

Heritage Lectures

No. 961

Delivered August 3, 2006



Published by The Heritage Foundation

September 7, 2006

The Dragon Looks West: China and the Shanghai Cooperation Organization

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In 1996, five countries—China, Russia, Tajikistan, Kyrgyzstan, and Kazakhstan—formed an organization, the Shanghai Five, to resolve border disputes among its members. With the addition of Uzbekistan in 2001, it became the Shanghai Cooperation Organization (SCO), a grouping of Russia, China, and a number of under-developed and developing nations with little to bind them together save geography. Five years later, it has grown not only in size, with the granting of observer status to India, Iran, Mongolia, and Pakistan, but also in influence. The group focuses primarily on the security issues of the Chinese trifecta of “terrorism, separatism and extremism.” SCO member states have conducted a number of joint military exercises, and in 2003 created a joint counter-terrorism center in Tashkent, Uzbekistan.¹

The organization calls for greater economic cooperation among its members, and at a meeting on September 23, 2003, Wen Jiabao, the premier of the People’s Republic of China (PRC), proposed the establishment over the long term of an SCO-wide free trade area² designed to improve the flow of goods in the region by easing trade restrictions, such as tariffs. China has also placed a heavy emphasis on energy projects, including exploration of new hydrocarbon reserves, joint use of hydropower resources, and water works development.

The SCO’s security agenda is vast. The organization has been compared to the Warsaw Pact and referred to as the “NATO of the East.”³ Its agenda is infused with Chinese and Russian suspicion of U.S. designs in

Talking Points

- The Shanghai Cooperation Organization, a grouping of Russia, China, and several Central Asian states, has an ambitious economic and security agenda infused with Chinese and Russian suspicion of U.S. designs in Eurasia and a desire to reduce U.S. influence in Central Asia.
- Russia hopes to utilize the SCO to buttress its monopolistic power in gas and oil transit in Eurasia. China would like to structure the SCO as a facilitator of regional trade and investment with Beijing as the dominant player.
- Of special concern to the U.S. is Iran’s bid to move from observer to full member of the SCO.
- The U.S. should use the contacts and leverage it has and continue to improve relations with friendly Central Asian states by providing economic, governance, and legislative reform assistance, and by enhancing military-to-military relationships.

This paper, in its entirety, can be found at:
www.heritage.org/research/AsiaandthePacific/hl961.cfm

Produced by the Douglas and Sarah Allison
Center for Foreign Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

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Eurasia and a desire to reduce U.S. influence in Central Asia. This is evident in both a 2001 SCO declaration⁴ and a 2005 bilateral Russo–Chinese declaration regarding “World Order in the 21st Century,” in which the two great powers emphasize the principles of “mutual respect of sovereignty, territorial integrity, mutual non-aggression and non-interference.”⁵ Such statements target the United States’ campaigns in Afghanistan and Iraq as well as its efforts to promote democracy in authoritarian former Soviet Republics, efforts which both Russia and China see as destabilizing. Furthermore, the SCO has urged the U.S.-led coalition to announce a timetable for withdrawing from Afghanistan.

Although China and Russia both have an interest in reducing American military power and influence in Central Asia, each country has its own distinct agenda. Russia hopes to utilize the SCO to buttress its monopolistic power in gas transit, and to lesser degree oil transit, in Eurasia. China, on the other hand, would like to structure the SCO as a facilitator of regional trade and investment with Beijing as the dominant player. Despite being substantially larger than the North Atlantic Treaty Organization (NATO) or the European Union in terms of total population, land size, and natural resources, the SCO is not yet strong enough to counterbalance the United States in terms of economic strength and military power.⁶ However, the SCO’s statements regarding “sovereignty” and “non-interference”

reflected Russia’s and China’s commitment to oust the U.S. from the Karshi-Khanabad air force base in Uzbekistan in 2005 and to impose restrictions and high costs on the U.S. Air Force presence in Kyrgyzstan’s Manas International Airport. The United States should remain wary of the growing influence and power of the Russia–China axis.

