
CFR Backgrounders

The Shanghai Cooperation Organization

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Introduction

The [Shanghai Cooperation Organization \(SCO\)](#) is an intergovernmental organization composed of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan founded in Shanghai in 2001. Originally formed as a confidence-building forum to demilitarize borders, the organization's goals and agenda have since broadened to include increased military and counterterrorism cooperation and intelligence sharing. The SCO has also intensified its focus on regional economic initiatives like the recently announced integration of the China-led [Silk Road Economic Belt](#) and the Russia-led Eurasian Economic Union. While some experts say the organization has emerged as an anti-U.S. bulwark in Central Asia, others believe frictions among its members effectively preclude a strong, unified SCO.

What is the SCO?

Originally organized as the Shanghai Five in 1996, the organization added Uzbekistan in 2001 and renamed itself the Shanghai Cooperation Organization. The six member states occupy territory that accounts for three-fifths of the Eurasian continent and have a population of 1.5 billion, a quarter of the world's population. In addition to the six member states, the SCO has two new acceding members, Indian and Pakistan, four observer nations, and six dialogue partners.

As laid out in its charter, the organization [functions as a forum](#) to strengthen confidence and neighborly relations among member countries and promote cooperation in politics, trade, economy, and culture to education, energy, and transportation. The SCO has two permanent headquarters, the secretariat in Beijing and the Regional Anti-Terrorist Structure (RATS) in Tashkent, the Uzbek capital. One of the organization's primary objectives is promoting cooperation on security-related issues, namely to combat the "[three evils](#)" of terrorism, separatism, and extremism. The organization adopts decisions made by [consensus](#), and all member states must uphold the core principle of non-aggression and non-interference in internal affairs.

As a young organization, the SCO's regional influence remains limited. Richard Weitz, senior fellow and director of the Center for Political-Military Analysis at the Hudson Institute, writes that the SCO and its main organizational bodies are "[chronically underfunded](#) and have limited powers to take decisions independently of their member governments." Member states' penchant for pursuing "micro-agendas" also [undermines](#) group cohesion and sows mistrust, says Matthew Crosston, professor and director of the International Security and Intelligence Studies Program at Bellevue University.

Despite these challenges, the SCO has nevertheless broadened its mandate in recent years to include joint security and economic development programs. In 2014, China hosted the bloc's [Peace Mission](#), its largest military exercise in terms of the number troops involved, more than seven thousand, and advanced weaponry deployed. Other organizational priorities are initiatives to deepen economic and energy cooperation, including establishing a bloc-wide development bank.



What role does the SCO play in Afghanistan?

The SCO as a group does not have much sway in Afghanistan, though the organization considers religious extremism, terrorism, and drug trafficking in the country as potential serious threats to the region. Its neighbors share the fear that instability in Afghanistan will spread beyond its borders. For Kabul to participate in SCO counterterrorism initiatives, Afghanistan was elevated from an SCO contact group to full observer status at the 2012 SCO summit in Beijing. With the presence of the [Taliban](#) and local militants aligned with the self-proclaimed Islamic State and al-Qaeda in Afghanistan, and the drawdown of NATO forces, the landlocked country's security situation remains a top priority at SCO meetings. New Afghan leaders President Ashraf Ghani and Chief Executive Abdullah Abdullah have backed greater SCO participation in rebuilding efforts, but the organization has had little involvement to date.

However, some SCO member nations have intensified bilateral engagement with the country. China, in particular, has sought to play a larger role in stabilizing Afghanistan to protect its substantial investments. Currently, China is the largest SCO investor in Afghanistan, with projects including the \$3 billion contract to develop the Aynak copper mine (though its completion has faced numerous [delays](#)). Leaders in Beijing hope that a stable Afghanistan will have a ["spillover" effect](#) on China's own restive autonomous region of [Xinjiang](#). Russia, too, participates in a variety of bilateral efforts with Afghanistan, including the provision of weapons to its army, counternarcotics initiatives, and its own [investment](#) projects. From 1979 to 1989 the Soviet Union and Afghanistan were at war, but today, Russia has a vested interest in the country's security. Moscow views the SCO's Central Asian members as a buffer zone between Russia and Afghanistan, says Raffaello Pantucci of the London-based Royal United Services Institute (RUSI), and therefore chooses to strengthen broader

regional security to prevent instability in Afghanistan from spreading to Russian borders. Central Asian partners, including [Kazakhstan](#) and [Uzbekistan](#), have also made significant investments in Afghanistan.

