



SCO Expansion Boosts Prospects of inter-Regional Cooperation

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The Shanghai Cooperation Organization (SCO) held its 17th Summit at Astana, Kazakhstan, in June 2017, which was attended by Prime Minister Narendra Modi. India has been an observer member of the organization since 2005. In the Astana Summit, India was admitted as a full member of the SCO. Pakistan was also made a full member. It is a crucial development from South Asian perspective as two populous countries of the region joined the Central Asia-focused grouping based in Beijing. Incidentally, it was the Astana Summit in 2005 that these two countries and Iran first attended the SCO meeting as observers. Though it has been an expected and awaited development, the elevation of membership is likely to significantly contribute to India's engagement with Eurasia and beyond.

In its one-and-a-half decade journey since formation in the beginning of the current century, it is the maiden but significant expansion of the SCO, particularly from the economic, demographic and geographic dimensions. The organization now extends from the Indian Ocean to Arctic region and from the Pacific Ocean to the Black Sea. Before his departure for the meeting, Prime Minister Modi underlined that 'after the expansion of membership, SCO will represent approximately 42% of the world's population, 20% of its GDP and 22% of the landmass.' The Prime Minister termed India's inclusion as full member as a 'historic turning point' in the journey of SCO.

SCO Background

The SCO's formation was declared on 15 June 2001 in Shanghai as an inter-governmental multilateral platform. Previously, it was called the Shanghai Five with China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan as five members. The Shanghai Five was established in 1996 mainly to deal with the boundary issues between China, Russia and the newly independent five states of the Central Asian region, three of whom – Kazakhstan, Kyrgyz Republic and Tajikistan –

share boundaries with China and carried the legacy of unsettled Soviet borders with their big eastern neighbour. It was formed with the signing of the 'Treaty on Deepening Military Trust in Border Regions' and the 'Treaty on Reduction of Military Forces in Border Regions'.² The Shanghai Five evolved into SCO with the inclusion of Uzbekistan in the group in 2001. Currently, the SCO consists of eight full members: India, China, Kazakhstan, Kyrgyz Republic, Pakistan, Russian, Tajikistan and Uzbekistan. Its observer states are: Afghanistan, Belarus, Iran and Mongolia.

The dialogue partners of the organization are: Azerbaijan, Armenia, Cambodia, Nepal, Turkey and Sri Lanka. Among the five republics of the Central Asia only Turkmenistan has not joined the organization as a member country; however, its leaders regularly attend SCO meetings. Turkmenistan pursues the policy of 'permanent neutrality', approved by UN General Assembly in 1995.

The SCO Charter, which came into effect in 2003, aims for strengthening mutual trust and neighbourliness among member states; promotion of cooperation including in politics, trade, energy, transport, tourism, economy, education, research, technology, culture and environmental protection. The Charter also calls for making joint efforts to maintain and ensure peace, security and stability in the region; and moving towards the establishment of a democratic, fair and rational new international political and economic order.³

The Heads of State Council is the SCO's highest decision-making body. It meets annually, takes decisions and adopts guidelines on all important SCO matters. Next is the SCO Heads of Government Council. It also meets annually. This SCO Council approves its annual budget, discusses multilateral cooperation strategy and priority areas and addresses important economic and cooperation issues. SCO also provides for meetings at the level of heads of parliament; security councils' secretaries; ministers of foreign affairs, defence, emergency relief, economy, transport, culture, education and healthcare; heads of law enforcement agencies and courts; and prosecutors general. The Council of National Coordinators of SCO Member States (CNC) acts as the platform for SCO coordination mechanism.

The SCO Secretariat in Beijing, and the Executive Committee of the Regional Anti-Terrorist Structure (RATS), based in Tashkent, are two permanent bodies. The SCO Secretary-General and the Director of the Executive Committee of RATS are appointed by the Heads of State Council for a three-year term. Rashid Alimov (Tajikistan) and Yevgeny Sysoyev (Russia) are holding positions, respectively, since 1 January 2016. Currently, the SCO has two official languages Russian and Chinese but with the addition of more than a billion people from South Asia its linguistic profile is likely to diversify.

