

The EU and the Shanghai Cooperation Organization¹

Oksana ANTONENKO

In June 2007 the European Council under the German Presidency adopted the EU strategy towards Central Asia: "The EU and Central Asia: Strategy for a New Partnership." The decision opens a new chapter in the EU's relations with this increasingly important region. In December 2006 Frank-Walter Steinmeier, the German foreign minister, identified three EU interests in Central Asia: firstly, its strategic location close to instability in and around Afghanistan, Pakistan and Iran; secondly, the region's struggle – so far successfully – to contain Islamic fundamentalism; and thirdly, Central Asia's vast energy resources.

Although the EU has been active in Central Asia since the collapse of the Soviet Union and has contributed over 1bn Euro in aid under the Technical Assistance to the CIS (TACIS) program, its presence in the region and its influence over regional development has been small and clearly disproportional to the actual size of its contribution to such important projects as the Border Infrastructure Development program and other cross regional initiatives. The new strategy aims to revise the EU's approach to the region and to develop new policies which could give the EU a greater profile and better "value for money" on its assistance.

Moreover, the EU is striving to develop a more coordinated approach, in place of largely bi-lateral strategies implemented by a number of EU states with traditionally strong interests in Central Asia. The first step in this direction was the appointment of the EU Special Representative (EUSR) for Central Asia who has been working with all EU institutions and member states to promote a common approach to the region and to raise its importance within the EU policy-making mechanisms.

After the EUSR, the recent adoption of the Common Strategy marks the second important milestone in the EU policy towards Central Asia. This strategy has been a result of three powerful trends within the EU.

Firstly, after EU enlargement, its Eastern dimension has gained greater importance. Initially, the EU focused its efforts on countries in the immediate proximity to its borders – in Eastern Europe and the Black Sea Region (including the South Caucasus) which were included in the EU's European Neighborhood Policy (ENP). In parallel the EU has been developing a special relationship with Russia, which opted out of ENP in search of an "equal" relationship, based on the mutually

¹ Part of this paper has been already published in April 2007 by UK-based Center for European Reform as policy brief "Why the EU should not ignore the Shanghai Cooperation Organization."

agreed Four Common Spaces approach. However, it was soon apparent that the enlarged EU cannot limit its engagement to its direct neighborhood. Therefore Central Asia with its vast energy resources and important geo-strategic location, bordering on Afghanistan, has become a subject of a new engagement strategy on the part of the EU.

The second trend is that the EU has been developing a new dialogue with Asia, including closer partnerships with Japan and China. Central Asian states, which are gradually redefining themselves as essentially Asian powers (as opposed to post-Soviet states), are seen as part of the EU's Asian policy.

The third trend is that energy security is becoming a major source of concern for the EU. EU policy towards the Central Asian states was brought into focus following Russia's decisions to cut off gas supplies to Ukraine due to a price dispute, and as a result economies of a number of EU states were affected by the unexpected interruption in supply. Moreover most new EU member-states, who now have a powerful voice within the Union, particularly on Eastern policy, have suspected that Russia's decision to cut off gas to Ukraine could have been politically motivated. These states are not comfortable with being overwhelmingly dependent on Russia for their energy supplies. In other parts of the EU the trend is also towards increasing dependency on energy imports from Russia. This is taking place against the background of worsening EU-Russian relations which are currently deadlocked. Thus there is a growing concern that in the long run economies of the EU member states could become more vulnerable to potential interruptions to supplies. Under these circumstances, Central Asia is seen as a region which could help the EU diversify the sources of its energy imports and thus strengthen Europe's energy security.

The partnership approach elaborated in the newly adopted EU strategy towards the region marks a major transformation of EU policy. Firstly, the EU is developing a more nuanced policy. During the 1990s and until 2006 the EU policy was based on the assumption that all Central Asian states are facing similar challenges, as countries in transition. Therefore, its assistance programs did not take into account the significant specifics and different challenges faced by each Central Asian country in its development needs. The new strategy acknowledges the major changes which took place in Central Asia states and the need to develop a specific set of priorities for the engagement with each individual country.

