The Shanghai Cooperation Organization: Security, Energy, and Development

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Abstract

Conceived initially as a regional security organization, the Shanghai Cooperation Organization (SCO) brings together a post-hegemonic state (Russia), an ascendant hegemony (China), and several other resource-rich states in Central Asia. Since its inception, however, the SCO has evolved beyond this original mandate and is now serving several interconnected goals. Economic development based in particular on energy now accounts for a large portion of the SCO policy portfolio. The SCO might be seen as a case study for new Asian regionalism but for the suspicion that an old power struggle has emerged from behind the facade. China needs the SCO to penetrate the region economically in a way that allays the security concerns of its neighbours. Russia needs to maintain its traditional sphere of influence, but also to engage Kazakhstan, Uzbekistan, and Turkmenistan and ensure a steady supply of energy to China. The Central Asian nations themselves use the SCO to secure developmental aid and boost their respective international profiles, and to balance the influence of both China and Russia.

Introduction

Eurasian regionalism is a politically steered process of economic integration of several postcommunist states from the Baltic to the Yellow Sea. It represents a natural reaction to the end of the Soviet Union, which changed political geography of the continent in more than one way. The collapse of the USSR saw fifteen independent states appearing in its wake. Since self-reliance is not a viable strategy for the global age, all of these states required regional affiliations to no lesser extent than memberships in such global clubs as the UN, the IMF, or the WTO. New economic challenges and security dilemmas propelled desire to be formally embedded in a larger geographic region.

A search for regional solutions to the key national concerns of security and development invited parallels to similar processes unfolding in other parts of the world, specifically those studied under the rubric of “new regionalism” (Breslin et al. 2002). The latter constitutes a multidimensional form of interstate integration that touches upon economic, cultural, political, and security aspects of life in the societies involved and serves a strategic goal of building a region along the defined economic, political, and cultural lines (Furrell 2005: 8; Payne 2004: 1).

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Elsewhere, I have described Eurasian regionalism as a strategic response to globalization, which is premised on the confluence of the foreign policies of participating states. The predominant regional organization here is the Shanghai Cooperation Organization (SCO), which brings Russia and China together with a group of the post-soviet Central Asian states. China’s presence gives this organization a geopolitical significance. The postcommunist China has appeared as a natural partner for many, if not all, of the former Soviet republics. However, this creates certain tensions with Russia, as Moscow sees the Central Asian region as its traditional stomping ground. Nowhere this newly found competition between the former imperial master – Russia – and the arising superpower – China – has been more pronounced than in the post-Soviet Central Asia.

As an emerging core of the Asian “supercomplex” (Buzan 2003), China promotes interdependence and uses the Shanghai Cooperation Organization as a vehicle for its “peaceful rise” (Ross 1999). From the Chinese point of view, the SCO presents an opportunity to integrate its “peripheral” and Russia policies (Bin 2005), a step toward building of a "harmonious world" through soft power wielding and strategic partnerships (Guo and Blanchard 2008). But PRC also competes with Russia in seeking influence over the resource-rich areas in Central Asia. While China prefers bilateral deals, Russia is forced to use regionalization as a bumper against China's forceful penetration of the region.

China has expressed an interest in creation of a free trade area from the Baltic to the Yellow sea, the one capable of competing with the EU. However, the EU experience may well be unique. The Eurasian experience of integration has been more controversial. For one thing, there is no benevolent hegemon this time around; China and Russia face each other directly. Fears of lingering Russia's dominance abound. For its own part, China is simply too powerful to be taken as just one other state engaging in regionalization efforts. The dual Sino-Russian "engine" of integration in Eurasia still has to be formed: responsibilities defined, contributions assured, strategies harmonized and roles assigned. At this stage, it is not quite clear who stands behind which policy, let alone how the two giants will interact in moving Eurasia along any agreed-upon path of development.

Regional integration efforts in Central Asia have been originally conceived by the post-Soviet states, Russia first and foremost. How the process will be steered when China finds itself at the helm remains to be seen. However, the post-Soviet experience of both successful and unsuccessful attempts to reintegrate may provide some clues for better understanding of its driving forces and limitations.

