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The Shanghai Cooperation Organisation: An Australian response

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In August 2007, the Shanghai Cooperation Organisation (SCO) captured world attention through two actions. It sponsored the second exercise in two years involving the Chinese and Russian militaries, punctuated by the SCO's call for a multilateral world security order. And at their preceding summit, the group's heads of state agreed to create a unified energy market among their countries. As the SCO accounts for some 8% of global oil reserves and 30% of natural gas reserves—figures that will approach a fifth and a half of the respective totals if Iran's membership request is approved—speculation is rife that the prophesied anti-US alliance has arrived.

A clear Australian posture is required towards this group, the only international security organisation that excludes the US. Australia's response should however be driven not by alarming gestures and statistics, but by recognition of the SCO's limitations, and of its role as a stabilising force in a volatile region. Australia's policy should be constructive engagement, aimed at integrating the SCO into the wider international system. The group's emphasis on functional cooperation, and in particular on combating narcotics trafficking and terrorism, provides a convenient point of contact.

Background

The USSR's collapse created a power vacuum along its frontier with China, a border that was both disputed and highly militarised. The states concerned—a weakened Russia, fledgling Central Asian republics and a China focused on economic growth—had a common interest in prioritising stability over confrontation. Towards this end they pursued a series of border-demarcation and confidence-building measures that became known as the 'Shanghai Five' (S5) process, after the five participants: China, Russia, Kazakhstan, Tajikistan and Kyrgyzstan.

By the late 1990's, the threat to the S5 states from mutual aggression had been superseded by that of radical Islamic movements. There was also a perceived need for solidarity against Western interference in other states' domestic affairs under the rubric of democracy and human rights, particularly after NATO's 1999 Kosovo campaign. These three objectives underpinned the creation of the Shanghai Cooperation Organisation in June 2001, with Uzbekistan joining the S5 parties in an institutionalised group with a Secretariat and Charter. The SCO's stated goals are to

strengthen mutual trust, to combat 'terrorism, separatism and extremism' and to promote a 'fair and rational' international order based on respect for state sovereignty.[1]

Western media commentary has been fixated on the SCO's potential as a hostile strategic actor. In this regard the group was initially dismissed as impotent, a view seemingly confirmed by the SCO's silence over the establishment of US and NATO bases on its members' territory in late 2001. In mid-2005 however, the SCO issued a declaration calling for closure of these bases. This was followed by Uzbekistan's expulsion of US forces, the first Sino–Russian military exercise and the SCO's granting of observer status to Iran, which began lobbying the group to form a 'gas cartel'.

Combined with its advocacy of a multipolar international system, these events have provided the basis for growth of a threat narrative around the SCO. The group insists that it is not aligned against third parties, but its geographic scope raises the spectre of a return to bloc politics, especially given the international context. The last two years have witnessed US–India convergence, Japan's promotion of an 'arc of democracies' ringing the Asian continent and the initiation of a quadrilateral security dialogue between the US, India, Australia and Japan. Tensions have grown between Russia and the NATO states on one hand and China and Japan on the other, marked by advances in US missile defence and moves by Japan towards a normal security posture. The SCO's 'Peace Mission 2007' military exercise coincided with a major drill involving the US, Indian, Japanese, Australian and Singaporean navies.

Against this backdrop, the SCO is easily portrayed as the vehicle for a Sino–Russian grand design to align continental Eurasia against the US, evoking Halford Mackinder's concept of a unified world heartland challenging a maritime hegemon. Less ambitious pundits conceive it as a 'new Warsaw Pact' that will project military power against South Asia or the Middle East, or as an 'energy club' locking up a large part of the world's oil and gas reserves. Yet a cursory study reveals that the SCO is unlikely to develop in any of these ways.

