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Legal Aspects of Trade and Economic Cooperation within the Framework of the Shanghai Cooperation Organization

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DEFINITION

Shanghai Cooperation Organization (SCO): An international organization established in 2001, based on the principle of equal consultation. Its core objectives include promoting trade and investment facilitation, deepening economic cooperation, and providing institutional guarantees for regional economic integration through political mutual trust and security cooperation. The organization operates through mechanisms such as Prime Ministers' Meetings and Economic and Trade Ministers' Meetings.

Economic and Trade Ministers' Meeting: One of the cooperation mechanisms within the Shanghai Cooperation Organization, aimed at promoting trade and investment facilitation in areas such as customs, finance, and transportation.

Trade and investment facilitation: A core cooperation goal of the Shanghai Cooperation Organization, aimed at reducing transaction costs and promoting the free flow of goods, capital, services and technology by taking measures in the fields of customs, finance, transportation and so on.

"Three-step" strategy: A strategic plan proposed by the 2003 Framework for Multilateral Economic and Trade Cooperation, with the goal of gradually facilitating trade and investment within the Shanghai Cooperation Organization region in stages.

China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone: A platform established to practice regional cooperation (such as the Qingdao Demonstration Zone) that aims to explore open economic cooperation models through innovative mechanisms such as the Legal Services Committee.

Legal Services Commission: An innovative mechanism established within platforms such as the China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone to support and explore new models of economic cooperation.

China-Europe Express: An infrastructure connectivity project considered one of the representative achievements of deep economic integration and common prosperity within the Shanghai Cooperation Organization region.

Economic and trade dispute settlement mechanism: Legal arrangements for handling frictions and disputes in the economic and trade sphere. The article points out that the Shanghai Cooperation Organization has institutional gaps or ambiguities in this area, reflecting lagging legal mechanisms and potentially laying the groundwork for future trade frictions.

Shanghai Spirit: Cited by Chinese President Xi Jinping as the guiding principle of the Shanghai Cooperation Organization, it aims to guide member states to work closely together and build a community with a shared future for the SCO.

SCO Community of Shared Future: The SCO aims to build a world of lasting peace and common prosperity under the guidance of the "Shanghai Spirit" as proposed by Chinese President Xi Jinping.

Non-tariff barriers: Trade barriers other than tariffs. Within the Shanghai Cooperation Organization, these barriers manifest themselves in inconsistent customs

procedures and standards. These barriers arise from differences in development levels among member states and hinder the deepening of cooperation.

Eurasian Economic Community: An international organization within a region whose integration processes compete with the Shanghai Cooperation Organization's economic integration.

Negative List System: An investment management model. The article suggests that the Shanghai Cooperation Organization could draw on the experience of the Asia-Pacific Economic Cooperation (APEC) and the Regional Comprehensive Economic Partnership (RCEP) to strengthen this system to facilitate investment access.

Belt and Road Initiative: An international cooperation initiative proposed by China, initially initiated in Kazakhstan. This initiative complements the SCO in promoting regional economic integration.

"Silk Road Economic Belt": A component of China's Belt and Road Initiative, first proposed by President Xi Jinping in Kazakhstan in 2013.

"Bright Path" New Economic Policy: A new economic policy proposed by Kazakhstan that is highly consistent with China's "Belt and Road" initiative, promoting all-round cooperation between the two sides in areas such as energy and transportation.

China-Kazakhstan Lianyungang Logistics Cooperation Base: A logistics cooperation project jointly built by China and Kazakhstan, it has become a land-sea transport hub connecting Asia and Europe.

ABBREVIATION

SCO	–	Shanghai Cooperation Organization
BIA	–	Bilateral Investment Agreement
GDP	–	Gross Domestic Product
WTO	–	World Trade Organization
APEC	–	Asia Pacific Economic Cooperation
RCEP	–	Reliability Comparison Evaluation Program
EEC	–	Eurasian Economic Community
EU	–	European Union
EAEU	–	Eurasian Economic Union
FTC	–	Free Trade Commission
CICA	–	Conference on Interaction and Confidence-Building Measures in Asia
CHS	–	Council of Heads of State
CNC	–	Council of National Coordinators
IMF		International Monetary Fund
NAFTA	–	North American Free Trade Agreement
USMCA	–	United States-Mexico-Canada Agreement
RK	–	Republic of Kazakhstan
SWG	–	Special Working Group
U.S.	–	United States
TFEU	–	Treaty on the Functioning of the EU
UN	–	United Nations

INTRODUCTION

General Overview of the Study. The dissertation is devoted to a comprehensive analysis of the legal mechanisms governing trade and economic cooperation within the Shanghai Cooperation Organization and adopts an interdisciplinary approach by integrating the achievements of international law, international relations theory, and economic science. The research seeks to identify and conceptualize legal issues related to the institutional development of the SCO and to formulate doctrinally grounded proposals for improving its regulatory framework. Particular attention is given to the discrepancy between the growing economic potential of the Organization and the institutional limitations of its legal instruments. This imbalance necessitates the development of a more advanced regulatory model built on the principles of predictability, binding force, and transparency. The theoretical significance of the study lies in its contribution to the legal doctrine of regional integration, while its practical relevance stems from the potential application of its conclusions and recommendations in shaping the legal policies of SCO member states, enhancing the institutional structures of the Organization, and developing regulations to improve the stability and effectiveness of regional economic cooperation.

The relevance of the research topic is determined by the strategic importance of the Shanghai Cooperation Organization as a key actor in modern international law and economic relations. Established on 15 June 2001 in Shanghai through the signing of the Declaration on the Establishment of the SCO by the heads of six founding states [1], the Organization has evolved by 2024 into a major integration entity comprising 10 sovereign member states. According to official data, the SCO covers approximately 36.2 million km², representing around 24% of the world's landmass, and has a population of 3.46 billion people, or 43% of the global population [2]. These quantitative parameters demonstrate the transformation of the SCO into one of the most influential geopolitical formations of the contemporary world, spanning a significant portion of the Eurasian continent.

The Organization's substantial geopolitical weight has naturally demanded the creation of a strong legal foundation. Over its 24-year history of institutional development, the SCO has built a robust normative framework based on the founding principles of the Shanghai Declaration, the SCO Charter of 2002, and an extensive system of subsequent multilateral agreements. The concept of the "Shanghai Spirit," enshrined in Article 1 of the SCO Charter, constitutes the normative core of cooperation, grounded in the principles of mutual trust, mutual benefit, and equality [3]. The Organization's institutional architecture, comprising a multilayered system of bodies from the highest political authority (the Council of Heads of State) to specialized institutions, reflects a high degree of legal formalization and functional specialization.

However, this developed institutional structure is at times at odds with real economic practices. Despite a stable positive dynamic in economic cooperation, including the increase in China's trade volume with other SCO member states from USD 6.72 billion in 2001 to USD 512.4 billion in 2024 [4], the economic dimension of integration still faces systemic legal challenges. Growing economic interdependence

underscores the need for harmonization of national legal systems, effective dispute settlement mechanisms, and the elimination of regulatory fragmentation.

These legal issues have acquired particular urgency in the current geoeconomic context. The expansion of the Organization's membership, the increasing use of national currencies in trade settlements, and strategic alignment with major initiatives such as the Belt and Road Initiative [5] have significantly raised the demands for a more effective legal infrastructure for cooperation. In these conditions, the SCO's ability to develop unified, transparent, and modern legal standards becomes critically important for managing integration risks and transitioning from declarative objectives to the creation of a genuinely advanced zone of economic partnership.

The relevance of the study is therefore reinforced by the need for a comprehensive analysis of the evolution of the legal framework for trade and economic cooperation within the SCO. Particular importance is attached to examining the development of key legal instruments since 2001, including the "Memorandum between the Governments of the Member States of the Shanghai Cooperation Organization on the Basic Objectives and Directions of Regional Economic Cooperation and on Launching the Process of Creating Favorable Conditions in the Field of Trade and Investments" of 2001 [6]. Their principles, regulatory scope, and institutional mechanisms require reassessment regarding compliance with contemporary challenges, especially concerning the "soft" nature of many legal instruments and the insufficient implementation of adopted norms.

Addressing these contradictions calls for a thorough comparative analysis of international experience. Examining the practices of the European Union, the North American Free Trade Agreement (and its successor, the United States-Mexico-Canada Agreement), as well as the Belt and Road Initiative within a three-dimensional analytical framework of "institutional design – regulatory effectiveness – dispute resolution" enables the identification of viable approaches to adapting diverse integration models to the realities of the SCO.

The analysis conducted confirms that the SCO has encountered a phenomenon of "integration plateau," characterized by an imbalance between the extensive regulatory framework and the limited efficiency of its practical implementation. The paradox of the Organization lies in the coexistence of significant economic potential with institutional constraints resulting from the dominance of soft-law instruments, asymmetry in the economic development of member states, and the absence of effective mechanisms for legislative harmonization.

The identification of these systemic legal challenges therefore confirms the relevance and timeliness of this research. Conflicts among national legal systems, insufficient effectiveness of implementation mechanisms, and the lack of a unified approach to addressing cross-border disputes constitute a conceptual challenge that requires thorough scholarly understanding. The relevance of this study is consequently determined by the necessity to develop a coherent concept of the legal framework for economic integration within the SCO, one that meets current challenges and reflects both the specific features of the Organization and the broader trends in the evolution of international economic law.

The purpose of the dissertation is to conduct a comprehensive analysis of the legal foundations and regulatory mechanisms governing trade and economic cooperation within the framework of the Shanghai Cooperation Organization, and to develop scientifically grounded proposals aimed at improving the Organization's legal framework and institutional mechanisms.

Achieving this goal requires addressing the following tasks:

– examine the formation and development of the legal regulation of regional economic cooperation within the SCO;

– consider the organizational and legal mechanisms that facilitate economic integration among SCO member states;

– analyze the legal foundations of trade and economic cooperation among SCO member states;

– explore the institutional and legal bases, as well as structural constraints, of economic cooperation within the SCO;

– define the institutional foundations and prospects for establishing a unified investment space within the SCO;

– examine the legal mechanisms for developing transport and logistics infrastructure within the SCO;

– analyze the institutional and legal dimensions of forming the "SCO Investment Community of Shared Future";

– identify prospects and challenges in creating the "SCO Energy Community";

– conduct a comparative analysis of institutional design, the effectiveness of norms, and dispute settlement mechanisms within the SCO;

– perform a cross-paradigmatic comparative analysis and determine the prospects for economic integration within the SCO.

Research object: legal relations arising in the field of trade and economic cooperation within the SCO.

Research subject: legal norms, institutional mechanisms, and practices governing trade and economic cooperation and economic integration processes within the SCO.

The methodological framework of the dissertation is based on a combination of general scientific and specialized legal research methods, the application of which ensured the logical coherence of the study and the validity of the conclusions drawn. These methods include comparative legal analysis, the normative-dogmatic approach, institutional analysis and case analysis.

The research employs the comparative legal method as the principal analytical tool for identifying the specific features of SCO legal mechanisms. This approach is implemented through a systematic comparative assessment of three models of economic integration: a supranational model (the European Union), an intergovernmental model characterized by the dominance of a leading power (the North American Free Trade Agreement, NAFTA/USMCA), and a flexible model based on the synergy of "soft" and "hard" law (the Belt and Road Initiative). The comparison is conducted across three key dimensions: institutional design, the hierarchy and effectiveness of norms, and the performance of dispute settlement mechanisms. This

provides a basis for identifying both common patterns and unique attributes of each model, forming a methodological foundation for evaluating the prospects of the SCO.

A central role in the study is played by the normative-dogmatic method, which entails the analysis of legal sources. It is applied to examine in detail the SCO's founding documents (the Charter, Declarations), multilateral agreements (for example, the 2014 Agreement on Creating Favorable Conditions for International Road Transport), decisions of SCO bodies, and the national legislation of member states. Analysis of the evolution of the regulatory framework, reflected in tables such as Table 1 illustrating changes in economic objectives, made it possible to trace the transition of the Organization from declarative statements to the formulation of concrete programs and strategies, as well as to reveal the predominance of soft-law instruments.

Institutional analysis was used to assess the practical effectiveness of legal mechanisms and identify structural limitations. This method enabled a detailed examination of the organizational structure of the SCO (including the Council of Heads of State, the Council of Heads of Government, the Secretariat and specialized working groups), the distribution of competencies among these bodies, and the practice of their interaction. Combined with an analysis of statistical data and expert assessments, this approach allowed the diagnosis of systemic challenges such as the slow pace of decision-making resulting from the consensus principle, the incomplete establishment of key financial institutions (the SCO Development Bank), and the fragmentation of the regulatory environment that constrains deeper economic integration.

Regulatory framework of the study. The regulatory foundation of this research is formed by the core legal instruments of the Shanghai Cooperation Organization, which establish its legal order and govern economic cooperation among its member states. The principal documents include the Declaration on the Establishment of the SCO (2001) [1] and the SCO Charter (2002) [2], which define the Organization's objectives, principles and institutional architecture. A crucial contribution to the development of the economic dimension was made by the Program of Multilateral Trade and Economic Cooperation of the SCO Member States (2003) [7], which set strategic integration priorities, as well as subsequent instruments elaborating its implementation, such as the Agreement on Creating Favorable Conditions for International Road Transport (2014) [8], the Agreement on Cooperation and Mutual Assistance in Customs Matters (2007) [9], and the SCO Economic Development Strategy until 2030 [10]. The regulatory framework is further complemented by decisions adopted by the SCO Council of Heads of State and Council of Heads of Government, including the summit declarations of Samarkand (2022) [11], New Delhi (2023) [12], Astana (2024) [13] and Tianjin (2025) [14], and by a package of documents adopted in 2024–2025. These include the Decision of the SCO Council of Heads of Government on the Report of the SCO Secretariat regarding events and meetings held within the implementation of the Program of Multilateral Trade and Economic Cooperation [15], the Concept of the "New Economic Dialogue," the Framework for Cooperation in the Field of Creative Economy and the Concept for Establishing the SCO Economic Preferences Platform [16].

The academic basis of the study has an interdisciplinary nature, integrating

developments in international law, international relations theory, economics and regional integration studies. The body of sources incorporates both fundamental works by foreign, Russian and Kazakhstani scholars as well as official documents of international organizations, ensuring a comprehensive and multidimensional analysis.

The theoretical reflection on the process and mechanisms of economic cooperation within the SCO relies on substantial scholarly work conducted by Russian, Chinese, Kazakhstani and Western researchers. Foundational concepts in international law and the theory of international organizations essential for contextualizing the SCO activities are presented in the works of D.K. Bekyashev [17], A.N. Vylegzhanin [18], I.P. Blishchenko and A.Kh. Abashidze [19]. Contributions by L.S. Voronkov [20], I. Hurd [21], and H.G. Schermers and N.M. Blokker [22] enable an analysis of the SCO's place within contemporary international relations, its institutional nature and the balance between sovereignty and integration. Of particular relevance to understanding the SCO's regulatory environment is the concept of "soft law," the theoretical foundations of which in the SCO context were articulated by C. Emeziem.

The broader political and security agenda of the SCO, which serves as a contextual background for economic cooperation, has been extensively examined by Russian scholars. Notable contributions were made by R.K. Alimov [23], who emphasizes the role of the Organization in Eurasian development, and A.V. Lukin [24], who together with Sh.M. Enikeev and D.P. Novikov [25] analyzes the SCO in the evolving geopolitical environment. A balanced, at times critical, assessment of the Organization's effectiveness is presented in works by S. Aris [26], A. Giustozzi and A. Matveeva [27], and T. Ambrosio [28], who point to internal constraints and challenges. Issues of SCO enlargement and its implications are thoroughly addressed by M.A. Konarovsky [29].

The economic dimension of SCO cooperation is explored in studies by O.S. Porshnev and S.L. Razinkov [30], as well as E.B. Starodubtseva and V.V. Perskaya [31], who focus on export stimulation. Systemic challenges in transforming the SCO into a full-fledged trade bloc were identified by M.A. Aliev [32], while structural constraints stemming from economic asymmetry were analyzed by N.N. Gordienko, V.V. Tulcheev and S.V. Zhevora [33]. The Chinese perspective is comprehensively reflected in works by Y. Dexue [34] and H. Liu [35], which, despite a generally optimistic assessment, highlight a slowdown of integration processes driven by divergent national interests.

Studies on investment cooperation within the SCO include the contributions of A.Yu. Mikhailov and E.O. Knyazeva [36], addressing the creation of the SCO Development Bank, as well as Zh.T. Sairambayeva [37], who examined legal mechanisms for investment facilitation. Practical aspects of cooperation, particularly the role of the SCO Business Council, are assessed by O.A. Yakubovsky [38]. The potential and institutional gaps in energy cooperation are analyzed by G. Khalova and N. Illeritsky, I. V. [39], as well as by A.V. Zelenaeva and A. V. Vlasov [40], and V.V. Bushuev [41], who proposes concrete roadmaps for strengthening the SCO Energy Club.

Transport and connectivity, as a key factor in Eurasian integration, have been

extensively studied by M.G. Shilina [42], addressing international legal issues of cooperation, and by L.V. Shkvarya [43], who focuses on the economic dimensions of transport interactions.

Comparative analysis in the dissertation is supported by the works of scholars studying other integration models. The experience of the European Union and its supranational "hard law" system is examined drawing upon research by R. Dragneva and K. Wolczuk [44], T.D. Ketterer [45], and K. Lenaerts et al. [46]. The North American model (USMCA) is presented as an example of strategic pragmatism in studies by C.P. Bown and K. Claussen [47], and C. Freund [48]. A flexible and inclusive approach of the Belt and Road Initiative is considered through the lens of research on standardization, digital cooperation and case-based dispute resolution experiences, including the Khorgos example.

Collectively, the reviewed literature demonstrates that the dissertation relies on a broad interdisciplinary academic base addressing the theoretical foundations of international law, the institutional specificity of the SCO, as well as a detailed examination of its economic, investment, energy and transport mechanisms in comparison with other regional integration models. These studies provide a holistic understanding of the development of the SCO's legal framework and its significance for strengthening and deepening regional cooperation.

Theoretical significance of the study lies in advancing the doctrine of international law and economic integration by means of a systematic analysis of the SCO's organizational and legal mechanisms. The research reveals a unique hybrid model of regional cooperation combining intergovernmental principles with elements of emerging supranational regulation. It also contributes to the theory of soft law and Eurasian integration by proposing new conceptual approaches to assessing the effectiveness of economic groupings in a multipolar international system.

Scientific novelty of the dissertation lies in the following:

– the relationship between the expansion of the SCO and the development of economic integration is identified and analysed for the first time. The study demonstrates that the growing number of member states enhances the Organization's potential, though simultaneously creating legal and organisational challenges for coordinated decision-making.

– a new methodology for analysing the SCO legal system is developed, enabling an assessment of the effectiveness of its functioning. It is demonstrated that the SCO institutional structure combines an extended system of bodies with insufficient coordination of their activities.

– a specific SCO approach to the legal regulation of economic cooperation is substantiated. It is proven that the Organization predominantly relies on non-binding instruments of soft law rather than legally binding international treaties. Such an approach ensures flexibility, although it reduces effectiveness.

– a key contradiction in SCO functioning is identified. Despite the significant economic potential of the member states, cooperation is constrained by the requirement to achieve consensus on all issues and by the predominance of non-binding documents.

– a two-level model for the development of investment cooperation is proposed.

It takes into account differences in national legal systems and provides for the gradual harmonisation of legislation.

– recommendations are developed to improve the legal regulation of transport infrastructure with regard to the need for coordination of national legal frameworks and technical standards.

– a phased model for the reform of investment cooperation mechanisms is elaborated. It provides for a transition from the existing system to more effective instruments of dispute resolution and coordination of interests.

– a concept for the establishment of a SCO Energy Community is proposed, including a detailed institutional structure and decision-making mechanisms that reflect the interests of all participants.

– a comparative analysis of legal models of economic integration (EU, USMCA, Belt and Road Initiative) is carried out. Their strong features that may be used within the SCO context are identified.

– based on international experience, an adaptive model for the development of the SCO is proposed, combining elements of different approaches and reflecting the unique character of an Organization that unites states with diverse levels of economic development and legal systems.

Consequently, the dissertation presents the first holistic concept of legal mechanisms of economic and trade cooperation within the SCO. It clarifies their institutional specificity, functional limitations and prospects for modernisation in the context of current challenges of international law and the global economy.

Practical significance of the research lies in the development of concrete recommendations for optimising the SCO legal framework and institutional architecture. These recommendations may be used by the executive authorities of the member states and by permanent SCO structures (the Secretariat, RATS) to harmonise national legislation, eliminate barriers in mutual trade, create a single investment space and implement infrastructure projects. These measures will eventually strengthen economic sovereignty and enhance the competitiveness of the entire Eurasian region.

The conducted research on the legal aspects of trade and economic cooperation within the SCO allows formulating the following **propositions submitted for defence:**

1. The study identifies a systemic gap in the enforcement of SCO decisions caused by the absence of standing bodies with supervisory and control functions. To overcome the declaratory nature of adopted decisions, the establishment of a Permanent SCO Committee on Trade and Investment is proposed. The Committee would function as an auxiliary body to the Council of Heads of Government, accountable to the Council of Ministers of Foreign Affairs as the principal coordinating and administrative centre. It must be mandated to monitor the implementation of agreements, elaborate recommendations for removing non-tariff barriers and conduct preliminary consultations on trade disputes. This would create an institutional basis for practical enforcement of commitments and shortening negotiation timeframes.

2. Fragmentation of national investment regimes and an incomplete financial architecture hinder the formation of a single investment space. The key proposed measure is the development and adoption of a Model SCO Investment Code. It would

define a harmonised negative list of sectoral exemptions, standardised conditions for pre-establishment national treatment, a comprehensive catalogue of investor guarantees and mechanisms of investment protection, along with pre-litigation dispute settlement procedures. The Code would become the foundation for the harmonisation of member states' investment legislation.

3. The study substantiates the need for harmonising technical standards as a necessary condition for market integration. Significant discrepancies in national technical regulations create insurmountable barriers to the movement of goods. A Roadmap for convergence of technical standards and regulations is proposed for key product groups selected on the basis of mutual trade volumes, scale economies potential and technological compatibility. The Roadmap would be implemented through specialised working groups and financed under joint projects.

4. Comparative analysis determines the most feasible integration pathway through a synthesis of models. Binding agreements are to be adopted in sectors with high integration potential, technological compatibility and low sensitivity to national security concerns (digital economy, green energy, logistics). In sensitive sectors affecting energy security, food sovereignty and the financial system, soft law instruments should be preserved with clearly defined parameters for their gradual convergence toward regulatory harmonisation.

5. The research demonstrates the critical need for a specialised mechanism for economic dispute settlement. The absence of binding and effective procedures undermines business confidence and legal certainty. An SCO Arbitration Centre is proposed within the Business Council with jurisdiction over disputes arising from international commercial contracts between entities of member states. Its decisions would be recognised and enforced under domestic legislation, with the primacy of its Statute approved by the Council of Heads of State.

Approbation of research results. The principal findings of the dissertation have been published in four academic works with a total volume of 2.9 printed sheets, including three articles in peer-reviewed journals recommended by the Committee for Quality Assurance in Science and Higher Education of the Ministry of Science and Higher Education of the Republic of Kazakhstan, and one article in an internationally peer-reviewed journal indexed in Scopus.

Structure and volume of the dissertation.

The dissertation comprises 142 pages. It includes an introduction, a main body consisting of three chapters and ten subsections, a conclusion and a bibliography of 185 sources.

1 PROCESS AND MECHANISM OF ECONOMIC COOPERATION WITHIN THE SCO

1.1 Formation and Development of Legal Regulation of Regional Economic Cooperation within the SCO

International organizations occupy a system-shaping position in the structure of the modern world order, functioning as key institutions of global governance and coordination of interstate cooperation [17, p. 85]. Their role in contemporary international law is determined not only by their mediating function in reconciling the interests of states, but also by their capacity to create norms and mechanisms that ensure the sustainability and predictability of international collaboration.

L.S. Voronkov rightly observes that "the participation of individual sovereign states in an ever-growing number of intergovernmental organizations begins to exert a significant influence on the nature of their bilateral relations, noticeably narrowing the space for foreign policy maneuvering" [20, p. 14]. This trend reflects a gradual shift from the classical model of interstate interaction, grounded in the principle of absolute sovereignty, toward an institutionalized form of cooperation based on mutual commitments and the voluntary limitation of political discretion in the interest of collective responsibility and stability in international relations.

The evolution of this phenomenon is closely linked to the deepening interdependence among states, which, as noted by I. Hurd, predetermines the increasingly central role of international organizations that "in one way or another find themselves at the core of all political and economic processes of the twenty-first century" [21, p. 1]. Consequently, international organizations undergo transformation from instruments of diplomatic coordination into stable mechanisms ensuring international security, legal order, and the development of harmonized regulatory standards governing state behavior across diverse areas of interaction.

The establishment of international organizations represents a result of coordinated political will of states seeking institutionalization of cooperation and the creation of a stable architecture of regional and global security. In this regard, the example of the Shanghai Cooperation Organisation is particularly indicative. The SCO was founded on 15 June 2001 in Shanghai by the heads of six states: Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan [1]. Its creation became a logical continuation of the efforts of these states to build multilateral dialogue and strengthen mutual trust in the Eurasian region, reflecting a broader trend toward institutionalized regional cooperation in the post-bipolar era.

G. Schermers and H. Blokker emphasize that "membership in an international organization is dual in nature: on the one hand, states function as constituent parts of the organization's mechanism, and on the other, they operate as its full partners. Thus, the organization works for its members and together with them" [22, p. 65]. Expanding on this view, I. Hurd notes that "all international organizations exist in the conceptual-legal space between state sovereignty and legal obligation. They are created by sovereign states, and their purpose is to bind those states with their commitments" [21,

p. 1].

These theoretical provisions are clearly manifested in the functioning of the SCO, whose institutional structure reflects a balance between respect for the sovereignty of its member states and the necessity for institutional interdependence. According to the Declaration on the Establishment of the SCO (2001) [1], the organization's initial priorities included ensuring regional security, coordinating efforts in combating terrorism, extremism, and separatism, along with advancing multilateral cooperation in political, economic, scientific-technical, and cultural domains.

The Declaration demonstrates that collective responses to extremist threats were initially the focal point of the organization's activities, viewed as the principal condition for maintaining regional stability. Simultaneously, the founding documents clearly established the commitment to deepen economic cooperation, strengthen mutually beneficial ties, and create favorable conditions for trade and investment.

Subsequent development of economic cooperation within the SCO reveals a steady transition from the institutional establishment of trade and economic interaction to the design and implementation of specific programs and mechanisms. This trajectory, reflected in annual declarations and strategic documents, has expanded to encompass not only trade and investment matters but also cooperation in financial-banking, customs, and credit-investment spheres. The dynamics presented in Table 1 illustrate the SCO's gradual shift toward a more complex model of regional economic integration and clearly demonstrate the evolutionary expansion and deepening of its economic agenda, wherein economic cooperation increasingly acquires a strategic dimension and becomes a key driver of integration processes.

Table 1. Evolution of the Economic Objectives of SCO Declarations (2001-2025)

№	Document Title	Economic Objectives
1	Declaration on the Establishment of the SCO (Shanghai, 15 June 2001)	Establishment of the foundations for multilateral trade and economic cooperation, development of mutually beneficial ties, creation of favorable conditions for trade and investment.
2	Declaration of the Heads of State of the SCO Member States (Saint Petersburg, 7 June 2002)	Deepening economic partnership, identifying priority infrastructure and energy projects, fostering the development of trade and investment.
3	Declaration of the Heads of State of the SCO Member States (Moscow, 29 May 2003)	Completion of the development of the Program of Multilateral Trade and Economic Cooperation and creation of favorable conditions for investment.
4	Tashkent Declaration of the Heads of State of the SCO Member States (Tashkent, 17 June 2004)	Acceleration of the implementation of the Action Plan for economic cooperation, growth of mutual trade turnover, development of free movement of goods, capital and technologies.
5	Declaration of the Heads of State of the SCO Member States (Astana, 5 July 2005)	Establishment of the SCO Development Fund and expansion of interbank cooperation for financing regional projects.
6	Declaration on the Fifth Anniversary of the SCO (Shanghai, 15 June 2006)	Harmonization of economic efforts, implementation of priority regional projects, gradual transition to free movement of goods, capital, services and technologies.

