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**EXPANSION OF SHANGHAI COOPERATION  
ORGANIZATION: IRAN'S HORIZONS AND  
PERSPECTIVES**

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**Abstract**

The paper analyses the opportunities of the Shanghai Cooperation Organization (SCO) with focus on Iran's horizons in garnering benefits from the organization to respond to changing regional and international posture. It explores the possibilities of Iran's membership in the SCO and its geo-strategic ramification for the region. The paper finds that although the organization is working to strengthen diverse areas of cooperation among its member states, the main thrust of cooperation has been on security and countering cross-border terrorism and extremism. There has been an impression that due to the country's one of the biggest oil reserve which is very lucrative for the member countries of the Organization and for its geo-strategic positioning, the SCO is going to be expanded by including Iran as its full member. Iran's comfortability with Russia may prove sufficient reason for China to lure Iran towards the SCO in order to balance Iran's regional inclines. The paper suggests that among others, cooperation in water and energy resources strongly needs relocation of investment and enhancement of technological and scientific measures in the SCO. New investment in Iran's oil and gas fields as well as trade agreements would enhance economic and energy security of the SCO members, particularly China. In addition, as a result of such expansion of the Organization, military and

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security set up is likely to be enhanced due to formal security ties among the members, in particular Russia and China. Finally, a regional structure that combines Central Asia and the Caucasus under the aegis of SCO, is expected to be a balancing factor in Central and South Asia and to an extent in the Middle East.

## I. Introduction

Shanghai Cooperation Organization (SCO), a comparatively new regional grouping in Asia comprising the countries of a relatively poor region along with two neighbouring great powers China and Russia, makes obvious its elevated potentials through its steady progress in activities within and between the member countries. Although the six countries came together with the promise of combating cross-border terrorism by establishing Regional Anti-Terrorism Structure (RATS), the evolving areas of cooperation have been economic, political, strategic and cultural affairs. Beside joint military exercise between China and Russia, priority has also been given on the exploration of new hydrocarbon reserves, and joint use of water resources among the member countries. The region is important as being not only rich in natural resources and growing economic powerhouse, but it also has immense significance in terms of the western strategic interest in the middle of expanding North Atlantic Treaty Organization (NATO) and the 'US-led anti-terrorist coalition forces' in Central Asia.<sup>1</sup> However, it was expected that Iran would become a member of the SCO soon along with other observer states of the Organization including two South Asian giants India and Pakistan. Although the 2006 Summit reveals that the member states are not strongly interested to welcome new members hastily, Iran is expected to get membership in the near future by virtue of its economic, regional and strategic importance despite western reservation on nuclear issue. Therefore 'new great game'<sup>2</sup>, 'strategic reassertion of Russia in Central Asia'<sup>3</sup> or even

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<sup>1</sup> See, S. F. Starr, "A Partnership for Central Asia", *Foreign Affairs*, Vol. 84, No. 4, 2005, pp.164-178; and also "The Alliance in Fighting for the Reconstruction Effort in Afghanistan", *The Economist Global Agenda*, 7 September 2006, available at: [The\\_Economist-global\\_agenda-admin@news.economist.com](mailto:The_Economist-global_agenda-admin@news.economist.com), accessed on 10 September 2006.

<sup>2</sup> See, for details, K.A. Collins and W.C. Wohlforth, "Central Asia: Defying 'Great Game' Expectations", in *Strategic Asia 2003-04; Fragility and Crisis*,

America's new nightmare — whatever being marked, the SCO is gradually becoming a new geo-political and geo-strategic player. The grouping has immense economic significance within and beyond the region as the leaders are expecting to operationalize a free trade area among the member countries. The six countries that constitute the SCO cover an area of 30 million square kilometers — as high as 60 per cent of continental Europe and Asia and have a combined population of 1.5 billion — about one-quarter of the world<sup>4</sup>, which indicates geo-strategic importance of the Organization.

Iran is currently an observer of the SCO. There has been an impression that due to the country's one of the biggest oil reserves which is very lucrative for the member countries of the Organization and for its geo-strategic positioning, the SCO is going to be expanded by including Iran as its full member. In this context, the paper tries to address the following analytical questions: To what extent Iran's membership in SCO will increase its bargaining power and influence? How can mutual benefits be derived from Iran's inclusion? What would be Iran's strategic outlook, future agenda and perspectives with respect to western position? To what extent the member countries will be benefited in economic, political, strategic and cultural arena by Iran's inclusion? Will there be any impact and changes in the strategic configuration to Central Asia and the Caucasus as well as bystander regions? Will SCO be part of the greater Asian regionalism? To address these issues, the paper has been organised as follows. After the introduction, a brief assessment of the existing regional cooperation in Central Asia region has been made in section II. Section III gauges whether and to what extent the SCO has brought about new impetus for the region beyond the security concerns of the member countries. Section IV examines if Iran is going to be a member of the

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The National Bureau of Asian Research, Washington, D.C., 2004. Also see, A. Rasizade, "The New "Great Game" in Central Asia after Afghanistan", *Alternatives*, Vol. 1, No. 2, Summer, 2002.

