



# India's SCO Membership – Challenges and Opportunities

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## Introduction

As the Shanghai Cooperation Organization (SCO) completes fifteen years of its establishment, India has inched closer to membership of this Eurasian regional organization after the conclusion of Tashkent SCO annual summit in June 2016. The SCO Council of Foreign Ministers had already adopted 'memorandum of obligation' for giving membership to India and Pakistan, which was signed by the two countries and approved at the Tashkent Summit. The membership of two countries was approved at the Ufa summit last year but the procedural formalities are long and are likely to be completed by next year. Around three dozens of documents would be signed before India and Pakistan become members of SCO. SCO was instituted in 2001 in Shanghai by China, Russia, Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan. It was earlier known as 'Shanghai Five' which was established in 1996 mainly to resolve China's border issues with Russia, Kazakhstan, Kyrgyzstan and Tajikistan. Uzbekistan was not a member of Shanghai Five and joined SCO in 2001. The organization has been dominated by China since its inception as the name itself suggests its China centric approach. At present, Afghanistan, Iran, Belarus and Mongolia are observers at the SCO. Dialogue Partners include Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka and Turkey. Turkmenistan, Association of Southeast Asian Nations (ASEAN) and Commonwealth of Independent States (CIS) are guest attendees at the organization. Iran has been an aspirant for membership of the SCO but

since it was under UN sanctions, its membership bid could not turn into reality. However, Iran's membership process will gain momentum now as the sanctions have been lifted and more importantly, both Russia and China now favour Iran's membership in SCO.

There are question marks over real achievements of the SCO as a regional grouping. SCO's growth trajectory shows its initial focus on fighting three evils of terrorism, separatism and extremism is gradually shifting to economic aspects. Incidentally, SCO was instituted in the same year when the US launched its 'War on Terror' campaign in Afghanistan and in 2005, the SCO asked the US to set a deadline for its military withdrawal from the Central Asian region. In the same year, the US application for observer status at the SCO was rejected. There has been some anti-West posturing at the SCO but it is not a military alliance like the North Atlantic Treaty Organization (NATO) which has provisions for collective self-defence. Due to lack of institutional mechanisms and financial capacity, the grouping has not been able to make a substantial contribution to the Afghanistan problem which has huge regional implications. Apart from establishing a SCO Afghanistan Contact Group in 2005, SCO has largely stayed away from Afghanistan, leaving it mainly to the US and its allies to sort out the mess. Lack of a regional vision could have been the reason why SCO approved the SCO Development Strategy – 2025 document in 2015. The strategy aims to boost mutual trust, deal with security challenges

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and deepen economic engagement among SCO members. The current dynamics in SCO is such that there is power asymmetry between different members. The Central Asian Republics (CARs) are militarily and economically no match for the two big powers, Russia and China. There is also economic imbalance between Russia and China, as Chinese economy is five to six times larger than Russian economy. However, Russia maintains military superiority over China. There is 'soft competition' between Russia and China which is being played out in Central Asia. Under its 'March West' policy, China aims to utilise the markets on its western side to counter the 'Asia Rebalance' strategy of the US on its eastern flank. China's Silk Road Economic Belt initiative passes through Central Asia which is seen by Russia as its 'soft underbelly'. China has also successfully broken Russian monopoly of energy pipelines from Central Asia, as it has an oil pipeline from Kazakhstan and a gas pipeline from Turkmenistan. There is fear of China's economic dominance among SCO countries and its efforts like free trade zone and SCO development bank have been resisted by Russia and CARs.<sup>1</sup> Russia has its own version of economic cooperation in Central Asia namely Eurasian Economic Union. It also keeps a hawk eye over military aspects in the region with its Collective Security Treaty Organization (CSTO) and does not entrust military aspects to the SCO. CARs are also cautious about China's economic rise in the region. There have been apprehensions and protests against China's land deals in Kazakhstan and Tajikistan while operations of Chinese gold mining companies in Kyrgyzstan have also witnessed public protests. The CARs want to be economic beneficiaries of Chinese economic success but they are fearful of its demographic and cultural clout.<sup>2</sup> Though Russia and China agreed in 2015 to align their development visions, Eurasian Economic Union and Silk Road Economic Belt under the aegis of SCO, it is still not clear how it will be achieved. The recent move by China to establish an anti-terrorism alliance with Afghanistan, Pakistan and Tajikistan outside SCO framework is surprising as it excludes Russia.<sup>3</sup> It is due to this element of competition in Russia China relations in Central Asia that Russia and CARs remain supportive of India's trade and

energy projects in the region which allow them to balance China to a certain degree.

