

## Shanghai Cooperation Organization And Dynamics of Economic Integration In The Far East

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**Abstract:** This paper is focused on an overview of the role of Shanghai Cooperation Organization and Dynamics of Economic Cooperation in the Far-East. It portrays and examines the main essence and elements shaping Shanghai Cooperation and economic activities that takes place in the Far East. Shanghai Integration Organization (SCO) is mostly centered on key aspect such as terrorism, separatism, and extremism so as to effectively administer its region. This paper outlines the main activities of the SCO and the dynamics of trade in the Far East. Most of the hard core of this paper is covered, and focused on topics such as; the maintenance of domestic stability and territorial integrity, attitude of other nations toward SCO, the transformation of Shanghai five to Shanghai Cooperation Organization, areas of economic cooperation, competition, and economic institution, the influence of SCO in economic development and trade dynamics, economic cooperation inside SCO, SCO as an umbrella for economic cooperation, and China as a major core for trade and investment. There are some challenges faced by the organization. This includes the fact that there are diverging interests among the SCO members. National interests are deeper among the member states than common a regional interest that provides strong impetus driving economic cooperation and development. While the organization has been able to found institutions to boost regional integration efforts, major power rivalry –the issue of core and periphery—among Russia and China, with the former seeking security interest by using the organization as a platform, the latter seeking economic interest by using the SCO as a new export market for its goods. One major area which is share by all however is security. In one way or the other, security is considered a common interest though not by all members. Some still prefer their national interest when it comes to the issue. For instance, deep rifts between India and Pakistan, and Iran's support of some hard line groups. The last section is the conclusion, which provides an overview of this paper and possible recommendations.

**Keywords:** SCO, Institutions, integration, economy, trade, Far-East, security, soft power, dynamics, terrorism, separatism, extremism

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### I. INTRODUCTION

Studies on Shanghai Cooperation Organization (SCO) have been traditionally focused on economic, political and socio-cultural relations. The number of member countries of this organization might be very few, but the idea of its relations remains general in most studies. Economic relations play a vital role in every state's success and it is regarded as a strategic element for developing a country's economy. Though in this case the economic aspects work hand in hand with political aspects. It is of interest to know that China and Russia who happens to be key members of the SCO are equally from the Far East and their economic in that part of the region plays a great role. Organizations like United Nations (UN), European Union (EU), African Union (AU), North Atlantic Treaty Organization (NATO), just to name a few have been creating strong relations among its members so as to better maintain a strong security within its jurisdiction, and and promote socio-economic and political relations. The Shanghai Cooperation Organization (SCO) is not an exception to join the race of creating a strong organization with some states to better up its development and security. The content of this article is so important, in the sense that it gives explanations on a brief account of how SCO operates and the economic dynamics that takes place in the Far East especially within the 21st century.

The dynamics of economic cooperation in the Far East is based more on a free-market economy system whereby concrete roles are implemented for its successful growth. The SCO lay more of its concern on structural reforms in social security, economy, energy, agriculture and public finances and communication privatization process remains in order so as to maintain a strong cooperation among member states of the organization. China and Russia being part of both the SCO and countries in the Far East and also having a strong economic background have progressively improve economic relations

within the SCO and in the Far East as well. Trading and maintaining security with other countries in the Far East and members of SCO has however strengthened healthy cooperation and relations within the area.

### **The Shanghai Cooperation Organization**

According to Haas and Putten (2007), the Shanghai Cooperation Organization is defined as a regional institution made up of countries in Central Asia, Europe, the South East and Near East Asia. This Organization embodies countries such as Russia, China, Uzbekistan, Kazakhstan, Tajikistan and Kyrgyzstan acting as member states. Other countries like Iran, Pakistan, India and Mongolia all have a role in the organization as observers. Haas and Frans argue that the SCO regulates cooperation in many important fields such as; economic, political, military, cultural, and energy. This Organization has a total population of about 1.5 billion inhabitants, thus portraying about a quarter of the entire population of the world and also having a total area surface of 3/5 of the territory of Eurasia.

Another agreement was on Mutual Reduction of Armed forces around the border areas. The two agreements mentioned above created some sort of mutual trust within the military framework, especially around the border regions. It equally played a positive role in establishing a pure and genuine partnership. The joining of the Organization by Uzbekistan in 2001, changed it from Shanghai Five into six, and later named the SCO. Today, there are five countries (India, Iran, Afghanistan, Pakistan and Mongolia) recognized as observer states and three other countries (Turkey, Belarus, Sri Lanka) recognized with the status as dialogue partners.

The initial goal of the SCO was more centered on mutual inter-regional activities and also based on combating terrorism, separatism and extremism in Central Asia. The most important document of the SCO is the Charter of the organization, which was officially signed on June 2002, and became effective as from the 19<sup>th</sup> September 2003. The charter is a document that states the main goals and principles of the Organization, the structure and major activities of the organization.

