

Evgeny A. Kanaev

Doctor of Historical Science,
Professor, HSE University, Russia, Moscow,
ekanaev@hse.ru,
<https://orcid.org/0000-0002-7988-4210>

Ekaterina A. Vaseneva

HSE University, Russia, Moscow,
eavasenyova@edu.hse.ru,
<https://orcid.org/0000-0002-7693-0736>

Business Cooperation between ASEAN And SCO: The Institutional Dimension

Abstract: The paper assesses prospects for strengthening contacts between Association of Southeast Asian Nations (ASEAN) and Shanghai Cooperation Organization (SCO) under the auspices of their respective institutions of business cooperation. The specificity of dialogue between ASEAN and SCO is revealed, possibilities and limitations of fostering business ties within the frameworks of ASEAN Business Advisory Council (ASEAN BAC) and SCO Business Council (SCO BC) are analysed, the most likely scenario under which this cooperation can be energized is specified. According to the authors' position, this intensification of contacts is possible only in case ASEAN BAC and SCO BC are synergized with China's mega-strategy the Belt and Road Initiative. Under other scenarios, including the “business-as-usual” format of cooperation between ASEAN and SCO business communities in the framework of ASEAN BAC and SCO BC, progress is unlikely.

Keywords: *ASEAN Business Advisory Council, SCO Business Council, prospective plans, business cooperation, economic regionalism, Belt and Road Initiative.*

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ИНСТИТУЦИОНАЛЬНОЕ ИЗМЕРЕНИЕ ДЕЛОВОГО СОТРУДНИЧЕСТВА АСЕАН И ШОС

Аннотация: В статье проводится оценка перспективы активизации контактов между Ассоциацией стран Юго-Восточной Азии (АСЕАН) и Шанхайской Организацией Сотрудничества (ШОС) при помощи институтов развития делового сотрудничества. Выявлена специфика взаимодействия АСЕАН и ШОС, проанализированы возможности и ограничения стимулирования деловых связей посредством Делового консультативного совета (ДКС) АСЕАН и Делового совета (ДС) ШОС, определен наиболее вероятный сценарий, при котором это сотрудничество может обрести новый масштаб и качество. С точки зрения авторов, такая активизация сотрудничества возможна лишь в том случае, если ДКС АСЕАН и ДС ШОС будут интегрированы с китайской мега-стратегией Инициатива пояса и пути. При иных сценариях, в числе которых - продолжение контактов между деловыми сообществами стран АСЕАН и ШОС посредством ДКС АСЕАН и ДС ШОС, прогресс маловероятен.

Ключевые слова: *Деловой консультативный совет АСЕАН, Деловой совет ШОС, перспективные планы, деловое сотрудничество, экономический регионализм, Инициатива пояса и пути.*

Канаев Евгений Александрович, доктор исторических наук, профессор НИУ ВШЭ, Россия, Москва, ekanaev@hse.ru, <https://orcid.org/0000-0002-7988-4210>

Васенёва Екатерина Андреевна, НИУ ВШЭ, Россия, Москва, eavasenyova@edu.hse.ru, <https://orcid.org/0000-0002-7693-0736>

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Large-scale geopolitical projects which are developed across Eurasia need appropriate instruments, among which of special significance are institutions. The extent to which they are efficient will define the degree of safety and the eventual success of the implemented projects.

The Association of Southeast Asian Nations (ASEAN) and the Shanghai Cooperation Organization (SCO) are influential international actors with diversified agendas and the top-level political representation. ASEAN coordinates initiatives of economic regionalism, multilateral dialogue platforms aimed to tackle economic and political-security issues, as well as develops external partnerships. In its turn, SCO embraces the most influential states of the Asia-Pacific region, as well as, like the association, undertakes multilateral initiatives. Both ASEAN and SCO have institutional branches tasked to maintain contacts, including those between business communities. These venues are ASEAN Business Advisory Council (ASEAN BAC) and SCO Business Council (SCO BC). To assess possibilities to synergize efforts of ASEAN and SCO by means of promoting cooperation between ASEAN BAC and SCO BC is a timely exercise as this case may be revealing and instructive.

