RUSSIAN-CHINESE RELATIONS AND THEIR LEADERSHIP POTENTIAL IN THE SHANGHAI COOPERATION ORGANIZATION

Karl Salum

Introduction

Relations between the two largest and most powerful countries in Eurasia have been a subject of interest for many public officials, academics, and ordinary citizens for quite some time. History has shown that it is difficult to predict the status of their relationship beyond a decade or so into the future. Running the gamut from grand friendship to non-sanctioned border skirmishes during the Cold War, Sino-Soviet (now Russian) relations have had, and will continue to have, an influence on the politics of Eurasia and the rest of the world.

The breakup of the Soviet Union and the end of the Cold War seem to have brought a certain stability as both Russia and China have become more committed to achieving their goals via diplomatic means. By 1995, with the establishment of the so-called Shanghai Five framework, consisting of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan, the relationship had been extended at the multilateral level. The main purpose of this organization was to facilitate various border negotiations between China and the former Soviet republics.

Due to the successes they had achieved, the Shanghai Five member states became aware of the further potential of cooperation in the region and decided to develop an improved structure. Another regional player, Uzbekistan, was invited to join the five, thus forming a new organization called the Shanghai Cooperation Organization (SCO).

The new organization built on the successes of the Shanghai Five framework and established itself as a regional force in affairs such as trade and energy cooperation. Soon, several other Eurasian countries sought to initiate ties with the organization and acquired observer status, which provided the SCO further legitimacy on the international level.
As the SCO is still evolving, politicians, economists and researchers around the world are keen to elaborate on its essence and potential for future developments. Russia and China clearly stand out as the two most powerful countries in the organization. However, the question of whether either one of them strives to be the organization’s leader has rarely been discussed. Successful cooperation at the organizational level requires either strong state leadership or well-developed mechanisms. The SCO does not yet appear to have any efficient governing or decision-making mechanisms; therefore, state leadership would be required to “drive” the organization efficiently.

This article attempts to identify such a leader by analyzing the different factors and dynamics that are characteristic of the SCO and its two most important member states. This way, we can better predict the organization’s behavior and develop an understanding of it. Thus one of the following hypotheses should prove true:
1. Russia will be the future leader of the SCO.
2. China will be the future leader of the SCO.
3. Neither state will attempt to seize the initiative.

This article is divided into four parts. The first chapter will provide a brief overview of Russian-Chinese relations since World War II until the establishment of the Shanghai Five framework in 1996. It will concentrate mostly on political issues but also describe economic and military aspects (for example, economic cooperation and military tensions).

The second chapter concerns the development of multilateral relations in the region, describing how the Shanghai Five became the SCO and goes on to further explain the organization’s tasks and purposes. The third chapter brings out the reasons for Russia and China joining the SCO, and elaborates on their perceptions of membership and the organization itself. It will also analyze the political, military, and economic aspects that SCO membership entails for Russia and China. The last part will summarize the previous chapter’s findings and identify the most probable hypothesis. It will also elaborate on the SCO’s potential development in the future.

1. Russian-Chinese relations since World War II

Historic relations between the two states actually go back for centuries. For the purposes of this article, however, the relevant period begins after World War II, when both Russia (then Soviet Union) and China went through their most turbulent periods of political and economic developments.
At the end of World War II, both countries were in disarray, due to extensive damage to their infrastructure and the sacrifices of their citizens. While the Soviet Union was able to secure its external and internal borders and embark on the road to postwar recovery, China soon became entangled in a civil war between the Communist and the Kuomintang parties. After the communists seized control of the Chinese territory and declared the creation of the People’s Republic of China (PRC), ties between the Soviet Union and China intensified. The Soviet regime had a positive view of communist China as a solid ally in the developing Cold War confrontation against the West. Consequently, it was in the Soviet interest to provide China with aid and political support, thus fostering good relations between the two largest communist regimes in Eurasia.