Secondly, the EU will now closely consult with Central Asian states on its key decisions and will consult closely with each of the Central Asian states in developing specific cooperation and assistance strategies. This marks a departure from its previous position, whereby the EU developed its approach to the region from EU capitals and Brussels.

Thirdly, although the EU will continue to promote regional cooperation in Central Asia wherever possible and encourage countries to implement joint pro-

jects, it now recognizes that regional cooperation, and integration in Central Asia, is a slow process, and therefore bi-lateral engagement has been given a greater priority. For these purposes the EU is planning to expand its diplomatic presence on the ground in Central Asia, moving from one EU Commission office for the entire region in Kazakhstan towards the establishment of EU representative offices in each Central Asian state as well as increasing the number of EU states embassies in the region. The importance of these offices could increase further after the adoption of the Lisbon Treaty in October 2007, which is designed to streamline the EU decision-making process and establish what could be seen as the EU embassies working directly with the EU Foreign Minister. However, it remains in doubt to what extent major EU member states are prepared to subordinate their national policies in Central Asia to one of the EU as a whole. In the near future national policies will dominate at least so far as Germany, UK, France and a number of other EU states are concerned. These policies are often based on a largely diverging agenda as exemplified by the on-going debate over the need to lift EU sanctions against Uzbekistan.

Finally, the EU has declared that it is prepared to enter into an open and constructive dialogue with regional organizations in Central Asia and to establish regular and ad hoc contacts, i.e. with EURASEC, the SCO, CSTO, and other organizations. Such preliminary contacts have already taken place.

This paper analyses interests, opportunities and limitations for the EU's greater engagement with the Shanghai Cooperation Organization (SCO), which includes Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Russia and China as full members, and Iran, India, Pakistan and Mongolia as observers.

The SCO, though little known in Europe, has become a dynamic, influential and ambitious regional organization, stretching across a large part of the Asian continent. In the six years of its existence the SCO has already become much more than a talking shop, spawning cooperation in areas such as security cooperation, common economic projects and the harmonization of laws. In 2007 the SCO has demonstrated a wide scope of its regional ambition by holding the largest military exercises in its history when Russian and Chinese troops were joined by four Central Asian states, as well as by expanding economic cooperation in different areas including energy dialogue. Moreover, the SCO has drawn the attention not only of SCO states and observers but also that of Western policy-makers who, while still showing a degree of mistrust and suspicion, have nonetheless acknowledged that the SCO has become a real force in Central Asia. Finally in 2007 Turkmenistan, the last of Central Asian states being outside of the SCO, has shown some signs of interest in the organization. Following the change of government in Turkmenistan, its new leader took part in the SCO Bishkek summit in August 2007. If Turkmenistan with its large gas reserves and important geo-strategic location joins the SCO in some form, it could further strengthen organization's role in

Central Asia.

However, the SCO has failed to resolve three of its key dilemmas or internal challenges. Firstly, it has failed to find a formula and political consensus on future enlargement, which is required to keep its observer states – all of whom have expressed interest to join as full members – fully engaged in the organization. Secondly, it remains torn between its identity as a security organization – as Peace Mission 2007 military exercises were designed to demonstrate – and an economic organization. In the future this duality could present a real challenge for developing the SCO. If it wants to continue developing its economic dimension it needs to become more open and inclusive, which is not possible for a security alliance. The third unresolved challenge for the SCO is the role of Islam in its identity. Since both Pakistan and Iran are among SCO observers and Afghanistan take part in all summits of the SCO, it has to moderate its position on Islamic identity of Central Asia and stop equating Islamic groups with extremists or terrorists. Moreover, Iran's involvement in the SCO, although can be justified based on its historic role in the region and its energy potential, represents a further challenge facing the SCO, especially since the West, including the EU and the US, are seeking to isolate Iran in order to compel it to abandon its suspected nuclear program for military purposes. Therefore involvement of Iran in SCO mechanisms including its economic cooperation could emerge as a major block for closer dialogue or cooperation between the SCO and the EU or the West in general. This can be resolved if the SCO demonstrates its willingness to use its leverage with Iran to reinforce the message from the IAEA and the UN Security Council.

