

**SPECIFIC FEATURES, RESULTS AND PROSPECTS  
OF INTEGRATION ACTIVITIES OF THE SCO  
AS A REGIONAL ORGANIZATION**

**Dovgal Olena<sup>1</sup>**

**Miroshnychenko Tetiana<sup>2</sup>**

DOI: [https://doi.org/10.30525/978-9934-571-78-7\\_6](https://doi.org/10.30525/978-9934-571-78-7_6)

**Abstract.** The purpose of this study is to investigate the distinctive features, results and prospects of the integration activities of the Shanghai Cooperation Organization (SCO) as a regional organization based on the analysis of its fundamental documents and the performance results of the countries participating in its activities. The paper shows that most recently within this organization new areas of focus, projects and mechanisms of economic cooperation have emerged that can potentially affect the global economy. Cooperation within its framework is based on the concept of the “Shanghai spirit”, its main features being mutual trust, mutual benefit, equality, mutual consultations, respect for cultural diversity, and striving for common development. These were precisely the dogmas of the “Shanghai spirit” that largely predetermined the successful cooperation of the six states throughout the entire existence of the SCO. The economic results of the SCO activities for member countries are argued to be primarily caused by the significant potential of the organization’s economic self-sufficiency due to the presence of a full cycle of producers and consumers, which forms a huge reserve of economic development for the organization in general and for each of its individual members in particular. The admission to the SCO of observer states, such as Iran, Pakistan, Mongolia, and later on other countries that show interest in the organization, can exponentially increase this potential. A substantive analysis of the efficiency of economic cooperation of the SCO member states makes it possible to distinguish the following projects and areas, the participation in which ensures obtaining economic benefits by the organization’s member countries: trade and

---

<sup>1</sup> Doctor of Economics, Professor,  
Professor at the Department of International Economic Relations,  
V.N. Karazin Kharkiv National University, Ukraine

<sup>2</sup> Lecturer at the Department of Tourism Business and Country Studies,  
V.N. Karazin Kharkiv National University, Ukraine

investment, interbank, transport and logistics, and energy cooperation. It can be noted that the development of economic cooperation within the SCO is hampered by a number of factors, both objective and subjective, like, for example, discrepancies in the structure and size of economies and legislation of member states, current problems in the credit and financial sphere, the fact that not all prospective partners for cooperation can generate common interest among all members of the organization due to the differences in economic conditions, needs and interests, the tendency to shift the center of influence in solving economic and credit and financial development problems from government bodies to business and financial entities, etc. Another obstacle preventing the reinforcement of the activities of the SCO as a regional organization is that today economic cooperation in the organization is progressing mainly in the course of bilateral relations and agreements, which is confirmed by the absence of significant multilateral projects as well as legal, financial and institutional infrastructure, essential for this. A conclusion may be drawn that, despite the existing problems and obstacles, today the SCO is the largest regional organization in the world and its priority task is to solve a wide range of problems, from ensuring border security and combating terrorism in the region to strengthening economic cooperation not only between the countries of Central Asia, but also with other international regional organizations.

### **1. Introduction**

The Shanghai Cooperation Organization (SCO), founded on June 15, 2001, is a permanent intergovernmental regional international organization. It includes eight member states: India, Kazakhstan, Kyrgyzstan, China, Pakistan, Russia, Tajikistan and Uzbekistan. The total land area of the SCO member states covers 60% of Eurasia, it is home to 25% of the world's population, which is over 3 billion people, and the total population of the SCO member and observer states account for about 45% of the world's population. The SCO possesses substantial labor and natural resources (thus far under-utilized reserves of hydrocarbon fuels, metals, rare-earth elements, and water resources) [2].

In addition to the organization's member states, the SCO includes four observer states (Afghanistan, Belarus, Iran and Mongolia), three applicants for an observer status (Bangladesh, Egypt, Syria) and six states with a "dialogue partner" status (Azerbaijan, Armenia, Cambodia, Nepal, Turkey

and Sri Lanka). Observer states include countries that actively support the activities of the organization and seek to become full members of the organization. Mongolia became the first country to receive this status. The dialogue partner is a state that is not part of the region but has an opportunity to participate in the organization’s summits. Sri Lanka and Belarus received this status earlier than others (Table 1) [12].