7	Bishkek Declaration of the SCO (Bishkek, 16 August 2007)	Development of energy partnership, coordination of energy strategies and support for the implementation of national economic development programs.
8	Dushanbe Declaration of the SCO (Dushanbe, 28 August 2008)	Pursuing responsible monetary and financial policy, controlling the movement of capital, ensuring food and energy security.
9	Yekaterinburg Declaration of the Heads of State of the SCO Member States (Yekaterinburg, 15 June 2009)	Strengthening international financial cooperation, development of transport and logistics infrastructure, promotion of innovation and energy-saving technologies.
10	Declaration of the Tenth Meeting of the SCO Council of Heads of State (Tashkent, 11 June 2010)	Creation of favorable conditions for trade and investment, development of regional transport and communication infrastructure.
11	Astana Declaration on the Tenth Anniversary of the SCO (Astana, 11 June 2011)	Implementation of long-term trade and economic development programs, coordination among economic ministries and financial institutions of member states.
12	Declaration of the Heads of State of the SCO on Building a Region of Long-Term Peace and Common Prosperity (Beijing, 7 June 2012)	Strengthening economic potential through modernization and innovation, deepening mutually beneficial regional cooperation, improving conditions for trade and investment, enhancing energy security and developing transport infrastructure to promote Eurasian integration.
13	Bishkek Declaration of the Heads of State of the SCO Member States (Bishkek, 13 September 2013)	Implementation of the List of Measures for project development for 2012–2016 and the Action Plan for the Program of Multilateral Trade and Economic Cooperation, with a focus on accelerated implementation of infrastructure and innovation projects, including establishment of the SCO Development Fund and Bank, development of transport and logistics networks and international logistics centers, creating favorable conditions for trade, economic and investment activity within Eurasia.
14	Dushanbe Declaration of the Heads of State of the SCO Member States (Dushanbe, 11–12 September 2014)	Meeting humanity's resource needs without harming the environment and public health; achieving sustainable, inclusive and technologically balanced growth through coordinated actions to deepen economic cooperation, develop high-tech industries, modernize manufacturing, implement infrastructure projects, and strengthen business and financial institutions including the SCO Development Fund and Bank.
15	Ufa Declaration of the Heads of State of the SCO Member States (Ufa, 10 July 2015)	Ensuring sustainable socio-economic growth, expansion of trade, investment and high-tech industries, modernization of industrial, transport-logistics and customs infrastructure, construction and improvement of highways, creation of the SCO Development Fund and Bank, facilitation of international transport agreements, support for the Belt and Road Initiative, engagement of business communities, observer states and dialogue partners.
16	Tashkent Declaration on the Fifteenth Anniversary of the	Expansion of mutually beneficial cooperation through harmonization of national development strategies,

	SCO (Tashkent, 15 June 2016)	implementation of the Program of Multilateral Trade and Economic Cooperation, development of transportation, customs and energy sectors, promotion of the Belt and Road Initiative, enhancement of innovation and investment potential, improvement of living standards and competitiveness in the SCO region.
17	Astana Declaration of the Heads of State of the SCO Member States (Astana, 9 June 2017)	Creating favorable conditions for the free movement of goods, capital, services and technologies, modernization of transport and road infrastructure, enhanced customs cooperation, implementation of the Belt and Road Initiative and the SCO Road Development Program, promotion of innovations, energy resilience and public-private partnerships.
18	Qingdao Declaration of the SCO Council of Heads of State (Qingdao, 10 June 2018)	Promotion of free movement of goods, capital, services and technologies, expansion of e-commerce and service economy, strengthening financial and customs cooperation, modernization of transport and road infrastructure, support for the Belt and Road Initiative, digital economy development and sustainable socio-economic growth based on equality and mutual benefit.
19	Bishkek Declaration of the SCO Council of Heads of State (Bishkek, 14 June 2019)	Improvement of global economic governance, countering protectionism, deepening trade, economic and investment cooperation, modernization of transport, customs and energy infrastructure, promotion of digital and innovation-driven economy, expansion of national currency use, food security and implementation of the Belt and Road Initiative.
20	Moscow Declaration of the SCO Council of Heads of State (Moscow, 10 November 2020)	Comprehensive strengthening of cooperation in trade, manufacturing, transportation, highways, energy, finance, investment, agriculture, food security, customs, telecommunications, digitalization, innovations and other areas to shape an open, inclusive and technologically advanced economic space in Eurasia, facilitating free movement of goods, capital, services and technologies and implementation of the Belt and Road Initiative and Greater Eurasian Partnership.
21	Dushanbe Declaration on the Twentieth Anniversary of the SCO (Dushanbe, 17 September 2021)	Deepening multilateral cooperation and effective implementation of long-term programs and projects in trade, investment, finance, industry, transport, energy, customs regulation, agriculture, food security, digitalization and innovation for sustainable, inclusive and balanced growth, improved welfare and a fair global economy.
22	Samarkand Declaration of the SCO Council of Heads of State (Samarkand, 16 September 2022)	Strengthening global economic governance and a WTO-based multilateral trading system, promotion of regional economic cooperation, free movement of goods, services, capital and technologies, modernization of railway, transport and customs infrastructure, adoption of digital and green technologies, agricultural development and food security.
23	New Delhi Declaration of the	Strengthening an open, fair and inclusive WTO-based

	SCO Council of Heads of State (New Delhi, 4 July 2023)	multilateral trading system, comprehensive WTO reform, opposition to unilateral sanctions, alignment of China's Belt and Road Initiative with EEU projects, 확대 national currency use in mutual settlements, implementation of the SCO Economic Development Strategy to 2030 including development of the digital economy, innovation and transport-logistics infrastructure, and enhancement of energy, food and financial security.
24	Astana Declaration of the SCO Council of Heads of State (Astana, 4 July 2024)	Reinforcing the multilateral trading system grounded in WTO principles, rejection of protectionism and unilateral sanctions, support for alignment of the Belt and Road Initiative with EEU projects, implementation of the SCO Economic Development Strategy to 2030, development of logistics, transport, digital economy, e-commerce, agriculture and food security, and expansion of energy, investment and financial cooperation to improve regional welfare.
25	Tianjin Declaration of the SCO Council of Heads of State (Tianjin, 1 September 2025)	Support for the Belt and Road Initiative and its alignment with EEU projects, development of an open and mutually beneficial economic space in Eurasia, strengthening of WTO-based multilateral trade, expansion of digital, investment, innovation, energy and transport-logistics cooperation including construction of the China–Kyrgyzstan–Uzbekistan railway, improvement of road and port routes, customs cooperation, and enhancement of agricultural development and food security.

Source: compiled by the author based on data from the official website of the SCO: Documents | Shanghai Cooperation Organization

An analysis of the dynamics of SCO declarations from the early 2000s through 2025 (see Table 1) demonstrates a gradual evolution of the Organisation from the declarative articulation of partnership principles toward the development of concrete mechanisms and strategic Programs. A key milestone in formalising these principles was the SCO Summit in June 2002 in Saint Petersburg, where the Declaration of the Heads of Member States and the SCO Charter [2], the Organisation's fundamental constitutive document, were adopted. These instruments established the legal and institutional framework for the further development of normative provisions governing various areas of SCO activity. Already at the subsequent summit in May 2003 in Moscow, important steps were taken toward institutionalising the Organisation, thereby creating the prerequisites for a more systematic and substantive interaction among the member states.

Particularly important for the economic dimension were the 2001 Memorandum [1] and the Protocol of 28 May 2002 [49], which provided regulatory closure to the process of economic institutionalisation and became a kind of "institutional framework" for implementing the Organisation's Program objectives. The Protocol established a multilevel governance model that included meetings of ministers of economy and trade, the Commission of Senior Officials and specialised working groups, ensuring the coordination of interstate efforts in the fields of trade, investment and infrastructure

development. Its key advantages included the establishment of a stable organisational structure, the introduction of procedural flexibility and the consolidation of the consensus principle as a guarantee of equality and sovereignty of member states. These elements fostered mutual trust and enhanced the predictability of economic decision-making within the SCO.

Institutionalisation of the principles enshrined in the founding acts of the SCO is implemented through a multilayered cooperation architecture. Article 1 of the Charter defines diversified areas of interaction, including trade and economic, scientific and technical, and energy cooperation, while Article 4 sets forth the formulation of key executive mechanisms in the form of regular meetings of heads of government and specialised working groups [3]. This structure has allowed the development of coordinated, technically grounded decisions, giving the Organisation's activities consistency and predictability. A methodological feature of this approach lies in the organic link between ensuring security and promoting economic development: countering terrorism and separatism creates conditions for protecting transport and energy corridors, while the maintenance of regional stability is transformed into a strategic economic asset.

The next stage of institutionalisation involved the Program of Multilateral Trade and Economic Cooperation until 2020 [7], which, following the practice of the European Union, proclaimed adherence to the principle of the "four freedoms" and became the first document to systematically regulate economic cooperation among the member states. Further development of the Program's provisions included the establishment of the observer institution [6], the approval of procedures for engagement with observers (2006) and the creation of the dialogue-partner institution (2008). The completion of the organisational and regulatory formation of the SCO, reflected in the 2006 Declaration [50], laid the foundation for the implementation of the 2008 Action Plan [51], characterised by a high level of specificity regarding measures, timelines and responsible actors, which indicated a qualitative strengthening of the Organisation's institutional capacity.

A particularly significant stage of evolution began in 2009, when member-state declarations shifted focus from general statements of intent toward building a systematic model of long-term economic interaction. This model incorporated the development of sustainable development strategies, the integration of China's Belt and Road Initiative [5] with the processes of the Eurasian Economic Union, the active promotion of digitalisation of trade and financial instruments, along with the development of transport infrastructure: the formation of road and rail corridors, enhanced capacity of border crossings, modernisation of customs procedures and the introduction of electronic data-exchange systems. Cooperation in food security and agriculture was strengthened in parallel: joint Programs for agricultural innovation, breeding and seed technology have been implemented, while mechanisms of technological exchange and joint demonstration bases have emerged. These areas have become core elements of the SCO's economic architecture aimed at self-sufficiency, sustainable growth and inclusive development across the region.

The period 2006-2015 was marked by the operationalisation of previously

established principles through specific cooperation mechanisms. During this period, the economic agenda deepened and became more structured, medium-term Programs were adopted, a broad system of sectoral working groups was formed and attention shifted to the implementation of infrastructure, energy and transport projects. Declarations of this stage demonstrated growing specificity, including "Action Plans" and "Project Lists," along with the discussion of establishing the SCO Development Bank.

The 2018 Dushanbe Protocol reflects the maturity and institutional consolidation of the Organization, demonstrating a shift from declarative cooperation to concrete organizational mechanisms. The document strengthened the legal and institutional architecture of the SCO in the sphere of foreign economic activity, prioritizing digital trade, customs cooperation, and interregional connectivity. In the context of the rapid development of the digital economy, cooperation among SCO member states requires effective legal mechanisms to ensure data security and protect digital infrastructure, as existing regulations do not yet fully address the emerging challenges in this field [52]. This stage links the implementation of the first Program (2003–2020) with the development of a new integration strategy based on the principles of interconnectedness, digitalization, and sustainable growth.

Finally, the stage of strategic planning and global positioning (2016 to the present) is characterized by a qualitatively new level of ambition. The SCO's economic strategy has become more comprehensive and long term, as evidenced by the adoption of the Strategy for Economic Development until 2030 [10]. The Organization now positions itself as an active participant in the global economic agenda, including issues related to WTO reform, countering protectionism and unilateral sanctions. A defining feature of this period is the strategic alignment of various integration initiatives (such as the Belt and Road Initiative and the EAEU) and the expansion of cooperation into emerging areas, including the digital economy, green technologies and food security.

Taken together, the analysis of SCO declarations and regulatory instruments from 2001 to 2025 demonstrates the establishment of a comprehensive, multi-level system of tools for sustainable and interconnected economic development. Institutional and normative innovations are consistently complemented by the practical implementation of strategic programs, which strengthens predictability, policy coherence and the long-term sustainability of integration processes.

Despite the existence of a strong regulatory foundation, the SCO's economic agenda continues to generate extensive debate. On one hand, official documents underline the political commitment of member states to deepen economic cooperation and develop transport-logistics, information-communication, food and agricultural infrastructure, which serves as a significant catalyst for regional stability and strengthened competitiveness across Eurasia. On the other hand, the practical execution of these intentions is constrained by institutional inertia in individual states, limited resource capacities and differing national economic priorities. Russia has articulated concerns over potential economic dominance by China, while the Central Asian members assume a more cautious stance, and China advocates a gradual introduction of free movement of goods, capital, services and technology [53].

Researchers such as Lukin et al. argue that economic cooperation remains the most challenging dimension of the SCO's activities, trailing behind security cooperation in terms of concrete results, which is confirmed by relatively limited practical achievements [24]. This observation was echoed at the 23rd Meeting of the Council of Heads of State in July 2023, where President of Kazakhstan Kassym-Jomart Tokayev emphasized that no major economic projects had been implemented under the SCO's auspices over more than 20 years, proposing the creation of a joint investment fund [54].

From a scholarly perspective, the SCO represents a unique hybrid institution. It ensures effective security cooperation and forms a mechanism for regional dialogue, while simultaneously encountering limitations in economic implementation due to its consensus-based decision making and the dependence on national political will [27]. Academic literature reflects three interpretive approaches to the SCO: a constructive-positive view that highlights its role in coordinated decision making and regional security architecture [23]; a skeptical stance that focuses on the lack of efficient implementation tools [26]; and a critical perspective arguing that security rhetoric masks support for authoritarian governance models [28].

Thus, the evolution of the SCO demonstrates an organic combination of political-legal institutionalization and the gradual implementation of economic initiatives. The Organization functions as a multi-tier system that, despite existing constraints and incremental progress, establishes the foundation for sustainable regional interaction and integration. Its activities illustrate a clear effort to integrate security, economic development and institutional consolidation within a unified strategic framework.

Importantly, the SCO's pragmatic value for Central Asian states lies in its ability to help diversify foreign policy relations, strengthen cooperation with Russia and China, and support the development of an independent regional position in the context of US strategic influence. The institutional and legal framework enshrined in the SCO Charter ensures the Organization's international legal personality, including the capacity to conclude treaties, hold property and act as a party to legal proceedings, along with procedural mechanisms governing enlargement (Articles 13-15) [2].

Further specification of these provisions followed in the summer of 2010 with the adoption of the Regulations on Admission of New Members, which detailed the relevant procedures. In 2011, the Model Memorandum of Obligations of an Applicant State was approved, consolidating the legal basis for the SCO's enlargement mechanism and reinforcing its international legal standing. The Organization's subsequent evolution has been accompanied by a progressive strengthening of its international legal capacity and a steady increase in membership.

This institutional dynamic allows the SCO to be analyzed through the doctrinal lens of international law, where admission procedures serve as a key indicator of institutional maturity and classification of international organizations. Within this framework, a distinction is made between open organizations, for which membership is generally accessible to all interested states, and closed organizations, in which accession is possible only with the collective consent of the founding or all existing

members [18, p. 246]. Founding instruments of international organizations usually establish specific criteria for membership, requiring aspiring states to share and uphold the principles and objectives of the organization.

As noted by I. P. Blishchenko and A. Kh. Abashidze, membership criteria depend on the goals and functions for which international organizations are created [19, p. 65]. However, two core conditions remain universal: first, a state must give its explicit consent to assume obligations under the constitutive act and adhere to the organization's goals and principles; second, other members must agree to its admission.

These principles are fully reflected in the Regulations on the Admission of New Members to the SCO, under which an applicant state must meet a number of criteria:

– belong to the Eurasian region

– maintain diplomatic relations with all SCO member states

– hold the status of an observer state or a dialogue partner within the SCO

– develop active trade, economic and humanitarian ties with the member states

– have no international security obligations incompatible with the SCO's principles

– not be engaged in an armed conflict with other states

– comply in good faith with the obligations under the UN Charter and adhere to universally recognized principles of international law

– not be subject to UN Security Council sanctions [55]

A historic milestone in the development of the Organization was its first enlargement in 2017, when India and Pakistan were admitted as full members of the SCO (see Table 2).

Table 2. Timeline and Legal Basis for the Expansion of the Shanghai Cooperation Organisation

Year of Accession	Member State	Territory Area, thousand km^2	Population, thousand people	Status
15 июня 2001 г.	Republic of Kazakhstan	2725	20 843	Founding state according to the Declaration on the Establishment of the SCO
	People's Republic of China	9597	1 415 192	
	Kyrgyz Republic	200	7 295	
	Russian Federation	17125	143 767	
	Republic of Tajikistan	143	10 786	
	Republic of Uzbekistan	447	37 053	
9 июня 2017	Republic of India	3287	1 467 514	Full member in accordance with the Memorandum of Obligations (June 2016)
9 июня 2017	Islamic Republic of	796	255 219	Full member in accordance with the Memorandum of

	Afghanistan			Obligations (June 2016)
2023	Islamic Republic of Iran	1648	92 417	Full member in accordance with the Memorandum of Obligations (September
2024	Republic of Belarus	207	8 997	Full member in accordance with the Memorandum of Obligations (November 2023)
2004	Mongolia	1564	3 517	Decision No. 9 "On Granting the Status of Observer State to Mongolia in the SCO" (17 June 2004)
2012	Islamic Republic of Afghanistan	652	43 844	Decision No. 6 "On Granting the Status of Observer State to the Islamic Republic of Afghanistan in the SCO" (12 June 2012)

Source: compiled by the author based on data from the official website of the SCO: Documents | Shanghai Cooperation Organization

This step marked the transformation of the SCO from a narrowly regional format into a macro-regional structure capable of accommodating the diverse interests of key Asian actors. Notably, China's initial reservation regarding India's accession eventually gave way to pragmatic rapprochement, which aligns with the foreign policy strategy of Prime Minister N. Modi aimed at consolidating India's status as an autonomous center of power in a multipolar world [56].

Economic interests served as the dominant motivation for the new member states. As noted by Z. Sarabekov, a key incentive was the pragmatic expectation of access to the resources, markets, and transit corridors of Central Asia within the framework of China's "Belt and Road" initiative. While Pakistan viewed membership as an opportunity to overcome its transit isolation, India emphasized the goal of diversifying energy supply routes [57]. The energy component of India's interests receives further justification in the work of O. A. Kharina, who argues that the SCO offers New Delhi a diplomatic instrument to address logistical barriers that have historically impeded direct access to the resource base of Central Asia [58]. A conceptual shift is thus underway: confrontation is gradually giving way to the recognition of the need for networked partnerships within multilateral platforms [59].

The subsequent enlargement by Iran (2023) and Belarus (2024) further reaffirmed the Organization's rising international standing. For Iran, full membership in the SCO represents the implementation of a strategic shift toward the "East," enabling the use of its key transit position to ensure access for Central Asian states to maritime transport routes [60]. According to Karami, this foreign policy maneuver serves as a tool for diversifying external economic ties and countering sanctions pressure through the strengthening of the Eurasian vector of cooperation [61]. Belarus, in turn, underscores the economic and logistical dimensions of enlargement. As highlighted by O. P. Rubo, Minsk not only seeks to leverage the SCO for advancing transport and financial projects, but also positions itself as a provider of food and cyber

security, offering the Organization its agricultural and technological potential [62].

The institutional evolution of the SCO, reflected in the gradual expansion and diversification of participation statuses (observers, dialogue partners) as regulated by Article 14 of the SCO Charter, demonstrates the formation of a flexible hierarchical structure [3]. The granting of observer status to Mongolia (2004) and Afghanistan (2012) signifies the progressive development of mechanisms for engaging states within the Organization's framework. Taken together, these processes have facilitated the transformation of the SCO from a regional consultative forum into a fully-fledged international organization with an extensive institutional architecture, whose role in the system of Eurasian security and economic cooperation continues to expand.

As M. A. Konarovsky rightly notes, the enlargement of the SCO creates tangible prerequisites for the economic integration of Central and South Asia. This process shapes a unique platform for synthesizing diverse initiatives aimed at revitalizing the Silk Road, including China's "Silk Road Economic Belt" concept and the United States' idea of a "New Silk Road." Furthermore, the strategic alignment of SCO mechanisms with institutions of the Eurasian Economic Union has the potential to significantly enhance the Organization's influence within the architecture of international relations across the Eurasian space [29].

The Organization's economic and demographic potential has been steadily reinforced through its phased enlargement. According to the analysis of Lukin and his colleagues, the accession of India and Pakistan in 2017, Iran in 2022, and Belarus in 2024 has considerably strengthened the SCO's capacity as a key institution of Eurasian security [24]. This perspective is shared by Liu Huachin, who argues that the expansion of the membership and the development of the "SCO+" format has created a broader platform for deepening regional economic cooperation and amplifying its global influence [35]. As M. Rakhimov observes, at the current stage the SCO comprises 10 member states covering about 36 million square kilometers (nearly 60 percent of the Eurasian landmass) with a combined population exceeding 3 billion people, which constitutes nearly half of the world's demographic potential [63].

The institutional model of the Organization represents a significant achievement in the sphere of multilateral diplomacy. Its fundamental characteristics remain its commitment to the principles of multilateral partnership, sovereign equality, and consensus [64]. At the same time, as emphasized by analysts of the Stockholm International Peace Research Institute (SIPRI), the SCO demonstrates high efficiency in the security domain while maintaining limited institutional openness, thereby creating a unique model of regional architecture [65].

The conducted regulatory and legal analysis allows for the conclusion that the enlargement of the Shanghai Cooperation Organisation is marked by objective legal duality. On one hand, in accordance with the norms of international law enshrined in Article 13 of the SCO Charter, the expansion of the Organization's membership legitimizes its international legal personality and enhances its regulatory potential amid the ongoing transformation of the global legal order. The incorporation of new member states creates legal prerequisites for the development of a macro-regional association with enhanced legal personality within the emerging multipolar system of international

relations.

On the other hand, the implementation of the economic provisions of the founding documents encounters systemic legal inconsistencies. The principle of decision-making by consensus, elaborated in Article 16 of the SCO Charter [3], while serving as a cornerstone of interstate cooperation, objectively generates legal risks of delaying the operationalization of major infrastructure projects. The normative diversification of the national legal systems of the member states creates additional legal barriers to the unification of regulatory standards, which is evidenced by the limited judicial practice related to the implementation of joint economic initiatives.

1.2 Organizational and Legal Mechanisms for the Development of Economic Integration within the SCO

According to the approach of the English School, an international society is defined as "a group of states (or, more broadly, a group of independent political communities) that form not merely a system – in the sense that the behavior of each is a necessary factor in the calculations of the others – but have also established, through dialogue and consent, common rules and institutions for the conduct of their relations, and recognize their common interest in maintaining these arrangements" [66].

This concept emphasizes that the stability of the international order depends not only on a balance of power, but also on the presence of agreed norms and institutions that ensure predictability and mutual trust among participants. In this context, as noted by Yuan, international institutions play a pivotal role by facilitating cooperation among actors, reducing transaction costs, shaping and maintaining behavioral norms, and eventually establishing the institutional foundation of an international community.

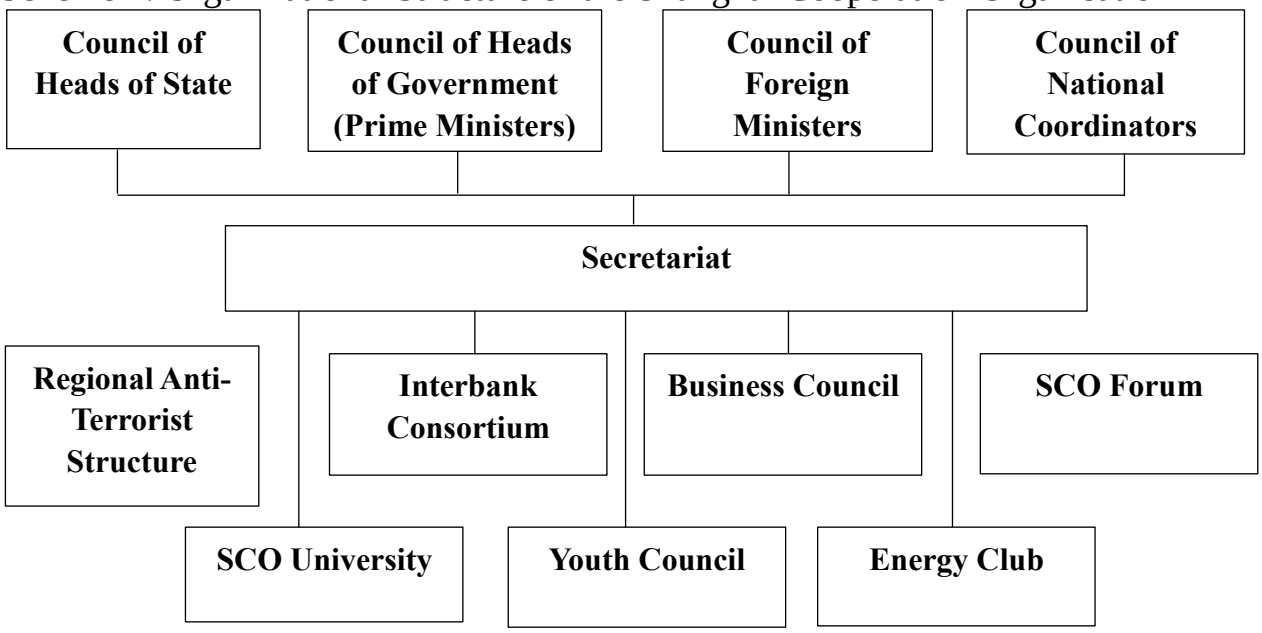
Proceeding from this premise, a more profound understanding of the principles of decision-making and their implementation mechanisms within the SCO requires an examination of its organizational structure. The SCO Charter serves as the fundamental founding document that defines the institutional architecture and legal basis of the Organization's functioning. It codifies the key principles of the SCO's structure and operational activity. Articles 4-11 of the Charter establish the core foundations of its institutional system: hierarchy, multi-level governance, intergovernmental character, and a consensus-based decision-making procedure [3]. This model reflects the intention of the founding states to create a stable yet flexible governance framework capable of functioning effectively while upholding the principle of sovereign equality among member states.

A key component of the organizational and legal framework of the SCO is its decision-making procedure. In accordance with Article 16 of the Charter, decisions within SCO bodies are adopted on the basis of consensus. At the same time, disagreement by individual Member States with specific elements of a decision does not prevent its adoption as a whole. Non-participation by one or more Member States in certain cooperation projects is likewise permitted where they express a lack of interest.

Pursuant to Article 17 of the Charter, decisions adopted by SCO bodies are implemented by the Member States in accordance with procedures defined by their national legislation. Monitoring of compliance with existing treaties and decisions is carried out by the SCO bodies within their respective competences [2]. The founding documents of the Organization therefore do not confer supranational powers, which reflects the intergovernmental nature of the SCO and its adherence to the principle of respect for state sovereignty.

Further examination of the SCO's organizational structure reveals the internal logic of the functioning of its bodies and their interaction mechanisms. Under Article 4 of the Charter, the institutional system of the SCO is organized through a clearly defined hierarchy that combines the stability of the institutional framework with elements of adaptability and evolutionary development [2]. Although the list of SCO bodies is exhaustive, it may be expanded by decision of the Council of Heads of State through the adoption of additional protocols (para. 3, art. 4). The bodies of the SCO are differentiated both by the level of representation and by the nature of their functions, shaping a multi-tiered system of interaction in the political, economic, and humanitarian spheres. The overall structure of the Organization is presented in Scheme 1.

Scheme 1. Organizational Structure of the Shanghai Cooperation Organisation



Source: compiled by the author based on data from the official website of the SCO: Documents | Shanghai Cooperation Organization

By the nature of their functions, the SCO bodies are classified as follows:

– political and strategic (the Council of Heads of State, the Council of Foreign Ministers);

– economic and financial (the Council of Heads of Government);

– sectoral (meetings of line ministries and agencies);

– permanent executive (the Secretariat and RATS) and coordination bodies (the

Council of National Coordinators).

Article 5 of the Charter of the Shanghai Cooperation Organisation establishes the Council of Heads of State (CHS) as the supreme body of the Organisation, vested with broad powers [2]. These powers include setting priorities and directions for the Organisation's activities, adopting key decisions on its internal structure and functioning, overseeing external relations, and addressing current international issues. The regular cycle of meetings and the principle of rotating chairmanship "according to the Russian alphabet" symbolize the equality of member states and prevent the dominance of any participant. This model reflects the classical principle of intergovernmental sovereignty within an international organization, ensuring a balance of interests and equality of voting rights.

A key focus of the CHS is the formulation of long-term priorities for economic cooperation. An important milestone was the approval of the "SCO Development Strategy until 2035," adopted at the 2025 Summit in Tianjin [14]. This document outlines economic benchmarks for the member states for the next fifteen years, covering areas such as trade, investment, energy, industry, sustainable development, and the introduction of new technologies [68].

Alongside the development of strategic documents, the Council of Heads of State initiates the creation of an institutional and legal basis for deepening economic cooperation [36]. At the 25th Summit, agreements were signed on the establishment of the Universal Centre for Countering Security Challenges and Threats, whose activities, despite their security-focused nature, have a direct impact on the economic stability of the region by creating conditions conducive to trade and investment growth. Another important initiative was the proposal to establish an SCO emergency assistance fund or mechanism, intended to coordinate member states' actions in the event of natural, technological, or epidemiological crises and to minimize their negative economic consequences [68].

Significant attention is devoted to promoting trade, investment, and connectivity. At CHS meetings, heads of state instruct governments and relevant ministries to remove barriers to trade and investment activities. The SCO Secretary-General has repeatedly put forward proposals for creating incentives for investment and trade cooperation, which are subsequently elaborated in decisions of the Councils of Ministers of Economy, Finance, and Trade [69].

Alongside general economic priorities, the CHS also focuses on sector-specific cooperation. Priority areas include energy (including renewable energy development), industry (cooperation and the formation of value chains), digitalization and innovative technologies, as well as sustainable development, where water and environmental issues play a key role. This comprehensive approach ensures a systemic character of economic integration and its orientation toward long-term outcomes.

In addition, the CHS plays a leading role in expanding the economic space of the SCO and strengthening its external relations. Decisions regarding the granting of dialogue partner status to Laos, and the SCO's acquisition of observer status with the CIS, create new opportunities for cooperation and the formation of common markets. The "SCO Plus" format, bringing together leaders of fast-growing economies such as

ASEAN member states, Turkey, and Egypt, is becoming a platform for mega-regional dialogue and alignment of various integration initiatives [68]. Finally, the development of a positive image and soft power tools is of particular importance for fostering economic growth. The designation of specific cities as "SCO Tourist and Cultural Capitals" (for example, Cholpon-Ata) stimulates tourism and related industries, enhances the region's attractiveness for investors, and strengthens humanitarian ties [68].

Thus, the core economic role of the SCO Council of Heads of State lies in providing strategic leadership, institutional development, and a political impulse for the further advancement of the Organisation. Although this body does not engage in day-to-day technical activities, its decisions define long-term priorities, establish mechanisms of interaction, and lay the foundation for sustainable economic growth, trade, investment, and enhanced competitiveness of the member states.

The Council of Heads of State determines strategic priorities and sets the overall direction for the development of the SCO, while the Council of Heads of Government, in accordance with Article 6 of the Charter, ensures the practical implementation of these decisions, focusing primarily on economic cooperation and approval of the Organisation's budget [2]. This division of competencies is consistent with international practice separating strategic and executive levels of governance, contributing to coherent and effective implementation of summit decisions.

The Council of Foreign Ministers serves as a crucial link between the highest political bodies and the executive structures of the Shanghai Cooperation Organisation. Pursuant to Article 7 of the Charter, this body prepares materials for the meetings of the Council of Heads of State, examines current issues related to the Organisation's activities, conducts consultations on international matters, and is authorized to issue statements on behalf of the SCO. Its meeting procedures, which require strict coordination of timelines and a consensus-based protocol for convening extraordinary sessions, reflect both its subordinate role and its emphasis on the principle of consensus that underpins the entire SCO decision-making system [2].