<sup>3</sup> R. Allison, "Strategic Reassertion in Russia's Central Asia Policy", *International Affairs*, Vol. 80, No. 2, 2004, pp. 277-294.

<sup>4</sup> G. Austin, "European Union Policy Responses to the Shanghai Cooperation Organization", *BP 02/04*, European Institute for Asian Studies, Brussels, 2002.

Organization, and section V analytically investigates various dimensions of the possible impact of Iran *vis-à-vis* other members of the SCO. Section VI briefly assesses if there is any possibility of change in the strategic configuration as a result of such extension in Central Asia and the Middle East.

## **II. Regional Cooperation in Central Asia: SCO as New Impetus?**

Development of new regionalism which began in the 1980s comprised the efforts by a number of regional or sub-regional units to create a security consensus in a given area without any backing of a major power. However, due to an array of reasons, the states of Central Asia found this goal very complicated to achieve — even if attaining limited kind of coordination of their security and defence policies as a well-defined Central Asian structure has been a mounting effort. However, security coordination under the influence of at least one major power has been more common in nature. Different regional and sub-regional entities have been emerged with a core group of Central Asian states, and some of these have had a clearly pronounced security agenda which have been diverse, usually uncoordinated, unconsolidated, and sometimes competitive one another. The main four constraints on security related regionalism in Central Asia and the Caucasus were<sup>5</sup>

- domineering influence of Russia as a regional hegemon and its interest in promoting supranational powers which had been viewed as a constraint on regionalism than the role of the United States as global hegemon;
- a variety of intra-regional and state-level factors, little space for manoeuvre in decision-making, caught up in internal and regional conflicts, often with weaker or dependent economies, and characterized by strong nationalism and emphasis of sovereignty;
- regionalization in terms of active process of change towards increased cooperation, integration, convergence, coherence and

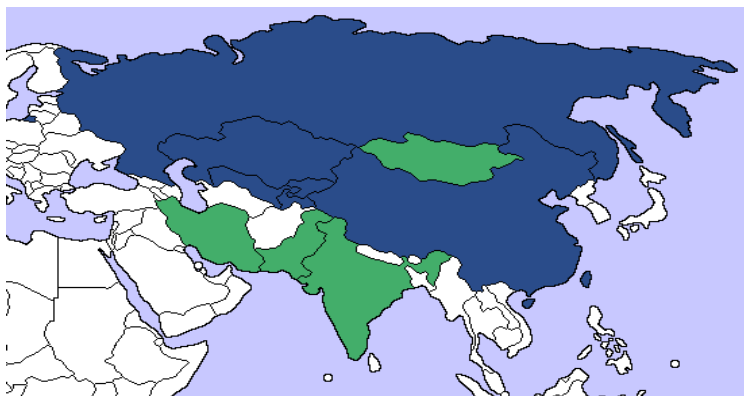
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<sup>5</sup> R. Allison, “Regionalism, Regional Structures and Security Management in Central Asia”, *International Affairs*, Vol. 80, No. 3, 2004, pp. 463-483.

identity have not been obvious features of security policy interactions; and

- while there is an incentive to organize to avert threats of marginalization, the regional arrangements that develop are fragile and ineffective.

Map of the Shanghai Cooperation Organization



Note: Light shaded = observer countries, deep shaded = member states

Source: <http://en.wikipedia.org>.

The emergence of SCO from Shanghai Five has been marked as a major step towards stimulating regionalism in security although sceptics argue that it is a sign of weak form of growing regionalism. It is a macro-regional consultative framework with security dimension among the member countries: Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.<sup>6</sup> Since its establishment right after 9/11, it has taken major steps in strengthening cooperation to combat terrorism, extremism, and trans-border organized crime with activities ranging from intelligence sharing and covert operations to the use of armed forces. The Organization has also been interpreted as a 'balancing mechanism' developed by China and Russia to counter the US hegemonic role in the region. Afterwards, it has enlarged its initial responsibility of involving China in military confidence-building

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<sup>6</sup> S. L. Yom, "Power Politics in Central Asia", *Harvard Asia Quarterly*, Vol. 6, No. 4, 2002, pp. 48-54.

measures and mutual demilitarization to cover coordination among member states on non-traditional security challenges emphasising mainly on collective efforts to combat religious and separatist extremism and international illicit flow of drugs. The SCO has developed a focus on trans-border as well as intra-state security issues. So far, limited Chinese security and defence assistance has been provided to Central Asian countries bilaterally rather than within the SCO framework. Besides, it has failed to overcome its marginalization in the fallout of 9/11 when the Central Asian states chose to enter into bilateral agreements to join the US-led anti-terrorist operations in this region.

