



The
University
Of
Sheffield.

Global Political Economy Brief No. 11

The rise and rise of the Shanghai Cooperation Organisation

Rick Rowden

speri.

Sheffield Political Economy
Research Institute.

About the Author



Rick Rowden is a PhD Candidate in the Centre for Economic Studies and Planning at Jawaharlal Nehru University (JNU) in New Delhi, India. His doctoral research examines India-Africa economic relations from a development economics perspective, looking at how India's aid, trade and foreign direct investment impacts on African countries' efforts to build their manufacturing sectors. His research interests include development economics, international political economy and the emerging area of South-South economic relations. Previously, he worked for the United Nations Conference on Trade and Development (UNCTAD) in Geneva, the international development NGO ActionAid and has lectured in Global Studies at California State University, Monterey Bay (CSUMB) and Political Science at Golden Gate University in San Francisco. He has published in a variety of academic journals, including *Review of African Political Economy* and *Global Social Policy*, and has been a frequent contributor at ForeignPolicy.com.

Introduction

In recent years Russia and China have sought to bypass the major Western-led international organisations, such as the International Monetary Fund (IMF), the World Bank, the European Union (EU), the United Nations, the North Atlantic Treaty Organization (NATO) and the World Trade Organization (WTO), by developing a host of new Asian-led organisations, institutions and economic and military cooperation initiatives that promise to transform the Asian continent over the next few decades.

In so doing, Russia and China are flexing their diplomatic and economic muscles in a region where the West generally, and the United States (US) in particular, have been losing influence. The transitions mark an inflection point in international relations, as power is redistributed from a post-Cold-War unipolar world led by the US since the 1990s to a multi-polar world led by China and other regional powers across the Asian mainland. Moreover, Russia and China are now bringing India, Pakistan and perhaps Turkey and even Iran on board with them as they pursue their ambitious geopolitical and geoeconomic initiatives.

Nowhere is this coming together of regional powers more apparent than in the Shanghai Cooperation Organisation (SCO). Most in the West are likely to have never even heard of the SCO, perhaps because the West is being expressly excluded. Yet the constellation of powers coming together within the SCO provides perhaps the best window on the most dramatic geostrategic transformation of the world order in a generation.

This new SPERI Global Political Economy Brief provides an analysis of a number of recent political and economic developments in the region and draws the following key conclusions:

- The SCO is primarily being used as a forum in which to coordinate the economic integration of the Asian continent, connecting the production facilities of China's eastern seaboard with Russian and European markets. This includes plans to build expansive new road and rail networks stretching across Asia. The transport networks will also link Central Asia, West Asia (the Middle East) and South Asia more deeply with Russian and European markets.
- While Western foreign direct investment (FDI) is welcomed in the endeavour, the initiative is decidedly an Asian-led effort.
- The emergence of the SCO does not mean its members cannot also maintain constructive relations with the West.
- While the SCO is not (yet) a new military alliance that poses an immediate threat to the West, it has the potential to evolve into such an alliance, conceivably on a par with NATO, in coming decades.
- The members of the SCO are asserting ever greater control over the Asian continent and are moving forward to connect it economically, politically and, arguably, militarily.
- The emergence of the SCO reflects the political reality that tectonic shifts are underway in global geopolitics and suggests that, in terms of relative power, the US is likely to exercise a diminished role in the region in the future.

Part I of the Brief discusses the origins of the SCO, including its military and economic goals. Part II discusses the China-Russia relationship, which served as the fulcrum for the establishment of the SCO. Part III discusses the recent expansion of the SCO to include both India and Pakistan and considers the likelihood of Iran and Turkey joining in the future.

Part I - The origins of the SCO

The SCO is largely a story about Russia and China coming together to cooperate on common geostrategic and geoeconomic goals for the long-term economic integration of Asia.