The importance of the Council of Foreign Ministers extends beyond coordination functions. It effectively operates as the intellectual and organizational hub ensuring that the strategic decisions adopted by the heads of state are translated into practical action. The meeting of the Council of Foreign Ministers held on 15 July 2025 in Tianjin [14] clearly demonstrated its pivotal role as the "brain center" and "transmission mechanism" for the implementation of the SCO's political and economic initiatives [70].

The SCO Council of Foreign Ministers occupies a central position within the Organisation's institutional architecture. It combines functions of strategic planning, political harmonization, coordination, and administrative oversight, acting as the connecting link between the supreme bodies and the executive institutions. It shapes the Organisation's unified political will, ensures ideological continuity, and creates regulatory and organisational frameworks for the practical execution of the decisions of the Council of Heads of State.

One of the fundamental functions of the Council of Foreign Ministers is its

involvement in shaping the SCO's strategic agenda. At this level, not only are draft documents for upcoming summits prepared, but priority directions for foreign policy and economic cooperation are also formulated. During their sessions, the foreign ministers conduct a comprehensive analysis of the international situation, "exchange views on priority areas of cooperation," and reach a consensus on the Organisation's future development trajectory. For instance, the speech delivered by China's Foreign Minister Wang Yi in Tianjin, outlining five key initiatives spanning from strengthening regional security to advancing the digital economy, served as an example of strategic agenda-setting that shaped the substantive basis for the upcoming summit [70].

Moreover, the Council of Foreign Ministers acts as the custodian and interpreter of the "Shanghai Spirit," the ideological and value-based foundation of the SCO. Reaffirming principles of mutual trust, equality, mutual benefit, and consultation provides a moral and political framework for all subsequent decisions, including economic and humanitarian initiatives.

Given the significant political and cultural diversity of the member states, achieving unity on complex issues represents one of the Council's primary tasks. During its meetings, the Council harmonizes draft key documents intended for consideration by the Council of Heads of State, such as declarations, strategies, statements, and other acts. It is at this stage that political and legal foundations are laid for future decisions, including the Tianjin Declaration and the SCO Development Strategy until 2035 [71]. Consequently, the Council contributes to the formation of a unified diplomatic position ensuring coordinated action by member states on the global stage. Despite its predominantly political-diplomatic nature, the activities of the Council of Foreign Ministers have a direct impact on the development of economic cooperation within the SCO.

First and foremost, the maintenance of political stability and security, as one of the principal tasks of the Council, creates the necessary conditions for the functioning of trade and investment links and the implementation of large-scale infrastructure projects. Through their decisions, foreign ministers identify economic priorities, establishing a framework for sectoral ministries and business structures. In addition to its strategic functions, the Council of Foreign Ministers performs critical managerial roles within the SCO institutional system. Its meetings provide a venue for reviewing the results of a presidency held by one of the member states and transferring the corresponding authority to the next country. Of particular importance is the approval of the Report of the Secretary-General on the activities of the SCO Secretariat, which enables ministers to assess the effectiveness of the permanent working bodies, adjust their activities, and ensure institutional continuity. This practice strengthens the management vertical and contributes to transparency in internal organisational processes.

Meetings of the Council of Foreign Ministers, such as the Tianjin session in 2025, serve not only as preparatory forums but also as decisive events. They transform SCO summits from formal ceremonies into substantive political and legal milestones that set new directions for integration and economic development within the Organisation.

Sectoral and coordination bodies play a special role in ensuring functional

interconnectedness and institutional cohesion of the Shanghai Cooperation Organisation. Meetings of ministers and agency heads (Article 8 of the SCO Charter) constitute an essential instrument for implementing decisions of the supreme bodies in specific areas of cooperation, including regional security, economic interaction, and cultural and humanitarian development [2]. The possibility of establishing specialised working groups and expert communities reflects the emergence of a technocratic level of cooperation that is characteristic of mature international institutions. These structures not only enhance the efficiency of decision-making but also provide scientific and analytical support for integration processes, reinforcing internal coherence in the organisational architecture of the SCO.

A significant element of this system is the Council of National Coordinators (Article 9), which generally consists of high-ranking diplomatic representatives [2]. It carries out functions related to the coordination of ongoing activities, preparation of meetings of higher bodies, and approval of work plans. Its organisational model underscores the intergovernmental, rather than supranational, nature of the SCO, enabling the preservation of state sovereignty while ensuring coordinated joint action.

A demonstrative example of the effectiveness of this coordination mechanism was the meeting held on 6 September 2025 in Vladivostok under the chairmanship of the Minister of Economic Development of the Russian Federation, M. Reshetnikov. This event illustrated the growing role of the SCO as a platform for economic coordination and served as a logical continuation of the decisions of the Tianjin Summit of Heads of State (1 September 2025) [14]. The meeting confirmed the Organisation's transition to a phase of practical implementation of previously adopted strategic documents, confirming a qualitative expansion of its economic dimension.

The strengthening of the economic component of the SCO's activities was also reflected in the agenda of the Vladivostok meeting, where emphasis was placed on tackling the systemic challenges facing member states. This indicates the increasing maturity of economic dialogue and its orientation toward long-term goals. Discussions focused on three key areas: ensuring the resilience of supply chains in response to global disintegration trends and sanctions pressure; advancing digital transformation, including the development of e-commerce and trade-related innovation; and implementing principles of balanced development aimed at harmonising economic growth with environmental and social objectives. The contemporary economic agenda of the SCO therefore reflects a commitment to comprehensive and sustainable development rooted in the synergy of innovation, environmental protection, and economic integration.

An integral component of this evolution has been the institutional strengthening of the Organisation. Reports presented at the meeting by the SCO Business Council and the Consortium of Economic Analytical Centres highlighted the growing role of the expert and private sectors in shaping joint decisions. The Business Council symbolizes the engagement of the business community in integration processes and stimulates entrepreneurial initiative across the SCO region. The Consortium of Analytical Centres, in turn, serves as an expert platform providing evidence-based recommendations and contributing to the development of long-term strategies.

Together, these institutions form a crucial link between intergovernmental agreements and the real economy, ensuring that integration acquires a practical focus and long-term resilience.

This trend toward institutionalisation and practical implementation was reflected in the adoption of two key documents that mark the transition of the SCO from a declarative phase to tangible action. The Joint Statement by the Ministers of Economy confirmed the consensus reached on priority issues of economic cooperation and reaffirmed the shared strategic orientation of the Organisation's economic policy. Meanwhile, the Implementation Plan on the Creative Economy, the first specialized document in SCO history, opened new avenues for cooperation in intellectual property, cultural industries, and digital content. Its adoption signified a broadening of the Organisation's agenda beyond traditional economic categories, underscoring its commitment to an innovation-driven development model.

The regularity of such meetings demonstrates the systematic and consistent character of the SCO economic dialogue. The scheduled holding of the next session in Dushanbe in 2026 confirms the stability of the institutional cycle and the readiness of member states to progressively deepen cooperation. The Russian presidency, which successfully acted as a relay after China, now transfers this responsibility to Tajikistan, highlighting the principle of equality among member states and their collective approach to achieving the Organisation's strategic objectives.

Within the institutional structure of the Shanghai Cooperation Organisation, the Council of National Coordinators occupies a strategically important position, serving as the link between political decisions of the supreme bodies and their practical implementation. Pursuant to Article 9 of the SCO Charter, the Council coordinates and oversees the Organisation's ongoing activities, which determines its essential role in ensuring operational coherence and institutional stability across the entire integration mechanism [2]. In this sense, the Council operates as the Organisation's "coordination core," maintaining the balance between the political level of decision-making and the practical level of implementation.

The Council of National Coordinators is a unique governance institution, combining the intergovernmental nature of its work with a high degree of procedural flexibility. The appointment of national coordinators in accordance with the internal rules of each member state ensures the legitimacy of adopted decisions while preserving national administrative specificities. This approach embodies a fundamental principle of the "Shanghai Spirit," namely respect for sovereign equality and the diversity of political and legal traditions. As a result, the Council serves as an effective instrument of institutional consolidation, uniting member states while safeguarding their autonomy and equality in the decision-making process.

The multi-tier functional structure of the Council of National Coordinators (CNC) covers the full range of tasks related to the coordination and implementation of the Organization's activities. Within this structure, four key areas can be distinguished:

– Organizational and preparatory dimension: ensuring substantive and procedural support for the meetings of the SCO's supreme bodies, including the Council of Heads of State, the Council of Heads of Government, and the Council of

Foreign Ministers.

– Implementation management: coordinating the execution of adopted decisions at the national level, facilitating the transformation of Organization-wide strategic guidelines into concrete legal and administrative measures.

– Strategic planning: developing conceptual and programmatic documents that determine the long-term vectors of SCO development and reinforce its institutional identity.

– Monitoring and analytical function: systematic supervision over compliance with previously adopted decisions and generating feedback aimed at adjusting organizational priorities.

The interconnection of these functions ensures the comprehensive nature of the CNC's activities, which combine operational administration with long-term strategic planning.

The meeting frequency regulated by the Charter (at least three times a year) guarantees continuity of the management cycle and institutional consistency of decisions. The rotational chairmanship principle, whereby the coordinator of the state hosting the next Summit of Heads of State leads the CNC during the inter-summit period, creates an effective mechanism for aligning common priorities with the national strategic interests of the presiding party. This organizational flexibility contributes to synchronizing agendas and ensuring an equitable distribution of managerial responsibilities among member states.

The CNC's external representation function deserves special attention. Pursuant to the Regulations governing the activities of the Council, and upon instruction of the Chair of the Council of Foreign Ministers, a National Coordinator may represent the Organization in external contacts. This reflects recognition of the CNC as an operational institution of diplomatic engagement, strengthening its role as an instrument of political coordination and communication between the SCO and external partners.

The practical significance of the Council of National Coordinators has been especially evident in the preparation of major SCO strategic documents. For example, at the meeting in Almaty in August 2023, chaired by Kazakhstan, a package of fundamental documents was drafted, including the Project for the SCO Development Strategy up to 2035, the initiative "On Global Unity for a Just World and Harmony," as well as the Concept for Improving the SCO's Activities [71]. The concluding stage of the preparatory cycle, held in August 2025 in Beijing, reaffirmed the CNC's strong coordinating capacity, ensuring the final harmonization of the comprehensive document package for submission to the Council of Heads of State [72]. This example illustrates the CNC's capacity to operate as an efficient institution of multilateral engagement, enhancing strategic coherence within the Organization.

The Council of National Coordinators functions as a systemic integrator of the SCO's institutional structure. It ensures:

– institutional continuity under the rotational leadership principle

– harmonization of national positions on key organizational development issues

– rapid response to emerging regional and global challenges

– accumulation of institutional memory through regular documentation and exchange of best practices

Thus, the CNC shapes a stable managerial framework of the SCO, ensuring coherence in decision-making and implementation at the national level. It serves as a central element of the Organization's institutional architecture, combining political legitimacy, procedural balance, and administrative efficiency. Through the CNC's work, the organizational system remains cohesive and the mechanisms of decision-making and execution remain resilient. Regular meetings, rotational leadership, and the coordinating nature of its activities allow the CNC to be regarded as a driving force of integration processes within the SCO. Given the growing complexity of the international environment, strengthening the role of the Council of National Coordinators constitutes a strategic direction for enhancing the Organization's effectiveness and adaptability in the face of contemporary geopolitical and institutional challenges.

Overall, the dynamics of the SCO's economic cooperation indicate a clear transition from developing general guiding principles to the practical implementation of concrete projects and joint Programs. The Organization demonstrates its ability to adapt to contemporary global challenges, including digital transformation, the "green" transition, and the development of creative industries. The emerging institutional architecture, such as the Business Council, the Consortium of Analytical Centres, and other structures, ensures the continuity and resilience of cooperation irrespective of political fluctuations. The documents adopted in this sphere provide a foundation for deepening economic interaction in the medium term, consolidating the SCO's position as a full-fledged international economic platform capable of offering balanced and actionable solutions to the challenges of modern global development.

Among the principal permanent bodies that symbolize the institutional consolidation of the SCO are the Secretariat and the Regional Anti-Terrorist Structure (RATS). The Secretariat, headquartered in Beijing, functions as the administrative-organizational and information-analytical hub of the Organization. Pursuant to Article 11 of the Charter, it coordinates the activities of the SCO organs [2], maintains documentation, and ensures legal support as well as organizational and technical assistance. The international status of its staff members, their independence from national governments, and accountability solely to the SCO guarantee the neutrality and impartiality of the administrative apparatus. Rotation of the Secretary-General and the quota-based staffing system create a balance between institutional effectiveness and equal representation of the member states.

The Regional Anti-Terrorist Structure, established under Article 10 of the Charter [2] and permanently located in Tashkent, occupies a unique place within the SCO's institutional system. Its activities are regulated by a separate international treaty, the 2001 Shanghai Convention, which highlights its specialized yet central role in the Organization's security mission. The core mandate of RATS is coordination among the competent authorities of the member states in combating terrorism, separatism, and extremism. At the same time, RATS has no autonomous decision-making powers and operates strictly within the directives issued by the Council of Heads of State and the

Council of Foreign Ministers.

The establishment of these institutions has facilitated the institutionalization of new forms of partnership, involving business communities, academia, and youth structures in achieving the Organization's goals. Collectively, they form a "secondary subsystem" of the SCO that supplements the official institutional framework and broadens opportunities for multilateral engagement.

The key structures of this subsystem include:

– the Interbank Consortium (2005), which provides financing and banking support for investment projects within the SCO

– the Business Council (2006), which ensures a direct dialogue between the business and financial sectors of member states

– the SCO Forum (2006), which operates as a consultative and expert mechanism providing scientific and analytical support for the Organization's activities

– the Youth Council (2009), which promotes interaction and exchange of experience among young representatives of the member countries

– the Energy Club (2013), which serves as an information and dialogue platform for the coordination of national energy strategies

– the SCO University (formally established in 2017), which functions as an international educational network for training specialists in priority areas of cooperation [30, p. 276].

Institutions that exert a direct influence on the economic development of the SCO deserve particular attention. In this regard, the Interbank Consortium and the Business Council play a pivotal role in ensuring financial and investment support for joint projects and in strengthening entrepreneurial linkages among the member states [10]. Their activities contribute not only to the diversification of economic cooperation formats but also to the gradual formation of common mechanisms for financial regulation.

At the same time, the growing activity of these structures has revealed certain contradictions between the strategic interests of the leading actors within the Organization. China, by promoting initiatives aimed at establishing new economic instruments and credit mechanisms, seeks to reinforce its influence in Central Asia, which creates a need for coordinated approaches to the distribution of roles and responsibilities within the SCO's broader economic space [73, p. 452]. Russia, in contrast, adheres to a more restrained approach, limiting the potential for institutionalized multilateral financial and economic interaction.

As a consequence of these divergent approaches, a unified mechanism for implementing major investment and infrastructure projects within the SCO framework has yet to be established. For instance, the proposal to create the SCO Development Bank, which could have functioned as a hub for multilateral financial operations, has not been realized. Bilateral agreements between China and the Central Asian states have therefore become the predominant form of economic cooperation, which has objectively shifted the internal balance of influence within the Organization in favor of Beijing [73, p. 453].

This institutional inertia is further evidenced by the considerable duration and

complexity of coordination characterizing the establishment of non-governmental structures. The SCO Energy Club and the SCO University took more than a decade to establish, reflecting the limited capacity of member states to promptly reach consensus on issues affecting national priorities. This situation reveals a fundamental paradox: the consensus principle enshrined in the Charter as a guarantee of sovereign equality in a number of cases leads to a slowdown in multilateral cooperation and its replacement with bilateral formats. According to Article 8 of the SCO Charter, "non-participation of individual member states in specific projects shall not impede their implementation by interested participants," which, on the one hand, expands the scope of flexibility, but on the other — creates conditions for the dominance of individual countries [2].

Given these structural challenges, scholarly literature emphasizes that the further development of economic cooperation within the SCO framework requires the strengthening of legal mechanisms and the harmonization of member states' regulatory approaches in order to enhance the effectiveness of integration processes. The proclaimed "Shanghai Spirit," based on the principles of mutual trust, equality and respect for cultural diversity [74], plays an important role in forming the normative identity of the Organization. However, in practice these ideals are not always fully realized. Internal contradictions among the member states complicate the development of coordinated decisions, particularly in crisis situations. The insufficient efficiency of rapid-response mechanisms became evident, for example, in the delayed and ambiguous reaction of the SCO to the events of the "Tulip Revolution" in Kyrgyzstan and the Andijan crisis in Uzbekistan in 2005.

A partial attempt to compensate for these institutional gaps was the establishment in 2016 of the Quadrilateral Cooperation and Coordination Mechanism among China, Afghanistan, Pakistan, and Tajikistan, which operates as a parallel structure to RATS in the military and counterterrorism sphere [75]. This example illustrates the complexity of institutional balancing within the SCO and highlights the need to explore more effective models for harmonizing interests in the context of an expanding membership.

Against this background, a closer analysis of the primary working structures of the SCO is essential, as they ensure the practical implementation of the Organization's core areas of cooperation. The contemporary organizational architecture provides for the establishment of specialized working bodies tasked with promoting multi-level partnership among the member states and coordinating economic, scientific, educational, and cultural initiatives.

One of the key SCO structures facilitating practical interaction in the economic domain is the SCO Business Council. This non-governmental association represents the business and financial communities of the Organization's member states. According to the Regulations on the Business Council of the SCO Member States, adopted by decision of the Business Council Session on 14 June 2006, its primary objectives include promoting the development of economic cooperation, enhancing direct ties between the business communities of the participating countries, and engaging entrepreneurial entities in the implementation of joint trade, economic, and

investment projects [76].

The Business Council serves as an institutionalized platform for coordinating the interests of the business communities of the SCO member states. Its supreme governing body is the Board, which defines priority areas of activity and addresses key issues related to cooperation with business associations of other countries and international organizations. In its practical work, the Council actively employs diverse cooperation formats, including business forums, exhibitions, conferences, presentations, and symposia, many of which are organized under the auspices of the "SCO Forum" [76].

The functional structure of the Business Council is designed to promote cooperation in both B2G (business-to-government) and B2B (business-to-business) formats. In the first case, the Council performs a consultative and advisory function, facilitating experience exchange and the improvement of state regulation of entrepreneurial activity. In the second case, it serves as a platform for direct engagement between business actors, fostering the exchange of technologies, investments, and advanced managerial practices. Establishing partnerships with external business structures is also an important function that contributes to the Organization's international integration and strengthens its economic authority.

Given contemporary geoeconomic conditions, the activities of the Business Council acquire additional significance in the development of anti-sanctions measures and the enhancement of the economic sovereignty of the member states [38]. Its work supports the advancement of tools aimed at mitigating sanctions-related pressures, including the improvement of parallel import mechanisms, the creation of regional business alliances, the removal of trade barriers, and the development of alternative routes for economic cooperation. The Council therefore functions not only as an intermediary in business relations but also as a component of the SCO system of collective economic resilience.

Special attention within the Business Council is devoted to the development of transport and road infrastructure as an essential element of economic integration and regional food security. The Council acts as an intermediary and coordinator in the implementation of infrastructure agreements among the member states. As accurately noted by the Russian researcher E. M. Kuzmina, "railway infrastructure is formed on the basis of bilateral agreements developed with the support of the SCO Business Council" [77]. The development of transport logistics is regarded as a strategic priority that enhances economic interconnectivity and strengthens trade flows within the Organization.

It is important to emphasize that the activities of the SCO Business Council are not limited to narrow economic issues. Among its priority areas of cooperation, alongside energy, transport, telecommunications, and the banking sector, the Council includes the fields of education, science, innovation, healthcare, and agriculture. This multisectoral approach lends its activities a comprehensive character and contributes to the creation of a synergistic effect, where economic cooperation simultaneously enhances the implementation of social and humanitarian objectives.

Taken together, the SCO Business Council represents a key element of the Organization's institutional architecture, ensuring alignment among business,

government, and society. Its activities not only promote the development of regional entrepreneurship and investment cooperation but also lay the foundation for long-term economic growth, strengthening the resilience and strategic autonomy of the entire SCO space.

The initiative to establish an SCO Development Bank is one of the most illustrative examples of the institutionalization of the Organization's economic dimension, extending beyond traditional forms of financial cooperation. Its concept reflects a balance of interests among the leading member states and a shared objective to design an optimal financial governance model that combines equality, efficiency, and strategic autonomy. The implementation of this project aims to reinforce the institutional independence of the SCO, enhance its financial sustainability, and ensure the long-term development of the Eurasian region amid global economic turbulence [36].

By the mid-2010s, it had become evident that the capabilities of the SCO Interbank Consortium (IBC) were insufficient to finance major integration initiatives. Established to support sustainable banking mechanisms for investment projects, the IBC brought together the leading financial institutions of the member states, including the Development Bank of Kazakhstan, the China Development Bank, RSK Bank OJSC (Kyrgyzstan), Vnesheconombank of the Russian Federation, Amonatbank (Tajikistan), and the National Bank for Foreign Economic Activity of Uzbekistan. Although the IBC Council, composed of representatives from each participating country, ensured equal involvement in decision-making, its activities remained limited in both operational scale and resource availability.

The imposition of anti-Russian sanctions in 2014 gave additional impetus to the idea of establishing an independent SCO Development Bank capable of mobilizing financial resources for strategic infrastructure and innovation-focused projects. The Russian side viewed the establishment of the Bank as a priority task aligned with strengthening financial sovereignty and creating alternative investment channels independent of Western institutions. As an institutional basis, it proposed utilizing the infrastructure of the Eurasian Development Bank (EDB), which would maintain continuity in governance principles and preserve control over key financial decisions by Russia and Kazakhstan [36, pp. 42-43].

However, this initiative encountered objections from China, which insisted on establishing the SCO Development Bank as an autonomous international financial institution with share distribution proportional to the economic potential of member states. In practical terms, such a model would grant China a dominant position in the governance structure and control over strategic decision-making, similar to the established practices of the International Monetary Fund and the World Bank. Despite the attractiveness of the Chinese proposal in terms of investment volume, particularly the USD 10 billion in preferential loans announced at the 2009 Yekaterinburg Summit, it raised concerns in Russia and a number of post-Soviet states [73, pp. 454-456]. Moscow feared that such a model could undermine the balance of interests within the Organization and therefore proposed a compromise option, integrating the new financial institution into the existing structure of the EDB, where a stable governance

system was already in place with Russia (65.97 percent) and Kazakhstan (32.99 percent) holding key stakes.

The Chinese side rejected this proposal, pointing out that the EDB includes states that are not SCO members (Armenia and Belarus), which contradicts the principle of the Organization's institutional autonomy. As a result, the issue of establishing an SCO Development Bank remained unresolved and was raised again at the meeting of the security council secretaries of the member states in April 2015, where it was decided to continue the development of the project as an independent financial institution not tied to the EDB [78].

Only four years later, at the Ufa Summit held from 10 to 13 July 2015, a fundamental agreement was reached on the establishment of the SCO Development Bank with China taking a leading role in the authorized capital and administrative bodies, provided that a balanced investment approach would be secured for the other partners [36, p. 537]. This compromise marked a new stage in the evolution of the Organization's economic dimension, signifying a shift from equal cooperation toward recognizing the objective asymmetry in economic potential and China's role as the primary driver of regional growth.

The SCO Forum functions as a multilateral public consultative and expert mechanism aimed at supporting the Organization's scientific activities. It facilitates cooperation among research institutions of the member states, conducts joint studies on issues relevant to the SCO, explains the Organization's goals and principles, expands interaction with academic and public circles, and promotes the exchange of knowledge and expert assessments among specialists from different sectors.

The project to establish the SCO Energy Club as a specialized discussion platform was first proposed by Russia in 2004. The idea was rooted in the need to institutionalize an energy dialogue within the SCO, taking into account the growing interdependence of the regional states in resource extraction, transit, and consumption. Core principles and potential areas of cooperation in the energy sector were discussed as early as December 2005 at the conference "Central Asian Energy Market: Trends and Prospects" held in Tashkent.

The official proposal for forming the SCO Energy Club was announced by the President of the Russian Federation, Vladimir Putin, at the Organization's Summit in June 2006 in Shanghai [39]. The initiative sparked broad debate among experts in the member states, becoming the focus of intense discussions on the prospects for developing a multilateral energy architecture within the SCO. The SCO Forum became the primary venue for examining not only the Russian Energy Club proposal but also alternative concepts, including the "Asian Energy Strategy" developed by Kazakhstan's International Institute of Modern Politics. These two documents were viewed as potential rivals, revealing an implicit competition among Russia, China, and Kazakhstan for leadership in the energy dimension of the SCO.

The slow progress in institutionalizing the Energy Club was largely attributed to the cautious perception in the region of initiatives driven by Russia, which chaired the SCO working group on the fuel and energy sector. Additional tension resulted from the changes in the Russian energy pricing policy in the mid-2000s, which led to

disagreements with certain partners. Global crisis developments in 2009-2010 and structural issues in the Central Asian energy system, including the disintegration of the Unified Energy System of the region, also contributed to the stagnation of the initiative [79].

Despite these challenges, the late 2000s witnessed a renewed momentum in the energy dialogue within the SCO. In 2009, amid the global financial crisis, discussions on establishing a multilateral framework for cooperation in the energy sector resurfaced during expert meetings, and the idea of creating an Energy Club gained renewed relevance in the context of pursuing sustainable development and energy security. A significant step in this direction was the meeting of senior officials from the energy ministries of Russia, China, Tajikistan, and Kyrgyzstan, held on 23 September 2011 in Xi'an, which resulted in the adoption of the so-called "Xi'an Initiative" [178]. The official decision to establish the Energy Club was announced at the Meeting of the Council of Heads of Government of the SCO Member States in Saint Petersburg on 7 November 2011, and the Memorandum on its establishment was signed on 6 December 2013 [81].

The SCO Energy Club was formalized as an information, analytical, and discussion platform intended to facilitate the harmonization of energy legislation, strengthen energy security among the member states, observers, and dialogue partners, and coordinate interaction among the region's key producers, transit states, and consumers of energy resources [82]. According to the Regulation on the Energy Club, its governing body is the High-Level Group, which includes deputy ministers, representatives of relevant national agencies, energy companies, and leading analytical centers from the member states. The Regulation also envisages the creation of a Secretariat that provides organizational and technical support for the Club's activities.

The Energy Club has thus evolved into a specialized institution performing consultative and coordination functions and serving as a venue for dialogue among government bodies, business entities, and the expert community. Although it does not directly implement specific energy projects, it plays a substantive coordinating role, contributing to the institutional strengthening of the SCO's energy dimension and the formation of a common approach to the region's energy policy.

According to Professor Khalova, the establishment of the SCO Energy Club constitutes a well-balanced and timely step driven by the objective needs of the member states for deepening energy cooperation [39, p. 80]. The SCO countries possess significant fuel and energy reserves, including approximately 28 percent of the world's oil resources, which makes the energy sector one of the key priorities for integration and an essential factor in reinforcing the Organization's strategic autonomy [39, p. 81]. Consequently, the creation of the Energy Club represented not only a logical continuation of the institutionalization of the SCO's economic dimension, but also a crucial stage in shaping its long-term energy strategy aimed at ensuring sustainable development and regional energy security.

At the same time, the development of economic cooperation within the SCO is supported by an extensive system of specialized bodies that constitute the institutional foundation for implementing cooperative initiatives. These include the Commission of

Senior Officials on Trade and Economic Cooperation as well as seven special working groups dealing with customs regulation, quality control, e-commerce, investment, transit potential development, energy, and modern information and telecommunication technologies. Since their meetings are held irregularly, the Organization's capacity to respond effectively to the growing development needs of the member states remains limited. Moreover, as the scope of cooperation expands, the current number of expert groups appears insufficient, while the combination of a limited number of permanent bodies and the predominance of temporary mechanisms leads to institutional and functional constraints, including unclear power distribution and duplication of functions [53].

To address these structural shortcomings and enhance analytical support for decision-making, the Alliance of Economic Analytical Centers was established to promote scientifically grounded recommendations and coordinate strategic directions of regional economic cooperation [34]. Thus, a system of complementary institutions has emerged, integrating applied, expert-analytical, and consultative mechanisms that strengthen the SCO's governance capacity.

In addition, economic cooperation among local authorities of member states has become a new growth area. The idea of establishing an interregional cooperation mechanism was first proposed at the Euro-Asian Economic Forum in 2005 and has since been reflected in a number of practical initiatives. Among them are the Khorgos China–Kazakhstan International Border Cooperation Center, the Yangling High-Tech Agricultural Demonstration Zone, the China–India Pharmaceutical Industrial Park in Guangxi (Fangchenggang), and the China–SCO Demonstration Zone for Local Economic and Trade Cooperation in Qingdao. These projects demonstrate the Organization's commitment to diversifying cooperation formats and exploring new drivers of institutional development at the subnational level [34, p. 97].

Summarizing the above, it can be concluded that the Shanghai Cooperation Organisation represents a classic example of an "international society" in the interpretation of the English School of International Relations. Its institutional architecture was deliberately designed by the founding states not as a supranational integration mechanism but rather as a platform for dialogue and the reconciliation of interests among sovereign actors. This original purpose has predetermined the dual and inherently contradictory character of its organizational and institutional evolution.

On the one hand, the SCO has succeeded in establishing a solid institutional foundation and a common normative space, often referred to as the "Shanghai Spirit," which ensures the predictability and stability of interactions. The multilayered structure enshrined in the SCO Charter has demonstrated its resilience, while the development of an extensive network of formal and informal institutions, ranging from the Business Council to the SCO University, has highlighted the Organization's high adaptability. This "secondary subsystem" has become an important supplement to the official cooperation format, ensuring a multifaceted nature of integration processes across Eurasia and fully corresponding to the concept of an international society as articulated by Hedley Bull and Adam Watson.

On the other hand, the fundamental principle of the SCO – sovereign equality,

exercised through consensus – serves simultaneously as its principal constraint. The absolutization of sovereignty not only hampers the transition to deeper forms of integration but is also exacerbated by the underlying clash of strategic interests between its leading actors, Russia and China. This internal competition hinders the establishment of strong supranational institutions, as exemplified by the stalled creation of a Development Bank, and leads to the predominance of simpler bilateral arrangements over the proclaimed multilateralism. As a result, while being an optimal format for shaping coordinated positions on security matters, the Organization proves less effective in implementing complex economic initiatives that require efficiency and unity in decision-making.

