicheskom-forume-23_1340714814 (11 Sep. 2012).

It should be emphasized that Kazakhstan's idea of a "constructive multilateralism" suggests peaceful coexistence and close interaction between powerful integration organisations, among which in the near future will be the Eurasian Economic Union. Thus, we can conclude that Kazakhstan regards the SCO not as a single geopolitical unit, but as a successful model of peaceful and mutually beneficial economic cooperation between the two different poles of world politics on its way to establishing united Eurasia and China. It shall not be neglected that the consolidation of the Shanghai Alliance in recent years has coincided with the intensification of integration processes in the Eurasian space. Aiming at an enhanced cooperation with China, Kazakhstan expects to see greater cohesion between the Eurasian countries and turn the SCO into an equal Eurasian-Chinese alliance as one of the key factors in ensuring international security and developing economic, social and cultural cooperation, both at the global and regional level.

Chapter 8

The Foreign Policy of Kazakhstan and the SCO

Murat T. Laumulin

Kazakhstan and the world community

Over the two decades of its existence as an independent state, from the end of 1991 till 2011, the Republic of Kazakhstan became part of the system of international relations, developed its foreign policy, worked out well-defined foreign policy doctrines and concepts, and realized its national interests.

Kazakhstan officially uses the term “multi-vector diplomacy” which was first introduced in the mid-1990s. The multi-vector concept as a systemic approach in foreign policy began to take shape in the first half of the 1990s.

At the initial stage of development of Kazakhstan’s foreign policy strategy in the first half of the 1990s, the “Eurasian bridge” concept was introduced that pointed to the geographical, cultural, historical and civilisational identity of Kazakhstan both in Europe and in Asia. Later, during the second half of the 1990s, this concept was transformed into the so-called doctrine of “multi-vector diplomacy.” This doctrine was aimed at conducting foreign policy in all areas important for the Republic of Kazakhstan: CIS, Central Asia, East and West, Europe and Asia, the Muslim world, Asia-Pacific region, industrial countries, etc.

In the early 2000s, the most serious challenges facing Kazakhstan multi-vector policy were as follows: to strengthen the security of the country in a rapidly changing geopolitical situation, to maintain the balance, on the one hand, between Russia and the U.S., on the other – between Russia and China, and the main thing – to prevent outside attempts to influence the domestic political situation and destroy the internal stability of the country.

During the different stages of implementation of foreign policy, Kazakhstan identified different priorities and different goals. In the period 1992-1995, nuclear problems occupied an important place in the relations between Kazakhstan, the U.S., Russia and the West. In the second half of the 1990s, the problem of the Caspian Sea came to the fore, its delimitation and the development of transportation routes for Caspian hydrocarbons. At the beginning of the XXI century, priority was given to national and regional security, combating international terrorism, drugs, etc. Throughout its history, the foreign policy of

independent Kazakhstan was aimed at deepening the integration in the post-Soviet space: within the CIS, Central Asia Economic Cooperation and EurAsEC. The relations between Kazakhstan and the Central Asian countries remained a priority.

Kazakhstan successfully joined the world community and various international institutions at global, regional and sub-regional level. Kazakhstan is a member of international organisations such as the UN, OSCE, ECO, OIC, UNESCO, IAEA, etc. Kazakhstan acceded to most international treaties and agreements, and thereby could enter the international legal world. Kazakhstan is a party to some agreements in the field of international security, such as the NPT, the START-1 missile, TCS, and all the fundamental documents of the UN and the OSCE.

Goals and objectives of the foreign policy of the Republic of Kazakhstan

The most urgent foreign policy objectives of the Republic of Kazakhstan at present are:

- taking the role of an international mediator in the dialogue between the civilizations of the East and the West;
- implementing ambitious transport and logistics projects in the Eurasian continent;
- enhancing the work of the Customs Union and the establishment (together with Russia and Belarus) of the Common Economic Space;
- implementing projects of regional integration in Central Asia;
- creating the integration core of CIS together with Russia, Belarus (and possibly the Ukraine), in which Kazakhstan will play a significant role;
- becoming an important international player in the field of energy security (hydrocarbons, nuclear industry);
- participating in the formation of the global system of international security, connecting Europe and Eurasia with access to Asia, where Astana would play a key role.