### **The Structure of SCO**

SCO is an international organization which embodies many institutional branches and decision making departments. The various structures of the Shanghai Cooperation Organization is made up of a charter that was designed in St. Petersburg Summit in 2002. According to Zeki Furkan Kucuk (Sept. 2009), he argues that, the SCO Charter was to have the following bodies to keep the Organization functional; the Council of Head of States; the Council of Heads of Government (Prime Ministers); the Council of Ministers of Foreign Affairs; Meetings of Ministers and Agencies; the Council of National Coordinators; the Regional Anti-terrorist Structure (RATS) and Secretariat. Among these various bodies, the Head of States Council is the most respectable and highest decision making body within the framework of the organization. It is a normal duty for this body to summon a Summit at least one time in a year to make concrete decision of the organization, plan activities and other priorities for the growth of the organization. This body equally makes decisions in areas that concern the attitude and integration of the organization toward other states and organizations, and the discussion of international issues. In line to this, an argument from the Russian Alphabetic Order of members shows that the Summits of the Head of States Council are held on annual bases and in different states. These Summits are held alternatively in different member states so as to maintain a balance in their official affairs. These Summits are often chaired by the leader of the host member country.

### **Main areas of cooperation within the SCO**

#### **Security**

The security agenda of SCO's is centered on the trans-national issues, which are not necessarily addressed by one member's struggle alone. SCO security aims at tackling terrorism, supports the primary concerns of its members' political leaderships, thus maintains their regions and stability of states as well. The SCO security also kicks against the "three evil forces" which are; terrorism, separatism and extremism. It is also because of the backdrop of instability in Central Asia in 1990s that the agenda of having a strong security was developed. An example is the war that erupted in Tajikistan within 1992 and 1997, armed incursions by anti-regime groups and the internal insecurity in both Russia and China. The SCO developed programs purposely to address organized crimes, illegal narcotics trade, social and economic deprivation, developing structures for the collective response to natural disaster and monitoring of elections. It should be of interest to know that the SCO have also adopted an anti-narcotics strategy for the period of 2011-2016, to work in coordinating its internal affairs. A protocol of cooperation was signed between the RATS and UNODC (Central Asian Regional information and coordination Centre) for both bodies to collaborate and try to solve illegal narcotic trade as a means of funding terrorist organizations in the region. According to the official web page of the SCO, it clearly

state that "information space" must be securitized, so as to prevent the infiltration of "politically destabilizing voices from outside the region".

In line to the aforementioned, Aris (2013), points out Alica Kizekova idea which states that, "the SCO advocates restraining dissemination of information which provokes the "three evils" (extremism, terrorism, separatism) and preventing other nations from using their core technologies to destabilize economic, social, and political stability and security". In the 2007 SCO annual summit which took place in Bishkek, the "action Plan on Ensuring International Information Security" was approved by all the member states. In addition to this, in 2011, the International Code of Conduct for Information Security for consideration was submitted by the SCO to the United Nations.

### **Economics**

According to Aris (2013), the SCO economic cooperation emerged as a twin-priority since mid 2000s. The SCO published a program in 2003 on executing economic cooperation and multilateral trade. In order to make this program effective, SCO created an Interbank Association. Economic Cooperation is seen today to be more focused on macro-economic projects, with the objective of developing state infrastructure like transportation routes. The SCO works in collaboration other institutions like the Asian Development Bank, and the UN Economic and Social Commission for Asian and the Pacific (UNESCAP) to effectively carry on its works on transportation and other infrastructures. During the rise of global financial crises in 2008/2009, the SCO provided a sum of \$10 billion to its member states, so as to boost up their economic crisis. Unlike macroeconomic projects, microeconomic projects are not so serious. Aris argues that microeconomic projects are somehow negligible because other member states of the organization feel that their economies cannot compete with the strength of Chinese economy.

According to Lukin (2007), he argues that SCO officials have much confidence on the prospects of economic cooperation within its framework. A good example of this can be seen during the SCO Business Council that took place on the 14<sup>th</sup> of June, 2006, where Russian president Vladimir Putin made it clear in his speech that "I am convinced that partnerships between business communities will become one more factor that will strengthen the Shanghai Cooperation Organization". In line to this, on the 25 November, the SCO Secretariat, together with the UN Economic and Social Commission for Asia and the Pacific (ESCAP) and the Chinese National Bank of Development organized the first ever Eurasian Economic Forum, that took place in China. The Chairman of the Chinese National People's Congress Standing Committee, Wu Banguo, made it clear in his speech during the forum that Eurasian countries had the advantage of economic and geography proximity complementarities. He encouraged mutual respect, equality, mutual benefit and openness for a dynamic and stable growth of regional economies.

