

M. Gubaidullina¹ , **A. Yelibayeva²**, **Qi Liu³**

¹ Al-Farabi Kazakh National University, Kazakhstan, Almaty,
e-mail: gubaidullinamara1@gmail.com

² Narxoz University, Kazakhstan, Almaty

³ Al-Farabi Kazakh National University, Kazakhstan, Almaty

THE SCO SPACE IN A GEOPOLITICAL CONFIGURATION OF EURASIA: RAPPROCHEMENT AND CONTRADICTIONS OF ENERGY INTERESTS (THE CASE OF CHINA)

The complex geopolitical processes in Eurasia led to the formation of a new format of regional interdependence of all SCO member-states. One of the complex issues are conflicting energy interests of oil and gas suppliers and consumers. The “middle position” of post-Soviet Central Asian states of Eurasia became a natural geopolitical argument in favor of using the territory of CA as a transcontinental “bridge” between the southeastern part of the SCO and Europe. The participation of Russia, China, India and Pakistan in regional energy policy, as well as SCO observer-states is an important component of Eurasian security, which adds a global dimension to the organization. SCO unites on a common platform exporters and importers of energy resources without the involvement of third countries.

At the same time, there is a contradictory nature of interaction between all participants of the Shanghai process, which has negative consequences and hinders the development of regional cooperation in Central Asia itself. Many projects within the framework of the Chinese megatrend “One Belt, One Way,” including the active participation of Kazakhstan, indicate the development of the multilateral format. Considering that the source of China’s economic growth is in availability of hydrocarbon resources at the proper level, the policy of China will focus on a wide support of energy projects under SCO.

The purpose of this article is to consider the multilateral format of SCO cooperation as one of the possible ways to reduce the risk of contradictions in the field of energy resources and solve problems through participation in joint energy projects.

Key words: SCO, energy interests, contradictions, Eurasia geopolitics, Central Asia, SCO Strategy, cooperation.

М. Губайдуллина¹, А. Елибаева², Ци Лю³

¹Әл-Фараби атындағы Қазақ ұлттық университеті, Қазақстан, Алматы,
e-mail: gubaidullinamara1@gmail.com

²Нархоз университеті, Қазақстан, Алматы қ.

³Әл-Фараби атындағы Қазақ ұлттық университеті, Қазақстан, Алматы қ.

Еуразия геосаясатындағы ШЫҰ-ның рөлі: энергетикалық мүддедегі жақындасу мен қарама-қайшылықтар (Қытай ісі)

Еуразиядағы күрделі геосаяси процестер ШЫҰ-ға қатысушы барлық мемлекеттердің аймақтық өзара тәуелділігінің жаңа форматын қалыптастыруға алып келді. Күрделі байланыстардың бірі – мұнай және газды жеткізушілер мен тұтынушылар елдерінің қарама-қайшы энергетикалық мүдделері. Еуразиядағы посткеңестік Орталық Азияның «Орталықта орналасу жағдайы» ШЫҰ-ның оңтүстік-шығыс бөлігі мен Еуропа арасындағы трансконтиненталдық «көпір» ретінде ОА аумағын пайдаланудың геосаяси дәлелі болды. Ресей мен Қытайдың, Үндістан және Пәкістанның сондай-ақ ШЫҰ-ға бақылаушы мемлекеттердің өңірлік энергетикалық саясатқа қатысуы, еуразиялық қауіпсіздіктің маңызды құрамдас бөлігі болып табылады, ал бұл ұйымның жаһандық өлшеміне үлкен үлес қосады. ШЫҰ үшінші елдердің қатысуынсыз энергия ресурстарын экспорттаушылар мен импорттаушылардың ортақ платформасын біріктіреді. Бұл ретте Шанхай процесінің барлық қатысушыларының өзара іс-қимылының қарама-қайшы сипаты байқалады. Бұл жағдай теріс салдарларға ие және ОА-ның өзінде өңірлік ынтымақтастықтың дамуын тежейді. Қытай мегатрендінің «Бір белдеу, бір жол» аясындағы көптеген жобалардың болуы, оның ішінде Қазақстанның белсенді қатысуы, көпжақты форматтың дамуын куәландырады. Қытайдың экономикалық өсуінің қайнар көзі тиісті деңгейде көмірсутегі ресурстарының болуын ескере отырып, Қытай саясаты ШЫҰ-ның энергетикалық перспективаларын кеңінен қолдауға шоғырланатын болады.

Осы мақаланың мақсаты: энергетикалық ресурстар саласындағы қайшылықтар тәуекелін төмендетуге және бірлескен энергетикалық жобаларға қатысу арқылы мәселелерді шешуге алып келетін ықтимал жолдардың бірі ретінде ШЫҰ ынтымақтастығының көпжақты форматын қарастыру.

Түйін сөздер: ШЫҰ, энергетикалық мүдде мен қарама-қайшылықтар, Еуразиядағы геосаясат, тестік.

