



Shanghai Cooperation Organization: Mongolia's membership debate





MONGOLIAN GEOPOLITICS #3

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Author: Dr. J. Mendee

Layout: Yo. Batbold

Cover illustration: I. Tuguldur

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The COVID-19 pandemic has ruined Russia's master plan for hosting the Shanghai Cooperation Organization (SCO) Heads of State Summit along with the BRICS forum in St. Petersburg in 21–23 July 2020. It also thwarted India's first-ever opportunity to lead the SCO Heads of Government (prime ministers) Summit in New Delhi in November.¹ Both meetings were organized virtually in November 2020, when SCO member States approved strategy and actions plans until 2025. In September 2020, Russia hosted the SCO's Foreign Ministers' Meeting and Defence Ministers' Meeting, separately, in Moscow. The highlight of these events was the meeting between the foreign and defence ministers of India and China after the mid-2020 military standoff at the disputed border area that left 20 Indian soldiers dead. In October, just a day after the SCO observers praised the Kyrgyz parliamentary election, violent post-election protests overwhelmed the republic and forced President Sooronbay Jeenbekov to resign.² Except for Russian President Vladimir Putin, all Heads of State remained silent on the domestic political development in the Kyrgyz Republic.

After his meetings with Chinese Foreign Minister Wang Yi in Ulaanbaatar and Russian Foreign Minister Sergey Lavrov in Moscow, the Mongolian Foreign Minister Enkhtaivan Nyamtseren affirmatively stated on 3 November 2020 that Mongolia does not need to join the SCO as a full member.³

This paper examines Mongolia's earlier stance regarding the SCO, discusses two initiatives—declaring permanent neutrality and becoming a SCO member, introduces common reasons for supporting and opposing the SCO membership and concludes with poten-

tial SCO scenarios for Mongolia.

Earlier evolution of the Shanghai Cooperation Organization and Mongolia's stance

In April 1996, the presidents of China, Russia and three newly independent former Soviet republics—Kazakhstan, Kyrgyzstan and Tajikistan—met in Shanghai (later known as the Shanghai Five) to sign the Treaty on Deepening Military Trust in Border Regions. This was a critical issue for all five States because the Soviet Union then Russia had maintained large military installations and infrastructure in these Central Asian States against China as well as in support of its war in Afghanistan. In the following year, in Moscow, these five States signed the Treaty on Reduction of Military Forces in Border Regions as a significant step in confidence-building and the reducing of security concerns, especially for Beijing. These treaties have required a series of measures for demilitarizing and verifying the military force reduction process.

At that time, Mongolia was not invited to the Shanghai Five meeting for three reasons: First, the Soviet military withdrawal from Mongolia was agreed in 1986 and completed by 1992. Second, Mongolia had downsized its military following the Sino-Mongolian normalization in 1989 and had declared in its new Constitution and policy documents to maintain a small, capable, professionally oriented self-defence force. Third, Mongolia and China had concluded a border treaty and demarcated the common border in the early 1960s. In contrast, China's border with Kazakhstan, Kyrgyzstan, Russia and Tajikistan had not been fully settled.

When the Shanghai Five meeting reached its initial objectives by 2000, the five States began to formalize the meeting as a mechanism to promote regional cooperation and to deal with immediate challenges such as transnational issues (crime and religious extremism). The presidents of these five States, plus Uzbekistan, declared the establishment of the SCO in 2001 and signed the SCO Charter, which explains the purpose, structure and operating framework for the organization.⁴ The timing of this establishment coincided with the 9/11 terrorist attacks in the United States, China's increased concern over the so-called three evils (terrorism, separatism and extremism), a series of suicide attacks in Russia and the activities of armed groups along the border between Uzbekistan and Kyrgyzstan.

As a result, the SCO quickly shifted its attention to counterterrorism and agreed to establish the Regional Anti-Terrorist Structure, a permanent body for coordination and information sharing, in Uzbekistan. In this period, neither the SCO members nor Mongolia were interested in each other. Although Mongolia borders the Chinese Xinjiang Uyghur region, the area is well controlled, and Mongolia does not face any terrorist threats. As well, Mongolian policy and academic practitioners have not been in favour of the SCO because it would be dominated by China and Russia. The majority of these practitioners have preferred to reach out to other regional organizations, such as the Organization for Security and Co-operation in Europe and the North Atlantic Treaty Organization (NATO), rather than join the SCO.