The fundamental documents – the Declaration of Shanghai Cooperation Organisation, signed in 2001 in Shanghai, and the Shanghai Cooperation Organisation Charter, adopted in 2002 in St. Petersburg, expound on the main purposes of the organization:

- 1) strengthening mutual trust and good-neighborly friendship among the member states;
- 2) encouraging effective cooperation among the member states in political, economic and trade, scientific and technological, cultural, educational, energy, transport, tourism, environment and other fields;
- 3) devoting themselves jointly to preserving and safeguarding regional peace, security and stability;
- 4) establishing a democratic, fair and rational new international political and economic order [2; 7].

Meetings of the SCO Heads of State are held annually. By

The outcome of each summit is a series of documents (Table 2) [11].

Table 1

**Member states, observer states, applicants for an observer status and states with a “dialogue partner” status of the Shanghai Cooperation Organization (SCO)**

Member states	Observer states	Applicants for an observer status	States with a “dialogue partner” status
India	Afghanistan	Bangladesh	Azerbaijan
Kazakhstan	Belarus	Egypt	Armenia
Kyrgyzstan	Iran	Syria	Cambodia
China	Mongolia		Nepal
Pakistan			Turkey
Russia			Sri Lanka
Tajikistan			
Uzbekistan			

*Source: compiled on the basis of the data [12]*

**Dates of summits of the Shanghai Cooperation Organization  
and documents accepted on them**

Dates of summits	Documents of summits
June 2001 China, Shanghai	– Declaration on the establishment of the Shanghai Cooperation Organization; – Shanghai Convention on Combating Terrorism, Separatism and Extremism
June 2002 Saint Petersburg, Russia	– Declaration of the heads of the SCO member states; – SCO Charter
May 2003 Russia Moscow	The program of trade and economic cooperation for 20 years
June 2004 Uzbekistan, Tashkent	Convention on the Privileges and Immunities of the SCO
July 2005 Kazakhstan, Astana	Declaration of Cooperation of the Heads of the SCO Member States
June 2006 China, Shanghai	Declaration of the Fifth Anniversary of the Cooperation of the SCO
August 2007 Kyrgyzstan, Bishkek	– The Treaty on Long-Term Neighborhood, Friendship and State Cooperation SCO member states; – Bishkek Declaration of the Heads of the SCO member states
August 2008 Tajikistan, Dushanbe	Dushanbe Declaration
June 2009 Russia, Yekaterinburg	Yekaterinburg Declaration of Cooperation of the Heads of the SCO Member States
June 2010 Uzbekistan, Tashkent	Declaration of the tenth meeting of the Council of Heads of State of the SCO
June 2011 Kazakhstan, Astana	Astana Declaration of the SCO Decade
June 2012 China, Beijing-	Declaration of the heads of the SCO member states on building a long-term region peace and common prosperity
September 2013 Kyrgyzstan, Bishkek	Bishkek Declaration of the Heads of the SCO member states
September 2014 Tajikistan, Dushanbe	Dushanbe Declaration of the Heads of the SCO member states
July 2015 Russia, Ufa	An action plan that includes more than a hundred joint projects in various areas
June 2016 Uzbekistan, Tashkent	Tashkent Declaration of the 15th Anniversary of the Shanghai Cooperation Organization
June 2017 Kazakhstan, Astana	Astana Declaration of the Heads of States of the Shanghai Cooperation Organization
June 2018 China, Qingdao	Qingdao Declaration of the Shanghai Cooperation Organization Council of Heads of State

*Source: compiled on the basis of the data [12]*

Over almost twenty years of its existence, the SCO has become an efficient platform for equal and mutually beneficial cooperation among the member states, united by common aspirations for ensuring peace and stability in the region. The SCO is an open organization focused on extensive international cooperation. Thus, the study of the SCO's activities is relevant in the context of the development of integration processes in the globalized world.

The purpose of this study is to investigate the distinctive features, results and prospects of the integration activities of the SCO as a regional organization based on the analysis of its fundamental documents and the performance results of the countries participating in its activities.

### **2. Features and areas of cooperation within the framework of the SCO**

Most recently within this organization new areas of focus, projects and mechanisms of economic cooperation have emerged that can potentially affect the global economy.

The SCO is often called an international organization of a new type. Cooperation within its framework is based on the concept of the «Shanghai spirit», the main features of which are mutual trust, mutual benefit, equality, mutual consultations, respect for cultural diversity, and aspiration for common development. These were precisely the dogmas of the “Shanghai spirit” that largely predetermined the successful cooperation of the six states throughout the entire existence of the SCO [7].