The main challenges and objectives in the foreign policy and international status of the Republic in the short and medium term were stated by President Nursultan Nazarbayev in his annual Address to the nation in January 2011. The foreign policy was focused on: effective development of the Customs Union of Russia, Kazakhstan and Belarus; enhancing cooperation with the countries of the CIS; joint development with European partners and adoption in a multilateral or bilateral format of the Energy Charter "Kazakhstan–EU: 2020"; organizing a special donor conference on Afghanistan; the Stability Pact in the Caspian Sea; continuing work on the settlement of conflicts under the chairmanship of the OSCE; strengthening global nuclear safety (support to the Universal Declaration of a nuclear-free world in the UN); the development of the Interstate programme of assistance to Kyrgyzstan; taking the initiative to strengthen the dialogue between the West and the Islamic world (under the chairmanship of Kazakhstan in the

OIC); strengthening of the Asian vector of Kazakhstan's foreign policy; holding the jubilee summit of the SCO and consolidating the organisation.¹

The main objective in the foreign policy of the Republic of Kazakhstan is the formation and maintenance of a favourable external environment for the successful implementation of the strategy for establishing and developing Kazakhstan as a sovereign state, increasing its competitiveness and becoming one of the 50 most competitive countries in the world, supporting sustainable development on the basis of political and economic reforms.

The geographical location of the Republic of Kazakhstan between Europe, Russia, China and the countries of the Muslim world defines the priorities of its foreign policy and determines its multi-vector diplomacy. Thus, Kazakhstan is interested in a stable, predictable and equitable world.

Kazakhstan in the Eurasian integration processes

It is understandable that the countries in Central Asia occupy a key position in the foreign policy strategy of Kazakhstan. Although in economic terms they do not play the role which belongs to Russia, China or the United States, they have the potential to increase their significance.

The establishment of the Central Asia Economic Community (CAEC) refers to the period when the presidents of Kazakhstan, Kyrgyzstan and Uzbekistan signed the Treaty on a unified economic space on April 30, 1994. The new organisation was informally called Central Asian Union (CAU). In July 1994, members of CAU created the Interstate Union, established the Council of Prime Ministers, Foreign Ministers and the working body – the Executive Committee of the Interstate Council, and they also formed the Central Asian Bank for Cooperation and Development. In February and December 1995, two meetings of Heads of States of CAU were held in Kazakhstan. They discussed not only economic, but also political issues (formation of Centrazbat, fighting drug trafficking). An important topic in the work of CAU in 1995-1996 was the use of energy and water resources. In 1996, Russia joined the CAU as an observer.

In March 1998, at the CAU summit in Tashkent the accession of Tajikistan was resolved. In June 1999, the participating countries agreed to take the official name – Central Asia Economic Community. In 2003, CAEC officially joined the Eurasian Economic Community.

The largest integration structure in the CIS territory is the Eurasian Economic Community (EurAsEC), which was established on October 10, 2000 in accordance with its constituting Treaty. This Treaty was signed by the presidents of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan as an important step to enhance the integration of the five states and

¹ Address of the President of the Republic of Kazakhstan N.A. Nazarbayev to the people of Kazakhstan, 28 January 2011, *Kazakhstan truth*, 29 Jan. 2011.

the development of multifaceted mutually beneficial cooperation between them with a view to the formation of Common Economic Space.