"Russia appears willing to accept some loss of status in favour of China."—Sarah Lain of the London-based Royal United Services Institute

Despite these bilateral initiatives, it is unclear if the SCO will play a larger role in Afghanistan. The organization's narrow action is in part due to the obstructivism by members who prefer to tackle security issues at the bilateral level, and friction and distrust between members prevent the SCO from forming a unified policy on security issues in Afghanistan. Experts cite the absence of not only [political will](#), but also a limited [economic capacity \(PDF\)](#) for the bloc to take on a military role. However, Weitz writes that if SCO members could make an effective contribution to Afghan prosperity and security, Western powers may come to [appreciate](#) the Eurasian body.

Does the SCO foster economic cooperation among member states?

Economic cooperation has become one of the organization's more pressing goals in recent years. At the Ufa summit in Russia, member states adopted the SCO Development Strategy, which included bolstering finance, investment, and trade cooperation as a priority over the next ten years. Beijing has pushed the organization to focus on economic cooperation with proposals like launching a development fund and a free-trade zone. In the past, many of these initiatives were ["met with skepticism" \(PDF\)](#) by regional, according to Pantucci. However, Central Asian member states, in need of infrastructure and energy investment, have been responsive to these overtures, despite Russian sensitivities to China's expanding influence in former Soviet satellites.

Several SCO member states—notably Kazakhstan, Russia, and Turkmenistan—possess some of the world's largest reserves of oil and natural gas, driving interest in expanded energy cooperation among members. At a June 2006 summit, Russian President Vladimir Putin called for an "energy dialogue, integration of our national energy concepts, and the [creation of an Energy Club](#)." During that meeting, member states discussed establishing a "unified energy market" for oil and gas exports, while also promoting regional development through preferential energy agreements. However, the plans never materialized due to [diverging interests \(PDF\)](#) between energy consumers and energy producers. China is looking to tap energy resources for its growing demand and while Kazakhstan and Russia are dominant energy exporters, Uzbekistan increasingly needs its energy resources for domestic development and consumption, and the economies in Kyrgyzstan and Tajikistan remain weak. Members "prefer to keep national control over their production, supply, and consumption mechanisms and agreements," according to Julie Boland, a former Federal Executive Fellow at the Brookings Institution.

Still, regional energy cooperation occurs outside of SCO auspices. Russia has [secured agreements](#) with several of its Central Asian neighbors to build gas pipelines. China's energy diplomacy similarly follows a bilateral course. For example, the [Central Asia–China Gas Pipeline](#) consists of multiple lines, both completed and still under construction, running more than 1,100 miles through Uzbekistan and Kazakhstan to China's Xinjiang Uighur Autonomous Region. Beijing also [pledged](#) a \$16.3 billion fund to integrate the region, reviving old trade routes as part of China's Silk Road Economic Belt. Though China's flurry of activity has been uprooting Russia's traditionally dominant influence in the region, [energy deals](#) between Beijing and Moscow are also on the rise.

Energy cooperation is but one facet of the economic exchanges among SCO members. China pitched

the establishment of an inter-SCO Development Bank in 2010 as a smaller, regional version of the World Bank and the International Monetary Fund. The SCO's consensus-based decision-making procedures have enabled Moscow to block the emergence of the SCO Development Bank for years, fearing that the institution would **cede full control** to Beijing as its dominant financier. Though the final document from the 2015 Ufa summit did not address the status of the bank, there are indications that Russia may be more willing to cooperate with China moving forward. RUSI's Sarah Lain writes that within multilateral bodies, "Russia appears willing to accept some **loss of status** in favour of China" in order to gain from closer ties with China.

How have Sino-Russian relations shaped the SCO?

China and Russia are the twin engines of the SCO, despite offering differing visions for the organization. Decades of rapid economic growth have propelled China onto the world's stage, whereas Russia has found itself beset with economic turmoil and geopolitical isolation following its 2014 annexation of Crimea, subsequent ejection from the G8, and continuing involvement in the Ukraine conflict. In the past year, the Russian economy has faltered amid currency and oil price volatility, as well as an onslaught of sanctions imposed by the West.