The Soviet Union did not, however, prove as accommodating to Chinese needs, as Mao had expected.\(^1\) Mao had not forgotten Stalin’s initial lackadaisical support of the Chinese Communists during their fight against the Kuomintang. However, with the perceived rise of the American threat to Chinese interests in Asia, Mao chose the side of the Soviet Union as the only capable deterrent force. In addition to military aid, the Soviet aid program for China extended to other spheres as well, such as economy, education and industry. But this was not a one-way street. According to Paramonov and Strokov, China provided the Soviet Union with several important articles “such as textiles and light industry products and … non-ferrous metals which were in short supply in the USSR at that time and were vitally important for Soviet industry.”\(^2\)

The outbreak and the course of the Korean War between 1950 and 1953 best demonstrated the extent of Sino-Soviet relations at the time. Both perceived the war as an attempt by the United States to extend its influence in Northeast Asia, especially as allied forces started pushing closer to the border between North Korea and China. Soviet military assistance to China had commenced with the signing of the *Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance* in 1950.\(^3\) In addition to providing training

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and equipment during the Korean War, the Soviet air force also protected the Chinese forces that were on alert at the China-North Korea border as well as several Chinese cities against the US air threat.\footnote{Mark O’Neill provides a more detailed account of Soviet military assistance to China and North Korea during the war in “Soviet Involvement in the Korean War: A New View from the Soviet-era Archives”. – OAH Magazine of History, Vol. 14, No. 3, Spring 2000, \url{http://ushist2112honors.files.wordpress.com/2010/08/oneilkoreanwar.pdf}.}

Stalin’s death in 1953 and the subsequent thaw in the Soviet political regime soon became a concern for Mao who had favored Stalin’s views on Communism and his heavy-handed policies in enforcing these views. Khrushchev’s active de-Stalinization campaign and China’s continued reliance on Soviet material support likely contributed to Mao’s decision to launch the \textit{Great Leap Forward} (GLF) in order to make China economically independent.\footnote{See Map 24: The Sino-Soviet Split in John Swift (2003) “The Palgrave Concise Historical Atlas of the Cold War” (Palgrave Macmillan).} The outcome of the GLF was quite the opposite: the Chinese economy dwindled, and Soviet material and technical support ended as Khrushchev determined Mao’s policies to be harmful to the Soviet cause.

During the 1960s, Sino-Soviet relations gradually worsened while animosities and hostile behavior increased. The ideological differences had already emerged in the previous decade and the schism deepened further, due to the aforementioned failures of the GLF and various other reasons, such as “differences over China’s acquisition of nuclear weapons … competing revolutionary strategies, theological pretension, struggle for supreme Communist authority”, for example.\footnote{Among the institutions that have researched the Sino-Soviet split in the 1960s and 70s, the Central Intelligence Agency has published an excellent study of the Agency’s related work at that time, describing numerous sources of discord between the Soviet Union and China. See Harold Ford “Calling the Sino-Soviet Split: The CIA and Double Demonology”. – Studies in Intelligence (Winter 1998-99), \url{https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/csi-studies/studies/winter98_99/art05.html}.} The border issues that had been ignored during Stalin’s reign were raised again, resulting in the tensions along the border, and provoking fortifications, deployments of massive forces, and actual armed clashes between the two sides.\footnote{The most serious incident is considered to be the Damanski (Zhenbao) island incident, when in March, 1969, Soviet and Chinese troops fought over control of the island on several occasions. The issue was solved after Soviet Prime Minister Kosygin’s “urgent visit to Beijing” and the subsequent handover of the island to China. See Paramonov & Strokov 2006, footnote #8.}

In the 1970s, the likelihood of a Sino-Soviet armed conflict was reduced, but the Soviet concerns about the Chinese threat remained. It is interesting to note, that China was at least equally, if not more concerned about a potential
Soviet invasion. This may have been one of the key reasons for the improvement of US-China relations, which in turn provoked the further Soviet military expansion in the Far East.

The 1980s brought improvements in the relations between the two countries, mostly due to changes in leadership. The new Chinese leader, Deng Xiaoping, had launched economic reforms in 1978, which were widely discussed throughout the communist bloc, including the Soviet Union. In 1982, Brezhnev officially recognized the “Chinese [version of] socialism, [thus removing] a major ideological barrier to reconciliation. This provided the necessary environment for high-level visits. For example, in 1984, Soviet deputy Prime Minister Ivan Arkhipov visited Chinese Prime Minister Li Peng, who conducted a return visit in 1985.