The regional movement toward the SCO

Over the last decade and a half, there have been several attempts to institutionalize various regional groupings on the Eurasian continent. The Commonwealth of Independent States (created in 1991) was followed by the Eurasian Economic Community (since 2000) and the announcement of the Single Economic Space agreement between Belarus, Kazakhstan, Russia and Ukraine in 2003. The Central Asian states
produced the whole string of solidarity organizations, from the Central Asian Commonwealth in 1991 to the Organization of Central Asian Cooperation (OCAC) in 2002. However, only one organization has found itself at the centre of a heated debate about its current and future significance and geopolitical posture – the SCO. The movement toward the SCO originated in the security dialogue between the former USSR and China on border demarcation issues. When the Soviet Union collapsed, China had to face more than one interlocutor. Russia and the Central Asian states of Kazakhstan, Tajikistan and Kyrgyzstan, each bordering on the People’s Republic of China, engaged the latter in multilateral negotiations that eventually brought the so-called “Shanghai Five” grouping of states into existence. The group was originally concerned with security and confidence-building measures in the adjacent border areas. With the addition of Uzbekistan, it grew into the present-day Shanghai Cooperation Organization (SCO).

Eurasian regionalism grew out as a defensive reaction to globalization. Other key movers were the eastern enlargement of the European Union, China’s rise and economic penetration of the region and Russia’s attempts to reasserts itself both geopolitically and economically. The end of the bipolar world brought back bandwagoning and politics of alliances. Regionalization was called forth to address political and economic insecurity, while opening a new conduit for the procurement of resources that nation building required (Molchanov 2000: 263-288).

Energy resources have soon topped the list. Once unified energy complex of the former Soviet Union emerged, following its collapse, in chunks and pieces, on the opposite sides of the newly established interstate borders. While Russia controlled the Siberian gas fields, Ukraine and Belarus now owned thousands of kilometers of gas pipelines that brought that gas to the European customers. In a similar twist of fate, several of the Russian-own pipelines had to be filled with oil produced in the newly independent Kazakhstan and Azerbaijan. Ensuring steady supply of energy resources to domestic customers, as well as energy exports abroad, appeared among the key driving forces behind the Eurasian regional integration attempts.

The CIS promised preservation of essential cross-border ties and a platform for gradual opening of the predominantly uncompetitive economies of its member states to the global market. It offered an interstate community of belonging for the newly independent states. Two years after its establishment in 1991, the member states signed the Economic Union Treaty, and in 1994 – several treaties on the establishment of a free trade area, custom union, and monetary union. Over the following years, new institutional forms were proposed. However, because of acute disagreements between Russia, on the one side, and other member states, on the other side, most CIS decisions remained on paper. By the end of 2004, the CIS had 1417 documents under its belt, yet none of those had been either enforced or implemented in full.

The mutual disappointment with the CIS effectiveness propelled several CIS members to look elsewhere. A special Belarus-Russia link was established early on. Belarus was heavily dependent on Russian energy subsidies, while also owning an important section of the pipeline network that channeled Russia’s oil and gas exports to Europe. In 1996,
the two countries established the Community of Sovereign Republics, which, apart from Russia’s continued preferential pricing of energy deliveries, remained a mostly rhetorical formation. In 1997, the “Community” was upgraded to the status of a “Union,” yet economic integration remained an unfulfilled promise.

To speed up formation of a customs union, Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan proclaimed establishment of the Eurasian Economic Community (EurAsEC). It was designed as a tight economic association uniting energy producers (Kazakhstan, Russia, Uzbekistan), transit countries (Belarus, Ukraine) and affiliates. By 2006, EurAsEC expanded to include Uzbekistan. Armenia, Moldova, and Ukraine opted for an observer status in the organization. EurAsEC aims to complete the formation of a free trade zone, create a full-fledged customs union and a common energy market. The progress in each of these areas remains slow.

