

China and the Shanghai Cooperation Organization: Post-Summit Analysis and Implications for the United States

*Chin-Hao Huang**

Two months ago, the sixth summit of the Shanghai Cooperation Organization (SCO) returned to Shanghai, where the organization was first founded, for its fifth anniversary with much pomp and circumstance. Chinese President Hu Jintao rolled out the red carpet welcoming heads of state from the organization's members.¹ Throughout the two-day summit, they were joined by leaders from neighboring countries sitting in as observers and by senior representatives from Southeast and Central Asian multilateral institutions.² The Chinese hosts did a praiseworthy job of ensuring a seat for each and every regional actor at the working table. All were present but one: the United States.

Looking back, the high-profile summit raised much awareness in the media. The Iranian President Mahmud Ahmadinejad's presence at the SCO, for example, came at a time of much heated controversy surrounding Iran's nuclear standoff. But the issue that stirred most attention was the clear absence of American diplomats at the roundtable discussions, opening up much heated debate on China's intentions in the region.³ China's impressive economic growth, coupled with its military modernization and sharpening diplomacy are increasingly seen as Chinese attempts to eclipse U.S. influence in the region.

* Chin-Hao Huang is a Research Assistant with the Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS), Washington, DC.

¹ With the addition of Uzbekistan in 2001, the original Shanghai Five – China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan – formally became the Shanghai Cooperation Organization.

² Foreign dignitaries from major states in the region including Afghanistan, India, Iran, Mongolia, and Pakistan, and other regional groups such as the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EURASEC), and the Association of Southeast Asian Nations (ASEAN) were present at the summit.

³ Ariel Cohen, "Bear and Dragon Summit," *The Washington Times*, June 13 2006.

A Mixed Picture

The strategic importance of Central Asia for the United States is surfacing in areas such as counterterrorism, narcotic trade, energy production, public health, human rights and good governance. But following the embarrassing setbacks from the demand for troop pullouts in Uzbekistan and Kyrgyzstan last year,⁴ it appears that the United States has yet to define an integrated and coherent approach to Central Asia. At the same time, China's active engagement in its western front is continuing unabated and has raised much debate in Washington. Some are alarmed by China's regional activism and have called for confrontation and containment. Such concerns are not ungrounded but risks devoting excessive energy on drumming up fears. More in-depth and balanced assessment suggests that there are both strengths and limitations for China's inroad to Central Asia through the SCO. The historic mistrust and continued wariness of China's long term ambitions point to the fact that Central Asian states in the SCO are cautiously optimistic about China's outreach. They remain uncertain on the implications of China's "peaceful development." Due to the unlikelihood of a China-centered order in the region in the short to medium term, it gives hope that a more flexible and attentive diplomatic agenda may allow for the United States to better manage and respond to China's rise in Central Asia.

The SCO and China's Regional Activism in Central Asia

In the last decade, China has taken a more active role in the international system, marking a transformation in its foreign policy.⁵ It has expanded bilateral relationships, joined regional and economic organizations, and intensified its participation in multilateral organizations. China attaches great importance to the SCO partnership with its next-door neighbors in Central Asia.⁶ As a co-founder, China anticipated this organization to be a platform where broad cooperation among all countries and regional organizations can be sought. It originally started with functional issues including the demilitarization of the Sino-Russian borders, tackling drug trafficking, and boosting intra-regional trade.⁷

⁴ Lionel Beehner, "Backgrounder: The Rise of the Shanghai Cooperation Organization," Council on Foreign Relations, June 12 2006, <www.cfr.org/publication/10883> (August 1006).

⁵ Gudrun Wacker, "China's Grand Strategy," *China's Rise: The Return of Geopolitics?* S 3, (February 2006): 58.

⁶ Chinese Ministry of Foreign Affairs, "Foreign Ministry Official Briefs about Shanghai Cooperation Organization Summit," June 12 2006, <<http://www.fmprc.gov.cn/eng/zxxx/t257842.htm>> (August 3 2006).

⁷ Beehner, "Backgrounder: The Rise of the Shanghai Cooperation Organization."

Since its inception five years ago, the SCO has made steady progress in carrying out its mandate for closer regional cooperation on economic development. With China playing host to this year's summit, it placed much greater emphasis on expanding and coordinating economic cooperation. For example, one of the major outcomes of this summit was the decision to implement the Cooperation Program on Multilateral Economic and Trade among SCO member states, a mechanism that would facilitate the free flow of commodities, capital, services, and technology in the region. A couple of months ago on May 26, in a quest to diversify its energy sources, China also struck an unprecedented deal with Kazakhstan, under which oil is to be pumped directly across China's border for the first time via the Alataw Pass in Xinjiang. In 2005, China pledged nearly US\$1 billion worth of loans to the Central Asian states.⁸ In addition, joint investment projects in the transportation and telecommunications sectors have yielded positive results, and the formation of the SCO Business Council is another new initiative launched at this summit to forge an inter-bank agreement in the region to help finance such developmental projects.