- The SCO originated in 1996 when a loose-knit grouping of China, Russia and three former Soviet republics – Kazakhstan, Kyrgyzstan and Tajikistan – came together to resolve border disputes, both old ones between China and Russia as well as newer ones that began in the aftermath of the 1991 dissolution of the Soviet Union. The group first met in Shanghai and so became known as the ‘Shanghai Five’.
- In 2001 the ‘Shanghai Five’ decided to establish themselves as a permanent new international organisation, the SCO, with headquarters in Beijing. They added Uzbekistan that same year, becoming a group of six member states. The SCO’s charter pledged that all members must agree to make official decisions by consensus and to adhere to the core principles of non-aggression and non-interference in the internal affairs of other members.
- Between 2004 and 2005 the SCO admitted Mongolia, Pakistan, India and Iran as non-voting ‘observer states’. But, in June 2017, the SCO took a significant leap forward by formally admitting both Pakistan and India as full voting members at the same time. With the entry of India and Pakistan, the SCO’s eight full members now represent 20 per cent of the world’s GDP and 42 per cent of its population, as well as including four of the declared nuclear powers.
- The SCO is now also seriously considering admitting Turkey, a US NATO ally, and Iran, a major US adversary, as full members as well. Both are moves likely to set off alarm bells in the West.
- At present, the SCO has four non-voting ‘observer states’ – Afghanistan, Belarus, Iran and Mongolia – and six ‘dialogue partners’ – Turkey, Azerbaijan, Armenia, Cambodia, Nepal and Sri Lanka.

The military goals of the SCO

After successfully agreeing to demarcated borders, the SCO members moved on to address a set of common security-related concerns such as counter-terrorism, intelligence sharing and military cooperation.

- Russia, China and the Central Asian republics are all seeking to establish greater security across the region. In addition to Russia’s experience in Chechnya and China’s efforts to quash uprisings by the restive Muslim population in its western Xinjiang province, the Central Asian states are likewise worried about terrorism by Islamist groups in several of their countries.

- All SCO members are worried about the unrest in neighbouring Afghanistan spilling over into their countries.
- This is reflected in the fact that, although the SCO is headquartered in Beijing, its regional anti-terrorist operations are based in Tashkent in Uzbekistan. The Regional Antiterrorism Structure (RATS) was established in 2004 and is mandated both to counter terrorism and combat cross-border drug smuggling.
- Since 2005 China and Russia have participated in joint military exercises under the auspices of the SCO and its members have also conducted joint planning and operational manoeuvres.
- In October 2007 the SCO signed an agreement with the Collective Security Treaty Organization (CSTO), the Russia-led defence alliance of six former Soviet republics, to deepen cooperation on security and drug trafficking.
- Despite these steps, the SCO officially states that it has no intention of becoming a formal defence alliance.
- Others, however have interpreted the emergence of the SCO as a threat in security terms, as possibly the first stages of an alliance that could one day threaten NATO (Varfolomeeva 2017; Darling 2015; Adomanis 2014). Advocates of democracy have criticised the SCO as an agreement among authoritarian regimes to prevent any more 'colour revolutions' – such as the Rose revolution in Georgia in 2003 and the Orange revolution in the Ukraine in 2004 – from erupting amongst its members (Gabuev 2017; Green 2014; Ambrosio 2008).

The economic goals of the SCO

In addition to cooperation on combating 'terrorism, extremism, and separatism' in the region, the SCO has also embarked on an ambitious, long-term effort to forge the economic integration of the entire Asian continent. Its geoeconomic vision is to build a vast new network of roads, railways and ports that will connect China's eastern seaboard with Central Asian, Russian and European markets, while also incorporating South Asia and West Asia (the Middle East).

- This vision is underscored by China's ambitious One Belt, One Road (OBOR) initiative, now called the Belt and Road Initiative (BRI), which comprises nearly US\$1 trillion in multiple projects for building infrastructure, roads, railways and ports across Asia. It is one of the most ambitious infrastructure projects in history. Recently, China was joined by six multilateral development banks to establish an international cooperation centre for the BRI (Rana and Ji 2018).
- China is using the BRI both to bring economic inclusion and development to its underdeveloped central and western regions, where it has faced growing unrest in recent years, and to broaden its economic influence in new markets across the Asian region as a whole. Some observers suggest China is using the multinational effort for domestic economic goals and to export its excess productive capacity and relocate its factories abroad (Junda 2018; Min 2018; *Economist* 2016; Johnson 2016). Doing so would certainly help China to export its particular set of technological and engineering standards (Cai 2017).