Meanwhile, the Central Asian nations, often under the leadership of Kazakhstan, launched several independent initiatives. The Central Asian Commonwealth was formed soon after the collapse of the Soviet Union. The name mutated to the Central Asian Economic Union in 1994, the Central Asian Economic Cooperation in 1998, and the Organization of Central Asian Cooperation (OCAC) in 2002. In 1994, Kazakhstan, Kyrgyzstan and Uzbekistan announced creation of a Single Economic Space. The presidents of the three states formed the Inter-state Council and its Standing Committee, vested with the task to supervise several working groups. They launched the Central Asian Bank of Cooperation and Development with own capital based on budgetary transfers from the members. Tajikistan joined in 1998, and Russia in 2004. The following year, OCAC merged with the EurAsEC.

In addition to a number of economic initiatives, Russia has also spearheaded defense cooperation and formation of a regional security community. The threat of Islamic fundamentalism, which was acutely felt in Eurasia's southern "underbelly," and NATO’s enlargement eastward both hastened institutionalization of military and security cooperation (Nygren 2007: 31). The Tashkent Treaty on Collective Security (CST) was signed in 1992 by Russia, Armenia, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan. Russia’s defense planners focused on counterterrorism and border security measures first, broader military cooperation second. In 2000-2002, the CIS Anti-Terrorist Centers were open in Moscow and Bishkek, Kyrgyzstan. Next year, Russia promulgated creation of the Collective Security Treaty Organization (CSTO) with its own budget, secretariat, central staff and rapid deployment forces.

In October 2007, the CSTO signed a memorandum with the Shanghai Cooperation Organizations (SCO) on broadening security cooperation through coordinated and joint activities to combat terrorism, organized crime and drug trafficking. The SCO's activities today extend from anti-terrorism and joint military exercises to cooperation in education, economy, trade and finance.

Of all organizations in Eurasia, the SCO represents the most promising vehicle for regional integration. What distinguishes the SCO from its regional security counterpart,
the CSTO, is its emphasis of both economic and security dimension of cooperation where
the goal of the elimination of regional instability serves an underlying economic
imperative, and such “soft” issues as energy security are treated on a par with more
traditional security concerns. Its present interests range far beyond the original thrust on
confidence building measures along the mutual borders. The SCO member states all want
to create a bulwark against militant Islam and stabilise the otherwise volatile region. Seen
from another angle, the SCO provides a meeting space for the second largest energy
consumer in the world – China – and the second largest energy producer in the world –
Russia, with energy-rich Kazakhstan and Uzbekistan in between. Perhaps not
accidentally, geographic span of this interstate organization essentially coincides with the
span of oil and gas pipeline networks traversing Eurasia. The emphasis on resource
(energy, water) security in its activities is central to multilateral efforts in several other,
directly and indirectly related areas.

Questions about the balance of influences inside the SCO and its strategic direction often
come to the foreground. Decision makers in the Kremlin believe that the emphasis should
be put on security and military cooperation, and seek to make the SCO an extension of
the CSTO. Beijing disagrees. For the Chinese, the SCO is first and foremost about
economic cooperation (read: advancement of China’s economic interests in the region).
In 2007, the member states signed an agreement on customs cooperation. The work on
the construction of the China – Kyrgyzstan – Uzbekistan highway is currently under way,
while plans for further development of railway networks in the region are being drafted.
New areas of cooperation have been identified in agriculture, formation of the SCO
Development Fund (Special Account) and joint financing of investment projects.

The SCO provides a new framework for cooperation among different groups of states in
the region and beyond. Within this framework, the dynamic of intra-regional relations
changes from mere bilateralism to true multilateralism. Interactions of individual states
with each other are defined by both pre-established and the newly emerging relationships
of these states to such regional “gravity poles” as Russia, on the one hand, and China, on
the other hand.

The SCO has been described as a security mechanism, a vehicle for the Chinese
penetration of the region, a threat to U.S. interests, and an instrument for regional
economic cooperation. For China, it is a tool to integrate its “periphery” and Russia
policies through the use of its “soft power” and strategic partnerships (Bin, 2005; Guo &
Blanchard, 2008). For Moscow, it is an instrument to “tame” China’s great power
ambitions, while ensuring Chinese help in the political and economic stabilization of
Central Asia (interviews in the Russian Ministry of Foreign Affairs, 2008; cf. Dittmer,
2004).