The first step on the road to EurAsEC was the Agreement on the Customs Union, signed by the Heads of Kazakhstan, Russia and Belarus in January 1995. In 1998, Kazakhstan, as Chairman of the Interstate Council of the Customs Union took the initiative to simplify legal and visa procedures for ordinary citizens within the CIS ("Ten simple steps for ordinary people"). The EurAsEC is constantly focused on the problems of poverty and migration, energy and water use, the use of the transit potential of the Community. An important factor for strengthening the integration and interaction among the EurAsEC countries is the adoption of the Concept of the Common Transport Space.

The deterioration of the situation of immigrants is always a threat to stability in the region. The need for a Community of coordinated policy in this area was repeatedly stressed by the President of the Republic of Kazakhstan, N.A. Nazarbayev. Another important area of cooperation among EurAsEC countries is the implementation of joint innovation projects.

In order to integrate the scientific potential of the EurAsEC countries, Kazakhstan initiated the Eurasian Economic Club of Scientists, which effectively participates in the development of the Community. The coordinated economic policy, the formation of the Customs Union, and the successful implementation of joint research programmes will contribute to the sustainable development of the Community. Currently, the Eurasian Economic Community is an effective regional bloc playing the role of an engine in the integration processes in the post-Soviet world.

The Customs Union (CU) of the three countries—Belarus, Kazakhstan and Russia—was officially enforced on January 1, 2010; however, their real work began on July 1. In early December 2010, the Customs Union countries agreed to introduce common rules and standards for oil and petroleum products in the framework of the Common Economic Space (CES).

The Treaty on Collective Security (TCS), signed in Tashkent on May 15, 1992, plays an important role for the security system of Kazakhstan. The signing of the Treaty by six former Soviet republics—Armenia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan—was an important step on the way to creating an effective system of regional security. In 1999, Uzbekistan, Azerbaijan, and Georgia did not renew their participation in the Treaty on Collective Security and left.

At the Moscow summit of the Treaty on Collective Security in May 2002, Kazakhstan supported Vladimir Putin's idea to transform the TCS into an international organisation, i.e. in a military-political bloc. An important outcome of the Moscow summit was the decision to intensify military-technical cooperation between the Parties to the Treaty. On February 4, 2009, at the CSTO summit in Moscow, it was decided to form the Collective Rapid Reaction Force (CRRF). These forces were expected to become an effective and versatile tool to maintain security throughout the CSTO, including repulsion of military aggression, elimination of terrorists, extremists, organized crime, drug trafficking, and, if appropriate, the consequences of emergency situations.

Kazakhstan's main goal is to strengthen the system of collective security in Central Eurasia. This refers to solving the problems in Afghanistan and on a larger scale the destruction of the threats posed by radical Islam, as well as strengthening of cooperation in the field of security between all institutions in Central Asia – NATO, CSTO, OSCE and the SCO (possibly also CICA).

Kazakhstan and the SCO in the context of security in Central Asia

The maintenance of stability and security in Eurasia is a priority for Kazakhstan; therefore, the country pays special attention to strengthening and developing cooperation within the Shanghai Cooperation Organisation (SCO).

A major international event was the 10th anniversary meeting of Heads of SCO Member States on July 5, 2005 in Astana. At this summit, Iran, India and Pakistan were accepted as observers in the organisation. In total, seven documents were signed at the SCO summit, including the concept of co-operation in the fight against terrorism, separatism and extremism. SCO member states agreed to cooperate in organizing and conducting joint anti-terrorist exercises, training and exchange of experience. The main outcome from this summit with geopolitical impact was SCO Declaration, which raised the question of the term of presence of U.S. military bases on the territory of Central Asian SCO member states. A decision was also made to grant Pakistan, Iran and India observer status in the SCO.

Kazakhstan supports the expansion of existing collaboration with observer countries and partners of the SCO in various fields, including the political, economic, cultural and humanitarian sphere.

From 2007 to 2010, the SCO Secretariat was headed by the Kazakh diplomat B. Nurgaliyev. The participation of representatives of the Republic of Kazakhstan in the various structures of the SCO is a factor that contributes to the political image of the Republic of Kazakhstan and its reputation in the international arena.