The SCO countries build their relations within the framework of a multipolar system of international relations and believe that the world order in the 21st century should be based on the cooperative effort to find solutions to key problems, the supremacy of law and democratization of international relations. The issues determining the regional security of the organization's member states are reflected in the Shanghai Convention on Combating Terrorism, Separatism and Extremism, i.e., with the surge in the activities of these destabilizing «three forces» in the region [2].

Integration allows member states to solve significant socio-economic problems. The factor of geographic proximity enables promoting mutual interests and contributes to the coordination of foreign policy issues. Thus, prerequisites arise for the harmonization of legal framework, attracting foreign investment, accessing foreign markets, the establishment of

institutions ensuring stable economic activity, trade and logistics facilitation, and dissemination of commercial information.

Along with the fight against terrorism, separatism and extremism, the priority activity of the organization is to ensure sustainable and balanced economic growth, social and cultural development in the region on the basis of equal representation. The fundamental principle underlying the economic cooperation of the organization's member states is joining efforts to improve the living standards of people. The most important areas are the implementation of major investment projects and the formation of a unified energy market within the SCO.

According to the estimates of the International Energy Agency, by 2025 the growth in oil consumption in the countries of the Asia-Pacific region will exceed the world's consumption by 25%, and gas demand will be 1.8 times higher [11]. The key to success of the SCO is a powerful economy, a huge natural resource potential of the member countries and the volume of mutual investment.

The energy industry and export of energy products are of key importance for the development of the national economies of Russia, Kazakhstan and Uzbekistan. China is a major importer, representing a huge market. According to the latest data, the proven oil reserves in the PRC amount to 24.8 billion tons, natural gas reserves comprise 4.4 trillion m<sup>3</sup>, coal reserves are more than 1 trillion tons [2].

Although the country has secured sustained growth in their extraction, this will not reduce the need to import large amounts of energy, and Russia and Central Asia are important sources of energy resources [11].

An essential aspect of economic cooperation within the framework of the SCO is that the SCO mechanism does not imply the mandatory participation of all the six member countries in specific projects. Different projects may still conform to the SCO format, even if they are not carried out by all member countries. And this practice already exists. Many SCO member states have succeeded in finding mutually acceptable solutions to the economic problems on a bilateral or trilateral basis precisely because of membership in the SCO. Since the SCO is an open organization, the economic cooperation provides for the participation of non-member countries and associations. Moreover, these can be not only observer states, but also non-aligned countries [3].

Prospective opportunities for economic cooperation in the region and expansion of integration processes are associated with the involvement of

observers in the SCO. It is important to ensure the participation of observer states in the economic programs and projects of the organization on the basis of their own initiatives. The organization is actively developing approaches to establishing practical cooperation with observers in the economic sphere, based on their reciprocal interest. In this regard, attention must be paid to the mutual aspiration for cooperation between the SCO and Iran, regarded as an influential political player in the region and, undoubtedly, an energy superpower. On the other hand, Iran seeks to enlist the support of an influential international organization in resolving its international issues [3].

The energy industry has become very important for the development of the SCO, because it involves the largest energy producers. Cooperation in the energy field within this organization is beneficial to everyone. It gives Russia an opportunity to use its infrastructure, resource and technological advantages more efficiently, and Kazakhstan, Uzbekistan and other countries with energy resources can access the facilities, technologies and markets of other countries. China will be enabled to increase oil and gas imports from neighboring countries and thereby diversify import channels; the rest of the SCO participants will accelerate economic development and advance the solution of pressing social problems. It seems advisable to use energy as a source of development for the entire region [5].

### **3. Results of the activities of the SCO as a regional organization**

In a relatively short time, the SCO achieved tangible results in the field of regional economic cooperation (Table 3).

In terms of economic power, according to the results of 2017, in nominal GDP the SCO only falls behind the leader of global economy, which is the USA: 12,687.99 billion dollars against 18,413 billion dollars, staying ahead of Japan (\$6125 bln), Germany (\$3614 bln), France (\$2,730 bln) and England (\$2,854 bln). In addition, the SCO countries represent a huge consumer market (taking into account the admission of India and Pakistan in 2017, which comprise 3 billion people), and at least three economies of the organization's member countries occupy leading positions in the world's top ten largest economies list [11] (Table 4).

