



The evolution of the Shanghai Cooperation Organisation in an increasingly polarized world order: a Russian perspective

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1. *Introduction.* – The Shanghai Cooperation Organisation (SCO) is a regional, intergovernmental organization founded in June 2001 by China, Russia, the four Central Asian States of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan and joined in 2017 by India and Pakistan.

Analysts have had some difficulty in applying traditional models of regional cooperation and integration to the analysis of the SCO, because such models are established upon one main, shared objective which can be framed either in the security domain, such as in the case of NATO and the Collective Security Treaty Organisation (CSTO), either in the economic/political field, with the latter encompassing organisations like the European Union, the African Union, and the Eurasian Economic Union¹.

The founding documents as well as the main activities carried out in the framework of the SCO focus on solving border issues and countering the “three evils”² of terrorism, extremism, and separatism, hence outlining *an internally focused framework concerned with addressing the non-traditional security challenges that beset the region*³.

Nevertheless, in a document that has been characterized as the one outlining the organization’s foreign policy⁴, the Astana summit declaration of 5 July 2005, members proclaimed that a rational and just world order must be based upon consolidation of mutual trust and good-neighbourly relations, upon the establishment of true partnership with *no pretence to monopoly and domination in international affairs*⁵.

If the latter statement is read together with the demand, present in the same document, that the US set a timetable for withdrawing American military contingents from Central Asia⁶, we can affirm with quite a few doubts that apart from jointly tackling

¹ Understanding the actual purpose of the SCO is challenging especially if observed against the background of other regional organisations where Russia has a leading role, with the collective defence and economic integration functions being fulfilled – respectively – by the Collective Security Treaty Organisation and the Economic Eurasian Union.

² S. ARIS, *The Shanghai Cooperation Organisation: “Tackling the Three Evils” A regional response to non-traditional security challenges or an Anti-Western Bloc?*, in *Europe-Asia Studies*, 2009, n. 3, pp. 457-482.

³ *Ibid.*, p. 460.

⁴ *Declaration of Heads of Member States of Shanghai Cooperation Organization*, Astana, 5 July 2005.

⁵ A few days earlier, the “Joint Statement of the People’s Republic of China and the Russian Federation Regarding the International Order of the 21st Century” was signed in Moscow, by Presidents Hu Jintao and Vladimir Putin on July 1st, 2005. The bilateral statement is directed against unnamed states that ‘pursue the right to monopolize or dominate world affairs’ by seeking to ‘divide countries into a leading camp and a subordinate camp’ and ‘impose models of social development’. See A.J.K. BAILES, P. DUNAY, P. GUANG, M. TROITSKIY, *The Shanghai Cooperation Organisation*, in SIPRI Policy Paper, n. 17, May 2007, p. 7.

⁶ S. ÜNALDILAR KOCAMAZ, *The Rise of New Powers in World Politics: Russia, China and the Shanghai Cooperation Organisation*, in *Uluslararası İlişkiler*, 2019, n. 61, p. 131.

internal security threats affecting the region, the SCO members wish to defy the US monopoly in international affairs.

In an increasingly polarized world order following the outbreak of the war in Ukraine, that, in September 2022, saw long-standing enemies Iran and Saudi Arabia joining the SCO – the former as a full member and the latter as a dialogue partner – three questions demand rather urgent answers: how exactly does the SCO intend to defy Western dominance? Is it an effective framework to pursue this objective? Is Russia going to be side-lined given its war-depleted economy?

Given the significant challenge posed by the few sources available in an organization where transparency is not the rule, the present work is aimed at exploring the possible answers to the above-mentioned questions by providing an analysis of the SCO main cooperation channels and declared objectives, combined with an overview of its leading members' interests, with a particular focus on Russia's perspective.

2. From settling border issues to jointly tackling regional security challenges: the chances of a spillover effect into a collective defence mechanism. – The group's origins lie in the necessity to solve the dispute between the Soviet Union and the People's Republic of China over their shared border, which turned into a multi-lateral issue following the dissolution of the former and the consequent independence of the three Central Asian States bordering with China.

In 1996 China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan signed the Shanghai Agreement on Confidence Building in the Military Field in the Border Area, followed in 1997 by the Agreement on Mutual Reduction of Military Forces in the Border Areas.