In the period 2010-2011, Kazakhstan took over the presidency of the SCO, which ended in June 2011. Kazakhstan consistently insisted on the further institutional strengthening of the SCO, the development of the organisation potential in the field of security, and the expansion of its partnerships. Recently, the regulation of water use has become an issue of utmost importance to the Central Asian region.

In the capacity of SCO chair, Kazakhstan introduced some novelty in the work of the Organisation such as the development and approval of the SCO Action Plan. Initiated by President Nursultan Nazarbayev, this Plan covered areas like politics and regional security, trade, economic, cultural and humanitarian cooperation, the expansion of international contacts, and the optimization of the permanent bodies.

Being one of the initiators of the "Shanghai process," Kazakhstan believed from the very beginning that the SCO was an important factor for the stability and security in Central Asia. The establishment of the organisation was dictated by objective reasons connected with gaps that existed in this area.

On June 15, 2011 Astana hosted the meeting of the Council of Heads of SCO Member States dedicated to the 10th anniversary of the organisation. The summit adopted such documents as the Declaration on the Tenth anniversary of the Shanghai Cooperation Organisation, which outlined the milestones of joint work in the near future, the Anti-drug strategy of the SCO member states for 2011-2016 and the Action Plan for its implementation, the Memorandum of Commitments of the states aspiring for the status of SCO member states, and the Agreement on Cooperation in the field of healthcare between the governments of the SCO Member States.

The Afghan factor has been for many years crucial in a series of security threats in Central Asia. These threats stem from both the socio-economic and political problems of Afghanistan itself, and the "geopolitical games" in which the participants push Afghanistan and the militants on its territory with a very specific place and role.

It is necessary to say a few words about the threats and challenges of the "Afghan group." It is associated with the participation of SCO in Afghanistan which presents a topic of discussion. It should be noted that this idea is very interesting per se and under certain conditions it could be quite feasible in practice. It is important that we give ourselves a clear account of what the SCO can do in Afghanistan, and what it is better not to do in the interest of maintaining a positive image. What do experts offer in the context of possible participation of the SCO in solving the Afghan problem?

First, funding for social and infrastructure projects in Afghanistan. This is theoretically possible, however, practically not feasible right now. The SCO lacks a single mechanism for financing economic projects and an institutional structure to implement such financing. Therefore, the primary task of the SCO is to create an appropriate structure and a mechanism for the formation and expenditure of its budget.²

Second, assistance in the fight against drug trafficking in Afghanistan including the establishment of control mechanisms along the Afghan border. It should be immediately mentioned that the SCO is not able to take any measures to combat drug trafficking on the territory of Afghanistan. The second task could be solved in principle, although there are some constraints.

The first obstacle is the impossibility to create a drug-free area along the Afghan border without the involvement of Pakistan and Iran. Before granting them full membership in the SCO it would be out of the question to cooperate effectively with them in this area.

The second obstacle is the difference in the assessment of threats to the SCO member states. For some (Russia, Tajikistan, Kazakhstan), the problem of drug trafficking from Afghanistan is serious problem, while other countries have different priorities. In any case, the problem of Afghan drug trafficking is not yet a serious threat for China.

² The problem rests in Moscow and Beijing. In Moscow there are no willing bodies to fund general programmes from public sources. Offering investments, China seems more concerned about its own interests. The other SCO members do not possess the necessary financial means.

Third is the organisation of the process of negotiations in Afghanistan under the auspices of the SCO. The practical solution to this problem is unlikely to be found. Despite a certain change of attitude of the current political leadership of Afghanistan towards Russia, the Taliban refuse to accept Russia and China for various reasons and will not start a dialog with them. Moreover, the SCO member states support the fight against Islamic extremism – the ideology of the Taliban. Only two countries could play the role of intermediaries in the dialogue with the Taliban – Iran and Pakistan, which are currently not members of the SCO.