In October 2002, China and Kyrgyzstan initiated bilateral military counterterrorism manoeuvres in their border zone called “formal start-up of the SCO anti-terror mission”. This was followed by Cooperation 2003, a SCO joint command-post exercise combined with field manoeuvres. In the first stage of operation in Kazakhstan there were Russian, Kazakh and Kyrgyz troops, and in the second round in Xinjiang province of China, the troops were from China and Kyrgyzstan. These were to step up military cooperation and mutual trust among their armed forces and boost regional cooperation against terrorism. Although Uzbekistan has focused on internal security issues, it has not been keen to further large-scale SCO anti-terrorist military exercises in the region, perhaps because it does not wish to be caught up in future struggle to develop the SCO into a counterweight to the US military presence in Central Asia.

However, the Organization established not only as a security mechanism, it also has promise to enhance trade, investment, cultural, environmental, and technological relations between member states; the SCO would accordingly become the region’s authoritative voice. It is widely believed that if the SCO expands and encompasses not just security issues, but also effectively addresses economic and social concerns, it will be a powerful regional player indeed. Certainly, the rhetoric of the SCO is towards the future possibility of becoming an influential multilateral organization. Given the inter-state relationship, nature of political leadership and institutional set up, and positions of international bodies, the prospect that the Organization will flourish into a powerful regional bloc requires four assumptions: (i) each country would need to invest the necessary political will into the SCO

framework; (ii) it has to develop its own autonomous agencies and capable leadership; (iii) the UN, US, and EU have to recognize it as a credible international organization<sup>7</sup>; and (iv) the SCO have to operate as a legitimate vehicle for promoting collective interests of its members rather than as an organ dominated or directed by one or two states.

Since its formation, within many western policy and intelligence circles the Organization have been described as merely a synergistic tool of Russian and Chinese foreign policy, a vessel by which these two powers could court Central Asian states into steadily growing military and economic relations while simultaneously coordinating policies to curb internal threats like militant Islamist movements. Russia and China, by virtue of their large geographic size, economic strength, and military power, have dominated the group from the start by pressuring the leaders of their smaller neighbours to support their policies; indeed, the SCO began largely out of the directives of these two countries' leaders. This has allowed the foreign ministries of Russia and China to guide the SCO's stance on many issues, such as its general anti-US stance as well as its zero-tolerance approach to Islamist and separatist movements.<sup>8</sup>

### **III. Areas of Cooperation: Much beyond the Security Concerns?**

The SCO is primarily centered on security-related concerns of its member nations, often describing the main threats to confront terrorism, separatism and extremism. Starting in 2003, there was a joint counter-terrorism center built in Shanghai, China. The SCO agreed to form the RATS at the SCO summit held in Tashkent in June 2004. In April 2006, the SCO also decided to establish a new institute to fight cross-border drug crimes. Russia's permanent representative in the SCO Secretariat Grigory Logninov claimed in April 2006, that the SCO has no plans to become a military bloc; rather he argued in a different language that the increased threats of "terrorism, extremism

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<sup>7</sup> A short period after establishment of the SCO, the EU prepared a policy response on the SCO. See for details, Austin, 2002, *op cit.*, p. 3.

<sup>8</sup> Yom, 2002, *op cit.* p. 53.

and separatism” make necessary a full-scale involvement of armed forces.

There have been a number of SCO joint military exercises. The first of these was held in 2003, with the first phase taking place in Kazakhstan and the second in China. On a larger scale but outside the SCO framework, the first ever joint military exercise between the China and Russia, called Peace Mission 2005, started in August 2005. Following the successful completion of the Sino-Russian military exercises, Russian officials have begun speaking of the SCO taking on a military role and of India also joining these exercises in the future.<sup>9</sup>

The Organization has also declared its position in diverse areas of cooperation, broadly categorized in economic, political and cultural arena *vis-à-vis* military cooperation. As outlined in the Declaration of the Organization it has the goals, position and areas of cooperation among others in the following:<sup>10</sup>

2. The purposes of the SCO are: strengthening mutual trust and good-neighbourly friendship among the member states; encouraging effective cooperation among the member states in political, economic and trade, scientific and technological, cultural, educational, energy, communications, environment and other fields; devoting themselves jointly to preserving and safeguarding regional peace, security and stability; and establishing a democratic, fair and rational new international political and economic order.
7. The SCO adheres to the principle of non-alignment, does not target any other country or region, and is open to the outside. It is ready to develop various forms of dialogue, exchanges and cooperation with other countries, international and regional organisations. On the basis of consensus, it shall admit as its

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<sup>9</sup> The next joint military exercises are planned for 2007 in Russia, near the Ural Mountains and close to Central Asia, as was agreed upon in April 2006 at the SCO Defense Ministers’ meeting. Air forces and precision-guided weapons are likely to be used. The next meeting of Defense Ministers is planned for 2007 in Kyrgyzstan.

