

Defining the Areas of Cooperation between Russia and China Within the SCO: Organizational and Economic Aspects

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Abstract

Purpose. The article discusses the interaction of Russia and China within the framework of the Shanghai Cooperation Organization, and the formation and development of legal relations in the context of goals, objectives and functions defined by the SCO Declaration. The article characterizes the regulatory aspects of the priority directions and the prospects of Sino-Russian cooperation, in particular in the sphere of security and stability in the Central Asia.

Design/methodology/approach. The SCO constituent instruments and statistical information on the Sino-Russian relations were analyzed.

Findings. Russia and China's common objectives in their joint activities were defined. The differences were indicated in the approaches to the further development of the SCO in the near future. The legal instruments regulating multilateral cooperation of the SCO member states, including Russia and China as major actors, require further dynamic improvement. The Sino-Russian relations transformed the SCO into a multi-sectoral eclectic structure. Although these two countries have significantly different interests in the SCO, contradictions can be resolved through bilateral agreements.

Originality. The study points to the problem that international treaties that formalize the cooperation of the SCO member states, including Russia and China despite their leading role, need robust improvement, and the international treaty framework should evolve multilaterally.

Key-words: SCO, Corporations, Corporate Law, International Cooperation, Strategic Partnership, Regional Security, Sino-Russian Relations.

1. Introduction

Central Asia is a vast region of the Asian continent with no access to the ocean. This region traditionally includes Afghanistan, north-western India, northern Pakistan, northern Iran, the Asian regions of the Russian Federation south of taiga, north-western China, and Mongolia. Historically, Central Asia played a huge role in the economic and legal unification of peoples. It was the territory that the Great Silk Road passed through and where the flows of commodities, money and people crossed coming from the Middle East, East Asia and Europe (Lukin, 2019). It only makes sense that this region has fallen into the sphere of interests of serious global and regional players, such as China, Russia, Turkey, Iran and others. The operating transit corridors from Europe to China and back also attract European countries and the United States who seek profit-making centers and control over cash flows (Lo, 2008). Hence there emerged a complex system of international regularized relations aiming to protect interests of the actors in Central Asia.

The intricately intertwined interests of Central Asian states created a large number of intercountry contradictions, even more raveled by the collapse of the Soviet Union, the emergence of national autarkic movements, the frontier conflicts and the disruption of economic, cultural, political and legal ties (Peyrouse and Raballand, 2015). Another destabilization factor has been the strengthening presence in the region of the United States, the European Union and Turkey. All this required an international institutional platform for the legal settlement of the above disputes and disagreements. Nor should one disregard the presence in Central Asia of numerous extremist groups and religious organizations that undermine the security of states and attempt to seize power from the lawful sovereign governments.

2. Materials and Methods

This research used such methods as analysis, synthesis, deduction, induction, classification and systematization. The constituent instruments of the Shanghai Cooperation Organization (SCO), and statistical and documentary information on the interaction of Russia and China in the SCO framework were analyzed as part of the study.

3. Results

The main points of contact and contradiction were identified in the Sino-Russian relations in the SCO framework. It is demonstrated that a number of contradictions can be resolved via the

institution of bilateral interstate treaties. The principal areas of cooperation between these two countries should be the international economic collaboration, the infrastructure development, the information technology and the joint business operations.

4. Discussion

Acting as the leaders on the regional and global scale, the Russian Federation and the People's Republic of China took the initiative to stabilize the situation in Central Asia. Back in 1995, as part of improving their bilateral relations, the governments of Russia and China signed a treaty providing for such important declarations as:

- The establishment of counter-hegemonic alternative to the U.S. dominance in the global economy (Boland, 2011),
- The demarcation of a 4,000 km section of the state border,
- The exchange of military technologies,
- The expansion of trade between the two countries, and
- The joint opposition to religious extremism in the region.

In 1996, at a meeting in Shanghai, the heads of state of Russia, China, Kazakhstan, Tajikistan and Kyrgyzstan decided to found the Shanghai Five group for the purpose of deepening military trust in the border areas. The analysis of that treaty confirmed that this was the first fact of the legal unification of Russia, China and other Central Asian countries for the military and economic cooperation and the maintenance of security and stability on their territories. The success of the Shanghai Five predetermined the development of this group into a more significant alliance (SCO, 2001; Agafonov *et al.*, 2008).

