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European Union Policy Responses to the Shanghai Cooperation Organization

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ABSTRACT

On 14 September 2001 the Shanghai Cooperation Organization (SCO), through a joint declaration of its heads of government, was one of the first international organizations to react formally to the terrorist attacks in the USA three days earlier, a response due in part to the fact that anti-terrorism had been a principal purpose of the SCO's creation. At an extraordinary meeting of SCO Foreign Ministers in Beijing in January 2002, concrete proposals for joint efforts in the war on terrorism and some broad political principles for the reconstruction of Afghanistan were agreed.

The SCO groups together countries of a relatively poor region (Central Asia) with two neighboring great powers, China and Russia. The 'continental hinterlands' of Russia and China that border Central Asia -- Heartland Asia -- are socially and developmentally poor, but with great economic potential given their mineral resources. This is why both powers invest large amounts of political capital, including heads of state meetings, in the SCO. The pay-off in terms of highly developed regionalism of the sort seen elsewhere may take a decade or so but it will come.

The author argues that the EU needs to shape its foreign policy toward the SCO in three directions. First, the EU needs to craft policies that see the geographic base of effective regionalism in Heartland Asia as including Russia and China, and not just the states of Central Asia. Second, the EU needs to spend policy capital pressing China and Russia to resist strictly bilateral approaches in favor of policies that enhance the SCO, and to encourage Russia and China to contribute more actively and effectively to the SCO through technical assistance if not money. Third, the EU must convince the USA to resist strictly bilateral approaches helping Central Asian states in favour of policies that promote the effectiveness of the SCO. The EU should consider working towards a comprehensive SCO-EU Dialogue, with a focus on the themes of most immediate interest to the SCO, in particular justice and home affairs, energy and transport.

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1. Introduction

The Shanghai Cooperation Organization (SCO) has been ridiculed in many Western commentaries, and has even been criticized within Russia and China, for its apparent lack of focus and lack of achievements. For this reason, many in Europe have often questioned the importance of the SCO to the European Union (EU). But this perspective is a little short-sighted. It is the case that the SCO groups together countries of a relatively poor region (Central Asia) together with two neighboring great powers, both with vital strategic interests there but – for the moment at least – quite weak in their ability to project comprehensive political influence into the region. Moreover, the geographical centre of the SCO in Central Asia is an area of groaning economic dislocation, of human rights abuse and radical Islamist militancy. Nevertheless, the SCO mobilizes, potentially at least, the entire territory and national power of both Russia and China. The security and long term economic stability of large slices of territory of both these great powers (their ‘continental hinterlands’) depend on major strides in the economic and social development of the contiguous areas of Central Asia. The ‘continental hinterlands’ of Russia and China that border Central Asia are socially and developmentally poor, but with great economic potential given their mineral resources. This is why both Russia and China invest large amounts of political capital, including heads of state meetings, in the SCO. The pay-off in terms of highly developed regionalism of the sort we have seen elsewhere may take a decade or so but it will come, given the rising professionalism in the diplomacy of both Russia and China.

No other regional grouping, except perhaps the North American Free Trade Agreement (NAFTA) and the EU, dispose of such great potential as a regional grouping bringing together Russia and China. In addition, Central Asia has become an area of suddenly heightened strategic concern to the major Western powers. If Pakistan, in response to its expression of interest, would be invited to join the SCO, then the window presented by the SCO on global order will be even bigger because of Pakistan’s size, its military power (especially nuclear), and its geopolitical position relative to both India and the rest of the Muslim world.² Afghanistan’s long term economic future may well hinge

² See Jyotsna Bakshi, ‘Shanghai Co-operation Organisation (SCO) Before and After September 11’, <http://www.idsa-india.org/an-apr6.htm>: ‘on January 3, 2001, Pakistan’s Ambassador to Kyrgyzstan submitted a formal request to the Kyrgyz Foreign Ministry for the grant of observer status for his country at the Shanghai [Five] forum’. This application was lodged before the formal establishment of the SCO. See also Khalid Hasan, ‘Where American liberalism stops’, Dawn, 28 January 2002 (<http://www.dawn.com/2002/01/28/op.htm#4>): ‘The SCO is an open partnership and new members are welcome to join in as Uzbekistan did on its founding. But a consensus among all the members is required to admit new entrants so as to pre-empt chances of factionalism and polarisation within its ranks. Pakistan was the only country to have formally applied for the membership of the Shanghai Five in January 2001. However, no decision was taken regarding Pakistan’s membership.’ According to Pakistan’s Ministry of Foreign Affairs: ‘Pakistan aims to revive historical and cultural ties with the people of the newly independent Republics in Central Asia, (Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan and Azerbaijan) and to develop mutually beneficial: trade and economic cooperation with them. We have been collaborating with them in the areas of transit routes, credit facilities, establishment of gas and oil pipelines, technical assistance programmes, and banking. The restoration of peace in Afghanistan will allow the potential for such collaboration to take off.’ (See <http://www.forisb.org/ForeignPolicy.html>. After the formal establishment of the SCO in June 2001, Pakistan has maintained an interest in participating in it as an observer.

on its joining an increasingly effective SCO. For all of these reasons, the SCO may well come to represent within a relatively short time a fundamental building block of international order.

