
Shanghai Cooperation Organization: Progress and Pitfalls

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Shanghai Cooperation Organization (SCO) was founded in 2001¹. Its importance and relevance to international community became manifest during past decade of evolution. As a regional cooperation organization of Eurasian continent, it opened new vision for the development of that vast region. Inherent in its mechanism is not only economic cooperation but also security and stability which are crucial to investment in developmental projects. In both of these sectors, namely security and economy, the organization has within the past one decade established rules and legalities and is set for a big leap forward.

Achievements

The progress of the SCO underscores five points. First, it indicates that its basic principles and

outlook are in accordance with the reality faced by Central Asia. Second, America's engagement with Central Asia cannot replace the SCO's function. Third, as a regional organization, the SCO indeed caters to the needs of the individual member states. Fourth, Russia's changing relations with the U.S. did not undermine Russia's commitment to the SCO. In fact, as U.S.-Russian rivalry accelerates in Central Asia, Russia has accorded more importance to the SCO to counter America's growing influence in the region. Fifth, the SCO has the necessary ability and potential to develop as a regional organization.²

The SCO committed themselves to the eradication of terrorism, separatism and extremism. These were the issues with which the world community was faced at that point of time. The bilateral and multilateral joint exercises within the SCO

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framework, one after another in recent years, have generated great deterrence against the “three evils”. The signatories to the Convention were guided by the principle of securing Central Asia against these ‘three evils’ which had been dogging the peace loving world in general and the recently freed Central Asian States in particular.

The year 2012 marks the beginning of the second decade of SCO. On June 6, the 12th meeting of the heads of state of SCO member states was held in Beijing. The heads of state charted the program and made arrangement for SCO growth in the next decade. Seriously pursuing its objectives, SCO has established close relationships with the UN, CIS, Eurasian Economic Community (EEC), Collective Security Treaty Organization (CSTO), Organization for Economic Cooperation and Development (OECD) and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). It has signed memoranda of understanding on cooperation with ASEAN, CIS, EEC, CSTO, OECD and UNESCAP. In addition, SCO also attaches importance to establishing active cooperative relationships with World Health Organization (WHO), Asia Development Bank, International Red Cross, the European

Union (EU), Organization for Security and Cooperation in Europe (OSCE) and many non-SCO member states.³

On the economy front, trade and commerce among the SCO members on bilateral or multilateral levels developed fast in the last decade. For example the volume of China’s trade with other SCO members has grown from \$12.22 billion in 2001, the year of the founding of the organization, to \$84.7 billion in 2010, and further reached \$11.34 billion in 2011, a ten times growth. Of this \$79.2 billion is between China and Russia, 42% higher than a year earlier, and \$25 billion is between China and Kazakhstan, 22% higher than a year earlier. Since 2010, China has become the largest trade partner of Russia and Kazakhstan respectively. This is an indicator of the vast potential of trade among the SC members.⁴

Energy sector is of vital importance for the SCO members. These are producers of energy and consumers as well. Oil pipelines linking China and Kazakhstan, China and Russia, and a natural gas pipeline linking China, Turkmenistan, Kazakhstan and Uzbekistan are now at the operational level. Besides commercialising the Central Asian oil and gas resources, China and Russia are focusing on cooperation

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in large-scale power stations driven both by nuclear as well as thermal energy. This means that a strong energy cooperation network within the SCO framework will take shape in due course of time.⁵ SCO Interbank Association is providing SCO members' multilateral cooperation with a funding platform. Bilateral currency exchange, conducting trade in local currencies, and yuan-ruble direct trade are stabilizing. Big investments are made through loans and grants and regularisation of oil returns.

Unfinished task

Despite these prominent achievements and success, the task that remains to be fulfilled by the SCO is still formidable. Despite little likelihood of eruption of large-scale civil war and armed conflict, challenges in security areas remain realistic in the next decade, and occurrence of unrests are likely higher though in limited areas. SCO is faced with severe challenges of terrorism, religious extremism, transnational crimes, drug trafficking, illegal immigration, and eco-disaster among others in non-traditional security areas. The political turmoil remains likely in Central Asian countries. The new regime of Kyrgyzstan is still facing north-south contradiction. Another

round of regime change is not to be ruled out. At the same time, Kazakhstan, Uzbekistan and Tajikistan are confronting the primary domestic political tasks of ensuring a stable power transition, preventing domestic, political turmoil and reducing "Arab spring" effect. Any failure in addressing the issues will lead to chain-effect to the periphery countries. The conflict on the use of resources and contradictions on border demarcation among Central Asian countries appears to deteriorate. Tajikistan, Uzbekistan, Kyrgyzstan and Kazakhstan are involved in the conflict on the use of water resources; and Uzbekistan, Kyrgyzstan and Tajikistan have a bitter dispute on the issue of border demarcation.

Fast changing situation in the Asian Continent has a direct impact on the visions of SCO. The impending withdrawal of American and NATO forces from Afghanistan in 2014 has made SCO make various strands on speculation of the unfolding future in the region. How will China, Russia and the Eurasian players react to this situation is to be seen.

Futuristic vision

SCO cannot remain immune to global financial crisis. New threats and new challenges often imply new opportunities and new prospects.

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SCO will be in need of pragmatism and wisdom in its cooperation and response. This is likely to necessitate the widening the structure of SCO. Important countries in the overall structure like India, Pakistan and Iran cannot be left to stand outside the SCO umbrella. As a critically important regional organization on the Eurasian continent, SCO is becoming more and more attractive to countries in the region. The success of SCO in achieving its proclaimed goals also essentially depends on how far the member states are internally stable and economically viable. They need a capacity for intakes. The SCO is not expected to provide crutches to states with fragile economies. A semblance of economic stability is needed to be reflected by them while widening the scope of financial cooperation and collaboration. Banking system needs to be streamlined along with international transaction system. Therefore, a fair amount of transparency and receptivity is expected from the member states. They should keep improving internal laws and operational mechanisms to derive maximum benefit from SCO's efforts.

Security Cooperation

Since SCO has been talking about *shared security*, the concept needs to be elaborated and structured. It must

define whether the *shared security* is confined to bilateral security or multilateral security arrangement. Broad parameters of shared security and multilateral cooperation can be summed up in four points.

First, to safeguard regional security and stability and to prevent social turmoil taking place in other regions from spreading to this region is the task of foremost importance for SCO at present. Second, to promote consensus and joint action of the international community on the issue of anti-terrorism to safeguard peace for the mankind. Third, the economic development is an important task facing the SCO member states. Fourth, after the mechanisms have been initially established, expansion of membership is now facing the SCO. This has been a topic of heated discussions at the expert-and-scholar level in the SCO framework in recent years.⁶

In conclusion, talking about economic cooperation in 2020, SCO will need to make joint effort with the emerging Eurasian Economic Union; it will have to follow the principle of free trade⁷ to realize free flow of commodities, funds and services that were approved at the founding of the organization. It will also need to absorb the principles of World Trade Organization and step up transparency of trade and

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investment policies, and make it more convenient for trade and investment.

The organization (SCO) is still confronted with several challenges which it has to overcome to gain greater regional and international credibility.

However, judging by the relative success the organization (SCO) has achieved in a short period of time, it can be said that SCO has a promising future to become the region's *authoritative voice*, and is going to play a very prominent role in the security and development of *the region as a whole*. ■

References

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5. For in-depth study on energy reassures in CA see David Lamoureux ‘The Shanghai Cooperation Organization: Assessing China’ in *Journal of Energy*

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