М. Губайдуллина¹, А. Елибаева², Ци Лю³

¹Казахский национальный университет им. аль-Фараби, Казахстан, г. Алматы,
e-mail: gubaidullinamara1@gmail.com

²Университет Нархоз, Казахстан, г. Алматы

³Казахский национальный университет им. аль-Фараби, Казахстан, г. Алматы

Пространство ШОС в геополитической конфигурации Евразии: сближение и противоречия энергетических интересов (the case of China)

Сложные геополитические процессы в Евразии привели к формированию нового формата региональной взаимозависимости всех государств-участников ШОС. Одна из сложных связей – это противоречивые энергетические интересы стран поставщиков и потребителей нефти и газа. «Срединное положение» постсоветской Центральной Азии на Евразийском континенте стало естественным геополитическим аргументом в пользу использования территории ЦА в качестве трансконтинентального «моста» между юго-восточной частью ШОС и Европой. Участие России и Китая, Индии и Пакистана в региональной энергетической политике, а также государств-наблюдателей ШОС является важным компонентом евразийской безопасности, что добавляет глобальное измерение организации. ШОС объединяет на общей платформе экспортеров и импортеров энергоресурсов без участия третьих стран. При этом отмечается противоречивый характер взаимодействия всех участников Шанхайского процесса, что имеет отрицательные последствия и сдерживает развитие регионального сотрудничества в самой ЦА. Множество проектов в рамках китайского мегатренда «Один пояс, один путь», в том числе с активным участием Казахстана, свидетельствует о развитии многостороннего формата. Учитывая, что источником экономического роста Китая является наличие углеводородных ресурсов на должном уровне, политика Китая будет сосредоточена на широкой поддержке энергетических перспектив ШОС.

Цель данной – статьи рассмотреть многосторонний формат сотрудничества ШОС как один из возможных путей, который приведет к снижению риска противоречий в сфере энергетических ресурсов и решению проблем через участие в совместных энергетических проектах ШОС.

Ключевые слова: ШОС, энергетические интересы, противоречия, геополитика Евразии, Центральная Азия, Стратегия ШОС, сотрудничество.

Introduction

The energy security issues form a new framework for modern regional and international relations in Eurasia. The growing interdependence and deeply interlacing interests of states and non-state actors present a factor stimulating the multilateralism policy. The configuration of Eurasia in regional terms is very complicated and changeable. The formation of SCO became a natural response to the growing threats such as interstate conflicts of a regional type, threats to territorial integrity, international terrorism, economic and financial crises that appeared in the XXI century. To break negative tendencies, and ensure the regional security, the countries decided to address to *instruments of multilateral cooperation*.

SCO is an organization that has multilateral mechanisms. It is considered to be the largest international regional organization of Eurasia. SCO

covers a considerable territory and population of states such as Russia, China, Central Asian republics (except Turkmenistan), India and Pakistan; four observer nations – Mongolia, Iran, Afghanistan and Belarus; and six dialogue-partners such as Turkey, Azerbaijan, Armenia, Cambodia, Nepal and Sri Lanka.

The total area of the SCO states is 30 million km² that is 60 percent of the territory of Eurasia. It includes almost 44% of the world's population, and in terms of GDP is about 25-27% of world's indicator. (Alimov, 2017). All states possess one of the world's largest gas and oil reserves, making 25% of the global oil reserves, over 50% of the gas reserves, 35% of coal and about half of the world's known uranium reserves. SCO has the biggest oil and gas pipeline infrastructure including the Caspian pipeline consortium and the Eastern Siberia – Pacific Ocean (Schafer, 2017).

Despite of the fact that the SCO is a relatively young formation, it is in the process of development with growing impact on continental and world processes. SCO, as ASEAN in Asia, was established in different international conditions. The ongoing meetings between leaders of the organization present some kind of “alleviation channel” of tensions and allow the external balance of relationship between major powers presenting a leverage for control. It should be borne in mind that the state’s power over decision-making in Asia leads to immaturity of initiatives and dependence on foreign energy supplies (Nicolas, Godement, Yakushiji, 2008).

The successful implementation of integrational approaches in Asia on the example of ASEAN shows the importance of identification of “interest” as a cementing and a basic element of regional cooperation (Tripath, 2011). The emphasis on informal dialogue and consensus building are the basis of values of the organization that do not require high institutionalization of the legal framework. The “*Shanghai Spirit*” as the proclamation of the “ASEAN Asian values” is a consensual model of interaction between countries as in other regions, including Asia.

It is important to highlight also the other area of cooperation defined in SCO Charter - “the support for, and promotion of regional economic cooperation, fostering favorable environment for trade and investments” (SCOa, Charter).

In this context, the security concept of the Copenhagen School of research represents its timely relevance, highlighting the importance of regional level of security of those states that are united by similar geographical boundaries and face common problems, the solution of which will have a direct impact on their national priorities (Buzan, Waever, 2003). This paradigm is of great conceptual significance. To identify the patterns of foreign policy behavior of the actor on regional level, on the example of China, we focused on a system-functional approach using the comparative method.

For the identification of complementary dependence degree of “developing” and “peripheral” states with an insignificant level of economic development but decent resource potential in the region of SCO, we used the geopolitical criterion as used for defining the tension points in the issue of energy interests.