No-one would challenge the importance of Russia and China to the EU, and the EU is crafting appropriate responses to those two countries. Now, as the SCO develops, the EU will need to adjust its policy and programmes to reflect the important interests Europe has both in the success of the SCO and in a mutually beneficial relationship with it. This briefing paper commences with a short commentary on the prospective evolution of the SCO in section 2 and then analyses issues of policy interest to the EU. A concluding remark notes the importance of a comprehensive SCO-EU Dialogue.

2. Prospective Evolution of SCO

The institutionalization of the SCO is gathering pace around concrete areas of policy and an expanding framework of agreements.³ It is based on:

- agreements among the Shanghai Five⁴ on border security (including military confidence building measures);
- five annual summit meetings (1996-2000);
- the SCO founding summit and declaration (June 2001) that saw Uzbekistan join the group; and
- many other agreements (including the Shanghai Convention on Terrorism, Separatism and Extremism also from June 2001).

On 14 September 2001, the SCO, through a joint declaration of its heads of government, was one of the first international organizations to react formally to the terrorist attacks in the USA three days earlier, a response due in part to the fact that anti-terrorism had been a principal purpose of the SCO's creation. At an extraordinary meeting of SCO Foreign Ministers in Beijing on 7 January 2002, concrete proposals for joint efforts in the war on terrorism and some broad political principles for the reconstruction of Afghanistan were agreed. The parties are now working toward ratification of the SCO Charter (signed in June 2002) and the Agreement on the Regional Anti-Terrorist Structure (RATS) of the SCO. Each country has appointed a National Coordinator for SCO Affairs and these meet regularly in the Council of National Coordinators.

In the SCO summit on 7 June 2002, the heads of state agreed to dramatically speed up the process for forming the legal infrastructure of the SCO. In the next summit scheduled for the first half of

³ 'The six countries that constitute the SCO cover 30 million square kilometres - 60 per cent of continental Europe and Asia - and have a combined population of 1.5 billion - about one quarter of the world population. From a strategic perspective, a Sino-Russian axis is a formidable combination. Central Asia added to it makes the alliance a serious contender for power and influence in the evolving global scenario.' From Khalid Hasan, 'Where American liberalism stops', Dawn, 28 January 2002 (<http://www.dawn.com/2002/01/28/op.htm#4>).

⁴ Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan. These five were the parties to the border negotiations and agreements that grew out of the bilateral border talks between China and the USSR beginning in 1987.

2003 in Kazakhstan, the parties will review a package of measures on the functioning of the Secretariat to be based in Beijing, including the formulation and implementation of an SCO budget. A Council of Ministers of Foreign Affairs of the SCO met for the first time under that rubric in November 2002 in St Petersburg in accordance with the recently signed Charter. Apart from meetings among heads of state, heads of government, and foreign ministers, the SCO framework has produced ministerial level meetings for Defence (accompanied by military chiefs of staff), Trade, Culture, Transport and General Procurators⁵, as well as leading officials responsible for civil emergency response. In Beijing in October 2002, there was a meeting of leading figures from SCO countries involved in the energy industry to review possibilities for future investment and development within the SCO framework.

Of particular note to the immediate development of EU relations with the SCO, the member states of the SCO agreed in November 2002 on 'Interim Arrangements for Mutual Interaction between the SCO and other International Organizations and States'. Non-members can be invited (more or less as observers, but with some speaking rights) to the Council of Ministers of Foreign Affairs, but only at Foreign Minister level; while international organizations can participate at Deputy Head level. Similar arrangements are provided for lower, working-level officials' meetings in the realm of foreign affairs. The Chair of the Council of National Coordinators of the SCO can be invited to attend meetings of other international organizations, through an invitation extended to the Council of Ministers of Foreign Affairs of the SCO. Similarly, the Chair of the Council of National Coordinators can take the initiative to arrange such invitations. All of the preceding activities need the prior approval of all SCO members.