Against the background of the growing influence of Russia and China – two key players within the SCO – in recent years, the western influence in Central Asia has declined. And that has made the SCO more important. For a while it looked like the Chinese took the SCO much more seriously than the Russians. But that seems to be changing. In September 2006 at a meeting with members of the Valdai Club, Vladimir Putin stated:

“We did not plan the SCO to be so prominent — it was established to address trivial matters such as border demarcation. But then it started to develop, and there is now a real demand [for a strong SCO], which is why others want to join. There is an objective need for centres of power and influence in the world, so we responded, but we had not planned it that way. The SCO has great prospects but will not become a politico-military bloc, it is an open type of organization. We must take into account the complex balance of forces in Asia and we do not want to over-burden the SCO. So we'll be responsible in expanding the SCO. It is not against anyone but promotes the interests of its members.”

However, there are constraints on the SCO's development. For one thing, the

Central Asian states are inherently weak. For another, the SCO lacks the kind of supranational institutions that have allowed the EU to achieve so much. The SCO remains purely a creature of its governments. Furthermore, neither Russia nor China is an instinctively multilateralist country, at ease with international organizations.

A more fundamental problem is that the SCO is beset with internal contradictions. One such contradiction is the rivalry between Russia and China. Russia may become uncomfortable with China's apparent domination of the organization. China favors an SCO with an emphasis on economics, while Russia prioritizes security. However, Russia seems to be reassessing its views of the SCO. In September 2007 at another meeting of the Valdai Club Group the First Vice-Prime-Minister and the former Defense Minister Sergei Ivanov, who was seen as one of the proponents of the "security identity" for the SCO, stated directly that the SCO now is not a military bloc but an economic organization. This view is very similar to that expressed by President Putin a year earlier. However, despite this attitude, Russia remains opposed to transforming the SCO into a free trade area or a single market. But China will keep pushing for such goals. Finally, there are different views on the SCO's geo-political role. SCO members disagree over the degree to which the SCO should be anti-western. China and to some extent Russia want the SCO to counterbalance the West. Kazakhstan, Kyrgyzstan, Mongolia and India do not.

Given that the SCO has emerged as the most influential multilateral institution in Central Asia,² the EU should be ready to work with it. So far, however, the EU has not developed a relationship with the SCO. It has no clear policy towards the organization. However, the growing importance of the SCO offers a compelling rationale for a new EU approach, based on dialogue and engagement.

The EU is a multilateral organization whose basic ethos is opposed to a zero-sum "great game" approach to geopolitics. So it should be well-placed to approach the SCO constructively. If the EU engaged with the SCO it might better understand Russia's and China's key objectives in Central Asia – namely security, stability and development. A dialogue with the SCO would not prevent the EU from raising concerns on democracy and the rule of law.

² Other regional organisations involving Central Asian states include the Economic Cooperation Organization (ECO), the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EurAsEc), the Collective Security Treaty Organization (CSTO), as well as loose groupings such as the Conference on Interaction and Confidence-Building Measured in Asia (CICA) and the Asian Cooperation Dialogue (ACD). The only truly regional organization – the Central Asian Cooperation Organisation (CACO) – established by the Central Asian states themselves in 1991 – merged with the Russia-dominated Eurasian Economic Community in 2005.

Why is the SCO important to the EU?

And why is the EU particularly well-placed for developing relations with this organization?

First, *the SCO could play a major role in Central Asia's economic development*. Europe has a clear interest in Central Asia becoming prosperous and secure. If the region develops the wrong way, Europe may face problems from terrorist networks based there, interrupted energy supplies or increasing flows of illegal immigrants.