China’s SCO Goals

Politically, China regards the SCO as a means of creating a new Eurasian order to reduce U.S. military power and limit America’s democracy promotion abroad. After 9/11, with the consent of both Russia and Central Asian host governments, the United States stationed troops in Central Asia to support the military campaign in Afghanistan. At this point, China began to feel strategically deterred by the U.S. from both east and west—Central Asia and the Asian Pacific.⁷ China has since re-engaged with the SCO, and with Beijing and Moscow opposing the U.S. campaign in Iraq, and Central Asian states beginning to show concerns regarding the U.S. policy of democratization, China’s recent efforts to court its neighbors to the west have paid off. Beijing has placed a strong emphasis on exploration and development of natural resources and increased economic cooperation. It has also assisted the Central Asian states in anti-terrorist efforts and bolstered the Russo–Chinese strategic partnership.

1. U.S. Department of State, Office of the Coordinator for Counterterrorism, “Patterns of Global Terrorism—2003,” April 29, 2004, at <http://hongkong.usconsulate.gov/uscn/state/2004/042901.htm> (August 1, 2006).
2. Meng Yan, “Free Trade Zone Proposed,” *China Daily*, September 24, 2003, at www.chinadaily.com.cn/chinagate/doc/2003-09/24/content_267127.htm (July 27, 2006).
3. Fredrick W. Stakelbeck Jr., “A New Bloc Emerges?” *The American Thinker*, August 5, 2005, at www.americanthinker.com/articles.php?article_id=4703 (July 26, 2006).
4. Shanghai Cooperation Organization, “Declaration on Establishment of Shanghai Cooperation Organization,” June 15, 2001, at www.sectSCO.org/html/00088.html (August 1, 2006).
5. Sergei Blagov, “Shanghai Cooperation Organization Summit Suggests New Russia-China Links,” *Eurasia Daily Monitor*, July 6, 2005, at www.jamestown.org/edm/article.php?article_id=2369975 (July 26, 2006).
6. William Choong, “China and Russia: New ‘Axis’ in the Making?” *The Straits Times*, July 21, 2006, at <http://straitstimes.asiaone.com/portal/site/STI/menuitem.c2aef3d65baca16abb31f610a06310a0/?vgnnextoid=6fadbe120b93a010VgnVCM1000000a35010aRCRD&vgnnextfmt=vgnartid:258ec9dc32d8c010VgnVCM100000430a0a0aRCRD:vgnpdate:1153519140000> (August 1, 2006).
7. Wu-ping Kwo and Shiau-shyang Liou, “Competition and Cooperation between Russia and China in Central Asia and “Shanghai Co-operation Organization: Analytical View from International Regime,” National Chengchi University, April 18, 2005, at http://iir.nccu.edu.tw/hjournal/is_c/is_c_9403.htm (July 27, 2006).

A strategic partnership between Russia and China, the two most powerful and influential players in the SCO, may bode ill for U.S. involvement in Central Asia. Indications of the Russo-Chinese partnership systematically reducing U.S. influence are evident in the Uzbek demand that the U.S. leave the Karshi-Khanabad base in July 2005. Russia and China took advantage of the harsh U.S. reaction to the killing by Uzbek interior ministry forces of Islamist rebels in Andijan in May of that year, and managed to convince Uzbek president Islam Karimov that the U.S. somehow had supported the insurgents.⁸ Efforts by Moscow and Beijing in Kyrgyzstan have also been successful; Kyrgyzstan has increased the U.S. rent at the Manas air base from an annual \$2.7 million to \$150–200 million, while the nearby Russian base is rent-free.⁹ Peter Rodman, assistant secretary of defense for international security affairs, remarked, “The SCO is trying to ask us to leave the area in a hurry.”¹⁰ His statements reflect the challenges that the U.S. faces as a result of the emergence of the SCO under Russian and Chinese leadership.