Moscow had long **blocked Beijing's efforts** to advance economic initiatives within the SCO. However, much like its Central Asian neighbors, Moscow is now looking to benefit from Chinese investments, including from energy and manufacturing deals. Since the fallout between Russia and the West, Russia has made its own "pivot" to the East to improve ties with its Asian neighbors, opening the door for greater cooperation between Beijing and Moscow in shaping the SCO agenda. Of late, China's slowing growth has injected a degree of uncertainty about the future momentum of its economy, but analysts say that due to Russia's own economy volatility, China will remain crucial partner for an increasingly isolated Russia.

"While expansion may hinder the organization's ability to act decisively, it will give the SCO the opportunity to revolutionize itself into a more comprehensive institution capable of connecting and integrating a broad swath of Asia."—CFR's Elizabeth C. Economy and William Piekos

Some experts believe that recent moves by Beijing and Moscow, including the agreement to **harmonize** China's Silk Road Economic Belt and Russia's Eurasian Economic Union and bilateral military exercises in the Mediterranean Sea, signal an entente between the two regional powers. Greg Shtraks, a fellow at the East China Normal University in Shanghai, writes that the improvement in Sino-Russian relations seems to be a "genuine, **lasting phenomenon**." Pantucci adds that Moscow's overtures to Beijing not only indicate a willingness, but also an eagerness to have a close bilateral relationship, in both appearance and practice.

However, others like University of Tasmania's Matthew Sussex believe that Russia's relationship with China has "**deepened by necessity** rather than a sense of mutual trust." Anita Inder Singh of the New Delhi-based Centre for Peace and Conflict Resolution doubts the durability of Beijing and Moscow's cooperation, claiming that the "'has-been superpower' and the 'wannabe great power' are engaged in a **contest for primacy** in Eurasia."

How will membership expansion affect the SCO?

Enlargement brings both risks and rewards. To date, the SCO has yet to finalize the expansion of its membership, despite applications from India, Iran, and Pakistan. In September 2014, the SCO **cleared** all legal hurdles to expansion at the heads of state summit, and India and Pakistan began the

accession process at the July 2015 summit in Ufa. Belarus, a former dialogue partner, was also upgraded to observer state, and Armenia, Azerbaijan, Cambodia, and Nepal were **introduced** as new dialogue partners.

Beijing maintains that SCO expansion would "infuse **fresh vigor** into the group's future development and boost its influence and appeal in the international arena." Moscow sees the addition of India and Pakistan as a chance to **increase** both the bloc's political and economic potential and boost its ability to counter pressing regional challenges. Meanwhile, smaller SCO members, concerned of being squeezed by the interests of two superpowers, see the inclusion of India and Pakistan as an opportunity to diversify and build new partnerships.

Meanwhile, some area experts say that introducing new members—including those with fraught bilateral relations like India and Pakistan—to an organization that has been criticized for inefficacy is unlikely to result in greater efficiencies or cohesion. Barnard College's Alexander Cooley cautions that expansion will make the SCO, "a **symbolic organization** rather than a vehicle for any kind of substantive regional integration or cooperative problem solving."

Despite the potential drawbacks, some experts say that there are collective gains to be made for the still-young grouping. As the two South Asian nations join, the **prospects for a SCO Development Bank** may improve. New Delhi, keen to invest in Central Asia, would be a source of valuable financing and inject life into ambitious infrastructure and energy development plans. The addition of the world's largest democracy, India, could also grant greater legitimacy to the body traditionally seen as a club of authoritarian governments. CFR's Elizabeth C. Economy and William Piekos write that "while expansion may hinder the organization's ability to act decisively, it will give the SCO the **opportunity to revolutionize itself** into a more comprehensive institution capable of connecting and integrating a broad swath of Asia."

Additional Resources

Raffaello Pantucci discusses China's shift to Central Asia in his March 2015 **testimony (PDF)** before the U.S.-China Economic and Security Commission.

This **2014 report (PDF)** by the Strategic Studies Institute of the U.S. Army War College analyzes the strategic implications of the SCO's evolution.

The Carnegie Moscow Center's Alexander Gabuev explores how Russia can benefit from China's financial ambitions in the SCO in this **Op-Ed**.

CFR's Elizabeth C. Economy and William Piekos weigh the rewards and risks of expansion in this **Expert Brief**.

The Hudson Institute's Richard Weitz discusses Russia's "pivot to Asia" and the SCO in this **Diplomat interview**.

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Interviewee: S. Frederick Starr, Research Professor and Chairman of the Central Asia-Caucasus Institute, Johns Hopkins University

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