The new members are also expected to contribute to and increase the SCO's financial profile. It is funded by members as per the 'special agreement' among members and follows the 'cost-sharing principle'. The members cover their expenses related to the participation of their representatives and experts in SCO activities.⁴ Russia (24 per cent) and China (24 per cent) together contribute about half of the SCO budget while Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan contribute 21 per cent, 15 per cent, 10 per cent and 6 per cent respectively.⁵ Although the decisions are taken on the basis of equality of members, the members who contribute more

have larger representation in the organization's structure. The contribution pattern in the SCO is set to change with India and Pakistan becoming the second and fourth largest economies in the eight-member organization with their US\$ 2.2 trillion and US\$ 283 billion GDPs (World Bank, 2016). Though there is little information in the public domain about the budget to run the organization, it is estimated to be about US\$ 4 million in 2015.⁶

SCO Trajectory

Initially, the SCO focused on developing its capabilities, strengths and mechanisms. Focusing on terrorism, separatism and extremism and the problem of drug trafficking in the SCO space, it prioritised intra-region relations as well as developing engagement with other groups. These were the immediate problems faced by member countries. Soon, the SCO felt the necessity to establish institutions to achieve the defined objectives and in 2004 its permanent bodies, the Secretariat and the RATS, were created. These developments were also taking place in the aftermath of 9/11 attacks in the US in 2001 and the American-led war efforts in Afghanistan, which was subsequently joined by Central Asian countries.

After the initial focus on security related issues, SCO started diversifying its areas of cooperation. In 2003, it included regional economic development and cooperation to its objectives.⁷ Year 2005 onward, the agenda further evolved incorporating multidimensional approach. It started pursuing greater regional economic integration, transport connectivity and energy cooperation with the understanding that security approach alone cannot address the problem and economic development can help in regional stability and security. In 2008 SCO Dushanbe meeting, a MoU between Interbank Association of SCO and the Eurasian Development Bank was signed on partnership.

In 2010, the SCO talked about the need to tackle the issue of international financial crisis and the joint projects on transportation and communication.⁸ In the 15th year of its establishment, it was emphasizing on increasing 'practical cooperation' in finance, banking, science and technology, energy, including the use of alternative and renewable sources of energy, customs, agriculture, transport and telecommunications.⁹ The SCO started adopting long-term policies, including the need of 'practical implementation' of the SCO Development Strategy 2025, the Program for Multilateral Cooperation in Trade and Economy of the SCO Member States and the Action Plan for its implementation, the List of Events for Further Development of Project Activities in the Framework of the SCO for 2012-2016.¹⁰

After gaining experience in multilateral cooperation and sensing the necessity to make the organization more robust in the changing regional and global political and economic scenarios, where South Asia is set to play a greater role, the SCO member countries admitted India and Pakistan for mutual advantage and enhanced achievement of objectives.

Astana Summit (2017)

The Astana Summit is important both from regional and multilateral perspectives. The Summit considered the granting of full membership to India and Pakistan as of 'historical nature'. In the Astana meeting, 11 documents were adopted, including the Astana Declaration, the SCO

Convention on Counteracting Extremism, Statement on Joint Counteraction to International Terrorism, Joint Action Plan for Implementing the Programme for the SCO Member States Cooperation in Tourism for 2017-2018 and the MoU between the SCO Secretariat and the International Committee of the Red Cross.¹¹ The next SCO Summit meeting is to be held in China in June 2018, which also holds its rotating presidency.