China is eager to expand its military influence in Central Asia as well. Beijing has contacted Kyrgyz officials to explore the possibility of Chinese military bases in Kyrgyzstan.¹¹ Increasing regional militarization and power rivalry in Central Asia raises the possibility that military means could be used in addressing regional issues, especially religious radicalism, terrorism, and narcotics trafficking.¹² Security issues remain a prime concern for China. Separatist movements in Xinjiang, led by the Uighur Muslim minority, have opposed the Chinese regime for decades. After the collapse of the

Soviet Union, Beijing successfully garnered an agreement from Central Asian states not to support, protect, or train Xinjiang rebels. Since then, China and Central Asian states have signed agreements on combating separatism and terrorism, launching military and security cooperation in the border regions and beyond.

The People’s Liberation Army (PLA) has been involved in several joint exercises with troops from other SCO states, including the first-ever bilateral joint exercise with Russian forces in the summer of 2005. China and Russia kicked off Peace Mission 2005 with a ceremony in Vladivostok, just 30 miles from the North Korean border. The war games involved nearly 10,000 troops (including 1,800 Russian military personnel); scores of advanced aircraft (including Russian TU-95 and TU-22 heavy bombers, which can carry cruise missiles); and army, navy, air force, marine, airborne, and logistics units from both countries.¹³

Russia has given the Chinese the first demonstration of the supersonic “carrier-buster” cruise missile *Moskit*, one of the most advanced weapons in the Russian arsenal, and a weapon clearly designed to get the attention of the U.S. Navy.¹⁴ Although Peace Mission 2005 was ostensibly held under the aegis of the SCO, the fact that it involved amphibious landings, sea blockades, and other operations that are totally irrelevant to the geography of landlocked, desert Central Asia suggests that the SCO is primarily a vehicle for a new Beijing–Moscow condominium in Asia, and is not intended as a true multilateral security framework for Central Asia.

Fueled by Oil and Gas. Oil and gas constitute the most essential economic and strategic reasons

8. Personal interviews with Uzbek officials who requested anonymity, Tashkent, October 2005.

9. Kin-Ming Liu, “The Most Dangerous Unknown Pact,” *The New York Sun*, June 13, 2006, at www.nysun.com/article/34366 (July 26, 2006).

10. *Ibid.*

11. Stephen Blank, “China Joins the Great Central Asian Base Race,” *EurasiaNet Daily*, November 16, 2005, at www.eurasianet.org/departments/insight/articles/eav111605.shtml (July 26, 2006).

12. *Ibid.*

13. Ariel Cohen, and John J. Tkacik, Jr., “Sino-Russian Military Maneuvers: A Threat to U.S. Interests in Eurasia,” Heritage Foundation *Background* No. 1883, September 30, 2005, at www.heritage.org/Research/RussiaandEurasia/bg1883.cfm

14. *Ibid.*

for China to engage with the Central Asian states. China's increasing domestic demand for energy, especially the fossil fuel imports required to sustain its current economic growth rate of more than 9 percent¹⁵ has compelled Chinese leaders to search for new energy suppliers. Ensuring control of Eurasian oil is a logical path, as some of these oil and gas resources can be piped into China, obviating the need for more expensive and less secure transportation by tanker.

Chinese interest in the SCO mainly hinges on widening access to Central Asian energy as a means to diversify China's sources of imports. In the fall of 2005, China purchased Petrokazakhstan, a Canadian-registered oil company, for close to \$4.5 billion.¹⁶ In December 2005, China and Kazakhstan jointly opened the 998-kilometer Atasu–Alashankou pipeline, projected to deliver up to 200,000 barrels of oil per day by 2007.¹⁷

Taking advantage of the volatile political situation in Uzbekistan, China rushed to provide economic assistance in the form of a \$600 million loan to start development of a gas pipeline to connect Uzbekistan's considerable gas resources to the Kazakhstan–China gas pipeline which is currently under construction. A gas pipeline spur from Turkmenistan is under discussion as well.¹⁸ China is also involved with less energy-rich Central Asian countries, but on a smaller scale. In 2005, China loaned Kyrgyzstan \$5.7 million and Tajikistan \$5

million to buy Chinese goods.¹⁹ Chinese officials have even floated the idea of building a pipeline among member states. Such a proposal indicates the depth of Beijing's interests in securing access to the region's energy resources. Chinese investment may significantly improve the region's infrastructure and commercial potential. However, as these states increasingly depend on China as source of both investment and security, the likelihood of China intervening in their domestic affairs will grow. Beijing's generous economic assistance begs the question of whether the Chinese are attempting to create a "traditional 'vassal' relationship between China and the Central Asian states through investment, trade and military cooperation."²⁰