Collaboration in the economic agenda has been deepened, a development that is largely encouraged and supported by the Chinese government. Such tactical moves can be interpreted as a Chinese attempt to carve out Russian influence in the SCO and the region and to strengthen Beijing's putative leadership in Central Asia. It would perhaps be difficult to call on Chinese intentions at this early stage but its approach to Central Asia is strikingly familiar to Chinese rapprochement with other regions such as Southeast Asia, Central and South America, and sub-Saharan Africa. China's charm is primarily focused on trade and a diplomatic agenda that looks at win-win collaboration. In an effort to allay regional fears of China's economic, political, and military clout, Chinese leaders use the guidelines of "do good to our neighbors, treat our neighbors as partners" (*yulin weishan, yilin weiban*) and "maintain friendly relations with our neighbors, make them feel secure, and help to make them rich" (*mulin, anlin, fulin*).⁹

As China continues to push the SCO in a direction that will encourage regional trade and economic development, Central Asian countries may also look at the possibility of adopting the Chinese model of market-based authoritarianism, one that is much more successful than Russia's model. As part of its global activism, Beijing's ability to present an alternative political and economic model could be a telling indicator of a growing Chinese ideological influence that is countering the Western

⁸ "SCO provides big opportunities for business," *China People's Daily*, June 14 2006, <http://english.peopledaily.com.cn/200606/14/eng20060614_273872.html> (August 3 2006).

⁹ Bates Gill and Yanzhong Huang, "Sources and Limits of Chinese 'Soft Power,'" *Survival* 48, 2 (Summer 2006): 20.

perspectives of democratic principles as a requisite for economic prosperity.¹⁰

The organization's prominence has also risen quite rapidly with its apparent resolve to confront the "three evils of terrorism, separatism, and extremism" facing the region.¹¹ In 2004, the organization established the Regional Anti-Terrorism Structure (RATS) to coordinate SCO member activities in this endeavor. Based in Tashkent, Uzbekistan, it has conducted several multilateral anti-terrorism military exercises in the region. However, it has not operated without controversy. Member states have asserted their right, under the existing RATS agreement, to clamp down on dissidents along their own borders. As the latest case in point, hundreds of protestors "disappeared" in Andijan last May. The Uzbekistani government claimed that they were terrorists that posed a potential threat to domestic stability and the region at large. Both China and Russia, with their own problems in Xinjiang and Chechnya respectively, quickly applauded such efforts and have reaffirmed the SCO's need to enhance regional security cooperation and the core principle of non-interference in the internal affairs of sovereign states.¹² Anti-terror exercises now occur on a frequent basis and both China and Russia have agreed to host and provide assistance to Central Asian states.

This past summit also saw the group expanding its scope for closer cooperation on other fronts. The SCO also decided to institutionalize cultural and educational exchanges and promote tourism, sports, and the arts within the region.¹³ In addition, to counter drug smuggling out of Afghanistan, the SCO has pledged to monitor and help establish an anti-drug zone around Afghanistan. While Afghanistan may not be a member state of the SCO, this summit saw some promising outlooks on holding more regular consultations on the drug problem and other issues of mutual interest under the SCO-Afghanistan Contact Group framework. If this process is followed through, such regional efforts could reinforce and complement the United Nations Office on Drugs and Crime's mandate to tackle drug supply in Central Asia.

The *raison d'être* of the SCO was initially questioned during its formative years but the growing solidarity among the members of this club has sparked much interest from the rest of the countries in close proximity to Central Asia. Afghanistan, Belarus, India,¹⁴ Iran, Mongolia,

¹⁰ *Ibid.*

¹¹ "SCO anti-terror agency successful: official," *Xinhua News*, June 13 2006, <http://news.xinhuanet.com/english/2006-06/13/content_4691196.htm> (August 3 2006).

¹² "Suppression, China, Oil," *The Economist*, July 7 2005.

¹³ "Cultural exchange boosts 'soft power' for SCO development: expert," *Xinhua News*, June 13 2006, <http://english.scosummit2006.org/en_zxbb/2006-06/13/content_536.htm> (June 13 2006).

¹⁴ During last year's summit, India, along with Iran and Pakistan, was recommended for observer status. The current debate of India's intentions in joining the SCO is mixed. On

and Pakistan have all voiced their eagerness to climb on the bandwagon. There are perks and benefits to becoming a full member, which includes gaining access to untapped energy sources and the latest technology in joint projects, benefiting from infrastructure development, and increasing the flow of investment and trade to a market of over 1.5 billion people. Time is unripe for discussion of these states' inclusion as full members and the process has been stalled. Beijing skillfully argued that there was a lack of legal framework for such an expansion at this stage. Both Beijing and Moscow perhaps realize that the SCO's expansion will translate into a broadening and more competitive playing field in Central Asia.