<sup>10</sup> See <http://www.sectSCO.org>, accessed on 14 August 2006.



new members those countries which recognise the cooperation purposes and tasks within the framework of the organisation.

10. The SCO member states will strengthen their consultations and coordination of activities in regional and international affairs, support and cooperate with each other closely on major international and regional issues, and jointly promote and consolidate peace and stability of the region and the world. In the current international situation, it is of particular significance to preserve global strategic balance and stability.

A Framework Agreement to enhance economic cooperation was signed by the SCO member states in September 2003. At the same meeting, the Premier of China Wen Jiabao proposed a long-term objective to establish a free trade area among the member states, while other more immediate measures would be taken to improve the flow of goods in the region. A follow up plan with specific actions was signed in September 2004.<sup>11</sup> In the Moscow Summit of the SCO in October 2005, the Secretary General of the Organization said that the SCO would prioritize joint energy projects including the oil and gas sector, the exploration of new hydrocarbon reserves, and joint use of water resources. The creation of Inter-bank SCO Council was also agreed upon at that summit in order to fund future joint projects. The first meeting of the SCO Interbank Association was held in Beijing in February 2006.

Cultural cooperation has also occurred in the SCO framework. Culture ministers of the SCO met for the first time in Beijing in April 2002, signed a joint statement for continued cooperation. The third meeting of the Culture Ministers took place in Tashkent, Uzbekistan, in April 2006. SCO Arts Festival and Exhibition was held for the first time during the Astana Summit of 2005. Kazakhstan has also suggested an SCO folk dance festival to be held in Astana, in 2008.

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<sup>11</sup> Earlier, the leaders of the Organization agreed to establish a free-trade zone among the member countries. See, L.R. Miller, "New Rules to the Old Great Game: An Assessment of the Shanghai Cooperation Organization's Proposed Free Trade Zone", *Contemporary Asia Studies Series* No. 4, (175) 2003, University of Maryland.

However, although the Organization is working to strengthen diverse areas of cooperation among its member states, the main thrust of cooperation has been on security and countering cross-border terrorism and extremism. The other areas of cooperation are also unfolding, but these would take time to fully flourish. For example, in full operationalization of a free trade area the countries will have to undertake a number of activities including identification and gradual removal of trade and non-trade barriers, setting rules of origin, etc. On the other hand, cooperation in water and energy resources strongly needs relocation of investment and enhancement of technological and scientific measures. This will necessarily take more time and interest among the member states, particularly the two major players Russia and China, given the present structure of the Organization. Cultural cooperation is ancillary and ornamental to the Organization *vis-à-vis* other activities.

#### **IV. Iran: Shortly a New Member?**

Among other nations of the region, Mongolia became the first country to receive observer status at the 2004 Tashkent Summit. Pakistan, India and Iran received observer status at the SCO Summit in Astana, Kazakhstan in July 2005. However, Chinese Assistant Foreign Minister Li Hui once said that the SCO will not take in new members before its six members make serious studies. Russia's permanent representative in the SCO Secretariat Grigory Logninov has also claimed that the enlargement of the SCO is impeded by "an immature mechanism of admission of new members", while Secretary General Zhang Deguang argued that an overexpansion might hinder the intensification of the cooperation.<sup>12</sup> In a series of meetings in February

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<sup>12</sup> About new membership to the Organization, an Indian newspaper *The Hindu* reported in 2005, "India will join the Shanghai regional security group together with Pakistan and Iran ..., as the group seeks to enhance its security role in Central Asia. ... China insisted on simultaneous admission of India and Pakistan, even though Delhi and Moscow were unhappy with this linkage. One Central Asian member of the Shanghai Group was opposed to Iran's membership. However, Russia said it would block any expansion unless Iran was included... Also, Pakistan's entry into SCO would hamper Washington's plan to set up a rival security organisation for Central Asia and the Caspian

2006 with Chinese officials and media, the President of Pakistan Pervez Musharraf argued in favour of Pakistan's qualification to join the Organization as a full member. China said that it would convey Pakistan's desire to all the SCO members. In turn, President Musharraf was formally invited to the June 2006 Summit. However, the SCO has also encouraged India to join the Organization, saying that they would properly consider a membership application to join the group.