For the Central Asian states SCO represents a useful potential tool for engineering strong regional economic growth. This could happen via the institution itself, or bilaterally among its members and observers. Landlocked Central Asia cannot gain access to ports and major international transport corridors without cooperating with big neighbors such as China, Russia, India and Iran. Other sources of economic assistance – such as the EU, the US, Japan or the Asian Development Bank – play an important but secondary role. If the SCO eventually manages to realize its ambitious economic integration agenda, including the creation of a free trade zone and a set of rules for the free movement of goods, services and technologies, a strong EU-SCO relationship would bring the Europeans major trade and investment opportunities.

Secondly, *because the SCO has competence on energy matters*, it could become relevant for Europe's energy security. The SCO membership includes two of the largest global energy producers outside OPEC, Russia and Kazakhstan, as well as two of the largest potential consumers, China and India (India is just an observer though). Since the 2007 SCO summit in Bishkek the idea of creating an SCO energy club has been discussed. Although it is far from being implemented and members often compete over energy resources or transportation routes, but it is possible that in the future the SCO could find some form of consensus over a more cooperative, diversified and inclusive strategy for exploiting and transporting its vast energy resources. Europe will continue to depend on Russia for oil and gas imports and might in the future compete with China over Eurasian energy resources. So a dialogue between the SCO and the EU on energy security could provide a forum for their members to discuss issues such as the transparency of domestic energy sectors and the diversification of energy supply routes. The two bodies could work together to develop strategic projects involving energy transit routes from China to Europe.

Thirdly, *Russia and China are important partners for the EU*. While the EU will of course attach more importance to bilateral partnerships with Russia and China, an SCO-EU dialogue could help to reinforce these bilateral relations – especially since Moscow and Beijing consider the SCO a foreign policy priority. The SCO has become a sign of both China's growing ambition as a global and re-

gional power, and its caution over provoking anxiety and suspicion through unilateral action. For Beijing, the SCO is a vehicle for managing China's peaceful rise. Russia views the SCO as a means for maintaining its role in post-Soviet Central Asia, and balancing the influence of China and others. Neither Russia nor China views the EU as a challenge in Central Asia. Thus the EU and the SCO are not destined to become rivals in the region.

Fourth, *the SCO aims to tackle security issues, many of which matter for the EU*. The EU and the SCO share a common interest in cooperating to disrupt terrorist networks. Both want to stabilize Afghanistan (where several EU states have troops in the NATO-led mission). The SCO has established a special working group on Afghanistan, though this has not yet achieved much. Conceivably, the SCO might one day play a role in putting pressure on Iran – one of its observer states – to abandon its nuclear ambitions. A strong EU-SCO dialogue might encourage the SCO to consider such pressure. Conversely, hostility between the EU and the SCO could encourage countries in the latter to deepen ties with gas-rich Iran, thereby reducing the effectiveness of any sanctions against it.

Therefore, *the SCO matters for reasons of geo-strategy, economics and security*. However, so far the attitude towards the SCO among European policy-makers and analysts has been – as in the US – predominantly dismissive, negative or even hostile.

History of suspicion

Although the growing “economization” of the SCO opens an opportunity for joint projects with Americans and Europeans, its relations with them have become difficult. In 2001 the US and some European governments tended to dismiss the establishment of the SCO as a hollow symbol of declining Sino-Russian influence in Central Asia. Its role looked particularly uncertain after 9/11 when, despite their initial opposition, Russia and China acquiesced in the presence of American and other coalition troops in the region. But by 2004 US influence in the Central Asian states was starting to decline. Their hopes that the post-9/11 partnership with the West would bring significant economic and political benefits had failed to materialize. For example, none of the Central Asian states backing the coalition won any significant contracts for rebuilding Afghanistan. Later, the threat of “color revolutions” prompted some of them to reassess their ties with the US and to nestle up to Russia and China, which offered support for the existing regimes.

As the SCO started to gain visibility, it began to provoke concerns in the West, particularly in the United States. These concerns were reinforced in 2005 when Uzbekistan refused to extend the lease on the US airbase at Karshi-Khanabad. Then at the July 2005 Astana summit the SCO adopted a strongly-worded declaration, asking countries in the US-led coalition to withdraw their forces from Central Asia. The point of the Astana declaration was to demonstrate a regional

consensus regarding the “temporary” nature of the western military presence in Central Asia. Russia, China and Uzbekistan were strongly in favor of it.