The SCO has thus evolved not into a rigid integration structure but into a unique "platform for balancing and selective cooperation." Its strength lies in the ability to offer flexible formats for dialogue on specific, often non-political issues. However, its systemic weakness stems from the current inability to overcome profound geopolitical and geoeconomic divergences among its members. The future of the SCO will depend on whether it can evolve from a model of coexistence to one of constructive coordination of the interests of Russia, China, and the Central Asian states, transforming its internal diversity from a source of contradictions into the foundation of a genuinely multilateral and resilient partnership.

1.3 Legal Foundations of Economic Cooperation among the SCO Member States

Accelerated economic development grounded in deep integration that aligns with the contemporary realities of the global economy has become a key condition for sustainable growth and enhanced competitiveness of states [83]. The realization of the region's competitive advantages amid intensifying globalization is achievable only through the advancement of regional mechanisms of economic integration, including within the framework of the SCO.

In this context, it is appropriate to analyze the institutional foundations of economic integration under the SCO. Since 2003, the economic cooperation among member states has entered a qualitatively new stage of institutional development. At the meeting of the Council of Heads of Government held on 23 September 2003 in Beijing, the Program of Multilateral Trade and Economic Cooperation of the SCO Member States was adopted. This document became a fundamental legal and regulatory instrument that defined strategic priorities and key directions for economic integration within the Organization [7]. The adoption of this Program marked the transition of the SCO from a largely declarative level of cooperation to the practical implementation of joint economic initiatives, establishing a systemic legal framework necessary for the phased and comprehensive development of integration processes across the Organization's space.

The 2003 Program not only set out the goals, objectives and mechanisms for multilateral economic cooperation but also established the normative foundation

around which the subsequent treaty and regulatory framework of the SCO was constructed. All decisions subsequently adopted by the Council of Heads of Government and relevant sectoral bodies were derivative in nature and aimed at ensuring the consistent implementation of the principles and objectives embedded in the Program.

Comparable in significance to the foundational policy acts of the European Union, the 2003 Program affirmed the commitment of SCO member states to the principle of the "four freedoms," namely the free movement of goods, capital, services and technologies. This provision formulated a conceptual trajectory toward the gradual creation of a common economic space within the Organization. According to the Program, the integration process was to advance in three stages: a short-term perspective (until 2010), a medium-term perspective and a long-term perspective (until 2020).

The short-term phase focused on establishing favourable conditions for the development of trade and investment, including the removal of barriers and the harmonization of standards. The medium-term phase entailed the development of stable, predictable and transparent rules and procedures enhancing the consistency and effectiveness of economic cooperation. The long-term phase set the objective of gradually ensuring the free movement of goods, capital, services and technologies, as well as the maximally efficient utilization of regional resources based on mutual benefit [84].

It should be noted that the Program's development drew upon the provisions of the SCO Charter (Articles 14 and 15) [2], which outline the principles of economic cooperation, as well as the 2001 Memorandum of the Governments of the SCO Member States on Cooperation in the Trade and Economic Sphere. When drafting the Program, consideration was given to the level of socio-economic development of each state, their natural-resource capacity and international obligations, ensuring the document's flexibility and adaptability to diverse national conditions [85].

Pursuant to Section II of the Program, priority areas of multilateral economic cooperation were defined, covering key sectors such as energy, transport, telecommunications, agriculture, tourism, the banking and credit system and environmental protection. However, the normative consolidation of these areas at a practical level required further development of the SCO's treaty framework, which led to the adoption of subsequent acts specifying the mechanisms for implementing and updating the 2003 Program [7].

The evolution of the legal and regulatory framework governing economic cooperation within the SCO is reflected in Table 3. The table systematizes the key stages of forming the regulatory infrastructure, ranging from the adoption of foundational programmatic documents to the approval of modern strategies for digital and innovation-driven development. It illustrates the progressive institutionalization of economic cooperation characterized by a shift from conceptual programmatic decisions toward the establishment of sustainable financial, infrastructural and technological mechanisms of integration.

Table 3. Key Legal and Regulatory Acts Defining the Development of Economic Cooperation among SCO Member States (2003-2023)

Date and Venue	Key Decisions and Documents	Analytical Commentary
23 September 2003, Beijing (PRC)	Adoption of the Program of Multilateral Trade and Economic Cooperation through 2020; signing of the Memorandum on the technical launch of the Secretariat and the RATS.	Strategic benchmarks and institutional foundations for economic integration were established.
23 September 2004, Bishkek (Kyrgyz Republic)	Adoption of the Action Plan for implementation of the Program; approval of the SCO financial regulations; establishment of expert groups for the creation of the Development Fund and the Business Council.	The formation of the SCO's financial and investment infrastructure began.
26 October 2005, Moscow (Russian Federation)	Signing of the Agreement on Interbank Cooperation; approval of the mechanism for the Program's implementation; conclusion of the agreement on cooperation in emergency response.	The groundwork was laid for interbank cooperation and financial support of joint projects.
15 September 2006, Dushanbe (Tajikistan)	Signing of the Memorandum on the creation of favourable conditions for international road transport.	Expansion of transport and logistics cooperation.
2 November 2007, Tashkent (Uzbekistan)	Signing of the Agreement on Cooperation and Mutual Assistance in Customs Matters.	Commencement of harmonization of customs regulation and procedures within the SCO.
30 October 2008, Astana (Kazakhstan)	Updated version of the Action Plan adopted; signing of the Protocol on the exchange of information on energy resource control.	Emphasis on energy security and the development of a common energy space.
14 October 2009, Beijing (PRC)	Initiative adopted on overcoming the consequences of the global financial crisis; signing of the Protocol on the training of customs personnel.	Coordinated anti-crisis measures and institutional development of human capital.
2010–2013 (Dushanbe, St. Petersburg, Bishkek, Tashkent)	Decisions on the establishment of the SCO Bank and Development Fund; approval of annual reports of the Secretariat; signing of documents on intellectual property protection and risk management.	Formation of the financial and legal architecture of economic cooperation.
2014–2016 (Astana, Zhengzhou, Bishkek)	Decisions on the development of new economic programs; adoption of the Program for Customs Cooperation (2016–2021); Concept of Scientific and Technical Partnership; and the SCO Road Development Program.	Strengthening of the technological and transport dimensions of integration.
2017–2020 (Sochi, Dushanbe, Tashkent, videoconference	Approval of the updated Program of Trade and Economic Cooperation; Concepts on railway connectivity and	Phase of comprehensive modernization of the regulatory framework and

format)	environmental well-being; and the 2021–2025 Action Plan.	transition to digital cooperation formats.
2021–2023 (videoconference format, Bishkek)	Adoption of the Concepts on the Technoparks Pool, exhibition and fair activities, and digital economy development; approval of the Plan for the Implementation of the Railway Concept until 2025.	Focus on innovation and digital integration, adapting to global technological transformation.
2023, New Delhi	Adoption of the SCO Economic Development Strategy to 2030.	The document formalized priorities for sustainable development, digitalization, the green economy, and infrastructure connectivity, defining long-term integration benchmarks across the SCO space.
2024, Islamabad	Adoption of the Framework for Cooperation among SCO Member States in Creative Economy Development, the Concept of Cooperation between Trade Promotion Organizations, and the Concept for establishing an SCO Economic Preferences Platform.	Deepening integration in creative and trade cooperation, transitioning toward the creation of economic incentives and preferences that reflect the SCO's movement into a stage of structural modernization and multi-level economic interaction.

Source: compiled by the author based on data from the official website of the SCO: Documents | Shanghai Cooperation Organization

The analysis of the data presented in Table 3 reveals a systemic evolution of the treaty-legal framework for economic cooperation within the SCO, demonstrating a consistent institutionalization through three qualitative stages of transformation.

The initial period (2003-2009) was characterized by the formation of the basic architecture of cooperation. The adoption of the Program of Multilateral Trade and Economic Cooperation and the establishment of key institutions, including the Secretariat and the RATS, laid the groundwork for subsequent development. An important milestone was the adoption, on 23 September 2004, of the Action Plan for the implementation of the Program of Multilateral Trade and Economic Cooperation, which, comprising over 127 concrete projects and structured into 11 sections, specified the mechanisms of interaction across key economic sectors and ensured the practical realization of the Program's strategic guidelines.

By 2005, the treaty-legal foundation of the Program had been completed. The Mechanism for the Implementation of the Action Plan, developed by a special working group, endorsed at the ministerial meeting in Dushanbe on 11 October 2005 and approved by the Council of Heads of Government on 26 October 2005, became, in the view of Professor Kholiknazar, the principal legal instrument underpinning the Program's implementation, as it established procedures for the development, selection, and coordination of joint projects [85, p. 79]. Thus, from 2003 to 2005, a comprehensive three-tier system of legal regulation for economic cooperation was

established within the SCO, ensuring institutional stability and predictability in the processes of economic integration.

Further deepening of economic interaction within the SCO received its institutional and legal basis through the signing, in Moscow on 26 October 2005, of the Agreement on Interbank Cooperation (Association) [86]. This document became a key international legal act governing the financial and legal mechanisms of cooperation among member states. According to Article 1, its primary objective was to establish a framework for financing and banking support of investment projects endorsed by the governments, while its express subordination to national legislation highlighted the coordinating rather than supranational nature of the instrument. Article 2 elaborated the areas of cooperation through the financing of infrastructure, innovative, and socially significant projects, and the provision regarding syndicated loans, in line with the Basel principles, reflected the intention to harmonize with global financial standards. The organizational model established in Article 3 envisaged the creation of a Council composed of representatives of the parties without separate legal personality, giving the mechanism a flexible and non-binding nature typical of soft-law instruments.

This legal approach finds theoretical grounding in the work of K. Emeziem [87]. Despite the widespread criticism of soft law for its non-binding nature, the scholar argues that it should not be assessed through the lens of hard law, but rather as a qualitatively different regulatory tool. He maintains that the influence of the SCO relies not on coercive legal force but on the strength of its "soft-law field," which continuously structures interaction among member states. This thesis was confirmed during the global financial turbulence of 2008-2009, when the SCO, without establishing supranational institutions, ensured timely responses through coordinated anti-crisis measures and protocols, including in the field of energy security, reflecting the resource-export orientation of most member economies.

The analysis indicates that the early stage of SCO legal development was defined by a shift from political declarations to systemic regulatory arrangements dominated by soft law. The 2005 Agreement on Interbank Cooperation marked a significant milestone, consolidating the transition toward a functional-legal model and creating a multi-level financial and institutional mechanism based on the principles of sovereign equality and mutual respect. However, as correctly noted by A.A. Chukreev, the predominantly soft nature of multilateral legal regulation within the SCO is largely compensated by other factors: the dense network of bilateral treaties among member states concluded outside the Organization, their participation in other international structures, and the application of national legislation to relevant relations [88].

These circumstances help explain why economic cooperation within the SCO continues to advance, driven not least by the political and diplomatic engagement of its members and the reliance on strategic planning documents. The SCO experience clearly demonstrates that soft law constitutes not "weak law" but a relevant and significant instrument of contemporary international governance, which, by shaping a shared normative and political space, enables the harmonization of sovereign interests in a complex regional architecture.

The second stage (2010-2016) reflected the deepening of the financial and

investment dimension of integration through the initiation of the establishment of the SCO Bank and Development Fund, as well as the development of sector-specific cooperation in intellectual property protection and risk management. In parallel, the normative framework diversified through the adoption of specialized programs in the fields of customs administration, scientific and technical partnership, and transport infrastructure development. This period was marked by a transition from broad strategic documents to concrete implementation mechanisms. Yet, the persistent imbalance between declared objectives and their practical realization, particularly in the domain of financial institutions, pointed to structural constraints inherent in the SCO's integration model.

The current stage (2017-2024) is characterized by a conceptual rethinking of economic cooperation in the context of global technological trends and emerging challenges. The adoption of the Economic Development Strategy until 2030, the Concept for the Development of the Digital Economy, and the Framework for Cooperation in the Creative Economy indicates a shift toward an "innovation-driven integration" paradigm. Special attention should be given to the establishment of preferential mechanisms through the Concept for Creating a SCO Economic Preferences Framework, which reflects an attempt to overcome the Organization's traditional reliance on soft law and move toward more binding forms of coordination.

Although the Concept for the Development of the Digital Economy remains a soft law instrument, it signaled the Organization's aspiration to secure its own niche in the global digital space. The establishment of the Technoparks Pool demonstrated progress toward building a cohesive innovation ecosystem, while the Development Strategy of the SCO until 2030 represented the culmination of this stage by consolidating prior initiatives into a unified long-term framework.

A logical continuation of this strategic trajectory was the Protocol of the Meeting of Ministers of the SCO Member States, adopted on 12 September 2024, which endorsed key documents shaping the contemporary architecture of economic cooperation. The Framework for Cooperation in the Creative Economy is of particular relevance considering global trends. According to UNCTAD, the volume of creative services exports has reached USD 1.4 trillion, with creative industries accounting for 6.2% of global employment [89]. First, the Concept of Cooperation among Trade Promotion Organizations establishes the institutional foundation for practical collaboration, including the creation of multilateral cooperation platforms involving the SCO Consortium of Economic Analytical Centers. Second, the Concept for Creating the SCO Economic Preferences Framework acts as the final element of this architecture by ensuring the transparency of state support measures and strengthening the region's investment appeal.

As emphasized by Yan Dexue, economic cooperation among SCO member states relies on a well-established legal framework that facilitates the formation of a stable and predictable integration space [34, p. 96]. The existence of institutionalized documents thus reflects a shift from declaratory cooperation toward proactive development of the Organization's own model of economic integration.

A comparative analysis of the entire institutional evolution reveals a steady trend

toward increasing complexity of the SCO normative and institutional architecture, transitioning from coordination to cooperation and further toward comprehensive integration. However, persistent structural contradictions among member states, differing economic development models, and the dominance of consensus-based decision-making procedures continue to impede the implementation of the declared initiatives. The future effectiveness of economic cooperation within the SCO will largely depend on the Organization's ability to bridge the gap between ambitious strategic guidelines and their practical implementation through the establishment of effective mechanisms for coordinating economic policies.

Despite the positive institutional trajectory, the implementation of the adopted concepts faces systemic challenges. The continued reliance on soft law instruments limits the effectiveness of monitoring and enforcement mechanisms. Furthermore, institutional fragmentation manifests in insufficient coordination across existing structures, while methodological gaps hinder objective assessment of policy outcomes.

Liu Huaqin notes that, as the SCO expands, the effectiveness of its mechanisms tends to decrease. In particular, the consensus principle at the core of its decision-making complicates coordination due to diverging national interests, thereby slowing the development of joint initiatives [35]. A vivid example is China's proposal to establish a free trade zone and an SCO development bank, which has yet to secure unanimous approval.

The potential for forming a unified economic space within the SCO remains structurally underutilized, constrained by fundamental contradictions among member states. These contradictions derive not only from varying levels of economic development but also from deeper competition among national modernization models and geoeconomic strategies, where cooperation within the SCO serves as an instrument rather than a strategic objective in itself. Academic literature offers compelling evidence in support of this view. As Cabestan rightly concludes, systemic contradictions persist, including the absence of progress in establishing a free trade zone, which is explained by objective differences in the interests of the Organization's key actors [90]. This "asymmetry of ambitions" results in a condition that may be described as "integration stagnation masked by positive rhetoric."

In this context, the successful implementation of even comprehensive framework instruments faces institutional constraints. The insufficient development of permanent economic institutions within the SCO is subject to critical assessment, consistent with Burke-White's conclusions regarding the structural limitations of international organizations under shifting power dynamics [91]. A vivid example illustrating the gap between formal implementation and genuine integration can be observed in the practice of the Republic of Kazakhstan. For instance, the Protocol to the Memorandum between the Governments of the SCO Member States of 14 September 2001 was duly ratified by Resolution of the Government of the Republic of Kazakhstan No. 548 dated 21 May 2002 [92]. However, this ratification, while playing a key role in strengthening the legal framework and demonstrating Kazakhstan's commitment to SCO principles, did not automatically eliminate macroeconomic and structural barriers hindering effective integration.

A transition from the current model of "coordination without deep integration" toward a fully-fledged economic space requires a qualitative transformation of institutional approaches. Movement beyond framework provisions toward detailed roadmaps with clearly defined implementation indicators is necessary, along with the establishment of permanent expert bodies with functional mandates and, most importantly, the partial delegation of sovereign powers in the field of legislative harmonization to newly created supranational structures.

The analysis of the evolution of the SCO economic agenda reveals a unique model of gradual advancement from tactical responsiveness to strategic vision, as reflected in the Development Strategy until 2025 and subsequently until 2030. However, given the intensifying geoeconomic turbulence and increasing competition among external power centers, the future effectiveness of this model will directly depend on the Organization's ability to make a qualitative leap from politico-diplomatic coordination toward the creation of common, functional, and depoliticized economic institutions.

Based on the above, it can be concluded that the SCO has undergone a complex transformation from a consultative platform into an emerging center of regional economic integration capable of developing its own models of development. The further evolution of the Organization will depend on its capacity to overcome persistent structural contradictions and unlock the potential for multilateral cooperation embedded in its strategic documents, while achieving an optimal balance between regulatory harmonization and the necessary flexibility under the conditions of a volatile geoeconomic environment.

2 INSTITUTIONAL AND LEGAL FRAMEWORKS FOR ECONOMIC COOPERATION WITHIN THE SCO: TRADE, INVESTMENT, AND TRANSPORT DIMENSIONS

2.1 Institutional and Legal Foundations and Structural Constraints of Economic Cooperation within the SCO

The institutional and legal architecture of the Shanghai Cooperation Organisation, grounded in its founding instruments (the 2001 Declaration and the 2002 Charter) and further developed through a system of sectoral agreements (including the 2003 Agreement on Trade and Economic Cooperation), has established a multi-tiered mechanism for regulating economic relations among the member states. As demonstrated in the previous chapter, this treaty-based framework, rooted in the imperative principles of international cooperation – sovereign equality, mutual benefit, and non-interference in internal affairs (Articles 1-2 of the SCO Charter) – has created the necessary institutional prerequisites for the gradual transformation of the Organisation from coordination of political positions toward the formation of a fully-fledged economic dimension supported by a structured legal mechanism [3].

At the present stage, this trajectory is reflected in the dynamics of trade and economic indicators. In 2024, China's trade volume with other SCO member states reached USD 512.4 billion, marking a 2.7 percent increase compared to the previous year [4], whereas in 2001 this figure amounted to only approximately USD 6.72 billion. Such positive dynamics illustrate the growing role of the SCO as one of the key centers of global economic growth and regional integration.

The combined gross domestic product of the SCO member states, measured in purchasing power parity, exceeds USD 47 trillion, accounting for nearly 27 percent of global GDP (Table 4). Meanwhile, the weighted average economic growth rates across SCO member states have consistently surpassed global figures, maintaining a steady trajectory of around 5.5–6.0 percent annually. This economic momentum is largely underpinned by the synergy of the two leading powers – China and India – which together represent roughly 90 percent of the Organisation's total economic potential. Their national economies demonstrate stable growth at the level of approximately 5.0 percent and 6.5 percent, respectively, forming the structural backbone of sustainable development for the entire bloc.

Table 4. Economic Indicators of SCO Member States (2024)

No.	Country	GDP (nominal, USD trillion)	GDP (PPP, USD trillion)	Global Rank by Nominal GDP	Economic Growth Rate, %	Share of Global GDP (PPP), %
1	China	18,74	33,59	2	5,0	19,31
2	India	3,91	14,24	5	6,5	8,19
3	Russia	2,17	6,08	11	4,3	3,5
4	Kazakhstan	0,28	0,73	50	4,8	0,43
5	Uzbekistan	0,11	0,38	69	6,5	0,22

6	Iran	0,43	1,48	36	3,0	0,92
7	Pakistan	0,37	1,39	45	3,2	0,8
8	Belarus	0,08	0,26	83	4,0	0,15
9	Kyrgyzstan	0,017	0,05	139	9,0	0,03
10	Tajikistan	0,014	0,05	144	8,4	0,03

Source: compiled by the author based on data from the official website of the World Bank: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG

Despite the impressive macroeconomic indicators of the member states of the Shanghai Cooperation Organisation, their interaction is characterised by fundamental structural imbalances that create significant obstacles to the deepening of integration processes. The core challenge lies in profound economic asymmetry, reflected in the dominance of China and India, which together account for approximately 90 per cent of the Organisation's aggregate GDP in PPP terms. As Liu Huaqin rightly notes, this disproportion generates risks of excessive dependence of less developed economies on the leading states and significantly affects the nature of integration dynamics [93]. The asymmetry is further reinforced by structural characteristics prevalent across many SCO economies, reflected in the substantial gap between nominal GDP and GDP (PPP) in Russia, Kazakhstan, Iran and Pakistan, indicating the persistence of resource-based economic models, low currency convertibility and limited integration into global financial flows.

According to the assessment conducted by Liu Huaqin, the SCO economies can be divided into two qualitatively distinct groups based on their level of development. The first group includes states with medium and high income levels (0.45-1.4 thousand USD per capita): Russia, Kazakhstan, China and Belarus. The second group consists of Iran, Uzbekistan, India, Kyrgyzstan, Pakistan and Tajikistan, whose indicators range from 0.115 to 0.45 thousand USD per capita. This differentiation reflects fundamental disparities in economic structure. While the more developed members prioritise the expansion of high-technology manufacturing and service sectors, the second group remains dependent on agriculture and traditional heavy industries. The researcher emphasises that such structural heterogeneity predetermines divergence in interests and strategic priorities, reflected in contrasting approaches to trade policy: countries with lower income levels tend to rely on high import tariffs to protect domestic sectors, whereas more advanced economies advocate trade liberalisation [93].

In the context of overcoming structural limitations and minimising tariff and non-tariff barriers, the concept of establishing a Free Trade Area (FTA) gains particular relevance. This initiative, which received conceptual development in 2015–2016 through China's proposal to establish an SCO FTA and Russia's initiative on the Greater Eurasian Partnership [94], is regarded as a key instrument for stimulating economic growth across all member states [95]. However, the implementation of this ambitious goal faces substantial institutional impediments. As Gordienko et al. note, the Organisation continues to operate within a fragmented regulatory framework, where "export duties are determined independently by each country and, moreover, there is no unified body for veterinary and phytosanitary control" [33].

This institutional fragmentation directly affects logistics costs and the efficiency of trade cooperation. The absence of a harmonised customs policy results in the proliferation of additional border checkpoints and customs authorities, which, according to empirical studies, leads to a significant increase in transportation expenses and disrupts established trade relations [31]. Against this backdrop, the harmonisation of customs policy through the establishment of an FTA appears to be a logical step toward expanding mutual trade, a position endorsed by the leaders of China and Kazakhstan and supported by other participating states.

Nevertheless, strategic caution remains intact. Expert assessments indicate that while the removal of trade barriers may yield positive economic outcomes, it simultaneously increases the risk of less developed SCO economies being further transformed into a resource appendix for China. As Aliyeva argues, the idea of establishing an SCO FTA is considered premature given the substantial disparities in levels of economic development and market size among member states [32]. As a result, she concludes that SCO members have concentrated their efforts on the gradual creation of conditions necessary for the free movement of goods, capital, services and technology, which constitutes a compromise approach and indicates that a classical FTA is not yet on the agenda [32].

This compromise is directly reflected in the institutional and legal mechanisms governing cooperation within the SCO. Scholars underline that the multi-speed nature of economic integration stems from fundamentally divergent approaches: while China consistently advocates accelerated liberalisation and reduced trade barriers, the Central Asian states adopt a more cautious stance, concerned about potential negative implications for their national economies [25]. This divergence is translated into persistent customs barriers, which remain a major constraint on the expansion of full-scale mutual trade.

A key institutional mechanism aimed at overcoming these contradictions is the Special Working Group on Customs Cooperation (SWGCC), established in 2004 under the chairmanship of the Russian Federation. As noted by E.S. Karyakina, this body performs a system-forming function in the development of the SCO as an integration entity, serving as a platform for dialogue and the elaboration of coordinated solutions [96]. To date, the SWGCC has held 35 meetings, focusing on a wide range of issues: improving training systems, promoting the implementation of the World Customs Organization's PICARD Program, introducing modern digital technologies and harmonising personnel evaluation practices. The Group's institutional activity has resulted in a number of significant instruments, including the Agreement on Cooperation and Mutual Assistance in Customs Matters [9], the Protocol on information exchange regarding the movement of energy resources and Memoranda in the areas of intellectual property rights protection and risk management.

However, the limitations of existing cooperation mechanisms are rooted in the lack of supranational oversight bodies within the SCO capable of ensuring uniform implementation of agreed rules. A normative analysis of instruments adopted within the relevant working groups, particularly the Protocol on Information Exchange in the Field of Monitoring Energy Shipments (2008) [97] and the Memorandum on

Cooperation in Developing a Risk Management System (2014), reveals their fragmented and sector-specific nature. Their provisions are predominantly of a framework character and lack concrete mechanisms for the unification of customs procedures, which significantly diminishes their practical effectiveness.

A partial response to the challenges associated with the diversification of customs documents and procedures was the adoption of the Agreement between the Governments of the SCO Member States on Cooperation and Mutual Assistance in Customs Matters (Tashkent, 2 November 2007) [9]. Possessing a comprehensive character, this document covers a wide spectrum of issues ranging from the simplification of customs formalities to combating the illicit trafficking of narcotic drugs and smuggling. The mechanism of information exchange "without prior request" in priority areas, enshrined in Article 5, establishes a legal basis for the implementation of preventive measures. The institutionalisation of interaction is further supported by the provisions of Article 11, which introduce clear procedural requirements for the submission of requests.

The evolution of regulation demonstrates efforts to transition from general frameworks to more specialised forms of cooperation, illustrated by the Memorandum among the customs services of the SCO member states on the exchange of information concerning the transboundary movement of ozone-depleting substances (Qingdao, 10 June 2018) [98]. Developed pursuant to the 2007 Agreement, this document aims to strengthen cooperation in a narrow yet strategically important area of environmental security. The preamble notes that "illegal international trade in ozone-depleting substances poses threats to human health and the natural environment as a whole, and inflicts damage upon the economies of the SCO member states". The Memorandum provides for three core areas of interaction: the exchange of information on national legislation (Section I), the exchange of operational data on goods movement, including HS codes, names and quantities (Section II), and the sharing of enforcement experience through joint workshops and capacity-building (Section III). A significant move toward unification is the Parties' commitment to "develop and agree upon a single document format for data exchange".

However, the regulatory potential of both the 2007 Agreement and subsequent specialised documents, including the 2018 Memorandum, remains limited by a number of systemic shortcomings rooted in the very nature of the SCO legal system. First, the key legal deficiency of the Memorandum is explicitly set out in Section V, which stipulates that "this Memorandum is not an international treaty and does not create any rights or obligations for the Parties governed by international law". This soft-law status not only fundamentally distinguishes it from the 2007 Agreement, which bears the character of a legally binding international treaty, but also deprives the cooperation mechanisms of any enforceable compliance instruments. Second, as in the case of the 2007 Agreement, the implementation of all Memorandum provisions is conditional upon domestic legislation and constrained by "budgetary limitations" (Section III), thereby enabling unilateral non-application. Third, Section VI reproduces the SCO's typical optional dispute settlement approach, limiting conflict resolution to "consultations and negotiations" and omitting any binding arbitral or judicial

procedures.

Consequently, despite the higher degree of regulatory detail, the 2018 Memorandum fails to overcome the systemic deficiencies inherent in the SCO legal model: a persistent dominance of the intergovernmental approach over supranational regulation and the absence of effective enforcement mechanisms.

This legal model has been consistently reflected in the Program of Interaction among the Customs Services of the SCO Member States for 2016-2021, elaborated by the Special Working Group on Customs Cooperation. Although the document features a comprehensive mandate covering a broad range of areas, including trade facilitation, risk management, and law enforcement cooperation, its legal status and lack of mandatory implementation mechanisms significantly restricted its practical effect. As in the case of the 2018 Memorandum, the Program explicitly stated that it did not constitute an international treaty and did not create legally binding obligations, which predetermined its declaratory nature and inability to address systemic problems of customs administration within the Organisation.

The continuity of these systemic constraints is particularly evident in the context of persistent barriers that continue to impede deeper economic integration. Key challenges – such as the harmonisation of phytosanitary standards and the simplification of related customs procedures – remain unresolved. Expert assessments consistently emphasise the need to synchronise the operating schedules of border checkpoints and to introduce integrated IT solutions. One attempt to address these challenges was the adoption of the Agreement on Cooperation in the Field of Plant Quarantine of 16 September 2022 [99]. However, a normative analysis of this document indicates that, while proclaiming the objective of facilitating agricultural trade growth, it de facto remains limited to establishing consultative and informational forms of cooperation. Article 2 of the Agreement, which focuses on training activities and the exchange of experience, contains no mandatory commitments concerning phytosanitary standard harmonisation or the introduction of mechanisms for the mutual recognition of certificates, which substantially reduces its regulatory potential in eliminating non-tariff barriers and demonstrates a continued adherence to a soft-law approach.

Thus, the current legal architecture of customs and phytosanitary cooperation within the SCO, encompassing both foundational agreements and specialised memoranda, demonstrates limited efficiency in removing barriers to mutual trade. The analysis reveals an evolution from general framework documents toward more specialised instruments, although this dynamic has not been accompanied by a strengthening of legal bindingness. The dominance of declaratory norms and soft-law tools over mandatory obligations, combined with the absence of effective mechanisms for legislative harmonisation and a lack of adequate institutionalization, preserves the fragmented nature of the Organisation’s emerging economic space. A qualitative enhancement of integration dynamics requires a transition toward the development of legally binding documents setting concrete parameters for standard unification, which is implicitly dependent upon overcoming divergent national approaches regarding the pace and depth of economic integration.

Parallel to customs-tariff barriers, similar structural constraints manifest within the SCO's energy sector, where significant economic potential is confronted with institutional and legal challenges. Energy resources occupy a central position in the Organisation's trade and economic agenda, as evidenced by the volume of China's imports from SCO members, which reached nearly USD 90 billion in 2024, accounting for one-fifth of China's total energy imports [4]. The unique complementarity of member economies creates objective preconditions for mutually beneficial partnerships. China and India, as the largest global consumers of energy resources, have considerably increased imports of Russian oil and gas following Western sanctions against Russia, whereas leading suppliers include Russia, Saudi Arabia, Iran, Qatar, Kazakhstan, and Azerbaijan. This complementarity shapes a substantial potential for strengthening the role of the SCO Energy Club within the system of international cooperation [100].