- China is also planning to develop a new system of specialised international tribunals ('BRI courts') to manage trade and investment disputes arising between foreign investors and governments on BRI-related projects, with the first three located in central and western China. In practice, these dispute mechanisms would be based on China's style of mediation, arbitration and judicial procedure. China also intends to establish similar courts in neighbouring countries as a way to promote the international recognition of its legal standards. While such tribunals are modelled on similar ones in Singapore and Dubai, they would stand in contrast to Western-led dispute settlement mechanisms that today are found in international trade agreements and investment treaties.
- From its side, the European Union has committed significant financing for BRI-related projects through loans from its European Investment Bank, and many EU member states are also supporting BRI projects through their participation as minor shareholders in the new China-led Asian Infrastructure Investment Bank (AIIB). A new group called '16+1' is comprised of China and 16 Central and Eastern European countries (11 of them members of the EU) which have signed on to BRI infrastructure projects. Some large Chinese port holding companies have recently purchased cargo terminals in Belgium, Spain, Italy and Greece. Additionally, the European Central Bank, which had already set up a currency swap line with China to facilitate increased two-way trade, reportedly spent 500 million euro on adding the Chinese currency – the renminbi – to its reserves in 2017, with the Deutsche Bundesbank taking similar steps.
- China has been seeking to increase the international profile of the renminbi and reduce its reliance on dollars and yen for its international transactions. As a growing share of international trade with China's partners is settled in renminbi, it is being increasingly used in overseas capital markets, including London. In 2015 a symbolic milestone was achieved when the IMF agreed to include the renminbi in its basket of global currencies. But China has not reduced capital controls and a range of other restrictions on the renminbi – steps that would be required before it could be considered a globally tradeable currency. It is notable that in 2018 a new Chinese oil futures contract will be introduced on the Shanghai Futures Exchange – marking the first crude-oil benchmark based in Asia, and the first priced in renminbi. This will create, for the first time in decades, an alternative option to the main leading global benchmarks for crude oil based in New York and London and priced in dollars. This development reflects the fact that China recently overtook the US as the world's leading consumer of oil.
- Although Russia is a declining regional power, it remains a major energy exporter and maintains a strong military-industrial base. It therefore needs expanding markets for its oil and gas exports and its military hardware sales, both of which China and the Asian region provide. Additionally, Russia's deteriorating relations with the West make partnerships throughout Asia more of a priority.
- While China's military technology is not on par with Russia's, its economic prowess is certainly on the rise. In the crudest sense, the core of the SCO is based on the Russia-China strategic bargain – Russia has the guns and China has the money.
- With India and Pakistan now on board, and with Turkey and Iran waiting in the wings, the SCO could ultimately become a military force with which the West would have to reckon.

Part II – The China-Russia relationship

The China-Russia relationship is the foundation of the SCO. During the early decades of Cold War in the 1950s and 1960s, the Soviet Union and China had come together as communist powers allied against the capitalist West. But, following US President Nixon's political opening to China in 1972, the Russia-China alliance fell apart as China began cooperating with the US to check the increasing power of the Soviet Union. Following the end of the Cold War in the 1990s, a China-Russia rapprochement began, ultimately leading to the informal 'Shanghai Five' group meetings that evolved into the SCO in 2001.

Despite the Group of 7 countries inviting Russia to join them as the Group of 8 in 1998, relations between Russia and the West have deteriorated in the new millennium. Some observers suggest the post-Cold-War expansion of NATO membership into Eastern Europe was perceived as provocative by Russia, and may thus have been a contributing factor in driving the development of Russia's deepening alliance with China in the SCO (Steil 2018; Bacevich 2017; Walt 2015; Mearsheimer 2014). Likewise, others suggest that the international economic sanctions placed against Russia by the US and Europe in 2014 in response to Russia's invasion of Ukraine and annexation of Crimea, along with the subsequent expulsion of Russia from the Group of 8, may have also been contributing factors in moving Russia closer to China (Weir 2017).

Critical aspects of the Russia-China relationship include:

- The geoeconomic vision of the Russia-China arrangement is based on the melding of the Russia-led Eurasian Economic Union (EEU) with China's financial heft and ambitious BRI infrastructure initiative for economically connecting the Asian continent with European markets.
- The SCO has facilitated increased bilateral trade and investment between Russia and China. After some hesitation on Russia's part, it appears the organisation may be moving forward with the establishment of an SCO Development Bank and a free trade zone among the members' economies.
- Russia needs China as a market for its oil and gas exports, just as China needs Russia as a source of vital energy imports. With regard to oil, Russia has been re-routing large volumes of its best quality crude to China as it competes with the Organization of Petroleum Exporting Countries and the US for market share in growing Asian energy markets. In fact, European refiners have been complaining about the decline in quality of Russia's flagship Urals oil grade and some are reconsidering how much to buy and how much they are willing to pay for it.
- With regard to Russia's exports of natural gas, Russia and China agreed in 2014 to a US\$400 billion deal to build a 2,500-mile gas pipeline from Russia to China's Heilongjiang province, and for Russia to build another pipeline from western Siberia to China's Xingjiang province. If both pipelines are completed as planned, they would supply China for up to 30 years and the projected 68 million cubic meters (bcm) they would deliver to China annually would dwarf the 40 bcm that Russia currently exports to Germany today.