A limited security actor

To begin with, the strategic costs to China and Russia would be disproportionately high given the constraints that each state operates under. China remains dependent on export markets, foreign investment and sea lines of communication controlled by potential enemies. Beijing's overarching strategic goal is an external environment that is both stable and open. It has thus emphasised its desire for a 'peaceful rise', an approach that would be undermined by aggressive use of the SCO. Russia's waning influence throughout the former Soviet bloc has obliged Moscow to adopt the collaborationist approach embodied by the SCO. Any return to hierarchical models would drive its former client states further towards the US and EU. Most importantly, both China's and Russia's interest in cooperative relations with the US exceeds anything they could gain from fixed alignment against Washington.

Nor are there good prospects for Sino–Russian relations growing sufficiently close to support a coordinated strategy. Policy elites in both states not only nurse a mutual distrust with deep historical roots, but perceive ongoing structural differences in their interests. Their 'strategic partnership' is tempered by strategic competition, evident in manoeuvres for access to

Central Asian military bases and energy resources, as described below. The fact that both Beijing and Moscow describe third parties as 'strategic partners' shows that they do not view their mutual relationship as unique, but rather as another hedge in their bilateral portfolios.

Most importantly, the SCO states cooperate with external actors at each other's expense. The bilateral deals struck by Central Asian members to allow the US military onto their territory in late 2001, for instance, threatened Russia and China with strategic encirclement. The Central Asian states openly pursue 'multi-vector diplomacy', receive substantial aid from outside the SCO, and in two cases (Tajikistan and Kyrgyzstan) still permit foreign bases on their soil despite the 2005 declaration. Russia has vacillated between China and Japan in constructing its new Siberian oil pipeline, and continues to foster a closer defence relationship with New Delhi than with Beijing.

This lack of cohesion reflects the SCO's origins in a mutual security dilemma. Neither China nor Russia can dominate Central Asia, yet both are concerned to prevent it becoming a hostile bloc—whether independent or under direction from an external power, including each other—or a source of radical movements that could spill across to their territories. The SCO entrenches both states within the region in a manner acceptable to all parties, by formalising their engagement within a consensus-based multilateral framework.

Thus the SCO promotes confidence among its members, without constraining them from independent pursuit of self-interest. The closest analogy is not the Warsaw Pact but the Association of Southeast Asian Nations (ASEAN), a group created to stabilise internal relations. Like ASEAN, the SCO accommodates conflicts between external alignments through minimal institutionalisation. It lacks a joint military headquarters, collective defence article or any other feature of a NATO-style alliance. The SCO's only security institution is the Regional Antiterrorism Structure (RATS), whose activities are apparently confined to sharing intelligence on domestic threats.

Fundamentally, the SCO exists to regulate an internal zero-sum game. For China, it provides an entry vehicle into a historical Russian sphere of influence, giving a multilateral cloak to Beijing's bilateral initiatives. Conversely the SCO framework allows Russia to monitor and restrain China's regional inroads, while avoiding open conflict with its 'strategic partner'. Relations among the Central Asian states remain burdened by border disputes, trade wars and alleged aggression through terrorist proxies. Chinese economic and demographic penetration is a long-term concern for other SCO members.

Such contradictions within the SCO do not preclude functional cooperation, but the group's *strategic* policy cannot exceed the sum of its members' interests. Those interests align only on maintaining their domestic political status quo, for instance through solidarity against external pressure for reform. Thus the SCO defended Uzbekistan's suppression of the Andijan protests in 2005, helping President Karimov to weather calls for an international investigation from the US, EU and the Organization for Security and Co-operation in Europe (OSCE). However the failure of other SCO members to follow Uzbekistan's lead in expelling US forces, and the SCO's non-response to Kyrgyzstan's 'tulip revolution' earlier that year, reveals limits to the group's commitment to regime preservation.

The SCO's other strategic driver is the activity of radical Islamic movements on member states' territory. For the Central Asian regimes these groups potentially pose an existential threat, exhibited by the operations of the Islamic Movement of Uzbekistan (IMU) in 1999 and 2000. Russia and China are burdened with separatist movements in Chechnya and Xinjiang, which have ethnic and religious affinities with Central Asia and in some cases a transnational presence in the region. Thus all military exercises among SCO members have officially been directed at 'terrorists' and 'separatists', rather than third-party states. In February 2008 the SCO's Secretary-General announced that the group will conduct such exercises on a regular basis.