In June 2001 the same group of countries – which came to be known as the Shanghai Five – along with Uzbekistan (which does not have a border with China) set up the SCO as an institution, by signing, on 15 June 2001, the founding documents of the Organization: the Declaration on the Establishment of the Shanghai Cooperation Organization, and the Shanghai Convention on Combating Terrorism, Separatism, and Extremism.

Although para. 2 of the Declaration mentions several, broad objectives⁷ – reiterated in the SCO Charter signed on 7 June 2002 in Saint Petersburg – the first years of the Organisation's activities focus on the mission enshrined in the second founding document and entrusted to the Regional Anti-Terrorist Structure (RATS). Located in Tashkent, in Uzbekistan, RATS is one of the two permanent bodies of the Organization, together with the Secretariat, headquartered in Beijing⁸. The RATS is directed by two principal bodies:

⁷ Declaration on the Establishment of the Shanghai Cooperation Organisation, 15 June 2001, <https://www.google.com/url>: “The Shanghai Cooperation Organization aims at: strengthening mutual trust, friendship and good neighbourliness between the member states; encouraging effective cooperation between them in the political, trade, economic, scientific, technical, cultural, educational, energy, transport, environmental and other fields; making joint efforts to maintain and ensure peace, security and stability in the region and establishing new, democratic, just and rational international political and economic order”.

⁸ The SCO Secretariat function is administrative in nature and focused on providing organisational and legal support. The main decision-making body is the Heads of State Council, which meets once a year and takes decisions

the Executive Committee and the Council. The RATS Executive Committee deals with three principal tasks: information and analytical support of security and law enforcement bodies of the member states, coordinating the fight against terrorism, extremism, and separatism, and helping to draft international legal documents on the fight against terrorism⁹.

The first task consists mainly in managing a joint database on international terrorist organizations and their members¹⁰, collecting information from the RATS member states and other SCO agencies. *In return, the RATS Executive Committee transmits a quarterly report on information acquired by the database to the security and law enforcement organizations of the member states*¹¹.

The second task consists in building operational capabilities and conducting anti-terrorist exercises, called *Peace Missions*¹², held every two years since 2005 when Russia and China organized large military manoeuvres on China Shandong Peninsula in the Yellow Sea¹³.

In that same year, the Astana summit declaration of 5 July 2005 was signed and the so-called *Orange revolution* broke out in Ukraine, leading then-Russian Defence Minister Sergei Shoighu to declare the possibility of a more formal military alliance within the SCO, aimed at countering colour revolutions in Eurasia, perceived as being intrusive Western influences in the region¹⁴.

Nevertheless, nothing in the structure of RATS nor the provisions of the SCO Charter lead to mistake the unit for an embryonal attempt at creating a permanent military alliance against extra-regional threats. Therefore, any comparison with the CSTO sounds misplaced¹⁵, as RATS focuses on the pre-emption of transnational threats undermining

by consensus. More information on the organisation's structure can be found on the SCO website: <http://eng.sectsc.org/structure/>.

⁹ A.J.K. BAILES, P. DUNAY, P. GUANG, M. TROITSKIY, *The Shanghai Cooperation Organisation*, cit., p. 24.

¹⁰ H. PLATER-ZYBERK, A. MONAGHAN, *Strategic implications of the evolving Shanghai Cooperation Organisation*, Unites States Army War College Press, 2014, p. 26.

¹¹ *Ibid.*, p. 24.

¹² The last Peace Mission was held between the 20th and the 24th of September 2021 in the Orenburg Oblast, in Russia's Southern Urals, involving about 5.500 servicemen from Russia, China, India, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, and Uzbekistan and, for the first time, Belarus. *Over 5,500 servicemen to participate in Shanghai Cooperation Organization's drills*, 20 September 2021, Russian News Agency, <https://tass.com/defense/1339845>.

¹³ See M. TROITSKIY, *A Russian perspective on the Shanghai Cooperation Organisation*, in A.J.K. BAILES, P. DUNAY, P. GUANG, M. TROITSKIY, *The Shanghai Cooperation Organisation*, cit., p. 32: "The exercise was rightly viewed by many observers as signalling the SCO's growing ambition in the field of traditional security policy".

¹⁴ Russian Defence Minister Sergei Shoighu declared that the organization was considering a more formal alliance that could serve to block any future Color Revolutions in Eurasia during the July 2015 SCO Summit in Ufa. See S. Blank, *Was the SCO Summit in Ufa a Breakthrough?*, The Central Asia-Caucasus Analyst, 21 August 2015, <https://www.cacianalyst.org/publications/analytical-articles/item/13261-was-the-sco-summit-in-ufa-a-breakthrough?.html>.