In fact the declaration had little practical impact: since July 2005 Kyrgyzstan, and to some degree Tajikistan and Uzbekistan, have continued to provide facilities to various members of the western coalition. But the political impact of the declaration was important. The Astana summit marked a watershed not only in SCO policies towards the West, but also in western perceptions of the SCO. In the US and Europe, there is a growing perception of the SCO as a rival or an emerging threat to western interests in Central Asia. Three major arguments underpin this view.

The first is that *the SCO is trying to push the US and other members of the coalition – now under ISAF many EU states are part of it – out of Central Asia*. According to this analysis, the Astana declaration threatens the prospect of a successful completion of the Afghanistan operation. Moreover, the SCO appears to be an anti-western institution that embraces those regimes – like Iran or Uzbekistan – which the US and to some extent the EU seek to isolate. Such concerns were only reinforced by Iranian President Mahmoud Ahmadinejad’s attendance at the 2006 SCO summit, at which he attacked the West and ensured that official statements endorsed Iran’s right to have a civilian nuclear program.

The second, and related argument is that *the SCO is turning into a new military bloc, dominated by Russia and China, which is seeking to contain the western military presence in Central Asia*. This view has been reinforced by the SCO’s growing emphasis on security cooperation, including the 2006 agreement on joint anti-terrorist exercises, and the 2005 declaration on strengthening cooperation on fighting terrorism, extremism and separatism. The SCO’s security cooperation has provided little support for the continuing NATO operations in Afghanistan. Moreover, China’s growing military power, largely built upon Russian high-technology weaponry, is seen by many US experts and policy-makers as a long-term threat to the West. This makes the SCO’s military cooperation a matter of concern.

The third argument is that *the SCO has become a club of dictators* that seeks to preserve undemocratic regimes. Unlike the EU and the US, the SCO supported Uzbekistan’s actions in Andijan in May 2005, endorsing its claims that the use of force was justified on grounds of national security. Moreover, SCO members have come out strongly against the color revolutions, including the supposed “tulip revolution” that brought down Askar Akaev’s regime in Kyrgyzstan. The new Kyrgyz government has struggled to contain rampant crime, economic decline and increased emigration, while few of the country’s citizens believe that they live in a democracy.

These arguments do reflect a number of *real limitations on the potential EU-SCO cooperation*. On the one hand, the EU and the SCO have different views

on the fight against terrorism, in areas of impact, on democracy and human rights, as well as on the rights of minorities. The EU is concerned over some practices, now more widespread within SCO member states, of using the threat of terrorism as a cover for suppressing or eliminating legitimate domestic opposition. There is also concern about the use of “extremism” charges against moderate Muslim groups who are deprived of practicing their religion freely. Finally, there is concern about rights of ethnic minorities in all SCO states and how these rights could be limited under the “struggle against separatism” agenda. There is no doubt that any EU-SCO dialogue will have to address these issues. By nature of its identity the EU, as a multinational group uniting democracies, cannot focus its relations with any outside player solely on interests; it has to also promote democratic values and practices, whenever these values are seen to be violated. This is the reason for the maintenance of EU sanctions against Uzbekistan. However, in the case of Uzbekistan and Russia – two important SCO members – the EU conducts regular human rights bi-lateral dialogues, which could be expanded to other SCO states and be supplemented by multilateral discussion of these issues.

As for other concerns about the anti-Western nature of the SCO or its identity as a military bloc, a number of facts suggest that these concerns are exaggerated. First, the SCO includes Kyrgyzstan and Kazakhstan, which still maintain close ties with the EU, NATO and the US. Secondly, the admission as observers of India and Mongolia – both closer partners of the US – shows that the organization is not building an anti-western identity. Thirdly, in some ways the SCO resembles other Asian organizations – such as ASEAN, the Economic Cooperation Organization (ECO)³ or the Asia Cooperation Dialogue⁴ – which adhere to the principle of non-interference in internal affairs and therefore tend not to challenge or criticize undemocratic regimes. Even India, the largest democracy in the world, refrains from criticizing the domestic affairs of the Central Asian states, and is busy expanding its ties with Uzbekistan, Tajikistan and Kazakhstan.