- According to Professor Joseph Nye (2015) of Harvard University, the low price China was able to negotiate in the gas deals reflected Russia's eagerness to sign the deals, and perhaps also its subordinate position in the alliance. Nye, a longstanding Cold-War expert and former US Assistant Secretary of Defense, noted that, although Russia had been the dominant actor in the alliance at the beginning of the Cold War largely due to China's weakness following World War II, today China's economic prowess makes it the stronger partner.
- Russia's long-term trade imbalance is likely to worsen as it disproportionately exports raw materials in exchange for more advanced Chinese manufactured goods.
- Russia and China have recently adopted a series of financial agreements between the Bank of Russia and China's central bank on clearing and settlement of payments in Russian roubles and Chinese renminbi and cooperation on gold exchange trading.
- While China is driving the financing for the new infrastructure across Asia, Russia is seeking to extend its influence as the security guarantor in the region, maintaining a series of military bases in Central Asia, stepping up its arms exports and continuing to lead the CSTO alliance. This arrangement works well for Russia, which is eager to maintain its military clout in the region, and for China, which is reluctant to send its troops abroad but whose BRI requires improved security (Skalamera 2017).
- The SCO has facilitated increased military cooperation between the two Asian giants, including joint war games consisting of land, air and sea manoeuvres. China has purchased Russia's S-400 anti-missile system and Su-35 jet fighters and the two countries have agreed on plans for the joint development of future variants of the fighter (Meick 2017).
- While China is still considered dependent on Russia for advanced military hardware, China is considered ahead of Russia in the production of combat drone technology. China has taken advantage of stricter US export control rules on selling drones by grabbing an expanded share of the drone market throughout the Middle East (Page and Sonne 2017; Armstrong 2017; Rawnsley 2016). The two countries are also cooperating on new anti-missile defence systems. Some observers suggest the anti-missile systems are actually a cover for developing anti-satellite systems, which could be used to destroy or disable US or other spy satellites in a future conflict (IISS 2018; MacDonald and Ferguson 2015).

Part III - SCO expansion

India and Pakistan join the SCO

As an international organisation, the SCO took a monumental step forward in June 2017 when it simultaneously added both India and Pakistan as full members. In other words, by adding the two countries, the SCO increased its membership by two more nuclear powers, another 23 per cent of total global population and about another 8 per cent of total global Gross Domestic Product. Connecting South Asia to China, Russia and Europe is considered a critical element of long-term Asian economic integration.

- Some analysts, including UN Secretary-General Antonio Guterres, hope that, by having both countries in a new multilateral setting, there could develop possibilities for informal negotiations to resolve finally the border disputes that have existed since India and Pakistan became independent states in 1947, just as the 'Shanghai Five' group had made possible for Russia and China (IANS 2017; PTI 2017; Mitra 2017; Stobdan 2017; Bhadrakumar 2016; Pantucci 2015). Others are less optimistic about such prospects.
- For some observers, however, the idea of India and Pakistan cooperating on regional counter-terrorism efforts within the SCO seems a bit far-fetched, especially since several SCO members are in disagreement about which groups should be labelled terrorists (Gabuev 2017).
- It was agreed by the SCO that India and Pakistan should become full members simultaneously.
- Russia supported India's membership and has been deepening its relations with India on arms sales, as well as the joint development of nuclear submarines, fighter jets and satellite technology. Additionally, Russia hopes to export its energy supplies to India, which India very much needs. Some observers suggest that Russia welcomed the entry of India and Pakistan into the SCO as a way to diminish the outsized role of China's economic power within the group (Gabuev et al 2017; PTI 2017c).
- Russia and India have been deepening their economic and military relations. On defence ties, they have agreed to joint production of helicopters to be built in India, to India's purchase of Russia's S-400 surface-to-air missile defence system, to the construction of 4 naval frigates and to cooperation on cyber-security. Russia has also recently agreed to build nuclear power plants in India and to purchase shares of India's Essar Oil and has welcomed large Indian investments in the Russian hydrocarbons sector. Most notably, Russia and India are underway with developing the International North South Transport Corridor, a new trade route based on sea, roads and railways that would supplement the BRI and bring Indian exports northward from the Iran's Indian Ocean port of Chabahar up through Iran, Azerbaijan into Russia and on to Europe.
- India's membership in the SCO has come about despite its continued reluctance to join officially the China-led BRI projects. India is concerned about the part of the BRI that cuts through northern Pakistan (which India still claims), the so-called China-Pakistan Economic Corridor (CPEC). But such concerns are likely to be subordinated to the longer-term benefits provided by regional economic integration. Both Russia and China are engaged with efforts to overcome India's concerns about fully engaging with the BRI.