Sceptics point to the scale of these manoeuvres—which have involved amphibious assaults and strategic bombers—and note that the group's 2001 treaty[2] allows members to deploy troops abroad in response to loosely-defined threats. However the SCO has failed to follow through proposals to create a rapid reaction force or integrate with the extant military framework of the Collective Security Treaty Organisation (CSTO), to which all members except China belong.[3] Russia and the Central Asian states have signalled that a Chinese military presence on their territory is unwelcome, while the Chinese have made clear their lack of interest in joining a collective security system.

In short, the SCO states have not shown sufficient mutual trust or motivation for the group to play a military role beyond its borders. The SCO is unlikely for instance to displace the International Security Assistance Force (ISAF) in Afghanistan, despite an apparent declaration to that effect at the group's 2007 summit. The SCO's external impact is indirect but positive: it stabilises relations among its members and facilitates cooperation against transnational threats. Regarding the latter, SCO initiatives include a proposed nuclear fuel-cycle centre, an 'anti-narcotics belt' around Afghanistan and development programs targeting Central Asian poverty.

Presently however, these projects are either moribund or being pursued outside the SCO framework. For example the ex-Soviet members persist with a counternarcotics regime that excludes China, while Chinese loans officially made under SCO auspices are negotiated on a bilateral basis. Consistent with the SCO's origins, this suggests an exploitative rather than genuinely collaborative attitude towards the multilateral framework. This is most evident in the field where the SCO might otherwise have real potential to threaten foreign interests.

Energy cooperation

While the SCO is unlikely to become an energy 'cartel' given its inclusion of one large consumer, an internal market driven by Chinese demand seems plausible, particularly after the group's 2007 summit. Given the proportion of world oil and gas reserves controlled by SCO states, such a project should concern external consumers. However it requires extensive new infrastructure, which implies a commitment to coordinated investment and short-term losses among the group's members.

Instead Russia guards its Soviet-era monopsony over the Central Asian states' energy exports, forcing them to sell below market price and driving them to seek alternative options. The putative SCO 'energy club' is already compromised by several proposed or functioning pipelines linking Central Asia with non-SCO states. Extant pipeline projects between SCO members have proved hostage to funding disputes and fears of Chinese dominance. Even were the requisite political will found on all sides, the SCO states may lack sufficient capital to link the group's reserves viably to Chinese markets.

External investment within the SCO has to date, been uncoordinated and hampered by the reluctance of these states to allow foreign holdings in their energy sectors. An *open* SCO coordinating process could address these problems and deliver substantial international public goods. Diversifying supply would erode the 'Asian premium' paid on oil imports from the Middle East and ease tensions caused by international competition for energy security. Even limited outcomes like price stabilisation could benefit external consumers. The SCO's recent pledge to involve 'all interested states' in the group's energy policy offers hope that it is moving towards an open approach.

Declarations, however, should not be confused with action. It is unclear whether a substantive energy plan was signed at the August 2007 summit, despite at least one such proposal being brought to the table. The Chinese Premier's visit to Moscow in November 2007 indicated not only that basic issues like prices and pipeline routes remain unresolved, but that SCO members continue to approach these problems bilaterally.

Real progress on energy cooperation is unlikely so long as SCO energy sectors remain burdened by inefficient state ownership and leaders free to make economically irrational decisions. The main obstacle is Russia's insistence on using Central Asian imports to subsidise state control of its own energy sector, but other SCO states also politicise energy policy to their collective detriment. Unless the SCO can improve governance within its members, its contribution to a multilateral energy regime will be peripheral.

Unfortunately the group's political character militates against such change. From inception the SCO has emphasised non-interference in states' internal affairs and national particularism, in place of specific commitments and supranational governance. This approach cannot address issues grounded in domestic political-economy, such as energy policy. The perceived threat of Western-sponsored 'colour revolutions', particularly since the Andijan events and the change of regime in Kyrgyzstan in 2005, has only hardened SCO regimes' resolve against internal reform.