Structurally, energy cooperation within the Organisation is characterised by a complex multi-layered architecture operating at four interrelated levels: global, regional-Eurasian, subregional Central Asian, and national [40]. At the global level, the involvement of key OPEC actors such as Saudi Arabia and Iran could transform the Energy Club into a stabilising force in the global oil market, particularly in the context of G7 initiatives aimed at modifying market-based pricing mechanisms. The regional-Eurasian level seeks to harmonise strategies between producers and consumers, which, according to expert assessments, may catalyse the transformation of the SCO into a self-sufficient energy system [41]. Special attention is drawn to the Central Asian vector, reflected in initiatives such as the "trilateral gas union" among Russia, Kazakhstan, and Uzbekistan [25, p. 138]. However, persistent systemic vulnerabilities, including Turkmenistan's non-participation and the risk of secondary sanctions, increase the significance of coordination within the Energy Club as a more balanced format.

The institutional limitations of energy cooperation are evident in the incomplete institutionalisation of the SCO Energy Club, whose activities remain confined to consultative functions. The Russian Federation consistently advocates its transformation into a full-fledged institution, and as early as 2011 V. Bushuev proposed a comprehensive roadmap to strengthen the Club's role [41]. The introduction of a new format in 2021 – the Meeting of Ministers of Energy – has revived the discussion on role differentiation within the Organisation's institutional architecture. The legal regime governing cooperation remains dominated by soft-law instruments: the adopted Strategy for the Development of Energy Cooperation until 2030 does not generate concrete international legal obligations and employs formulations such as "the Parties are prepared to consider". The institutional architecture does not envisage the establishment of supranational oversight bodies, and the effectiveness of implementation depends on the stability of national legal systems, which ultimately limits the SCO's integration potential [82, p. 178].

In this regard, the structural potential for energy cooperation within the SCO remains underutilized due to persistent institutional gaps and the prevailing reliance on "soft law" instruments, which initially necessitated the establishment of specialized

coordination platforms [101]. Supporting this assessment, as Sun Yunxiang aptly notes, the search for a unified legal model of energy cooperation acceptable to all member states constitutes an objective prerequisite for further deepening interaction. It is essential to recognize that the complex and often contradictory nature of international energy cooperation, where elements of cooperation and competition continuously alternate, renders the development of stable, universally applicable rules an exceptionally challenging task. This process requires a thorough examination of legal determinants, identification of applicable norms, and a meticulous comparative analysis of international practice. Consequently, SCO member states must enhance the level of legal culture in the energy sector, actively facilitate the creation of multilateral energy institutions, and develop equitable procedures for the settlement of potential disputes [102]. Overcoming these systemic barriers thus calls for comprehensive synchronization of legal and institutional reforms, which continues to pose a key challenge to the organization's further consolidation.

A vivid illustration of the persistence of these issues is provided by the Statement of the SCO Heads of State Council on Sustainable Energy Development [103], adopted in Tianjin on 1 September 2025 [14]. This document represents a classical "soft law" act within the Organization's regulatory framework, as demonstrated by the use of characteristic non-mandatory formulations such as "intend to implement," "are convinced," and "promote." It is important to emphasize that, like the Tianjin Declaration within which the Statement was adopted, it retains all systemic limitations inherent in SCO instruments, including the absence of clear implementation mechanisms, specific timelines, and designated responsible actors.

Despite its substantive merits, such as a comprehensive approach to energy cooperation and the consideration of national conditions across the diverse SCO economies, the Statement's practical effectiveness remains constrained. This is evidenced, inter alia, by the fact that many of its provisions are largely framework-based and essentially duplicate the content of the previously adopted 2030 Strategy and the Concept of Energy Cooperation [16]. As a result, the document's pragmatic value lies predominantly in its political-symbolic function, namely in demonstrating the unity of approaches among SCO leaders to the energy agenda. At the same time, the continuing limited practical effectiveness of the Statement clearly reflects the broader SCO tendency to adopt framework documents lacking effective implementation mechanisms, which becomes particularly noticeable against the backdrop of the Organization's ambitious declared plans for advancing cooperation in the field of renewable energy.

Thus, the institutional and legal architecture of economic cooperation within the SCO reveals a fundamental paradox. Despite its immense macroeconomic potential and an extensive regulatory framework, integration faces a systemic constraint in the form of the dominance of "soft law." This approach, evident in both the customs domain (the 2007 Agreement, the 2018 Memorandum) and the energy sector (the 2030 Strategy, the 2025 Tianjin Statement), ensures flexibility and the preservation of state sovereignty, yet fails to overcome fragmentation stemming from economic asymmetry and divergent national interests. The establishment of a free trade area or the realization

of the Energy Club's potential will remain declaratory aspirations until the SCO identifies a viable formula for transitioning from coordination based on consensus to the creation of functional, legally binding rules.

2.2 Institutional Framework and Prospects for the Formation of a Unified SCO Investment Space

Investment cooperation has become established as one of the system-forming priorities of the SCO. The initial regulatory foundation was laid in the Organization's fundamental documents, including the Declaration on the Establishment of the SCO [1] and the SCO Charter [2], which enshrined the strategic objectives of economic cooperation and set the overall framework for its subsequent development.

The consistent evolution of this policy orientation has been regularly reflected in the decisions of the SCO Heads of State Council. A vivid example of such continuity is the Samarkand Declaration of 2022, which marked a qualitatively new stage in the Organization's investment agenda [11]. Adopted under conditions of global turbulence, the Declaration established a concrete political-legal basis for long-term partnership. Its proclaimed principle of fostering "fair and effective international cooperation" created a foundation for mitigating noneconomic risks. Emphasis on the primacy of international law, respect for sovereignty, and non-interference in internal affairs not only contrasted the SCO's approach with protectionist practices, but also directly enhanced the investment attractiveness of the Organization's space as a stable jurisdiction.

Movement from strategic declarations to practical implementation has defined the logic of the Samarkand Declaration. Alongside the formation of a favorable legal environment, the document identified specific investment vectors. Institutionalization through the establishment of a Special Working Group on Start-ups, as well as concrete plans for implementing the Infrastructure Development Program and developing transport corridors, opened new project opportunities for the business community. This transformed the Declaration into a genuine strategic roadmap that operationalized political stability through tangible joint investment projects.

The Concept for the Development of the "New Economic Dialogue", adopted in October 2024 [16], represents a logical continuation and a qualitative leap in this trajectory. Whereas the Samarkand Declaration set the general direction [11], the Concept signifies a transition to a pragmatic paradigm by forming an integrated institutional framework. The document does not exist within a legal vacuum; rather, it builds on the principle of normative continuity, organically expanding the SCO acquis from the 2002 Charter to the Economic Development Strategy to 2030 [10]. This demonstrates a systematic evolution of the Organization's investment agenda from strategic declarations toward operational implementation.

The Concept rests upon two key structural elements: an improved legal mechanism and an institutional basis. The central element from the standpoint of legal technique is the application of the consensus principle under the unconditional

observance of national legislation. This approach represents an attempt to achieve a legal balance between integrative ambitions and the protection of state sovereignty. While enabling the harmonization of investment regimes, it carries inherent rigidity risks, because any member state may block initiatives, and legal asymmetry complicates the development of uniform regulatory standards.

The second element is the institutionalization of cooperation through enhancing the role of the SCO Special Working Group (SWG) on Investment Promotion. The practical relevance of this body was reaffirmed at its meeting in Tehran (20–22 February 2024) [104], where participants not only discussed current issues but also proposed a set of measures to stimulate mutual investments, indicating progress from general discussions to the development of concrete instruments. The subsequent meeting of the Council of Heads of Government in Islamabad confirmed the leading role of this mechanism in providing fresh impetus to the SCO's investment agenda.

The establishment of a permanent platform marks a qualitative advancement compared to ad hoc consultations. The core institutional challenge, however, lies in transforming the SWG from a deliberative platform into an effective institution with actionable feedback loops. The key criterion for such transformation will be the conferral of not only advisory but also real coordination powers to ensure the timely implementation of decisions at the national level.

This institutional challenge directly correlates with the substantive priorities of the Concept, each of which generates its own – complexities:

– development of supply chains, extending cooperation beyond simple trade relations, requires not only a legal framework but also the harmonization of customs and sanitary standards, which remain the prerogative of national governments

– digitalization aimed at reducing transaction costs faces the problem of a "digital divide" among member states, potentially creating new forms of technological dependency

– building B2B platforms to facilitate direct business interaction tests the readiness of states to delegate a portion of regulatory functions to the private sector, which challenges traditional governance models

A systemic limitation for advancing these priorities is the incomplete formation of the financial architecture. Progress in creating financing mechanisms and human capital development remains mostly declaratory, as the announced SCO Development Bank and Development Fund are still at the conceptual stage. The absence of a detailed capitalization scheme and governance model raises questions about the feasibility of establishing an operational financing system for large-scale integration projects.

Nevertheless, it is important to emphasize that the approaches reflected in the Concept have already received follow-up development in the decisions of the SCO's supreme bodies. This consistent operationalization indicates the existence of strong political will toward practical implementation, despite the identified institutional and financial constraints.

The Tianjin Declaration of the SCO Heads of State Council (2025) represents a shift from broad policy goals toward the development of concrete legal instruments [14]. In addition to reaffirming the strategic significance of the Investors Association,

the Declaration highlighted initiatives such as the expansion of the Economic Preferences Database, the development of a package of measures to stimulate mutual investment, and the strengthening of cooperation in the field of sustainable development [105]. This set of measures indicates a clear ambition to establish a comprehensive environment conducive to direct capital inflows.

At the operational level, the Decisions of the 23rd Meeting of the Council of Heads of Government in Islamabad (October 2024) set forth specific mandates for the implementation of these priorities, including a directive to ensure the practical functioning of the Investors Association [106]. The materialization of this mandate took place during the inaugural meeting of the SCO Member States' Investors Association in Astana [107]. The meeting, attended by representatives of government bodies and more than 20 investment agencies and funds, addressed promising areas for cooperation and measures aimed at improving the investment climate. According to Madiyar Sultanbek, Deputy Chairman of the Board of Kazakh Invest, the initiative aims to strengthen economic ties and create new business opportunities across the region. The adoption of the Work Plan and the signing of the Final Protocol marked the transition of the Association from institutional establishment to practical operation [107].

In parallel with the development of dialogue platforms, efforts to build a financial infrastructure were reaffirmed at the operational level. Especially notable is the mandate to the relevant ministries to "intensify consultations on the establishment of the SCO Development Bank, the SCO Development Fund (Special Account), and, in a format of interested parties, the SCO Investment Fund." This directive clearly demonstrates high-level recognition of the need to create an independent sovereign financial infrastructure capable of providing lending and co-financing for large-scale integration projects [108].

The documents also reflect contemporary global trends. Issues of green transformation and the establishment of an Industrial Projects Database indicate an intention to align the SCO's investment agenda with current global challenges. However, the effectiveness of this direction will depend on further development of concrete implementation mechanisms, which remain a subject for future regulatory work at this stage.

The analysis conducted shows that the SCO is forming a coherent and multi-tiered system of legal regulation for investment cooperation. A clear evolution is evident: the Organization has progressed from enshrining general principles in its founding documents to elaborating a detailed sector-specific strategy ("New Economic Dialogue" [16]) and establishing specialized bodies for its implementation.

Nevertheless, the consistent implementation of these ambitious initiatives faces several systemic challenges. These include the continued application of the consensus principle as a potential brake on deeper integration, asymmetries in national legal systems and economic development levels, and the need to accelerate the launch and capitalization of the newly announced financial institutions.

Therefore, although the Concept for the Development of the "New Economic Dialogue" lays a comprehensive legal and institutional foundation for the creation of a

unified SCO investment space, its effectiveness remains contingent on the member states' ability to overcome narrow national approaches in favor of practical regulatory harmonization.

The objective need to harmonize investment legislation is further supported by the persistent positive dynamics of investment flows and the qualitative transformation of cooperation within the SCO. According to UNCTAD stat data, the total volume of foreign direct investment in SCO member states has steadily increased from USD 52.6 billion in 2001 to USD 140 billion by 2024. The qualitative evolution of investment cooperation is reflected in its structural transformation: from the concentration in traditional sectors such as oil and gas, extractive industries, and infrastructure, to the active development of digital economy and sustainable development-related sectors. This shift corresponds to global trends in decarbonization and technological modernization [109].

A significant catalyst for investment dynamics is the role of the People's Republic of China as a system-forming investor within the SCO space. Statistical data confirm China's leading position in terms of investment volume in Kyrgyzstan, Tajikistan, and Pakistan, its ranking as the second-largest investor in Uzbekistan, and fourth in Kazakhstan. A consistent diversification of investment flows is evident, shifting from the initial concentration in the oil and gas sector toward the agro-industrial complex, manufacturing, the financial sector, and the science and technology sphere.

The establishment of 37 industrial parks by Chinese companies in SCO member states constitutes an institutional foundation for the transition to a cluster-based industrial development model. According to official data of the Chinese government, this process is accompanied by a substantial increase in the presence of Chinese businesses in the region, with more than 3,000 PRC enterprises established in SCO countries, creating over 200,000 jobs annually [110].

Concrete illustrations of the implementation of this strategy are provided by investment projects systematized in Table 5. The analysis of the presented data demonstrates that the industrial parks being established function as hubs of production cooperation, facilitating technology transfer and the formation of integrated value chains in the priority sectors of SCO member states' economies.

Table 5. Implemented Chinese Investment Projects in SCO Member States

SCO Member States |	Investment Projects	Brief Description
Kazakhstan	Wind Farm in Akmola Region (China Power International Holding)	Constructed in 2023 with a capacity of over 100 MW (approximately 40 turbines). The project supplies green electricity to the capital region and is the largest renewable energy initiative in the country.
	Solar Panel Manufacturing Plant in Karaganda Region (CEEC Energy China)	Launched in 2022. Contributes to the localization of component manufacturing for renewable energy technologies.

Uzbekistan	Wind Power Project in Bukhara Region (China Gezhouba Group)	Construction of a 1 GW wind farm under the Belt and Road Initiative. One of the largest projects in the region.
	Photovoltaic Power Plant in Navoi Region (JinkoSolar / PowerChina)	Commissioned in 2023. A 500 MW solar energy facility aimed at reducing the carbon footprint.
Tajikistan	Dushanbe-2 Combined Heat and Power Plant (TBEA, China)	Commissioned in 2016. Provides up to 60% of the capital's electricity and heat demand. Implemented with the support of the PRC.
	Cement Plant in Yavan (Huaxin Cement Co.)	A joint venture with Chinese capital. Produces over 1 million tons of cement annually, supplying both domestic and export markets.
Russia	Amur Gas Chemical Complex (China National Chemical Engineering Group – CNCEC)	One of the largest examples of China–Russia cooperation in the energy sector. Total investment is approximately USD 13 billion. Partially commissioned in 2024.
	Tire Manufacturing Plant in Tatarstan (Qingdao Doublestar Co.)	Launched in 2023 with an annual production capacity of 3 million tires.
Belarus	Great Stone Industrial Park (China CAMC Engineering / CITIC Group)	A flagship project of China–Belarus cooperation. Total investment exceeds USD 1.3 billion.
Kyrgyzstan	Cement Plant in Chuy Region (ZETH-Cement / TBEA)	Built in 2019. Produces over 1 million tons of cement annually, reducing the country's import dependency.
	Hydropower Projects (PowerChina / Sinohydro)	Chinese companies have participated in the modernization of hydropower cascades and the development of energy supply infrastructure.
Pakistan	Sahiwal Power Station (Huaneng Shandong Ruyi Energy)	A coal-fired power plant with a capacity of 1,320 MW, completed in 2017 under the China–Pakistan Economic Corridor (CPEC). Supplies electricity to more than 4 million households (Source: Belt and Road Portal).
	Karakoram Highway (China Road and Bridge Corporation)	Reconstruction of a key transport artery connecting China and Pakistan. A project of strategic importance for the entire SCO region.

Source: compiled by the author based on data of [111]

The analysis of implemented investment projects within the SCO framework reveals a profound qualitative transformation of economic cooperation, characterized by a shift from a predominantly resource-oriented model to a diversified and multidimensional structure. This transformation is evidenced by the deployment of large-scale renewable energy initiatives, including the construction of wind farms in Kazakhstan and Uzbekistan with a combined capacity exceeding 1.1 GW, as well as the commissioning of a 500 MW solar power facility, consistent with global decarbonization trends. Parallel processes of industrial modernization are underway

through the establishment of cement production facilities in Tajikistan and Kyrgyzstan, the implementation of the Amur Gas Chemical Complex in Russia with an investment volume of USD 13 billion, and the development of automotive component manufacturing in Tatarstan. Infrastructure projects of transregional significance, such as the Great Stone Industrial Park in Belarus and the reconstruction of the Karakoram Highway in Pakistan, have acquired strategic relevance by strengthening the foundations of deeper economic connectivity.

The legal basis for this large-scale investment expansion is grounded in continuous efforts to harmonize the international legal framework. A landmark development in this regard has been the conclusion by the People's Republic of China of bilateral agreements on the promotion and protection of investments with all SCO member states. During 2024–2025, updated versions of investment treaties were signed with the Russian Federation, the Republic of Kazakhstan, and the Republic of Tajikistan, in addition to the Agreement on Trade in Services and Investment with the Republic of Belarus [112]. This treaty-making activity, carried out in the broader context of the Belt and Road Initiative launched in 2013, provides stable regulatory preconditions for the expansion of production cooperation and deeper integration in regional value chains.

The contemporary investment paradigm within the SCO is undergoing further qualitative evolution, reflected not only in the diversification of investment instruments, shifting from conventional foreign direct investment toward more complex forms involving technology transfer and venture financing, but also in the widening sectoral scope encompassing infrastructure development, manufacturing, the agro-industrial complex, and services beyond traditional extractive industries. Financial infrastructure has been advancing through the introduction of settlements in national currencies, the establishment of an interbank cooperation mechanism, the expansion of project financing, and the formation of regional currency pools. Institutional progress is manifested in the establishment of the SCO Development Bank, the SCO Development Fund, the SCO Venture Fund, and the development of risk-insurance mechanisms.

Future prospects for investment cooperation within the SCO are closely linked to the formation of an integrated financial architecture, with the creation of an SCO Currency Fund expected to serve as a central institutional element. This entity is intended to fulfill a wide range of functions, including the promotion of national currency utilization in cross-border settlements, the diversification of reserve assets, the advancement of member states' financial markets, and the strengthening of regional financial stability. The emerging multi-level institutional design lays the legal and economic foundation for establishing a unified SCO investment space based on principles of coherent regulation, nondiscriminatory market access, and mutual benefit, ultimately facilitating a transition from fragmented bilateral interactions to a comprehensive, multi-tier integration model.

The formation of a favorable investment climate within the SCO requires a detailed comparative assessment of national legal regimes and economic preference systems among its member states (see Table 6). The systematization of these parameters enables the identification of competitive advantages and investment

opportunities across jurisdictions, while also revealing systemic challenges to the harmonization of the investment environment. Such a comparative analysis is crucial for designing effective strategies and selecting optimal modalities for entering SCO markets, as it reflects both current business conditions and the long-term economic development priorities of each participating state.

Based on a comprehensive analysis of the data presented in Table 6, it is possible to distinguish two major clusters of SCO member states that demonstrate different institutional approaches to shaping the investment climate. Each cluster possesses not only distinct advantages but also inherent structural constraints that must be carefully considered when designing investment strategies.

The first cluster, conventionally defined as "contract-based jurisdictions with guaranteed stability," comprises the Republic of Belarus, the Republic of Kazakhstan, the Russian Federation, the Republic of Uzbekistan, the Kyrgyz Republic, and the Republic of Tajikistan. The defining feature of this cluster lies in its reliance on individually negotiated investment agreements, which enable a tailored allocation of preferential measures to specific projects. However, this approach also produces significant shortcomings, including extensive bureaucratic procedures, nontransparent criteria for project selection, and potential corruption risks. The stabilisation clause, ensuring the immutability of investment conditions for up to ten years, although an important instrument for risk mitigation, may be offset by political volatility and the insufficient maturity of judicial systems in certain states within the cluster.

Substantial differentiation of state support instruments exists among the countries of the cluster, accompanied by case-specific limitations. The Russian Federation, despite its well-developed mechanisms of financial support through development institutions, is simultaneously characterized by high political dependence and considerable administrative complexity. The Republic of Kazakhstan, which offers the investment tax credit mechanism, faces challenges related to inconsistent law enforcement practices and insufficient predictability of tax administration. The Republic of Belarus provides privileged access to public procurement, yet maintains a high degree of state control over the economy. Uzbekistan's individually negotiated regulation of investment projects results in risks of excessive centralization of decision-making processes.

The second cluster, referred to as "sectoral programs and export orientation," includes the Republic of India, the People's Republic of China, the Islamic Republic of Pakistan, and the Islamic Republic of Iran. The essential distinction of this cluster lies in its strong emphasis on achieving specific production-based outcomes. However, substantial systemic constraints persist, as preferential measures are strictly contingent upon the fulfillment of quantitative performance indicators, creating risks of target underachievement and the subsequent revocation of incentives. Large-scale sectoral programs are further associated with burdensome reporting requirements and continuous administrative oversight.

Table 6. Information on Economic Incentives in SCO Member States

Country	Forms of Investment Cooperation	Tax Incentives	Customs Incentives	Stability Guarantees	Financial Support	Unique Features
Belarus	• Investment agreements • Special investment agreements • Concession agreements • Establishment of commercial entities with foreign investments • Investments through free economic zones • Public-private partnerships	Full exemption from corporate income tax, VAT, and property tax for up to 10 years depending on investment volume	Exemption from customs duties and VAT on imported equipment, raw materials, and components not produced in Belarus	Stabilization clause ensuring unchanged tax and regulatory conditions throughout the agreement	State-provided budget transfers, subsidies, and tax credits for priority projects	• Access to public procurement• Personal income tax benefits for High-Tech Park residents
India	• Joint ventures• Foreign direct investment (automatic and government routes) • Venture capital investments • Investments through SEZs • Project financing	Direct production-linked subsidies based on achieved output and export indicators	Export-oriented tariff incentives and duty exemptions for strategic sectors (electronics, pharmaceuticals, renewable energy)	Program conditions fixed for 5-7 years; long-term stability guarantees not central	Extensive concessional loans, state guarantees, and subsidies under Make in India and Digital India initiatives	• Implementation of PLI schemes across 14 sectors• Focus on infrastructural integration via Gati Shakti programme
Iran	• Buy-Operate-Transfer • Civil partnerships • Joint ventures • Investments through SEZs • Production-sharing agreements (oil & gas sector)	Full exemption from corporate income tax for 15–20 years (zone-dependent); VAT exemption; possible extension of tax holidays	Full exemption from import duties on equipment, raw materials, components; simplified import/export procedures; duty-	Legislative guarantees against retroactive taxation; stability of investment regime up to 20 years; protection from nationalization and	State concessional loans via Central Bank and specialized institutions; co-financing of infrastructure/industrial projects; tax holidays; partial interest	• Combination of economic pragmatism and Sharia law• Currency freedom in SEZs• Strategic locations on transport corridors (Chabahar,

		through reinvestment	free imports for inward processing	expropriation under FIPPA (2002)	compensation	Kish, Qeshm, Aras, Arvand, Makran)
Kazakhstan	• Investment contracts• Special investment contracts • Bilateral investment treaties • Public-private partnerships • Investments through SEZs	Full exemption from corporate income, land, and property taxes for up to 10 years	Exemption from import duties on equipment, raw materials, and components for investment projects	Investment obligations ensure stability of tax conditions for 10 years	State in-kind grants (land, buildings, infrastructure); investment tax credit	• Investment tax credit (payment deferral) • Differentiated incentives based on investment volume and priority sectors
Kyrgyz Republic	• Investment agreements with government• Joint ventures• 100% foreign-owned enterprises• Investments through FEZs• Concession agreements	Exemption from profit tax, VAT, and property tax for priority-sector projects	Exemption from import duties and VAT on equipment	Stability regime for up to 10 years	Financial support selective; limited direct subsidies	• Regulatory flexibility • SME support via simplified taxation
China	• Equity joint ventures• 100% foreign-owned enterprises• Mergers & acquisitions• Investments through Free Trade Zones (Shanghai, Hainan)• Project financing	Policy of "two exemptions, three reduced rates" on corporate income tax	Exemption from customs duties on equipment and raw materials for export production	Stability of conditions and legal protection for foreign investors	State subsidies, tax incentives, concessional loans via state banks	• Focus on innovation & export• Combination of market incentives and directive planning
Pakistan	• Joint ventures• FDI• Investments through SEZs• Project financing• Build-Own-Operate (BOO) schemes	Exemption from corporate income tax for up to 10 years (SEZ residents)	Exemption from import duties and VAT on equipment, raw materials, and supplies	Protection of investments; legal regime stability guaranteed	Concessional loans, partial interest subsidies, tax holidays	• Priority for export-oriented industries • Participation in Belt and Road projects
Russia	• Special Investment	Corporate income	Exemption from	Stabilization clause	Developed	• Multi-level

	Contracts (SPIC 2.0) • Concession agreements• Public-private partnerships • 100% foreign-owned enterprises • Investments through SEZs	tax 0–5% in SEZs/TORs; exemption from property and transport taxes	customs duties on equipment not produced in Russia	in SPIC 2.0 protecting investors from legislative changes	concessional lending via Industrial Development Fund, VEB.RF, SME Corporation	investment support • Focus on localization & technological sovereignty
Tajikistan	• Joint ventures• 100% foreign-owned enterprises • Investments through FEZs • Concession agreements• Public-private partnerships	Exemption from corporate income, VAT, and property tax for 5-10 years	Full exemption from customs duties and VAT in FEZs	Investment protection guarantees including arbitration	Direct financial support limited; administrative incentives exist	• Region-based FEZ development• Focus on attracting external capital
Uzbekistan	• Investment agreements • Public-private partnerships• Establishment of enterprises with foreign investment • Investments through SEZs• Concession agreements	Exemption from profit, property, and land taxes depending on investment volume and project duration	Exemption from duties on technological equipment and components	Stability regime for up to 10 years	Selective use of direct subsidies and incentives	• Regulatory flexibility • Tailored conditions for major foreign investors

Source: compiled by the author based on data from the official website of the SCO: https://rus.sectsco.org/20250417/1748436.html

The member states of the second cluster exhibit diverse approaches to export-oriented development, each accompanied by characteristic drawbacks. India's Production Linked Incentive scheme encounters persistent challenges related to coordination among governmental levels and bureaucratic inefficiencies. Although the People's Republic of China maintains a sophisticated and proven incentives framework, foreign investors remain exposed to potential regulatory shifts and intensified state intervention. The Islamic Republic of Iran, offering some of the longest tax holidays in the region, faces international sanctions and limited access to the global financial system, while Pakistan continues to struggle with political instability and security risks.

At the level of the SCO as a whole, there is a gradual formation of complementary economic models, yet integration processes remain impeded by substantial challenges. Strategic complementarities among member economies are constrained by differences in legal systems, customs barriers, and ongoing trade disputes. Transnational value chains encounter obstacles in the form of insufficient logistics infrastructure, divergences in technical standards, and currency regulations.

Although a gradual convergence of investment regulation tools is evident, the unification process faces significant structural obstacles. The widespread reliance on special economic zones does not eliminate deep-rooted distinctions in their administrative governance, and the proliferation of stabilisation clauses does not ensure uniformity in enforcement. Attention concentrated on priority sectors frequently generates long-term imbalances in national economic development and increases the risks of excessive sectoral specialization.

In the context of structural analysis of investment legislation, the Republic of Kazakhstan demonstrates a systematic codification model through the adoption of the Entrepreneurial Code, where Sections V–VI regulate investment relations in detail. In contrast, the Russian Federation maintains a dual regulatory framework, combining federal legislation on foreign investment with sector-specific acts. The legal frameworks of the Republic of Uzbekistan and the Kyrgyz Republic rely on a more discretionary model, delegating significant regulatory powers to executive authorities for the operational determination of investment regimes, which presents legal uncertainty for investors.

Turning to the analysis of administrative procedures for investment approval, it should be emphasized that Kazakhstan applies a multi-tiered system managed by the Investment Committee of the Ministry of Industry and Trade, requiring comprehensive examination of project documentation. Similarly, the Russian Federation retains strict control mechanisms through the Government Commission on Monitoring Foreign Investment, which assesses potential impacts on strategic enterprises and national defense capacity. Despite their formal regulatory structure, these procedures allow broad administrative discretion.

A notable divergence in approaches is visible in the field of investment protection guarantees. The People's Republic of China establishes an exhaustive system of guarantees within its specialised legislation on foreign investment, including protection against unlawful expropriation and ensuring unrestricted capital transfer. Conversely, the legislation of the Republic of India adopts a differentiated approach based on automatic and government-approval routes, preserving discretionary

authority over sectors related to national security. This variability introduces additional legal risks for cross-border investment activities.

Tax incentive regimes of SCO member states also manifest significant differentiation. Kazakhstan's investment tax credit mechanism provides a combined package of fiscal incentives, while China's tax holiday model in special economic zones operates on fundamentally distinct principles. These discrepancies concern both the substantive conditions of preferential treatment and the procedural modalities of access to incentives, complicating efforts to harmonise the investment environment.

The regulatory frameworks for special economic zones reveal institutionally divergent models. China's system features unified legislation and centralized governance through the National Development and Reform Commission, whereas India delegates extensive regulatory authority to state-level administrations, resulting in varying minimum investment requirements and operational rules. These distinctions arise not only from legal traditions but also from structural features of territorial governance.

With regard to investment dispute resolution mechanisms, the Russian Federation and the Republic of Kazakhstan, despite formal recognition of international arbitration, retain significant limitations, including the requirement to exhaust domestic remedies and public policy exceptions. Such restrictions, although reflecting legitimate concerns over national sovereignty, create additional procedural barriers for investor protection.

The conducted analysis reveals systemic challenges to legal harmonization, including divergent definitions of key concepts, discretionary administrative procedures, the absence of mutual recognition of licenses and permits, and different approaches to risk assessment. These challenges possess a complex and multidimensional nature, requiring coordinated regulatory responses.