The Evolution of Chinese Foreign Policy

Official relations between China and other states have traditionally been governed by the principle of "li", the "Confucian rules of propriety," formulated in the Zhou Dynasty.²¹ The principle regulated familial and social relations within China.²² Traditional center-periphery relations, with China in the center, compelled China's neighbors to recognize Chinese superiority by paying tribute to the Chinese emperor.

The Chinese empire attempted peaceful persuasion as a means of bringing non-Chinese into the empire without establishing direct control over their territories. The Chinese worldview was "Sino-centric,"²³ with China as the center of the only known

15. "Wildfire Chinese Growth Persists," *BBC News*, April 20, 2005, at <http://news.bbc.co.uk/2/hi/business/4464229.stm> (July 30, 2006).

16. Keith Bradsher, "Chinese Company to Buy Kazakh Oil Interest for \$4 billion," *The New York Times*, August 22, 2005, at www.nytimes.com/2005/08/22/business/worldbusiness/22cnd-oil.html?ex=1282363200&en=cdb608997c31770&ei=5090&partner=rssuserland&emc=rss (July 27, 2006).

17. Stephen Blank, "China Make Makes Policy Shift, Aiming to Widen Access to Central Asian Energy," *Eurasianet.org*, March 13, 2006, at www.eurasianet.org/departments/business/articles/eav031306_pr.shtml (July 26, 2006).

18. *Ibid.*

19. Niklas Swanstrom, "China and Central Asia: A New Great Game or Traditional Vassal Relations?" *Journal of Contemporary China* (2005), 14 (45), p. 579.

20. *Ibid.*, p. 581.

21. The Zhou Dynasty lasted from 1022 BC to 256 BC.

22. Pan Yihong, "Traditional Chinese Theories of Foreign Relations and Tang Foreign Policy," David C. Lam Institute for East-West Studies, 1998, at www.cic.sfu.ca/nacc/articles/panyihong/panyihong.html (July 30, 2006).

23. Robert Ross, *The Great Wall and the Empty Fortress: China's Search for Security* (New York: W.W. Norton & Company, 1997), p. 23.

civilization. They had no plans of formal expansion, as was evident in Ming's foreign policy of isolationism in the 15th century. In the expedition by Admiral Zheng He to the Western Ocean, in the Ming dynasty, he did not establish Chinese colonies overseas. However, the growth of Chinese influence in Xinjiang continued in the 16th–17th centuries.

Beginning in the early 19th century, China was subject to foreign influence and colonization. After the Opium Wars in 1843, the Chinese territories were divided among Western powers. This provoked a nationalism powered by simultaneous feelings of humiliation and pride. Increasingly, China has stepped up its nationalist rhetoric, especially with regard to using force if necessary in order to solve the "Taiwan question."²⁴ The passing of the Anti-Secession Law in 2005 by the National People's Congress provided a legislative basis for China to invade Taiwan.

On several occasions, Chinese leaders have touted China's leading role in the international community. Its *Realpolitik* philosophy is that the international system is characterized by a constant struggle for domination, and that China must engage in that battle, its main adversary being the United States. The signing of free trade agreements between Beijing and the Association of Southeast Asian Nations (ASEAN) serves to consolidate Chinese economic influence in Asia. Militarily, China has moved even further afield by dispatching peacekeepers to Haiti. China has departed from its traditional isolationist philosophy and sought to project its influence abroad. China is, at present, a regional power with global aspirations, and if it continues on the path of economic growth and projection of influence, its aspirations may be realized.