The very nature of this organization is open to a debate. Its driving forces are unclear.
Moreover, the joint Sino-Russian leadership of the SCO has never been systematically
studied. It is crucially important to establish whether the SCO is but an instrument of the
Chinese or Russian foreign policy, an arena of the implicit competition between the two –
or a genuinely multilateral organization for regional development. If it is about power
projection, then multilateral arrangements just disguise the hegemonic ambitions of the bigger states, which must be revealed and analyzed. If it is about economic interdependence, then the Sino-Russian cooperation might well boost regional development and help the partners overcome their historical mistrust.

**The SCO as an example of “new regionalism”**

The SCO has outgrown its original mandate of a confidence building mechanism with a rather limited interstate utility. It is now seen as an instrument of geopolitical contestation (Shaikhutdinov, 2007); a “challenge to the United States” (Welt, 2006); a vehicle for Chinese influence in Central Asia (Chung, 2006); an organization for regional economic cooperation (Norling & Swanstrom, 2007); and a multilateral mechanism with many functions (Antonenko, 2007a). But can it be seen as an example of “new regionalism” (NR), an organization capable of “solving many problems, from security to environment, that were not efficiently tackled on the national level and to which there were no market solutions” (Hettne, 2005: 549)?

New regionalism serves a strategic goal of building of an economically open and viable region in today’s competitive global economy (Hurrell 2005: 8; Payne 2004: 1). While seeking to benefit from globalization, most newly regionalizing states also seek to protect themselves from peripheralization at the hands of richer nations. Ensuring national control over strategic natural resources is part of this quest. Together with the creation of interstate networks for energy distribution and development, this focus on national rights speaks to the emergence of regional security communities focused on energy. Quite often, in contradistinction to the dynamics noted by neofunctionalist scholars of the European integration, regionalization in the developing world is driven almost exclusively by the national elites. The emerging relationships among the SCO states epitomize many of the themes of this so-called new regionalism.

And yet, the ride toward new level of cooperation has not always been smooth or uncontroversial. While Russia and its post-Soviet neighbor states share important socio-economic, cultural, and political affinities, divergent national interests and fears of, first, Russian, and then Chinese domination of the region have given rise to uneven patterns of integration in Eurasia. Several smaller states have engaged in sub-regional cooperation and sought deeper integration with the adjoining regions and countries (Hook and Kearns 1999). Parts of Eurasia have moved in different directions thus subdividing the region in European, Transcaucasian, and Central Asian zones of integration (Hettne 2001: 7). Parallel to that, larger countries have embarked on the path of pan-regional integration, as has been evident particularly in the case of the strategic Sino-Russian partnership. Russia, China, and Kazakhstan have played a unifying role in the creation of the SCO. Each of these countries advanced a somewhat similar explanation of the regional raison d’etre based on affirmation of unifying values, historical affinity of the neighboring nations and their desire to build a regional community that would follow a new, non-hegemonic pattern of international relations.
Thus, the SCO has had more than one pole "around which expectations converge" (Young 1980). Economy is one of them, security is another, and joint opposition to the U.S. unilateralism is the third one. The so-called “coloured revolutions” of 2003-2005 have underscored vulnerability of the Central Asian regimes to the behind-the-scenes manipulations by the West. In Uzbek President Karimov’s words, “the events of the recent years have shed some light on true and fake friends of the region. We are determined to decisively counteract all attempts to impose Western views of democracy and development to our countries” (Artyukov 2006).

Eurasian regionalism is also about values. Just as the European Union insists on the members' commitment to shared values, Eurasianists proclaim spiritual closeness of the Russian and the East Asian civilizations, both of which value collectivity and equity over individual achievement and private property. In Russia, Eurasianism is about balancing against the West and sharing of a common economic, geographic, and cultural space with other similar-minded nations. For Kazakhstan, Eurasia is a unique region where Islam and Christianity can co-exist peacefully through the “centuries of mutual enrichment of Slav and Turkic peoples” (Nazarbayev 2002). For Beijing, Eurasianism is the identity claim that ensures the country’s ‘peaceful rise,’ as Chinese traditional values of Confucianism are uncannily echoed in the Eurasian values of collectivism, statism, equity, and community (Xiang 2004).