The purpose of this paper is to consider the multilateral format of SCO collaboration as one of the possible ways to reduce the risk of contradictions in the field of energy resources and solve problems through participation in joint energy projects.

Results and discussion

SCO as a “new type of interaction” in the geopolitical configuration of Eurasia

Globalization, with its growing interdependence, deep intertwining of the interests of states and non-state actors became a factor of stimulating the dynamics of integration processes and the policy of multilateralism. The SCO, as declared in its documents, is a non-military political alliance that does not intend to become one (SCO document 1a). One of the features of the SCO is that it is in the status of an intermediate position, which does not oppose any military alliance, such as NATO or ASEAN (Alyson J. K. Bailes et al., 2007)

Today, multilateral interaction and cooperation with organizations in Asia is developing on the basis of a *network scenario*. Also, the Shanghai organization is developing as a multilateral structure, paradoxically combining sustainable gravity with a bilateral format. This two-sidedness under the “roof” of a large multi-vector house with “windows and doors” is open for partnership; the organization does not comply with standards and models such as the integration of the “classic organization”. The SCO consists of states with different political systems and regimes, with different political ideologies and values, which are at different stages of their socio-economic transformation.

The main connecting factor is the Eurasian space, since all states are geographically adjacent and have regional geopolitical and geo-economic interests. Often the question arises of the identity of the SCO, which is an important factor, but not yet final. The organization emphasizes multiculturalism and respect for each other’s diversity. Geographically, the SCO is in “concentric circles” of special relations. The regional dimension of Central Asia allows us to determine its middle position on the continent as Central Eurasia. The SCO fits into the new security architecture, which is becoming more specific in Eurasia, as well as in the Asia-Pacific region (APR). It has defined new organizational principles, such as “equality, transparency, a legal and non-bloc basis, as well as respect for the legitimate” interests of all states.

If the West emphasizes the uniqueness of “democratic values” and the “open world,” the SCO acts as a conservative, offering mutual tolerance in politics, economics, and culture. The SCO, accepts the participation of states with various forms of power, does not accept the Western liberal-univer-

salist model. From 2015, a new direction has been approved in the policy of the SCO states, which “makes shifts” from “Greater Europe” to “Greater Eurasia”. This was officially announced by the former Minister of Foreign Affairs of Russia, President of the Russian Council on Foreign Affairs Igor Ivanov at the XX Annual Conference of the Baltic Forum in Riga. “The processes of Eurasian integration and cooperation are gaining momentum. This is the Eurasian Economic Union, the Shanghai Cooperation Organization and the New Silk Road project. The Greater Europe “from Lisbon to Vladivostok” is being replaced by the new Eurasia “from Shanghai to Minsk”. “Although the contours of Greater Eurasia are largely vague and unclear, one can already see the objective and long-term nature of the formation of a new transnational economic and political structure. (Ivanov, 2015). The Euro-Atlantic and Eurasian are new centers of global attraction, and relations between them are turning into the main axis of future world politics. Thus, the concept of “Greater Eurasia” is finally fixed in the political-geographical concept.

The philosophy of the *Shanghai spirit* is the leitmotif of the development of the organization. One of the guiding principles set forth in the SCO Charter was the promotion of the *Shanghai Spirit*: “a consolidating component for the development of cooperation in Asia, presenting a source of unity and spiritual strength through a common concept of security” (Depeirot, 2017). The Shanghai spirit, often used by its leaders, has not become a stable term, although it has a semantic meaning of “trust”, “mutual benefit”, “equality”, “coordination”, “respect for the diversity of civilizations”, “desire for common development” and more.

This concept, which had a great power, was formulated by the first SCO Secretary General and former Chinese Ambassador to Russia, Zhang Penguang. The SCO provides an example of a gradual replacement of traditional diplomacy by the multilateral diplomacy with *Shanghai spirit*. “The processes of Eurasian integration and cooperation are gaining momentum. This is the Eurasian Economic Union, the Shanghai Cooperation Organization and the New Silk Road project. The Greater Europe “from Lisbon to Vladivostok” is being replaced by the new Eurasia “from Shanghai to Minsk”. “Although the contours of Greater Eurasia are largely vague and unclear, one can already see the objective and long-term nature of the formation of a new transnational economic and political structure. As

stated in the Charter, the Organization functions as a forum to confirm confidence and good neighborly relations between member states, as well as to promote cooperation in the fields of politics, trade, economics, culture, education, energy and transport. It also opens the way to be engaged in wide and close cooperation with leading giants - Russia, China and the countries of ASEAN and Southeast Asia. On the other hand, all Central Asian states are adjacent to the “neighbors” of the Eastern European region (EU) and the Transcaucasian republics (Gubaidullina, Yelibayeva, 2016).

The SCO is fairly considered a multilateral intergovernmental organization with a number of features of its development. The SCO became the first regional organization of “a new type” in the XXI century (Pan Guang, 2006 and 2008). In 2004, the SCO initiated an extensive partnership network of multilateral associate partnerships with APR, and now the Organization is developing in accordance with general trends in the formation of a clearly structured and single common regional structure. Today, the multilateral cooperation Asia is mainly based on a network scenario. Last but not least, these concerns are related to the development of a single energy space.