In 2004, the SCO emerged as an ambitious regional organization. The permanent secretariat, which is located in Beijing and serves

as a coordinating and implementing body, has established partnerships with the United Nations (as an observer), the Commonwealth of Independent States of the former Soviet republics and even regional organizations like the Association of Southeast Asian Nations, the European Union and the African Union.⁵ Since then, the SCO has become more active and organized through annual summits: the Council of Heads of State (presidents) in the spring and the Council of Heads of Government (premiers and prime ministers) in the fall. During this period, the SCO began taking steps as if it was becoming a political and military alliance against the United States and its allies in Europe. The Defence Ministers' Meeting and military exercises have now become regular events. In 2005, the SCO issued a demand to the United States and NATO forces to withdraw from Central Asia.⁶ In the same year, the SCO signed an agreement with the Collective Security Treaty Organization, which is a Russia-led military alliance that includes former Soviet republics.

The militarization and security cooperation were primarily pushed by Russia rather than China, which has seen the SCO as a venue to promote political and economic ties. In that period, more countries expressed interest in either joining or collaborating with the SCO. In Mongolia, the SCO membership discourse resurged. Some people in Ulaanbaatar began to see the benefit of joining the SCO, such as (1) a one-stop diplomatic venue to meet multiple leaders, (2) participation in regionalization efforts, especially economic, and (3) participation in regional law-enforcement activities.

But many people were still hesitant to join the SCO due to China and Russia explicitly using the venue for their foreign policy agen-

das. As a result, Mongolia became the first observer of the SCO in 2004. Since then, the observers have expanded: India, Iran and Pakistan became observers in 2005, Belarus in 2008 and Afghanistan in 2012. It also set up a mechanism, the Dialogue Partner, which now includes Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka and Turkey. Unarguably, the SCO has become an important regional organization that includes two great powers and Central Asian States, excluding Turkmenistan, which is a declared neutral State.

Sudden calls for permanent neutrality and full membership

In 2014, President Elbegdorj Tsakhia hoped to welcome the Chinese and Russian presidents together for a trilateral summit in Ulaanbaatar. Instead, both presidents made separate visits to Mongolia and then engaged in the first trilateral summit on the sidelines of the SCO summit in Dushanbe, Tajikistan.⁷ In the following year, at the SCO summit in June, the three leaders agreed to merge three different concepts—Mongolia's Steppe Road, Russia's Eurasian Economic Union and China's Belt and Road Initiative—through the creation of the China–Mongolia–Russia (CMR) Economic Corridor. Interestingly, on 8 September 2015, President Elbegdorj suddenly summoned the National Security Council, the country's highest-ranking consultative body and which consists of the president (chair), the speaker of the Parliament and the prime minister, to issue a recommendation to declare permanent neutrality status internationally.⁸ Immediately, the Presidential Office submitted a draft bill on the Permanent Neutrality of Mongolia to the Parliament. However, the Parliament members were reluctant to consider the bill because the presidential initiative already di-

vided diplomats and academics, many of whom were opposed to legalizing the country's neutrality stance permanently. It is not clear whether President Elbegdorj wanted to leave the foreign policy legacy in his second term or if he was under pressure from Beijing or Moscow. At that time, China had been encouraging Mongolia to upgrade its observer status to full membership in the SCO, while Russia was welcoming Mongolia to join the Eurasian Economic Union. Their agreement to conduct the trilateral summit on the sidelines of the SCO summit could be perceived as joint efforts to include Mongolia in the SCO. In 2016, at the third trilateral summit in Tashkent, Uzbekistan, the three presidents signed a document for constructing the CMR Economic Corridor. In June 2017, the Chinese and Russian presidents did not organize a trilateral summit with Mongolia during the SCO summit in Astana, Kazakhstan because the Mongolian presidential election was scheduled for two weeks after the summit.

A month before attending his first SCO summit, in Qingdao city of China's Shandong Province in 2018, newly elected Mongolian President Battulga Khaltmaa highlighted the need to collaborate closely with the two neighbours economically. According to him, this would require Mongolia to enter into a free trade agreement with the Eurasian Economic Union and to become a full member of the SCO.⁹ The president's statement regarding the SCO quickly backfired in the media and even led to intense, controversial debates.

On 10 June 2018 at the SCO summit and the Mongolia–China–Russia summit in Qingdao, President Battulga stated that "Mongolia is studying the possibility to upgrade the level of its participation

in the SCO,¹⁰ followed by his first foreign policy press conference with the Mongolian media to explain the economic rationale for joining the SCO as a full member.¹¹

There are two possible explanations for President Battulga's move. One is purely economic, which is to attract infrastructure investment for the CMR Economic Corridor and to reduce trade barriers, especially customs tariffs, with the two neighbours. The other is to conduct foreign policy distinct from his predecessor by joining the Chinese and Russian regionalization initiatives instead of declaring permanent neutrality. His sudden move to become a full member of the SCO, however, was not supported by the Parliament and instead resulted in a non-ending debate between supporters and opposers.

