



## **An Overview of SCO Multi-lateral Trade and Cooperation**

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### **ABSTRACT**

*In the increasingly interconnected contemporary world, the Shanghai Cooperation Organization is the epitome of political and economic confluence. The Shanghai Cooperation Organization or SCO, as is commonly known, is a relatively new regional organization with a multi-dimensional agenda that covers the features of security along with economic cooperation. It was initiated in 2001 as a prominent feature of the region, represented by the member states. Originally, the member states included the 'Shanghai Five', i.e., the founding states which include China, Russia, Tajikistan, Kyrgyzstan, and Kazakhstan. The latest addition of India and Pakistan as permanent members of the organization is the harbinger of fruitful expansion of the organization with regards to becoming a noticeable facet of the region, in the global arena. The multi-faceted organization has emerged as an intergovernmental entity that works on the principles of non-interference and integrity of the sovereignty of the member states. This paper aims to discuss the prospects of economic integration and cooperation in the region.*

**Keywords:** Shanghai Cooperation Organization, Economic Integration, Multilateral trade, and Cooperation.

### **Introduction**

Ever since time immemorial states have formed coalitions or partnerships, be it in form of state-to-state relations or formulation of a single body to work for cumulative

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interest. Primarily, this was so to gain strength and stay impregnable for the seen and unforeseen enemy or acquire economic supremacy via trade. From the Delian League (478 BCE-404 BCE) to the Peloponnesian League (550 BCE-366 BCE), Triple Alliance of Mesoamerica (1430-1521), and more recently NATO, there is an abundance of such examples to be found in history.<sup>1</sup> The Shanghai Cooperation or the SCO is somewhat different in that sense as it functions as a forum that aims to cement neighborly relations among the SCO member states.

In the wake of globalization, the world has gradually, but irrevocably morphed into an interdependent and integrated entity, and therein factors the emergence of organizations like the Shanghai Cooperation Organization. In this age of economic interdependence, new alliances have emerged in pursuit of common interests and economic ventures, SCO being one such alliance. The contemporary world scenario has evolved from the traditional one, in the sense that economic dominance is the new norm and the states instead of opting for conflicts rely on their economic strength. Furthermore, the threat of terrorism has increased the significance of such organizations manifold.

Initially, one of the main objectives of the organization was to tackle the three “isms” i.e., extremism, terrorism, and separatism hence the formulation of RATS or the Regional Anti-Terrorist Structure. However, with time the organization’s agenda prospects have been broadened to augment the economic integration of the Eurasian region through multi-lateral projects and programs. In that regard, the organization has been working to promote trade, energy, economics, transportation, education, and cultural and political cooperation. This paper endeavors to understand the economic facet of the SCO by analyzing various partnerships and agreements.

The dawn of the 21<sup>st</sup> century invariably brought forth the nuisance of terrorism that has impacted the world, but mostly the developing countries. Consequently, the states suffered economically, politically as well as in the context of security, too. However, the impact of the heinous phenomenon mostly tormented the countries with struggling economies and those who unfortunately have contiguous borders with those countries. In the wake of terrorism, the need for SCO-like organizations increased immensely so as to counter the threat of terrorism and bolster security. SCO unites its member states on a platform based on common interests and represents the aim to eradicate terrorism with the mutual efforts of the member states, to benefit all the members, both economically and politically.

## **Shanghai Cooperation Organization**

The Shanghai Cooperation Organization is a multi-lateral international organization that came into being in 2001 by China, Kazakhstan, Kyrgyzstan, Russia, Uzbekistan, and Tajikistan. The original foundation of the SCO can be traced back to the Shanghai Five of 1996. Presently, it has eight members including India and Pakistan with the headquarter being in Beijing, China. It’s a Eurasian organization that caters to the economic, political, and security needs of the member states. The eight-membered SCO makes up a quarter of the

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<sup>1</sup> Christensen, Brandon. “10 of History’s most Important Alliances.” Real Clear History (April 2019)  
[https://www.realclearhistory.com/articles/2019/04/04/10\\_of\\_historys\\_most\\_important\\_alliances\\_429.html](https://www.realclearhistory.com/articles/2019/04/04/10_of_historys_most_important_alliances_429.html)

GDP of the globe, 80% of the Eurasian landmass, and approximately half the population of the world. Russia and China are permanent members of the United Nations Security Council (UNSC) along with being members of BRICS with India. Moreover, four of the member states are nuclear-capable.<sup>2</sup> Also, since 2004, SCO also works in collaboration with United Nations Organization in the capacity of an observer. Besides, it also has associations with CIS, CSTO, ASEAN, and ECO.<sup>3</sup>