During a talk at a News Conference in Baku, Azerbaijan, on 5 May 2006 Iran's President expressed in favor of expanding the SCO and developing it into an organization that can actively counter interference in the region by western powers. He said, "We want this organization to develop into a powerful body influential in regional and international politics, economics and trade, serving to counter threats and unlawful strong-arm interference from various countries. We want this organization to develop into a powerful body influential in regional and international politics, economics and trade, serving to block threats and unlawful strong-arm interference from various countries".<sup>13</sup>

His speech certainly has specific significance for the US because it does not want Iran, China and Russia that could counter US influence in the Central Asia. President Ahmadinejad also offered oil as an incentive as he tried to win powerful friends in his long-standing dispute with the West. He put Iran's large oil reserves on the bargaining table, asking China, Russia and the other countries at the Summit to sign new energy agreements. He also expressed interest of hosting a meeting of Asian energy ministers to look at co-operation in exploration, exploitation and transportation of oil.<sup>14</sup> Although China and Russia are in a difficult position because they support the United Nations in its campaign to defuse Iran's nuclear enrichment, they do not want economic sanctions to Iran. Perhaps keeping all these in

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that would lock out Russia and China". See, J. Goldkorn, "Shanghai Cooperation Organization Expands", June 6, 2005, available at: <http://www.heritage.org>, accessed on 25 August 2006.

<sup>13</sup> <http://www.cbc.ca>, accessed on 15 June 2006

<sup>14</sup> Iran is the fourth-largest exporter of oil in the world, and China is one of its most needy customers.

mind, the SCO did not make decision on Iran's inclusion as a full member in June 2006 meeting in China.

Iran, Russia and China have made numerous independent statements regarding their displeasure with what they perceive as US encroachment in Central Asia and the Middle East. Recently, Chinese President Hu Jintao and Russian President Vladimir Putin issued a bilateral statement titled, "World Order in the 21st Century" that warned against attempts by outside forces to dominate global affairs and opposition to attempts to impose models of social and political development from outside. Both leaders renewed their call for the development of a multipolar world calling on countries to renounce striving for monopoly and domination in international affairs and attempts to divide nations into leaders and those being led.

On the other hand, the SCO's acceptance of new states is unlikely because if Pakistan, India and Iran were SCO members, there is an apprehension that it would further weaken the capacity of the Organization to find a common security language except in response to a few pan-regional concerns like counter-narcotics. That is, if SCO expands more and more as a macro regional structure, it will less likely have an operational role in security policy, or to correspond with the common concerns out of which a Central Asian security identity might emerge.<sup>15</sup>

## **V. Iran's Horizons and Perspectives *vis-à-vis* the SCO**

As indicated earlier, the SCO has not made a decision perhaps due to its policy of non-confrontation with the other external power and groupings on Iran's recent tension with the West on nuclear issue. However, due to its economic and geo-strategic importance Iran would become a new member of the Organization very soon. Now let us have a look into the possible ramifications of Iran's membership in the SCO.

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<sup>15</sup> R. Allison, "Regionalism, Regional Structures and Security Management in Central Asia", *op cit.* p. 472.

*Will Iran's Bargaining Power and Influence be Greatly Enhanced?*

For quite long time Iran has broad security relations with China and Russia. Despite over a decade of protests from the US, China continues to export nuclear technology and guided missiles to Iran. Indeed, China is one of Iran's top two weapon suppliers with Russia.<sup>16</sup> Therefore, Iran's bargaining power in the international arena as well as regional influence will be greatly enhanced if it becomes member in the Organization. However, the present US Administration's anti-Iran policy under the rubric of "axis of evil" fuelled Iranian new insecurity argument after 9/11. Iran has made a number of foreign policy adjustments after 9/11 aiming to enhance national security and optimizing its gains from solidarities and alliances which include:<sup>17</sup>

- a. forging closer ties with China and Russia,
- b. deepening cooperation with Europe (which is now seemingly a bit faded due to nuclear tension),
- c. improving Iran's role in international organizations (*e.g.*, inclusion as an observer in the SCO),
- d. fostering better relation with Arab world particularly in the Persian Gulf,
- e. stabilising relations with Turkey Pakistan, and
- f. exploring new security arrangements as well as upgrading military preparedness.

However, after 9/11 there was a new US-Russia partnership in war on terror which interestingly resulted in Russia's closer strategic partnership with Iran. This has grown partly because Russia has been dissatisfied with the pace of its inclusion in the NATO despite the new NATO-Russia Council, and like Iran, Russia has been alarmed by the realignments in Central Asia and Trans-Caucasus favourable to the US. Hence, in spite of some problems with Russia over the issue of the

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<sup>16</sup> J. Goldkorn, "Shanghai Cooperation Organization Expands", June 6, 2005, available at <http://www.heritage.org>, accessed on 25 August 2006.

<sup>17</sup> K. Afrasiabi and A Maleki, "Iran's Foreign Policy after 11 September", *Brown Journal of World Affairs*, Vol. 9, No. 2, 2003, pp. 255-265.