Towards a single and diversified SCO energy market

The structure of the global energy market is represented by two groups - consumers: the West (USA, EU and Japan), Asia (China, India, Asia-Pacific) and exporters (OPEC, Russia and Central Asia). A characteristic feature of energy exporters is their ability to influence world energy prices, as well as multivector foreign policy interests. The growth of new export markets, combined with increased consumption in the EU, in Southeast Asia and North America, has led to the formation of a new type of interaction in the energy market. It is important to note that the desire to diversify hydrocarbon flows determines the policy of main players in Central Asia - the United States, Russia, China, India, Turkey and the EU. Given that Asia is the largest producer and consumer of hydrocarbon resources, this inevitably should lead to inter-regional cooperation. The huge energy potential of the SCO member states, whose stock compared to world oil reserves is 25 percent, more than 50 percent of gas and about 50 percent of uranium, attracts foreign investment in the region (Kassenova, 2010).

The Central Asian oil and gas industry can be viewed through the prism of the Stackelberg model, which is characterized by the presence of a mono-structured organization represented by a national company that regulates the price of a monomict export product and political decisions on these issues guaranteed by the state (Horak, 2012).

There are several objective arguments in favor of creating the SCO energy structure: the geo-economic factor will allow us to combine the interests of exporters and importers. First, Russia and China are the largest neighboring emerging markets, influenced by internal and external factors. Up to 30 percent of Russian exports go to China through two main pipelines – from Eastern Siberia to the Pacific Ocean and to Nakhodka, counting the needs of other countries in the region. The second is the potential capacity of Russia, China, Kazakhstan and Uzbekistan in the development of the oil and gas sector. For example, Russia supplies gas to China via the “eastern route” in accordance with an agreement signed at the highest level. In accordance with the 30-year contract (from May 2014), Russia will export 38 billion cubic meters of gas per year. It was a historic breakthrough in joint gas relations. In addition to direct oil and gas trade, China and Russia are actively developing oil and gas cooperation at other levels. This includes exploration and development, as well as product processing and marketing. China became a shareholder of one of the largest oil producers in Russia, the Vankor project (Rosneft). Thus, their interaction is of a long-term nature and interest.

The issues of energy cooperation are addressed in a number of SCO documents. The Program of Multilateral Trade and Economic Cooperation (2003) developed more than 100 projects were developed and identified priority areas of strategic cooperation in the field of energy (SCO_b). The SCO Charter defines the necessity to develop energy systems and environmental management in the region through joint programs and projects, but member states pursue their own energy policies, creating a network of bilateral agreements on energy trade in the region. The practical implementation of agreements involves mutually beneficial “pilot” projects with multilateral participation in the energy, transport, and other fields. The Business Council and the SCO Interbank Association are called upon to play a significant role in this process. The formation of the energy component is carried out on the basis of the principle of openness to all interested states and organizations sharing the goals and objectives of the SCO (SCO_d).

In 2013, SCO ministers of economic development at the meeting in Aktau (on the shores of the Caspian Sea) proposed a high level of structuring the energy space and correlation of energy strategies of SCO states (Kazinform, 2013). Moreover, these issues opened up prospects for the further enlargement of the Organization - the process of accepting India and Pakistan as full members. This process took several years to come. It is important that another state with an “energy” component is Azerbaijan, which has received confirmation of the status of a dialogue partner. The energy sector again was highlighted as the central direction of the strategic development of the SCO at the summit in Ufa in 2015, which adopted the SCO-2025 Strategy. The Indian Prime Minister Narendra Modi announced in Ufa that an expanded group consisting of India and Pakistan will represent half the world’s population, and will serve as a “springboard” for the economy of Eurasia, making it the most dynamic in the world (Radio Free Europe (2015). The SCO Secretary General V. Norov noted that with the adoption of India and Pakistan in 2017, the SCO became the largest trans-regional association in the world, covering more than 44% of the world’s population and about 60% of Eurasia.

China’s energy pragmatism

The driving force behind the development of SCO is China, whose economy is the second largest in the world in terms of nominal GDP, and in the first place in terms of purchasing power. In matters of energy policy, the Shanghai Organization has become a conductor for Chinese investment and economic policy in the Central Asian region. It positions itself as one of the top economic and trading partners for each Central Asian country, which is also recognized by Central Asian states.

There are four Central Asian states – members of SCO that actively developing their rich energy resources. According to the Asian Development Bank evaluation given in 2010, the main problem of CA states in their limited export possibilities and outdated pipeline infrastructure built in Soviet times. Due to this situation, China expressed its interest in further investment of infrastructure projects. Taking into account the investment picture and instruments of influence, used by China in economic, energy, multi-level security and defence policy, we argue that its policy in Central Asia is of strategic character. To meet the growing demand for energy re-

sources, Chinese government is used transnational companies in promoting its national interests.