The real breakthrough came in 1989, when Mikhail Gorbachev was the first Soviet leader to conduct a state visit to China since Khrushchev’s visit to Beijing in 1958. This event was a crucial element in restoring the ties between the two countries, despite the crackdown on Tiananmen Square protesters. In 1991, Jiang Zemin became the first Chinese leader after Mao Zedong in 1957 to visit Russia. In Moscow, the two countries signed a border agreement and probably finalized other agreements in “a wide range of fields, from military exchanges to technological and scientific programs”. This visit essentially wrapped up the process of restoring the normal relations between the Soviet Union and China. Surprisingly, even the collapse of the Soviet Union did not impact the development of the newly vitalized relationship between China and Russia as the successor of the Soviet Union.

The 1990s marked a boom in Sino-Russian relations. Russia’s need for economic relations, especially markets for military technology, was combined with the rapid development of the Chinese economy and increasing need for energy and resources. Military-related affairs proved to be most lucrative: several multibillion-dollar deals were signed and numerous military units at

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the border were transferred to other parts of the respective countries. At the same time, Sino-Russian political relations in both regional and international matters were also improving, eventually paving way to the establishment of the Shanghai Five framework with Kazakhstan, Kyrgyzstan and Tajikistan. The final settlement of the territorial issues and the formal resolution of the border disputes occurred in the first decade of the new millennium.

Conclusion

When looking at the history of relations between Russia (Soviet Union) and China after World War II, quite extreme fluctuations are apparent. Paramonov and Strokov attribute this primarily to the attitudes of individual leaders. According to their theory, when the “ruling elites of the two countries … saw cooperation in [various] spheres as advancing their respective long term interests”, the relations were good. On the other hand, when “short-term, narrow national interests or [individual] ambitions began to prevail over pragmatism and a strategic vision of their common long-term interests”, the relationship weakened and even became hostile. This offers a potential framework for viewing the Sino-Russian relationship in the SCO today – it is very likely that the trends in their bilateral relations are also reflected at the multilateral level.

2. Development of the SCO

Once the Shanghai Five framework was established, the benefits of embracing the Central Asian states soon became obvious, especially for China. As the relations between the states improved, the scope of cooperation was gradually broadened beyond border negotiations. For example, in 1998 the members “agreed to fight national separatism and religious extremism, terrorism, weapons smuggling and drug trafficking” which were later combined into the “three evils facing the SCO” – separatism, extremism and terrorism. Namely, in China’s western Xinjiang province there were (and still are) ethnic extremist movements as well as weapon and drug smuggling between China and the Central Asian states. Of particular concern is the Uighur

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12 Nemets 2006, under “A Shifting Balance”.
13 Paramonov & Strokov 2006, p. 4.
separatist movement in the province. Mutual tightening of the borders has enabled China to deal with these issues in a more efficient manner.

Success in handling the border security-related issues in a peaceful manner and extending the cooperation to other matters showed the Shanghai Five that their initiative should be advanced further. Indeed, as Lukin describes it, after “[h]aving resolved some of the questions left over from the Soviet era, the Shanghai Five members went further [and] discovered a sphere of common interests that reached far beyond the Five’s initial objectives.”

Continuing positive political and economic relations, increased border security, cooperation in dealing with such issues as extremism and terrorism—all these factors were the driving forces behind the Shanghai Five’s transformation into SCO.

Perhaps it was also Uzbekistan’s application to join the Shanghai Five that demonstrated the framework’s readiness to transform into a more coherent organization. In the summer of 2001, Uzbekistan was invited to join the SCO along with the other Shanghai Five members. The new organization undertook a wide variety of missions, such as “effective cooperation in politics, trade and economy, science and technology, culture as well as education, energy, transportation, tourism, environmental protection and other fields; making joint efforts to maintain and ensure peace, security and stability in the region, moving towards the establishment of a new, democratic, just and rational political and economic international order.” It is an ambitious spectrum of endeavors, considering that previously, the states had mostly conducted multilateral negotiations over rather well-defined and tangible issues such as troop limitations in the border zones, for example.