A good number of documents have been set up to better up economic development in the SCO. According to Lukin, some of the documents are the memorandum of 2001, which was focused on the main goals and areas of regional economic cooperation, the 2003 document based on programs to maintain multilateral trade and economic cooperation which is set to continue till the year 2020, the plan of Action put in place in 2004 for the implementation of this program and finally the 2005 document focused on the mechanism to implement the Plan of Actions. All member states hold economic forums and harmonized their legislation, the SCO Council of the Head of States, economic Ministers and other top officials every year to talk on Economic Cooperation Plans. This shows how important economic activities are important within the scope of the SCO. Russian Trade and Economic Development Ministry officials set up some prospectus that all economic cooperation in the spheres of the SCO will be limited, as perceived that it is dominated by China.

### **Culture**

The areas of cooperation in the SCO are more on economic and security. Other areas like the culture were adopted by the organization. Culturally, there are programs aimed at creating strong education standard which is recognized across the member states of the SCO, as well as setting up a joint SCO university to improve its cultural affiliations.

According to Lukin (2007, p.148), he argues that historically, countries like China, Russia, and central Asian countries have ancient and unique civilization. He believes that these countries are faced with problems of preserving their national traditions in an inflow of low culture from other foreign countries. In a nutshell, he argues that this sector has not witness much. Little has been done in the domain of Culture to tighten the cooperation in the SCO.

Yuri Norozov (2009, p. 140) argues that an expert group was created for issues and cooperation related to cultural cooperation between SCO member states for 2005-2006. In April 2007, the agreement on cultural cooperation was signed at the summit in Bishkek. Another cooperation plan for 2009-2011

was adopted by the ministers of culture in 2008, and was approved by the expert group, thus enhancing this sphere of activity to be more streamlined.

### **Main elements shaping Shanghai Cooperation in the Far East**

#### **Economic Cooperation**

For the past 30 years of reforms a lot of changes has taken place Far East region. An instance is the rapid growth of Far East region economy, especially that of China, and the growing ties with the rest of the world. According to Gao Fei (July 2010), he argues that the creation of SCO was purposely for Security Cooperation, but this idea moved to explore the possibilities of engaging into economic cooperation. The economic interest by SCO is seen when on the 14<sup>th</sup> of September 2001, six SCO member states head of states met in Almaty to have a talk on regional economic cooperation. They even went further to sign a memorandum on goals regarding the Regional Economic Cooperation and the creation of favorable conditions within its framework of sustaining mutual trade and investment was launched.

Far East, with China as an example has always had a great view of economic cooperation within the SCO in a good coordination with all states involved. Within the Far East Region, there are benefits in "preferential access to the Russian and Central Asian" markets and natural resources but win-win cooperation is their priority. The selling of natural resources to the Far East States is a great step in boosting their economic strength. In addition to this, the rapid increase of some of the Far East countries like China's GDP provides a lot of opportunities for SCO countries to indulge in foreign investment, market expansion, and technology exchange. The development experience of some of the Far East states is an example that provides a lesson for some of the SCO countries. Some of the financial assistance provided by the Far East States has so much contributed to enhance mutual benefits. For instance, in June 2004, China decided to provide 900 million US dollars worth of preferential buyer's credits to some SCO member states. It is worth noticing that many companies in the Far East have invested in the SCO member states. These companies develop trade strategies; tap it into natural resources through cooperation, then expand the business scope of project, so as to boost economic development in Central Asia (SCO member states). These programs have widely improved economic cooperation between Far East States and SCO member states. The table below can clearly show the drastically increased of trade volume between Far East and other SCO member states.

#### **Socio-political cooperation**

According to Haas (2007), the political interest of Central Asia is to maintain control over most of the regions in that area, for instance the Xinjiang Uyghur Autonomous Region. Haas argues that Chinese government's legitimacy for example, is challenged by Separatism in Xinjiang.

#### **Security Cooperation:**

Despite the constant differences of the SCO member states on tackling security and poor military cooperation, five developments were discerned to help the SCO to become a full grown security organization. These developments were; combination of military and political events, military assistance concept, cordial cooperation between SCO and CSTO, maturing joint manoeuvres and Security response mechanisms. All these developments were to strengthen and have a good security for the organization.

#### **Military Cooperation**

The main military interest of a country like China with those of Central Asian states is to reduce any risk of armed attacks around the borders. China has always been worried with the emergence of rampant military threats in Central Asia. An instance is the 1960s to early 1990s station of Chinese large military officials in Xinjiang, so as prevent any attack from the Soviet Union. According to Haas, SCO and Shanghai Five all originate from the Sino-Soviet talks on troops limitations in China and Xinjiang. China's security greatly improved the Soviet Union collapse.