The economic results of the SCO activities for member states are primarily caused by the significant potential of the organization's economic self-sufficiency due to the presence of a full cycle of producers and

Table 3

**Aggregate economic indicators of the SCO member countries, 2018**

Indicators	Data
GDP, billion USD	17,910.35
GDP per capita (on average), USD	11,887.89
Share in global GDP, %	30.26
Real GDP growth (on average), %	5.22
GDP growth per capita, % of population (on average)	8.70
Industry as a part of GDP (on average), %	28.73
Agriculture as a part of GDP (on average), %	13.27
Services as a part of GDP (on average), %	54.14
Labor force, thousand people	1,483,099,963.00
Labor force of a woman, % (on average)	38.50
Share of employment in agriculture (on average), %	28.40
The share of employment in industry (on average), %	24.75
The proportion of people employed in the service sector (on average), %	46.84
Minimum wage (on average), USD/month	109.73
Unemployment rate (on average), %	5.89
Unemployment among men (on average)	6.09
Unemployment among women (on average), %	6.63
Youth unemployment (on average), %	12.37

Source: compiled on the basis of the data [8]

Table 4

**The main parameters determining the economic potential of the SCO by member states in 2017**

Country	Land area (thousand sq. km)	Nominal GDP (billion US dollars)	Population (million people)
Russia	18,760	2254	1452.6
China	9597	10 743	156.8
Kazakhstan	2725	232.5	18.2
Kyrgyzstan	200	7.3	5.8
Uzbekistan	449	52.4	8.1
Tajikistan	143	8.1	29.4
Total SCO	31,874	13,297.3	1,670.9

Source: compiled on the basis of the data [8]



consumers, which forms a huge reserve of economic development for the organization in general and for each of its individual members in particular.

The admission to the SCO of observer states, such as Iran, Pakistan, Mongolia, and later on other countries that show interest in the organization, can exponentially increase this potential.

A substantive analysis of the efficiency of economic cooperation of the SCO member states makes it possible to distinguish the following projects and areas, the participation in which ensures obtaining economic benefits by the organization's member countries: trade and investment, interbank, transport and logistics, and energy cooperation.

Considering the economic results for the SCO member states in more detail in the context of these countries, it can be noted that, for example, in case of China they consist in the possibility to follow their shift to the West to its logical progress, as well as improve their international standing.

This can be most clearly seen in the process of implementing the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road initiatives. In fact, by promoting them China manifested intentions to pursue economic expansion to promising markets in a slightly modified form. In 2014, in order to finance this activity China established the Silk Road Fund with a total capital of \$40 billion, and in 2015 the Asian Infrastructure Investment Bank (AIIB) was founded upon the initiative of China [11].

Taking into account the outlined initiatives and in order to successfully accomplish the tasks set in the SCO member states, Chinese companies systematically resort to the tried and tested measures to foster the loyalty of the national authorities, such as large-scale capital infusion, long-term lending, and construction of industrial and infrastructure facilities.

It means that certain incentives stipulating the development of the SCO countries are created, thus determining the economic benefits for the organization's members and demonstrating the advantages of the currently implemented programs, as well as the wisdom of increasing cooperation with the PRC.

The highest total average annual growth rate of China's investments in the SCO countries for the 2011-2016 period accrued to Kazakhstan and Russia, comprising 38.2 and 32.2% respectively [11].

The long-term economic results of Russia, as one of the leading members of the SCO, implies intensification of their influence on the development of Central Asia, a region that has always been part of Moscow's special interest

sphere, as well as ensuring regional stability. Today, under the conditions of various international sanctions and deepening recession, membership in the SCO adds dynamics to the Russian economy and gives a wide access to material, monetary and financial, and other resources, trade and investment sources, as well as activates mutual trade.

In the economic context, new opportunities emerge for India and Iran concerning the intensification of the intraregional division of labor, increasing the countries' investment prospects, improving the transport and logistics network, participating in major infrastructure projects, as well as encouraging the development of high-tech industry, healthcare and educational services [11].

Regarding the other SCO member countries, it should be noted that their economic benefits are due to the operation of bilateral economic treaties and agreements.

The SCO offers exciting opportunities for the practical application of new methods and forms of long-term economic cooperation based on initiatives and newly developed mechanisms for cooperation.

Therefore, firstly, the parameters and prospects for the development of the economic activities of the SCO have been developed and recorded in a number of key documents.

Thus, the 20-year program for multilateral trade and economic cooperation fixed the goals of regional economic cooperation in the short-term (increasing the parties' benefits from economic and technical cooperation) and medium-term perspective (promoting the creation of favorable conditions for trade and investment, improving the general atmosphere of cooperation). In the long run, the idea of establishing a free trade zone within the SCO was also confirmed, intending to reduce trade costs for member countries, encourage regional investments, form a division of labor at the subregional level, and provide regional industry with resources [6].