The June 2002 Summit issued a declaration that identified broad economic development as an especially important goal and outlined the main areas and priorities for SCO action in this domain in the near future. These included: construction of communications, transport and power infrastructure; water use; and mining and transport of energy resources. The September 2001 statement of the SCO Prime Ministers identifying trade and investment facilitation as their highest priority can be read as applying principally to those sectors singled out by the 2002 summit (communications, transport, power and energy, mining and water).

The SCO stands out considerably from other, earlier variants of regional cooperation in Central Asia for one main reason: the richer regions of Russia and China can act in combination as the locomotive of development the poorer regions of 'Heartland Asia' (Central Asia plus adjacent areas of Russia and China plus Afghanistan). The weakness of earlier forms of regional cooperation in Central Asia was that they lacked this one crucial ingredient for success: a powerful economy (or economies) around which the weaker states could 'integrate'. It also needs to be borne in mind that the SCO is a very new organization having only been established in June 2001. So it should not be tarred with the same brush of failure that has been evident in other, earlier efforts at regional cooperation.

⁵Equivalent to Attorneys General.

The SCO has a relatively certain future because it is not simply a formalistic structure created *ab initio*. It has evolved naturally out of more than a decade of cooperation on border delimitation and security issues that began as early as 1987 between China and the USSR, and continued since 1991 by the four affected successor states (Russia, Kazakhstan, Kyrgyzstan and Tajikistan). Though initially conceived at its formal establishment in June 2000 as a security grouping fighting terrorism and separatism, a full year ahead of the 11 September 2001 attacks on the US, there is probably no effective alternative for regional economic and social development in 'Heartland Asia'.

The SCO also provides the sort of structure that some international relations theorists have identified as important for effective regional integration. These theorists have emphasized that successful regionalism does not depend necessarily on shared political systems, political rights or economic policy settings. It does depend on the creation of new supranational organs that promote political cooperation and harmonization at the international level. This political regionalism does not necessarily depend on economic integration. Particular forms of economic cooperation can become the primary field of policy through which that political harmonization occurs. But security policy is another important potential field through which such political harmonization can occur. Thus, regional integration is therefore defined not so much by its economic characteristics, as by the processes it generates for enhanced security (both military and economic) among the members. Economic integration that is built around such common political endeavors has appropriately been identified by international relations theorists as a 'security community'. But political regionalism is the essence of regional integration.

The question of whether integration occurs is not so much one of time, as one of process, power and ultimately of shared 'diplomatic values'. Integration needs to be understood as a dynamic process of mutual attention, communication, perception of needs, and responsiveness. There must be mutual belief in a limited number of common propositions or political values, especially a commitment to peaceful resolution of disputes. Integration also involves some balance of power among the parties in order to overcome mutual insecurities. (Russia and China provide two balancing poles in the SCO, each not likely to allow the other to dominate and therefore providing more security for the smaller states.) Since integration depends first and ultimately on a firm commitment to peaceful resolution of disputes, reduction in military tension is essential. But disarmament and even partial demilitarization are not prerequisites. To promote economic regionalism in Central Asia, the EU must continue work toward a new security bargain among the major and minor powers of Heartland Asia. The SCO provides an ideal framework for this.

It is early days yet, but the prospects for rapid institutionalization of the SCO are excellent. Its effectiveness in boosting security and in promoting regional economic development will depend in large part on the resources that China and Russia devote to the organisation. All Central Asian members will be only too receptive, since neither China nor Russia is likely to do anything that conflicts seriously with the political interests of the ruling elites there. To the extent that other international actors, such as the EU, with experience in regionalism and appropriate resources can

extend their support to the SCO, this will be another important vehicle for enhancing its effectiveness. Such support could be a most decisive force for advancing EU and broader liberal (Western) values in Central Asia, not to mention in Russia and China as well.

Contrary to what is often alleged, the SCO is neither designed for nor capable of frustrating strategic goals of the USA and the EU: in large part because neither had prior to September 11 projected any vital geo-strategic goals in Central Asia except those relating to terrorism, and for the most part, the policy of SCO members on terrorism match those of the USA and EU. The one important exception (concerning unreasonable linkage between peaceful dissent against regime rule and terrorism) is important, but it does not mean that the SCO represents a threat to other broader EU and US interests of a more fundamental geo-political kind. As importantly, the SCO is not about Russian or Chinese hegemony in Central Asia. It was formed by them in recognition of their common weaknesses in projecting influence in the region as an individual actor.