China and Central Asia

China's relationships with the peoples of Central Asia have fluctuated throughout history. There

have been times of peace, war, trade, isolation, deception, and cooperation. Traditionally, the Chinese empire has been perceived as an aspiring hegemon, if not outright aggressor in Central, Southeast, and Northeast Asia, and a significant portion of Central Asia was once an integrated part of the Chinese tributary system.²⁵ As early as 138 B.C., in the Han Dynasty, under the leadership of Zhang Qian, information about hitherto unknown states to the west generated much interest in the court. Increased contact gradually led to the creation of the Silk Road, which facilitated trade between the Chinese empire and Central Asian states. The importance of the Silk Road reached its height during the Tang dynasty, with relative internal stability in China after the divisions of the earlier dynasties. It was during this period that the Chinese traveler Xuan Zhang crossed the region and obtained Buddhist scriptures from India. In the 13th century, under the leadership of Genghis Khan, the builder of the Mongol empire, the whole of Central Asia from China to Persia was united. However, with the decline of the Mongol empire, the revival of Islam, and the isolationist policies of the Ming dynasty in the 17th century, China gradually lost interest in the region. Although the Chinese attempted to bring the Kazakhs into a vassal relationship in the 18th century,²⁶ the Chinese empire under the Qing dynasty was subjected to foreign colonialism, and China ended its land expansion. Russia, on the other hand revived its expansionist policies after losing the Crimean War in 1856 by gaining control of the Central Asian Turkestan.²⁷ It was not until the collapse of the Soviet Union in 1989 that China regained its interests in the region.

Since then Beijing has been actively seeking to exert military, political, and financial influences in the region. Chinese President Hu Jintao has even

24. Wade Boese, "U.S.-Chinese Relations Strained Over Taiwan," *Arms Control Today*, March 2000, at www.armscontrol.org/act/2000_03/chimr00.asp?print (July 30, 2006).

25. Swanstrom, "China and Central Asia," p. 569.

26. Mark Dickens, "Major Events Relevant to Central Asian History, Part 2 (Since 1600)," Oxus Communications, at www.oxus.com/cahist2.htm (July 28, 2006).

27. Library of Congress, Federal Research Division, "Russia: Foreign Affairs after the Crimean War," at <http://reference.allrefer.com/country-guide-study/russia/russia25.html>

touted the region's centrality to Chinese development, a sentiment which likely accounts for the recent joint military exercises, increased political cooperation, and increase in trade between China and Central Asia. China has replaced the United States as a significant source of trade, investment, and consumer goods to Central Asia. The Xinhua News Agency boasted that Chinese business supplied \$500 million in investment to the region in 2003.²⁸ Railways and roads will provide the necessary transportation links that will connect China's booming East with Central Asia. Some compare recent Chinese involvement there to modern vassal relations, in which China uses Central Asia as a buffer zone and an economically integrated entity that will help to advance the Chinese global agenda.

Beijing's interests in the SCO can be separated into two different categories: economic and security. At least two institutional players are competing to set foreign policy and security agendas: the PLA and the Foreign Ministry. These two entities have often engaged in a struggle to determine Chinese foreign policies. Unsurprisingly, the military often favors hawkish policies, while diplomats prefer peaceful means. However, in the SCO, both the diplomats and the military have adopted forward strategies for China. Lieutenant General Li Qianyuan, head of the Chinese military delegation in the SCO, stated that the high-level joint military exercise exhibited the SCO states' determination to fight terrorism, separatism, and extremism.²⁹ Following the proclaimed success of a Sino-Kyrgyzstan joint anti-terror exercise in 2002, the defense ministers from SCO states signed, at the summit held in Moscow in May 2002, a treaty on conducting this joint anti-terrorist military exercise.