Starting from an outline of the state and dynamics of dialogue between ASEAN and SCO as multilateral platforms, the paper further proceeds with analyzing the extent to which ASEAN BAC and SCO BC may stimulate ties between the business communities of ASEAN and SCO member states to finally turn to assessing the most realistic scenario under which the intensification of these contacts and the eventual synergy between ASEAN BAC and SCO BC may take place. The conclusion summarizes the foregoing analysis.

ASEAN-SCO Relations: the State of Play

Although prospects for strengthening ties, both substantial and institutional, between ASEAN and SCO have been discussed with a varying degree of intensity, since ASEAN and SCO Secretariats signed a Memorandum of Understanding (MOU) in 2005¹, this still remains a paper exercise. In theory, a sort of synergy may be achieved since ASEAN and SCO share common features, operate on resembling fundamental principles, resolve correlating tasks and re-

spond to mostly similar challenges. In this light, potential areas and directions to coordinate prospective planning are plenty in theory.

In practice, however, ASEAN-SCO coordination is still incipient at best, which reveals serious internal limitations of this idea. The formal resemblance of ASEAN and SCO does not stimulate upward trends. The reasons are numerous.

Abundant evidence reveals that in the years to come ASEAN and SCO will focus upon their internal priorities. The association will channel its effort to the establishment of ASEAN Community as the key instrument to raise the competitiveness of its members and of ASEAN as an international actor. This task is not easy and embraces numerous complicated issues, both long-standing and recently emerged, ranging from narrowing infrastructure gaps to responding to the aftereffects of the COVID-19 pandemic and, more specifically, to China's Digital Silk Road and Health Silk Road. In its turn, SCO is increasingly likely to focus upon ways to settle disagreements between India, China, and Pakistan. Arguably, by admitting India and Pakistan, SCO has burdened itself with a sort of challenges, the key of which are territorial contradictions, that the Shanghai Five was able to successfully resolve at the initial stage of its evolution. But at the present point in time, these controversies undermine the pivotal directions of SCO cooperation, first and foremost, combatting international terrorism. The events of February 2019, when India attacked Pakistan on the assumption that the target area was a sanctuary for terrorists², convincingly demonstrate that India did not consider it necessary to hold consultations with other SCO members and launched a military attack against its SCO partner, to the disadvantage of SCO as a whole.

But most importantly, both SCO and ASEAN need to develop new visions of the niches they occupy in the international community, as well as new ways to synergize their prospective plans with the global development. So far, the results have been mostly discouraging.

While ASEAN aims to increase its global significance and to fully integrate in global processes, it is hardly satisfied with the way the global situation evolves³. Much to ASEAN's dissatisfaction, in various regions promising economic projects are sacrificed for the sake of political expediency, while color revolutions, ethnic riots and

fake news are the new norm. This is exactly what ASEAN does not want to see in Southeast Asia. But most importantly, ASEAN has traditionally favored the evolutionary regional and global development, which is conspicuously missing in the present-day international politics.

Concerning SCO, it has to specify its niche in the priorities of its participants, as well as the extent to which it can organize the processes of cooperation within its territorial domain. Discouragingly, internal disagreements, intra-state conflicts and, most notably, territorial disputes severely undermine SCO's performance. This is coupled with lack of clarity regarding the SCO security role in its geographical area and the world at large. Arguably, as the aforementioned India-Pakistan armed conflict strongly suggests, the SCO activity has been mostly limited to producing slogans, while its practical contribution to strengthening security of its member states has been minor. If so, SCO's inability to really, rather than declaratorily, shape the international milieu in its territorial domain to the best advantage of its member states is quite obvious.

To sum, as an instrument to increase cooperation between ASEAN and SCO, the top-down vector is of limited use. In these circumstances, much depends upon the down-top vector, presented by the grass-root exchanges, primarily, in the business sector, and supported by ASEAN and SCO institutions.

The Business Institutions Perspective: Expectations and Interim Results

In the institutional realm, business exchanges within the frameworks of ASEAN and SCO are maintained by ASEAN Business Advisory Council and SCO Business Council. These dialogue venues share several common features.