¹⁵ See M. TROITSKIY, *A Russian perspective on the Shanghai Cooperation Organisation*: "While the CSTO is designed as a traditional defence arrangement, the SCO has renounced any ambition to develop military cooperation apart from intelligence sharing and limited joint exercises".

the regimes of SCO Member States¹⁶, namely the *three evils* of extremism, separatism, and terrorism¹⁷.

It is not possible to accurately assess whether Russia was indeed pursuing a farther-reaching security agenda for SCO that would turn the organization into a defence alliance and whether this failed because “turning RATS into a joint military organization or establishing an entirely new SCO military structure, would require political will, large-scale defence investment, and a level of coordination which Beijing and Moscow would have difficulty in sustaining, due to political rather than technical reasons”¹⁸.

On the other hand, whether this was an actual option or not, what we can affirm with certainty is that this scenario never became a reality. Russia’s supposed “dilemma”¹⁹ between prioritizing security or economic cooperation was “solved” by the enlargement of the SCO towards Countries such as India and Pakistan in 2017 and, in 2022, by Iran as a full member and Saudi Arabia as a dialogue partner, whose long-standing conflicts *de facto* render meaningless any perspective of a defensive alliance within the new SCO²⁰.

In light of the above, it seems apparent that the SCO does not intend – at least not in the foreseeable future – to defy Western dominance via a military alliance, a scenario that has become even more unlikely given China’s will to portray itself as a broker of peace between Russia and Ukraine²¹.

In the next paragraph, the present article provides an analysis of the main economic cooperation activities carried out by SCO leading members, with a view to understanding whether the Organisation provides an effective coordination forum poised to build a new, multi-polar world order.

3. Energy cooperation within the SCO: bringing together the World’s biggest energy suppliers and consumers. – Although China has been calling for intensified economic cooperation within the SCO since late 2003, when Chinese Prime Minister, Wen Jiabao, proposed to create a free-trade area encompassing the territory of the Organisation’s member States²², the consensus was never reached given Russia’s opposition to further Chinese economic leverage on Central Asia.

Instead of overall trade liberalization, since 2005 Russia had been actively proposing an intensified energy dialogue among SCO members. In 2014, at the initiative of Russia, the SCO set up an Energy Club, a platform bringing together representatives

¹⁶ See S. ARIS, *The Shanghai Cooperation Organisation*, cit., p. 462.

¹⁷ Another transnational security challenge which SCO aims at tackling is drugs trafficking, occasionally in collaboration with the United Nations Office on Drugs and Crime (UNODC) <https://www.un.org/fr/chronicle/article/le-role-de-lorganisation-de-shanghai-pour-la-cooperation-pour-faire-face-aux-menaces-la-paix-et-la>.

¹⁸ H. PLATER-ZYBERK, A. MONAGHAN, *Strategic implications of the evolving Shanghai Cooperation Organisation*, cit., p. 23.

¹⁹ See M. TROITSKIY, *A Russian perspective on the Shanghai Cooperation Organisation*, cit., p. 35.

²⁰ A. AIDINTASBAS, M. DUMOULIN, E.G. OERTEL, *Rogue NATO, the new face of the Shanghai Cooperation Organisation*, European Council on Foreign Relations, 16 September 2022, <https://ecfr.eu/article/rogue-nato-the-new-face-of-the-shanghai-cooperation-organisation/>.

²¹ See A. GABUEV, *Inside China’s Peace Plan for Ukraine*, Carnegie Endowment for International Peace, 1 March 2023, <https://carnegieendowment.org/politika/89172>.

²² M. TROITSKIY, *A Russian perspective on the Shanghai Cooperation Organisation*, cit., p. 26.

of government agencies, large businesses, and research centres working in the energy industry *for discussing the energy strategies of member countries from the standpoint of their harmonization and the development of proposals to improve energy security*²³.

Another milestone for energy cooperation within the SCO was set in 2021, when a new mechanism was launched: a yearly meeting of the energy ministers of its member states, giving “new impetus to regular dialogues and joint responses to new challenges and threats in this field”²⁴.