In June 2001, the SCO was officially established in Shanghai as an international intergovernmental organization uniting Russia, China, Uzbekistan, Tajikistan, Kazakhstan and Kyrgyzstan as member states, while Iran, Pakistan, Mongolia and India obtained the observer status. The potential opportunities of countries associated with the SCO are quite substantial: it means the territory of more than thirty-five million sq km inhabited by three billion people and holding about 50% of world gas reserves and about 20% of world oil reserves. Having created the SCO and having adopted its constituent documents governing the work of this intergovernmental organization, the

member states opened the door to cooperating on an international legal basis and solving urgent tasks of the region (Pan, 2006).

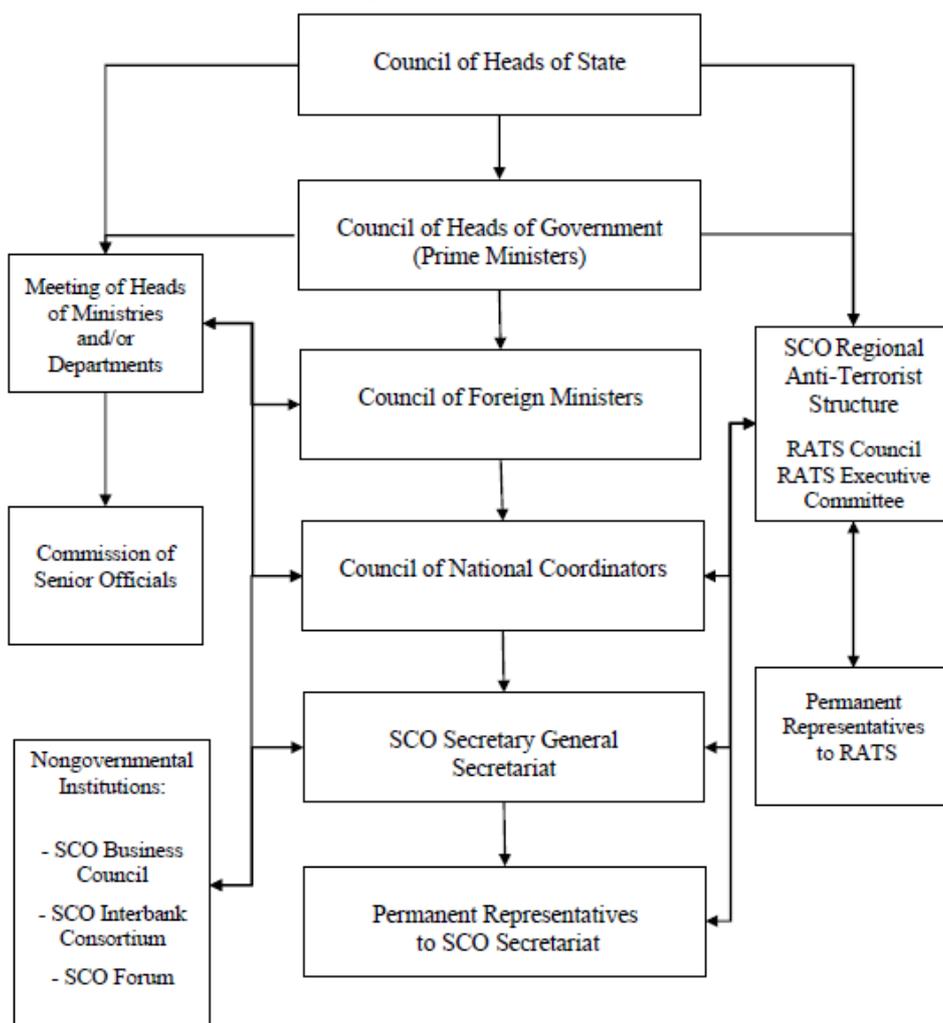
The legal framework governing the SCO activities includes:

- The Shanghai Declaration on the Establishment of the Shanghai Cooperation Organization of June 15, 2001;
- The Charter of the Shanghai Cooperation Organization adopted in 2002, which is the main statutory document defining goals, tasks and principles of the SCO, its bodies and lines of activity;
- the Shanghai Convention on Combating Terrorism, Separatism and Extremism of June 15, 2001;
- the Agreement on Regional Anti-Terrorist Structure (RATS) between the Member States of the Shanghai Cooperation Organization, concluded in 2002;
- the Regulation on the Business Council of the Shanghai Cooperation Organization adopted in 2006.