- China supported Pakistan's full membership in the SCO and considers Pakistan's location as critical to its BRI plans. Through its CPEC initiative, China is undertaking several multi-billion infrastructure projects designed to provide essential linkages to connect the Indian Ocean to Central Asia, Russia and Europe, beginning with Pakistan's deep water port of Gwardar on the Arabian Sea. While China has long enjoyed extensive economic and political relations with Pakistan, in recent years Russia has also been deepening its military cooperation and economic ties with Pakistan.
- The smaller SCO members in Central Asia will also benefit from the entry of India and Pakistan as it means they are likely to be less squeezed by the overbearing interests of China and Russia.
- The most important underlying dynamic behind the entry of India and Pakistan as full members in the SCO is the need for their participation in finally realising a political settlement in Afghanistan. Many of the major long-term security and economic goals of the SCO are based on the ability to build infrastructure and allow commerce to flow smoothly through what has long been the region's major hotbed of instability. While the original BRI plans sought to go around Afghanistan, there are now plans for its inclusion in the initiative as a geostrategic passageway and for it to be linked directly with the major BRI conduit going through Pakistan to the Indian Ocean, namely CPEC. China is working with Afghanistan to build a new military base in its northern region.
- Three major energy networks are envisioned to traverse the region through Afghanistan, connecting the energy-rich Central Asian nations to energy-poor South Asia: the TAP transmission line that would initially move electricity from Turkmenistan to Pakistan via western Afghanistan; the TAPI gas pipeline that would transport natural gas from Turkmenistan to Pakistan and India via Afghanistan; and the CASA-1000 transmission lines that would move electricity from Kyrgyzstan and Tajikistan to Pakistan via Afghanistan. With the development of the two ports at Chabahar in Iran and Gwardar in Pakistan, the Indian Ocean will become connected to Central Asia through Afghanistan. In this regard, according to some observers, China's engagement in Afghanistan and Pakistan is seen as an effort to help stabilise the region in order to pursue economic integration (and thus not necessarily or deliberately as an anti-Indian alignment) (Stobdan 2017).
- A final settlement in Afghanistan may end up disappointing US hopes. In fact, as Russia coordinates with China, Iran and Pakistan, including in reviving the SCO's Contact Group with Afghanistan, there are mounting indications that the political calculus within the region about a final settlement in Afghanistan is diverging dramatically from US goals. These parties are increasingly aligning around the idea of a settlement that would support the return of the Taliban to power in Afghanistan and oust the current US-backed regime in Kabul. Ultimately, the SCO may collectively decide to add Afghanistan as a full member – and then have it request that the US and NATO forces leave, as did Uzbekistan in 2005 and Kyrgyzstan in 2014.
- Although Pakistan's long-standing support for the Taliban in Afghanistan has been increasingly aggravating the US-Pakistan alliance, many in the United States are reluctant to cut all ties, as they are concerned about the stability and security of Pakistan's nuclear weapons (De Luce 2018).