The SCO reflects the emerging regional preponderance of China, as well as Russia's grudging acceptance of the fact. It reflects the participants' common preference of the state-led, top-down variety of regionalization, and the relative immaturity of civil societies in the countries involved. It grows through conscious foreign policy choices of the national leaders, rather than spillover effects initiated from below. It indicates growing significance of the Asian vector in the foreign policies of such ostensibly "multivector" countries as Russia and Kazakhstan. It gives pride of place to common political interests of several countries resisting democratization, but at the same time claims to bring a new developmental momentum to the region. Unabashed fascination with the Chinese model of development and joint criticisms of the neoliberal pattern globalization, as conceived and spearheaded by the USA, set Eurasian regionalism apart from a number of comparable regionalist projects around the globe.

The SCO as an answer to the Central Asian dilemmas

Transitions in Central Asian states were marked by dire economic crises, high unemployment rates, and poverty. With the exception of Kazakhstan, none of the Central Asian states had a developed industrial base beyond food industry and extraction of raw materials. The limited financial, informational, human, and technical resources have severely limited regional cooperation. Just as throughout the rest of the CIS, regional trade in Central Asia has become increasingly focused on the outside markets (Pomfret 2000: 26). Against this background, the help of larger regional states appeared crucial. And yet, national elites in Central Asia were hesitant to embrace such cooperation. A post-Soviet “hangover” resulted in the initial drift away from other former Soviet states
and toward new, more prosperous and relatively more successful and more westernized neighbors, such as Turkey.

An additional obstacle to Russia's cooperation with its Central Asian neighbors was the low level of trust between the ruling elites. Since the reconstitution of the lost sphere of influence has been a predominant motive of Russia’s reintegration projects, many Western analysts have interpreted post-Soviet regionalism as reassertion of the Russian “neo-imperialist” tendencies (Odom & Dujarric 1995; Robinson 2004). Others have used “postimperialism” or “transimperialism” as more appropriate labels (Tsygankov 2006; Wallander 2007). The semi-authoritarian regimes that mushroomed in Central Asia had taken these warnings seriously. Fearing that Russia-proposed regionalism could erode their power bases at home, they had restricted cooperation to a number of relatively non-essential policy areas. They were especially careful to block potential challenges to their power to monitor and distribute national resources (Robinson 2004, 180).

The nationalist-minded leaders were also annoyed by the apparent lack of efficiency of the proposed regionalist institutions (Molchanov 2002, 265). The emergence of competing regional projects – especially those involving Turkey, China and the Middle East - made the post-Soviet integration look considerably less attractive. Against this background, the "Asian vector" in Russia's foreign policy had to be developed with a double degree of sensitivity: one to the nationalist aspirations of the newly independent countries and their leaders insatiable lust for power – and another for the substance of both bilateral and multilateral relations in the region, which had to promise at least some tangible benefits to the partners and could no longer rely on the post-Soviet inertia of automatically privileging Russia over its potential competition.

Russia-centeredness of the regional projects in Central Asia exposed them to the ebbs and flows of Russia's politics and economic growth. The volume and scale of regional trade went up and down, following good fortunes of Russia’s economy and zigzags of Moscow's policy (Kobrinskaya 2007). The success of the regional initiatives has been largely determined by Russia’s unsteady commitment to the realization of the multilateral projects. While Putin’s government has scored important points in re-establishing some presence and influence in Central Asia, it still appeared to be primarily interested in receiving strategic and economic benefits for domestic constituencies. Russia’s geopolitical preoccupations and neglect of the interests of its Central Asian partners has hampered the development of regional institutions based on the principles of friendship and equality (Bondarets 2005; Yasmann 2006).