SCO-EU relations: the case for engagement

The EU should overcome its suspicions and engage with the SCO. An emerging international actor such as the EU cannot ignore the SCO and needs to formulate

³ The Economic Cooperation Organization was established by Iran, Pakistan and Turkey in 1985 to promote economic, technical and cultural cooperation. It was expanded in 1992 and now includes Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.

⁴ Asian Cooperation Dialogue (ACD) was established in 2002 and includes 30 Asian states. It functions as an annual meeting of foreign ministers. It now includes three Central Asian states (Kazakhstan, Tajikistan and Uzbekistan), Russia and China, as well as Southeast Asian and Gulf states.

a clear policy towards it. There are early signs that this process is under way – internal EU papers prepared for the Political and Security Committee of the Council of the European Union note the SCO's rising importance and argue for the EU to strengthen its relationship with the organization.

As a multilateral institution with long experience of economic integration, the EU is well placed to take the initiative in promoting dialogue with the SCO. Although the SCO countries do not see the EU as a strategic actor, they think it can promote regional cooperation and economic development in Central Asia.

A dialogue with the SCO could assist the EU in fulfilling several of its key objectives, such as deepening ties with Russia and China, promoting economic development in Central Asia, tackling soft security threats that emanate from the region (such as drug trafficking and migration), and enhancing its energy security. The dialogue could also cover counter-terrorism, given that several terrorist groups – such as Hizb ut-Tahrir and various networks linked to the Taliban – are of concern to both EU and Central Asian governments.

There has been some modest contact between the SCO and the EU. The High Representative for foreign policy, Javier Solana, met the SCO's then secretary-general, Zhang Deguang, in China in 2004. In July 2005 the EU appointed Jan Kubis, a Slovak, as the EU special representative (EUSR) for Central Asia, signaled that the Union wished to play a more active role in the region. His mandate specifically referred to the “development of appropriate contacts and cooperation with the main interested actors in the region, including all relevant regional and international organizations.” Kubis was well known in Central Asia as he worked on the peace process in war-torn Tajikistan in the mid-1990s when he was secretary-general of OSCE. But as EUSR Kubis did little to deepen ties between the SCO and the EU. He focused mostly on democracy and human rights in places like Kyrgyzstan, on conveying EU demands for an international investigation of the events in Andijan, and on promoting the EU's limited economic assistance programs. In October 2006 the Council of Ministers appointed Pierre Morel, a French diplomat, as the new EUSR for Central Asia. Morel has made a number of trips to Central Asia and met with SCO representatives. However, he too remains skeptical about institutionalized engagement but is open to ad hoc pragmatic cooperation on matters of common concern. It is precisely such strategy which is the most appropriate for the EU-SCO dialogue in the foreseeable future.

The appointment of the EUSR has so far done little to raise the EU's profile in Central Asia. This is because the member-states, rather than the EU itself, take the lead in dealing with the Central Asian states. The EUSR needs to foster a new EU strategy for Central Asia that looks beyond the short-term agenda and focuses on long-term priorities and mechanisms for EU engagement. For the time being, it would not be feasible for the EU to extend its “neighborhood policy” to the Central Asians (that is the policy through which it offers trade, aid, participation in

EU programs and political dialogue in return for precise commitments on economic and political reform from governments in Eastern Europe, the Caucasus and the Middle East). But the EU should make serious efforts to encourage regional cooperation, economic development, regional security and domestic reform throughout the region. An EU-SCO dialogue could help to advance those objectives.

The German presidency has promised to formulate a new EU strategy for Central Asia. It hopes to increase cooperation with the region in areas like energy, counter-terrorism and migration. Germany has long been the most active EU country in Central Asia. It tends to favor a soft touch in handling autocratic governments. Thus it tried – and failed – to lift EU sanctions on Uzbekistan in November 2006 and again in March 2007.