Bringing in Iran

- Iran has had observer status in the SCO since 2005 and has been lobbying for full membership since 2008. It was blocked because of the international economic sanctions placed against it for its nuclear activities. But, since the lifting of the international sanctions against Iran in 2015 following the nuclear agreement with the P5+1 powers (Joint Comprehensive Plan of Action), both Russia and China have begun to support Iran's full membership in the SCO.
- China has close economic and diplomatic ties with Iran and was also instrumental in pushing through the 2015 deal that ended the sanctions. Furthermore, in 2016, China and Iran signed a 25-year strategic cooperation agreement that envisions closer defence and intelligence ties, including efforts to strengthen Iran's naval capacities in the Indian Ocean.
- Russia, too, has been stepping up its military coordination with Iran, particularly in their cooperation and joint efforts to shore up the Assad regime in Syria. Other reports identify possible Russia-Iran cooperation on the development of combat drones (Kester 2017).
- Because of its massive oil and gas reserves, Iran's entry into the SCO would be an important step towards realising Russia's longstanding goal of establishing a 'natural gas OPEC'. Iran, Russia, and Turkmenistan hold the world's first, third and fourth largest reserves of natural gas and could collectively raise global prices by forging a cartel. It should be noted that, although Turkmenistan has not joined the SCO due to its official position of international neutrality, it maintains extensive informal engagements with the group.
- If Iran becomes a full member of the SCO, it could potentially provide the group with a fifth nuclear arsenal.

Bringing in Turkey

In 2012 Turkey, a member of NATO, was granted 'dialogue partner' status in the SCO. But it was in late 2016 when Turkey sent shockwaves through the region by announcing it could abandon its 11-year long formal bid to join the European Union and instead seek full membership in the SCO.

- The dramatic shift was in response to mounting tensions between Turkey and the EU following the Erdogan government's crackdown on dissidents in the wake of an abortive coup attempt in July 2016. The political repression that followed the coup attempt led to a vote by the European Parliament to freeze Turkey's EU accession talks.
 - If Turkey becomes a full member of the SCO, it might be required to abdicate its membership in NATO. In fact, it is notable that, following the 2015 decision by some NATO members to remove their Patriot missile batteries from southern Turkey, Turkey purchased Russia's S-400 long-range, surface-to-air missile defence system in January 2018 (at a time when Turkey is still ostensibly being protected by NATO air and missile defences). The deployment of the S-400 anti-missile system poses problems of interoperability with other NATO members. Russia is also selling the S-400 system to China and is in discussions to do so with India. In other words, Turkey is acquiring a missile defence system that is compatible with those of Russia, China and perhaps India, but not with NATO's.
-

- Turkey has been increasingly at odds with the US over the issue of US support for Kurdish forces operating in north-western Syria near the Turkish border. The US has given military aid and support to the Kurdish forces called the People's Protection Units (YPG) in its fight against the Islamic State forces in Syria. Yet Turkey wants to prevent the YPG from stirring secessionist sentiments among Kurdish groups within Turkey, particularly the Kurdistan Workers' Party. Turkey is cooperating on joint operations with Russia and Iran inside Syria. Indeed, the main players driving the negotiations for a political settlement in Syria are Russia, Turkey and Iran.
- Both Russia and China have welcomed full SCO membership for Turkey. They agreed to offer Turkey the chairmanship of the SCO's energy club for the 2017-18 period, making it the first 'dialogue partner' country to chair an SCO club without having yet achieved full membership status.
- Turkey's relations with China and Russia have been steadily improving in recent years. The value of China-Turkey bilateral trade is already at about US\$30 billion and is projected to increase thanks to a series of recently adopted bilateral agreements on construction of railways and high-speed trains and increased Chinese FDI in large-scale projects.
- Turkey's geostrategic location and its proximity to European markets enable it to serve as host for an extensive network of gas pipeline projects, some of which are underway, and it is expected to serve as a critical link in China's BRI infrastructure plans.

The marginalisation of the US

The traditional influence of the US in the region has been in decline during the new millennium.

- Following the US invasion of Afghanistan in 2001, the 'Neo-cons' of the George Bush administration claimed the US would expand the reach of its military bases all over Central Asia and beyond. In response, the SCO rejected the US request for observer status in the organisation in 2005 and instead issued a declaration calling on the US to withdraw from its air base in Uzbekistan. Later, in 2014, the US was asked to leave its base in Kyrgyzstan.
- Western powers have proved unwilling to reallocate power in the leadership structures of the WTO, IMF and World Bank in a way that reflects the growing economic and political clout of China and Russia. In response, China and Russia have sought to circumvent Western-led organisations by establishing new international organisations in which they hold dominant voting shares, such as the SCO, the BRICS group (Brazil, Russia, India, China and South Africa), the BRICS' New Development Bank (NDB) and the AIIB.
- Notably, many of the closest allies of the US chose to join the AIIB despite American admonitions against doing so. The United Kingdom joined the AIIB in 2015.
- Even before the Trump administration withdrew the US from participation in the US-led, 12-nation Trans-Pacific Partnership (TPP) trade agreement, many countries in the region were also seeking to join the competing China-led, 16-nation Regional Comprehensive Economic Partnership (RCEP) trade agreement, including key US allies such as Japan, South Korea, Australia and India.