Moreover, sub-regional cooperation in Central Asia has been blocked because of the historical rivalry for regional domination between Kazakhstan and Uzbekistan (Pavliuk 2000: 26). While Kazakhstan took a more pro-western path of development and managed to liberalize both its economy and its foreign economic policy to a significant extent, Uzbekistan's authoritarian president "Karimov all but sealed off his country, causing the biggest single blockage in the new Silk Road, and violently turned against his own citizens (Khanna 2008: 99). Competition between Uzbekistan and Kazakhstan unfolds in several directions simultaneously and includes geopolitical, security, and economic
aspects. With this intra-regional rivalry and competition, it is hardly surprising that regional and sub-regional efforts to coordinate economic, defense, or security policy through mechanisms for multilateral cooperation have made little progress.

Finally, the challenges of regional integration in Eurasia may be linked to the problems of contested national identities in the countries constituting the region (Molchanov 2002; Libman 2007). The domestic political imperatives – the need to establish national (as opposed to regional) identities – diminish the appeal of regional organizations and groupings (Kubicek 1997, 641). At the same time, post-communist nationalism tends to feed off a broader international environment, as newly independent states use selective international engagements to procure resources from various sponsors outside the region (Molchanov 2000: 267). Looking both beneath and beyond the region, domestic elites in newly independent states may perceive their nation building tasks as running contrary to regional integration plans emanating from Russia.

The SCO alleviated many of these fears. It has provided a shell for strategic interaction among states. Form the strategic point of view, the SCO encouraged an alliance formation “to counter the power of another state or group of states within or outside the region” (Söderbaum 2005: 224). It could be seen as an instrument of balancing power of a locally dominant or threatening state (Hurrell 1995a: 50).

When approached from this point of view, the SCO cannot be understood except against the background of the distribution of power in the region and the policies of the regionally dominant states, Russia and China. Other key movers for politics of alliances in the region are the eastern enlargement of the European Union, the US attempts to penetrate the region, and the impressive strengthening of Asia. Russia’s relative success in the region has been determined by its willingness and capacity to provide political, financial, and military assistance to local elites, as well as by Moscow's indifference toward the type of governing regimes there (Roeder 1997: 236-7). Yet, another country with an enormous economic and military potential and equal willingness to turn a blind eye to the lack of democracy in the region emerged as Russia's most powerful competition – China. The struggle with China's growing influence in Central Asia proved an uphill battle for Moscow and brought in reluctant acceptance of the inevitable: the concrete structure of an emerging regional order will be determined in close consultations between Moscow and Beijing. Regional institutionalization appeared as the best means available for regional power sharing (Molchanov 2008).

The SCO proclaimed objectives are peace, security and stability in the region; economic development and cooperation in political, economic, judicial, and defense matters; a just international order; and joint efforts to combat terrorism, separatism and extremism that threaten territorial integrity of the member states. As of recent, new functions were added, including multilateral credit and investment projects, new forms of economic cooperation, and joint educational and cultural projects. An inter-bank consortium was created to facilitate intraregional trade. With the help of a credit fund of US$ 900 million provided by China, the SCO member states agreed to speed up cooperation in the fields of energy, information technology and transportation.
Conceived as a regional security organization, the SCO evolved into a multifaceted institution concerned with a whole plethora of issues bearing on foreign policy coordination and economic development. Although the Sino-Russian relations are the mainstay of the SCO activities, this organization should not be considered as either the “Chinese” or the “Russian” tool. It is based on interdependence and complementary interests. The Central Asian states are capable of demonstrating independent policies even at the risk of displeasing one or both of the bigger partners. The sale of the Kazakh flagship company PetroKazakhstan to China over intense Russian lobbying is one case in point. The eviction of Americans from a Karshi-Khanabad air base in Uzbekistan in 2005 and the Kyrgyz government's posturing over the Manas airbase in 2009 provide yet further examples.