The main actors are China National Petroleum Corporation (CNPC), its subsidiaries - China National Offshore Corporation for oil production (CNOOC), the specialization of which lies in the area of foreign investment; the National Corporation for exploration and production of oil and gas (CNODC), as well as oil company SINOPEC, which specializes in investments in the refining of petroleum products. The policy of “going abroad” is an incentive to enterprises in China to find the resources, technology and markets applications. According to Chinese Ministry of Commerce, 13.000 companies have opened their offices in 178 countries and regions, in all sectors of the economy by using Foreign Direct Investments (Fan, Wang, 2014). It should be noted that China used its investment capacity for helping Central Asian states to overcome the consequences of international financial crisis in 2009 by allocating 10 billion USD (SCO Observers Steal, 2009).

The ongoing energy projects in the region are mainly focused on investment of oil and gas pipeline construction based on bilateral agreements due to the enhancing competition and inconsistency of economic strategy that restrains the energy markets integration. Unlike western countries, China does not limit its partnership to establishing additional rules or conditions for granting loans and aid to developing countries. However, the “implementation” of its policy in Central Asian region sometimes is complicated by the “containment policy” of western countries over the Chinese initiatives (Lanteigne, 2010).

Kazakhstan and China operate on the basis of the pipeline built in frames of the bilateral agreement signed in 2004, which has initially attracted \$ 700 million. Russia has the same type of agreement; it has built a gas pipeline with a length of 3371 km in 2015 with China. At the same time, China is looking for opportunities for energy deals in the Arab world. Large markets such as China and other Southeast Asian countries are creating space for competition among energy exporters. According Yang, China controls a quarter of Kazakhstan’s oil and is building a pipeline from the Caspian Sea to Xinjiang. Turkmenistan has become the preferred partner for gas exports; Kyrgyzstan has become a quasi-protectorate economy specializing in re-exports of Chinese goods, and Tajikistan is the gateway to Afghanistan. The current situation may describe China’s “soft hegemony” and the establishment of “vassal relations” (Yang, 2013).

Chinese President Xi Jinping puts forward four proposals at the XIII SCO Summit in Bishkek. He listed the key points of the Treaty on Long-term Good Neighbourliness, Friendship and Cooperation along with Shanghai spirit. It was agreed to sign the Agreement on Creating Favourable Conditions for International Road Transport Connecting the Baltic Sea with the Pacific Ocean, and Central Asia with the Indian Ocean and the Persian Gulf in the near future. For the stabilization of energy supply and demand relation, PRC planned an establishment of SCO Energy Club (Press releases, 2013). In November 2014, China established the Silk Road Project Investment Fund with a capital of \$40 billion.

In 2015, China adopted the Development Strategy of the Shanghai Cooperation Organization until 2025, which aimed at establishment of common approaches in Silk Road Economic Belt initiative and promotion of economic cooperation in the region (SCOc). The Strategy aims to form a common position of SCO States with regard to the Silk Road Economic Belt initiative. This initiative has been named one of the instruments to create favourable conditions for promoting economic cooperation in the SCO region. According to the SCO Strategy, the SCO states will develop mutually beneficial multifaceted cooperation in the field of energy, including the use of renewable and alternative energy sources. The idea of the “New Silk Road” and Xi Jinping’s mega-project “One belt, one road” is referred to the complex of transport-logistical and infrastructure projects including the transportation of oil and gas. It was a combination of Eurasian and Chinese projects in the context of growing confrontation between the US and Russia. China has been particularly active in the past few years. Many new trade, economic and energy agreements have been signed at the initiative of China. It should be noted that at the 2015 Ufa Summit, the SCO countries agreed to take steps to establish a regional transport and transit corridor that would expand international logistics centers.

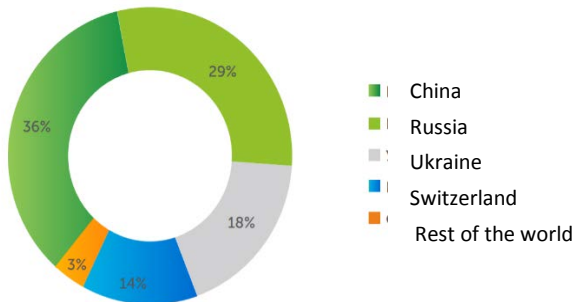
As a result of agreements between Nazarbayev and Xi Jinping in June 2017 in Astana was signed a *Memorandum on the extension of contracts with Chinese companies for oil and gas production in Kazakhstan*. During N.Nazarbayev’s visit to China in 2018, the Kazakh leader highlighted the main picture of PRC investment to Kazakhstan, which has invested over USD 16 billion since 1991 and signed 127 documents for a total amount of USD 67 billion. The volume of mutual trade came close to \$11 billion. There are 1200 enterprises currently operating

in Kazakhstan with the participation of Chinese capital (including CNPC, CGNPC and CITIC), 22 of them are oil companies among which 10 companies are with almost 100 percent of Chinese participation, another eight - have 50 percent. Nazarbayev said, “25 percent of oil in Kazakhstan is produced by Chinese companies. over the past years there were 100 million tons of oil and 180 billion cubic meters of gas supplied to China through Kazakhstan. They are now raising questions about contract renewals. We will look at it very carefully, because they are good partners” (Kazakhstan Today, 2018).