In 2019, at the SCO summit in Bishkek, President Battulga reaffirmed that Mongolia remained studying the possibility of full membership and explained that the Mongolian public was extremely divided on this matter.¹² Political leaders along with foreign policy experts agreed to dispatch a study group to SCO member countries.¹³ The study group of foreign policy experts visited China and India in 2019, but its planned trips to other member States were interrupted by the coronavirus pandemic.

Interestingly, both of these sudden initiatives ended in 2020. On 6 May 2020, the government annulled its earlier decision to declare permanent neutrality internationally. On 10 November 2020, at the virtual SCO summit, President Battulga did not talk about upgrading the country's status to full membership but stressed "the importance of the active involvement of the SCO observer States in

economic, humanitarian and other practical activities" as well as "the road map for the development of cooperation between observers".¹⁴ This, then, signalled the end of the full membership initiative.

Reasons for supporting or opposing Shanghai Cooperation Organization membership

Despite the lost momentum for full membership, intense debate will likely surge following any major change in the country's external and/or internal settings.

At the moment, three major reasons are usually put forward in support of SCO membership. The first relates to the recent membership of India and Pakistan. Both countries were accepted as observers in 2005 and then succeeded in becoming full members in 2017. Their membership eases Mongolia's two reservations: (1) the perception by "third neighbours" that Mongolia is joining an authoritarian club and (2) that Mongolia is falling under joint control by China and Russia. India and Pakistan are considered parliamentary democracies, like Mongolia. Thus, if they have joined, the SCO cannot be labelled as a club of authoritarian States. Moreover, as a strategic partner of Mongolia, India could support Mongolia in withstanding any pressure from its powerful neighbours.¹⁵

Another reason is the economic benefit from integration with Eurasian economies as a result of China pushing more economic integration (banking and finance) and infrastructure investment through the SCO. China established the SCO Development Bank, the SCO Development Fund and the Silk Road Fund and even pledged, in 2020, more funds

to develop the SCO economic demonstration zone in Qingdao, a major city in eastern China, as well as the SCO agricultural hi-tech demonstration zone in northwest Shaanxi Province. These zones would increase economic cooperation with SCO member States.

The final reason is to support Chinese and Russian initiatives and to maintain amicable and neighbourly relations instead of refraining from participation in their regionalization efforts. Mongolia's economy is largely dependent on these neighbours, and both neighbours have strong leverage to pressure Mongolia. In the past, China used railway and market access and Russia instrumentalized the fuel supply to influence Mongolia's policies. The realization of the CMR Economic Corridor or the reduction of customs taxes, tariffs and fees would require Mongolia's participation in their joint regionalization efforts, such as the SCO.

Table 1 Reasons for membership

India and Pakistan joined	<ul style="list-style-type: none"> • The SCO is no longer an authoritarian club. • India is a balancer against China and Russia.
Economic benefits	<ul style="list-style-type: none"> • The SCO would provide access to Chinese funding. • It would also provide economic integration in Central Asia and Eurasia.
Friendly neighbour	<ul style="list-style-type: none"> • Membership would require endorsement of the regional integration efforts of China and Russia. • Membership would secure preferential market access and the realization of the CMR Economic Corridor.

In contrast, there are three prevailing counterarguments. Foremost, the SCO is becoming a political and security organization, which would be used by China and Russia against the United States and its allies. In support of this argument is the following evidence: In 2005, China and Russia convinced all the Central Asian SCO members to demand the immediate withdrawal of the United States military from the Kyrgyz Republic and Uzbekistan. Also, the SCO regularized the Defence Ministers' Meeting beginning in 2003 and has now conducted multiple exercises, ranging from small-scale exchanges to large ones, such as the Peace Mission, on a regular basis. Despite formal statements denouncing the military alliance, these types of political and defence cooperation raise reservations in Mongolia: (1) There is fear of losing its independent foreign policy to develop ties with the United States and its allies and (2) fear of being pressured to stop defence cooperation with NATO members and US allies in Asia.

Another argument is the denial of the economic benefits of the SCO. The SCO's future is uncertain because all members have different expectations and objectives for the organization. China wants to deal with Central Asian States through the regional organization to secure their commitments towards China's security need to maintain stability in its volatile Xinjiang Uyghur region, which is culturally and historically connected to the Central Asian States. Russia wants to maintain its special geopolitical privileges in Central Asia and thus prioritizes security cooperation and protects its interests in the energy sector. As a new member, India pursues the geopolitical role of being involved in Central Asia while checking Pakistan's involvement in the region. Kazakhstan and Uzbeki-

stan, the two-larger Central Asian States, use the SCO for regime security, in light of the United States and European Union raising human rights issues. Therefore, the SCO's economic benefits from integration are simply rhetoric. Mongolia already has established good bilateral mechanisms for economic cooperation with its two neighbours.