Fourth, some experts have expressed the idea of a full or partial (leaving NATO forces) replacement of U.S. troops in Afghanistan by SCO collective forces and the withdrawal of U.S. bases from Central Asia. However, the involvement of the SCO in the military problems in Afghanistan today is inappropriate.

Theoretically, one can consider several options of SCO participation in Afghanistan:

1. To establish an independent mechanism of participation parallel to NATO, the UN, the EU and other structures;
2. To complement these structures – where they do not fulfil their obligations;
3. To define a certain restricted territory in Afghanistan and to perform the same or similar functions as the Western structures (in addition to purely military);
4. To create one or more multinational provincial reconstruction teams similar to those existing in the country.

In general, the SCO has limited capabilities for involvement in Afghan affairs. Cooperation and assistance to Afghanistan is currently successfully performed by SCO member states on a bilateral basis, and this tactic seems likely to continue.

The only thing that SCO is fully capable of doing right now is to create favourable to Afghanistan foreign-policy environment in the region, to block the export of drugs and import of precursors, to narrow the external financial support to the Afghan opposition and provide economic assistance to Kabul, and to create conditions that restrict the export of ideas of radical Islam.

The strategy against the threats coming from Afghanistan to the security of the SCO shall be based on entirely different principles than is the case with the U.S. and NATO:

1. No military intervention;
2. SCO member states shall build their relations with Afghanistan on the principle of equal cooperation and partnership in the economic sphere;
3. Economic relations shall be focused on the settlement of social problems through the creation (recovery) of infrastructure on a commercial basis;
4. Humanitarian assistance shall be provided only through cultural and educational programmes;
5. Commercial projects shall be implemented at the level of individual participants (heads of tribes, territories) with the support of the central government (which in most cases is a mere formality);

6. The complex of steps in the area of economic, cultural and social cooperation shall be aimed at establishing peaceful efficient economy, which will force the Afghan people and their leaders to abandon the production of drugs and go to legal and creative economic activities.

For the SCO countries, the main purpose of applying the above principles shall be the creation of a peaceful and drug-free buffer zone along the borders of the member countries.

Thus, despite the successes and achievements of recent years, the problems associated with the security in Central Asia and the international position of Kazakhstan, constantly bearing the geopolitical pressure from various sides, have not disappeared but have moved to another level.

In the long term, the ambitious goals of the foreign policy of the Republic of Kazakhstan comprise the following: interaction and integration of all security systems in the frameworks of the OSCE, NATO, CSTO and CICA; transforming Kazakhstan into an international mediator in the dialogue between East and West civilizations; implementation of major transport and communication projects in the Eurasian continent; successful participation in the Customs Union and the establishment of the Common Economic Space; regional integration in Central Asia (under the possible leadership of Kazakhstan); creating the core of the integration of the CIS together with Russia, in which Kazakhstan would hold a significant place; turning Kazakhstan into an important international player in the field of energy security (hydrocarbons, nuclear industry); participation of the Republic of Kazakhstan in the formation of a global system of international security, giving Europe and Eurasia access to Asia, where Astana would play a key role.

In general, the years 2010-2012 were a period of rejuvenation of Kazakhstan's foreign policy, its main focus, goals and objectives, reflecting the beginning of the transition of the country from a regional power in the group of large international players to a higher and more meaningful level in the world ranking. In fact, Kazakhstan is already going beyond the borders of Central Asia. To the world community Kazakhstan is a dependable Eurasian state with its own interests and ambitions.

Conclusion

Anatoliy A. Rozanov and Roza M. Turarbekava

The range of assessments of the SCO, its effectiveness and its future development is very wide and diverse. It is impossible to find a common denominator to all the judgments, although there is a prevailing opinion that the further deepening and expansion of cooperation in the Organisation is impeded by the complex of unresolved issues between the major parties.

The present work offers the authors' answers to the question: why is the SCO not effective enough as an international intergovernmental organisation?

