DEN NORSKE ATLANTERHAVSKOMITE
THE NORWEGIAN ATLANTIC COMITTEE

SECURITY BRIEF 3-2014

# CHINA MOVES CLOSER TOWARDS CENTRAL ASIA – NEW MOMENTUM FOR THE SHANGHAI COOPERATION ORGANIZATION (SCO)?

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Since its establishment in 2001, the Shanghai Cooperation Organization (SCO) has developed into Central Asia's most influential regional organization. While the SCO has been struggling to achieve tangible achievements lately, this may change in the coming years. With China's latest move towards Central Asia, exemplified by President Xi Jinping's "Silk Road Economic Belt" initiative launched in 2013, China has showed renewed interest in Central Asia. This could also lead to a reinvigorated role for the SCO.

**What is the SCO?**

The SCO is the most influential regional organization in Central Asia. Boosting a combined GDP output third only to the U.S. and the EU, and consisting of several major energy export and import countries, the SCO has enormous economic potential. The SCO's location further means that it holds a significant geographical potential to develop direct trade links with neighboring regions in Asia, the Middle East and Europe. Several of its members and observer states are also nuclear powers. The SCO today includes six member states, China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. India, Pakistan, Iran and Afghanistan are currently observer states, while Sri Lanka, Belarus and Turkey are dialogue partners. The U.S. has applied for observer status, but was rejected in 2006.

The SCO traces its origins back to the so-called "Shanghai Five" agreement from 1996, the outcome of a series of confidence-building measures taken during the 1990s involving China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan to resolve border issues. "The Shanghai Five" later became the SCO in June 2001 in Shanghai as it was transformed into a formal intergovernmental organization, also including Uzbekistan as full member state. The following year the organization proclaimed the SCO Charter and the Shanghai Convention, the latter concerning one of the core aims of the SCO, namely to combat the so called the "three evils" (terrorism, separatism and extremism). The SCO also established two permanent bodies, the Secretariat in Beijing and the Regional Anti-Terrorism Structure (RATS) in Tashkent, capital of Uzbekistan, which both became operative in 2004.

Since its establishment, the SCO has incrementally institutionalized and expanded its policy agenda, particularly in its early years of existence. Focusing mainly on regional security issues, especially counterterrorism, the SCO has over the years come to

*Shanghai Cooperation Organization (SCO) Heads of State Summit 2014 takes place in Dushanbe.*
*Photo Courtesy: Official website of President of Republic of Tajikistan.*

include cooperation also in economic and trade and to promote cultural and education links. A number of multinational military exchanges and exercises have also been conducted, the most significant ones' being the so-called "Peace Missions" (the first held in 2005).

**The SCO as a facilitator for China's Central Asia interests**

The SCO has developed much due to Chinese initiatives. This is no surprise. For China, the SCO has become an important platform from where it can promote its interest in Central Asia. As mentioned, the SCO was created on the foundations of the "Shanghai Five" which sought to deal with border issues along the former Sino-Soviet border. During the cold war and after the Sino-Soviet split in the 1960s, China's border with the Soviet Union turned into the most militarized border in the world as the Soviet Union became China's largest security threat. With the fall of the Soviet Union in 1991, the Soviet threat disappeared only to be replaced with a new and unstable security environment emerging in Central Asia. China needed to address border issues with the new Central Asian states and to ensure that stability in the region was maintained so that it would not negatively impact on China's own domestic stability, particularly in Xinjiang province. Moreover, a secure and stable border allowed Beijing to re-focus its military resources towards East Asia where China is facing more pressing concerns over the increasingly intensive strategic competition with the U.S. over regional power in the Asia-Pacific.

The SCO also functions as a platform from which China can address its concerns over Uighur separatism in Xinjiang province, which borders Central Asia. The Central Asian states have so far been receptive to China's calls for its counterterrorist agenda. China cannot, however, take the support for granted, especially since there are large numbers of Uighur communities in Kazakhstan and Kyrgyzstan, sympathetic to the conditions the Uighur cause in Xinjiang. Beijing has thus tried to cultivate strong links to political elites in Central Asian states in order to undermine any efforts which could lead to Uighur uprisings and cause domestic unrest in Xinjiang province.