The long-term interest of Kazakhstan is confirmed by Kazakh leaders’ approval of moving 51 enterprises from China to Kazakhstan. According to the oil and gas sector analyst, after “Exploration Production KazMunaiGas” company acquires from

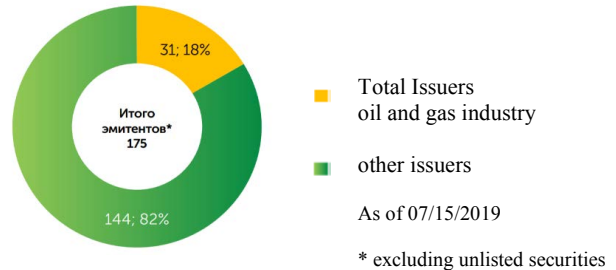
“KazMunaiGas” stakes in “Kazakhoil Aktobe”, “Kazakhturkmunai” and “Mangistau Investments B.V.”, China’s share will grow significantly as China Investment Corporation and a number of other companies under its control already have almost 30% in Exploration Production “KazMunaiGas”. Moreover, the Kazakh president confirmed that “we are currently moving 51 enterprises from China to Kazakhstan” (Tengrinews.kz, 2017).

According to the Committee on Statistics of the Republic of Kazakhstan, in January 2019, natural gas exports in physical terms amounted to 3.1 billion m³. The main buyers of natural gas are China, which accounts for 36% (1.1 billion cubic meters), Russia - 16% (888.1 million cubic meters) and Ukraine - 18% (566.9 million cubic meters).



Source: Committee on Statistics of the Republic of Kazakhstan [KASE, 2019]

Figure 1 - Export of natural gas of the Republic of Kazakhstan in January 2019 (in %)



Source: Kazakhstan Stock Exchange JSC [KASE, 2019]

Figure 2 - Share of oil and gas industry issuers in the total number of KASE

Kazakhstan Stock Exchange JSC (KASE) is regularly working on attraction of oil and gas companies to the stock market and explains the opportunities for investment.

So, the interest of the Western states in the energy resources of the CA has led to the inevitable response of its closest neighbors - China and Russia. The dynamism of the fast-growing Chinese economy, China’s interest in the energy resources of the region and, accordingly, joint project development of deposits, lead to a kind of unification of energy markets within the framework of the SCO.

China, using its investment opportunities, provides political guarantees for the security of the neighboring region and is testing leadership in the new PRC format (Pan Guang, 2008).

The management is guided by China’s policy of promoting institutionalization of organizational and economic support for projects, which together help to contain contradictions for the realization of its interests.

SCO Energy Club

The SCO Energy Club today unites several worlds’ largest energy producers, namely Russia, Iran, Kazakhstan and Uzbekistan, with the largest energy consumers in the world, China and India. The SCO Energy Club aims to deepen energy co-operation between member states in addition to enhancing energy security and updating energy strategies (Daily Sabah, 2016).

Initial discussions on the Energy Club began in the early of 2000. The main point was the strengthening of the energy security policy in connection with the growing interest in the economic potential. In October 26, 2005, during the SCO summit in Moscow, the Secretary General prioritized the energy projects under SCO, which involved the oil and gas sector, the development of new hydrocarbon reserves and the joint use of water resources. The realization of these projects allowed the creation of the SCO Interbank Council.

Starting from 2006, the question on the creation of Energy Club was often raised due to the necessity coordinate energy policies of member countries and energy cooperation expansion. Shortly after the summit in Shanghai (2006), President V. Putin announced the idea of creating the SCO Energy Club, which would share energy resources among its members and help develop them for export to world markets. This proposal has caused a lot of criticism in the West. Some Western experts suggested that the SCO could become another OPEC or, rather, a gas cartel: the total percentage of oil of the SCO and Iran together make up about 20% of the world's resources, and gas - about 50. Other experts doubted the idea of an Energy Club for several reasons (RIA News, 2006).

A draft Charter document of the Energy Club (Regulation on the Energy Club of the member-states of the Shanghai Cooperation Organization) was proposed at SCO Forum on June 15, 2007. According to Russian proposal, the concept of Energy Club defines it as a platform for an informal exchange of views on the development of the fuel and energy complex. Uzbekistan did not support this version of the concept and refrained from supporting initiatives, confirming its bilateral format preference. Kazakhstan supported the creation of the Club, and expressed it in his concept of the Asian Energy Strategy, elaboration by Kazakhstan International Institute of Contemporary Politics.

The first rounds of official and informal meetings of SCO member-states, leaders of observer-states and other interested parties on the concretization of the Energy Club proposal were conducted in October, 2009. All participants welcomed the idea of the platform for substantive regular discussion of the energy strategy, joint implementation of projects related to the exploration, production, processing, transportation and transit of hydrocarbons. The only question remained was the balance of interests of all parties. The discussion of joint bilateral energy projects, the strengthening of

energy security in the region, as well as issues of institutionalization of the SCO Energy Club led to the understanding of necessity to create an "adequate picture of the energy world". The next step in creation of SCO energy structure was Xi'an Initiative of the heads of energy ministries of Russia, China, Tajikistan and Kyrgyzstan on September 23, 2011.