Secondly, in the economic sphere, the organization elaborates and tests the structure of optimal interaction at various levels and the system of its own cooperation structures.

So, today there is a mechanism for holding meetings of ministers responsible for foreign economic and foreign trade activities, ministers of transport and agriculture, ministers of finance and heads of central banks, ministers of science and technology. Seven ad hoc working groups have been created specializing in certain areas of cooperation, including

customs cooperation, e-commerce, investment promotion, transit potential development, fuel and energy sector, and modern information and telecommunications technologies. The parties have set up the Business Council and the SCO Interbank Association, which coordinate cooperation between enterprises, investors, and markets.

Thirdly, the SCO is developing specific mechanisms for streamlining various areas of economic cooperation and the activities of private operators within the member states.

Positive results have been achieved in trade and investment facilitation. The parties are developing cooperation in such areas as protection of intellectual property rights and exchange of information in the field of control over the movement of energy resources, and facilitate border crossing procedures. In the field of financial cooperation, member state banks form the parameters for cooperation in the sphere of regional finance.

Fourthly, at the current stage, the organization has created favorable conditions for trade and investment of the SCO member states, and the rates in these areas are growing steadily. The example of China's cooperation with the SCO partners is typical in this regard. Thus, from 2001 to 2017, the value of trade between the PRC and other SCO member states increased by almost 15 times – from 12.1 billion to 153.4 billion dollars [9].

The Figure 1 shows the dynamics of changes in the volume of trade between the PRC and the five Central Asian countries in 2008-2010 [14].

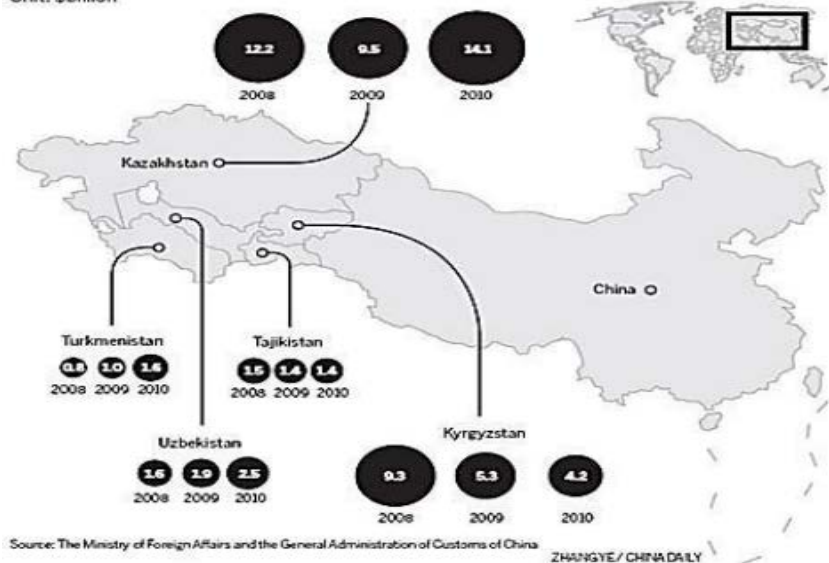
Cooperation is expanding on a number of projects in the field of technical and economic cooperation as well as implementation of joint network-based and telecommunications projects. Cooperation projects are being implemented in such areas as creation of a system of infrastructure facilities, telecommunications, hydrotechnical amelioration, power generating industry, manufacturing and contract construction. A new economic and transport arrangement is emerging, based on the starting integration of the overland part of the Chinese Silk Road Economic Belt with the Russian Trans-Siberian Railway and the Baikal-Amur mainline (BAM), as well as the Northern Sea Route [11].

Thus, the main economic performance results of the member states are related to trade, energy cooperation, creation of a favorable investment environment, and regional division of labor.

However, unequal economic potential of member states gives rise to imbalances and contributes to the emergence of problems which are due to

**CHINA'S TRADE VOLUME WITH FIVE CENTRAL ASIAN COUNTRIES**

Unit: \$billion



**Figure 1. Dynamics of changes in the volume of trade between the PRC and the five Central Asian countries, 2008-2010 [14]**

their commitment to resource-based industry, low financial safety margin, underdeveloped institutions of the modern market, and also arise as a result of a recent weakening of interest of the organization's leader, which is China, to Eurasia-bound cooperation [6].

**4. Problems and prospects in the development of economic cooperation in the framework of the SCO**

In September 2014, a meeting of the Council of Heads of Member States of the Shanghai Cooperation Organization was held in Dushanbe, the result of which was signing of several agreements, including the new Dushanbe Declaration, identifying the main problems and challenges the organization faced [9].