In September 2006, China Russia and the other five Central Asian States signed a treaty to establish a Central Asian Nuclear Weapon Free Zone (CANWFZ). The SCO is generally to serve the primary purpose of maintaining regional peace and stability. It is obvious that instability in Central Asian countries could evoke armed intervention by other states like Russia, or NATO, or China, or even US. Far East States with Chinese observers as an example believe that United States was doing all it could maintain its dominance in central Asia. The US attacks of 11 September 2001 gave an increase of the American influence in the region and this serves as a warning.

### **Dynamics of Economic Cooperation in the Far East**

Trade and economic cooperation has been developing quite successfully within the past years in the Far East. This is because of the positive results of bilateral trade that has been growing massively in this part of the region. A good example of this is the \$ 95 billion of bilateral trade achieved in 2014, and the total Chinese investments in Russia were almost \$5 billion by the end of 2013. On the other hand, Russian investment in China went up to \$ 860 million (Ivanov, 2015). China and Russian Far East have always acted as key players in bilateral trade within the Far East Region, trade between these two regions have dominated the other Far East states. Using China and Russia as examples of Far East states with strong bilateral trade activity, an outline is given below to show how trade has been between China and Russia in the Far East. Ivanov also views that modern Russian and Chinese trade goes back to decades. China and Russia plays a great role in the economics of the SCO. For instance, China's leading trade partners in 2014 were; the United States, with a total of \$5577.30 billion, Hong Kong with the sum of \$376.10 billion, Japan \$312.64 billion, South Korea (\$ 290.63 billion), Taiwan (\$ 198.53 billion), Germany (\$ 177.75 billion), Australia (\$ 137.13 billion) and Malaysia (\$ 102.06 billion). Additionally, the sum of \$95.31 billion with Russia, Brazil with \$ 86.83 billion, Vietnam with \$83.54 billion and United Kingdom with the sum of \$80.90 billion. China's and Russia's partnership became so strong since 2010. It is estimated that in the 1990's, Russian-Chinese trade was about \$5-7 billion annually. This amount soared in 2000 topping \$95 billion in 2014. Russian exports to China in 2014 was about \$ 41.6 billion, while on the other way round, Chinese imports were at 53.7 billion.

## **II. CONCLUSION**

Looking back into the history of the organization, it is a little difficult to draw definite conclusions based on its achievements and the ongoing efforts to evolve, expand and enhance relations among member states and other states in the international system. There are, however, some areas where the organization played a major role, while in some areas it lacked much success. All the SCO member states have a responsibility to play in the organization so as to widen its objectives, especially in the economic sector. For instance, member state like Russia, Kazakhstan and Uzbekistan presents a geo-economic combination of producing energy with energy consumer states like China, while Kyrgyzstan and Tajikistan are equally producers of hydro-electricity and energy markets. The coming in of India, Iran and Pakistan as observer countries helps in widening this concept.

The SCO was created in a period where a huge power vacuum existed in the Central Asian region, with a weakened relation between Russia and its ex-Soviet member states. Irrespective of the SCO's brief historical background and a slim record of its achievements till date, there are also interesting factors displayed among its members for participating in the organization and seeing more countries queuing to be part of the club. China and Russia are key players within the organization and they bring a lot of financial resources to the region, which reflects the economic success of both countries in regional and global affairs. The heavy investment of China and Russia in Central Asian natural resources gives them a long-term interest to put in place an ongoing large-scale infrastructure projects. Many people in the Central Asian region have benefited a lot from the companies and management to organize work brought in by Russia and China, which in other words creates a lot of jobs and other opportunities for local employment.

Anti-terrorism is another important aspect which is a sore concern to the SCO member states. The SCO does its best to foster security cooperation so as to fight against terror attacks within the border zones on the members. Afghanistan is seen as an open center of terrorism in the organization. It is however tangible to see that developmental and security assistance to Afghanistan and state capacity-building could be a great channel to further development of the SCO. Though, the initial reason for creating the SCO was to make sure all border issues were solved, to make sure the organization did not have far-reaching political aims apart from that of maintaining stability around its borders, to make sure political plight and starts playing a healthy role in enhancing the SCO progress successfully. The SCO members have a duty to make sure 'strong state' approach was applied in order to deal with domestic instability. They equally dispatch missions to observer states to have the opportunity to take part in parliamentary elections so as to make it free and fair enough. The SCO's main potentials is not only centered on military or security but it is also diplomatic.

From the aforementioned, it is seen in a nutshell that the SCO extra-regional implications is a vision of the existence of a powerful image of regional organization, with full potentials to develop as a strong player for global security. Theoretically, it is possible that the SCO turns into an anti-Western Organization. This can however happen if there is a great change in international relations, for instance, seeing a US military striking on Iran and Pakistan.

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