To address the identified challenges, it appears expedient to develop a model SCO Investment Code, establish a mechanism for the mutual recognition of investment statuses, standardize due diligence procedures, and create a unified registry of investment projects. The implementation of these measures would establish the institutional prerequisites for the formation of a coherent investment space.

In conclusion, despite the declared objectives of creating a unified investment area, SCO member states continue to exhibit significant differences in their legal regimes governing foreign investments. Further integration requires not only legislative harmonization but also the establishment of effective institutional mechanisms for coordinating investment policy, which entails balancing the protection of national interests with the creation of favorable conditions for cross-border investment within the framework of the Shanghai Cooperation Organization.

The conducted research indicates the emergence within the SCO of a comprehensive, multi-layered system of legal regulation for investment cooperation, which has evolved from the codification of general principles in founding documents to the creation of a complex institutional architecture. A qualitative leap in this process was the adoption of the "New Economic Dialogue" Development Concept, signaling a transition to a pragmatic cooperation paradigm. However, the effective implementation

of ambitious initiatives faces systemic challenges, including asymmetries in national legal systems, limitations imposed by the principle of consensus, and the need to capitalize on newly established financial institutions.

Investment cooperation within the SCO demonstrates a qualitative transformation: the traditional resource-oriented model is being replaced by comprehensive diversification. The focus has shifted to projects in renewable energy, digital economy, and green growth, reflecting adaptation to global trends. China plays a central role in this process as the main investment driver. The establishment of 37 industrial parks and the registration of over 3,000 companies across member states vividly illustrate the scale of its economic presence. The legal foundation for this activity is being laid through intensive regulatory harmonization, primarily via the conclusion of updated bilateral investment treaties.

Despite the general developmental trajectory, institutional approaches among member states toward attracting investment differ significantly, forming two contrasting clusters. The first cluster emphasizes individual agreements and stability guarantees, whereas the second relies on sectoral programs with incentives strictly tied to export performance. This institutional heterogeneity, together with persistent customs barriers and trade disputes, acts as a systemic constraint, diminishing the effect of strategic economic complementarity. Consequently, the central challenge in deepening integration is overcoming this regulatory fragmentation. Prospects lie in the concurrent development of two directions: the establishment of a comprehensive financial infrastructure (including the SCO Currency Fund) and the unification of the legal framework through a model investment code. Success will depend on striking a balance between protecting national sovereignty and creating standardized, favorable conditions for cross-border capital flows.

The analysis further indicates the formation of a unique two-tier model of investment cooperation within the SCO. At the institutional level, a comprehensive architecture has been established – from the "New Economic Dialogue" Concept to the Investors and Projects Association of financial institutions. Yet, at the level of practical implementation, a systemic contradiction persists: ambitious multilateral initiatives encounter a fragmented network of bilateral agreements and fundamentally divergent national regimes, forming two contrasting regulatory clusters. China's dominance as the principal investor, on the one hand, drives cooperation, but on the other, reproduces asymmetry that limits genuine multilateralism. Thus, the SCO exhibits the paradox of "institutional abundance amid regulatory fragmentation," where further integration requires not the creation of new bodies, but the harmonization of existing legal regimes through a model investment code and the effective capitalization of the announced financial institutions.

2.3 Legal Mechanisms for the Development of Transport and Logistics Infrastructure within the SCO

In the context of deepening economic cooperation among the member states of

the Shanghai Cooperation Organization, the development of transport and logistics infrastructure assumes strategic significance. This priority is underpinned by objective factors: SCO countries possess substantial transit potential, as evidenced by impressive statistical indicators – the total length of road networks reaches 13 million kilometers (20% of the global network), while railway lines extend over 244,000 kilometers, handling more than 70% of global freight traffic [42].

However, the importance of a developed transport network is not limited to quantitative measures. As L.V. Shkvar notes, transport development promotes market expansion, including regional markets, which in turn enhances production capabilities, stimulates entrepreneurial activity, and improves overall living standards. Transport cooperation is particularly critical for ensuring the mobility of resources within national economies, especially in countries with limited domestic raw materials necessary for production and its expansion [43].

Thus, such an extensive infrastructure base provides not only a physical but also an economic foundation for the formation of a unified transport space capable of acting as a catalyst for regional economic growth. This conclusion is corroborated by the expert community, which emphasizes that modern transport infrastructure can indeed become a driving force for the implementation of large-scale projects, the establishment of advanced manufacturing, and the creation of quality employment, thereby leveraging transit potential while stimulating domestic economic development.

The normative and legal framework for transport cooperation within the SCO has been developed systematically and progressively. Fundamental principles are enshrined in Article 3 of the SCO Charter of 7 June 2002 [3], which declares the effective utilization and enhancement of transit potential as one of the organization's key priorities. These provisions were further elaborated in the 2003 Program of Multilateral Trade and Economic Cooperation [7], which outlined three main vectors for development: cooperation in the operation and modernization of transport systems; synergistic use of the transit potential of member states; and the implementation of innovative information and telecommunication technologies alongside the development of corresponding infrastructure.

A particularly significant instrument within the transport cooperation system is the Agreement among the Governments of SCO Member States on Creating Favorable Conditions for International Road Transport, dated 12 September 2014 [8]. This document represents a comprehensive legal tool aimed at liberalizing and standardizing cross-border road transport within the SCO space. Its importance is especially evident given the predominance of bilateral agreements in other areas of economic cooperation. The Agreement establishes uniform procedures for carrier admission, standardizes requirements for vehicles and documentation, and creates a permanent institutional coordination mechanism through the Joint Commission. A notable feature of the Agreement is its framework nature—it enshrines general principles and procedures, with detailed provisions developed through annexes and subsequent decisions of the Joint Commission, thereby ensuring regulatory flexibility and adaptability.

Practical implementation of the Agreement demonstrates a dialectical combination of clear achievements and persistent challenges. Among the indisputable

advantages is the creation of a transparent and non-discriminatory regime for cross-border transport, manifested in simplified documentation procedures and the mutual recognition of permits and driver's licenses. This set of measures has significantly reduced administrative barriers and transaction costs for carriers, fully aligning with global trends in international legal regulation of the sector. As M.A. Drozdova and O.V. Zarubkina rightly note, contemporary developments in the regulatory framework have aimed to establish a foundation for simplifying document flow through harmonization, standardization, and the introduction of electronic services [113].

In addition to administrative simplifications, substantial economic incentives were provided through tax benefits, including exemptions from customs duties on fuel, lubricants, and spare parts. A key instrument for ensuring transport stability was the clear designation of six international routes in Appendix No. 1, which created the necessary conditions for predictability and planning of international transport operations.

The practical implementation of these routes has demonstrated their strategic significance. The six main corridors, including key routes such as Barnaul–Urumqi and Saint Petersburg–Lianyungang, have formed the backbone of transcontinental connections, effectively linking SCO countries with European and Asian markets. The development of these corridors produced a cumulative effect: they not only ensured stable freight flows among member states but also created alternative international trade routes, significantly enhancing the region's overall transit potential. The implementation of these projects was accompanied by comprehensive modernization of border infrastructure, standardization of customs procedures, and active deployment of electronic document management systems, collectively resulting in a substantial reduction of both time and financial costs for carriers [115].

Following the entry into force of the Agreement on 20 January 2017, carriers from SCO member states gained the practical ability to operate along the designated routes, including the strategically significant corridor from eastern China through the port of Lianyungang to Western Europe. Article 4 of the Agreement provides a flexible approach, permitting transport operations without strict adherence to designated routes when relevant bilateral or multilateral agreements are in effect.

However, certain provisions of the Agreement may limit its overall effectiveness. The rigid linkage to approved routes and border-crossing points can reduce the flexibility of logistics schemes, the continued requirement for special permits for transporting hazardous cargo imposes additional administrative barriers, and the consensus principle within the Joint Commission may hinder timely decision-making.

Despite these challenges, the development of transport cooperation within the SCO continues to accelerate. The operationalization of transport interaction, driven by the economic and foreign trade activity of member states, is reflected in the strategic goal of achieving effective logistical convergence between maritime and continental infrastructure components. The People's Republic of China plays a particularly significant role in this process, acting as the region's key transport actor through the implementation of the Belt and Road Initiative. Simultaneously, the strategic potential of the Islamic Republic of Pakistan is increasingly recognized, given its unique

geostrategic location at the intersection of land and maritime arteries, positioning it as an important trade, energy, and transport hub in Eurasia [115, p. 116].

The development of transport and logistics cooperation within the SCO demonstrates a consistent evolution from establishing general principles to creating a comprehensive system for sectoral integration management. The adoption of the Concept for Cooperation on Connectivity and the Development of Efficient Transport Corridors in 2022 [116] represents a logical outcome of this process, marking a transition from declaratory objectives to concrete implementation mechanisms. This strategic document not only systematized previously adopted agreements but also laid the foundation for a unified transport space, defining clear parameters for the development of international transport corridors and setting targets for the digitalization and harmonization of transport systems.

The practical implementation of the SCO transport strategy required the establishment of a multi-level system of institutional mechanisms, with the Joint Commission on International Road Transport playing a central role [115, p. 120]. This body monitors compliance with agreements, adjusts the network of routes, and harmonizes technical standards. The creation of the Rail Transport Research Working Group in 2024 further complemented the institutional architecture with sector-specific elements. This approach enables the effective combination of strategic planning with operational problem-solving, ensuring consistent implementation of the 2022 Concept.

Institutional development within the SCO is manifested in the execution of large-scale infrastructure projects, with Kazakhstan serving as a central transit hub. Kazakhstan's initiatives to reconstruct and commission 2,500 km of railways and over 12,000 km of highways [117] carry strategic significance. These projects not only established 11 international corridors but also facilitated substantial increases in freight flows along the China–Kazakhstan–Russia–Europe route. Analysis shows that such infrastructure development transforms Kazakhstan from a passive participant into an active integrator, strengthening connectivity among SCO member states and enhancing the region's transit potential through the creation of alternative international trade routes.

This infrastructural expansion was made possible through the synergy of China's Silk Road Initiative and Kazakhstan's Nurly Zhol program. The latter, as a domestic incentive package totaling USD 9 billion (2014-2019), aimed at comprehensive modernization of not only roads and railways but also ports and IT infrastructure. This synergy created a unique cooperation model in which a global initiative is reinforced by national investments, accelerating project implementation and enhancing efficiency.

The qualitative outcomes of this partnership are reflected in tangible infrastructure achievements. As noted by Kazakhstan's President Kassym-Jomart Tokayev, "In 2024, the launch of additional railway lines Dostyk–Moyynty will increase Kazakhstan's transit capacity along the China–Europe corridor fivefold." This quantitative leap is complemented by qualitative improvements: "Last year, we also opened a trade and logistics center in Xi'an jointly with our Chinese partners, further strengthening our transport connectivity." Consequently, Kazakhstan has become a key geographic "bridge," linking the CIS countries in the north, China in the east, and the

Indian Ocean in the south [118].

The strategic significance of Kazakhstan–China cooperation extends beyond land routes, acquiring a maritime dimension. President Tokayev emphasized: “Maritime cooperation is equally important. The completion of a container hub at the port of Aktau, in partnership with the Chinese port of Lianyungang, has established a container fleet serving Central Asia and the Caspian region, providing a full range of logistics services.” This development enables the creation of a multimodal logistics network integrating land and maritime transport.

Thus, deepening cooperation with Kazakhstan has acted as a catalyst for broader integration processes. It supports further integration of the Silk Road Economic Belt with the Eurasian Economic Union, the development of the China–Central Asia–West Asia Economic Corridor, and the Second Eurasian Land Bridge [119]. The Kazakhstan–China partnership demonstrates how bilateral projects can serve as structural elements of multilateral Eurasian integration.

However, the progress achieved does not eliminate the presence of systemic challenges that require further coordination of efforts. Among the most significant issues, researchers note persistent differences in national technical standards, the need to harmonize permitting procedures, and the uneven development of logistics infrastructure along certain sections of transport corridors [42]. These challenges indicate that physical infrastructure is currently outpacing the development of institutional and legal coordination mechanisms.

In this context, prospects for development are linked not only to further construction but also to deepening “soft” integration. Key directions include the digitalization of transport processes, the creation of an integrated system of logistics hubs, and the expansion of infrastructure project financing through interbank cooperation mechanisms. Implementation of these initiatives will help address existing imbalances and contribute to the formation of a competitive and globally resilient transport space within the organization.

Analysis of transport cooperation development within the SCO demonstrates a consistent institutionalization and increasing structural complexity of interaction mechanisms. From the initial declarative documents, such as the 2002 SCO Charter, the organization has evolved toward creating a comprehensive system for managing transport integration. A key milestone was the adoption of the 2022 Concept for Cooperation on Connectivity, which systematized previously adopted agreements and established clear parameters for the development of international transport corridors. The institutional architecture continues to grow more complex: alongside the Joint Commission on International Road Transport, established in 2018, the Rail Transport Research Working Group was created in 2024. This multi-level structure enables the combination of strategic planning with the operational resolution of practical issues, although the consensus principle continues to limit the speed of decision-making.

The implementation of infrastructure projects within the SCO clearly demonstrates the region’s significant economic potential. The construction of the Mazar-i-Sharif – Kabul – Peshawar railway has the potential to radically transform the region’s logistics map, reducing cargo delivery times from 35 to 5 days and lowering

container transportation costs by 68%. Similarly, the Uzbekistan–Kyrgyzstan–China railway project establishes alternative transcontinental corridors, shortening distances by approximately 1,000 km compared to existing routes [120]. Collectively, these projects not only strengthen the connectivity of SCO member states but also position the organization as a significant participant in global logistics chains, potentially increasing freight volumes by up to 10 million tons annually and expanding participants' export opportunities.

However, realizing this large-scale potential faces a set of significant obstacles. In addition to technical differences in railway gauge standards and vehicle requirements, substantial barriers include complex administrative procedures, uneven logistics infrastructure development, limited financing mechanisms, and political risks stemming from instability in certain regions, particularly Afghanistan. Overcoming these challenges requires coordinated efforts and consistent work on harmonizing the regulatory framework.

A response to these challenges has been the development of institutional cooperation formats, in particular the strategic initiative linking the EAEU and the Silk Road Economic Belt. Established in 2015, this initiative, aimed at creating a transcontinental transport region, includes the construction of key railway corridors, such as the high-speed Moscow – Kazan and Moscow– Beijing lines. This project lays the infrastructural foundation for further economic integration, including implementing China's proposal to create a unified free trade zone within the SCO framework.

Alongside infrastructure integration, digital cooperation has gained momentum. A significant step in this direction was the 2020 SCO Declaration on Cooperation in the Digital Economy, in which member states emphasized the importance of collaboration in digitalizing transport, customs, and finance. This document opens the way for new models of digital entrepreneurship, the development of "end-to-end" technologies, artificial intelligence, and innovative clusters.

Within the context of digital transformation, the EAEU plays a particularly important role, actively working on harmonizing its legal framework. The Union, comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia, focuses on creating a legal basis to remove barriers, implement a "single window" mechanism, develop technical regulations, and establish agreements with third countries. Increasing the cohesion of EAEU transport and logistics systems not only deepens internal integration but also creates a strategic alternative to the European transport market, which has become restricted due to sanctions.

Nevertheless, the rapid digitalization of the sector is outpacing the development of its legal and regulatory framework. Continuous automation and evolving business models necessitate the creation of an entire layer of international legislation. Although developments in machine-to-machine communication (M2M) and the Internet of Things (IoT) have already improved efficiency, enabled electronic document management systems, and facilitated the in

Global experience clearly indicates that the legal consolidation of multimodal transport under a single document has a positive effect in reducing costs. However, the insufficient development of an international regulatory framework governing digital

cooperation in logistics, along with the lack of harmonization of legislation across different modes of transport, remains a significant obstacle to creating a seamless transport and logistics ecosystem within the SCO and the EAEU.

Accordingly, the strategic prospects for development are linked to the comprehensive implementation of the EAEU – Silk Road Economic Belt Convergence Concept. Integrating the 57 existing Silk Road railway routes with the evolving SCO infrastructure has the potential to create a competitive advantage in global logistics markets. Key priorities along this path include the digitalization of transport corridors, the creation of a unified information space, the development of multimodal hubs, the expansion of project financing, and – most importantly – the consistent harmonization of technical standards and procedures. Together, these measures will contribute to the formation of an efficient transcontinental logistics system.

Analysis demonstrates that transport and logistics cooperation within the SCO has evolved from declarative principles to the creation of a complex institutional architecture, with the 2014 Agreement on International Road Transport serving as a central element. Nevertheless, the realization of the organization's transit potential faces a fundamental contradiction: the objective need for the unification of standards and procedures versus the persistent dominance of national regulatory regimes.

The Kazakhstan–China partnership, exemplifying the synergy between the "Belt and Road" initiative and Kazakhstan's "Nurly Zhol" program, has acted as a catalyst for infrastructure development but has not overcome systemic barriers – differences in technical standards, complex administrative procedures, and limited financing. Therefore, the creation of a unified SCO transport space requires a shift from the construction of physical infrastructure toward deeper "soft" integration through the harmonization of legislation, the establishment of a unified information space, and the development of multimodal logistics hubs.

3. FORMATION OF THE SCO ECONOMIC COMMUNITY: INSTITUTIONAL FOUNDATIONS AND COMPARATIVE PERSPECTIVES

3.1 Institutional and Legal Dimensions of Developing an SCO Investment Community of Shared Future

As mentioned above, the SCO has a disproportionately high proportion of soft law. While this legislative approach respects the sovereignty of member states to a certain extent, it is undeniable that soft law is weakly enforceable. To maximize their benefits, member states inevitably erect trade barriers, thereby hindering the development of investment facilitation. To overcome the legislative conflicts among SCO member states and the preponderance of soft law within the SCO's investment legal framework, the SCO should increase the proportion of hard law. This article argues that this should be done from two perspectives. First, actively promote regional economic cooperation within the SCO, establish a free trade area, and formulate corresponding international treaties. Regional economic integration can effectively reduce trade barriers, promote trade flows among member states, foster a favorable competitive environment within the framework, facilitate investment among member states, and establish a more comprehensive dispute resolution mechanism to address disputes arising from cooperation. Second, given that SCO member states tend to conclude bilateral treaties and that there are significant differences in development levels, culture, and laws among them, signing bilateral agreements is a transitional step towards establishing joint agreements. Therefore, a more authoritative bilateral agreement model should be established within the framework of the SCO for use by SCO member states and observer states.

(1)Signing of a free trade zone agreement

After years of development, the member states of the SCO have established relatively close political and economic relations and have become important trading partners. " The SCO has actively integrated into global trade cooperation. The total trade volume between member states has increased from US$667 billion in 2001 to US$6 trillion in 2020, and its global trade influence has continued to increase" [**Ошибка! Источник ссылки не найден.**. From the above economic and trade figures, it can be seen that the economic and trade cooperation between the member states of the SCO has entered a new stage. In view of the mutual relations, cooperation level and trade scale between the member states of the SCO, it has become a general trend for the SCO to establish a higher-level cooperation platform. The ultimate goal was to achieve regional economic integration and even establish a community of shared future for the SCO. However, the economic development levels of the member states of the SCO are quite different, and there are also great differences in the culture, religion, law and political systems of each country. For the time being, establishing a relatively primary free trade zone is a more feasible approach. On the one hand, establishing a free trade area within the SCO framework could eliminate existing trade and investment barriers. For example, it could eliminate tariffs and other trade restrictions between member states and improve the investment environment among

them – goals the SCO has pursued over two decades, though these goals remain unfulfilled. On the other hand, a free trade area offers considerable freedom, ensuring maximum protection for member states' trade policies. Given that SCO member states are almost all emerging developing countries with relatively low levels of trade and industry and a strong emphasis on national sovereignty, establishing a free trade area could better safeguard the economic sovereignty of SCO member states and maintain their economic independence.

In summary, establishing a free trade area within the SCO framework and formulating a related free trade area agreement can meet the current economic development aspirations of SCO member states and the urgent need to expand trade. As a major trading nation, China possesses not only advanced industrial technology but also a vast energy and consumer market. Member states such as Central Asian countries, Russia, and Iran are also energy-rich, creating strong trade complementarity among member states. Establishing a free trade area within the SCO framework would not only allow other countries to meet China's enormous energy needs, but also allow China to provide other SCO member states with a relatively abundant supply of goods. This would have significant implications for improving the economic development and living standards of SCO member states.

The greatest significance of the Free Trade Area Agreement between member states lies in enriching the legal framework of the SCO. As mentioned above, the SCO 's legal framework is primarily based on soft law, while the Free Trade Area Agreement is inevitably a form of hard law. In the foreseeable future, if the SCO Free Trade Area Agreement is signed, additional legislation will inevitably be signed on its basis to implement relevant policies, thus forming a more comprehensive legal system.

This article argues that the SCO Free Trade Area Agreement should include the following elements:

First, building a community of shared future and shared interests for the SCO is a basic principle. “Principles are norms that run through the entire law and embody the basic spirit and value of the law” [**Ошибка! Источник ссылки не найден.**. Taking the concept of community of shared future and shared interests as the basic principles of the SCO Free Trade Area Agreement can embody the spirit of mutual cooperation, win-win cooperation, responsibility and shared interests implied by the concept of “community of shared interests”, and can use this spirit as a guide to formulate corresponding rules to provide a legal basis for member states to strengthen trade exchanges among member states, observer states and dialogue partners, thereby ultimately achieving regional economic integration.

Secondly, establish national treatment among member states and establish a negative list. The SCO member states have varying levels of economic development, with the exception of China, the rest of the member states enjoying relatively low levels of economic development. To safeguard the economic sovereignty and independence of the relevant countries, establishing a negative list can better meet the wishes of member states and increase the attractiveness of the SCO Free Trade Area. Furthermore, from an international perspective, most existing regional economic cooperation organizations have established a negative list model, and the establishment of a

negative list has promoted investment facilitation. Establishing national treatment among member states while also establishing a negative list can effectively eliminate tariff barriers, promote the exchange of goods between member states, and stimulate rapid economic and trade growth among them.

Finally, a trade dispute resolution mechanism should be established within the free trade area. As economic and trade cooperation among the SCO member states continues to deepen, conflicts are inevitable. In practice, free trade areas, such as the North American Free Trade Area and the European Union, have established trade dispute resolution mechanisms. Investment disputes are the most complex of trade disputes. Without a comprehensive trade dispute resolution mechanism, investment activities within the SCO free trade area will be hampered by numerous disputes. Therefore, it is necessary to establish a dispute resolution mechanism within the free trade area agreement.

(2) Establishing a unified model bilateral agreement

the SCO is mainly based on bilateral or non-integrated multilateral agreements. Among them, there are relatively few agreements involving investment, mainly bilateral investment agreements signed between China and Russia, Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan. See the following table 7:

Table 7. Bilateral Investment Agreements within the SCO: Signatory States and Implementation Dates

Signatory States	Signing date	Effective Date
China-Russia	November 9, 2006	May 1, 2009
China - Kazakhstan	August 10, 1992	August 13, 1994
China - Uzbekistan	March 13, 1992	April 12, 1994
China – Kyrgyzstan	May 14, 1992	September 8, 1995
China – Tajikistan	March 9, 1993	January 20, 1994

Source: compiled by the author based on data from the official website of the SCO: Documents | Shanghai Cooperation Organization

The above five agreements cover a wide range of topics, including investment treatment, nationalization, expropriation and compensation, benefits, dispute resolution, etc., and can provide experience for the formulation of bilateral agreement templates.

The SCO has developed over two decades, resulting in numerous bilateral agreements. The SCO should prioritize the use of model bilateral agreements within its framework. A mature international organization should have a unified bilateral agreement format. This unified format not only improves legislative efficiency but also serves a declarative and prescriptive purpose for the SCO. A unified format can provide a template for member states to enter into bilateral treaties, ensuring stable expectations among the parties regarding the content of the agreements. This can significantly reduce negotiation time and improve efficiency. Furthermore, as a mandatory law, a unified bilateral agreement format can enrich the SCO 's hard law system, increase the proportion of hard law related to investment facilitation, and improve the SCO's legislative framework in the investment sector.

Regarding the content of the bilateral agreement template, this article believes that it should focus on the following:

First, bilateral agreements should be guided by the principles of a shared future and shared interests, and balanced and sustainable development. This concept should guide investment behavior. A shared future requires harmonious coexistence and common development among member states, citizens, and businesses, fostering a harmonious SCO. Conflicts of interest among member states should be properly addressed, and relations between investors and host countries should be managed on the basis of fairness, justice, equality, and inclusiveness, fostering a favorable investment environment for investors.

At the same time, when managing relations between investors, host countries, and the investor's home country, the principle of balance should be upheld, that is, the fair distribution of rights and obligations should not be violated. Furthermore, while investment facilitation can promote economic development on both sides, building a community with a shared future requires building a clean and beautiful new world. Therefore, while ensuring the development of the present generation, the member states of the SCO must also safeguard the rights of future generations to develop.

The SCO needs to standardize the definitions of relevant concepts and determine applicable treatment. The SCO needs to develop a unified model bilateral agreement, which inevitably requires standardizing relevant concepts within the model, such as "investor" and "investment." Current bilateral agreement practice indicates that SCO member states do not have a unified definition of " investor," necessitating unified definition of relevant concepts. Furthermore, the model bilateral agreement needs to clarify the negative list of concerns for member states and establish the principle of national treatment, laying the foundation for the SCO to reduce investment barriers and open up investment markets.

Finally, the dispute settlement mechanism. While the unified model bilateral agreement should clearly stipulate the investment dispute settlement mechanism, the choice of dispute settlement institutions and legal basis can be left to member states to ensure their autonomy.

Recommendations for Overcoming Investment Entry Barriers

(1) Gradually establish a model of progressive pre-establishment national treatment plus a negative list

National treatment is an important concept in current international economic law, which refers to the treatment that a country gives to the nationals of another country on a par with its own nationals. So what is pre-establishment national treatment? Chinese scholar Pang Mingchuan pointed out: "At the stages of enterprise establishment, acquisition, and expansion, foreign investors and their investments should be given treatment no less favorable than that given to domestic investors and their investments" **Ошибка! Источник ссылки не найден.**. In other words, pre-establishment national treatment refers to the specific manifestation of national treatment in the field of investment. The scale of investment between the member states of the SCO has gradually expanded, but relatively conservative investment barriers have been established between the member states. The main reason is that the member states of

the SCO are all emerging developing countries and are more cautious about the international capital market. In order to maintain their own economic sovereignty and economic independence, it is necessary for developing countries to set up a certain degree of investment barriers. This involves the second suggestion of this section - the negative list. “The negative list, also known as the negative list, refers to a list of management measures for foreign investment that are inconsistent with national treatment or most-favored-nation treatment, or management measures such as performance requirements and senior management requirements” **Ошибка! Источник ссылки не найден.**. The implementation of the negative list system can fully display the areas of restricted or prohibited investment to member states in a relatively open and transparent manner, thereby protecting the interests of investors and improving the efficiency of investors while maintaining the economic independence and security of the country.

For the SCO, implementing these two systems is of paramount importance. First, while the SCO has been established for over 20 years, from a legal perspective, it is still relatively young and underdeveloped. The principle of pre -establishment national treatment and the negative list system are examples of the developmental experience of more mature international organizations. Drawing on the experience of advanced international organizations and adopting a gradual approach based on the economic conditions of SCO member states can both adapt to national conditions and gradually establish more scientific and advanced practices for reform, which is undoubtedly of positive significance. Second, the gradual approach adopted in this article also has practical significance. First, since SCO member states are all emerging developing countries with immature capital markets, it is difficult for them to clearly define investment activities that harm their national interests when opening their capital markets, as is the case with countries with more mature capital markets. It is also difficult to accurately assess key technological innovations and areas of future economic development. Therefore, it is necessary for member states to gradually include technologies and areas related to national security in the negative list during the course of economic development. Second, whether in the investment field or in the economic and trade market, a one-time full opening is extremely dangerous for emerging economies. As Marx pointed out: "The direction of change of things is development, and the road is tortuous" **Ошибка! Источник ссылки не найден.**. Although opening the market is the trend of economic development, it is bound to go through a series of difficulties and setbacks. In other words, the implementation of market reform cannot be achieved overnight, but a gradual strategy of taking steps should be adopted.

(2)Relax restrictions on foreign capital

As noted above, countries like Russia and Central Asian nations, as well as China, India, Pakistan, and Iran, all impose restrictions on the composition of foreign investment. This is a measure taken by the SCO member states to safeguard their economic independence and prevent foreign investment from controlling their economic lifelines and threatening their economic security. However, in the era of globalization, continuously promoting the opening up of member states' capital

markets and expanding their scope of openness is not only a step forward in facilitating investment within the SCO but also a necessary path for the economic development of each country. Therefore, member states should reduce institutional restrictions on foreign investment and revise relevant laws and regulations to facilitate the introduction of more foreign investment, providing financial support for their own economic development.

While member states are moving toward liberalizing their own investment restrictions, the process of reforming their investment systems must be gradual. This is because the economic development levels of the SCO member states vary significantly, and their comparative advantages differ. For example, China has the most comprehensive industrial system in the world, but is relatively resource-poor, while Central Asian countries are energy-rich but have lower levels of industrial manufacturing. Russia has a relatively developed military industry, but its civilian industries are relatively underdeveloped. This suggests that implementing uniform institutional reforms and comprehensive investment liberalization within the SCO framework would be incompatible with the national conditions of each country and could even threaten the economic security of its members. Therefore, a more rational approach is to implement gradual reforms within the SCO framework, gradually promoting investment liberalization and facilitation among member states.

Specifically, incremental reform means that each member state, based on its own economic conditions, may implement a policy of full liberalization in more mature sectors, defining the specific scope of opening up, timetable, and corresponding rights and obligations. For less mature sectors, member states should establish a negative list, but with a transitional period, during which they should develop their domestic markets, ultimately achieving comprehensive investment liberalization and facilitation. For sectors in urgent need of development, member states may designate them as areas of encouraged investment, actively attracting foreign investment to develop their economies.