3. EU Policy Issues for Consideration

Existing EU Policy Perspectives. EU policy has been much more attuned to the significance of regionalism in Central Asia as a foundation for peace and prosperity there than much public domain commentary on the SCO. If the SCO continues to develop rapidly, the EU will be continually pressed to fine tune its policies on regionalism in Central Asia accordingly. For example, the 2002 Annual Report on the EU's Common Foreign and Security Policy (CFSP) from the Secretariat to the Council identified the lack of regional cooperation in Central Asia as one of three areas of EU concern about the region but did not specifically identify the SCO as having the potential to address the concern. The 2002-2006 Strategy Paper issued by the Commission in October 2002 also placed the development of regional cooperation among Central Asian states as a high priority and outlined indicative forms of financial support for programs that promote regionalism. But the Strategy paper confines its support of regionalism to that involving only the states of Central Asia. The EU does not appear to have formed concrete policies that support the regionalism embodied by the SCO: a regionalism that transcends the geographic boundaries of the old Central Asia. It is argued here that EU programming in support of the SCO will need to bring together Community activities in Central Asia with those in Russia and China.

EU Policy Orientations: The EU needs to shape its foreign policy toward the SCO in three directions. First, the EU needs to craft policies that see the geographic base of effective regionalism in Heartland Asia as including Russia and China, and not just the states of Central Asia. In so doing, the EU should accept more explicitly the security foundations of the SCO and support these by giving priority to demobilization and disarmament programs in Central Asia, and forging the necessary security guarantees that will be needed to underpin such programs. Second, the EU needs to spend policy capital pressing China and Russia to resist strictly bilateral approaches in favor of policies that enhance the SCO, and to encourage Russia and China to contribute more actively and effectively to the SCO through technical assistance if not money. (Though Russia and China are

committed to the SCO, their policy impulses and policy agencies will need time to reorient themselves to full support of the SCO.) Third, the EU must convince the USA to resist strictly bilateral approaches helping Central Asian states in favor of policies that promote the effectiveness of the SCO.

The first line of policy might include the following elements. The EU could root its support for regional cooperation in a more explicit statement of what regional integration is: how the SCO is a much better prospect for that than any predecessor whose membership was confined to just the Central Asian States, or even to the former Soviet republics (CIS); and how the SCO can be supported from outside by an actor like the EU. The EU needs to be more explicit about the relative priority to be accorded programs that support regional integration relative to bilateral programs. Specific forms of EU activity should include: building of an epistemic community in the SCO countries that supports regionalism based on the SCO and actively investigates policy options for promoting it; enhancing capacities of the SCO National Coordinators not only to shape effective forms of regional cooperation but to build domestic support for regionalism; and establishing a formal dialogue between EU institutions and the SCO.

As far as the Commission is concerned, EU support for the SCO need not cost much in additional development funds (already substantially increased in the past two years), but would require a higher level of commitment in policy time, a redirection of programs away from bilateral ones or even away from regional ones based only on activities that involve Central Asian states to regional ones that specifically relate to the SCO, and a commitment by member governments to a rapid expansion in Heartland Asia policy studies, both at home and in the region.

Possible EU Program Actions: The following outlines some specific initiatives the EU might consider to pursue the broad policy setting described above.

Expanding Geographic Scope of EU Support for Central Asian Regionalism

Track 1 of three in the Community's TACIS Indicative Regional Programme for Central Asia 2002-2004 is concerned with promoting regional cooperation. Some †40 million out of total †150 million over three years has been identified for activities in this domain. The discussion and more detailed budget allocations in the Strategy Paper however suggest that initiatives undertaken within the framework of the SCO will be beyond the scope of the TACIS programme for Central Asia. The Strategy Paper seems to provide for cooperative initiatives involving only Central Asian states but not for initiatives that involve a Central Asian State and Russia and/or China, or a region-wide initiative based on the SCO.

As the Strategy Paper notes, the Central Asian countries have not in the past benefited significantly from EU support to regional programmes premised on the framework of the CIS, even though large amounts of money have been spent (some †148 million in 2001) on such 'regional' programmes. In

fact, even these allocations have had less to do with promoting regional integration as such compared with providing necessary remedial support to repair ('band-aid') the fracturing of relations that occurred with the collapse of the USSR. The CIS has never really had much of a prospect as an organization on which regional integration might proceed, but the SCO does hold out this prospect for Central Asia and the 'continental hinterlands' of Russia and China.

At the very least, the EU might now consider active financial or technical support to the offices of the SCO National Coordinators in the states of Central Asia. This would more or less conform to existing guidelines, either for national programmes (Track 2 of the TACIS Indicative Regional Programme 2002-2004) or for 'regional economic cooperation initiatives in Central Asia' under Track 1. But possible support for the SCO mechanism in other ways, possibly extending even to the SCO Secretariat in Beijing, could usefully be considered. There are plans in the Strategy Paper to support cross-border security enhancement programs among Central Asian States, but these could usefully be extended to programs involving them and Russia/and or China.