The other argument is that Mongolia's identity and integration have aligned more with Northeast Asia than Central Asia. Mongolia's connection with the Central Asian States are extremely limited, except with Kazakhstan. Because of Mongolia's Kazakh minority, who mostly reside in far-western Bayan-Ulgii Province, Mongolia maintains economic and cultural ties with Kazakhstan. However, bilateral trade between Mongolia and Kazakhstan is insignificant due to underdeveloped infrastructure. In contrast, Mongolia's largest trading partners are in Northeast Asia: China, Japan and South Korea. Mongolia has strong economic and cultural connections with South Korea: 40,000–50,000 Mongolian migrant workers, regular daily flights between Ulaanbaatar and Seoul and a growing Korean cultural and business presence. Mongolia and Japan have established a free trade agreement (Economic Partnership Agreement) and developed a strong cultural tie, for example, through Japanese sumo wrestling, in which Mongolian wrestlers have been in the lead since 2003. Unlike Mongolia–Russia trade, which is basically oil and energy imports, Mongolia's reliance on China's trade and infrastructure has grown significantly. From this reality, those against SCO membership stress the importance of joining organizations and initiatives in Northeast and even Southeast Asia.

Table 2 Reasons against membership

Chinese and Russian alliance	<ul style="list-style-type: none"> • Independence and sovereignty would be jeopardized. • Bilateral ties with third neighbours (such as the United States) would be impacted.
Uncertain future of the SCO	<ul style="list-style-type: none"> • All major powers have different agendas. • It is better to deal with China and Russia bilaterally than through the SCO.
East Asian identity	<ul style="list-style-type: none"> • Integration with Central Asia is unlikely. • Integration with East Asia is successful and promising.

Concluding thoughts on potential Shanghai Cooperation Organization scenarios

The most likely future scenario would be that the SCO continues serving as a key political dialogue mechanism for member States, especially because many members have long-running bilateral tensions, such as China and India; India and Pakistan; and the Kyrgyz Republic and Uzbekistan. Although it is difficult to imagine the SCO solving these lingering conflicts, it would provide a multilateral platform for all members to engage in dialogues relevant to the broader region. Because all three major players—China, India and Russia—have different regionalization agendas and interests, it is unlikely all of the SCO members would succeed in developing a shared vision for the region. In this case, Mongolia should be a part of the dialogue mechanism, with a chance to sit at the table and contribute its voice.

Another likely scenario would be the SCO becoming a key mechanism for regional economic cooperation. All members, including India and Russia, want to benefit and be part of China's BRI to develop infrastructure connectivity through Eurasia to South Asia, Europe and the Middle East. Russia has been advocating the merging of its Eurasian Economic Union and China's BRI as the Greater Eurasian Partnership. Iran and some of the Dialogue Partners (Azerbaijan and Turkey) are seeking to be a part of the network. India and Pakistan are also promoting separate projects to improve connectivity between South Asia and Eurasia through Central Asia. In fact, the SCO has been quite innovative in facilitating intergovernmental economic and financial discussions as well as arranging events for businesses, such as expositions and exchanges. In this scenario, Mongolia should be a member because it might help the country to address its infrastructure deficits and the economic connectivity dream.

The least likely scenario would be the SCO becoming a military alliance, like NATO, the Collective Security Treaty Organization or mutual-defence treaty partners. For one, Russia's current move to strengthen defence ties between the SCO and the Collective Security Treaty Organization is mostly tactical to assert its influence in Eurasia and to increase its bargaining power with the United States and its allies in Europe. Russia has traditional reservations against China as a natural geopolitical competitor over the Russian Far East, Mongolia and Central Asia. Second, it is unlikely that India and Pakistan would endorse a military alliance against the United States; rather, India would seek strong security ties with the United States and Russia, with China in mind. Pakistan relies on US military

assistance and is one of the 17-member Non-NATO Major Ally, a group of countries with special defence and security ties.¹⁶ The only area that is of interest to all members is cooperation against terrorism. This is the scenario in which Mongolia should remain as an active observer, with limited engagement through the law enforcement agencies regarding non-traditional security threats.

The bottom line is that unless the overall geopolitical landscape changes dramatically, Mongolia's observer status remains a viable option to be a part of the SCO while not jeopardizing its foreign policy manoeuvrability.

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Friedrich-Ebert-Stiftung Mongolia

Landmark building
Sukhbaatar district, 1th khoroo
Chinggis avenue 13
Post box 831
14251 Ulaanbaatar
Mongolia

Facebook: [@fesmongolia](https://www.facebook.com/fesmongolia)
Email: info@fes-mongolia.org
Web: <https://www.fes-mongolia.org/>