We must begin with the rationale behind the establishment of the organisation. In addition to the Declaration on the establishment and the SCO Charter, it is important to mention the Convention on combating terrorism, extremism and separatism. This document is a proof that the concept of a structure for regional security was completely defined. For this particular reason, the history of the creation of the SCO in this study actually started in 1998, when important events took place that shaped the political landscape of the region and the world at large. In 2000, it became clear that the threat of radical Islam in Central Asia was immediate and direct. Despite the fact that the SCO was founded almost three months before September 11, 2001, in our opinion its creation was not in anticipation of events, but a belated reaction in a strategic sense. This "lagging behind" was the result of objective factors, such as complexities of economic nature, weak political systems, and limitations of an international and legal character.

The events in 2001 significantly changed the plans of the SCO. The initial motivation was, in fact, impaired. Until 2003, work in the Organisation was stagnant. Participating countries had to define their interests in the geopolitical shift in the region. For China, in particular, the late 1990s and early 2000s presented a dilemma between the possibility to get access to the "vacant" region, and a threat to the stability of the situation in the north-west of the country. In the end, China made its choice in favour of promoting the country's interests in the form of "soft power," the economic link between Central Asia and China. A number of factors facilitated the process: the problem of security was partially removed from the agenda due to the direct involvement of NATO countries in the anti-terrorist operations and the establishment of peace in Afghanistan, as well as a sharp jump in the price of minerals and the anti-Iraq campaign in 2003. Therefore, the attention of Beijing focused on Central Asian oil and gas fields.

On the contrary, the interests of Russia were more of political and military nature. Their consent to the deployment of NATO military bases in Central Asia was dictated by the scale of the threat of terrorism and radical Islam, not only to the southern republics of the CIS, but also to Russia itself. Therefore, Moscow's "drift" to the West in the early

2000s impeded the development of cooperation in the SCO until 2003-2004. The rise of the Russian level of well-being due to profits from mineral exports between 2003 and the second Chechen campaign, as well as the resuscitation of integration plans within the CIS pushed Russia to the military-political revitalization in Central Asia. Given the seriousness of the defence potential and proximity of the security systems of Central Asia and Russia, Moscow had more chances to dominate in this field, as opposed to economic cooperation.

In the expert and academic communities, it is generally accepted that there are two competing projections for further development of the Organisation: enhancing the economic cooperation within the SCO (China's projection), and strengthening the role of the Organisation in response to modern challenges and threats to security, particularly in the military and political sphere (Russia's projection). Yet, there are no reasons to speak of any rapprochement of positions between China and Russia on the modernization and reform of the Shanghai Cooperation Organisation or strengthening of its anti-crisis operational capacity.

For the countries of Central Asia, the difference in the approaches and the competition between the two leading regional centres of power is a field for manoeuvre and a positive factor, but the interaction between SCO nations is hampered by the disproportionate significance of the Member States in international and political relations and the significant differences in their economic performance.

According to the authors, the problem of regional security, which was the main reason for the establishment of the SCO, has not been completely solved. The short-term effect, which always accompanies military operations, including the operation "Enduring Freedom," gave the states in Central Asia some time to rest. The overly optimistic expectations from the U.S. military presence in Central Asia were replaced by the understanding that Washington cannot solve all the problems of regional security. One of the most complex and systemic problems in the region—drug trafficking—was not resolved; on the contrary, it deteriorated. Restoring the pre-war rate of drug production and its growth in 2003 could mean an increase in funding not only for former mujahideen, but for the Taliban as well. Starting from 2004, the situation worsened and threatened to cause complete destabilization in Afghanistan with a possibility to expand into Central Asia.

An important historical event happened in 2005 when the events in Andijan and the "tulip revolution" in Kyrgyzstan sharply raised the possibility of U.S. and EU intervention in the internal affairs of the country. For Russia and China this was a "challenge" and they took advantage of it to save the status quo. The "expulsion" of Americans from Uzbekistan looked like a geopolitical victory, but it lasted for a short time.