A key contribution towards the evolution of the SCO was the creation of the Regional Anti-Terrorist Structure (RATS), later renamed as the Regional Counter-Terrorism Structure (RCTS). It can be argued, that the commencement of US-led Operation Enduring Freedom in Afghanistan, which added another player to the regional security affairs, was an important factor in creating the RATS. Initially, the SCO welcomed the ousting of the Taliban regime, which had also been directly or remotely involved

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with various Muslim extremist groups in the SCO member states.\textsuperscript{18} Their approval was soon replaced by the concern that the US may take advantage of its military presence and begin promoting Western values in Central Asia as well – something that goes directly against the SCO’s non-interference principle. Paradoxically, another concern was that the West would pull out of Afghanistan too soon, thus permitting the Taliban to restore their power. Therefore, the establishment of the RATS seems to be a wise move, since at the time, Uzbekistan\textsuperscript{19} and China were not participating in a formal regional organization with anti-terrorism capabilities such as the Collective Security Treaty Organization (CSTO) that the other four SCO members belonged to.

Despite initial reluctance to coordinate military activities on a political level, the SCO has managed to conduct several bi- and multilateral military exercises every year, starting in 2002.\textsuperscript{20} Due to the number of troops involved and the gradual expansion of their scope and scale, these exercises have drawn considerable public attention and caused other states to seek increased ties with the SCO. In 2004, Mongolia was granted observer status; India, Iran and Pakistan attained this in 2005. There are, however, several problems related to the latter three becoming full members of the SCO.\textsuperscript{21} Therefore, it is unlikely that the SCO would undertake significant expansion, i.e. inviting another regional power to join the organization. As Plater-Zyberk argues, “[t]he SCO may want to invite less controversial countries like Vietnam … or Turkmenistan”.\textsuperscript{22}

The lull in establishing formal ties with new partner states since 2005 was ended in 2010 when the status of dialogue partner was granted to Belarus and Sri Lanka. Most recently in June 2012, Turkey became another dialogue partner while Afghanistan became an observer state. Further, the Secretary General of the SCO has said that the organization wishes to expedite the process of new states acquiring membership or other partner status.\textsuperscript{23} It seems that the organization has gotten over the initial growing pains and seeks to

\textsuperscript{18} Lukin 2004, pp. 35-36.
\textsuperscript{19} Uzbekistan joined the CSTO in 2006.
\textsuperscript{21} For example, India-Pakistani bilateral relations and their ties to Russia and China, respectively. The current Iranian nuclear debacle could also have a negative influence on the SCO. See Plater-Zyberk 2007, pp. 6–7.
\textsuperscript{22} Ibid.
strengthen its positions in Central Asia’s political, economic and security affairs, most likely due to the lack of serious opposition from other world powers.

Overall, the development of the SCO as an organization and its mission as well as the acceptance of new member states depend largely on the Russian and Chinese views about the SCO’s future. These views, in turn, depend mostly on their mutual relations, but also on the bilateral relations with other regional powers. If Russia and China share similar views about the extent of economic and military cooperation within the organization, the four Central Asian states will follow them. If the views differ, it is unlikely that either Russia or China can rally the rest of the members behind its cause, and force the opponent to budge. Therefore, we can presume that the most important issues between Russia and China that pertain to the SCO will be handled on a bilateral basis first. Consequently, the matter of de facto leadership would probably also be determined without input from other members. However, it cannot be said that the Central Asian members of the SCO have no say in the future of the organization.

3. Russia’s and China’s roles and their perceptions of the SCO

The initial motivation to form the Shanghai Five framework was to address border issues that the former Soviet republics shared with China. As these issues were solved in good faith, opportunities for further improvements in relations arose. All members had different motivations to intensify contacts with the others. These were reflected in their preferences for the fields of cooperation. For example, China started to pursue energy security by establishing closer ties with Kazakhstan, while Russia preferred to address its security-related concerns through the CSTO, rather than boosting the SCO’s security mechanism.

This chapter will describe Russia’s and China’s reasons for joining the SCO and their perceptions of membership and the organization itself. It will analyze the political, military and economic aspects that SCO membership entails for Russia and China. For analysis, the following framework will be used:

- Outline specific functional areas where Russia or China have the potential to take a leading role in the organization;
- Based on these, derive indicators, i.e. possible measures or activities (at either bi- or multilateral level) that point towards an initiative for the leading role;
Based on the indicators, identify **enablers**, i.e. potential factors that would motivate either Russia or China to employ the aforementioned measures or activities.