Following the results of the SCO summit in Moscow held in 2003, the SCO Secretariat was established with headquarters in Beijing. The SCO structure was shaped to perform the tasks identified in the SCO Charter, and includes the following units (Figure 1):

- The Council of Heads of State;
- The Council of Heads of Government (Prime Ministers);
- The Council of Foreign Ministers;
- The Council of National Coordinators;
- The Meeting of Heads of Ministries and/or Departments;
- The SCO Secretariat.

Figure 1 - SCO Structure



The SCO supreme body is the Council of Heads of State that determines priorities and main directions of the SCO work, decides on organizational structure and functions of the SCO units, interacts with other countries and international organizations and considers pressing international issues. Also, the Council of Heads of State approves the SCO budget, which is formed of annual contributions by the member states, and solves arising issues in the economic, information, military sphere, etc.

The leading members within the SCO framework are Russia and China who implement their strategic objectives in Central Asia through this new institution of international legal relations. These states understand that stability and security in the region are possible only through mutual cooperation in the context of an interstate organization. The SCO regulatory framework was, in fact, the first strategic step that China and Russia made towards the formation of a solid foundation of regularized relations between Central Asian countries. It also signaled to the international community

of the new paradigm of attitudes. Both the member states and the observers in the SCO adopted this new paradigm, while Russia and China are actively developing interaction between the SCO participants, expanding their influence in Central Asia (BFM, 2013).

It should be noted that the fundamental task for Russia and China is the suppression of terrorism, extremism and separatism, i.e. the issue of ensuring stability and security in the border territories of the SCO countries. At their initiative, the SCO became one of the first intergovernmental organizations to declare the fight against terrorism. On the day that the SCO was founded, the Shanghai Convention on Combating Terrorism, Separatism and Extremism was also signed. Later, the Regional Anti-Terrorism Structure (RATS) was created in Tashkent. In 2006, at the SCO summit in Shanghai the leaders of the SCO member states agreed on the Cooperation Plan on combating terrorism, separatism and extremism for 2007–2009 that expanded the previous counterterrorism agreements.

The complicated relations between the SCO member states transformed the organization from a narrow-focused treaty into a diversified structure with significant imbalances in military power and economic opportunities. The development of regional relations and their formalization in the form of treaties resulted in a new order where the SCO functions were duplicated by other supra-national institutions working in Central Asia:

- The function of combating extremism and terrorism, by the Collective Security Treaty Organization (CSTO);
- The function of expanding and developing economic and financial cooperation, by the Eurasian Economic Union (EAEU);
- The function of forming political, economic, humanitarian and military ties, by the Commonwealth of Independent States (CIS);
- The function of promoting peace, security and stability, by the Conference on Interaction and Cooperation in Central Asia (CICA).

A tangible result of the SCO work was the streamlining of borders between China and its neighbors. However, the unresolved near-border problems, arising from the disputes over water sources, have been frozen and the SCO mechanisms are not used to resolve them, although the SCO Charter declares the principle of peaceful settlement of controversies between the member states, and the rational use of water resources is one of the declared spheres of cooperation. An example here can be the expert review of the feasibility of the Rogun Hydropower Plant project carried out by the World Bank, which did not satisfy Uzbekistan and did not resolve the Uzbek-Tajik water dispute. In March 2016, the conflict on the Kyrgyz-Uzbek border ended with Kyrgyzstan's appeal to the CSTO

for support in resolving the dangerous situation, followed by the threat of ignoring the SCO summit in Uzbekistan.