As energy cooperation within the SCO is further progressing, a fundamental question arises on whether Russia – whose energy proceeds account for one-third of the State’s war-depleted coffers²⁵ – is managing to benefit from it, given the unprecedented challenge posed by the EU embargo on Russian oil. Russia’s interest in setting up the SCO energy club mainly consisted in regulating the competition for energy resources and pipeline capacities with Kazakhstan, concerning the oil and gas exports to China and Western Countries, securing *long-term arrangements that would consolidate and perpetuate its influence as a major energy exporter*²⁶, an objective that today faces major challenges.

In the wake of Western sanctions triggered by Russia’s aggression against Ukraine, China is a more crucial recipient than ever of Russian crude oil, which was the most exported fossil fuel by the Country in 2022 (50% of total value²⁷) and whose proceeds fell by 48% in February 2023 as compared to the previous year, according to Bloomberg calculations²⁸.

Following the recent SCO enlargement to include Iran as a full member and Saudi Arabia and Qatar as dialogue partners, Russia has now more rivals competing in energy exports towards China. In 2022 Russia and Saudi Arabia were constantly competing over oil exports to China, with Russia overcoming Saudi Arabia in June 2022 after 19 months of Saudi predominance.

In this context, the SCO could serve Russia as a forum to regulate competition in energy exports towards China, but the latter seems to be opting for bilateral negotiations to diversify its skyrocketing energy imports and strengthen economic ties with Russia’s rivals outside the SCO framework.

²³ *SCO, BRICS could avert energy crisis by establishing energy club*, 13 December 2022, Tass Russian News Agency, <https://tass.com/economy/1550055>.

²⁴ Чжан Мин: странам ШОС комфортно сосуществовать друг с другом, 9 Января 2023, РИА Новости (*Zhang Ming: SCO countries are comfortable coexisting with each other, 9 January 2023, RIA Novosti*) http://rus.sectsc.org/media_SCO/20230109/926957/RIA-Novosti-Chzhan-Min-stranam-ShOS-komfortno-sosuschestvovat-drug-s-drugom.html.

²⁵ *Russia’s revenue from oil and gas almost halved in February*, 3 March 2023, Bloomberg News. <https://www.bloomberg.com/news/articles/2023-03-03/russia-s-revenue-from-oil-and-gas-almost-halved-in-february?leadSource=uverify%20wall>.

²⁶ М. ТРОИТСКИЙ, *A Russian perspective on the Shanghai Cooperation Organisation*, cit., p. 43.

²⁷ *Estimated revenue from fossil fuel exports in Russia from January to December 2022, by type*, February 2023, Statista <https://www.statista.com/statistics/1314448/russia-fossil-fuel-export-revenue/>.

²⁸ *Supra* note 25.

In 2020, China replaced the European Union as the Gulf Cooperation Council (GCC)'s largest trading partner with bilateral trade valued at \$161.4 billion and a free trade agreement between China and the GCC is in the pipeline, with energy, especially oil and gas imports and renewables, being one of its main pillars²⁹.

The majority of China's oil imports came from the Gulf region and Iraq in 2021, with Saudi Arabia ranking first³⁰, and the share is expected to rise until 2030 when China's oil and gas imports will reach to then decline³¹.

Regarding Iran, China had deepened economic ties with the Country even before the latter's admission into SCO as a full member, by signing, in March 2021, a 25-year cooperation agreement that exchanges Chinese investment for Iranian oil³².

In light of the above, Russian hope to use the SCO as a forum to re-shape its role as a major energy exporter by replacing the EU with the rising Asian market seems to be fading at the exclusive advantage of China, which seems to be more invested in negotiating fruitful trade agreements outside the SCO framework.

Nevertheless, one crucial actor was not taken into account in the picture: India. During the last SCO summit held between 15 and 16 September 2022 in Samarkand, Indian Prime Minister Modi stated: "We got the opportunity to discuss furthering India-Russia cooperation in sectors such as trade, energy, defence, and more". Russia and India's relationship remains resilient in the face of disagreement over the Ukraine conflict, and sustained cooperation between both countries will undoubtedly be advantageous for India to grow economically and technologically³³.

Since the start of the war, Russia's oil exports to India³⁴ have skyrocketed from nearly 0 to 1.6 million barrels per day in December, according to the I.E.A.³⁵ Russian oil exports to the EU plus UK and US accounted for 57% in Jan-Feb 2022 and it fell to 16% in Jan-Feb 2022, down 41 %. At the same time, exports to India raised by 19%, and exports to China raised by 7%, accounting for an overall increase of 26% in the Asian market. This means that Russia would need to further increase its exports to the Asian market by 15% to recouple the losses in the Western market.