Both the Commission and the Council of Ministers have been working hard on a new strategy for Central Asia. Early in 2007 they produced a joint paper, which calls for more Commission offices in the region, more support for NGOs, help with the states' World Trade Organization accession (Kazakhstan is already in), and in particular, aid for their oil and gas industries. The paper mentions support for an integrated Central Asian energy market; for the infrastructure of a Caspian-Black Sea energy corridor; and for extending the principles of the European Community South East Europe treaty to the region.⁵ The paper also emphasizes that the EU should differentiate between the different Central Asian states. It calls for the EU to develop much closer ties – including some ideas borrowed from the neighborhood policy – with Kazakhstan, because of its strategic importance, and Kyrgyzstan, because of its relatively pluralistic political system. The paper says little about the SCO, suggesting that the EU institutions remain wary of much closer contact between the two organizations. However, in internal discussions the Political and Security Committee of the Council is being advised by its staff to deepen contacts with the SCO. An April 2007 working paper makes the case for the EU to initiate exchanges on key themes of interest to the EU such as energy and counter-narcotics.

The EU has not included Central Asia as an area to be covered by the new European Neighborhood and Partnership Instrument, which has replaced TACIS for the ENP states and Russia. However, the new Development Cooperation Instrument, which is open to developing countries worldwide, does cover the region. The EU plans a significant increase in funding for the region in the period 2007-2013, to €719 million (at constant prices). Annual average allocations will grow by 61 per cent from €60 million in 2006 to €139 million in 2013. Thirty per

⁵ In October 2005 the EU member-states and all the Balkan countries signed the Energy Community South East Europe Treaty. This sets out a road map for the Balkan countries to adopt the EU's *acquis communautaire* in the field of energy.

cent of the total will be for promoting regional cooperation, and the rest will be for bilateral programs. The Central Asians are also eligible for other funds designated for thematic programs. At the time of writing it is not clear what the Germans can achieve during their presidency. The Europeans are far from united in their approach to Central Asia. The Nordic countries, which care most about human rights, are reluctant to increase contacts with governments that abuse them. And when France and Germany campaigned during 2006 – alongside Russia – for Kazakhstan to take over the chairmanship of the OSCE, Britain led a group of member-states that blocked this move, on the grounds that the country's human rights record was not up to scratch.

Of help may be the fact that Tajikistan has taken on the SCO presidency for 2008. Recently Tajikistan has emerged as an increasingly important player in the region due to its location bordering Afghanistan and its willingness to provide assistance to NATO's International Security Assistance Force operating in Afghanistan. Moreover, Tajikistan is likely to emerge as a major economic player in the region due to its hydropower resources. Tajikistan has developed major economic projects with both China and Russia and has welcomed foreign investors. It has good relations with the US and many key EU states, as well as with India and Iran.

The EU-SCO interaction could take the form of an informal summit between the two sets of leaders, or a more modest presence of EU officials at SCO summits, or a special conference involving European and SCO officials and experts. The dialogue should focus on five priorities:

- The two organizations should reaffirm the importance of economic development in Central Asia, and identify potential areas or specific projects where they could cooperate. Such projects should build on the SCO's own priorities and on the new EU's Development Cooperation Instrument. Projects could cover areas such as poverty reduction, agriculture, water management and infrastructure development. An agenda focused on development could also tackle relatively sensitive issues such as economic reform, liberalization, deregulation, customs reform, transparency, corporate governance, economic assistance to ethnic minorities, and the encouragement of cross-border trade. Many SCO governments are slow to embrace such reforms. They focus instead on maintaining controlled economies, protectionism and the corrupt system of privileges that shores up their power-base.
- The EU and the SCO should focus on common security threats such as drug-trafficking, corruption and organized crime. The two organizations could set up a joint working group on such soft security threats. This could be inter-governmental or bring together bodies such as Europol (the EU's joint police office) and Regional Anti-Terrorist Structure (RATS). Its tasks

should be to improve exchanges of information, provide training for officials in Central Asia and Afghanistan, and even to conduct joint operations (similar to the Europol-Russia collaborations that tackle organized crime). The EU's "border management in Central Asia" program is widely recognized as one of the most successful projects to have come out of TACIS. And the SCO has a track record of resolving border disputes and promoting border security against threats of insurgency, drug-trafficking and terrorism. So border security should be a natural area for dialogue, cooperation and joint action. In the long term the EU and the SCO could set up joint civilian border monitoring missions against drug trafficking and organized crime.