The fight against terrorism and extremism constitutes an important aspect of cooperation in the SCO. It regularly holds anti-terror security exercises to increase inter-operability among militaries of member countries. The scourge of terrorism has not remained limited to any specific country or territory; rather, it has become regional and extra-regional. Therefore, a wider response is needed and in this context SCO's role can be significant. The Astana meeting can prove to be important to deal with the challenge, as in a concerted move, SCO members signed the Convention on Countering Extremism on 9 June 2017. Covering administrative and legal angles, the Convention aims to strengthen the international legal framework to confront modern threats, increase security of all member countries, to increase the effectiveness of cooperation between their security services and to improve related legislations.¹² The SCO members have also agreed to continue cooperation against the activities of individuals and organizations linked to terrorism.

The Astana Summit emphasised the importance of developing multilateral cooperation in transport, expanding transport and communications capacity by building new and upgrading existing sections of international transport routes, promoting the development of railways, high-speed trains and establishment of multimodal logistics centres. The SCO has an Intergovernmental Agreement on International Road Transport Facilitation in 2014,¹³ it has come into force from January 2017.¹⁴ The expansion of the SCO in South Asia opens the potential of exports from Central Asia to different parts of the world through the roads, rail lines and ports of the new member countries.

The SCO mechanism provides a platform for improving bilateral relations and mutual understanding. The Astana Summit also proved fruitful on this front. On the sidelines, leaders from India and China held discussions and arrived at what is now called as the 'Astana consensus' for restricting the differences from converting into conflict, and second, to work for cooperation and development in the region. Pakistan's relationship with India also faces occasional ups and downs. The SCO can facilitate opportunities to build confidence and improve bilateral relations among member states.

Lately, the relationship among Central Asian countries has been improving and it can be assumed that the annual meeting of leaders at the SCO arena must have helped prepare the enabling environment to address the bilateral differences. The Astana Summit referred to the prevailing situation in the region and expressed determination to adhere to the Treaty on Long-Term Neighbourliness, Friendship and Cooperation between SCO members in order to promote neighbourliness and friendly relations in areas of mutual interest, including making the borders with each other into borders of eternal peace and friendship.¹⁵

From the regional perspective, the 2017 SCO Summit at Astana expressed its views on Afghanistan and the developments in the region. The Astana meeting supported the efforts made by the SCO's Contact Group on Afghanistan. It emphasized on the pivotal role of the UN in that country. The situation in Afghanistan is still in the flux and as the US is changing its role in Afghanistan from 'nation-building' to 'killing terrorists', which was pronounced by the new policy of the Trump administration,¹⁶ it will be up to the big regional economies around Afghanistan to come together to salvage the war-ravaged country. India, China, Russia, Pakistan and Iran through the SCO platform and in cooperation with Central Asian republics, can concertedly contribute to bring peace and stability in Afghanistan. The country has the potential to emerge as a 'roundabout' of converging and connecting routes from East Asia, West Asia, South Asia and Central Asia facilitating the flow of goods, services, ideas and peoples. Addressing the Astana meeting, Afghanistan President Ashraf Ghani said that Afghanistan's location at the heart of Asia, its past as an Asian Roundabout and a Gate of South Asia makes the country a 'natural candidate' to function as a 'regional hub'.¹⁷

India as SCO member

India's full membership of the SCO is to be beneficial for the country, the region and the organization in various ways. The entry of new members is also beneficial for both the existing members as well as new members. In Astana, Prime Minister Modi said, "I look forward to deepening India's association with the SCO which will help us in economic, connectivity and counter-terrorism cooperation, among other things."¹⁸ Certainly, India has joined the organization with various geostrategic considerations, economic interests, including energy, and cultural outreach to a region, which shares many strands with the subcontinent. The full membership raises India's stature in Eurasian region and provides a stage to play a greater role in the region's security and economic development.

