



## **Policy Brief**

### **India should give a closer look to the Shanghai Cooperation Organisation**

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#### **Executive Summary**

The forthcoming Shanghai Cooperation Organisation's (SCO) summit will take place in the Russian city of Yekaterinburg on June, 2009. India's representation in the summit this time should be strong enough to show India's significance and interest in the organization. During SCO Secretary-General Mr. Bolat K. Nurgaliev's, visit to New Delhi on February 2008, he mentioned, that India had an important role to play as an observer state in strengthening the Shanghai Cooperation Organisation. He also said that India share with SCO common positions on many politico-security issues and concerns of the region. India has good relations with all SCO members; hence, prospects for future cooperation are very bright. He emphasised that presently SCO prioritizes on peace and security issues, mainly, dealing with terrorism, separatism and focuses on making the whole region a stable and in predictable situation. Over the past few years SCO has emerged as the most influential multilateral institution in the region; hence, India should be in a comfortable position to work with it. So far, India has not made clear policy towards this organisation, inspite of the fact that it is important for India from the geostrategic, economic and security point of view. So far the attitude of the Indian policy makers and analysts towards this organisation has been very relaxed. However, the growing importance of the SCO makes essential for India to increase dialogue and engagement with SCO and strengthen its position within the forum.

#### **Evolution & Institutions of SCO**

The Shanghai Cooperation Organization (SCO) is an inter-governmental international organization founded in Shanghai on 15 June 2001, by six countries: China, Russia,

Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Its member states cover an area of over 30 million square km or about three fifths of Eurasia, with a population of 1.455 billion, about a quarter of the world's total. Its working languages are Chinese and Russian. SCO's predecessor, the Shanghai Five mechanism, originated and grew from the endeavor by China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan to strengthen confidence building and disarmament in the border regions. In 1996 and 1997, their heads of state met in Shanghai and Moscow respectively and signed the Treaty on 'Deepening Military Trust' and the Treaty on 'Reduction of Military Forces' in the border regions. The annual meeting became a regular practice and has been held alternately in the five member states. The last summit which was held in Dushanbe on August 28, 2008, was attended by the leaders of member states and high level dignitaries from all the observer states.

The SCO's charter, adopted in 2002, defines the main purpose of the SCO as to strengthen mutual trust, good-neighbourliness and friendship among member states; develop effective co-operation in political affairs, economy, trade, science and technology, culture, education, energy, transport and environmental protection, maintain regional peace, security and stability. The charter also defines that the SCO forum should respect each other's independence, sovereignty and territorial integrity; non-interference in each other's internal affairs and not to use any force against each other and equality should be maintained among all member-states. The settlement of any issues should be done through consultations. Although SCO membership is open only to regional states, its charter provides for co-operation with other states and international bodies too.

In January 2007, Bolat Nurgaliev from Kazakhstan took over as secretary-general for a two-year term. The secretariat co-ordinates the SCO's bodies and supports its activities. However, the policy-making remains firmly in the hands of member-states. Most decisions on policy are taken during the national co-ordinators meetings or at the yearly summits. The SCO institutions hold regular meetings of the ministers of defence, external affairs, finance, transportation and disaster management as well as cultural affairs too. There are also forums for the heads of border guards and Prosecutor-General's. The council of national co-ordinators, consisting of senior foreign ministry officials, meets regularly in between summits and prepares policy for the SCO.

The SCO's most important institution after the secretariat is the Regional Anti-Terrorist Structure (RATS). This started its operation in the year 2004 from a base in Tashkent, in Uzbekistan. Its work includes exchange of information and co-ordination of operations with regard to terrorist training camps and funding agencies. The RATS staffs include officials from all the SCO member states. The funding of this is shared between all the member-states including Russia and China. Over the past few years, RATS has expanded its role.

It is now working for the harmonisation of antiterrorist legislation in the member-states & to fight against the terrorists and tracking the funding agencies of the terrorist bodies. RATS places its reports to various international forums including the UN. Through RATS, SCO is trying to find a common position to fight against various terrorist organisations within the region.

RATS have claimed to have arrested or liquidated 15 heads of various terrorist groups. Most of the anti-terrorist work is carried out by the national security services of the member- states. However, RATS's main role is to co-ordinate as well as to facilitate information-sharing. Nonetheless, RATS's work is focused mainly on its member-states security. Evidently, RATS prioritises to fight against Uighur groups for China, Chechen groups for Russia and Hizb ut-Tahrir and the Islamic Movement of Turkistan for Uzbekistan, Tajikistan and Kyrgyzstan.