Fighting separatism is a priority for Beijing. The separatist movements in Xinjiang constantly resist the Chinese regime. After the disintegration of the

czarist empire, the Muslim minority in the province saw an opportunity to recreate the Muslim state of East Turkestan. There was a spike in separatism after the disintegration of the Soviet Union as well. Suspecting that other Central Asian states might protect separatists, Beijing warned that Chinese investment and trade in the region would be in jeopardy if the Central Asian states refused to comply with Chinese demands. Since the early 1990s, the PLA has maintained around 200,000 soldiers in Xinjiang who are tasked with monitoring the Muslim population.³⁰

The Chinese government has claimed that the Taliban and Osama bin Laden have been harboring Uighur terrorists in Afghanistan.³¹ However, the U.S. invasion of Afghanistan destroyed Uighur revolutionaries' safe haven. In this respect, China and the U.S. share a common goal in combating nationalism and radical, political Islam. Though China has been uncomfortable with American military presence in Central Asia, Beijing has voiced qualified support of U.S. operations in Afghanistan against Muslim militants.³² However, the extent of cooperation is limited, as the Chinese fear that the permanent stationing of American troops in the region will change the power balance. Both Russia and China hope to consolidate their influence in this region by diminishing the U.S. regional presence.

The Current and Potential Clashes of Interest between China and Russia

The SCO cannot be regarded as simply a monolithic entity. States' interests inevitably conflict with each other. Sino-Russian current and future contradictions are the most obvious, but other conflicts abound. For instance, the Kyrgyz are unsatisfied with ceding a mountain range to China in the framework of a peace treaty. Specifically in the Askaniya riots in 2002, there was a protest against the Kyrgyz

28. Swanstrom, "China and Central Asia," p.580.

29. "SCO Begin Anti-terror Maneuvers in Kazakhstan," *People's Daily* (Beijing), August 6, 2003, at <http://english.peopledaily.com.cn> (July 27, 2006).

30. Swanstrom, "China and Central Asia," p.572.

31. *Ibid.*

32. "Statement by the Foreign Minister," Chinese Ministry of Foreign Affairs, December 19, 2001.

government ceding too much territory to China in land negotiations.³³ There have even been reports of Chinese diplomats being assassinated because of the Kyrgyzstani populace's frustration towards Beijing. Similarly, the clash of interests between China and Russia is evident in military strategic and energy considerations. Since 2004, high-profile Russian officials have stressed Moscow's opposition to a Chinese military presence in Central Asia.³⁴ Russia opposes a growing strategic role for China.

Conflicts of interest are most pronounced in the energy sector. In 2005, the Russian energy firm Gazprom and KazMunaiGaz, Kazakhstan's main gas pipeline firm, agreed to increase gas transit of Turkmen and Uzbek gas via Kazakhstan to Russia for export to Gazprom's European customers. This move may restrict China's gas importing options in the region.³⁵ Furthermore, while China wanted the main Siberian oil pipeline to end in Daqing, in Heilongjiang province, Russia prefers a more expensive pipeline to Nahkhodka on the Pacific Coast with a spur to Daqing. Such a route will give Russia greater flexibility to export not only to China but also to Japan and Korea. Japan has even expressed willingness to subsidize the construction of the pipeline. Russia has remained cautious about the final decision on the direction and structure of the Siberian pipeline, which demonstrates that Russia does not want to become dependent on a single Chinese customer for its oil.

Russia, joined by U.S. energy companies, has attempted to obstruct Chinese efforts to buy energy holdings in the region, compelling the Chinese to search for other oil and gas options, such as cooperation with Iran. Iran's ties with China (and Russia) are strengthening, and it sought to apply for full SCO membership. China currently imports

around 13 percent of its oil from Iran. Pakistan is also interested in SCO membership, in exchange for which President Pervez Musharraf is offering China an "energy corridor" to Central Asia and the Middle East. Chinese interest in exploring a link to the long Turkmenistan–Afghanistan–Pakistan–India (TAPI) gas pipeline reflects the Chinese agenda of diversifying its sources of energy. However, Chinese and Russian officials have explicitly ruled out Iran becoming an SCO member, and have also ruled out any further expansion of the SCO membership in the near future. The Chinese Assistant Foreign Minister, Li Huio, stated that the SCO will not take in new members before its six members "make serious studies."³⁶

Implications for the United States

The United States is concerned that Beijing and Moscow are using their diplomatic alliance to limit America's role in Central Asia. Both Russia and China would prefer that Central Asian countries' contacts with the West be managed, or at least approved, by Moscow and Beijing. But the chief beneficiary from the SCO is China.³⁷ Beijing's standing in the SCO and relatively good relations with the U.S. and Europe give China the opportunity to serve as an intermediary for the West.