Thus, as a result of the Summit, transport and energy became priority areas of cooperation. For example, during the Summit, the idea of cooperative construction of an economic corridor along the Silk Road was put forward, focused on achieving common development and cooperation. A project of

such scale will serve the interests of both members of the organization and other states of Eurasia.

The Silk Road is still just a concept under development. However, this is a potentially large transcontinental project based on the idea of geopolitical regularity, since the Silk Road connects up to 40 states, and besides historically it reached Scandinavia, the Black Sea region, Western Europe and Iran. The project is to be joined by the countries of the Far East.

In the main directions of the “One Belt, One Road”, the creation of a new Eurasian land bridge, as well as the economic corridors China – Mongolia – Russia, China – Pakistan, Bangladesh – China – India – Myanmar, China – Central Asia – Western Asia and China – Indochina – is supposed (Figure 2).

The five priorities for cooperation include: political coordination, interconnectedness infrastructure, free trade, financial integration and free movement of capital, humanitarian exchanges etc [13]. The creation of an economic corridor along the Silk Road will contribute to the spread of economic cooperation between the SCO members and Europe.

Thus, this concept and the project are important for managing the crisis and restoring economic growth in Eurasia [9].

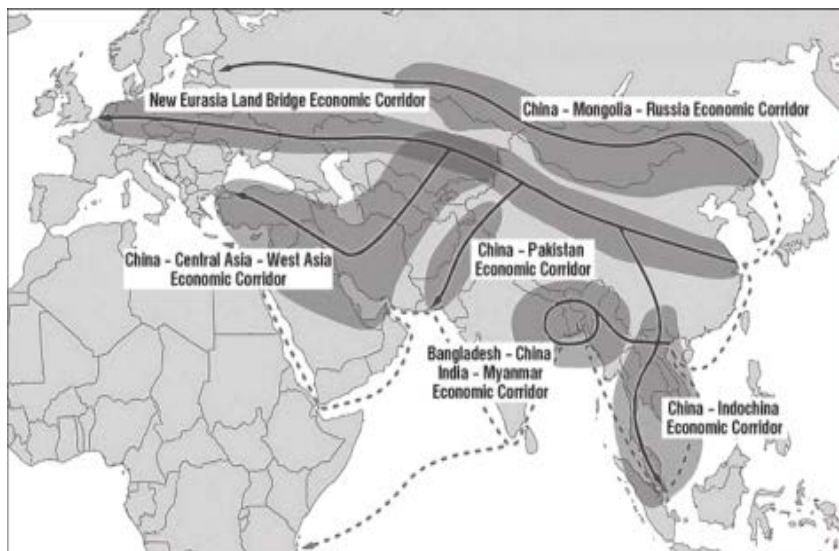


Figure 2. Economic corridors of “One belt, one way” [13]

Within the framework of the Silk Road Economic Belt concept, it becomes possible to verbalize an idea of geopolitical consolidation of Eurasia, which is clear to the world community and rules out confrontation of national economies, as well as ideas of a new platform and cooperation model, which will contribute to changing the arrangement of the geo-economic map of the Eurasian continent.

Cooperation in the fuel and energy sector today sees the most noticeable growth. Cooperation on the natural gas market is particularly promising, which is due to the current needs of the global energy market and a certain gas shortage [4].

Today, the SCO is working out a mechanism to unite producers, consumers and transit countries of energy resources within the framework of the Energy Club. The Club is meant to coordinate the activities of the SCO gas producing countries on the regional and global energy markets and to develop cooperation between gas producers and consumers in order to diversify natural gas distribution channels.

Such coordination is becoming one of the crucial conditions for maintaining the competitiveness of the economies of energy-producing countries, especially in the Central Asian region. Gas consumers will have to deal with the alliance of gas producing countries, and there are further plans to develop a coordinated strategy for linking the economy of gas sectors of the SCO countries with their geopolitical interests [10].

Among the priorities of economic cooperation within the framework of the SCO there are the following:

- pooling resources in the field of modern applied research, creating an enabling environment for the implementation of scientific research in priority areas of technological development;
- intellectual property protection;
- development of mechanisms for financing and launching technologies and innovations on the market [6].

One of the promising areas of the organization's activities is encouraging and supporting innovative projects, being of interest to the national economies of the countries that are members of the organization or are represented in it. This may refer to the joint development of technologies and their commercialization on the markets of the SCO countries and beyond, as well as setting up transnational SCO-based corporations.