The security issue is still important for Central Asia. Strengthening the government services in Uzbekistan and partly in Tajikistan and Kyrgyzstan in case of a full-scale threat to the security of these countries would not be a reasonable answer. On the other hand, the SCO is not yet capable of becoming an international structure that will be able to fully take on the responsibility for regional security.

Despite the growing threat of terrorism and Islamic radicalism, the SCO has not produced fundamentally new security mechanisms. The efforts of Russia to strengthen the military-political component clashed with China's reluctance to change anything in the mission of the SCO. The thesis of SCO "non-aggression" was constantly stressed by Beijing. In 2008, China received confirmation of their "concerns" about Russian military and political interests in the CIS. The Russian-Georgian war showed that despite its military capability, Moscow did not receive diplomatic support even from its closest allies. None of the CIS governments, except the Russian Federation, recognized the independence of South Ossetia and Abkhazia. Apparently, Russia experienced some disappointment about the "failure" of its plans to become stronger with the alliance with China and consolidate its position within the SCO due to its military capabilities.

Another blow to the Organisation was the world financial and economic crisis. The SCO member states with little economic potential found themselves in a difficult position. China took advantage of this situation by offering help, investments and projects. Beijing's economic advancement deep into Central Asia strengthened its position in the organisation and quite clearly showed the essence of the Chinese view of the SCO. Beijing perceives this international structure as an instrument of its "legalization," strengthening and progressing into Central Asia. SCO is a platform for the establishment and consolidation of ties, an ideological form to improve the image of China in Central Asia, a way to create a counter-balance of Russia in Central Eurasia.

How did the institutionalization of the SCO take place under these conditions? Formally, we can say that by 2004 the key working bodies had been established, but since the scope of cooperation has expanded, the process of institutionalization has not been completed to date. Examples are the economic co-operation, various initiatives that have not been implemented to the end, and the emergence of new ideas, whether the Special Account or the Reserve Fund, which clearly show that the process of finalizing the SCO is not completed. The wide range of areas of cooperation and the incomplete institutionalization slow down the implementation of decisions.

Questions on the effectiveness of the SCO mechanisms constantly arise in the expert community, as well as in the political circles of the Member States of the Organisation, and this, in turn, raises the problem of the need for the SCO special document (agreement), which would determine the procedure for implementing the decisions and sanctions in case of non-compliance.

One of the important and promising areas of cooperation in the SCO, where the interests of Russia, China and Central Asia could be harmonized, is energy. It is still underdeveloped and is institutionally very weak. Currently, the Organisation lacks common conceptual and normative documents, and special institutions that would regulate the cooperation of SCO member states in the area of energy. The existing bilateral and multilateral agreements between the countries of Central Asia, Russia and China are not concluded within the framework of the SCO and, therefore, they can hardly be considered as a "product" of the Organisation. The SCO Energy Club can be considered currently as the specialized institution of the Shanghai Cooperation Organisation, which will work in the field of energy. This mechanism serves as part of the "informal dialogue"

between SCO member countries – a kind of a “discussion forum,” which presents an opportunity to political, scientific and business communities to discuss some problems of cooperation in the field of energy, and to form a shared vision or position on the energy aspects of the SCO. The Organisation’s intensive work in the field of energy became more visible in 2008-2009, which was associated with the need to overcome the effects of the global financial and economic crisis, as well as with the specific problems in the inter-state relations in the Central Asian region, which exacerbated in 2009.

Despite the critical approach, which allowed the authors of this study to identify a number of negative factors hindering the development of the SCO, there appears to be a significant cohesive element – the common interest of all Member States to use this Organisation as an optimal platform for dialogue to discuss and resolve urgent regional problems. This is also confirmed by the fact that many of the states of Central Eurasia, such as India, Pakistan and Iran, are aspiring to become full members of the SCO.

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