## SCO Expansion Debate

There has been an ongoing debate over expansion of SCO ever since its inception in 2001. Russia has been a supporter of Indian and Iranian membership as it balances China's overwhelming presence in the organization.<sup>4</sup> China has been dragging its feet, insisting that due processes need to be followed for expansion. It also favours simultaneous membership of Pakistan to balance India in the region. This is China's typical policy of using Pakistan to keep India in check and recently, China has used this policy to argue for Pakistan's membership of Nuclear Suppliers Group, if India is given membership of the NSG. As a middle path, Iran, India and Pakistan were given observer status in the SCO in 2005 while a 'temporary moratorium' on new memberships was imposed in 2006 till SCO figured out criteria and procedures for its expansion.<sup>5</sup> It was argued that there was lack of an application mechanism which needed to be framed before expansion of the organization. In 2010, at the Tashkent summit, the SCO approved 'Regulations on the Admission of New Members' which laid down the membership criteria for aspiring members. According to the criteria, the aspirant country must have diplomatic ties with all SCO members, have an observer or dialogue partner status at the SCO, support active trade-economic and humanitarian relations with SCO members, and should not be under UN sanctions or in a state of armed conflict with another country.<sup>6</sup> Next year in 2011 the draft of 'Memorandum of Obligations' was approved for new members at the Astana summit.<sup>7</sup> This draft was adopted in May 2016 by Foreign Ministers of SCO countries and has been approved at the SCO Tashkent summit. The CARs have been supportive of India's membership of SCO but they have had reservations about Pakistan which supports Taliban in Afghanistan and is believed to have supported opposition forces during Tajik Civil War.<sup>8</sup> Pakistan was the first country to apply for observer status at the SCO in 2001 but the CARs blocked this move due to concerns over terrorism.<sup>9</sup> Since India

and Pakistan are nuclear powers with a history of conflict, concerns have been raised about their SCO membership. It has been argued that these new members could bring their disputes to the SCO, making it less effective. However, it can be said that certain disputes have also existed between present SCO members but that has not impeded efficiency of the organization. There would have been almost no opposition to India's SCO membership (except possible opposition from China), if it was the sole contender but issues have been raised after India's membership has been clubbed with that of Pakistan. The India-Pakistan nuclear rivalry is seen a source of threat which could spill over to the SCO platform. Uzbekistan President Islam Karimov has openly said that how can India and Pakistan join SCO taking into consideration that these are not ordinary states but nuclear powers.<sup>10</sup> However, the fact that Russia and China are also nuclear powers with a history of border war has been overlooked. Further, there is a possibility that new members may not get rights on par with the founder members in the organization.<sup>11</sup>

Peeping little into the future, India would benefit in the SCO whenever Iran and Afghanistan are extended membership of the grouping. There is 'convergence of interest' among them regarding terrorism emanating from Pakistan. The recent trilateral agreement between them will allow India access to Central Asia and Afghanistan while landlocked Afghanistan and Central Asian Republics would be able to access sea through Zaranj-Delaram-Chabahar link bypassing Pakistan. For India, Iran is also crucial for development of International North South Corridor (INSTC), a sea-rail-road route linking India, Iran, Russia, Central Asia and Europe. Though there has been no official reaction from the US on India's SCO membership, the US supports India's increased presence in Central Asia as manifest in Fredrick Starr's concept of 'Greater Central Asia', which aims to economically integrate Central and South Asia through Afghanistan. Consequently, the US has backed projects in this direction like Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI) which wean away the Central Asian economies from the influence

of Russia and China. Turkey, which is a close ally of Pakistan, has evinced interest in the past to join SCO but it is more interested in joining the European Union and is also a member of NATO which will create hurdles in its SCO membership. Turkey is likely to have an ambivalent posture to inclusion of India and Pakistan in the SCO.

## Challenges and Opportunities for India

India considers Central Asia as part of its extended neighbourhood which makes SCO an important organization for India to engage with regional countries and stakeholders. India has been an observer in the SCO since 2005 and it applied for full membership of the grouping in 2014. India has been regularly attending the annual SCO summits with former Prime Minister Dr Manmohan Singh attending the 2009 summit at Yekaterinburg, Russia. India has civilizational links with the CARs and has been engaging them bilaterally ever since they got independence in 1991. India announced its 'Connect Central Asia' policy in 2012 and also started annual India-Central Asia Track II dialogue in the same year. India is also helping the region with infrastructure development as is evident from the development of the INSTC and the Zaranj-Delaram-Chabahar route. India has also acceded to the Ashgabat Agreement, an international trade and transit corridor between Persian Gulf and Central Asia. Other members of the agreement are Oman, Iran, Turkmenistan, Uzbekistan and Kazakhstan. Ashgabat agreement will facilitate India's trade with Eurasia and synchronise Indian efforts to develop INSTC.<sup>12</sup> SCO membership for India is recognition of India's legitimate interests in Eurasian region and is a result of India's constant engagement with the region. However, there are a number of challenges and opportunities which SCO membership poses for India as detailed below.