The TACIS regional cooperation programme outlined in the Strategy Paper for Central Asia looks heavily fragmented and over-functionalised. It is split between transport (7 million), energy (9 million), justice/home affairs (5 million), border management (12 million), and environment (7 million). These are small enough amounts of money spread over three years, but it is arguable that some of this money could usefully be allocated to building the epistemic community (in universities, journalistic circles and the civil services) that is essential for successful regional integration. The EU could usefully fund under Track 1 (perhaps at an annual cost of 1 million), the establishment within each Central Asian country of an SCO studies center (modeled on the very successful APEC studies centers set up in a leading university of each member state). The EU could also support more actively the burgeoning regionalism implicit in the Central Asia University established with support from the Aga Khan Foundation.

Democratisation and human rights, radical Islam and terrorism

The SCO should be particularly attractive to the EU because it brings the neo-Stalinist or neo-Communist states of Central Asia into a regional organization with two states in which the impulse to genuine democratization and establishment of the rule of law is far stronger (Russia and China). Though this judgement may be contested in the case of China, China is streets ahead of the Central Asian states in its respect for the rule of law (especially in such areas as abolition of torture). The EU's goals of promoting democracy and in shaping radical Islam in Central Asia will be enhanced to the extent that Russia and China can transmit their (positive) experiences in these fields to the Central Asian states through the process of SCO integration. Russia's dismal handling of the Moscow theatre siege by Chechen guerillas (not much worse than the FBI's handling of the siege in Waco, Texas) is not a good example of a positive experience, but the Russian body politic is light years ahead of its counterparts in Central Asia.

In fact, it may be far more efficient in the long run for the EU to channel more of the funds for support of democratization and containment of radical Islam and terrorism through the SCO framework, rather than channel it into individual countries of Central Asia with negligible institutional capacity (either physical or human) and highly corrupt administrations. An SCO accounting and auditing framework for foreign aid funds may ultimately be better than that which any of the Central Asian states is likely to deliver individually.

Energy resources: Enhancing regional development systems

Proposed EU programmes pay considerable attention to energy, and improving transport systems related to energy (one third of projected regional cooperation programmed funds for 2002-2004). Identified activities are all appropriate. There does not appear however to be much attention paid to the development of a comprehensive regional approach to energy development and delivery, much less to one that draws in Russia and China. The SCO has yet to develop in any detail its own approach to energy development and associated transportation, but EU assistance at an early stage to such efforts as they develop could have a significant multiplier effect relative to EU projects involving only one or two Central Asian states.

Pakistan's membership?

The EU has a strong interest in encouraging Pakistan's membership of an effective SCO. This would be one antidote to the chronic insecurity that Pakistan manifests, but it would begin to lay the groundwork for a broader regionalism that might ultimately bring together India and the SCO. The South Asian Regional Cooperation mechanism has been overshadowed by the Pakistan-India rivalry. Until a regional mechanism can be created that balances India's power with that of one or more other great powers (such as Russia and China in combination), then the prospects for a reduction of the India-Pakistan rivalry through any process of regional integration are remote. In fact, it could be put the other way as well. A regional integration mechanism that can subsume the India-Pakistan rivalry may be perhaps the only option for defusing it.

Afghanistan's membership?

This is much more problematic. To most states in the SCO, Afghanistan has been the geographic source of the main security problem they have united to fight against. But that is already history, albeit recent history. All of the security and economic imperatives that make it useful for the states of Central Asia to adhere to the SCO also apply to Afghanistan. It is poor, weak and heavily land-locked. Moreover, it will remain riven with internal rivalries that will continue to undermine effective governance at the national level. An effective mechanism for containing those rivalries may well be provided by the potential of the SCO. The EU could undertake a study, in cooperation with the SCO or its member states, on the value to both Afghanistan and the SCO of the former's membership.

4. Concluding Remark: Toward a Comprehensive SCO-EU Dialogue?

Unless and until proven otherwise, the SCO should be assumed to be a prospectively important feature of international order. The EU needs to engage in a broad-ranging dialogue with it. This dialogue process should be multi-level (from participation in SCO Foreign Ministers' meetings) to mid-level officials exchanges. The dialogues should begin with themes of most immediate interest to the SCO, in particular justice and home affairs, energy and transport. The dialogue should involve second-track elements (scholars and officials) as well.





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