All the SCO member states also conduct joint anti-terrorist exercises every year, usually in border areas. These exercises involve mainly security forces; however, sometimes some interior ministry and other military forces are also involved. During this operation Chinese forces were brought into Central Asia and China also allowed Central Asian and Russian forces to enter the Chinese territory even in its north-western Xinjiang autonomous region. Though SCO is conducting regular military exercises, which may have raised suspicion in the West, SCO could not be called as yet emergent military alliance in the region as it has neither established active military and defence- industrial co-operation, nor offered its members a collective security guarantee. China and India both definitely would not like the SCO to become a military bloc as both enjoy their bilateral military ties with Russia, which involve military exercises and defence-industrial co-operation. Even Russia would not prefer to make SCO a military bloc in the region. However, all the member countries are free to have military cooperation with any other country. For example, Kazakhstan has signed an Individual Partnership Action Plan with NATO. Tajikistan continues to provide facilities for the armed forces of France, as does Uzbekistan for Germany for fighting the anti-Taliban coalition movement in Afghanistan.

### **Economic Co-operation within SCO**

The SCO's economic agenda and cooperation between the member states has developed significantly. The economic cooperation is further gaining regional multilateral dimensions. The SCO has removed many obstacles for trade, now it is also generating funding for investment in the development projects particularly for building infrastructure such as roads and railways and has also simplified procedures for banking operations among member-states. There are reports, that trade has grown rapidly over the past few years as the economies of all the SCO states have grown at more than 6 per cent a year,

with Russia, China, Kazakhstan performing best as far as economic growth is concerned. Significantly, these three countries are the leading proponents of turning the SCO into a stronger economic club. China is particularly interested to boost the development of the Xinjiang autonomous region through this economic integration process.

Both Pakistan and Iran, the observer states of SCO would like to become transit countries for Central Asian energy exports. Iran has also showed keenness for the creation of a 'Gas OPEC' (including Russia) which could help to set-up global gas prices. The practical side of this idea has however, many political as well as economic limitations.

Since 2001, the economic co-operation within the SCO has been developing gradually. In the year 2003, it adopted a programme of trade and economic co-operation, setting out some key economic objectives to be realised by 2020. The SCO is also trying to create favourable conditions for the free movement of goods, capital, technology and services. Even joint working groups have been set up for co-operation in electronic commerce, customs and investment promotion. In 2004, the SCO agreed to implement more than 120 projects, including the construction of roads and railways, joint telecom schemes for promoting the cross-border trade. Joint geological exploration, as well as the construction of a pipeline between Kazakhstan and China, between Russia and China, and an overhaul of the Kyrgyz pipeline network have also been done for expanding the energy cooperation.

Transport is crucial for the regional economic cooperation. To connect China, Tajikistan, Pakistan and India with the rest of the Central Asian and Caspian region, new roads are being built. For improving rail network from China to Europe, the rail routes are being improved. Efforts are also being made for improving north-south corridor and an energy grid corridor to link Russia to South Asia via Iran. Efforts are also being made to improve air communications across the SCO region. The UNDP has contributed funds for the Silk Road Regional Programme under the UNDP-SCO partnership programme. Many new economic bodies including the SCO Banking Consortium and the Moscow-based Business Council have also developed for smooth economic cooperation. The former includes one bank from each SCO states. These banks help in developing closer links for settling various technical issues. The Consortium and the Business Council also help in preparing joint investment programme for the SCO and for handling major infrastructure projects including energy, telecom, transport and the cross-border trade.

Though SCO's economic agenda is wide, some ambiguity however, exists in developing certain programmes and projects. China has been actively and consistently promoting the idea of a free-trade zone within the SCO, while most other SCO states, including Russia, have doubts over this idea. Russia worries that the cheap Chinese exports might hamper their economic resurgence process. Whereas, a few Central Asian states doubt of China's economic policy towards the region is aimed at gaining easy access to oil and gas of the

region rather than investing in the manufacturing or in the high technology joint projects. Hence, there is some tension continuing among the SCO states towards formation of a common market or a free-trade zone. However, in spite of such tensions it is evident that the economic dimension of the SCO is set to expand further in the coming years. It is also expected that in the coming years more financial assistance from the main SCO countries like Russia, China and Kazakhstan will come as well as many new joint projects will develop for improving the status of economically poor SCO states as well as for providing energy security to the SCO member as well as to the observer states. The SCO has already set up a working group for developing energy and communication technology. The main aim of this group is to develop joint investment projects for the exploration and transportation of Central Asian hydrocarbons to others.