Political symbolism

Threat assessments of the SCO must account for its members' tendency to use the group for propaganda purposes. Russia in particular exploits the SCO's 'political deterrent potential' to compensate for its own relative decline in power. For instance, shortly after Moscow's suspension in July 2007 of a key arms-control treaty with the NATO states, the Russian-led CSTO and the SCO, eventually signed in October; in between, Putin used the backdrop of Peace Mission 2007 to announce Russia's resumption of strategic bomber patrols. More generally Putin's government likes to describe the group as a 'living bond' between Europe and Asia, implying that Russia remains a significant player in both areas.

For China, the SCO's political capital lies more in soft power. The SCO Charter contains all the principles central to China's self-declared 'peaceful rise': respect for sovereignty, non-interference in internal affairs, non-alignment, UN primacy, consensus decision-making, functional cooperation and ideological neutrality. The SCO offers proof that China can relate harmoniously to small countries, even in the presence of historically antagonistic great powers. As the only multilateral body created by China, it is the one concrete alternative Beijing can offer to prescriptive and obligations-based US leadership.

Such posturing may be a useful hook for cultivating states of interest to Moscow and Beijing, but it has not translated into meaningful action against US interests. For instance the SCO has not accepted Iran's membership requests or intervened in the dispute over its nuclear program. Such actions seem mandated by the group's creed of preserving regional stability and noninterference in states' internal affairs, but they would compromise wider Chinese and Russian objectives. The SCO's subordination to its members' individual goals confines it to being 'more a forum than a force'. This is precisely why the group should be viewed as more benign than adversarial.

A place in the architecture

'Asia', broadly defined, is unlikely to develop a unified security architecture in the near future. Regional institutions should thus be encouraged, to the extent that they produce a net security gain. The SCO has achieved this among its members and currently presents no credible threat to foreign interests, within Central Asia or beyond. While the chance of it playing an antagonistic role cannot be excluded, this is more likely to result from external pressure than from the group's internal dynamics.

To avoid this outcome, foreign powers should accord the SCO a legitimate place in the growing web of international organisations. This is particularly important with respect to China, whose growing influence and range of foreign interests will inevitably give rise to new international structures. The SCO is more institutionalised and security-focused than (for example) the East Asian Summit, but the appropriate response is similar: engagement, not containment, is the lowest-cost strategy.

Furthermore, Central Asia can no longer be conceived as a discrete strategic theatre. It is linked with all contiguous regions by networks of terrorism, weapons proliferation and narcotics trafficking, threats not amenable to unilateral or even bilateral responses. Developing transport links, such as proposed pipelines connecting Turkmenistan and Iran with India and the 'strategic corridor' linking China with the Pakistani port of Gwadar, create further pressure for an integrated approach to the so-called Central Eurasian macroregion.

The SCO's role in shaping this strategic environment is recognised by all major players. The US has applied unsuccessfully for observer status at SCO summits. Iran and Pakistan are vigorously pursuing membership, while Afghanistan, Turkey and India are observers at SCO summits. The SCO has already become a platform for regional security dialogue. For instance the Indian Air Force Base in Tajikistan was negotiated during the 2006 SCO summit, reportedly with Chinese sponsorship.

India's involvement with the SCO could potentially broaden the group's role still further. The development of an annual trilateral dialogue between India, China and Russia has raised the prospect of a security regime spanning continental Asia, possibly facilitated by the SCO. One analyst has suggested engaging China in a 'Helsinki process', in which the SCO might serve as the nucleus of an Asian version of the OSCE.

Such initiatives however would polarise regional security, which the relevant actors have signalled is not their desired approach. Meetings of the SCO and the India-China-Russia dialogue repeatedly stress that they are not directed against third parties. The same factors that originally structured the SCO—conflicting interests and desire for freedom of manoeuvre—will undermine

efforts to build a larger security institution upon it. Thus despite the SCO's readiness to admit observer states, there is no sign of the group lifting its moratorium on new members.