The final decision on the establishment of the Energy Club was officially announced at a meeting of the SCO Council of Heads of Government in St. Petersburg on November 7, 2011. On December 6, 2013, four SCO member-states (Russia, China, Kazakhstan, and Tajikistan) became participants in the Memorandum on the establishment of the SCO Energy Club. After joining the observer and dialogue partners – Afghanistan, Belarus, India, Iran, Mongolia, Turkey and Sri Lanka, the Energy Club today unites eleven members.

The Energy Club, "being a non-governmental advisory body, brings together representatives of states and business circles, as well as information-analytical, research centers that work in the field of the fuel and energy complex of the SCO member states (Fredholm, 2017).

The growing number of participants in SCO Energy Club in the context of globalization has its own arguments. The Energy Club was designed as the platform for discussing issues related to the harmonization of energy legislation, ensuring energy security of member-states, observers and dialogue partners, coordinating the interaction of major regional producers, transit countries and consumers of energy resources, discussing problems pricing in the global energy market.

The global energy market is undergoing major changes. According to an analysis conducted by an energy researcher with the National Development and Reform Commission Zhou Dadi, and information published by China News Service (CNS), these changes occur at two levels (Zhou Dadi). The first is a change of location. The center of energy production is moving west, and the center of consumption is expanding east. Both directions point to Central Asia, where most of the SCO countries are located. The second is a shift in energy structure. Reliance on coal and oil as energy sources is weakening amid growing demand for natural gas and various types of new energy. China, one of the founding members of the SCO, is the largest country in the world in the field of photovoltaic and wind power plants. China is ready to support other SCO members in the field of energy cooperation.