Caspian Sea's ownership, Tehran has welcomed what it perceives as the return of geopolitics in the mental map of Russia's leadership. This explains why Iran chose to set aside its apprehensions over the militarization of the Caspian Sea by sending an observer to the manoeuvre. From Iran's vantage point, however, the pros of Russia's new, and bolder, military-security stance in the Caspian region after 9/11 outweigh the potential confidence tricks on perceived Iran-Russia mutual interest to contain the US power. The open-ended US commitment to remain in the region and the various complexities of US-Russia relations have prompted the Iranian strategists to wonder about both the durability of goodwill between Iran and Russia and Russia's ability to withstand US pressure to scale down or even reverse its ties with Iran.

The West's, particularly the US's cushion of comfort, against a Russian sellout of Iran is based on their calculation with respect to Russia's own fear of undue US influence on its traditional turf requiring Iran and the role of interlocking economic, energy, and military relations with Russia. This includes Russian sale of peaceful nuclear technology and conventional arms to Iran, as well as joint ventures in the energy and transportation fields. Iran has invited the Russian oil companies to participate in operations on the giant South Parsian gas field shared with Qatar. This is part of more comprehensive, long-term energy cooperation likely to include Russia's involvement in the energy sector of Iran in the South Caspian.

For the moment, Iran is not a part of any regional security arrangement. Since 1996, Iran and Saudi Arabia have engaged in a low-security bilateral agreement, invoking the "twin pillar" image of the pre-revolutionary years, and it is not far-fetched to think that Iran could gain observer status at the Gulf Cooperation Council (GCC) as it did shortly after the Kuwait crisis in 1990. In the absence of any immediate prospect for such a development, Iran has focused its attention for alternative security arrangements including the SCO. Iran's membership could compensate for the recent lapses in Iran-China relations, which have yet to fully recover from the setback caused by China's decision in mid-1990s to scrap a technology sale to Iran under US pressure. The United States' recent decision to impose sanctions on several Chinese companies for violating the US sanctions on Iran was perhaps geared to forestall any resumption of full-scale

Iran-China arms and non-arms associations.<sup>18</sup> Iran's comfortability with Russia may prove sufficient reason for China to lure Iran to the SCO in order to balance Iran's regional inclines.

### *How Mutual Benefits would be Derived?*

Iran recognizes the need for regional cooperation in the field of trade, energy, transport and infrastructure not because of increasing level and intensity of interdependence among the regional neighbours, instead it is because of low level of regional interdependence. Iran is currently looking for markets for non-oil exportable for partners in energy development, for help in integrating into the global economic system, and for the infrastructure to allow the country to take opportunity of its strategic location between Turkey and the Arab states in the West and South Asia in the east, between the Caucasus, Caspian and Central Asia in the north and the Persian Gulf in the south. State-led trade promotion and infrastructure projects which are pivotal to the country's regional policy can provide impetus to development and regional integration. However, it is widely believed that developing interdependent economic, social, cultural relations with other countries in the region will contribute to peace and stability by generating shared interests, mutual understanding and trust. Nevertheless, there is difficulty in finding partners for the construction of roads, railways, pipelines and power grids to link its infrastructure with that of the countries of Central Asia and the Caucasus. Some of the problems are recent US hard line about Iran; strategic positioning of the US and the west-led NATO in some countries of Central Asia and the Caucasus; and the politics of identity in the countries of Central Asia and the Caucasus is focused on nation building, not cultivating regional consciousness.

Realizing the importance of a strong Middle East ally in the SCO, both Russia and China have made Iran a high organizational priority. Russia's Foreign Minister Sergei Lavrov and Iranian Ambassador to Russia Gholam-Reza Ansari met in July 2005 to discuss the importance of Iran's membership in the SCO. The Iranian Ambassador indicated that the SCO would manage to play an active role in setting

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<sup>18</sup> S. N. Macfarlane, "The United States and Regionalism in Central Asia", *International Affairs*, Vol. 80, No. 3, 2004, pp. 447-462.

regional issues.<sup>19</sup> However, Russia's priorities in the Organization are economic and security. They view SCO as a self-sufficient organization whose members have parallel and harmonious interests, and the Organization has not been formed as an alternative to or an instrument of opposing any other state or group.<sup>20</sup>

Becoming a member of the SCO will be beneficial for Iran is manifold. Iran should have strong allies to effectively (and immediately) defend its sovereign rights. As aforementioned, Iran does not have strong security ties with big powers like China and Russia which would be possible if it can become a member of the Organization. A common military and security platform will provide Iran formidable strength in other areas as well.<sup>21</sup> On the other hand, Iran is China's third biggest supplier of crude oil. SCO membership will permit Iran to formulate a joint energy policy and cooperation framework which would serve as a tool for becoming free from the west-led UN's economic sanction.<sup>22</sup>

