

# The Shanghai Cooperation Organization: Institutionalization, Cooperation and Rivalry

Chien-peng Chung

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By Chien-peng Chung

The third annual head-of-state summit of the Shanghai Cooperation Organization (SCO) in Moscow on May 20, 2003, may be considered a minor water-shed in the life of the organization, made up of Russia, China, and the Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

First, the meeting implemented concrete measures to institutionalize the organization, by mandating the creation of two permanent offices and attendant staff—an SCO Secretariat, and a Regional Anti-Terrorist Structure (RATS). Second, China has since emerged as the first among equals of the players in the SCO in terms of influence and benefits, when it was decided that Beijing would be the site of the proposed SCO Secretariat, subsequently inaugurated on January 15, 2004, and that its first Secretary-General would be the former Chinese Vice-Foreign Minister and Ambassador to Russia, Zhang Deguang. Third, although cooperation among governments of member states against terrorism, religious fundamentalism, and separatism has remained the focus of the SCO, the summit expanded its purview to the economic sphere by encouraging trade, investment and infrastructural development among member states. Lastly, by creating the RATS in Uzbekistan's capital of Tashkent after protracted discussion, Russia and China

demonstrated that they have recovered sufficiently from the shock and numbness of the introduction of United States soldiers and weaponry into Afghanistan and Central Asia to frame their own approach to regional security within the rubric of the SCO.

The fourth SCO annual summit on June 17, 2004, in Tashkent, Uzbekistan, established five specialized working groups in commerce, customs, quality inspection, investment promotion, and transportation facilitation. As part of its institutionalization efforts, the SCO later created a team of observers to monitor presidential and other elections in member states. Economic cooperation has become a priority for the SCO, particularly in finding markets and investments for major products such as oil, gas, cotton, gold, livestock, and wheat from its member states in Central Asia.

At the 2004 SCO summit, China offered US\$ 900 million in preferential buyer's credit loans to the other five members of the SCO. The Central Asian members of the SCO called for more active efforts on the part of the organization in helping the government of Afghanistan fight against drug production in, and trafficking from, Afghanistan. The armed forces and border guards of Kazakhstan, Kyrgyzstan and Tajikistan are currently ill-equipped financially or personnel-wise to interdict heroin smugglers on their side of the border with China, now a major destination for the contraband.

In the fall of 2004, China and Kazakhstan agreed to create a special free-trade zone covering 300 hectares of China's Xinjiang and

200 hectares of Kazakhstan's Khorgos, in which there will be zero tariffs and a free flow of goods and services. The two countries also launched the construction of a US\$ 700 million, 600-mile (962-km) oil pipeline with a peak annual capacity of 20 million tons, financed equally by China's state-owned China National Petroleum Corporation (CNPC) and Kazakhstan's KazMuniGas, running from Atasu in Central Kazakhstan to Alashankou in western China, and scheduled for completion by December 2005.

Ahead of the 5 July 2005 SCO summit at Kazakhstan's capital Astana, China's President Hu Jintao separately forged a "strategic partnership" with Kazakhstan's President Nursultan Nazarbayev. Hu and Nazarbayev reiterated the need to realize the Khorgos Free-Trade Area, complete the Atasu-Alashankou oil pipeline on time, and increase bilateral trade. There has already been a steady influx in recent years of Chinese merchants throughout Central Asia, particularly in Kazakhstan, selling goods manufactured in Xinjiang.

Central Asia's vast hydrocarbon resources and its geographical proximity make it a natural supplier of oil and gas to fuel China's economic development. As China's thirst for hydrocarbon resources from Central Asia increases in the years to come, it can be expected to become more actively involved in shaping the political and security environment of the region. As a case in point, in August 2005, the CNPC announced that it has purchased the Canadian-owned PetroKazakhstan, a major oil company in Kazakhstan, for US\$ 4.18 billion. In October 2004, China had agreed to buy up to US\$ 100 billion of oil from Iran, now an observer member of the SCO.

At the 2005 summit, Hu said that China would set aside a special fund for training 1500 people from other SCO states over the next five years, chiefly in the economic, scientific and technical areas. According to SCO Secretary-

General Zhang, the organization has initiated 120 projects concerning customs cooperation, cross-border transportation, laws and regulation coherence, energy, and railway construction. Within the framework of the Uzbekistan-Kyrgyzstan-China project of the SCO, railroads and highways will be built through Andijan (Uzbekistan), Osh (Kyrgyzstan) to Kashgar (China); and a road will link up Tajikistan with the Karakorum Highway connecting China with Pakistan, which will allow the country, and the region, a transport corridor to the Arabian Sea.



One pressing area of mutual concern for SCO states is the politics of water-sharing and management in Central Asia, in resolving ownership disputes of key waterways, conservation of depleted water resources for rice and cotton farming, soil erosion and salinity, and the rapid shrinkage of the Aral Sea. Another concern is incipient great power rivalry in Central Asia.