Foreign policy-makers can have confidence in the SCO's ongoing relevance. The group has observer status at the UN and has developed contacts with all neighbouring states, as well as international organisations such as the EU and OSCE. In contrast to previous Central Asian groupings, member states continue to invest political capital in the SCO and to expand its agenda and institutions, giving it the self-elaborating dynamic typical of successful international bodies.

The best index of the SCO's durability is its entrenchment of two great powers in a region where both have vital interests. SCO member states loom large in China's plans for energy security, both as suppliers and as transit routes for imports from further west. Central Asia is also economically vital to Xinjiang, a province that Beijing has prioritised for development and which itself contains significant mineral wealth. Russia's growing reliance on energy as a foreign policy weapon would not be viable without Central Asian imports. Even a more benign government in Moscow could not avoid engagement on its southern flank, given the lack of a defensible frontier and the presence of significant Russian minorities in the region.

An Australian policy response

China, the US, the EU, NATO, India, Pakistan and Japan are all engaged in Central Asia. The presence of so many major actors in Australian foreign policy in itself justifies close attention to the region and its institution. It also means that there is little chance of Central Asia being dominated by one or two states. There is thus no cause for supporting efforts to undermine or 'balance' the SCO, which would create a needless point of international tension. Australia has no vital interests in Central Asia, but a strong interest in good relations between the region's involved parties, particularly China and the US.

Australia's policy towards the SCO should be one of dialogue and functional engagement, an approach already favoured by other actors. ASEAN has signed a cooperation agreement[4] with the SCO, the EU is considering an 'ad hoc dialogue', and similar initiatives have been proposed for NATO. Even the US, despite rejection for observer status, has signalled that it views its relationship with the SCO in positive-sum terms.

An Australian effort to obtain SCO observer status is probably not justified, and might attract suspicion of US involvement. However if the SCO adopts extant proposals for a functional cooperation program similar to NATO's Partnership for Peace, Australia should consider participation. Regarding narcotics trafficking for instance, the Australian Federal Police could contribute expertise and build on existing contacts with Chinese authorities. This is a particularly significant area given the role of SCO states as transit routes for Afghan narcotics exports, and the prospect of a long-term Australian commitment to Afghanistan's security.

Counter-terrorism is another potential field for cooperation. However caution is merited here, given the group's record of uncritically endorsing questionable measures under the rubric of fighting terrorism. It must also be noted that, with the exception of the presently defunct IMU, the links between Central Asian radical movements and extraregional terrorist groups are tenuous at best.

Trafficking and terrorism are linked to governance problems within the Central Asian states that are unlikely to be resolved without fundamental reform, which the SCO will not facilitate. Even if practical results are poor, however, cooperation with the SCO should be pursued for political effect. It would add substance to Canberra's declarations about symmetry in its international relations, balancing such actions as Australian participation in the quadrilateral dialogue and the 2007 security agreement with Japan.

Australia should similarly support SCO energy cooperation efforts. Such involvement might give Australian companies an opening into Central Asian markets, especially given regional states' desire to diversify foreign investment and expertise. Central Asian producers are also unlikely to compete with Australia for access to China's energy market. Their reserves hold strategic rather than economic advantages for China, and in any case that country's energy demand will far exceed what SCO members can supply.

The 'Shanghai Spirit' of mutual trust and advantage that is said to underpin the SCO accords with the standard for international behaviour demanded by Western countries of China and Russia. Engaging the SCO would thus be consistent policy towards these great powers, and unproblematic given the group's emphasis on functional cooperation and transnational threats. The SCO should be viewed not in terms of zero-sum geopolitics, but of interdependence in a globalised world.

Endnotes

[1] Charter of the Shanghai Cooperation Organisation, 7 June 2002 (Article 1).
[2] Shanghai Convention on Combating Terrorism, Separatism and Extremism, 15 June 2001.
[3] However under a recent (February 2008) agreement between the two bodies, the armed forces of CSTO member states will be able to participate in future SCO exercises.
[4] Memorandum of Understanding Between the Secretariat of the Association of Southeast Asian Nations and the Secretariat of the Shanghai Cooperation Organisation, 21 April 2005.

About the Author

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