- Since the Trump administration withdrew the US from the TPP, the remaining 11 nations have pledged to continue moving forward with the trade pact even without the US.
- The US has failed to play a strong role in negotiating political settlements in Afghanistan and Syria and accordingly has seen its efforts eclipsed by those of Russia, China and others.

Conclusion

The emergence – and steady rise – of the SCO marks an historic inflection point in international politics. At a time when the UK is moving to leave an economically weakened EU, the SCO is making historic strides by adding India and Pakistan and possibly Iran and Turkey in the near future.

While the SCO is not a full military alliance akin to NATO, it is not impossible to imagine that Russia and China will respond to a US deployment of missile defence systems in South Korea by stepping up their cooperation on building an SCO-based joint missile defence system. In fact, in December 2017, China and Russia concluded anti-ballistic missile defence computer-simulated military exercises in Beijing to strengthen their coordination in anti-missile and air defence operations. Both Russia and China stated the exercises reflect their ‘comprehensive strategic partnership’ – not any intention to build a formal military alliance.

The emergence of the SCO does not mean its members cannot also maintain constructive relations with the West: Europe, which is dependent on Russian gas, may yet repair its ties with Moscow; India is still deepening its defence ties with the US and Japan; NATO would like Turkey to remain in the alliance and the EU remains Turkey’s most important trading partner; and China has embarked on a serious agreement for carbon emission reductions with the US.

The rise of the SCO is symbolic of deeper underlying trend in which Asian regional powers are increasingly asserting ever greater economic and political control over the Asian mainland by establishing new international organisations that bypass the major Western-led organisations that have dominated international politics since the mid- 20th Century. Their deepening economic integration and their stepped-up military cooperation suggest that tectonic shifts are underway in global geopolitics and that, in terms of relative power, the historic political and economic influence of the US is likely to be diminished.

References

- Adomanis, M. (2014) "A Russia-China alliance is emerging", *Forbes*, 20 May.
- Ambrosio, T. (2008) "Catching the 'Shanghai Spirit': How the Shanghai Cooperation Organization Promotes Authoritarian Norms in Central Asia", *Europe-Asia Studies*, Vol. 60, No. 8, October.
- Armstrong, I. (2017) "What's Behind China's Big New Drone Deal? A closer look at a drone-fueled courtship between China and Saudi Arabia", *The Diplomat*, 20 April.
- Bacevich, A.J. (2017) "When Washington Assured Russia NATO Would Not Expand", *The American Conservative*, 20 December.
- Bhadrakumar, M.K. (2016) "Chinese naval ships in Pakistan's Gwadar port call for a rethink of India's regional policy: Regional alignments are shifting with China, Pakistan, Russia and Iran coming together", *Scroll.in*, 27 November.
- Cai, P. (2017) "Understanding China's Belt and Road Initiative", *Lowy Institute Analysis*, The Lowy Institute, Sydney, Australia, March.
- Darling, D. (2015) "Is the SCO Emerging as Eastern Counterweight to NATO?", *Real Clear Defense*, 30 August.
- De Luce, D. (2018) "Is Trump Ready to Dump Pakistan? The White House is talking tough, but previous U.S. presidents never managed to persuade Islamabad to fight Afghan militants", *ForeignPolicy.com*, 26 March.
- Economist, The* (2016) "Regional Development: Rich Province, Poor Province", *The Economist*, 1 October.
- Gabuev, A. (2017) "Bigger, Not Better: Russia Makes the SCO a Useless Club", Carnegie Moscow Center, Carnegie Endowment for International Peace, 23 June.
- Gabuev, A., Haenle, P., Mohan, C.R., and Trenin, D. (2017) "Shanghai Cooperation Organization at Crossroads: Views From Moscow, Beijing and New Delhi", Carnegie Moscow Center, 9 June.
- Green, M. (2014) "Should America Fear a New Sino-Russian Alliance?", *ForeignPolicy.com*, 13 August.
- IANS (2017) "SCO Summit 2017: Member countries sign declaration on combating extremism, international terrorism", *Indo-Asian News Service (IANS)*, 9 June.
- IISS (2018) "Chapter 1: Chinese and Russian air-launched weapons: a test for Western air dominance", *The Military Balance 2018*, International Institute for Strategic Studies.
- Johnson, C.K. (2016) "President Xi Jinping's 'Belt and Road' Initiative: A Practical Assessment of the Chinese Communist Party's Roadmap for China's Global Resurgence", CSIS Report, Center for Strategic and International Studies, 28 March.
- Junda, J. (2018) "Banking on Energy: The Determinants of Export Credit Agency Energy Financing from China and Japan", *Global Economic Governance Initiative (GEGI) Working Paper 015*, Global Development Policy Center, University of Boston, January.
- Kester, J. (2017) "Russian Drone Tech May Include Help From Iran: Russia is behind the United States but trying to catch up", *ForeignPolicy.com*, 5 October.
- MacDonald, B.W. and Ferguson, C.D. (2015) "Chinese Strategic Missile Defense: Will It Happen, and What Would It Mean?", *Arms Control Today*, November.
- Mearsheimer, J. (2014) "Why the Ukraine Crisis Is the West's Fault: The Liberal Delusions That Provoked Putin", *Foreign Affairs*, September.
- Meick, E. (2017) "China-Russia Military-to-Military Relations: Moving Toward a Higher Level of Cooperation", U.S.-China Economic and Security Review Commission, 20 March.
- Min, Y. (2018) "Economy in Command: Unpacking the Domestic Politics of China's Belt and Road Initiative", *Global Economic Governance Initiative (GEGI) Working Paper 016*, Global Development Policy Center, University of Boston, February.
- Mitra, D. (2017) "India, Pakistan Formally Inducted as Members of Shanghai Cooperation Organisation", *The Wire*, 9 June.
- Nye, J. (2015) "A New Sino-Russian Alliance?", *Project Syndicate*, 12 January.