Energy trade is of particular interest in considering the SCO objectives. Part of the impetus motivating China’s presence in Central Asia is the region's huge oil and gas reserves. The completion of the Atasu-Alashankou pipeline in December 2005 linked China directly to the Caspian oil fields. Russia and Kazakhstan both want a stake in a booming Chinese market for energy imports. All Central Asian states have vested interests in extending export pipelines along the western leg of the old Great Silk Road.

The talk of energy security that Moscow chose to flag its G8 presidency in 2006 has been echoed in several statements of the SCO leaders. Energy security, in this context, is about Russia’s right to sell its oil and gas on its own terms, rather than on the terms dictated by the West. For China, energy security means access to the oil and gas wells of the Eurasian continent. For all SCO states, energy is a motor of development.

In September 2007, Hu Jintao and Kazakh President Nursultan Nazarbayev agreed to build a second section of the Atasu-Alashankou oil pipeline, linking it to the Kashagan and Tenghiz oilfields in western Kazakhstan. The 3000-km, Kazakhstan-China Transnational Pipeline network will be operated by the China National Petroleum Corporation, the same state-run oil and gas monopoly that bought PetroKazakhstan for $4.18 billion in August 2005. As oil analysts note, Russia may well continue using the Kazakh pipeline to deliver its oil to China. Russian proposal to increase the supply of Russian hydrocarbons via existing and planned Kazakh-Chinese networks gives substance to closer economic cooperation in the region.

In March 2006 Russia signed four bilateral energy agreements with China. Two of those covered Russia’s own oil and gas pipelines. First, the construction of the China’s offshoot of the East Siberia-Pacific Ocean (Taishet-Nakhodka) oil pipeline to supply China’s Daqing has been officially confirmed. Second, Gazprom signed a memorandum of understanding with CNPC in regards to the construction of two pipelines that will allow Russia to supply 30 billion to 40 billion cubic meters of natural gas to China annually. The first gas pipeline from Russia to China, estimated at $ 10 billion, can become operational as early as 2011. Agreements on supply of Kazakh hydrocarbons to Russia’s refineries and via Russian transportation networks make Kazakhstan a de-facto third participant in these agreements.
Russia will have to rely on the potential of such Central Asian states as Kazakhstan, Uzbekistan, and Turkmenistan, to ensure steady supply of energy to the EU and China simultaneously. Two of these states are current SCO members, and it is reasonable to expect that the third one (Turkmenistan) will not stay away for much longer. The SCO framework may be productively used to facilitate multilateral energy cooperation within the region and in the interregional relations with the Eurasian energy buyers abroad.

There have been two prevailing opinions about the nature of the SCO in the West. Some analysts regard it as an intrinsically anti-western alliance, a "dictators' club," or a new "geopolitical axis." It is true that resolute opposition to the idea of socio-economic or socio-political engineering imposed from afar is one feature that these semi-authoritarian regimes hold in common. Moreover, some indications of a potential expansion in the neighboring regions and the refusal to admit the USA as an observer do not go well with policy makers in Washington. By 2008, all regional powers in continental Asia have been either invited to participate in the SCO activities as observers or expressed the desire to join as full members. The vision of a would-be future SCO, where Iran, Pakistan and India congregate with China and Russia without paying much attention to the US, although fantastic at the moment, has certainly alarmed Americans.

However, others argue that the SCO will not become an anti-western alliance because it will be contrary to the economic interests of its member states. Although all of them seek to "correct" neoliberal globalization, they are equally interested in mutually beneficial cooperation with the leading industrialized nations of the world. The SCO has not been conceived as an anti-western alliance. As Vladimir Putin said, “We did not plan the SCO to be so prominent – it was established to address trivial matters such as border demarcation. But then it started to develop, and there is now a real demand …, which is why others want to join. There is an objective need for centres of power and influence in the world, so we responded, but we had not planned it that way” (Remarks to the Valdai club, Sep. 2006, as cit. by. Antonenko 2007).

The main goals of the Shanghai Cooperation Organization are developmental in nature. In its apparent resistance to the western-led globalization, it may appear backward-looking, but it is not. In fact, it paves the way to a new type of international relations in Eurasia, to a community that combines traditional respect to the Westphalian conception of sovereignty with an understanding of increased economic and social interconnectedness of the world and regional interdependence in particular.