The SCO is a cooperation mechanism based on the two wheels of security and economy. The general trend of Central Asia is with gradual stability of the regional security environment, the demands for economic development of all the countries there will grow sharply, which is also the trend of the whole world. Economic cooperation has the greatest affinity and expansive force and is the most tight and most lasting adhesive linking interests of various countries. In the long run, economic cooperation will be the most important and active factor for pushing ahead the SCO and the most important factor for attracting its members, especially Central Asian countries. If the SCO can not timely and obviously increase its content of economic cooperation, its capacity of functional expansion will be restricted.

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<sup>19</sup> F.W. Stakelbeck, "The Shanghai Cooperation Organization", *Front Page Magazine*, 8 August, 2005, available at <http://www.frontpagemagazine.com>, accessed on 17 August 2006.

<sup>20</sup> *Ibid.*

<sup>21</sup> <http://english.aljazeera.net>, accessed on 17 August 2006.

<sup>22</sup> Centring on Tehran's "ambitious" nuclear power plans. See, for details, W.Q. Bowen and J. Kidd "The Iranian Nuclear Challenge", *International Affairs*, Vol. 80, No. 2, 2004, pp. 257-276.



In this context Iran's membership in the SCO would also open up new avenues for the member countries in trade, investment, and energy cooperation. Being one of the most affluent in energy resources it may gain a bargaining position and key player in global oil supply. New investment in Iran's oil and gas fields as well as trade agreements would enhance economic and energy security of the SCO members, particularly China. Therefore, China should re-think about the inclusion of Iran sooner than later.

*What would be Iran's Strategic Outlook and Perspectives on the SCO with respect to Western Position?*

Since the late 1980s, Iran has pledged regional relations and coalition building increasingly important in its foreign policy.<sup>23</sup> The Middle East as a whole is generally seen as being exceptionally resistant to regionalism, and the few regionalism initiatives launched there generally exclude Iran. Therefore, studies on Middle Eastern regionalism often deal exclusively with Arab regionalism, or with attempts to link Arab states with Israel in the context of the Middle East peace process.

The prospects for Iran's engagement in multilateral regional cooperation with its new northern neighbours in the 1990s looked less promising. Iran's image in the eyes of post-Soviet elites of Central Asia and the Caucasus was more negative than its image in the Middle Eastern and western countries — none initially viewed Iran as a natural partner. Iran was automatically excluded from the majority of multilateral groupings and frameworks developed in the 1990s since membership of these was restricted in the most cases either to the former Soviet republics or to members of Euro-Atlantic organizations.

Given this backdrop, Iran has expressed interest to join the SCO and the Arab League. One of the constant themes of Iran's statements on regionalism has been self-reliance among regional states and exclusion of extra-regional powers. Now, Iran's geographical position, size, economic height and military size provide it the potential to play pivotal role in a number of regional configurations like the Persian

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<sup>23</sup> E. Herzig, "Regionalism, Iran and Central Asia", *International Affairs*, Vol. 80, No. 3, 2004, pp. 503-517.

Gulf, Central Asia and the Caspian Basin. The collapse of the Soviet Union gave rise to a new awareness in Iran of the possibilities presented by the combination of the country's strength relative to the other regional states and its geographic locational advantages at the heart of the Eurasian continent (Heartland Eurasia). Participation in groupings that exclude extra-regional powers holds out the prospect of allowing Iran to fulfil its proper role in the way that the country cannot currently do within the international system subject to current relationship with the US-led West centring on nuclear issue. That is why Iran has consistently favoured formation of new regional structure for the Persian Gulf states.

However, Iran's interest in using regionalism to exclude the US has frequently been counterproductive while engaging neighbouring countries in cooperation. For example, Turkey, Azerbaijan, Armenia, etc. who are Iran's neighbours welcomed the US military presence in their region as an effective way to ensure their security in relation to regional power like Iran. Geopolitics was an important factor in explaining Iran's interest in regionalism in early 1990s. But today its strategic dilemma is not shared by any of its regional neighbours, and now geopolitics does not provide a basis for its regional cooperation. Still Iran's inclusion in the SCO would serve as a shade of against the west. Iran's military and security set up is likely to be enhanced due to formal security ties among the members, in particular Russia and China.