### 3.1. Russia and the SCO

Most of the Russian objectives for forming the SCO initially concerned maintaining influence over the Central Asian states. Russia’s main emphasis in the SCO is on security and military affairs. The economy is also a factor for Russia who clearly benefits from increased and properly regulated economic cooperation in the region. Namely, it offers a market for Russian products and raw materials, provides access to various resources and helps to reduce Chinese economic dominance. Conducting these activities within the framework of an organization helps to prevent potential negative surprises such as unexpected tariffs or restrictions.

Russia expects the SCO to become a strategic tool that enables Russia to pursue its goal of establishing a multi-polar world order as well as aid in preventing Western influence in Central Asia and in creating a stable buffer zone around its borders. Another purpose that Russia sees for SCO is to check Chinese political, economic and, potentially, military-related expansion in Eurasia. This would require certain maneuvering within the SCO framework to have a lead over China in establishing appropriate policies. Specifically, Russia could do this in the following functional areas:

1) **Raise the profile of Central Asian states, elevate their status in the SCO**

Due to the common Soviet history, Russia still enjoys a much closer relationship with the Central Asian states than China does. This has worked as a major advantage for Russia in establishing close ties with Central Asia. In order to maintain good relations with the regimes, make them feel more important and thus reduce China’s political profile in Central Asia, Russia would have to conduct the following activities:

- **Indicator 1**: Increase the number of mutual high-level visits with lots of publicity and gestures;
- **Enabler 1**: An increased number of Chinese official visits to Central Asian states.

- **Indicator 2**: Increase the number of joint cultural or educational projects;
- **Enabler 2**: An unexpected and large Chinese investment in these matter areas.
2) Security competition with China

Even though China has developed its military at an extraordinary pace, Russian military skills and technology still prevail. To a degree, China also still depends on Russian technology and weapons sales, which provides Russia a certain leverage over China, but this is likely to diminish over time. The Central Asian states also use Russian military technology and tactics, making them dependent on cooperation with Russia. Furthermore, they belong to the CSTO, which enables Russia and the Central Asian states to conduct military activities without Chinese consent. In summary, the following courses of action would enable Russia to take the leading role in the SCO’s military affairs:

- **Indicator 1**: Limiting military trade with China;
- **Enabler 1**: China approaching military parity with Russia.

- **Indicator 2**: Boosting ties with India, increasing military sales;
- **Enabler 2**: Same as enabler 1.

- **Indicator 4**: Conducting military exercises with the Central Asian states under the auspices of the CSTO without notifying China;
- **Enabler 4**: China does not notify Russia about planning or conducting large-scale bilateral exercises with the Central Asian states.

3) Economic competition with China

The essence of economic relations between Russia and China can shortly be defined as “Russian raw materials for Chinese finished production.” Another major business for Russia is the sale of military technology and equipment to China, which, however, has dwindled in the last couple of years. Perhaps the most important concern in Russian-Chinese economic affairs today is the question of natural gas, as Russia and China have somewhat diverging interests. Namely, China is interested in purchasing more natural gas from the Central Asian states while Russia would rather prefer to be the main source of Chinese natural gas. Currently the main issue in Russian-

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25 The two most likely factors behind this trend are 1) reduced Chinese interest as their own military technology is catching up with Russia’s and 2) significant increase of arms trade with other states, especially India.
Chinese natural gas trade is the ongoing negotiation over the sales price.\footnote{The gap between the prices desired by Russia and China is quite significant. Russia would like $350-$400 per 1,000 cubic meters while China is expecting to pay only $200–$250. See Perlez, Jane. 2012. Putin Arrives in China for Regional Talks. – The New York Times, June 5, 2012. <http://www.nytimes.com/2012/06/06/world/asia/vladimir-putin-in-china-for-regional-summit.html> for further discussion.} Russia, however, has failed to establish itself as an intermediary between the gas-producing Central Asian states and China, yet it still desires to have an influence on the Central Asian bilateral natural gas trade questions.

As the Chinese economy has clearly surpassed Russia’s, there is really only one way for Russia to attempt to check China’s growing economic strength and consequent influence in Central Asia. It appears that economic competition with China in the Central Asian states is no longer possible for Russia. Therefore, Russia’s best bet would be to harness the economic activities conducted by the SCO member states under solid regulations adhered to by all members, especially in the energy industry sector which is one of the last few business spheres where Russia holds considerable sway vis-à-vis China.