Both ASEAN BAC and SCO BC have a relatively long history. ASEAN BAC was launched in April 2003, a month before the association declared its plans to establish ASEAN Community, while SCO BC came into existence in 2006. Up to the present, ASEAN BAC and SCO BC have developed the organizational part of their activity, mainly, institutions and formal procedures. Various events between intra-ASEAN and intra-SCO business communities are maintained on the sustainable basis. Notable examples of these

events include ASEAN Business Awards, ASEAN Global Leadership Programme, SCO Business Forum, International Business Forum “Moscow Business Dialogue SCO” etc.

Another factor of relevance is that both ASEAN BAC and SCO BC are involved in the decision-making processes on issues within their competence. Specifically, ASEAN BAC participates in ASEAN summits, provides the ASEAN leaders and senior officials with business analytics, mostly relevant to facilitating intra-ASEAN economic integration⁴. ASEAN BAC experts prepare sectoral reports and ASEAN Annual Economic Outlooks focusing on economic and business cooperation in Southeast Asia. SCO BC is a venue attended by representatives of influential national bodies – senior officials of the trade chambers and, in the case of India and Kazakhstan, large holding companies. Although SCO BC does not exert direct influence on the government policies of the SCO member states, as the COVID-19 pandemic started, SCO BC elaborated on a plan to reduce its impact on business⁵.

The political salience of both ASEAN BAC and SCO BC also stems from their high ranks in the prospective plans of ASEAN and SCO. As outlined in the ASEAN Economic Community Blueprint 2025, ASEAN BAC will play an enhanced role as an instrument of intra-ASEAN integration⁶. In its turn, the Development Strategy of the Shanghai Cooperation Organization until 2025 attaches high importance to SCO Business Council, along with SCO Interbank Association, in fostering dialogue in innovative economic sectors between the SCO member states⁷.

The afore-discussed factors suggest that in theory ASEAN BAC and SCO BC have many possibilities not only to shape the business cooperation within their respective territorial domains but also to build up strong external ties, including between companies of ASEAN and SCO member states. In practice, however, due to numerous reasons this remains wishful thinking rather than a realistic scenario.

The most important reason is the afore-mentioned lack of regionalization between the ASEAN and the SCO areas. For instance, apart from China and to a much lesser extent India, other SCO member states lack strategically important assets in Southeast Asia: populous diasporas, recognizable brands, mass-consumption goods, stra-

tegic alliances between enterprises, financial structures and individual entrepreneurs etc. As a result, possibilities to increase the mutual trade turnover, both in consumption and investment goods, are relatively weak. In order to solve the present predicament, the ASEAN member states will have to significantly re-organize their industrial policy, re-orienting to towards Russia, Pakistan and the Central Asian states. Arguably, the ASEAN countries clearly lack any compelling reasons to do it. Revealingly, the grass-root commercial activity of companies of SCO member states is not extended to South-east Asia, and vice versa. Examples of business success stories performed at each other's markets are rare, if not one-off events.

No less importantly, effective cooperation between ASEAN and SCO business communities suffers from the same problems as ASEAN and SCO encounter. This is especially relevant to SCO since the organization has been unable to launch and develop multi-lateral “anchor projects” (ASEAN with its initiatives of economic regionalism like AFTA, AIA and eventually ASEAN Community looks much better). For SCO, to develop large-scale economic initiatives were problematic even before its expansion, while the present intra-SCO contradictions make it nearly impossible to launch and eventually implement such projects. Concerning ASEAN, the association has yet been unable to revise the ASEAN Way. In spite of “ASEAN Minus X” and “ASEAN Plus Two” formulae, the spirit of intra-ASEAN cooperation remains voluntary rather than obligatory. As a result, business communities of SCO and ASEAN, except for one-off cases, are mostly reluctant to develop even intra-SCO and intra-ASEAN commercial ties, not to mention those with external partners.