The SCO, as a multilateral entity, was established so as to augment trade between member states, establish humanitarian and cultural collaboration, preserve stability and guarantee security throughout the Eurasian region, and thwart emergent challenges and threats. The SCO aims to ensure harmony in the region by strictly adhering to the principle of communal respect and the standards of international law, strengthening mutually advantageous collaboration, upholding amalgamated security, and averting clash and conflict. This aim is based on the needs, interests, and aspirations of the member states hence meaning to ward off any kind of conflict all over the Eurasian regions. In addition to that the SCO was formulated with the intention of preserving the sovereign rights of the members by regularly and actively pursuing dialogue and cooperation and exchanges. Moreover, the SCO strictly observes the principles of the Charter of the United Nations, like the prohibition of interference in a state's affairs, equality, respect for territorial integrity, peaceful settlement of disputes, unassailable borders, the establishment of partnerships amongst states, etc.<sup>4</sup>

## Economic Facet of the SCO

Economic development is significant for a country's ensured survival. Unequal economic strength in the world has the potential to lead to radicalization and eventually to conflicts. More recently, a number of threats and challenges to the sustainable development and security have emerged because of the intensification of existing economic imbalances. Taking this into account, SCO works toward broadening the international cooperation in order to stimulate the economic recovery of the world by ensuring financial and economic stability and maintaining a balanced and inclusive economic environment. UN Secretary-General Antonio Guterres stated at a summit, proclaiming that the organization was on its way to becoming a "cornerstone of the existing world order and gravity center of the world."<sup>5</sup> Economic ventures under such organizations will ensure greater collaboration amongst the members on geo-economic and geo-political fronts, although, SCO having NATO-like attributes with regards to security, would be much more focused on augmenting collective well-being.

Trade relations between states should be built on rules that apply equally to all the members, therefore, the economic ties between the SCO member states are based upon the

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<sup>2</sup> Usmanov, Jaloliddin. "The Shanghai Cooperation Organization: Harmony or Discord." *The Diplomat* (June 2018) <https://thediplomat.com/2018/06/the-shanghai-cooperation-organization-harmony-or-discord/>

<sup>3</sup> The Shanghai Cooperation Organization, <http://eng.sectsc.org/cooperation/>

<sup>4</sup> Alimov, Rashid. "The Role of the SCO in Counteracting Threats to Peace and Security." *UN Chronicle* (October 2017) <https://unchronicle.un.org/article/role-shanghai-cooperation-organization-counteracting-threats-peace-and-security>

<sup>5</sup> Xiaolin, Ma, 'What Does SCO Expansion Mean', *China-US Focus*, 27/06/2017, <https://www.chinausfocus.com/finance-economy/what-does-sco-expansion-mean>

principles of non-discrimination and transparency. The SCO aims to develop regional economies, support investment initiatives and boost infrastructure with the agenda of strengthening the region. In this regard, various steps have been taken by the organization. For instance, the agreement between the governments of the members was signed in Dushanbe, Tajikistan, in 2014 to create favorable conditions for International Road Transportation. Under this agreement, mutually advantageous trade from East Europe to Russia and China has been possible under equitable conditions. Furthermore, it has developed into the foundation for a cohesive system of road transportation and the development of the regional infrastructure.<sup>6</sup>

## Multi-lateral and Trade Cooperation

The SCO's main goal is the economic integration of the Eurasian region through various trade agreements and international investments in the member states. The economic cooperation between the member states has increased since the inception of the organization with interconnected projects, cooperation in trade, and investment. According to statistics, in 2017, trade between SCO members and China equaled 217.6 billion dollars. The trade volume between only China and other member states, in 2018, jumped to 20.7 percent. In addition to that the ties between the members have strengthened after the agreement of international road transportation facilitation and infrastructure which includes telecommunication, railways, and roads.<sup>7</sup> Furthermore, the SCO Business Council and SCO Interbank Consortium also have played an effective role in establishing concrete economic ties between the member countries.

The Business Council of SCO, a non-governmental entity, was created in June 2006, in Shanghai with the purpose of uniting the business community of the members through economic cooperation, multi-lateral projects, and dialogue between the financial as well as business communities. Besides, the council focuses on the energy, banking, transport, telecommunication and education, research, agriculture, and healthcare sectors. Whereas the Interbank Consortium of SCO or the SCO IBC was established in 2005 with the purpose of providing banking, funding services, and financing so as to kindle economic and trade cooperation between the member states for different SCO-sponsored projects of investment. The State Development Bank of China, the Development Bank of Kazakhstan, the Bank for Development and Foreign Economic Affairs of the Russian Federation, the Settlement & Savings Company of the Kyrgyz Republic, the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and the State Savings Bank of the Republic of Tajikistan are the members of SCO IBC.<sup>8</sup>

The program of multilateral cooperation and trade between the member states is based on the principle of mutually beneficial economic cooperation. In that regard, the long-term agenda is the effective utilization of the resources of the region and the enhancement/exploitation of relevant technology. China's Belt and Road Initiative or BRI is

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<sup>6</sup> Ibid.