- **Indicator:** Russia proposes a set of policies regulating the SCO’s energy affairs (for example, protectionist measures, foreign investment criteria).\footnote{The purpose of these would be to limit China’s investments in other SCO members’ energy industries and subsequent profits.}

- **Enabler:** China starts acquiring majority shares in the Central Asian energy industry.

In brief, Russia’s advantage at the moment is a good political relationship with Central Asian states, which allows greater latitude than China in political affairs, including in SCO related matters. However, in the past Russia has conducted provocative activities and exercised forceful diplomacy in order to achieve its goals; for example, in the field of energy trade. It appears that sometimes Russia does not seem to care about the diplomatic implications of its behavior, thus making itself relatively unpredictable in sensitive issues such as energy security. The indicators described above are likely to occur only when Russia perceives some Chinese steps as crossing the line.

Based on the analysis above, it appears that in the foreseeable future, Russia has no chance in becoming the *de facto* leader of the SCO. China seems to be mostly imperturbable to any Russian steps that would allow it to exert influence over Chinese interests in the SCO’s political or economic affairs. Rather, Russia has decided to focus more on security and
defense-related issues within the SCO framework, leaving the economic issues largely to China to handle. This does not mean, however, that Russia would let Chinese-driven economic policies affect its own national interests, either bilaterally or within the SCO framework. But it is unlikely at this time that China would undertake any serious measures that would be harmful to Russia.

3.2. China and the SCO

In addition to security and stability in its neighborhood, another aspect of China’s grand strategy in Central Asia is “to become a key player … by brokering alliances designed to counterbalance the present dominance of the USA in the region.”\textsuperscript{28} By 2012, China had indeed become a key player in the SCO area, mostly through economic means. China’s implementation of SCO strategy can be broken down into different objectives, some of which have already been reached:

- Establish a say in the SCO states’ economic affairs, especially in the energy sphere, “by cultivating institutional and structural ties”;\textsuperscript{29}
- Establish a regional free-trade area;\textsuperscript{30}
- Minimize US military presence in the SCO’s neighborhood;\textsuperscript{31}
- “Assuage regional fears of Chinese dominance,” especially among the Central Asian states.\textsuperscript{32}

China also considers the SCO to be an appropriate tool for neutralizing any Russian influence that could prevent China from achieving these objectives. For that purpose, China is vigorously pursuing bilateral relations with all SCO members (including Russia) to leverage potential risks of organizational discontent or setbacks. For China, bilateral relations should be redundant with the membership in the SCO – if China can not meet its goals via one framework, it should be able to resort to the other.

The objectives described above are related to three specific functional areas for China potentially to develop lead over Russia in establishing appropriate policies. Specifically, China could exercise it in the following areas:

\textsuperscript{28} Beijing’s central Asia strategy. – Jane’s Intelligence Digest, October 03, 2003.
\textsuperscript{29} Ibid.
\textsuperscript{30} Plater-Zyberk 2007, p. 9.
1) Organizational development of the SCO.
This is a vital task for China, as it would promote the legitimacy of the organization and the policies it pursues. When the SCO refines its organizational culture, principles, various rules, regulations and standard operating procedures, it will improve the organization’s reputation. As stated before, China’s main concern is not to establish a dominant impression as an individual state. Membership in an internationally recognized regional organization is a good way of avoiding that. This however does not mean that China will not attempt to shape SCO policies according to Chinese ideas. Therefore, the following indicators would be signs of increased Chinese desire to lead the development of the SCO’s organizational framework:

- **Indicator 1:** Promoting the assignment of Chinese personnel to key billets in the organization;
- **Enabler 1:** China is able to negotiate successfully appropriate principal and organizational changes.

- **Indicator 2:** Contributing more money to organizational management;
- **Enabler 2:** Same as enabler 1.

- **Indicator 3:** Advocating more frequent high-level meetings between state officials;
- **Enabler 3:** Other states show willingness to make organizational adjustments.

2) Economy
Essentially, China has three main economic goals concerning the SCO. First, SCO membership should enable China to export its goods to Russian and Central Asian markets. Second, it should guarantee the flow of raw materials to China. Third, it should establish a free-trade area within the SCO borders. China would prefer to meet these goals via the SCO framework in order to reduce the perception of dominance; however, the use of bilateral means cannot be ruled out. The fact that China has actively embarked on the path of achieving these goals should be demonstrated by these indicators:

- **Indicator 1:** Promoting policies that ease access to markets within the SCO;
- **Enabler 1:** Other SCO members show willingness to open up their markets.