### Challenges

#### (a) Duplicity in dealing with Terrorist Outfits.

There is difference in the way terrorism is understood in the SCO and in the way India

faces this threat. The SCO works to prevent regime destabilization in terms of terror prevention while for India; state sponsored cross border terrorism is a threat, not regime stability. SCO targets groups like East Turkestan Islamic Movement (ETIM) which are based in Federally Administered Tribal Areas (FATA) of Pakistan and Al Qaeda but groups like Lashkar-e-Toiba, Jaies-e-Mohammad, Harkat-ul-Mujahideen, Afghan Taliban and Haqqani Network do not come under SCO anti-terror ambit. China has been reluctant to take action against these groups in the past. It had blocked Indian move at the United Nations seeking action against Pakistan for releasing the 26/11 terror attack mastermind and commander of Lashkar-e-Toiba, Zaki-ur-Rehman Lakhvi and later, Indian attempt to get Jaish-e-Mohammed chief Masood Azhar designated as a terrorist by the UN was also blocked by China. SCO mechanism gives more importance to army in anti-terror operations while India gives preference to police in such matters except in border areas. SCO is also expanding cooperation in cyber security but for India, presence of China in a cyber security cooperative framework itself would be a big challenge, since it is source of some of big cyber-attacks in India.<sup>13</sup> There would be limitations to Pakistan's contribution to the anti-terrorism framework within the SCO. The prospect of information leakage from Pakistan to terrorists cannot be ruled out, as is evident from the experience of the US. In killing Osama bin Laden and Mullah Mansoor on Pakistani soil, the Americans did not involve Pakistan government in their operation due to lack of trust.<sup>14</sup>

**(b) Lack of Efficiency.** It is being argued that due to expansion, SCO could become less effective, as happened in case of the European Union. Decisions are taken by consensus and addition of two rival countries could complicate the matters, although it is forgotten that Soviet Union and China, following their rift in 1960s were virtually rivals during the Cold War. There are still undercurrents of 'Chinese

domination' within the SCO due to which China's proposal for a free trade area in the region has not moved forward.

**(c) India's Perceived Closeness to the West.** The English speaking India is seen moving closer to the US and the recent India-US engagement is being seen with some hesitation by SCO countries which could be problematic for India's Eurasian strategy. Although many of the present SCO members harbour an ideological dislike for the West yet they have extensive trade relations with the European Union and continue to cooperate with the US and the EU on security issues. The five Central Asian Republics also cooperate with the NATO under its Partnership for Peace (PfP) program.<sup>15</sup> They also have good relations with the Organization for Security and Cooperation in Europe (OSCE) and cooperate on issues like terrorism, border management, good governance, sustainable energy, trafficking and freedom of media.<sup>16</sup> The SCO members signed 'Treaty On Long-Term Good-Neighborliness, Friendship And Cooperation Between The Member States Of The Shanghai Cooperation Organization' in 2007. Article 4 of this treaty says that the signatories shall not participate in alliances or organizations directed against other SCO members and shall not support any actions hostile to other members.<sup>17</sup> India's proposed logistics agreement with the US could be read against China and it can be argued that it goes against a fellow SCO member. Also, there is a question whether India and Pakistan will sign this treaty which amounts to almost a 'peace treaty' between the two countries.<sup>18</sup> However, there are enough pointers which show that India is not abandoning its strategic autonomy. India's stance on Ukraine crisis is a case in point. Also, though India and the US talked about South China Sea issue in their 2015 joint statement, it was dropped in 2016. India has also not taken up joint patrols in the South China Sea with the US. However, India will have to be persuasive and persistent while proposing its initiatives at the SCO, as China and Pakistan could 'use India's perceived

closeness to the US' as an excuse to thwart Indian regional initiatives. India's presence and visibility in the region benefits the CARs who follow a multi-vector foreign policy in order to avoid over-dependence on a particular country.

## Opportunities

- (a) **Platform for Pro-active Engagement.** SCO would be the first regional platform where India would be able to simultaneously engage its traditional friend, Russia and two rivals, China and Pakistan. It would be a boost for India's Central Asia policy which would have to be pro-active for its success. India has an opportunity to discuss and be aware of China's One Belt One Road initiatives through SCO, something which Russia and the CARs are already doing.
- (b) **Energy Club.** SCO is home to big energy exporters (Russia, Kazakhstan, and Iran) while it also has big consumers like China and India. The gas reserves of Russia, Iran and the Central Asian Republics (including Turkmenistan which is not an SCO member) make up to half of world's proven gas resources.<sup>19</sup> Russia mooted the idea of an energy club within the SCO in 2006 but the proposal has not moved forward. Some experts even see this energy club as 'Eurasian Gas OPEC'.<sup>20</sup> As part of this energy club in SCO, India and Russia can have a hydrocarbon pipeline through China. Talks have been going on for an oil pipeline from the Altai region in Russia through the north-west of China to the northern India costing up to 30 billion dollars. However, mountainous terrain, complex India-China relations, financing and insurgency in China's Xinjiang province could be serious challenges to prospects of this pipeline. Another possible route for Russian pipeline to India could be through Kazakhstan, Uzbekistan, Afghanistan and Pakistan. This pipeline will have its own set of problems, given instability in Afghanistan and problematic India-Pakistan relations. However, SCO could be a useful platform where all stakeholders can discuss such issues in the larger benefit of the region. There is potential for hydropower