Energy security has become a major concern for Beijing. The SCO can play a useful role in this regard. China is the world's largest net importer of oil. In order to secure and diversify energy imports, China has turned to the oil and gas rich counties of Kazakhstan and Turkmenistan. The oil pipeline between China and Kazakhstan has been operational since 2006 with an annual capacity of China-bound oil of 14 million tons. There are currently three gas pipelines built and a fourth is underway which connects Central Asia with China. According to China Natural Petroleum Corporation (NCPC), by 2020 all four pipelines will deliver 80 billion cubic meters of natural gas annually, amounting to at least 40% of China's total imported natural gas by then. While the SCO does not function as an "energy club" per se, it offers China an additional, non-bilateral venue to engage with member states on economic and trade matters.

Finally, and significantly, the SCO functions as a mechanism to reassure Russia, as well as the other member states, of China's benign intent behind its growing interests in Central Asia. Russia considers Central Asia to be its traditional sphere of interests. Moscow is thus wary of China's growing footprint in the region as it fears China might marginalize Russia and, over time, become the dominant player. However, China has signaled that is has no intent to challenge Russia in Central Asia and that it recognizes its sphere of interest. The SCO is an important instrument in this strategy. By utilizing the SCO, China can engage and manage potential issues of frictions with Russia and other Central Asian through a fairly orderly and regularized multilateral mechanism.

**A NATO of the East?**

Outside observers, especially in the west, have come to interpret the SCO as a potential "Eurasian NATO", directed towards counter-balancing the U.S. military presence in Central Asia. When the U.S.-led "global war on terror" began in the wake of 9/11, member states of the SCO were initially eager to cooperate with Washington. Central Asian states view, as do China and Russia, Islamic extremism as a serious security threat to regional and domestic stability. The Central Asian states therefore welcomed the U.S. "global war on terror", which is, perhaps, best exemplified in Kazakhstan's and Uzbekistan's willingness to allow U.S. military bases to be established in the two countries. However, when the U.S. troops stayed on for longer than expected, and the US expanded its presence, the tone started to change. Furthermore, with the "color revolutions" in Georgia 2003 and in Ukraine 2004, regional anxieties towards the U.S. went up a notch as the U.S. was believed to have supported the domestic opposition behind the revolutions. At the SCO summit in Kazakhstan in 2005, the SCO thus called for a deadline for U.S. troops to withdraw from the SCO region. The following year the SCO invited Iran to attend the SCO summit meeting as an observer

state, and the notion of a "NATO of the East" started to become more frequent in the western press.

However, labeling the SCO as a "Eurasian NATO" is misleading. The member states have neither the capacity nor the will to develop the SCO into a military alliance. While often deploying strong rhetoric about opposing "American hegemonism", western values and democracy, the SCO officially claims that it is not directed against any third party or block. It portrays itself as a new type of international organization, transcending traditional alliance politics prevailing during the cold war. More importantly, the SCO has not developed any mutual security obligations among its members, and no SCO defense force has so far been established (in comparison, the Russian-led Collective Security Treaty Organization has created a defense alliance structure with a military force). The organization's security concern remains firmly focused on combating terrorism and ensuring regional and domestic stability for its member states. Additionally, now that the U.S. military presence in Afghanistan is winding down, the rationale for counter-balancing U.S. military presence in the region is, arguably, diminished.

**China moves closer to Central Asia – reinvigorated role for (China's) SCO?**

Despite the progress made, the SCO has struggled to live up to its expectations. The SCO has, since its inception, only had two permanent bodies: The Secretariat and the RATS. Unlike the member states of the European Union, the member states of the SCO have been reluctant to turn over any meaningful decision-making competence to the SCO. The much heralded military exercises, the "Peace Missions", remain limited in scope and do not often include all SCO member states. For instance, the latest "Peace Mission", conducted in August 2014 and being the largest in the history of the SCO, only involved 7000 troops, most of them Chinese. Disagreements between member states over key policy issues and scope of the organization also prevail. This is especially true between China and Russia. China has long tried to expand the economic agenda of the SCO, while Russia prefers to see the SCO remain focused on military and geopolitical issues. Indicative of this is the modest progress China has made in proposing a Free Trade Agreement for the SCO region. Russia has resisted such a proposal, as removed trade barriers would lead to Russian exports being replaced by cheaper Chinese products. Additionally, Moscow much considers the SCO as a China-dominated organization and is worried that China might marginalize Russia's position in Central Asian affairs. Moscow has thus tried to establish its own regional security and economic organizations, both without Chinese membership. Most important is the Collective Security Treaty Organization (CTSO) consisting of Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan and the recently established Eurasian Economic Union (EEU) between Russia, Belarus and Kazakhstan, the latter coming into effect in early 2015.