In summary, the SCO member states should clearly establish lists of encouraged, prohibited, and restricted investment sectors, and continuously revise and improve these lists as their economies develop, gradually opening up their investment markets and scope. For example, areas involving national security, public morality, animal and plant protection, the safety of citizens' lives, and personal privacy could be designated as completely prohibited, strictly restricting the inflow of foreign investment. Less mature sectors in member states, such as forestry and agriculture, could be designated as restricted sectors, with restrictions gradually lifted as agricultural and forestry technologies advance. For more technologically advanced sectors, such as telecommunications and finance, member states could designate them as permitted sectors, actively attracting foreign investment in infrastructure and other areas of these sectors to provide a foundation for technological development.

(3)Relaxing strict restrictions on investment periods

As noted in the previous chapter, all SCO member states have implemented relatively strict restrictions on foreign investment periods. For example, Kazakhstan's 2003 Land Law explicitly stipulates that foreign investment in domestic land or leasing

agricultural land from domestic individuals may not exceed ten years. To safeguard their economic independence, member states impose investment period restrictions to reduce the potential for foreign control over their financial and economic sectors. Undeniably, as SCO member states promote investment facilitation, they should continuously expand the scope of their capital markets and reduce legal regulations restricting foreign investment. However, to safeguard their economic independence, member states should also flexibly formulate policies tailored to their national conditions to better attract foreign investment and develop their economies.

China has established relatively scientific regulations regarding investment periods for foreign investment, and these regulations have significantly promoted China's economic development. Member states of the SCO can draw on China's development experience. For example, China's Foreign Investment Law stipulates: "The operating period of a Sino-foreign joint venture or cooperative enterprise shall be determined through consultation between the Chinese and foreign investors and shall be stipulated in the joint venture or cooperative agreement, contract, and articles of association. Joint ventures in certain specialized industries may be exempt from such regulations." These regulations indicate that the investment period for foreign investment and the operating period of foreign-invested enterprises must be based on Chinese laws governing various industries and the enterprises' own regulations and practices, and must be reported to the relevant authorities. This system, which fully respects the autonomy of foreign investment while safeguarding national economic security, is a viable one and can be a model for other SCO member states.

(4)Allows for more flexible investment methods

With the deepening of economic globalization, foreign direct investment and the spread of foreign technology have become increasingly important factors in promoting the economic development of host countries. Foreign investment has become a significant economic force, and its role is increasingly valued. First, foreign investment is beneficial to the economic development of host countries. Currently, most countries around the world are encouraging foreign investment, actively attracting foreign investment into their domestic markets, encouraging foreign investment and participation in domestic economic development activities, and injecting vitality and momentum into their economies. Second, the introduction of foreign investment is accompanied by advanced management experience and technology. Generally, when foreign investment enters a host country, it introduces advanced domestic technology and management experience to reduce production costs and expand production capacity. When collaborating with foreign investment, host countries can learn from internationally advanced technology and management experience, significantly improving their economies. Third, while promoting economic development, the introduction of foreign investment also creates employment opportunities for the host country. This is because the expansion of production scale after foreign investment enters the host country's market can generate numerous employment opportunities, driving the development of the host country's national economy. Finally, the introduction of foreign investment facilitates the transformation of the host country's economy from quantitative to qualitative change. The introduction of foreign

investment not only brings advanced technology and management expertise, but also tends to target cutting-edge sectors with significant market potential. This provides direction for market development, contributing to the upgrading of the host country's industrial and economic structures, achieving a shift from quantitative change to qualitative change. China's experience is a powerful example.

The SCO member states have relatively simple legislation on investment methods. Therefore, the SCO should promptly respond to new forms of foreign investment in legislation. “New forms of foreign investment such as foreign investment companies, foreign investment venture capital enterprises, and BOT cooperation should be regulated in investment laws and regulations” **Ошибка! Источник ссылки не найден.**.

Construction of investment dispute settlement mechanism

The history of human civilization is not only a glorious history of creating material and spiritual civilization, but also a history full of contradictions and disputes. The establishment of international dispute resolution mechanisms plays an important role in maintaining international order and generating and developing international law. "Compared with the existence of judicial adjudication institutions in domestic legal systems that are backed by national credibility, whether there is a judicial adjudication mechanism that is independent, impartial and enforceable in the international legal system has become an important measure of whether international law has the characteristics of 'law'" **Ошибка! Источник ссылки не найден.**. Therefore, the construction of a dispute resolution mechanism within the framework of the SCO plays a vital role in the implementation of the legal system of the SCO. This article believes that the dispute resolution mechanism of the SCO should include the following contents.

(1)Value orientation and basic principles

The SCO is a regional international organization founded on the Shanghai Spirit. Therefore, the SCO should adhere to the fundamental spirit of the UN Charter and the Five Principles of Peaceful Coexistence when resolving investment disputes. Furthermore, economic and trade cooperation is essentially an economic activity and should therefore adhere to the principle of efficiency, thereby promoting investment liberalization and facilitation among SCO member states. Just as the WTO's trade dispute settlement mechanism adheres to the principle of efficiency, the SCO dispute settlement mechanism also requires efficient and expeditious dispute resolution. Furthermore, the design of the dispute settlement system should draw on WTO principles, embodying uniformity, neutrality, equality, and enforcement. In terms of objective setting, the SCO dispute settlement mechanism should aim to regulate and standardize behavior that is inconsistent with the SCO legal system. The measures to be taken should be adjudications, not simple compensation or suspension of concessions that are detrimental to the cooperative relationship between investors.

(2)Establishment of a permanent establishment

The SCO has only two permanent institutions: a secretariat in Beijing, China, and a counter-terrorism body in Tashkent, Uzbekistan. The SCO 's original purpose was to maintain regional peace and security. Therefore, permanent institutions were

established to combat the "three evil forces," supplemented by the secretariat to handle day-to-day affairs. Therefore, at its inception, the SCO 's institutional setup fully met practical needs. However, as the SCO 's focus gradually shifted from security cooperation to economic cooperation, the SCO's lack of a permanent trade dispute resolution mechanism has become a significant issue.

As mentioned above, trade dispute resolution mechanisms play a vital role in economic organizations. For example, the North American Free Trade Area lacks a trade dispute resolution mechanism, relying instead on ad hoc panels to resolve trade disputes. This has led to a growing backlog of cases and undermined the uniformity of the legal system within the trade area. The practice of the North American Free Trade Area demonstrates that the lack of a permanent trade dispute resolution body will hinder the in-depth development of economic and trade cooperation within the SCO.

The SCO Secretariat has a wide range of functions. For example, it provides coordination, information and analysis, legal, and organizational and technical support for SCO activities; collaborates with the SCO's Counter-Terrorism Agency to advise on cooperation within the SCO framework and the organization's international engagement; and oversees the implementation of resolutions of SCO bodies. Since the SCO Secretariat's responsibilities encompass virtually all matters concerning the organization, locating the SCO Dispute Settlement Body in Beijing is a particularly suitable location. Furthermore, the China International Economic and Trade Arbitration Commission is also located in Beijing, allowing SCO member states to submit trade disputes to the CIETAC for arbitration, providing a favorable location for resolving trade disputes.

(3) Scope of investment dispute settlement

Regarding the scope of dispute settlement, this article argues that it can be regulated from both vertical and horizontal perspectives. Vertically, any conflict arising at any level among member states concerning foreign investment may be submitted to the dispute settlement mechanism. Horizontally, all contracting parties, whether multilateral or bilateral, have equal authority to submit disputes to the dispute settlement body. Secondly, disputes arising from investments between member states, between non-member states and member states, or between private individuals within member states may be submitted to the SCO Dispute Settlement Body for resolution. Regarding content, conflicts arising from both existing legal norms and future treaties may also be submitted to the Dispute Settlement Body.

Therefore, in this article's view, the matters handled by trade dispute settlement bodies are extremely broad. A simple agreement cannot cover all aspects, so trade dispute settlement mechanisms require a wider range of legal sources. In this article's view, the domestic laws of member states, relevant provisions of the SCO, international customary practices, relevant precedents of international arbitration organizations, and general legal principles should all be considered the legal basis for the SCO Dispute Settlement Body to resolve investment disputes.

(4) Investment dispute resolution

Judging from the development trend of the international community, the ways in which humans resolve disputes follow the following pattern: from diplomatic means

to legal settlement, from arbitration to judicial means and quasi-judicial means. This shows that there is more than one way to resolve international disputes, and there are multiple paths coexisting in the international community, such as mediation, arbitration, and judicial rulings. Moreover, "different international dispute settlement mechanisms often contain various settlement methods, and there are even cases where one method is embedded in or supersedes other methods. In several fields, including international investment arbitration, international dispute settlement mechanisms have chosen individual case 'arbitration' based on the Convention as their chosen dispute settlement method, rather than establishing a more judicial permanent court or appointing judges with fixed terms" **Ошибка! Источник ссылки не найден.**. From this, it can be seen that there are multiple conflict resolution methods in the international community, including mediation, arbitration, and judicial means. So what method should the SCO adopt to resolve trade disputes?

First, investment disputes should respect the principle of efficiency. Given the relatively low level of rule of law in the member states of the SCO, alternative dispute resolution procedures should be prioritized. ADR originated in the 1930s with labor disputes. Essentially, it provides conflicting parties with a way to resolve disputes without formal legal confrontation. This approach avoids the tediousness of court proceedings and effectively improves dispute resolution efficiency. By the 1980s, it had become a key avenue for resolving social disputes in the United States.

The non-litigation dispute resolution approach “is also the pursuit of justice and the respect for legal authority that participants expect, which is the same as the litigation procedure” **Ошибка! Источник ссылки не найден.**. Moreover, because “it does not need to strictly apply the provisions of substantive law, it can have a greater flexibility and room for negotiation within the basic legal framework” **Ошибка! Источник ссылки не найден.**. As mentioned above, the social systems, values, cultural traditions, economic development levels and comprehensive national strength of the member states of the SCO are quite different. Therefore, the task of reaching a consensus on the settlement of investment disputes is bound to be difficult. Therefore, this article believes that in order to effectively resolve disputes encountered in the investment process, non-litigation dispute resolution procedures should be the first option. This can fully take into account the different national conditions of each country, respect the autonomy of member states, and give it a priority position. It is a more feasible measure.

Secondly, arbitration should be adopted as the primary means of dispute resolution. Using arbitration as the primary means is a concrete manifestation of the international rule of law. Arbitration is a quasi-judicial dispute resolution method that is more authoritative and formally impartial than alternative dispute resolution methods. However, arbitration is a relatively time-consuming quasi-judicial procedure. Therefore, investment conflicts arising among SCO member states can be initially referred to the SCO. If the SCO fails to resolve the dispute within a certain period of time, an arbitral tribunal can be established to resolve the investment dispute through arbitration. So how should the arbitral tribunal be constituted? Based on the principles of fairness and impartiality, the arbitral tribunal must consist of arbitrators appointed

by or selected by the conflicting parties or parties. Generally, the arbitral tribunal consists of three arbitrators: each party appoints one arbitrator, and the third arbitrator is jointly selected by both parties to serve as chairperson, creating a mutually binding and equitable relationship. If the parties cannot reach a consensus on a chairperson, the SCO will appoint an arbitrator to serve as chairperson. The SCO should also impose restrictions on the qualifications of arbitrators. "Strict requirements should be adopted for the selection of arbitrators: arbitrators should not only have high moral character, but also be familiar with law, international investment, international economic dispute settlement and other aspects; the chairman of the arbitral tribunal cannot be a national of the party to the dispute, nor should he have his residence or habitual residence in the territory of the disputing party or be employed by any party" **Ошибка! Источник ссылки не найден.**. In terms of the formation of arbitration decisions, the arbitration award should be made by a majority. If a majority opinion cannot be formed, the opinion of the chairman of the arbitral tribunal shall be the decisive opinion. Of course, the arbitration procedure should set up an appeal procedure to prevent the disputing parties from being dissatisfied with the arbitration award. If the parties are dissatisfied with the arbitration award, the arbitration institution can learn from the methods of authoritative organizations such as the WTO to build an appeal system. In terms of the execution of the award, this article advocates the adoption of the WTO's reverse unanimity principle or the award execution method used in the EU to ensure the execution of the award in a more mandatory manner, thereby maintaining the authority of the legal system.

Finally, introduce the friendship arbitration system. What is friendship arbitration? Friendship arbitration is a new development in the arbitration system. It refers to a method in which arbitrators decide disputes based not on the law but on the principle of fairness and reasonableness. This method has been accepted by most countries in the international community through international practice. For example, several influential international conventions, such as the European Convention on International Commercial Arbitration, the ICSID Convention, and the Rules of Mediation and Arbitration of the International Chamber of Commerce, all stipulate that friendship arbitration is a formal dispute resolution system. The SCO is a relatively young organization, and the rule of law in its member states is relatively low. Therefore, the introduction of this system can effectively resolve trade disputes despite the relatively imperfect legal system. It is worth noting that the standard of "fairness and reasonableness" is extremely abstract, requiring arbitrators to interpret "fairness and reasonableness," and the reasons for this interpretation must be supported by relevant laws. This means that the SCO still needs to quickly improve the investment law system within its framework.

(5)China should improve its investment law and set an example for other member countries

China is the most economically developed country in the SCO, making it a highly attractive destination for foreign investment. However, due to its exposure to imperialist aggression in recent history and its relatively backward economy after its founding, China, in order to safeguard its economic independence and sovereignty, and

given the underdeveloped financial markets at the time, has established relatively stringent requirements for foreign investment. Furthermore, while China has achieved the rule of law, its legislative techniques are still immature, particularly in the financial sector, where legal systems are relatively chaotic. This has also hindered investment facilitation among SCO member states. As a founding member of the SCO and a sponsor of the Belt and Road Initiative, China has demonstrated legislative shortcomings in its approach to international financial markets, necessitating reform of its current legal system.

First, China should enact a basic law on foreign investment, namely the Foreign Investment Law, as the parent law of investment regulations. China's current investment legal system is a dual-track system, with the Company Law and the Foreign Investment Law operating in parallel. With the development of China's economy, the Chinese market has become increasingly attractive to foreign investment, with both the quality and quantity of foreign investment surging. When investors explore China's financial markets, the relevant legal system is of primary concern. The parallel existence of the Foreign Investment Law and the Company Law has led to confusion in legal application, creating inconvenience for foreign investors investing in China. Therefore, it is necessary for China to enact a dedicated Foreign Investment Law, eliminating the traditional dualistic structure. Establishing a more unified investment legal system will improve the efficiency of market regulation, better attract foreign investment, and promote the orderly development of China's financial markets.

Secondly, China should establish a foreign investment introduction system in the form of limited licensing plus comprehensive reporting. "Limited licensing is a reflection of the negative list management model. Investments included in the negative list need to apply for foreign investment access licenses" **Ошибка! Источник ссылки не найден.**. Comprehensive reporting requires investors to make comprehensive reports to relevant departments, regardless of whether their investments are included in the negative list. The main reason for adopting this model is that China implements an administrative approval model, which is inconsistent with China's current market economic system, which has restricted foreign investment enthusiasm in China's capital market. Against the backdrop of China's increasing economic development level, China should change its previous administrative approval system and adopt a reporting system. As mentioned above, the reporting system has been proven to be effective and efficient by Western developed countries after years of practice. If China wants to build an open economic system, it is feasible to adopt this model. In addition, in order to maintain China's economic independence and financial sovereignty, China can establish a negative list that suits its national conditions in the early stage and then gradually reduce the items on the negative list.

Third, China should standardize its management of foreign investment. As China gradually relaxes restrictions on foreign investment access, the role of market regulation will strengthen. However, the market itself is inherently lagging and self-determined, so the government, as a regulator, is needed to address any difficulties encountered in market regulation. The Chinese government's management of foreign investment should focus on supervision rather than administrative management. For

example, China's regulatory scope should include foreign investment access, national security reviews, and foreign investment and business operations. China should adopt a practical control approach in its regulation, striving to align with international standards and achieve international integration. Simultaneously, China should strengthen legislation to protect investors' rights. Furthermore, China needs to strengthen its mechanisms for coordinating and resolving investment disputes with foreign investors, leveraging the government's public service role in promoting investment.

Overcoming the structural constraints of investment cooperation within the SCO requires a strategic shift from the predominance of “soft law” toward a balanced legal architecture that combines multilateral initiatives (such as the creation of a Free Trade Area) with the harmonization of bilateral regimes through model agreements. A key challenge remains finding the right balance between liberalization and the protection of the national economic interests of diverse member states, necessitating a gradual, differentiated approach to the implementation of a pre-established national regime with negative lists. The establishment of a multi-tiered dispute resolution system, integrating alternative methods and arbitration, alongside the unification of investment legislation modeled on the Chinese example, could act as a catalyst for forming an investment community of shared destiny. However, the success of this transformation depends on the political will of member states to pursue deeper economic integration.

3.2 The SCO Energy Community: Prospects and Challenges

Purpose and principles are the development direction and value expression of any international organization. Therefore, the first step in building the SCO Energy Community is to determine the purpose and principles of the SCO Energy Community.

1. Purpose of the SCO Energy Community

Article 1 of the Charter of the SCO Energy Club , formulated in 2007 , clearly states: "The purpose of establishing the Energy Club is to conduct extensive dialogue on issues such as improving energy security, coordinating energy strategies, and promoting cooperation among energy production, transportation and consumption parties of the SCO member states, and to discuss the prospects for cooperation among member states in the fields of oil, gas, coal and electricity from multiple perspectives." This provision has pointed out the direction for the construction of the SCO Energy Community in terms of purpose. As mentioned above, the community is an ideal state of harmonious coexistence, cleanliness, beauty and common prosperity among countries and peoples. Given the different resource endowments of the SCO member states, Central Asian countries, Russia, Iran and other countries are all energy-rich countries, while China and India are relatively energy-deficient, and the member states are complementary to each other.

The SCO Energy Community is not simply a top-level organization, but rather a mechanism for energy interaction among SCO member states, between member states and non-member states, and between the SCO and international institutions and

business groups. The SCO Energy Community can coordinate the strategic development strategies of member states' energy sectors, curb unhealthy competition or energy monopolies among member states, and regulate and analyze energy cooperation among member states. According to the SCO Energy Club Charter, the goal of the SCO Energy Community is to establish a mechanism for consensus on energy development strategies within the SCO, eliminate imbalances in member states' energy markets, and ultimately achieve energy integration among member states.

Energy integration is an important step in realizing the SCO Energy Community. “Within the framework of the SCO, the distribution of various productive factors and their complementarity are very obvious. The key here is to strengthen integration and promote the organic combination of productive factors in the region, so that they can develop from potential resource advantages to regional economic cooperation advantages” **Ошибка! Источник ссылки не найден.**. Only by actively building an energy community within the framework of the SCO and consolidating multilateral cooperation can we achieve mutual benefit and win-win results among member states.

2. Principles of the SCO Energy Community

The SCO Energy Community should encompass a wide range of areas, including energy trade, security, and environmental protection. Given the large number of SCO members, observers, and dialogue partners, the breadth of their scope, and the complex and diverse national conditions of each country, defining the fundamental principles governing the SCO Energy Community is crucial. These fundamental principles for energy cooperation among member states must not only conform to the fundamental principles of customary international law but also embody the fundamental spirit of building a community with a shared future for mankind. Furthermore, they must be accepted and recognized by all member states, address existing practical issues, and thus meet their specific needs.

First, uphold the principle of energy sovereignty. Sovereignty is the foundation of the international community. Energy sovereignty means that, during energy cooperation, each member state has absolute and permanent sovereignty over its domestic energy resources. In other words, energy sovereignty means supreme authority within the UN and the ability to independently handle energy affairs abroad, free from interference from other countries. This principle can be broken down into the following specific principles: First, during cooperation, each member state's energy resources must be free from interference from other countries. This means that no country is permitted to plunder another country's energy resources, whether through political means or war. In today's increasingly competitive world, respecting the energy sovereignty of other countries is crucial for maintaining regional and even global peace. Second, energy disputes must be resolved peacefully. This specific principle represents the contemporary application of the fundamental principles of the UN Charter. Given the diverse national conditions of member states and the importance of energy as a national security issue, conflicts are inevitable during energy cooperation. Resolving conflicts and contradictions arising from energy cooperation through peaceful means effectively safeguards the sovereignty and security of member states. Third, member states should also coexist peacefully. “In the process of energy cooperation, member

states shall not use force or physical means to compete for energy resources, nor adopt energy strategies that may lead to war. They shall promote the development of the energy community on the premise of fair competition and maintain and consolidate the relations among member states" **Ошибка! Источник ссылки не найден.**.

Secondly, the Energy Community should adhere to the principle of energy security. Energy security is a crucial component of a country's national security. It encompasses safety issues in all aspects of energy extraction, transportation, and sales, and is a prerequisite for energy cooperation among member states. For the SCO Energy Community, energy security includes meeting member states' energy needs at reasonable prices and ensuring a stable energy supply. Member states should refrain from maliciously interrupting energy supply to demanding countries. Energy-producing countries should produce and extract energy in a stable and rational manner. While ensuring a stable supply, they should also strengthen sales channels to safeguard their own economic security. Regarding energy transportation, member states should actively maintain normal energy transportation and avoid price fluctuations caused by transportation. Furthermore, the Energy Community should actively develop renewable energy, prioritizing environmental protection while developing the economy. Energy security not only focuses on the safety of energy supply and production, but also on the safety of workers. Workers in the Energy Community member states should be mindful of the personal and property safety, as well as environmental protection, during energy exploration, development, transportation, and utilization. Safety warning systems should be established in workplaces to ensure timely response to emergencies and accidents. Member states should also establish an information exchange mechanism so that they can protect their citizens' right to know about energy security information, strengthen public opinion supervision and promote the development of energy security.

Third, the Energy Community should adhere to the principle of mutual energy benefit. The goal of building a community with a shared future for mankind is to build a clean world of shared prosperity. Therefore, the process of building an Energy Community should also promote shared prosperity, without sacrificing the interests of others or exploiting their own interests. Energy cooperation should be mutually beneficial, ensuring the cohesion of the Energy Community. Mutual energy benefit is the foundation for member states to achieve cooperation and will strengthen their confidence in strengthening energy cooperation, boosting the breadth and depth of cooperation within the SCO Energy Community and ultimately promoting the common development of its member states [82].

Finally, member states should adhere to the principle of sustainable development. Sustainable development is not only a principle that must be adhered to in the community of a shared future for mankind, but also a principle that the energy community should follow. This means that when member states engage in energy development, they must prioritize environmental protection alongside economic development. This also means that when conflicts between the environment and resource development are unavoidable, resource access must sometimes yield.

1. *Acquisition, suspension and loss of membership*

Like the qualification system of member states in general international organizations, the member states of the SCO Energy Community can be divided into founding member states and acceding member states. Founding member states refer to the original member states that participated in the establishment of the SCO Energy Community, mainly referring to the nine existing member states of the SCO, including China, Russia, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, India, Pakistan and Iran. Acceding member states refer to member states that applied to join the Energy Community after the establishment of the SCO Energy Community. Such member states can only become formal member states after meeting certain conditions and obtaining approval after a certain procedure, and enjoy the same rights and obligations as the initial member states. As stipulated in Article 4 of the Charter of the SCO Energy Club: " The SCO observer states Mongolia, Iran, India and Pakistan may send representatives to participate in the Energy Club. The representatives will mainly participate in the meetings as observer states. Except for the right to vote, their other rights are the same as those of the member states." The community should maintain an open and inclusive attitude towards countries that apply to join the Energy Club internationally.

There should also be corresponding regulations for the loss of membership in the SCO Energy Community; otherwise, member states will lose their appreciation for their membership. The SCO Energy Community should draw on the precedents of other more established international organizations and stipulate two ways to lose membership: withdrawal and expulsion. Withdrawal primarily involves a member state withdrawing from the SCO Energy Community by submitting an application for withdrawal. Upon approval by the SCO, a member state loses its membership. Expulsion, on the other hand, occurs when a member state fails to comply with or repeatedly violates the SCO Charter and regulations, leading to the revocation of its membership by a joint decision of the SCO member states. Clearly defining the acquisition, suspension, and loss of membership can effectively safeguard the integrity and authority of the community.

2. Rights of Member States

The SCO Energy Community should enjoy uniform rights, as required by the fundamental principle of sovereign equality under international law. As mandated by the UN Charter, all members enjoy equal voting rights regardless of race, gender, language, or religion, and regardless of size, energy holdings, or consumption. Member states enjoy one-state-one-vote. Member states must send representatives to the Community to exercise their rights. The Statutes of the SCO Energy Club stipulate that member states must send five operational representatives to the Energy Club to exercise their rights. So, what should be the composition of these five representatives?

This article argues that the SCO Energy Community should draw on relevant provisions of the Energy Club Charter. The five representatives should include a national coordinator who is responsible for the energy sector and holds a position at or above the vice-ministerial level in their home country. In addition, two representatives from the business community are required, both of whom must hold positions at or above the vice-president level in their respective energy companies. The final two

representatives must provide analysis of energy trade. In other words, two of the five representatives must be information analysts, both of whom must hold positions at or above the vice-director level in their respective countries. While non-member states should not enjoy the same rights as member states, this article argues that observer states could enjoy some of the same rights as member states in order to enhance the Community's appeal to other countries, namely, by sending two representatives to the Community.

In addition, member states need to enjoy preferential prices and adopt a policy of prioritizing domestic enterprises in energy production to strengthen energy cooperation among member states. Furthermore, each member state should take measures to maintain price stability in the energy market within the community framework to cope with frequent energy crises.

3. Obligations of Member States

SCO Energy Club Charter, formulated by the early SCO member states, stipulates the obligations of the member states. This article believes that this provides a reference for the obligations imposed on the member states by the SCO Energy Community. The SCO Energy Club member states have two types of obligations: "One is the obligations directly stipulated in the SCO Energy Club Charter; the other is the obligations adopted by the High-Level Working Group of the Energy Club." However, this charter does not make specific provisions on the obligations of the member states. In particular, as an energy organization, the obligations of the community member states should also be special. This article believes that it is advisable to refer to the obligations imposed on member states by the International Energy Agency.

First, each member state of the community has the obligation to maintain emergency oil reserves. For the member states of the SCO Energy Community, "each member state should maintain a minimum oil reserve, with each member state having an oil reserve of no less than 90 days of oil imports" **Ошибка! Источник ссылки не найден.**. This experience has benefited from the practice of the international community. Since European and American countries developed earlier and had fewer oil reserves, they established their own oil reserves very early after experiencing the energy crisis. China, as a rapidly developing country, started its oil reserve work relatively late and only completed the first phase of oil reserve work in 2014. In the first phase, China stored 12.43 million tons of crude oil in four national oil reserve bases, which was enough for China to use for about 60 days at that time. After years of oil reserve storage, China has now met the requirements of the International Energy Agency.

Secondly, member states have an obligation to share information. Energy security is crucial to a country's national security and holds a high priority. One of the roles of international organizations is to pool information for member states to make informed decisions. Therefore, the SCO Energy Community should publicly share information on capital investment, extraction costs, and energy throughput, and encourage mutual exchange. To ensure accurate and precise information, member states must share their actual national circumstances with the Community, enabling it to make informed decisions.

It's worth noting that some of the information submitted by member states to the Energy Community concerns national security. This makes it difficult to guarantee that, faced with a dilemma between national security and compliance, a member state will choose compliance at the expense of its own national security. Therefore, in this article's view, the Energy Community should establish specific requirements for reporting information, excluding information related to national security. However, national security is a relatively abstract and flexible concept. Therefore, national security standards still need to be defined in the future.

Organizational Structure of the SCO Energy Community

The SCO Energy Community should establish appropriate organizational structures to ensure its effective operation. In this article, the organizational structures of the Energy Community should include the following:

1. High-level Working Group

Like the Conference of States Parties of other international organizations, the SCOEnergy Community should also establish a leadership body, namely the High-Level Working Group. However, the High-Level Working Group is not a representative body like the Conference of States Parties, but an institution similar to the UN Security Council. It can lead the daily operation of the community and determine the direction of the community's work. As the highest authority, the High-Level Working Group should also determine its specific functions. After the signing of the Charter of the SCO Energy Club, a Chinese scholar made a discussion on the functions of the highest authority in the club. He believed that the functions of the highest authority in the club should include: "formulating the work plan and charter of the energy club, deciding the development direction of the energy club, approving the work resolutions of the secretariat, determining the practice and location of the meeting, contacting and coordinating with member states, implementing the spirit of the SCO meeting, especially the spirit of the meeting on energy cooperation, and representing the SCO Energy Club in international conferences" **Ошибка! Источник ссылки не найден.**. The Chinese scholar's explanation is very specific and scientific. In addition, the energy community is a high-level form of the energy club. Therefore, it is more scientific and appropriate to include the relevant matters of the energy club in the regulations of the energy community.

The High-Level Working Group's working meetings should be conducted in accordance with the UN Security Council's meeting mechanism, with meetings held annually within one month of the conclusion of the Heads of State Council meeting to ensure swift implementation of the content and spirit of the Heads of State Council meeting. Furthermore, the High-Level Working Group should establish an emergency response mechanism to address unforeseen circumstances. When two-thirds of the member states request an extraordinary meeting, the Chair of the Community may, upon request, propose one. The Chair of the Community should be recommended by the SCO member states and appointed by the High-Level Working Group for a three-year term, with no possibility of re-election, to avoid the unfairness associated with re-election of the Chair. The AIIB, a closely related organization, has a chairperson selection system that could provide valuable lessons for the SCO Energy Community.

For example, the AIIB's President is Jin Liqun, former Vice Minister of Finance of the People's Republic of China and Vice President of the Asian Development Bank. This ensures that the President possesses extensive professional knowledge and high professional rank. Mirroring the AIIB's election mechanism, the Chair of the SCO Energy Community should also possess extensive professional knowledge and hold a high-ranking position in China. This article suggests that the first Chair of the SCO Energy Community should be a Chinese citizen. This is because China, as the initiator of the SCO Energy Community, holds high prestige. Furthermore, as the largest consumer market, China possesses extensive expertise in energy trade. Therefore, it is feasible to select a Chinese citizen as the first Chair.

The Energy Community should have one chairman and two vice-chairmen. The vice-chairmen should be nominated by the Energy Community member states, in accordance with the chairman's requirements. Furthermore, the Energy Community's headquarters should be located in Beijing, adjacent to the SCO Secretariat, to facilitate the implementation of SCO 's mission. Member states can send representatives to the headquarters to coordinate energy cooperation with other member states and present recommendations on the Energy Community's work. Finally, the SCO Energy Community should remain open and inclusive, allowing both member states and observer states to send representatives to attend its meetings.