Russia's reluctance to construct an oil pipeline between Daqing and Siberia indicates Russian concerns about Chinese control over its natural resources. Moscow is also concerned about China's military intentions, creating a sense of mistrust between the two powers. Despite Russia's and China's joint denunciation of the American military presence in Central Asia, Kyrgyzstan has allowed the United States to maintain its base at Manas, and Kazakhstan will even host NATO's Steppe Eagle exercise in September. The SCO is not yet a cohe-

33. Matthew Oresman, "Assessing China's Reaction to Kyrgyzstan's 'Tulip Revolution,'" *Central Asia-Caucasus Analyst*, April 6, 2005, at www.cacianalyst.org/view_article.php?articleid=3195&SMSESSION=NO (July 30, 2006.)

34. Stephen Blank, "China Joins the Great Central Asian Base Race."

35. Stephen Blank, "China Makes Policy Shift."

36. Dr. Maqsoodul Hasan Nuri, "Pakistan and SCO," *The International News*, March 11, 2006, at www.jang.com.pk/thenews/mar2006-daily/11-03-2006/oped/o4.htm (July 27, 2006).

37. Howard W. French, "Shanghai Club, Once Obscure, Now Attracts Wide Interests," *The New York Times*, June 16, 2006 (Lexis-Nexis, July 27, 2006).

sive entity in challenging the United States militarily or economically.

NATO may explore expanding relations with the SCO. Options for cooperative efforts may go beyond the existing NATO–Russia Council, and the Partnership for Peace, of which most Central Asian states are members. NATO members have a degree of cohesion and unity of values not yet present among SCO members and observer states, which often demonstrate considerable differences of approach and interest. Equally important, the SCO is a relatively small organization, still in its infancy, with an operating budget less than \$30 million and a staff of a few dozen people. NATO, being larger, stronger, and more experienced in transnational security issues, can engage the SCO in discussions of strategic issues facing the region and develop paths for cooperation along the lines of the Partnership for Peace.

The United States should also seek bilateral agreements with the larger organization. Given that the SCO primarily serves as a geopolitical counterweight to the United States, American entrance into the organization is unlikely. The 2005 U.S. application to join the SCO was rejected.³⁸ Under such conditions, it is doubtful the United States and China can agree on terms for American membership without conceding their respective interests. However, the United States does not necessarily need membership in the organization to work closely with Central Asian states. It should renew its application to join as an observer and look to friendly states, such as Kazakhstan and Mongolia, for support. Whether or not the U.S. is able to attain observer status, it should use every diplomatic tool in its arsenal to oppose Iran's intention to join as a full member.

Should Iran be permitted to enter the SCO, this will be a clear indication that Russia and China side with Iran on the issue of nuclear proliferation. Fur-

thermore, inclusion of Iran would give the SCO significant influence over one of the world's largest supplies of oil and gas reserves, in addition to potentially another nuclear arsenal. Russian President Vladimir Putin's suggestion of forming a "natural gas OPEC" with Iran and Turkmenistan is of particular concern. These three countries are first, third, and fourth, respectively, in natural gas reserves, and will have the capacity to raise the global price of gas by regulating supply.

If the United States hopes to gain observer status in the SCO, it should engage the Central Asian states specifically by balancing democracy promotion and democratization with its other national interests, including security and energy. With the exception of Turkmenistan and Uzbekistan, most of the Central Asian states continue to maintain links with the United States to balance Russian and Chinese power. The U.S. should use what remaining contacts and leverage it has and continue to improve relations with friendly Central Asian states by providing economic, governance, and legislative reform assistance, and by enhancing military-to-military relationships. Working alongside these state governments in combating jihadists and terrorist organizations, the U.S. can appeal to common goals and secure American strategic and energy interests in the region.

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38. Stakelbeck, "A New Bloc Emerges?"