However, as in the past, China is pushing for increasing the relevance of the SCO. At the recent SCO summit held in September 2014 in Dushanbe, capital of Tajikistan, the SCO came to lay out new ambitious plans. For instance, a new Development Strategy to guide the SCO until 2025 was announced and China called for a further strengthening of SCO cooperation regarding counterterrorism. This topic is of particular importance for China given the recent upshot of violent and deadly attacks in Xinjiang province and other parts of China, which the Chinese government links to Uighur separatists. Another significant event was the announcement that India and Pakistan would be admitted as full members of the SCO at the next summit meeting in Russia in 2015. Expanding membership has been a particular tricky issue for the SCO, and no new member states have been admitted since the SCO was established. By including India and Pakistan, China hopes that the SCO can be in a better position to turn into a more comprehensive security organization for the entire Eurasian region. The inclusion of India would also serve to delude western claims of the SCO as a "club of authoritarian states", and perhaps also further question the claims of the SCO as an emerging "NATO of the East", given India's close security ties with the U.S.

Much of the Chinese attempt to reinvigorate the SCO is related to Beijing's recent efforts to increase and enhance China's economic and infrastructure links with Central Asia. China's latest Central Asian move can, in part, be understood as a strategic response towards the U.S. pivot to the Asia-Pacific region, which Beijing perceives as being a policy designed to encircle and contain a rising China. At the of core of this move is Chinese President Xi Jinping's so called "Silk Road Economic Belt" initiative, announced in September 2013 when he visited Kazakhstan on his "Grand Tour of Central Asia". In essence, the "Silk Road" initiative comprises of an ambitious plan to connect China with South Asia, the Middle East and Europe by developing a wide transportation and communication network. The "Silk Road Economic

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Belt" mirrors its sibling, the "21st Century Maritime Silk Road" which seeks to instead build new, or expand existing, ports and industrial parks in Southeast Asia, South Asia and North Africa in order to connect China with Europe. Both "Silk Roads" are to be linked to China's broader project of creating a gigantic free trade area in the Asia-Pacific region, the so called Free Trade Area of the Asia-Pacific (FTAPP), something China also got enforced at the last APEC meeting held in Beijing in November 2014. To fund its "Silk Road" plans, the Chinese government has established a 40 billion USD Silk Road infrastructure fund to, in the words of President Xi, "break the bottleneck in Asian connectivity by creating a financial platform". The newly established China-backed Asian Infrastructure Investment Bank (AIIB) – with a capital of 50 billion USD and by many considered a potential challenger to the World Bank and the Asian Development Bank – will further guarantee the capital needed to materialize President Xi's objectives. And with governments in Central Asia in dire need for new and better infrastructure, Chinese capital may be seen as a blessing from above. The coming inclusion of India and Pakistan as full members in the SCO will also give China an additional window towards these countries to promote its "Silk Roads", as both India and Pakistan are directly connected to these transportation networks.

**The future on the SCO – a tale of two countries**

China's "Silk Road Economic Belt" will undoubtedly push China even closer to Central Asia. Of crucial importance is how Russia will respond. In many ways, China's inroads into Central Asia come at Russia's expense. Beijing must therefore reassure Moscow that China's increased presence in Central Asia poses no threat to Russian interest, but – on the contrary – rather benefits Russia, especially economically. For instance, the "Silk Road" also includes a route to Moscow, an obvious attempt by China to include Russia in its vision. Russia has so far responded positively and at the recently held APEC meeting, Russian President Vladimir Putin emphasized the positive link between the Russian-led EEU and China's "Silk Road Economic Belt" initiative. There are also increased talks about expanding links between the SCO and CTSO. Much of Russia's acceptance of China's increased activity in Central Asia can be explained by improvement of Sino-Russian relations. This is a consequence of Moscow's own "pivot to Asia", which has largely focused on forging closer ties with China, and which has been exacerbated by the ongoing crisis in Ukraine and the subsequent confrontation with the West. However, Russia's "Asian pivot" has also increasingly made Moscow more dependent on Beijing, recently illustrated by this historical natural gas deal between China and Russia signed in May 2014. Whether Russia will accept becoming even more dependent on China in general and on China in Central Asia in particular remains an open question - a question that will have crucial implications for the future development of the SCO.

*China's "Silk Road Economic Belt" and "21st Century Maritime Silk Road".*
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The DNAK Security Brief series presents current topics in foreign and security policy in a succinct way.
The series was first published in June 2001.

Editor: Audun Reiby
ISSN: 1502-6361