## **VI. Possibility of Changes in the Regional Strategic Configuration**

An important change in the Central Asian strategic posture is that the US has entered Central Asia in an all-round way in the new millennium. It began to enter the region after the dissolution of the former Soviet Union, including military access. After 9/11, the US has improved relations with all the countries except Iran in the region, including those it showed indifference to and those it criticized on the grounds of their political systems and cultures. In view of the substantial strengthening of US presence in Central Asia and Caucasus, the improvement of US relations with India and Pakistan, US decisive role in Afghanistan and the strengthening of US traditional alliance relations with Turkey after 9/11, the Grand Central Asian region has

become for the first time a complete strategic region in the US diplomacy and the US has also become a country with the most diplomatic resources and influence in the region. After the US put so many political, military and economic resources in this region, its importance and interests to the US have been enhanced and the US will not make a strategic withdrawal from the region. Russia's control of and influence in Central Asia had been greatly weakened, but it remained the country with the most political, economic and security influence on the region. Besides, after Putin assumed office in 2000, Russia increased its input in the Commonwealth of Independent States (CIS) and Central Asia and its influence on the region rebounded and picked up the momentum. After establishing diplomatic relations with five Central Asian countries, China began to take an increasingly active attitude to its access to Central Asia.<sup>24</sup>

The SCO stems from border security. Border involves national security and common border often becomes the basis of a special relationship between countries. The emergence and development of terrorism, separatism and extremism widely spread in Central Asia had internal and external reasons. The growing US presence in Central Asia has radically distorted the political topography of the region; it has uncovered the limitations of the SCO and will force Russia and China to alter their strategies *vis-à-vis* the security and military concerns of the SCO states. The initial appearance of US troops in the region underscored the internal dissension among SCO members: the Central Asian states embraced the arrival of US troops on their military bases, while Russia and China were shocked by their arrival. For Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan, positive relationships with the US unlocked new opportunities to obtain political and economic aid from the West. Such relations allowed these countries to complement Sino-Russian attempts to court them with new western attention. Reciprocally, the US and its allies have enjoyed the free use of their territory in order to stage military operations into Afghanistan.

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<sup>24</sup> Z. Huasheng, "New Situation in Central Asia and Shanghai Cooperation Organization", *SIIS Journal*, (2), 2003, available at <http://www.sis.org.cn>, accessed on 01 September, 2006.

Iran's inclusion in the SCO will not bring about any significant change in the regional strategic set up given the US presence in Central Asia, particularly in Afghanistan. Although China and Russia have recently been somewhat vocal against US or extra-regional military presence in Central Asia, the US-led ongoing war on terror does not seem to be coming to an end very soon.

The SCO although has provided Iran the observer status, it feels shy of its inclusion as a member from the ground that it would worsen the relationship of Russia and China with the west. Unfortunately, the Middle East has become a field of bloodshed because of vested interest of the current unipolar world. Therefore, it would be rationally expected that this situation will never be stopped until and unless at least a major player emerges in the region. Stability in the Middle East would not only reverse destruction of the great civilizations of the world, but also restore stability of energy supply and greater economic and social security and flourishing human quality in this part of the world.

## VII. Conclusion

There has been a general resurgence of regionalism in the post-Cold War international order, since early 1990, resulting in regional and sub-regional groupings involving the Central Asian countries.<sup>25</sup> The states have also been involved in increasing frequency in conflicts among themselves, including trade war, border disputes and disagreements over the management and use of water and energy. The relocation of Central Asia from the periphery to the center of the US's area of strategic interest following 9/11 served to deepen extant fault-lines within the region, further reducing the prospects for enhanced cooperation, appearance of a pan-Central Asian regional identity and of course greater Asian regionalism. The recent crisis has exacerbated the US concerns that Iran has made significant progress towards acquiring nuclear weapons despite US's international efforts to control trade in nuclear technology.<sup>26</sup> A regional structure that combines Central Asia and the Caucasus under the aegis of SCO would be a

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<sup>25</sup> A. Bohr, "Regionalism in Central Asia: New Geopolitics, Old Regional Order", *International Affairs*, Vol. 80, No.3, 2004, pp. 485-502.

<sup>26</sup> Bowen and Kidd, 2004, *op cit.*, p. 264.

balancing effect in the region. Asian regionalism is expressed in terms of inclusiveness of other regional grouping like South Asian Association of Regional Cooperation (SAARC) and ASEAN Regional Forum (ARF). The current policy of exclusiveness particularly for Iran<sup>27</sup> does not demonstrate the Organization's characteristic of greater Asian regionalism. In order to overcome this crucial limitation, the SCO must be more inclusive and out of fear.

However, the SCO should come forward for normalizing Iran's relationship with the west for the betterment of their own as well as greater stability, security and economic well-being in Central Asia and the Caucasus, Caspian Sea, East and Southeast Asia and even poor but growing South Asia as their economic performance is greatly dependent on oil supply from the Middle East. On the other hand, under the umbrella of the SCO Iran's flourishing as a power in the Middle East would bring about and eventually strengthen peace and stability in the region.

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<sup>27</sup> It is an important and integral part of the Middle East as well.