cooperation as well and projects like Central Asia South Asia - 1000 (CASA-1000) could be extended to India.

- (c) **Chance for Regular Interaction with Pakistan.** India will have the opportunity of interacting with Pakistan at various levels within the SCO framework like annual summit, foreign ministers, national security advisors etc. The organization also conducts military exercises with its member states and India-Pakistan armies could get an opportunity for jointly participating in a multilateral exercise. Since India conducts bilateral exercises with China, military exercise with Pakistan would be welcome too.
- (d) **Increase Economic Engagement with Eurasian Region.** Membership of the SCO gives India an opportunity to increase its economic footprint in the region. India's major trade destinations include the US, Southeast Asia and West Asia while Central Asia lags far behind. Indian economy would also allow the Central Asian states to balance their overwhelming dependence on Russian and Chinese economies, once India's connectivity to the region is established. India enjoys soft power advantage in the region due to its historical links with Eurasia and can build on it with help of its economic power. India's core economic competencies would benefit the Central Asian economies. As Prime Minister Narendra Modi said during the Tashkent summit that "India's capacities in trade, investments, information and communication technology, space, agriculture, health care, small and medium scale industry can bring wide spread economic benefit to the region".<sup>21</sup>
- (e) **Combating Drug Trafficking.** The SCO countries face problem of drug trafficking from Afghanistan, which is largest opium producer in the world. The Afghan drugs reach Russia and Europe through the Central Asian Republics. The Afghan heroin is estimated to claim 25,000 Russian lives per year.<sup>22</sup> It also finds its way into China and Iran. Iran is one of the main destinations for Afghan

drugs en route to Gulf States and Europe. In 2013, Iranian security forces confiscated 573 tons of various kinds of narcotics from drug smugglers.<sup>23</sup> Most of these drugs come from Afghanistan. India is a consumption and transit destination for Afghan drugs that enter through Pakistan border. Punjab lies on the drug transit route and 70 per cent of its youth are battling with the drug problem. Once the drugs reach New Delhi and Mumbai, they are sent to consumers in Africa and other places.<sup>24</sup> SCO has been working on tackling the Afghan drug problem in the past. There is an expert working group on law enforcement and combating drug-related crime in the SCO which meets to discuss and take relevant action in this regard. SCO is also in the process of drafting its Anti-Drug strategy for 2017-2022.<sup>25</sup> India's inclusion will strengthen SCO's anti-drug fight where India can contribute and benefit by intelligence sharing. India could also explore the possibility of enhanced cooperation between anti-narcotics agencies of SCO members, collective counter-narcotic operations and giving effective training to the Afghan security forces to deal with this menace.

- (f) **Combating Terrorism.** The issue of terrorism, apart from being a challenge, is also an opportunity for India to be pursued at the SCO. Since there is a Pakistan connection to problem of terrorism in China, Russia and CARs, it is very likely that some pressure could be exerted on Pakistan through SCO mechanism to moderate its behaviour. India's stand on terrorism will be boosted whenever Afghanistan is given a membership of the grouping, as it is also a victim of state sponsored cross border terrorism from Pakistan. Indian experience in dealing with different insurgencies along campaigns like 'Battle for Hearts and Minds', border management and intelligence sharing could be useful for the anti-terrorism fight under the aegis of SCO.

## Conclusion

Irrespective of the challenges, India's Eurasian policy will be boosted by SCO membership. India's membership of the SCO is recognition of its continuous engagement with the region where it has legitimate interests. India would be able to make use of SCO institutional set up in order to engage with the region. Duplicity in dealing with different terrorist groups and India's perceived closeness to the West would be challenges faced by India at the SCO. Given the trilateral competition between the US, Russia and China in Central Asia, India will have to carefully navigate its foreign policy path to suit its own national interests. At the same time, there would be opportunities to regularly interact with Pakistan under different SCO mechanisms, discuss energy issues, combating drug trafficking and terrorism and to increase Indian economic footprint in the region by contributing to fields like healthcare, agriculture, space, information and technology etc.

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