- **Indicator 2:** Advocating the relaxation of state legislature concerning state ownership of strategic resources (mining facilities, for example);
• **Enabler 2:** Other SCO members welcome foreign ownership of parts of their strategic industries.

• **Indicator 3:** Promoting policies that standardize customs procedures and reduce or eliminate tariffs and quotas within the SCO;

• **Enabler 3:** Other SCO members stabilize and open their economies.

3) **Energy security**
This is the second most important objective for China after physical (domestic) security. Even though China imports most of its oil from the Middle East and Africa, it is interested in diversifying the sources of its oil. The same goal especially applies for natural gas. In 2009, China scored an important victory when the Central Asia-China pipeline was opened, enabling the import of natural gas from Turkmenistan. Since Kazakhstan and Uzbekistan also have natural gas resources, it is in China’s interest to be involved in their natural gas industry as well. Therefore, China is actively working on pipeline deals with both countries, by using either bilateral relations or international consortiums where Chinese state-owned companies have shares. This, however, could provoke a conflict of interest with Russia who could develop an interest in making similar deals for gas produced in Central Asian states. If China plans on prevailing in this competition for energy, these activities will be the most likely indicators:

• **Indicator 1:** China starts acquiring majority shares in the oil or natural gas infrastructure of various Central Asian states;

• **Enabler 1:** The Central Asian states permit foreign majority ownership in their strategic industries.

• **Indicator 2:** Energy issues, especially the potential establishment an SCO interior oil or natural gas market become part of the agenda during SCO meetings;\(^{33}\)

• **Enabler 2:** Sudden radical changes in the world energy market which force the prices of oil and natural gas to fluctuate.

It seems that China’s advantages, compared to Russia, are its greater economic strength and consequent potential to employ a wider variety of measures. However, China is more cautious than Russia in exercising coercion.

\(^{33}\) According to Plater-Zyberk, “the issue of energy security [has been] absent from the official statements of the SCO agenda”. He explains that apparently, the members “still prefer to address the issues of energy security discreetly on a bilateral level”. See his “Who’s Afraid of the SCO”, 2007, p. 10.
This means that China is likely to employ more subtle means for achieving its economic objectives. As income is often the most important concern for the Central Asian states’ governments, the Chinese strategy has a higher chance to succeed in the long run, thus increasing China’s potential to take the lead role in the SCO.

3.3. The Central Asian states and the SCO

The main objectives of the four Central Asian states in joining the SCO were to be involved in the same organization with their two large neighbors and engage with them in political, economic and security processes. However, it is worth noting that the four Central Asian states do not form a particular block in the SCO which would form a third major party. Each of the four states has its own interests which do not completely align with the others. Some common trends can be noted, however.

First, the Central Asian states are looking for a balancing force between Russia’s historical quest for supremacy over the affairs of Central Asian states and the emerging economic might of the Chinese. While the US was thought to be a third counterbalancing force, it does not appear to be the case today. Rather, it seems that the SCO itself currently fills that role, forcing both Russia and China to follow its principles to a certain extent, instead of conducting pure realpolitik towards Central Asian states which could force them to turn towards the West.

Second, the Central Asian states do not wish to become chess pieces in a rivalry between the US, Russia and China. Although often treated as a group in international politics (referred to as “the Stans”), the four Central Asian states have agendas different enough to pursue their national interests bilaterally or through some organization. The contributions that they made to Operation Enduring Freedom and later to NATO’s International Security Assistance Force, have brought them more benefits than harm. As a result of the Shanghai Five and subsequent SCO cooperation, they have also proven their value as partners in security affairs to Russia and China, both in military exercises as well as practical security cooperation. In economic affairs, all four Central Asian states have different levels of trade with Russia and China, depending on their resources, as well as Russian or Chinese involvement in the local industries (for example, natural gas and oil).

Lukin 2004, p. 35.

All states granted the necessary overflight rights for Coalition aircraft and Uzbekistan allowed the use of its Karshi-Khanabad air base, for which the US and the Western allies paid generously.
Third, these states benefit greatly from the SCO’s RCTS framework. Even though all of them are also members of the CSTO, being in the RCTS also enables closer cooperation with China in counterterrorism. Among other benefits, it allows the Central Asian states to familiarize themselves with the Chinese military, thus alleviating their fears of China’s potential military activities against them.