Should the SCO be regarded as a supranational discussion platform, not as an effective interstate legal instrument for resolving international disputes? Experts note the absence of a spirit of cooperation in the SCO member states and the reluctance to search for compromise settlements under the guidance of international law. Hence the intertwined interests of China and Russia in the SCO framework and their relations in various fields remain the main conditions and the guarantee of the SCO's existence and further work.

The current stage of the SCO's development is marked not only by the presence of the above problems but also by the divergence of interests of its key actors Russia and China, which roots in the competition of world powers for the leading role in global politics and economics. Analyzing the Sino-Russian relations and the interests of the two countries in the SCO context, we can highlight several controversial issues that shape the dynamics of development and activities of the SCO in Central Asia (Zimonin, 2008; Yevtushenko, 2017).

Both China and Russia consider Central Asia an important region for ensuring their security, which entails zealous competition for influence (Vasilenko, Vasilenko and Poteyenko, 2018). Russia seeks to increase its presence in the region, seeing it as a priority concern and striving to expand cooperation with Central Asian countries and form economic zones. In 2002, Russia also strengthened its influence in the field of military cooperation with the CIS countries by creating the CSTO, allying Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and, later, Uzbekistan. China is not represented in this organization.

In the furtherance of the CSTO's activities the member states formed an extensive regulatory base to govern their mutual work in all the key areas. By now, the military alliance has concluded forty-three international treaties on the most important issues of interaction in the field of collective security, and most of them have been ratified. The Collective Security Council has signed one hundred and seventy-three decisions on specific issues affecting the interests of the member states. One of the important documents, raising the status of the Russian Federation in Central Asia within the CSTO framework, was the resolution on cooperation with the UN signed in July 2019. Thus, Russia builds stable regularized cross-country relations and reinforces its influence and presence in the region.

Meanwhile, China has been actively developing relations with Central Asian countries of the region, just like the Russian Federation, strengthening cooperation in all possible areas. The driver of relationship building on the part of China is investments for China's infrastructure projects solve the

strategic tasks for most Central Asian neighbors. Using the SCO legal base, China provides financing to its partners and expands the transport facilities around the local energy resources. In the framework of the SCO international agreements, China has prioritized such projects as the Atasu-Alashankou oil pipeline, the Omsk-Pavlodar-Shymkent-Chardzhou oil pipeline and the gas pipeline from the Bukhara gas-bearing region. At the same time, China cannot ignore Russia, and both countries carry on with joint work on the cross-border pipeline projects. The immediate economic plans of the Chinese government include the development of the north-western regions of China, in particular, the Xinjiang Uygur Autonomous Region that borders with the CIS countries (Cheng, 2008; Zhao, 2008; Wrobel, 2014).

China's participation is manifested in many projects that are implemented under the auspices of the SCO with the money of Chinese investors. For example, Tajikistan is expanding the road network, which historically was locked to Uzbekistan, while the relations between these two countries are rather unstable. In Kyrgyzstan, China is building a major north-south high-voltage power line that will unite the country's power networks into a single system. More than 70% of regional exports from China go to Kazakhstan and Kyrgyzstan. The visits of China's top officials to Central Asian countries are accompanied by the conclusion of strategic agreements and large-scale deals (Orekhov and Novoselov, 2012; Orekhov and Semenova, 2012). Russia is not a party to these dealings, which forms a parallel system of bilateral legal and economic relations where China is the hegemonic capital provider. For example, China's share in the state debt of Kyrgyzstan is more than 35%; in Tajikistan, more than 40% (Kazantsev, 2008).

The struggle for leadership within the SCO boundaries may reduce the presence of Russia in Central Asia. Therefore, the Russian Federation develops cooperation with the Central Asian governments outside the SCO by participating in the EAEU and the CSTO, and emphasizes, where convenient, their priority over the SCO. Leaving China behind the perimeter of its interactions with the countries of the Central Asian region, Russia compensates for the lost ground in the SCO, while China is using this alliance as a primary platform to strengthen its position in the region and ensure energy security (Newsru, 2012).