Tellingly, the level of SCO BC institutional capacities remains modest regardless cooperation with ASEAN BAC: it hardly has enough potential to produce tangible outcomes on its own project agenda. While a digest of events – industrial exhibitions and conferences – has been operational since 2020, providing companies with up-to-date information⁸, a complete implementation of SCO BC plans has failed to gain traction. Moreover, there are no multilateral projects in which four or more SCO countries participate. The vast majority of the initiatives are developed in Russia and China, Uzbekistan and Tajikistan, to a much lesser extent – in Pakistan and India⁹.

Likewise, while trade facilitation is declared to be one of the Council's key tasks, evidence that SCO BC stimulates the intra-SCO trade exchanges is scant. SCO BC focuses mostly on information-sharing, which appears the maximum of its capacity.

Lastly, ASEAN BAC and SCO BC have not elaborated on institutional channels to develop and upgrade mutual ties. Specifically, ASEAN BAC develops cooperation with external partners, among which there are China-ASEAN Business Council, East Asia Business Council, ASEAN India Business Council, Russia-ASEAN Business Council and Roscongress Foundation, but there is no ASEAN-SCO Business Council¹⁰. Nor does SCO Business Council distinguish ASEAN as a special institutional track of its activity¹¹.

In the light of the above-mentioned, ASEAN BAC and SCO BC can at best inform companies of possibilities that appear within ASEAN and SCO territorial domains. Prospects for building up connections between ASEAN and SCO companies, financial structures, entrepreneurs etc., which would stimulate the down-top vector of ASEAN-SCO cooperation, are virtually non-existent.

A Realistic Scenario

If the present trends continue, the development of ASEAN-SCO dialogue will probably be shaped by the evolution of geopolitical projects with the global dimension. The Indo-Pacific Region (in which India participates), the Greater Eurasian Partnership, developed by Russia, and China's mega-strategy the Belt and Road Initiative are worthy of note.

Arguably, the Indo-Pacific region is a groundless initiative from the substantial, institutional and normative perspective. The IPR lacks a sound economic foundation, which is exemplified by weak grass-root commercial exchanges between the Pacific Ocean and the Indian Ocean countries. Although SLOCs via the Indian Ocean and the Pacific Ocean are important, they alone cannot be sufficient for providing a trans-regional initiative with a strong economic basis. The IPR lacks the institutional pillar since no existing multi-lateral dialogue platforms can perform this function. Taking into account the ever-increasing politicization of the IPR project, its prospects may well be gloomy since anti-Chinese sentiments are not the

proper normative instrument by means of which region-building efforts can succeed¹².

Concerning the Greater Eurasian Partnership, many questions are also in place. The key point of vulnerability stems from lack of clarity regarding the GEP substance and aftereffects. For example, in case China is the major benefit-provider in the GEP format, does it mean that India should either welcome the BRI or eventually leave GEP? Can this project gain momentum with many security challenges – like the South China Sea, the Kashmir and the North Korean nuclear issue – remain unresolved, and on what, or, possibly, on whose conditions should these problems be tackled? Will the PRC leadership be motivated to take into consideration the ever-growing sensitivities of its GEP partners as China's possibilities rise? As long as these questions remain open, the GEP prospects are mixed at best¹³.

From the practical perspective, China's mega-strategy the Belt and Road Initiative is the most probable game changer in bringing ASEAN and SCO together. But this synergy will take place under the Chinese close supervision and the eventual control. The reason is clear as China even before the BRI had developed tremendous assets, mostly in terms of people-to-people contacts, infrastructure development and commercial penetration in Southeast Asia, South Asia and Central Asia, which has been further energized by the BRI. At present, two pillars of BRI – the Digital Silk Road and the Health Silk Road – are increasing in significance. The latter is especially important since it allows Beijing to link the industrial and the social dimension of BRI, by means of which China can strengthen the technological ties with its BRI partners.