Page, J. and Sonne, P. (2017) "Unable to Buy U.S. Military Drones, Allies Place Orders With China", *The Wall Street Journal*, 17 July.

Pantucci, R. (2015) "India and SCO: the real benefit", Gateway House, Indian Council on Global Relations, 9 July.

PTI (2017a) "SCO membership could bring India and Pak closer at SAARC: SCO membership could bring India and Pak closer at SAARC", *The Indian Express*, 12 June.

PTI (2017b) "SCO charter prohibits India, Pakistan to raise bilateral issues", *The Indian Express*, 15 June.

PTI (2017c) "Modi Arrives In Astana As India Set To Enter Shanghai Cooperation Organisation", *Bloomberg Quint*, 8 June.

Rana, P.B. and Ji, X. (2018) "The Asia-Pacific's Response to Rising U.S. Protectionism", *Global Memos*, Council of Councils, Council on Foreign Relations, 27 March.

Rawnsley, A. (2016) "Meet China's Killer Drones: From Iraq to Nigeria, countries looking for cheap, armed drones are increasingly turning to China — and leaving the United States behind", *ForeignPolicy.com*, 14 January.

Skalamera, M. (2017) "Russia's Lasting Influence in Central Asia: Although Russia can no longer exercise hegemonic power or demand exclusive rights of engagement, it is still the preponderant regional player in Central Asia", *Survival: Global Politics and Strategy*, Vol. 59, No. 6, 20 November.

Steil, B. (2018) "Russia's Clash With the West Is About Geography, Not Ideology", *ForeignPolicy.com*, 12 February.

Stobdan, P. (2017) "SCO Membership Is a Stepping Stone, India's Real Destination is Central Asia", *The Wire*, 6 June.

Varfolomeeva, A. (2017) "Joining Shanghai Bloc Will Be Thorny For Turkey", *The Globe Post*, 4 June.

Walt, S. (2015) "Why Arming Kiev Is a Really, Really Bad Idea", *ForeignPolicy.com*, 9 February.

Weir, F. (2017) "Disillusioned With the West, Russia Too Is Pivoting to Asia", *The Wire*, 21 February.

Sheffield Political Economy Research Institute
Interdisciplinary Centre of the Social Sciences
219 Portobello
Sheffield S1 4DP

T: +44 (0)114 222 8346
E: speri@sheffield.ac.uk

www.sheffield.ac.uk/speri
twitter.com/SPERIshefuni
facebook.com/SPERIshefuni