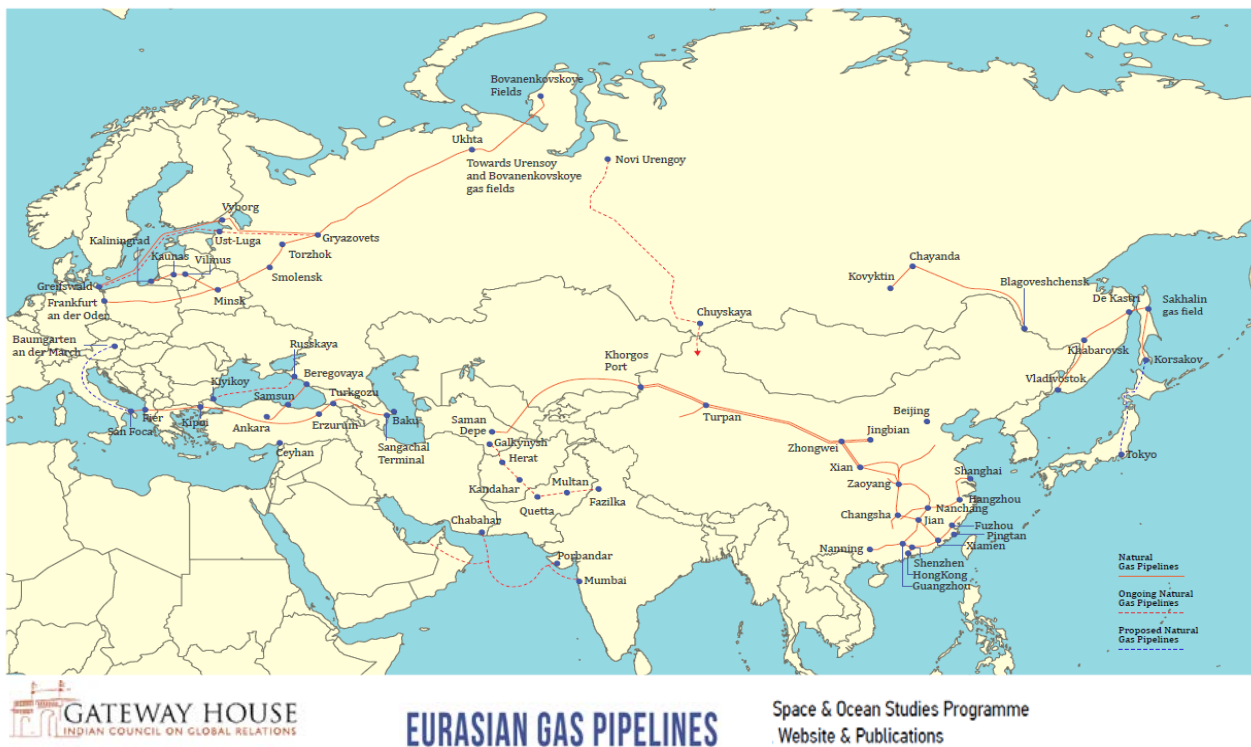


Figure 3 – Gas projects in Eurasia and potential partners of the SCO energy club

Energy cooperation consists of four components: construction of infrastructure; energy transport development; financing of joint and multilateral energy projects; cooperation in research and development in the field of technology. Consequently, the Energy Club according to its concept should harmonize national energy strategies for elaboration of plans of various member-countries, providing a platform for discussion of common programs and projects in the field of energy production. According to the 2018 SCO Development Report published by the Chinese Academy of Social Sciences, cooperation in the energy sector is a must for SCO members. Countries could collaborate in the following three areas to achieve their goal: 1. Stabilize the global energy supply chain and prevent unnecessary black-outs; 2. Create the best platform for negotiations on energy prices; 3. Assist each other in research to find cleaner and cheaper energy sources (Gong Zhe, 2018). In fact, the implementation of this project allows organizing a self-sufficient energy system in both global and regional contexts. Under the auspices of the SCO Business Council, the Eurasian Energy Forum is held annually to discuss strategies and joint approaches. The ongoing energy projects in the region of the SCO member-states are aimed

at attracting external and internal investments for the construction of oil and gas pipelines in Central Asia. Basically, agreements on oil and gas pipelines are concluded on a bilateral basis, which leads to increased competition and inconsistency in the overall economic strategy that hinders the integration of energy markets.

The Energy Club can help deepen the interaction between energy producers (Russia, Kazakhstan, Uzbekistan and Iran) and energy consumers (China, Tajikistan, Kyrgyzstan, India, Pakistan and Mongolia). Since the SCO member-states are at the center of the global energy market shift; these countries can improve existing energy supply chains around the world, reaching a new global energy order. The SCO Energy Club may be the first step towards a common energy system.

In addition to multilateral agreements, members also participate in bilateral agreements in the energy sector. Turkey was the chairman of the SCO Energy Club in 2017, that is, the first country - non-member of the SCO. The appointment came after officials from Russia and China gave the green light to Ankara after President Recep Tayyip Erdogan statements that SCO is alternative to Turkey instead of the EU (Turkey's accession to a non-western organi-

zation). Turkey invited all SCO partner countries to take turns chairing the Energy Club for a year. The proposal was accepted and Turkey was unanimously elected Chairman of the Energy Club in 2017 (Daily Sabah, 2016).

Due to the dispersed national energy policy and interests, the proposed energy club can become a useful forum where the interests of exporters and importers will be represented. In matters of energy policy, the SCO can serve as a forum for Chinese investment and economic integration in the region. The energy club of the Shanghai Cooperation Organization does not imply the implementation of specific projects in the energy sector. Along with the Business Council and the Forum of the Shanghai Cooperation Organization, the Energy Club serves as an advisory body and serves as an auxiliary mechanism for organizing multilateral cooperation in the field of energy. At the moment, the Club has not realized its potential until it can promote coordinated energy projects under its auspices. At the same time, the Club can become an excellent basis for deeper coordination of countries in future plans.

Conclusion

A center of world energy and trade is increasingly shifting towards Asia. Asia's success is in unprecedented growth of its economy and sustained growth. China, using its investment opportunities, provides political guarantees for the security of the adjacent region and approbates the leadership in the new PRC format.

Within the framework of the SCO, regions and countries of the Eurasian space are drawing closer together, it is confidently entering into cooperation with ASEAN and the Asia-Pacific countries. The Shanghai Cooperation Organization has the potential to become a global player, a serious center of political decision making. To make it come true, the SCO must assert bigger interaction with other influential international organizations such as the United Nations (Schafer, 2017). The emergence multi-weighty dialogue partners of SCO: Belarus (EU neighbour), Turkey (stable partner and a candidate for EU mem-

bership), Sri Lanka (EU South Asian trade partner). All these factors have significantly expanded the geography and the potential of the Shanghai Cooperation Organization and simultaneously expanded the scope for EU possible ties.

When considering the Eurasian dimension of regional issues, we define two basic facts. First, the Central Asian states as full SCO members are in close engagement with major continental actors as Russia and China, which in turn leads to acceptance of their geopolitical interest, directly effecting all CA states. Second is the nature of SCO that was created in a competition environment with the West.

Whereas some experts say the organization has emerged as an anti-US bulwark in Central Asia, others believe frictions among its members effectively preclude a strong, unified SCO. In any case, due to its relatively new power, the SCO may play a very important role in creating more harmonious relations in Asia, especially as one way of decreasing the risks of war among Asian nations and Western ones, or to solve minor military incidents between Asian nations as well.

The fundamental in SCO cooperation is not the goal of integration, but the potential of organization as structure-forming strand of the region. To break negative tendencies, and ensure the energy regional security, the countries decided to address to *instruments of multilateral cooperation*, for example SCO Energy Club.

The SCO's prospects lie in its comprehensive structure. A phased transition from bilateral to multilateral cooperation frameworks is quite possible, as all member states are aware that the SCO has a powerful potential for access to world markets.

Despite significant changes in China's role and becoming one of the effective hegemonies in the region, the unification of Eurasian countries into a single political association under the aegis of China is not seen as a real. Most promising in frames of SCO is the focus on the principles of "open regionalism" (Libman, 2006), which is based on mutual interweaving of projects aimed at achieving specific goals and underlying alternative channels of economic cooperation.

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