India's trade with Central Asia and Afghanistan has been hampered due to lack of direct land transport linkages. SCO can help increase India's connectivity with Afghanistan, Central Asia and Eurasia thereby boosting trade and commerce for useful economic engagement. India announced its 'Connect Central Asia policy' 2012 in the First India-Central Asia Dialogue at Bishkek, Kyrgyzstan. Improving connectivity with the region is an important component of the policy. To increase its regional trade, commerce and economic exchanges, India has launched multiple connectivity initiatives, which also include the SCO space. Referring to connectivity, the Prime Minister in the SCO speech said that connectivity with SCO countries is a 'priority' and India's involvement with the International North South Transport Corridor (INSTC) and the Chabahar Agreement and its willingness to join the Ashgabat agreement will bring the country closer to the region.¹⁹

Besides economy and connectivity, India also sees its interest being served in energy security by joining the SCO, especially with the upcoming SCO energy club. The relationship will help deepen energy cooperation between Central Asia and the Indian subcontinent. The Club hosts both the countries that are among the world's largest producers and the biggest buyers. As part of SCO energy club, growing Indian economy can source the supply from one of the world's largest energy producing areas located in the neighbourhood. The SCO energy club can forge

long-term energy security for the buyers and sellers. Coordination in energy supply and better pricing mechanism will be helpful in greater economic efficiency.

SCO also has the potential to become a vital player in the international energy market with its vast oil, gas and fissile material reserves. The member countries have about 25 per cent of global oil reserves, more than 50 per cent of natural gas reserves, about one-third of coal and about 50 per cent of the world's known uranium reserves.²⁰ The SCO can explore the possibility to establish an 'energy exchange' for trade in energy among members initially, and later, open it for global energy players, including producers, refiners and buyers.

The SCO is also in the process of developing regional mechanism to deal with traditional and non-traditional security challenges. The members are affected by the menace of terrorism, drug trafficking, small arms smuggling and related security challenges. The threats have not remained limited to particular geographical area; hence, there is a need to evolve a multipronged approach at the regional level to deal with these threats. Though RATS envisages different scenarios and conducts regular exercises at different locations to deal with any eventuality, a mechanism can be established within the SCO for the sharing of reliable intelligence to prevent violent acts and deal with terrorism.

Increased security cooperation among member countries can, inter-alia, help them have well-oiled coordination to make Afghanistan stable. Bringing security, stability and peace in the country has been a prime objective of its neighbouring countries. Lingering instability, political uncertainty and economic troubles can have spill over impact on nearby regions. Further, effective energy cooperation and smooth trucking of goods between Central Asia and South Asia requires a peaceful Afghanistan. India along with other SCO members can play a greater role in stabilizing it. New Delhi is the largest regional donor and investor in Afghanistan, totalling more than US \$ 2 billion. Other SCO members, including China, Kazakhstan and Turkmenistan, are also investing in the country's development. A pan-SCO effort can bring synergy and greater utility of funds. The SCO can help formulate region-wide cooperation framework for bringing stability in the country through infrastructure development and creation of sustainable employment opportunities. Prime Minister Modi said that SCO is among the main pillars of peace and security at the regional and global levels.²¹

SCO's perspective of India's joining

India's over a decade association with SCO as an observer must have convinced members about the concrete opportunities it offers as a full member. The inclusion of a big country like India multiplies the significance of any international organization making it much more audible, balanced and strong. The expansion adds to its stature and enhances its political and economic weight, making it a more influential bloc. India offers a range of reasons for the SCO to make it a full time member. It has been supportive of the SCO's commitment against three evils, terrorism, separatism and extremism. It shares security concerns of SCO members and has been at the forefront to deal with international terrorism.

From the economic perspective, it is sensible to include India if the SCO envisages a bigger role in Asia and Eurasia. SCO countries see India as a big market for goods and energy resources. India is a leader in low-cost and high quality technology, including in ICT, pharmaceuticals, agriculture, automobiles and space. It has the ability to assist SCO members to accelerate their development and increase capabilities, particularly in SMEs, chemicals, agriculture, dairy and food processing. Indian entrepreneurship has created its own niche in big businesses, and international finance and economic structures and the SCO can tap the talent available in the country.

