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# Organizations: SCO

Irkutsk National Research Technical University  
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Russian economic reform: <http://russianeconomicreform.ru/>

Politics and power: <http://www.jeffschubert.com/>

Chinese financial issues: <http://shanghai-ifc.org/>

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Shanghai Cooperation Organization (SCO) initially formed in 1996 as “Shanghai Five”, which in addition to China included four countries (Russia, Kazakhstan, Tajikistan and Kyrgyzstan) which had a border with it:

- the main purpose was settling border disputes following the collapse of the USSR

Uzbekistan joined in 2001 and group became officially known as the “Shanghai Cooperation Organization” (SCO):

- the "Shanghai Convention on Combating Terrorism, Separatism and Extremism" was signed which defined the main goals of the SCO as the fight against the "three evil forces", being terrorism, separatism and extremism.
- a Regional Anti-Terrorist Structure (RATS) was established within the framework of the SCO, but reportedly does not do much!

India and Pakistan became members at the SCO Summit in Astana on 8-9 June 2017

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The organizational structure of the SCO is **not** tight:

- **Secretariat** is in Beijing (although named after the city of Shanghai)
- “coordinates the activity of the SCO and provides informational, analytical, legal, organizational and technical support”

Decisions are made by **consensus**:

- SCO is by no-means a “China-led mechanism” (as is often reported!) nor is China “the key force in the SCO”

**China** has very often in the past **not** got what it wanted:

- free trade zone!
- SCO Development Bank!
- admission of India and Pakistan!

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June 2018 Summit “Qingdao Declaration of the Council of Heads of State of Shanghai Cooperation Organisation”:

- in order to finance the implementation of joint SCO projects, the Member States are boosting interaction within multilateral banking and financial organisations operating in the region, including the **SCO Interbank Consortium**, the **Asian Infrastructure Investment Bank (AIIB)**, the **New Development Bank (NDB)**, the **Silk Road Fund** etc.
- Member States will continue to look for common approaches to creating the **SCO Development Bank** and the **SCO Development Fund**
- Member States note the importance of implementing the **Intergovernmental Agreement on International Road Transportation Facilitation** and of the continued efforts to draft a program for road development in the SCO Member States.
- Member States support the initiative to hold the first meeting of the heads of the SCO Member States’ rail administrations in Uzbekistan aimed at promoting transport accessibility and connectivity

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**May 2016 RIAC** Moscow conference, former Chinese Ambassador to Russia, Li Fenglin, said:

- “optimal way to link **EAEU** and **SREB** would be to create a **free trade area (FTA)** within the SCO”
- “China suggested this idea a long time ago, but Russia didn't want to. Why? I don't know.”

**Premier Li Keqiang** told **2016** Bishkek SCO Heads of Government Council: meeting:

- China is “open to the setting-up of an SCO free trade area, and would like to see a free trade agreement feasibility study among SCO members”

**April 2017** interview with Kommersant, Russia’s “special representative for SCO affairs”, Bakhtiyor Khakimov, was asked about SCO free trade area and said:

- China and Kazakhstan are “in favor of active progress” on a free trade area within the SCO
- “Russia consistently resolves that the priority task is the construction of the **EAEU**”

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Russia thinks SCO based free trade agreement (FTA) would give too much power to China:

- Russia not want individual Central Asia countries directly involved in FTA with China
- instead, it wants the EAEU – under Russian domination – to be an equal “partner” of China and its SREB

Russia prefers the SCO continue as a security organization:

- wants closer military cooperation with China and is willing to do this within the SCO framework because it knows that it presently has the upper hand
- has military bases in several Central Asian countries, and generally these countries would prefer to have Russia rather than China as their “main security provider”

Free trade is NOT mentioned in 2017 or 2018 SCO official communications:

- may reflect China feeling increasingly confident about BRI – without, if necessary, the formal or informal support of other SCO members

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China first publicly proposed the creation of a **SCO Development Bank** in 2010 as a way to finance joint projects :

- but Russia, wanting to keep the SCO out of the economic arena, instead pushed the idea of expansion of the **Eurasian Development Bank (EDB)** – shareholders are the EAEU countries plus Tajikistan

**Li Keqiang** had told the **2016** Bishkek meeting that the SCO needs the Development Bank “to provide financial support for the development of SCO economies and regional cooperation projects”, and added:

- the total volume of effective bilateral currency swap agreements between China and other SCO members has reached **RMB160** billion
- seems clear that China sees advantages in having a SCO Development Bank as a platform to help promote international usage of the RMB

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At this stage, the **SCO Development Bank** proposal seems to be going nowhere:

- although China continues to officially promote the idea, and it was again mentioned in the official press release of the June 2017 meeting

The SCO Development Bank issue may also offer **significant lessons** on the way that the SCO operates:

- **Denisov** and **Safranchuk**, writing in **Russian Law and Politics**, say that issues have been included on the SCO agenda despite the absence of “consensus” and remained there “for an indefinite period of time – until general agreement emerges”



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**Dmitri Trenin** says the inclusion of India and Pakistan “makes sense for Russia as it seeks to position itself in the geopolitical context of **Greater Eurasia**”

- “Moscow’s strategic goal is to embed China in a web of friendly arrangements and thus to alleviate Beijing’s propensity to act unilaterally”
- China eventually agreed to India joining the SCO provided that Pakistan was also invited to join

**Denisov** and **Safranchuk** argue that China tends to see the SCO as an authoritative “regional organization” aimed at “stability and security in the Central Asian region”:

- whereas Russia is wary of the “**Asian format**” for Central Asia and tends to see the SCO as part of a new “**international architecture**”
- for Russia, the expanded SCO is “a crucial **geopolitical** instrument that challenges the global order led by the West” and a part of is **Greater Eurasia** concept

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**Denisov** and **Safranchuk** suggest that the Chinese viewed the possible inclusion of Pakistan and India as an example of an item being placed on the SCO agenda in spite of no-consensus – as was the case with the SCO Development Bank – but not expected to go further than this:

- China had “understood the Ufa declaration of 2015, which envisioned the start of the procedure for the admission of India and Pakistan, not as the beginning of a process with a precisely known result in the form of the admission of these two countries, but as the appearance on the agenda of an issue on which there is no consensus and that cannot be finally settled until consensus is achieved”
- however, “the majority of SCO member states” as well as India and Pakistan viewed the issue as being settled, subject only to formalities
- “China was thus left in the difficult position of either accepting the enlargement or undermining the authority of the SCO”

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**Yan Xuetong** says that China had “resisted the expansion for many years, but at some point this resistance in itself began to worsen its relations with Russia and India”:

- he argues that the SCO has now been “murdered”

**Muratbek Imanaliyev**, former Secretary-General of SCO, is less severe:

- “the accession of Pakistan and India will “weaken the already inefficient organizational, logistic and administrative structure and ultimately turn the SCO into a conference of heads of state”

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Following the **June 2018 SCO** meeting in the Chinese city of Qingdao, an “**Information Report** following the Meeting of the Council of Heads of State of the **SCO** Member States” was published on the official internet site, saying:

- “The Republic of Kazakhstan, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Russian Federation, the Republic of Tajikistan and the Republic of Uzbekistan reaffirmed their support for China’s **BRI**”
- (Note the absence of India !!)
- “and approved the efforts to jointly implement it, including the coordination of the development of the **EAEU** and **BRI**”

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The sense of this paragraph was virtually repeated in the “**Declaration** of the Council of Heads of State of the SCO” issued on 10 June at the **same meeting**, and signed by all leaders **including** Indian Prime Minister **Modi**:

- “Reaffirming their support for the **BRI** of the People’s Republic of China, the Republic of Kazakhstan, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Russian Federation, the Republic of Tajikistan and the Republic of Uzbekistan, the Member States express appreciation for the joint efforts taken towards its implementation, including efforts to coordinate the development of the **EAEU** and the **BRI**” (**India** not mentioned !!)
- “and call for using the potential of the regional countries, international organisations and multilateral associations to create a broad, open, mutually beneficial and equal partnership in the **SCO** space”

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India has clearly expressed reservations about BRI and all SCO decisions are to be made by **consensus**, so it has been surprising to see endorsement of BRI in a SCO declaration:

- suggests that India is prepared to **compromise** in some areas in order to give the SCO a chance to be of benefit to India!

The SCO statements also reflect the determination of **Russia** to push its **EAEU** project to the forefront of developments in the Eurasian region:

- for Russia, the EAEU – even in the matter of a Declaration – is more important than Indian sensitivities about the BRI.
- does not mean that Russia is dismissive of India
- it is just matter of priorities!