Today among the pending tasks there is the issue of establishing a special institution aimed at commercialization of promising technologies and preparation of projects for their subsequent implementation. Consolidated innovative activities can serve as the basis for the development of a joint high-tech business within the organization. The key actors, coordinators and integrators of the results of innovative activities should not be scientific institutions or universities, but engineering entities.

Thus, assessing the economic interaction of the SCO member states, we can note that the organization has created favorable conditions for economic development, and trade and investment environment is improving steadily [6].

However, development is hindered by a number of factors, both objective and subjective. Thus, one of the obstacles is the fact that the structure and size of the economies of the member states are very different. The countries of Central Asia are at different levels of economic development. For a number of countries in the region, the danger of a systemic economic crisis cannot be ruled out.

In this regard, working out strategic documents for the development of both individual countries and the entire integration group is of particular importance. So far, only some of the countries of the Central Asian region have long-term economic development strategies. Therefore, the development of plans for institutional reforms is of particular importance.

Economic cooperation is negatively affected by problems in the credit and financial sphere. Thus, one of the problems facing the SCO is the accumulation of funds for the construction of multilateral trade and economic cooperation facilities. There is a need to strengthen the role of the Council of the Interbank Association and enable it to finance projects on arm's length terms that would correspond to the current economic situation. Another problem is labor migration.

In addition, it can be noted that not so many prospective partners for cooperation are of common interest to all members of the organization. Due to the differences in economic conditions, needs and interests, the SCO member states cannot sign the entire agreements package at once and start cooperation in all areas, so today the parties still have to forge interaction in key areas.

Despite the national specifics, the main vectors of development of the economies of the SCO countries coincide. With the further development of market relations, the processes of globalization and integration of

economies into the world market economy, in particular the process of joining the WTO, the above-mentioned differences will also be gradually smoothed over.

A common problem for the SCO member states, which entails economic losses, is a soaring tendency to shift the center of influence in solving economic and credit and financial development problems from government bodies to business and financial entities. It is obvious that the institutional immaturity and imperfection of the state apparatus, whose task is to create favourable conditions to attract participation of business in SCO projects, predetermine failure and unprofitability of many initiatives.

An obstacle to economic interaction is the fact that the relevant legislation of the SCO member states differs in many ways. Today, the mechanisms of international legal regulation of economic cooperation have not been worked out completely yet, while effective economic development is impossible without modern legal regulation.

The foundations for the legal regulation of the organization's economic activities were already laid in the Declaration on the Establishment of the Shanghai Cooperation Organisation of 2001. Thus, item 9 states that the SCO will make use of the huge potential and extensive opportunities in the mutually beneficial cooperation in economic and trade fields among its member states, strive to enhance further development of both bilateral and multilateral cooperation among the member states and plurality of this cooperation. For this purpose, a negotiating process on trade and investment facilitation was initiated, and a long-term Program of Multilateral Trade and Economic Cooperation was developed [2].

Today economic cooperation in the organization is progressing mainly in the course of bilateral relations and agreements. This is confirmed by the absence of significant multilateral projects, as well as legal, financial and organizational infrastructure, necessary for this. The annual meetings of the heads of relevant departments and numerous working groups have not yet led to the foundation of strategic institutions, such as the Development Bank and the Special Account, essential for the embodiment of project activities.

## **6. Conclusions**

Thus, the international legal regulation of economic relations within the framework of the SCO is not yet universal for all members, and there are no mechanisms for executing and monitoring decision making.



Members of the organization are taking actions aimed at strengthening integration and multilateral cooperation: meetings, conferences, roundtable discussions, expert meetings and other events are being held, and joint statements, memorandums and cooperation agreements are being developed and adopted. However, at this stage, the SCO still remains rather a forum, which creates prerequisites for signing mainly bilateral agreements on certain areas and issues of economic cooperation among the member states.

Over the time of its existence, the Shanghai Cooperation Organization has been transformed from a monofunctional regional organization, focused on the security sphere, into a multifunctional international organization.

Analysis of the political and economic activities of the organization allows noting the prerequisites for the formation of a new, integration stage of its development. Further development of the SCO makes it necessary to expand membership in the organization, based on economic and political compromises, since the process of further economic and political integration is hampered by the fact that in certain issues the viewpoints of the member states, observers and partners do not coincide.