Inclusion of India also widens the SCO's reach in different directions. India provides SCO unparalleled access to the Indian Ocean through the peninsula and opens opportunities for trade, commerce, exploration and research and development for the organization. South Asia significantly adds to the SCO coast lines for trade and transport. India's inclusion makes SCO to reach out to other countries in the subcontinent that are not its members. India along with Russia, Iran and other countries launched the INTSC to link with Afghanistan, Central Asia and Eurasia along the north-south axis.

All SCO members are directly or indirectly affected by the security situation prevailing in Afghanistan, an associate member. It is intelligent on the part of SCO to include India if it plans any significant role in the future of Afghanistan. India is the largest economy in South Asia and has been making big investments in Afghanistan. SCO, where all neighbours of Afghanistan, including Iran and Turkmenistan, are associated in one form or other, provides a suitable platform to formulate a comprehensive regional political, security and economic roadmap to bring security and stability in the country.

Culturally, India has lot to share and enrich the SCO. India consists of a multi-religious, multi-lingual, multi-ethnic, multi-cultural and a diversified society of a billion plus people. Nevertheless, despite the diversity of mindboggling magnitude people have been living in harmony for centuries discounting some aberrations. Enlightened scriptures, great saints, the Bhakti movement, Sufi ideas and mass struggle for freedom have significantly contributed in developing a syncretic culture and tolerant society. Such a rich and valuable experience can be useful for the SCO countries that are dealing with persisting social tension on real or perceived ethnic, religious or sectarian grounds.

Conclusion

The SCO was formed in the backdrop of increasing necessity for greater regional cooperation in Central Asia, growing threat of terrorism and violent separatist movements Eurasia, war in Afghanistan after the 9/11 attacks, prolonged tension in energy producing West Asian region and the emergence of Central Asia as important energy supply source. Over the years, it has emerged as a workable inter-region and inter-governmental platform for political, security and economic cooperation among member states in the Eurasian region.

Though half of its eight members are nuclear powers, SCO is not primarily a security-driven organization. It focuses on economic issues and non-traditional security challenges, which

are present in all its member states in one form or the other. From boundary issues to economy and security, the SCO has evolved since its formation. It can be said that the Shanghai Five succeeded in settling the boundary disputes between China and Central Asian countries. However, on the other hand, SCO has not been successful in resolving the border disputes among the Central Asian countries, for example between Tajikistan and Uzbekistan and Uzbekistan and Kyrgyzstan etc.

It is unlikely that bilateral issues will overshadow SCO's collective agenda with India and Pakistan joining the organization. It is a multilateral organization and many of its members have bilateral issues but it has not affected the process of confidence-building and finding consensus on common issues in the organization. Rather, increased security cooperation through different SCO platforms can help reduce trust deficit and build confidence among members. The presence of different stakeholders in regional development, security and stability, and economic integration would get precedence over bilateral matters.

India's inclusion in the SCO widens its scope and brings more opportunities and advantages than challenges for both sides. Increased cooperation on security, energy, trade, culture and connectivity are the likely gains for India. Besides, in terms of connectivity and infrastructure prospects, if members from South Asia work with other partner countries of the SCO in joining the various connectivity projects in the Eurasian region, another potential route from South Asia to Central Asia and Europe can be opened. Restricted access to land connectivity has impeded the growth of the entire region.

In comparison to China and Russia, other SCO members are relatively small and the stances adopted by the two large countries in their neighbourhoods must have caused anxiety in Central Asian countries. These two countries are considered as two main vectors of the SCO. India's membership will help create a kind of balance and help in making the organization multi-polar. The SCO members meeting at Astana also referred to the importance of creating a more 'equitable polycentric world order' that meets the interests of each and every state.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.

End Notes

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