Though China remains reluctant to establish formal institutions of cooperation under the BRI auspices, as, in Beijing's view, they hamper rather than strengthen grass-root economic and commercial ties, the Chinese de-facto penetration in the economies of ASEAN and SCO member states is steadily increasing. Arguably, China tries to integrate the already functioning institutions of cooperation, including the ASEAN-led RCEP, ASEAN BAC or SCO BC, in the Belt and Road Initiative as they may facilitate the BRI implementation. For instance, in case China plans to expand transactions in renminbi, why not organize a series of round-table talks in the

RCEP format focusing upon the virtues of financial cooperation? And as these discussions mature, simultaneously expand payments in renminbi in synergy with developing the Chinese on-line paying systems? Along with it, China has invested much time and effort in constructing the trans-border infrastructure as the BRI cornerstone, linking the BRI partner countries with China's production centers. With a course of time, the grass-root cooperation will be predominantly China-centric. If so, to integrate business institutions in China's area of privileged interests will be a relatively easy instrumental task.

More significantly, as the COVID-19 pandemic continues, China increasingly stakes upon the Digital Silk Road (DSR) linking it with the Health Silk Road (HSR). Concerning DSR, China harbors ambitious plans. Specifically, the implementation of large-scale infrastructure projects supplemented by the Chinese ICT products allows China to markedly strengthen its positions in international industrial cooperation. As this practice goes on and expands, enterprises of BRI participants will be technologically linked to China while the Chinese companies will expand their activity abroad. Simultaneously, collecting big data, China will use it to the best advantage of its industries¹⁴. As a result, as the critical mass of China's influence on global technological cooperation is created, Beijing will raise the question of granting China the privilege to set international industrial standards and eventually to re-design the international industrial property rights legal framework and practices.

A self-sufficient and very important part of BRI, and, by implication, of DSR, accounts for developing the on-line regulation of transnational commercial activity. As things currently are, in many countries the legal framework of commercial exchanges, as well as key terms and definitions, is still missing. Of special note is a blurred line between the terms "electronic commerce", "on-line trade" and "on-line business", as well as "sharing economy", "peer-to-peer economy", "consumer economy", "intellectual property in the Internet" "on-line property" etc. This naturally undermines on-line business activity, ranging from advertising on the Internet to on-line sales and the performance of Internet enterprises while in case of litigation or arbitration, the competence of state courts and arbitration centers is questioned. As a result, all parties of on-line commercial activity,

no matter producers, advertisers or consumers, lack legal support and protection.

Concerning HSR, China's plans are even more ambitious. By developing HSR in synergy with DSR, China aims to explore the market of medical products, services and equipment in its BRI partners. Specifically, the Chinese companies expect to win large tenders and orders with indirect political support from the PRC government. Needless to say that China's afore-mentioned medical products, services and equipment will be based upon the Chinese digital technologies. As a result, the BRI industrial and social dimensions will be synergized, to the PRC's best advantage. Predictably, the implications will embrace the existing business dialogue venues.

In brief, there is only one scenario under which cooperation between ASEAN BAC and SCO BC may increase, namely, to give China the complete control over this process and its eventual results. Discouragingly, the "business-as-usual" approach, based upon the potentials of ASEAN BAC and SCO BC as self-sufficient dialogue platforms to strengthen ties between ASEAN and SCO business communities, does not work.

Conclusions

ASEAN and SCO are reputable international actors. At the same time, however, they have been unable to upgrade their instruments of cooperation, including the institutional mechanisms. Coping with the present challenges, ASEAN and SCO increasingly focus upon their internal tasks instead of expanding their external economic activity.

The aftereffects exert strong influence upon prospects for dialogue between the ASEAN and the SCO business communities. So far, neither substantial, nor institutional agenda of cooperation between ASEAN Business Advisory Council and SCO Business Council is developed.

Practice has repeatedly demonstrated, and the case of ASEAN-SCO cooperation convincingly confirms it, that the regionalism (institutions of cooperation) can only be premised upon the regionalization (grass-root exchanges). Shaped by a confluence of political, economic and technological trends, business exchanges cannot be

efficient without a strong leader that purposefully defines their evolution according to its preferences and prospective plans.

China seems to understand this reality better than any other international actor. Based on its previous assets and reinforced by the state support for BRI, China has good chances to synergize its mega-strategy with the existing institutions, including those focusing upon cooperation between companies. In light of this, upward trends between ASEAN and SCO, including between their business communities, are possible in case these dialogue frameworks are integrated in BRI. Although the implications may vary, no other options are in place.

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