<sup>7</sup> "SCO Economic Cooperation Sees Remarkable Progress." Xinhua Net (May 2018) [http://www.xinhuanet.com/english/2018-05/31/c\\_137220715.htm](http://www.xinhuanet.com/english/2018-05/31/c_137220715.htm)

<sup>8</sup> "Shanghai Cooperation Organisation | SCO," [eng.sectsc.org](http://eng.sectsc.org), n.d., <http://eng.sectsc.org/docs/about/faq.html>.

one such example. For the purpose of this collaboration, the members will adopt step-by-step action to meet the requirements for regional cooperation. Furthermore, to achieve short term goals favorable conditions will be inculcated in the domain of investments and trade.<sup>9</sup> One of the important sectors in which these programs are intended to be implemented is the energy sector.

The member states of the SCO also need to interact in the energy sector. The members of the SCO take up to three-fifths of the Eurasian region with over 1.5 billion population. The cumulative GDP of the members is equal to one fourth of the world which is 12.4 trillion dollars. The territory of the SCO countries is enriched with natural resources and holds 50% of the gas reserves, 25% of the oil reserves, 35% of coal, and almost half of the uranium reserves of the world. So, it is to benefit the member countries to secure and capitalize on the resources through interdependence and multilateral interaction, hence the need for SCO Energy Club. The idea for the SCO Energy Club was first raised by the Russian President at the 2006 Summit. Since then the member states have held various forums to set up the activities of the Energy Club. According to the Russian President, the club would create opportunities that would aim to initiate energy projects among the members. However, as compared to the other member states, Kazakhstan and Russia are the most actively pursuing this agenda. The Energy Club would help in resolving issues like coordination of strategies for the energy sector and long-term development of the member states, adoption of collective energy security policy, development of transport energy communication system, information coordination, and mutual appraisal of global energy market activities. Such a setup is lucrative to deepen the interaction between energy-producing countries like Russia, Uzbekistan, Kazakhstan, and Iran, and energy-consuming countries like India, Pakistan, China, Tajikistan, Mongolia, and Kyrgyzstan.<sup>10</sup>

### Recommendations

1. Taking the above-discussed facts into consideration, the SCO should broaden its mandate by bringing in more countries of the region, preferably the deprived nations facing anarchy, instability, weak economy, corruption, and terrorism. In addition to that, stringent punitive steps should be applied in the form of economic sanctions, in case of the violation of the SCO charter.
2. The bigwigs of SCO, particularly China and Russia should play a positive role in eliminating conflicts, trust deficits, and hegemonic ambitions of certain nations. Having said that, Kashmir being the flashpoint of the South Asian region, must be taken as a test case, to begin with.

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<sup>9</sup> "Decision of SCO 'about the Program of Multilateral Trade and Economic Cooperation of State Members of the Shanghai Cooperation Organization,'" cis-legislation.com, accessed January 12, 2023, <https://cis-legislation.com/document.fwx?rgn=6893>.

<sup>10</sup> "SCO Energy Club: Structure Ready for International Interaction, not Shanghai's Six Elite." (2015) <http://infoshos.ru/en/?idn=13913>

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3. The SCO should work on promoting trade, cultural exchange, research, and development on the same footing as has been witnessed between the archrivals of World War II in Europe.
4. The forum of SCO should be a beacon for other regions of the world, in particular for the African nations, for the prosperity and well-being of the people, by advocating peace and harmony through regional economic integration and interdependence.
5. Measures should be adopted to ensure strict adherence to a constitution in which anything that is in the interest of the member countries should be safeguarded, such as BRI, in which maximum exploitation in promoting trade, cultural exchange, human resource development, science, and technology should benefit all the member states.
6. Afghanistan's issue is crucial for the successful future of SCO; thus, necessary procedures should be embraced to restrain the insurgencies and extremism in the country. For that, the emphasis should be on the development of infrastructure and human resources as well as the promotion of economic and political dialogues and, education and awareness for the masses.
7. Also, the territorial disputes between India and Pakistan should be addressed under the auspices of the SCO via political dialogue and strengthening of mutual trade and economic interdependence, for the purpose of making the SCO region impenetrable to external overtures.
8. Countermeasures should be embraced to tackle the ominous threat of ISIS via the implementation of confidence-building measures between the member republics, and joint military efforts under the RATS and RTCS, to protect the economic interests of the member states.

### Conclusion

In light of the above-mentioned, it would be apposite to surmise that in the era of globalization, the SCO is a growing body with optimistic future prospects. The present-day world is a correlational and interdependent realm, working towards the cohesion of the political and economic arena. However, there are certain elements and issues that need to be resolved. For that, the SCO should widen its mandate and the key players of SCO, specifically Russia and China should adopt a progressive approach to eliminating conflicts, in collusion with the other members. Furthermore, the SCO should work on the adhesion of strong ties among the members via the resolution of the Afghan problem, the territorial disputes of the region, and countering the threat of terrorism. With these problems addressed, SCO can look towards auspicious prospects on the economic and political stage, of the world.