### **SCO's Expansion Plan**

The Shanghai Cooperation Organization, which earlier had no plans for expansion, seems to be changing its course now. Secretary General during his speech at the Indian Council of World Affairs, New Delhi, India, on Feb 26, 09, very clearly stated that 'expansion is inevitable' but preference will be given to the geographic proximity of that country with SCO states, i.e. common border with at least one member state will be essential. Iran, Mongolia, Pakistan (all observer states) expressed their strong desire to become full members of the organisation. India should also focus more on SCO and show their keenness for getting full membership which will be beneficial for them in many different ways. India has shown keenness on sharing security concerns of the region with SCO and also work closely with SCO in Afghanistan. As per SCO Secretary General, though SCO is not interested in sending troops to Afghanistan as they had bitter experience on this issue during the Soviet times, which they would not like to repeat, but as most of the SCO member/observer states shares the common border with Afghanistan it becomes essential for SCO to maintain peace and stability in Afghanistan. Hence, in this regard SCO would appreciate India's cooperation.

Of-late Iran is expressing its firm desire to elevate Iran's status from observer to full membership during the period of Russia's chairmanship. As per SCO Secretary General, inclusion of Iran as full member is possible as Iran has a great potential and Iranian nuclear issue should not be brought in making decision for providing them full membership in the organisation. Rather, he was of the opinion that Iran's nuclear issue should not be solved with the use of force. Hence, he called on the international community to involve Iran and not to isolate it.

Though Countries like Afghanistan and Georgia, in which NATO's presence is conspicuous, have also expressed their keenness to join the SCO as observers and during the SCO summit in Dushanbe, Afghanistan's President was also invited, the fact remains

that NATO and SCO do not go together. Therefore, the SCO need to be more realistic and play a substantive role before thinking of expanding its membership agenda.

The SCO's decision to expand its membership involves regional integration processes. Its enlargement move in this regional context might frustrate the entire Western strategy and if it manages to have a strong hold and name in Central Asia, South Asia and the Gulf, then NATO would be hard-pressed to explain the reasons for its expansion mainly into the territories of the former Soviet Union. The SCO which is widely seen as a counterweight to NATO's influence in Eurasia now their primary aim has become to address the security issues and expand economic and energy projects of the region. The interest of the observer states like India, Iran and Pakistan in obtaining SCO's full membership is mainly for the politico-economic as well as security reasons and the need to build an 'Asian policy'.

Though SCO for the time being has maintained a moratorium on new members, they seem open for 'partnership in dialogue'. Nonetheless, on the issue of cooperation with observer states, SCO has agreed to deepen pragmatic cooperation with all the members including observer states in areas of common interests. It was suggested that cooperation with observer states like in areas of countering terrorism, solving growing environmental problems, ensure food security, energy security and economic cooperation including banking will be strengthened further.

The Secretary General Bolat Nurgaliyev during his recent visit to India also stated that the observer states can participate in all types of SCO activities. At present, there is a difference of opinion among member states on the issue of expansion. However, there is a belief that the future of SCO will depend on how successfully it is able to deal with the issues of economic as well as cooperation in the security sphere among its members and observer states. Therefore, economic and security issues and concerns within the SCO framework is likely to take more prominent place in the coming years. Last SCO summit held in August 28, 2008, in Dushanbe was viewed with keen interest by many analysts and area experts. It has been observed that both Russia and China have been keenly nurturing the SCO as an exclusive organisation to demean the US strategic outreach.

The SCO's heavyweight, Russia, which has strong links with observer states like India and Iran, has shown an inclination for making these states full members in the foreseeable future but seems indecisive about the timing. On the other hand, China has hinted the possibility of increasing cooperation with Tehran within the framework of the SCO. President Ahmadenijad also attended the last SCO summit in Dushanbe. Other member states of SCO like Uzbekistan, though, have refrained from official comment on the topic of further expansion. But the Uzbek government might be keen to see the SCO becoming more anti-Western by including Iran into it, given that its ties with the US have

been strained since a bloody crackdown in the Eastern city of Andijon in May 2005. However, most of the Central Asian states are favourable on providing early membership to observer states like Mongolia, which they feel is a natural ally of this organisation.