In the aftermath of the September 11, 2001 attacks on the U.S., Uzbekistan and Kyrgyzstan provided air-base facilities for use by the U.S. military in its actions against the Taliban regime in Afghanistan, which the U.S. government had accused of harboring the master-minds of the attacks. Having "temporary bases" in Kyrgyzstan and

Uzbekistan, and conducting joint military exercises with the armed forces of Central Asian member states of the SCO within the rubric of NATO's "Partnership for Peace" program, have guaranteed the U.S. military a presence in the region that was lacking prior to the disintegration of the Soviet Union.

The security picture in Central Asia has since become more complicated. After withdrawing from Central Asia following the collapse of the Soviet Union, Russia opened its first permanent military base in Kyrgyzstan in 2003, and a second one in Tajikistan in October 2004. The opening of the two bases demonstrated Russia's resolve not to concede influence in the Central Asian "near abroad" to the Americans. The war games that took place among the armed services of SCO member states except Uzbekistan, held in Kazakhstan and across the border in China's Xinjiang in August 2003, effectively turned the SCO into a quasi-military bloc. To reinforce solidarity of the club, only SCO members were allowed to observe the first bilateral military exercise between Russia and China involving almost 10,000 troops conducted from August 18 to 25, 2005.

Suppressing dissent is a major preoccupation of SCO governments. It is no secret that a major Chinese goal for the SCO is to gain the cooperation of Central Asian governments to reduce the threat of Muslim Uighur separatism in Xinjiang. Within the past year-and-a-half, China has reached bilateral understandings with Kyrgyzstan, Uzbekistan and Kazakhstan to crack down on émigré Uighur separatist organizations in their countries and repatriate Uighur refugees and political activists to China. However, despite coordination by the RATS in the organization's fight against militant religious terrorist groups, an undertaking abetted by the U.S., efforts by Uzbekistan aimed at eradicating the Islamic Movement of Uzbekistan has only succeeded in driving it underground, and the Hizb-ut-Tahrir is still a security threat in the Ferghana Valley shared

by Uzbekistan, Kyrgyzstan and Tajikistan.

The fear of anti-government disturbances since the overthrow of President Askar Akayev of Kyrgyzstan in March 2005 and the Andijan riots two months later that killed possibly hundreds in eastern Uzbekistan seem to have pushed the governments of Uzbekistan and Kazakhstan closer to China. SCO Secretary Zhang appeared to be speaking for the entire SCO membership in the aftermath of the Andijan protests when he labeled the disturbance "a terror attack carried out by armed religious extremists." China made its position of non-interference very clear, and signed an energy agreement with Uzbek President Islam Karimov worth US\$ 600 million when he visited Beijing days after suppressing the uprising.



The 2005 summit

In July 2004, the U.S. had announced that it was withholding some monies from its annual aid package to Uzbekistan due to unsatisfactory progress in its human rights record. This, together with widespread regional suspicions of American involvement in Andijan, gave Russia, China, Uzbekistan and other SCO states an opening to reduce the U.S. military presence in Central Asia. The joint declaration at the end of the 2005 SCO summit called for a time-table for the withdrawal of US-led anti-terrorist forces in Afghanistan, and for a deadline to end the use of temporary facilities

and their military contingents' presence in SCO countries, citing the end of large-scale operations against terrorism in Afghanistan. Accordingly, the Uzbek government gave U.S. forces 180 days from 29 July 2005 to evict its Karshi-Khanabad air base. The Kyrgyz government was dissuaded from likewise giving the U.S. military orders to leave its Manas air-base by a visit from U.S. Defense Secretary Donald Rumsfeld promising an increase in Washington's annual contribution to Kyrgyzstan's budget.

Iran, together with Pakistan and India, was admitted to observer membership of the SCO at its 2005 summit, one year after Mongolia was awarded such a privilege at the 2004 summit. Given the Islamic Republic's animosity toward the U.S. and its desire to operate a nuclear program, closer relations among Iran, Russia and China may prove a major obstacle to American policy and power in the Central Asian region.

Since 1992, Japan has dispensed more than US\$ 2.5 billion in grants, technical transfer, training and loans to all five countries in Central Asia, including neutralist Turkmenistan. To counteract burgeoning Chinese influence through the SCO in Central Asia, and make sure that any discussion of the region's future will not come at the expense of

Japan's interest, in August 2004, the Japanese Foreign Minister initiated a meeting with Central Asian counterparts in Kazakhstan's Astana to carry out joint programs to promote regional integration and development, in what is known as the "Central-Asia Plus Japan Dialogue." Japan's attempt to create an exclusive organization linking Japan and the countries of Central Asia confirms its desire to have a presence in the region.

The contest between Russia and China on one side, which would prefer to retain Central Asia as their condominium, and that of the U.S. and Japan, which would like to expand their influence in the region, is likely to increase in intensity in the foreseeable future.

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*For a detailed exposition of events relating to the SCO before the third summit, see Chien-peng Chung, "The Shanghai Cooperation Organization: China's Changing Influence in Central Asia," The China Quarterly 180 (December 2004): 989-1009.*