Implications for the United States

There is little doubt that in the last five years China has been relatively successful in pushing for economic development, reassuring Central Asians about its rise, and finding ways for China and its neighbors to cooperate across a host of mutual interests and activities. Throughout these engagements, some additional benefits accrue: extending Chinese influence and the notion of its benevolence, and countering U.S. influence. Despite what appears to be the marginalization of the United States in the region, there are limits to SCO's strengths and advantages. There is still much suspicion and distrust among the member countries. Most countries still shrewdly maintain links with the United States in order to provide balance to China's rising stature.¹⁵ The United States has effectively persuaded Kyrgyzstan to keep its military bases in Manas. Kazakhstan has also agreed to host North Atlantic Treaty Organization's (NATO) Steppe Eagle military exercises later this September. More surprisingly, some Uzbeks claim that the Andijan uprising last May could be a covert operation sponsored by Moscow to gain more influence over Uzbekistan.¹⁶

the one hand, India has been hesitant about partaking in SCO functions under the capacity of a full member state. Yet, others have argued that India, as a contending rising power in Asia, should take a proactive role in the SCO since Central Asia is part of its "extended strategic neighborhood." Closer economic cooperation – e.g., trade, investments, energy production – could also be part of India's strategic calculations to counter Pakistan's influence in the region. In light of China's rise, the author would submit that India's interest in the multilateral organization is an example of "hedging." Relations between the two countries may have thawed since April 2003 but are still at an early and uncertain stage. Further assessments regarding India's role in the SCO include Maj Jefferson E. Turner, "What is Driving India's and Pakistan's Interest in Joining the Shanghai Cooperation Organization?" *Strategic Insights* 4, 8 (August 2005); Juli A. MacDonald, "South Asia," in *Central Asia and the South Caucasus: Reorientations, Internal Transitions, and Strategic Dynamics*, October 2000; Anita Inder Singh, "India's relations with Russia and Central Asia," *International Affairs* 71, 1 (January 1995): 78; B. Raman, "Shanghai Summit: Indian Misgivings," in *South Asia Analysis Group*, June 2006.

¹⁵ "The Shanghai Six at Five," *The Economist*, June 8 2006.

¹⁶ *Ibid.*

It is important to bear in mind in this early debate that the United States has not completely withdrawn from the region. As part of Secretary of State Condoleezza Rice's push for transformational diplomacy, the State Department created the South and Central Asian Affairs Office in the State Department.¹⁷ Reflective of the growing importance of the region in U.S. foreign policy, it is an attempt to further involve Central Asia with Euro-Atlantic and South Asian institutions focused on developmental aid. Despite the harsh rhetoric against U.S. influence, it appears that most Central Asian states are not completely opposed to an American presence in the region.¹⁸

China's greater tolerance for multilateralism in Central Asia bears important implications. Its emphasis on win-win cooperation and consensus-building initiatives seeks to reassure and reduce worries of Central Asian governments over Chinese intentions. But in turn, Central Asian states are put on an equal playing field with China, and the potential expansion of the SCO to include other states such as Afghanistan, India, and Pakistan will allow additional stakeholders in the region to effectively constrain China. Russia's longstanding ties with the Central Asian regimes will also continue to provide a counterbalance to any Chinese-centered order in the region.

Looking Ahead

It is easy to exaggerate China's influence and misread the SCO's mission as a Central Asian version of NATO.¹⁹ This summit saw Beijing's overall focus on returning the organization to its original purpose: promoting regional development. To be certain, much work remains to be done. The SCO will need to strengthen a range of cooperative mechanisms and dialogue to address some of the most fundamental and critical issues facing the region, including HIV/AIDS, trafficking of weapons, humans, and drugs, and a poor social welfare infrastructure.

More importantly, due to the lack of political reforms and respect for human rights, civil unrest and protests are furthering political instability on a frequent basis. Given the porous borders in the region, political instability in one state could open up a Pandora's box and spread quickly to neighboring countries. This is a growing concern for all countries that have a stake in Central Asia since politically repressive and unstable environments serve as breeding grounds and training camps for potential terrorists.

¹⁷ "The Bureau of South and Central Asian Affairs," U.S. Department of State, February 9 2006, <www.state.gov/r/pa/prs/ps/2006/60885.htm> (August 5 2006).

¹⁸ "The Shanghai Six at Five," *The Economist*.

¹⁹ *Ibid.*

No single member, be it China or Russia, can address these problems unilaterally. Likewise, they should not manipulate the SCO as an alliance for political convenience. Instead, member states should seek greater unity by pulling together available resources to address the political, social, and economic problems in the region. This may include reaching out to Washington. And the United States has good reason to encourage both bilateral and multilateral solutions, combine and strengthen existing efforts within the organization to tackle these pressing challenges. However, it should not overstep its boundaries and remain tactfully mindful of Chinese and Russian concerns about its presence. Any strategic commitment from the United States will require a much greater understanding of Central Asians' perspectives on Chinese and Russian engagements in the region.

Equally important, Washington's longstanding threats of divestment, cutting of aid, and other negative reinforcements are not likely to be effective instruments for motivating Central Asian leaders to change their behavior. It should support democracy but also balance such fervor with a greater understanding of sovereignty in Central Asian states.

The convergence of interests between China, the SCO, and the United States calls for greater collaboration between all sides to confront transnational threats emanating from the region. The absence of the United States from this year's summit was another year of missed opportunities. Next year, however, rather than focusing on rolling out the red carpet, it may perhaps be a wise step for leaders attending the summit to roll up their sleeves and address the mounting challenges facing the SCO and Central Asia.