- The EU-SCO summit or conference could include discussions on Afghanistan. Many EU states are major donors for the reconstruction and assistance programs in Afghanistan, while SCO states are involved on the ground, working to develop roads, electricity links and energy projects. Mohammed Karzai, the Afghan president, has attended two SCO summits and says he wants closer economic cooperation with the organization. The SCO has set up a special working group on Afghanistan and has signaled informally that it could be prepared to see other organizations take part in these meetings as observers. This could provide a good opportunity for experts and diplomats to develop common approaches and to exchange views on such problems as drug trafficking and the resurgence of the Taliban. The EU should encourage closer economic ties between Afghanistan and its neighbors, and promote programs which encourage economic development and poverty reduction on both sides of the border.
- The EU-SCO dialogue should also cover energy security. The EU expects that a lot of its future demand for oil and gas will be met by Russia and Kazakhstan. Yet these two countries are planning to build oil pipelines in order to increase export to fast-growing markets in China and South Asia. The Kazakhstan-China oil pipeline, due to carry oil from the Caspian Sea to Western China, is almost built; an oil pipeline from Russia to China has been agreed in principle. Given that the EU is likely to compete with China and possibly India over oil and gas from Russia and Central Asia, it needs a strategy for managing this emerging rivalry without compromising its energy security concerns.
- Last but not least, the EU-SCO dialogue should deal with human rights and good governance, treating them as crucial factors that will influence the long-term stability of the region. The current political context – with approaching presidential elections in Russia and Uzbekistan – will make this difficult. However, the EU may be able to count on SCO members such as Kyrgyzstan, and observers like India and Mongolia, to support this

agenda. The dialogue could also extend to educational and scientific exchanges, as well as the basis on which local and international NGOs are allowed to operate in Central Asia.

Which forms might this cooperation take?

This should be an ad-hoc contact focusing on visits and coordinated through offices in Brussels and Beijing. At this point the EU should not enter into any long-term institutional arrangements with the SCO, since questions remain over its future direction as well as its track record on a number of issues – such as democracy and human rights – which are important for EU's policy in Central Asia. In the long term, if the SCO develops into a more inclusive, transparent and predominantly economically-orientated institution, the EU could think seriously about following the example of ASEAN which, despite its difficult relations with China, has concluded a substantial cooperation agreement with the organization. This focuses on areas of common interest such as combating international crime, promoting economic cooperation and tourism, and cooperating on natural resource management and energy.

A dialogue between the SCO and the EU could help the latter to generate new ideas for its strategy towards Central Asia. As part of its new strategy, the EU should encourage the SCO to strengthen its economic dimension by suggesting that "an economic SCO" will have a greater chance of being taken seriously by influential organizations like the EU. The EU could also offer its expertise on how to achieve gradual economic integration. In the security sphere the EU could offer the SCO a dialogue on migration, border security and the fight against cross-border crime, thus shifting the emphasis from military to human security concerns. Finally, the EU's objectives on human rights and democratization are not best served through isolation: EU sanctions against Uzbekistan have had no effect on its domestic policies. Rather, the EU should discuss these issues with the SCO.

The EU must not ignore the SCO, or fail to acknowledge its growing role in Central Asia. The EU should stop thinking about the SCO purely in geo-political terms, and recognize its contributions to regional stability and development. The EU should avoid the path of opposing SCO in order to contain Chinese and Russian influence in Central Asia. It should recognize that all the Central Asian states view the SCO as a positive and important vehicle for their own long-term interests. In the long run, without dialogue with the SCO, the EU is unlikely to fulfill its own potential in the region.