In order to increase the efficiency of the SCO's activities, it is necessary to streamline the sphere of international legal regulation, in particular, to elaborate a basic universal economic agreement between all member states. In our opinion, a systematic approach is required for this: certain harmonization of national legislations, leveling the level of economic development, establishing strategic institutions for the embodiment of project activities, greater consideration of the interests of Central Asian states. A further comprehensive forecast of the development in the security sphere, as well as political and economic environment is also mandatory.

Thus, today the SCO is the largest regional organization in the world whose priority is to solve a wide range of problems, from ensuring border security and combating terrorism in the region to strengthening economic cooperation not only among the countries of Central Asia, but also with other international regional organizations.

### References:

1. Bykov, A.I. (2011). *Ekonomicheskoe sotrudnichestvo v ramkakh ShOS: osnovnye napravleniya i perspektivy razvitiya* [Economic cooperation within the framework of the SCO: main directions and development prospects]. M.: FLINTA. (in Russian)

2. Shanghai Cooperation Organization. *Deklaratsiya o sozdanii Shankhayskoy organizatsii sotrudnichestva* [Declaration of Establishment of the Shanghai Cooperation Organization] (15.06.2001). Retrieved from: <http://infoshos.ru/ru/?id=37> (accessed 1.02.2019).
3. Shanghai Cooperation Organization. *Delovoy sovet ShOS. Energeticheskij klub. ShOS: kakim emu byt?* [SCO Business Council. Energy Club. SCO: what should it be?]. Retrieved from: <http://bc-sco.org/?level=8&id=29&lng=ru> (accessed 01.02.2019).
4. Dovhal, O.A. (2015). Svitohospodarska vzaiemodiiia v intehrovanomu hlobalnomu sviti: spetsyfika ta dynamika [World Economic Interaction in an Integrated Global World: Specificity and Dynamics]. *Transformatsiia mizhnarodnykh ekonomichnykh vidnosyn v epokhu hlobalizatsii* [Transformation of international economic relations in the era of globalization]. A.P. Holikov, O.A. Dovhal (Ed.). Kharkiv: KhNU imeni V.N. Karazina, pp. 48-61. (in Ukrainian)
5. Dovhal, O.A. (2006). Protektsionizm i liberalizm u zovnishnotorhovelnykh vidnosynakh u protsesi hlobalizatsii ekonomiky [Protectionism and liberalism in foreign trade relations in the process of globalization of the economy]. Extended abstract of Doctor's thesis. Kharkiv: KhNU imeni V.N. Karazina. (in Ukrainian)
6. Shanghai Cooperation Organization. *Dushanbinskaya deklaratsiya ShOS* [Dushanbe SCO Declaration]. (28.08.2008). Retrieved from: <http://infoshos.ru/ru/?id=39> (accessed 07.01.2019).
7. Shanghai Cooperation Organization. *Khartiya Shankhayskoy organizatsii sotrudnichestva* [Charter of the Shanghai Cooperation Organization]. (07.06.2002). Retrieved from: <http://infoshos.ru/ru/?id=33> (accessed 08.01.2019).
8. Osnovnye soyuzy mira. Soyuz: Shankhayskaya organizatsiya sotrudnichestva (ShOS). 2018. Retrieved from: [https://www.economicdata.ru/union.php?menu=intergovernmental-organization-unions&un\\_id=64&un\\_ticker=SCO&union\\_show=details](https://www.economicdata.ru/union.php?menu=intergovernmental-organization-unions&un_id=64&un_ticker=SCO&union_show=details) (accessed 10.02.2019).
9. Aris, S. (2011). Eurasian Regionalism. The Shanghai Cooperation Organisation. Basingstoke: Palgrave Macmillan.
10. Aris, S. (2009). The Shanghai Cooperation Organization: 'Tackling the Tree Evils'. A Regional Response to Non-traditional Security Challenges or an Anti-Western Bloc? *Europe-Asia Studies*, vol. 61, no. 3: 460-478.
11. Gatev, I., Diesen, G. (2017). Eurasian encounters: the Eurasian Economic Union and the Shanghai Cooperation Organisation. *European Politics and Society*, vol. 17: 133-150.
12. The Shanghai Cooperation Organisation. Retrieved from: <http://ng.sectsc.org/documents/> (accessed 07.02.2019).
13. Srivastava P. (2016). Regional Corridors Development: a Framework. *Journal of International Commerce, Economics and Policy*, April 2016, vol. 4, no. 2, pp. 1-21. (in English)
14. Wang H. (2012). Further cooperation urged. China-Central Asia Forum // *China Daily*. 09.05.2012. Retrieved from: <http://chinadaily.com.cn/cndy/09-05/2012/content> (accessed 07.02.2019).