Fourth, the SCO acts as a medium for economic cooperation, allowing Russian and Chinese investments in the Central Asian states. At the moment, their industries are quite vulnerable and in need of financing, equipment and expertise—something that the SCO’s “long-term program of multilateral economic cooperation” should provide. The Central Asian states can benefit from exporting their natural resources or raw materials and in return, receiving manufactured goods and other necessary items from their more industrialized neighbors.

4. Conclusion

While the SCO slowly continues to develop as an organization and a player in Eurasian affairs, its members simultaneously advance their individual interests as well as bilateral relations. Unless the SCO bodies are granted more rights in instituting and implementing policy, these bilateral relations will prevail over SCO activities whenever there is a conflict of interest. This holds especially true for Russia and China who are unlikely to sacrifice any freedom of action for the SCO’s sake. Furthermore, they are capable of influencing the SCO to achieve their own objectives even if their current choice is to stick to the SCO framework as much as possible.

We have identified unique functional areas of interest for Russia and China in the SCO. These are the areas that they feel strong in and that they can use to influence the other members. Despite our findings, it is difficult to identify a definite leader in the organization at the moment. Even though Russia is more active politically, this argument is negated by the finding that China has a greater potential to lead in the long term, due to its rapidly rising economic stature. Therefore, we must conclude that the second hypothesis has been proven to be the most accurate and China will be the likely leader of the SCO, should it decide to pursue this course of action.

The other hypotheses, however, also have some merit and deserve more thorough research in the future. In some of the areas covered in this article,  

Lukin 2004, p. 38.
China appears to prevail, and Russia in others. It seems that China has a more diverse “package” of measures that it could use in the future to lead the SCO. On the other hand, Russia has so far played the game smarter, relying on its membership and influence in two regional organizations (CSTO & SCO) while China can only rely on the SCO or bilateral relations to compete in the region. As the SCO is still evolving and has not quite established itself yet, both Russia and China are still adjusting their positions within the SCO framework in order to balance their national interests with the regional interests in various spheres. It appears that neither is eager to sacrifice national interests for the sake of improving the SCO. In cases where Russian or Chinese national interests may collide (especially in the economic or energy sphere), the emergence of some tensions is still likely but it ought not to affect the SCO as an organization as both major powers have clearly understood the importance of SCO in their overall Central and Southeast Asian policy. Russia and China prefer to keep their bilateral tensions out of the SCO framework for the sake of the development of the organization.

Both China and Russia realize that the SCO is a welcome initiative in dealing with regional security problems for all parties with interests in Central Asia. It should reduce Western concerns about the spread of terrorism in Central Asia as the SCO members are just as interested in reducing the threats posed by terrorism as the West. On the one hand, it is odd that the SCO is still not eager to develop into an actual regional security organization which would enhance its legitimacy and efficiency. On the other hand, it is good that the SCO is careful about expanding the organization by bringing in new members. This shows that they are concerned about the organization’s reputation and wish to avoid problems that the new members could bring along. Perhaps one option to involve additional states would be to establish a framework or relationship similar to NATO’s Partnership for Peace Program.\footnote{Bailes & Dunay 2007, p. 58. This would be one way of involving Iran, India and Pakistan more closely who, as full members, might damage the SCO’s reputation or force the organization directly to deal with their problems.} The current option of granting a state the observer status does not provide nearly as many options for direct involvement as the PfP program.

It seems that the SCO prefers to be inwards-oriented, i.e. focusing on stability and order in the members’ territory. Unlike the CSTO, there have been no known initiatives to formalize and standardize combined military efforts.\footnote{For example, the CSTO has a common air defense network established by Russian military standards and consisting of former Soviet and new Russian manufactured air defense assets.} Even the SCO military exercises are largely intended to address internally
oriented goals and purposes of quelling “the three evils”, instead of training for defending the members’ territory from external attacks. It is unfortunate that the SCO is not very eager to establish itself as a key player in Central and Southeast Asian regional security affairs in the near future as it clearly has the necessary potential for that.

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Maj. KARL SALUM, MA (Security Studies)
Research Fellow in the Centre for Applied Studies
at the Estonian National Defence College