Kazakhstan has cited favourable approach for accepting India as a full member of SCO, saying its entry would add more weight to the grouping of Asian countries including China and Russia. Hence, if India wants to enhance its role in the region, it should increase its activities with the regional organisations like SCO that shares many of its concerns say on security, stability and development of the region. The SCO, over the years has become a dynamic, influential and ambitious regional organisation, stretching across a large part of the Asian continent. It is now spawning real results in areas such as on security cooperation, on common economic projects and on the harmonisation of laws. However, it seems Kazakhstan is not too keen to see greater Iranian influence within the SCO. Kyrgyzstan feels that it is too early to talk about SCO expansion. It argued that the group must first focus on cementing ties among current member states. Tajikistan was more oblique and hinted at possible future support for Indian and Iranian membership. But it also warned that the SCO cannot extend its membership indefinitely. At the same time, it feels that economic incentives and security factors will play a major role in letting observer states become full members. The expansion of membership issue is a difficult, but necessary policy line for the SCO member states, which needs to be considered keeping in mind the short as well as the long-term consequences.

The full entry of the present observer states would add to the SCO's decisive role and efficiency. For example, there will be a possibility of building an Iran-Russia "gas-and-oil arc" by co-ordinating their activities as energy producing countries. By virtue of SCO membership, observer states like India and Iran can take up various SCO projects, which in turn would mean access to technology, increased investment, trade and infrastructure development apart from energy co-operation. Greater economic co-operation between these states can be coupled with various significant projects like the Turkmenistan-Afghanistan-Pakistan-India Gas Pipeline (TAPI). These and other projects channeled through Gwadar can make this part of the world a fulcrum for faster economic development. Powerful regional countries like India and Iran can provide a significant share in promoting the role of the SCO. An expanded SCO will be of great benefit to South, South-West and Central Asia. Russia, Iran, Kazakhstan and Uzbekistan possess vast energy resources and hydrocarbon fuel. Tajikistan and Kyrgyzstan have immense hydroelectric energy resources, which, if jointly explored and rationally used, could tangibly improve the energy security of all the countries in the region.

The SCO has matured as an international organization and grown its influence. Now the international community is showing greater interest in the SCO. Presently SCO seems to have created some sort of competition with other organizations in the international arena.

But SCO members feel that it would not be right for the organization at the moment to engage in any competition but instead continue positive constructive work, though, some member states pointed out the obstacles for further expansion of SCO stressing that the organization's charter does not provide for the inclusion of new members. But it seems within the organization there is an eagerness to expand the SCO, which is increasingly seen as a counterbalance to western influence in the strategically located region. However, in today's world of integrated security, no region can develop without taking into consideration the role of strategically-placed countries that may lie outside the boundaries of that region. This factor has become the driving force behind all regional organizations. The Shanghai Cooperation Organization (SCO) cannot be an exception to this rule. By accepting Iran, Mongolia, Pakistan and India as observers in 2005, SCO expanded the scope of its activities and this process has to be taken to its logical end.

Through different kinds of multilateral and bilateral co-operation or consultations, as well as through conference mechanisms, the SCO is trying to establish its importance and its regional and international status. It has strengthened mutual trust and good-neighbourliness among member and observer states. It is trying to promote co-operation among its member and observer states in the sphere of security, political, trade and economic, scientific-technical, energy and transportation spheres. The SCO is also working to fight against terrorism, separatism and drugs trafficking and striving to create a reasonable new international political and economic order. Its current approach is to emphasize on consolidation, long-term planning and avoiding marginalisation. The full membership of Tehran, Islamabad, and New Delhi could bolster cooperation in the SCO in several fields. Thus, SCO's approach should be to convert entire Eurasia into an energy and economic powerhouse.

### **Relevance of SCO for India**

- A strong India-SCO relationship would bring major trade and investment opportunities for India with other SCO states, as SCO is gradually realising its ambitious economic integration agenda, including formation of a free-trade zone and setting-up rules for the free movement of goods, services and technologies within SCO member states.
- The SCO members include two of the major global energy producers outside OPEC, i.e. Russia and Kazakhstan. Hence, India's aim of obtaining energy security could be served through SCO forum which might not be possible in isolation.
- SCO and India both share common interest in disrupting terrorist networks in and around Afghanistan, as both SCO and India view Afghanistan as a crucial

strategic challenge. India is a major donor for the reconstruction and assistance programmes in Afghanistan, while SCO states are involved on the ground work to develop roads, electricity and other energy projects. Government of Afghanistan also wants closer co-operation with SCO as well as with India. The SCO has also set up a special working group on Afghanistan. This common ground could provide good opportunity for both SCO and India to develop common approaches and to exchange views on solving problems as drug trafficking and the resurgence of Taliban.

- India could discuss geopolitical issues and concerns with SCO more widely and openly. India along with other SCO states can contribute for increasing the regional stability.
- India should recognise that all the Central Asian states as well as Russia and China view SCO as a positive and important vehicle for their long-term growth and interest in the region. Hence, in the long run, India through dialogue and better cooperation with SCO might be able to fulfill its own interest within the region.

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