At the moment, the process is driven by the national elites. When these elites succeed, it happens because of strategic confluence of interests, and not so much because of functional or political spillovers that students of the European integration would expect. Nonetheless, the European Union’s example is important as a model. The EU’s active neighbourhood policies, as well as Russia’s economic revival and persistence in reconstruction of the broken economic ties with its former Soviet partners are among the principal factors contributing to the resurgence of regionalism in Eurasia.
China’s continental policy gives yet another impetus. China increasingly accepts the role of a regional benefactor. It is willing to contribute money and organizational resources, even on a unilateral basis, to spearhead integration efforts in the region. Some countries (Kazakhstan) are more enthusiastic about the prospect, while some others (Uzbekistan) are less so. Russia is uneasily sitting on the fence, seeking benefits from regional cooperation, but unwilling to relinquish its former mantle of a regional champion to a new leader. What we see is, therefore, the emergence of a Eurasia that combines polycentricity with the idea of “concentric circles” that is borrowed straight from the EU policy arsenal.

**Conclusion**

The "Asian vector" in Russia's foreign policy has been primarily about advancing Moscow's geopolitical and geoeconomic goals, balancing against American unilateralism, and active neighbourhood policy in the formerly common economic, geographic, and cultural space. For Central Asian states, the SCO opened a space to balance against potential Russian hegemony and a platform to jumpstart development by wooing in China’s money. The Central Asian governments had soon discovered real economic and political benefits that regionalization offered: a possibility to rely on several donors, instead of just one, an improved security and an enhanced international status. Meanwhile, China had early on recognized the SCO potential as an instrument facilitating its economic expansion in the resource-rich Central Asia.

Western observers subjected regionalization projects in Eurasia to intense criticism. Several of them decried the mostly rhetorical character of the process and noted manipulation of regional initiatives for political gains. It has been alleged that participating governments do not perceive intra-regional cooperation as a vehicle for joint solutions to the problems of common concern, but often as an instrument for the regime self-aggrandizement. And yet, these state-led regional projects have laid down foundation for gradual development of mutually beneficial relations, regulatory coherence, and cooperation on a range of socio-economic, political, and security issues of common interest (Malfliet, Verpoest, & Vinokurov 2007). In most cases, regionalization “from above” in Central Asia and the post-Soviet space reflected a desire to find an optimal balance between security and development. Energy trade has frequently linked the two together.

In contradistinction to other known examples of regional integration, market actors initially played a subordinate role in the SCO development, while most regionalist initiatives were led by the political elites of the participating countries. Russia in particular, as a state most heavily endowed with institutional memory of the past, attempted to spearhead a drive at restoration of the cross-border economic ties. However, a real impetus to this drive was given by the substantial Chinese investments in the region, and by the creation of the credit instruments to facilitate regional development.

A “new regionalist” reading of various integration initiatives in Eurasia suggests that the participant countries’ efforts at regionalization “from above” represent a natural reaction
to globalization propelled by the corporate interests of the West. The SCO is not striving to mount a geopolitical challenge to the status quo. The expansion moratorium, in place since 2006, had been designed specifically to stave off Iran’s potential application bid. The countries most eager to join are also those least wanted by the founding members. The common vision of the main tasks at hand suggests the necessity of further institutionalization: the SCO must “deepen” before it attempts a new round of “widening,” to use the EU jargon.

Eurasian regionalism is of a state-led, top-down, intergovernmental variety. The main concern of the participating actors is that of achieving economic development and preventing backslide into the rank of the world’s peripheral and semiperipheral countries. It is “new” regionalism precisely in its idea of using regionalist ties to adapt to the imperatives of globalization. While isolation is certainly not an option, containing “negative globalism” through a joint regional effort certainly is. Regionalism in Eurasia, as exemplified by the SCO model in particular, is called upon to provide a cushion against globalization’s negative effects, while helping to achieve economies of scale and provide a sustained engine of growth on a regional basis through the exploitation of the region's enormous energy resources.

Bibliography