²⁹ *China-GCC Free Trade Talks: challenges and opportunities*, 9 March 2022, The Emirates Policy Center, https://www.epc.ae/en/details/featured/china-gcc-free-trade-talks-challenges-and-opportunities#_edn20.

³⁰ Main suppliers of crude oil to China in 2020 and 2021, January 2023, Statista, <https://www.statista.com/statistics/1310953/oil-imports-by-country-china/>.

³¹ *Ibid.*

³² See G. VAISI, *The 25-year Iran-China agreement, endangering 2500 years of heritage*, Middle East Institute, 1 March 2022, <https://www.mei.edu/publications/25-year-iran-china-agreement-endangering-2500-years-heritage>.

³³ H. GHOORHOO, *Outcomes for India from the Shanghai Cooperation Organisation Summit 2022*, Center for Strategic and International Studies, 6 October 2022, <https://www.csis.org/blogs/new-perspectives-asia/outcomes-india-shanghai-cooperation-organization-summit-2022>.

³⁴ *India finds Russian Oil an Irresistible Deal, no matter the diplomatic pressure*, The New York Times, 4 May 2022, <https://www.nytimes.com/2022/05/04/world/asia/india-russia-oil.html>.

³⁵ *Russian total oil exports, January 2022-January 2023*, The International Energy Agency (IEA), <https://www.iea.org/data-and-statistics/charts/russian-total-oil-exports-january-2022-january-2023>.

Losses, apart from an increase in trade flows, could also be recouped by maintaining the global oil prices high, an objective that Russia can quite easily attain together with its OPEC Plus ally and recently SCO dialogue partner Saudi Arabia³⁶.

4. *Conclusions.* – Moving farther and farther away from the qualification of a “rogue NATO”, the SCO seems to be organizing itself in a paradoxically “western-like” fashion, that is to say, far from traditional, “hard” security cooperation to instead pursuing common objectives amongst “like-minded” partners, defying European values in the name of the “Shanghai Spirit”³⁷.

Against this background, the SCO Energy Club could be viewed as an instrument similar to the Critical Raw Materials Club that the EU wishes to create to bring together like-minded suppliers and consumers of critical raw materials.

With the very few primary sources made public by the Organisation, it is not possible to accurately assess whether the SCO is being used as the primary forum to re-engineer energy flows amongst Member States. The most recent, available document on energy is the Statement of the Council of Heads of States members of the Shanghai Cooperation Organization on ensuring international energy security³⁸, issued in the wake of the last SCO Summit held in September 2022, in Samarkand, whereby members express their support for “the development of cooperation within the SCO to jointly ensure energy security” and vaguely condemning Western sanctions, qualified as “unilateral restrictive measures [that] are changing the balance of supply and demand for energy around the world, disrupting the energy supply chain”.

In any case, it is apparent that the main energy suppliers of China’s imports scale-up and the main importers of Russia’s exports re-direction, are SCO members and partners. Thus, if the SCO enlargement and future development are going in a precise direction, this direction is more likely to be economic in nature, rather than military, with a particular focus on energy.

Which place Russia will occupy in the SCO and in the multi-polar world order that the organisation claims to wish, will depend not only on its ability to re-shape its role as an energy exporter but also on the degree of its economy’s overall reliance on China that, considering the growing dependence of Russia’s trade transactions on the Yuan, might make the Kremlin working towards an unlikely hoped-for aim: a unipolar power shift from the West to China.

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³⁶ *How Russia is surviving the tightening grip on its oil revenue*, The New York Times, 7 February 2023, <https://www.nytimes.com/2023/02/07/business/russia-oil-embargo.html>.

³⁷ “The SCO does have norms, often referred to (especially in Chinese sources) as the ‘Shanghai spirit’”, see A.J.K. BAILES, P. DUNAY, *The Shanghai Cooperation Organisation as a Regional Security Institution*, in A.J.K. BAILES, P. DUNAY, P. GUANG, M. TROITSKIY, *The Shanghai Cooperation Organisation*, cit.

³⁸ ЗАЯВЛЕНИЕ, Совета глав государств-членов Шанхайской организации сотрудничества по обеспечению международной энергетической безопасности, 16 сентября 2022 года, г. Самарканд (*Statement of the Council of Heads of States members of the Shanghai Cooperation Organization on ensuring international energy security, 16 September 2022, Samarkand*), <https://www.google.com/url>.