China's desire to neutralize trade barriers between the SCO member states is understandable because this will create favorable conditions for expanding exports of Chinese goods to Central Asia, capturing local markets and establishing strong dependence on the Chinese economy. Russia is promoting the idea of a polycentric international system in the SCO framework, contrasting it with the unipolar world led by the United States and using the fight against terrorism, extremism and nationalism as a promotion instrument. Russia sees the SCO as a major node in the network of ties

between all interstate organizations of the Asia-Pacific region (Luzyanin, 2004; Security Council RF, 2009).

Despite the controversies on the above issues, Russia and China are quite active in many areas in the SCO work. For example, the RATS acts as a permanent body that coordinates the actions of the member states in combating terrorism and extremism. The RATS collects and analyzes information, keeps a data bank on individuals and organizations that provide support to criminals, assists in the law enforcement operations and other actions to suppress terrorism, and maintains contacts with international organizations. Russia and China collaborate in the following key areas in the RATS context:

- Interaction and coordination of the authorized bodies of the member states in the fight against terrorism and extremism; joint anti-terrorism drills;
- International cooperation in the field of law (participation in the development of documents on the fight against terrorism);
- Collection and analysis of data related to the fight against terrorism.

Another area in which Russia and China demonstrate a coordinated position is the cultural dialogue. In the mid-2000s, China launched cultural cooperation initiatives within the SCO framework: at the SCO summit in Astana in 2005, the Chinese leaders proposed a three-year training course organized in their country to educate fifteen hundred experts and managers from the SCO member states. Further similar offers voiced by China contributed to the strengthening of its authority in the Central Asia and stimulated the propagation of Chinese culture. Also, within the SCO framework, China regularly puts forward proposals of special grants and scholarships for students and educational programs for interns from the SCO member states.

In turn, the Russian Federation put on the table the idea of a SCO university network that could train professionals in the priority areas of scientific and economic cooperation of the SCO member states. It should be noted that in the Declaration on Creation of the Shanghai Cooperation Organization of June 15, 2001, the heads of state unanimously announced the need to develop interaction in the cultural sphere. The first meetings on this topic were held in 2002 in Beijing, and it was proposed to hold cultural days engaging the creative communities. The cultural interaction has made some progress: various events are held under the auspices of the SCO, educational institutions exchange scientific personnel and students, and joint educational centers and clusters are formed. At the same time, cultural cooperation between China and Russia is also actively developing on a bilateral basis outside the legal perimeter of the SCO (Malashenko, 2012; Trenin, 2012).

Summarizing the above, it can be said that Russia and China have different approaches to their role in the SCO. In pursuit of their interests, each state seeks to use its trump cards: for China, this is directing the SCO's focus on financial and economic goals, while for Russia, this is maintaining security and countering terrorism. Hence the mutual leadership and partnership in the SCO is transformed into a hidden struggle for supremacy in Central Asia using both economic and legal instruments of competition, such as the formation of alternative systems of interstate agreements and bilateral regulatory acts, the use of private contracts as a guarantor of investments and others. The two countries strive, acting under the auspices and on the basis of the SCO regulatory framework, to realize the legal relations in their interests stretching beyond the perimeter of this organization.

At the same time, the SCO continues working quite actively. For example, the list of legal instruments signed by the Council of Heads of State in June 2019 in Bishkek amounted to twenty-two documents, most of which further the development of relations between interstate institutions.

5. Conclusion

Russia and China have both meeting points and significant differences in their interests in the SCO. Some of the above contradictions have been resolved through the bilateral treaties. Finding the key to overcoming the problems is a common strategic objective of powerful economic blocs of the SCO member states that bolster economic cooperation, develop transport infrastructure, communications and information technologies, and establish joint ventures.

It is also worthwhile to formulate effective mechanisms for international trade between China and Russia as major actors in the SCO. This will not only increase the trade turnover between Central Asian countries, but will also serve as an instrument for optimizing the trade balances of the SCO member states. At that, it is important to maintain the sovereignty of national economies and prevent imbalances in the international trade that may result from a sharp decline in the competitiveness of national goods while lifting trade barriers.

Declarations of interest: none.

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