2. Secretariat

The Secretariat is the main executive body of the SCO Energy Community, "cooperating with the High-level Working Group to make decisions and then implement the specific content of the meeting". Its main functions include the following: first, to prepare for the meeting, that is, when the SCO Energy Community holds a meeting, the Secretariat should prepare for the meeting, such as coordinating with member states and determining the meeting date; second, the Secretariat is responsible for promoting the content of the meeting and delivering the relevant resolutions of the High-level Working Group to member states in text or other visible forms; third, the Secretariat should do a good job of supervision. The Secretariat should supervise the implementation of the relevant resolutions of the High-level Working Group by each member state and ensure that the resolutions of the High-level Working Group are implemented in the member states; finally, information processing work. Enterprises in the Energy Community member states can communicate relevant information of their enterprises or even their domestic markets to the Secretariat through coordination with the Secretariat, and even hold relevant information exchange activities or exhibitions to promote interaction between enterprises of member states. In addition, the Secretariat also has the obligation to interpret the resolutions of the High-level Working Group.

At the organizational level, the Secretariat of the SCO Energy Community should be directly under the leadership of the SCO Secretariat. Because the Energy Community, a subsidiary of the SCO, is a specialized cooperation mechanism, it should be guided by the SCO Secretariat on its overall objectives .

The Secretariat will be appointed on a rotational basis among member states, with each member state having an equal opportunity to head the Secretariat. The

Secretary-General will be the head of the Secretariat, serving a non-renewable term of three years, and will be the head of the Secretariat.

3. Energy Management Commission

The Energy Management Committee is the executive body and think tank of the Energy Community. It is responsible for managing the specific affairs of the Community and implementing the relevant resolutions of the High-level Working Group, the highest authority.

The Management Committee maintains access to relevant information on the Community's member states. Therefore, it can work with the High-Level Working Group to make recommendations on the Community's energy development strategy and coordinate energy policies among member states. As the legal representative of the SCO Energy Community, it can represent the Community in external affairs and collaborate with other international energy organizations and institutions.

Furthermore, the Energy Management Commission is required to analyze and evaluate the energy policies of individual countries and investigate the energy status of member states, in order to achieve the goals and objectives of the SCO Energy Community. As an executive body, the Management Commission also serves as a prosecutor, inspecting member states' implementation of the High-Level Working Group's resolutions and relevant international treaties, and reporting its findings to the High-Level Working Group.

The Management Committee's duties must be within the scope prescribed by law and must not exceed them. The advice it provides, the decisions it makes, and the tasks it performs must be based on the SCO Charter and the Energy Community Agreement.

The composition of the Management Committee must be composed of persons recommended by member states. The Committee shall establish a chairman and a vice-chairman. The chairman shall be elected by a majority of the members of the Committee. The remaining members shall be selected by the chairman from among the candidates recommended by the member states to form the Committee.

4. Energy Agency Dispute Settlement Centre

The resource endowments of each member country are different, and there are differences in the technical capabilities and market recognition of energy production and mining. In addition, the different levels of attention paid by member countries to energy have led to large differences in energy legislation. Therefore, various conflicts are bound to arise in the process of energy cooperation, which will induce disputes. With the in-depth development of commercial capitalism, social division of labor, war and rationalization, the rule of law that constrains state power, which is highly abstract, rationalistic and impersonal, is considered to be an effective guarantee for social operation, including economic and social development, both in the national dimension and the international dimension, and has become the "way" for the development of domestic and international societies. As former UN Secretary-General Ban Ki-moon said: "We firmly believe that the rule of law and development are closely related and mutually reinforcing. Promoting the rule of law at home and abroad is essential for achieving sustained and inclusive economic growth, sustainable development, eliminating poverty and hunger, and fully realizing all human rights and fundamental

freedoms, including the right to development. All of this will further strengthen the rule of law" **Ошибка! Источник ссылки не найден.**. In the current international rule of law environment, whether it is a dispute between countries, a conflict between countries and enterprises, or a dispute between enterprises, it can be resolved through legal means. Therefore, “it is necessary to actively build a legal mechanism for energy agency disputes that is in line with the member states and establish a center for energy agency dispute resolution on the basis of following the relevant basic principles of international arbitration” **Ошибка! Источник ссылки не найден.**.

The staff of the energy dispute settlement body should primarily be composed of personnel from the energy departments of each member state, and should also include lawyers, law teachers, and other legal professionals. This inclusion of both energy professionals and legal professionals will ensure the organization's professionalism and authority.

At the personnel election level, the dispute settlement body is composed of citizens of the member states. Each member state can recommend one or two energy experts to the dispute settlement body, and the dispute settlement body will hire legal experts on its own.

Dispute resolution is primarily based on free negotiation, meaning the parties to a dispute must first negotiate whether to submit the dispute to a dispute resolution institution. If both parties agree to submit the dispute to a dispute resolution institution, they can agree on the applicable law. Sovereign states are primarily the primary applicants for dispute resolution, but businesses can also submit dispute resolution applications to the institution on behalf of their states.

Dispute settlement bodies can use mediation and arbitration as their means of resolving disputes. Arbitration is a quasi-judicial method and a primary means of resolving conflicts in the international community. When adjudicating disputes, dispute settlement bodies should strictly adhere to the basic arbitration procedures and ensure fairness and impartiality. Arbitration is a final means of settlement, with a single ruling being final. If a party disagrees with the arbitration award, it may appeal to the High-Level Working Group for a review of the arbitration process and outcome. If both parties are willing to negotiate, mediation will proceed based on consensus. If no agreement can be reached, the parties may re-apply for arbitration. However, it is important to note that mediation is not a prerequisite for arbitration.

Voting system of the SCO Energy Community

In modern democratic societies, voting is an essential process for making important decisions. In other words, the voting system is a core procedure of any international organization and a key component of international organizational law. Generally speaking, voting systems primarily encompass two aspects: the distribution of voting rights and the concentration of voting rights. The distribution of voting rights directly impacts the efficiency of decision-making, as only fair, transparent, and legitimate voting procedures can gain the approval of member states and avoid repeated voting without legitimate decisions. For example, the International Monetary Fund (IMF) faces significant challenges in its voting rights distribution. For example, the United States holds only a 16.5% stake in the IMF, yet it controls 85% of the votes on

major IMF decisions, significantly threatening the integrity of voting. This means that no resolution can be passed without the US's approval. In other words, the IMF is merely an organization unilaterally controlled by the US. In contrast, the International Energy Agency (IEA) has a more rational voting system. Furthermore, the SCO Energy Community is also an energy cooperation organization. Therefore, it would be a more prudent approach for the Energy Community to learn from the IEA's voting allocation mechanism. It is worth noting that while the Energy Community can draw on the IEA's system, this does not mean that the Energy Community must completely copy the IEA's system. Instead, it should establish its own voting allocation system that suits its own realities.

1. Voting rights allocation rules

"The reasonable allocation of voting rights is a prerequisite for exercising voting rights. The International Energy Agency's allocation rules mainly include general voting rights, oil consumption voting rights and comprehensive voting rights" **Ошибка! Источник ссылки не найден.**. These three voting rights allocation methods cover the identity content of almost all member states, and based on the actual situation of the SCO member states, this system is also very reasonable.

First, oil consumption varies significantly among member states. This article argues that it is appropriate to allocate a higher proportion of voting rights to those with the highest oil consumption. Furthermore, allocating voting rights based on member states' oil consumption better reflects market demand. Higher oil consumption reflects a country's financial investment in the Energy Community and its economic and trade exchanges with energy-exporting countries, making it more equitable to grant it a larger voting share. Furthermore, as the Energy Community grows in membership, adjusting voting rights based on changes in member states' oil consumption can be timely and ensure fairness. The High-Level Working Group, as the highest authority, should compile statistics on member states' oil consumption levels based on data provided by the Secretariat and subsequently determine the distribution of oil voting rights.

Secondly, universal voting rights mean that the Energy Community should implement the principle of one country, one vote in accordance with the principle of sovereign equality enshrined in the UN Charter, with each member country enjoying equal voting rights. This principle and voting system are adopted by most international organizations around the world, reflecting the international community's respect for the equality of all countries.

Finally, the comprehensive voting rights are a voting system based on the comprehensive strength of the member states. The content of this voting system includes the general voting rights and the oil consumption vote. It is worth noting that the comprehensive strength here does not refer to national strength. If the voting ratio is allocated based on national strength, then the energy community will inevitably fall into the logic of hegemony and power politics, which is not in line with the purpose of the energy community. For example, in the SCO, there are both large countries such as China and Russia and small countries such as Kyrgyzstan and Uzbekistan. If the voting ratio is allocated based on comprehensive strength, then this will greatly undermine the purpose of the community. However, the comprehensive voting is determined by oil

consumption, which also contains a certain inequality crisis. Therefore, there will be a large gap in the distribution of comprehensive voting rights. This means that the community should also make corrections based on the actual situation of the organization. The SCO Energy Community can "refer to the International Energy Agency and should follow the rule of 'majority consent'. The approval must reach a certain proportion and amount of general voting rights and oil consumption voting rights at the same time, and this proportion must be unconditional. Only then can the high-level working group pass the relevant resolution **Ошибка! Источник ссылки не найден.**. This is the only way to avoid the limitation of a single major consumer country dominating the energy community.

2. Voting rights concentration rules

A centralized voting rule means that the decision-making body pools votes for tally and finalization. This rule effectively reflects member states' satisfaction with the resolution. In today's international community, there are two main types of centralized voting rules: unanimous and majority.

The composite majority system is a form of majority rule. However, this system is not simply a matter of majority rule; it takes into account the oil consumption levels of member states. Majority rule requires two conditions to be met. First, the decision must be approved by a majority of the member states. Second, the oil consumption of the member states voting in favor must account for at least half of the total oil consumption of all member states. These two requirements are mandatory, and only when both conditions are met can the decision-making group's resolution be legitimate and justified. In this article's view, this voting system embodies the principle of one-country-one-vote equality while fully considering the interests of major oil-consuming countries. Much like the House of Representatives and Senate structure established in the US political system, it accommodates the interests of smaller countries while fully considering those of larger ones. In comparison, this system has a certain degree of scientific validity.

So, what is the content of a vote that complies with the voting system? What aspects should be covered? This article argues that the content of a majority vote should be based primarily on the resolutions of the High-Level Working Group, primarily encompassing three types of resolutions. First, resolutions regarding the management of the Energy Community's institutions. Because these resolutions concern the Community's development and direction, they require the consent of a majority of member states. Second, issues of membership. The acquisition, suspension, and loss of membership concern the organization's procedures and substantive matters, and therefore, most of these require the consent of a majority of member states. Third, responses to substantive suggestions from member states. Substantive suggestions concern the Community's development trends, and therefore, member states should review and resolve these substantive suggestions, which require the consent of a majority of member states.

The unanimity principle requires that all member states present at a resolution vote in favor of the resolution; abstentions are deemed to have neither voted nor voted in favor of the resolution. This principle is extremely stringent. It was once applied in

the League of Nations, where a single member state voted against a resolution, rendering it invalid. The current UN Security Council also applies: a single vote against a resolution by one of the five major powers renders it invalid. This principle generally applies to resolutions involving significant content, thus limiting its scope. This article examines the following key areas of application: First, matters explicitly provided for in the Energy Community Charter. Second, amendments to the Charter or to the provisions governing the rights and obligations of member states apply to all member states. According to the Vienna Convention on the Law of Treaties, any imposition of obligations on member states or other states requires the consent of the states concerned. Therefore, the unanimous consent of all member states is required to impose obligations on member states. Third, to safeguard the rights of member states, this system incorporates a fallback clause to cover future situations.

Principle of consensus

The principle of consensus has always been a core tenet of the SCO. To avoid inevitable conflicts among member states, member states should maintain a harmonious atmosphere within the community. Therefore, member states should adopt the principle of consensus. Furthermore, consensus can reduce the potential for divisions among member states. When conflicts arise between member states, both sides should compromise on their respective positions, thereby strengthening cohesion among member states. The principle of consensus applies not only to disputes between member states but also to specific issues. For example, when voting on a proposal, if member states reach consensus on a particular issue, no negotiation is required. However, when an issue is questioned or even rejected, the principle of consensus ensures that objections are not based on unreasonable factors, as consensus requires that the objection be raised by the opposing member state and must be agreed upon by the remaining member states.

Consensus differs from voting. Voting allows for dissenting opinions and even dissenting views. As long as there is a majority of member states in favor, the resolution will be adopted, and the majority will do its utmost to persuade dissenting members to accept it. Consensus, on the other hand, stipulates that if a minority of member states disagree with a resolution, but their objection does not prevent the majority from adopting it, the majority can negotiate with the dissenting member states to gain their acceptance. If the dissenting member states ultimately do not accept the resolution, the resolution should be postponed or not adopted. This principle should apply to majority voting, ensuring that decision-making groups operate in the most appropriate manner for all member states. However, this does not mean that consensus is without flaws. The first and most important flaw is that it can reduce organizational efficiency. Consensus requires that all member states at least agree not to oppose a resolution, but lengthy negotiations and consultations can significantly reduce the efficiency of the organization. Secondly, the widespread use of consensus can undermine the authority of decision-making bodies. This can delay or even abort decisions adopted by the majority, undoubtedly challenging the authority and finality of decision-making bodies.

Implementation and Supervision Mechanism of the SCO Energy Community Resolution

The SCO Energy Community should ensure the implementation of its decisions. International agreements, as a matter of international law, must be enforceable; if they are not enforced, they become mere castles in the air. Decisions made by the High-Level Working Group are legally binding on all member states, and the Secretariat should serve as the executive body for their implementation.

Each member state must, in accordance with its constitution or relevant laws, transpose decisions made by the Energy Community into its domestic legal system as a basis for implementation. Disputes arising between Energy Community member states in the implementation of relevant decisions can be resolved by the Community through reference to WTO adjudication procedures. WTO dispute settlement procedures include factual review and legal review. Factual review examines the facts of the dispute, including the content, materials, and subject matter, to gain an understanding of the underlying facts. Legal review examines the laws applicable to the parties to the dispute. This review examines whether the laws relied upon by the member states are consistent with the relevant resolutions adopted by the SCO Energy Community, thereby determining whether the member state's laws are applicable to the case. However, it is important to note that legal review applies only to specific cases and not to all areas. This ensures both the sovereignty of the member states and the fulfillment of the objectives of the Energy Community.

Establishing a mechanism for joint regulation, joint consultation, and joint risk-sharing will ensure the effective implementation of the Energy Community's resolutions and promote the realization of the Community's objectives. At the same time, the High-Level Working Group will also oversee the decisions of the Energy Community's dispute settlement body.

Regarding the payment method of the Energy Community, this article believes that it can learn from the World Bank’s method, whereby member states pay dues in proportion to the size of their responsibilities and their economic strength. “The meeting expenses of the Energy Community shall be covered by special meeting funds. The SCO Energy Community Management Committee shall conduct irregular inspections of the expenditure of dues to ensure that funds are used for their intended purposes” **Ошибка! Источник ссылки не найден.**.

The creation of an SCO Energy Community represents an ambitious project, necessitating the resolution of a fundamental tension between the need for deep integration in the energy sector and the preservation of the energy sovereignty of member states. The proposed institutional architecture, which includes a three-tiered voting system and multi-level dispute resolution mechanisms, provides a theoretical basis for balancing the interests of energy-producing and energy-consuming countries. However, the practical implementation of this model faces systemic challenges – divergent energy strategies among key players, geopolitical competition, and technical barriers to the integration of energy systems. Consequently, the establishment of a fully functional Energy Community is feasible only as a phased process, beginning with the harmonization of the regulatory framework and the creation of trust through the implementation of joint infrastructure projects.

3.3 Comparative Framework for the Analysis of Institutional Design, Rule Effectiveness, and Dispute Resolution Efficiency

Typical cases of legal mechanisms for economic and trade cooperation between states require a systemic analysis that considers three interrelated aspects: institutional design, rule hierarchy, and dispute resolution effectiveness. A comparative analysis of the EU, North American, and Belt and Road Initiative (BRI) models reveals differences in approaches to regional integration and the development of legal infrastructure.

The European Union model represents a classical example of deep regional integration based on a supranational legal framework. At the core of its institutional design is the delegation and shared exercise of powers, as enshrined in the Treaty on the Functioning of the EU (TFEU). The EU's exclusive competence in common trade policy empowers the European Commission to negotiate on behalf of all member states, significantly strengthening the union's collective bargaining position. Rule effectiveness is ensured through the European Court of Justice, which, based on precedent (e.g., ERTA and Cassis de Dijon), balances member states' sovereignty with the free movement of goods. This establishes a two-tier system – "highly harmonized rules + authoritative judicial oversight" – enabling deep internal market integration and positioning EU legal standards as a benchmark for global trade regulation.

The North American model is characterized by precise rule-making and evolutionary development, reflecting a shift from traditional liberalism to strategic competition. NAFTA, effective from 1994, introduced "post-border measures" covering investment, intellectual property, and environmental standards, creating a comprehensive regulatory system. Its successor, the USMCA, enhanced the precision and strategic orientation of rules, including provisions on digital trade and labor standards (Rapid Response Labor Mechanism), materially improving conditions for workers [140]. Certain clauses, such as the "poison pill" (Art. 32.10), demonstrate the use of trade agreements to achieve geopolitical objectives, highlighting the strategic dimension of the North American model.

In contrast to the EU and North America, the BRI demonstrates a more flexible and inclusive approach, combining "hard" and "soft" law. Its institutional design accounts for substantial differences in economic development, legal traditions, and political systems among participating states. At the macro level, consensus is built through political declarations and memoranda of understanding, forming a foundation of "soft law." At the operational level, BRI implements innovative pilot projects, such as the "Joint Dispute Resolution Platform" in Khorgos, which provides commercial entities from different jurisdictions with a single window for cross-border conflict resolution through arbitration, mediation, and judicial procedures [141]. This model creates an inclusive procedural framework without requiring rule unification, representing a valuable institutional practice for regions with high legal and economic heterogeneity.

Thus, the EU, North American, and BRI models illustrate three distinct approaches to establishing institutional foundations, rule hierarchies, and dispute

resolution mechanisms. The EU combines supranational and intergovernmental cooperation, ensuring internal market stability and forming a global economic voice; North America demonstrates strategically oriented, detailed, and dynamic norms; and BRI offers a flexible, inclusive approach focused on cooperation and practical project implementation. Subsequent comparative analysis will focus on three key dimensions – institutional design, rule hierarchy, and dispute resolution effectiveness – allowing the identification of best practices and limitations of each model.

1) Institutional Design: Complexity of Multi-Level Governance and Policy Coordination

The institutional design of the EU's legal mechanism for economic and trade cooperation is based on the concept of multi-level governance. The EU, as a complex system of supranational bodies and sovereign states, achieves policy coordination through a structure of checks and balances.

Firstly, decision-making bodies have a clearly defined allocation of functions and a system of checks and balances. The European Council (comprising the heads of state or government of member states) is responsible for setting strategic direction at the highest level, for example, defining the scope of the common trade policy as stipulated in the Lisbon Treaty. The European Commission, acting as the "executive body," is responsible not only for drafting regulations and conducting trade negotiations but also for overseeing compliance with treaties. The Council of Ministers (representing member state governments) and the European Parliament (representing EU citizens) jointly exercise legislative authority. Since the entry into force of the Lisbon Treaty, the European Parliament's powers regarding the ratification of trade agreements have been significantly enhanced, including the acquisition of joint legislative authority [142]. This increases the democratic legitimacy of decisions and makes the trade policy-making process more transparent and inclusive. This chain-like system of division of labor – strategic guidance → proposals → joint legislation → implementation and oversight – prevents excessive concentration of power and ensures long-term policy coherence.

Secondly, the two-tier legal framework ensures both uniformity and flexibility. Implementation of the EU's common trade policy relies on two types of legal instruments:

Unilateral legislative acts, such as the EU Anti-Dumping Regulation (Regulation (EU) 2016/1036) and the Safeguard Measures Regulation (Regulation (EU) 2015/478), establish uniform rules against unfair trade practices. Their legal basis lies in Article 207 of the TFEU, which grants the EU exclusive competence in common trade policy [143].

Bilateral and multilateral international agreements, such as the Comprehensive Economic and Trade Agreement (CETA) with Canada and the Economic Partnership Agreement with Japan. Negotiation and conclusion procedures for such agreements are strictly regulated by Article 218 TFEU, ensuring the procedural legitimacy of transferring sovereignty by member states [144].

Thirdly, the implementation mechanism emphasizes partnership by combining central oversight with local execution. The EU does not possess a large central

administrative apparatus for enforcement; final law implementation heavily depends on the administrative and judicial systems of individual member states. To ensure uniform application of rules, the European Commission combines ex ante support (detailed guidance on legislative transposition, training programs) with ex post supervision (initiating infringement proceedings before the European Court of Justice or applying economic sanctions, e.g., anti-dumping duties). For example, DG Trade has a dedicated Market Access Unit that addresses complaints from enterprises regarding trade barriers imposed by third countries. In 2021, 29 new investigations were launched, demonstrating the active oversight mechanism [145].

Fourthly, special mechanisms are embedded in social values, reflecting the EU's "normative power." The EU's institutional design extends beyond purely economic interests by integrating labor rights, environmental protection, and human rights into free trade agreements, forming the core of the Trade for Sustainable Development chapter. For instance, in the EU-Korea agreement, the EU requires South Korea to ratify key ILO conventions that the country has not yet ratified. Compliance with these provisions relies not only on dispute settlement mechanisms but also promotes EU values among trading partners through civil oversight platforms and mutual assistance [146]. This reflects the deep logic of integrating EU economic and social policies.

However, the complex institutional design faces challenges, primarily in balancing collective efficiency with respect for member states' sovereignty. For example, in external negotiations on sensitive issues such as agricultural subsidies, the European Commission must balance the interests of large producers, such as France and Ireland, with free-trade proponents, such as the Nordic countries. Moreover, the ISDS mechanism, included in agreements like CETA, has sparked debates in Germany and Belgium regarding the EU's judicial sovereignty and legal autonomy, highlighting internal tensions between supranational authority and member state sovereignty.

2) Levels of Rule Effectiveness: Gradation of Binding Force in a Pyramidal Legal System

The EU legal system in the economic and trade sphere exhibits a clear pyramidal structure, forming a four-tier hierarchy: primary treaties → international agreements → secondary legislation → soft law. Each level differs in legal sources, decision-making bodies, and binding force, with a general tendency toward decreasing enforceability:

Primary Law (Constitutional Treaties): These form the foundations of the EU legal order, including the Treaty on European Union (TEU) and the TFEU. These treaties are negotiated collectively by all member states through intergovernmental conferences and ratified through national procedures, giving them the highest legal status. They define core values, institutional structure, and the scope of EU competences, including trade. For example, Article 207 TFEU establishes the Common Commercial Policy as an exclusive EU competence, providing the legal basis for all subsequent trade laws and agreements. The principle of primacy, as established by the ECJ, ensures that EU law prevails over national legislation, including constitutional law [143].

Secondary Law (Regulations and Directives): Legislative acts of EU institutions

(primarily the Council and the Parliament), derived from the constitutional treaties, ensure the day-to-day functioning of the Union.

Regulations: Regulations are characterized by direct applicability and general effect, meaning that from the moment they enter into force, they automatically become part of the legal system of all member states without the need for national transposition [143]. Their content is fully harmonized across the EU. For example, the EU Anti-Dumping Regulation (Regulation (EU) 2016/1036) applies uniformly in all member states, and no state may alter its scope or standards through domestic legislation [147].

Directives: Unlike regulations, directives are binding only with respect to the results to be achieved. Member states may determine their own means of achieving these results within a prescribed period (typically two years), through domestic legal instruments such as legislative amendments or administrative acts. For instance, member states may transpose directives on environmental product standards according to their legal frameworks. This approach provides a degree of flexibility, but the European Commission is obliged to ensure timely and accurate transposition.

International Agreements: Agreements concluded by the EU as an international legal entity with third countries or international organizations possess a legal force situated between primary and secondary law. They take precedence over secondary EU legislation but must comply with primary treaty provisions. For example, once the CETA agreement enters into force, its provisions become binding on EU institutions and all member states. Regarding WTO agreements, the European Court has generally adopted a cautious stance, usually not recognizing them as having direct effect to protect the autonomy of the EU legal order. However, in Opinion 2/15, the Court held that certain provisions of the ISDS mechanism in the EU-Singapore FTA exceeded EU exclusive competence and required joint ratification by member states [148]. This clearly delineates the relationship between international agreements and the internal allocation of competences within the EU.

Soft Law (Levels 3 and 4): This includes guidelines and recommendations issued by the European Commission. While these instruments lack binding legal force, they exert substantial advisory and political influence on national regulators [149]. For example, technical standards developed by European sectoral regulators (e.g., EIOPA) require national authorities to apply a “comply or explain” approach. Furthermore, the European Commission monitors actual implementation through oversight mechanisms, such as the annual Compliance Review, which serves as a key tool for managing soft law [150].

Thus, the use of soft law is closely linked to the hierarchy of EU legal instruments and generates certain tensions between different levels. The central conflict arises between direct applicability and member state autonomy. On one hand, the primacy of regulations ensures uniform functioning of the internal market but significantly limits the space for national policy implementation. On the other hand, the flexibility of directives allows for adaptation to national legal systems but may result in fragmented application due to ineffective transposition or standard discrepancies, undermining the internal market’s integrity. Consequently, the EU must continuously balance the maintenance of uniformity with respect for national

autonomy.

This tension is directly reflected in the EU's multi-level dispute resolution mechanism, which integrates domestic judicial oversight, specialized bilateral agreement mechanisms, and participation in multilateral platforms. This approach demonstrates the EU's high adaptability and innovative capacity in legal regulation, allowing it to respond effectively to dynamic changes in the global governance system. Moreover, this structure facilitates the alignment of state and single market interests, ensuring functional integration across different legal levels while minimizing risks of institutional fragmentation. A closer examination reveals the following dimensions:

1. Domestic Judicial Mechanism (ECJ): The European Court of Justice serves as the ultimate interpreter and guardian of the EU legal order. Through the preliminary ruling procedure, national courts may request clarifications from the ECJ on the application of EU law in cases before them, ensuring uniform application across all member states. In economic and trade disputes, such as anti-dumping measures or customs classification, national courts frequently rely on this procedure to prevent conflicts with fundamental principles, such as those enshrined in the TFEU [143]. ECJ rulings are fully binding on member states; however, the case resolution process can be lengthy, with an average duration of up to 24 months. To enhance efficiency, the European Commission recently established a "Single Window for Trade Barrier Complaints" to accelerate preliminary investigations and extrajudicial resolution [151].

2. Bilateral Agreement Mechanisms: From ISDS to Permanent Courts: In early EU trade agreements, the traditional Investor-State Dispute Settlement (ISDS) mechanism was employed. This system, however, faced extensive criticism from European civil society and legal circles due to concerns over arbitrator independence, procedural opacity, and potential constraints on host-state public policy (e.g., environmental and labor standards). The controversy peaked during CETA negotiations with Canada. In response, the EU introduced the innovative Investment Court System (ICS), aimed at judicial settlement of disputes. Its features include the establishment of a first-instance court and an appellate court, composed of permanent judges jointly appointed by the EU and its trading partners; judges must meet qualifications and ethical standards comparable to international judges; and the process is fully transparent. This model has been successfully implemented in EU agreements with Canada, Vietnam, Singapore, and others, and serves as a foundation for the EU's proposed Multilateral Investment Court (MIC).

3. WTO Mechanism: Active Use and Reforms: The EU has been a vigorous advocate and active user of the WTO dispute settlement system. Statistics indicate that the EU has participated in over 200 cases before the WTO Dispute Settlement Body (DSB) [152]. For instance, in China – Anti-Dumping Measures on Fasteners (DS397), following an adverse ruling, the EU amended its anti-dumping investigation procedures in line with panel and Appellate Body decisions. Since 2019, however, the WTO Appellate Body has been suspended due to U.S. obstruction in appointing members, prompting the EU to act swiftly to fill the void. On one hand, the EU amended its Trade Control Regulation, permitting unilateral countermeasures (e.g., retaliatory tariffs on U.S. steel and aluminum) when WTO rules are blocked. On the

other hand, the EU, together with over a dozen WTO members including China and Canada, initiated and established the Multilateral Interim Appeal Arbitration Arrangement (MPIA). MPIA effectively applies the arbitration clause of Article 25 of the WTO Dispute Settlement Understanding, replicating the Appellate Body's functions during its suspension. The first case under MPIA (EU v. Turkey – Pharmaceutical Localization Measures) was resolved in about 10 months from tribunal formation to ruling, demonstrating procedural efficiency far exceeding traditional mechanisms [153].

4. Quantitative Assessment of Effectiveness and Challenges: The EU's dispute resolution efforts have produced tangible results. According to the European Commission, in 2021 alone, enforcement measures successfully removed 33 trade barriers, creating approximately €4 billion in export opportunities for European exporters [154]. Nevertheless, challenges remain: the final implementation of bilateral mechanisms heavily depends on the contracting parties' political will (e.g., the protracted stalemate between the U.S. and EU over steel and aluminum tariffs); and while MPIA demonstrates high efficiency, it remains a temporary arrangement and does not resolve deeper structural issues, such as the appointment of Appellate Body members [154].

This multi-level framework illustrates the EU's comprehensive and adaptive approach, integrating domestic, bilateral, and multilateral instruments to manage disputes while balancing market uniformity, state interests, and global trade dynamics.

In brief, the evolution of the EU dispute resolution mechanism clearly reflects its transformation from a passive "rule-taker" into an active "rule-maker" and leader in global governance reform. The promotion of a compliance-oriented and values-driven model (e.g., enforcement of labor provisions through dispute settlement mechanisms) profoundly reshapes the ethical boundaries of global trade. At the same time, the parallel operation of multilateral, bilateral, and unilateral mechanisms generates risks of legal fragmentation and uncertainty.

The EU's legal mechanisms for economic and trade cooperation are characterized by synergistic institutional design, a clear hierarchy of rules, and an adaptive dispute settlement system. The institutional design balances decision-making efficiency with democratic legitimacy through a complex system of checks and balances. Rules rooted in constitutional treaties create a graded scale of binding force—from mandatory "hard law" to guiding "soft law." The dispute settlement system, while maintaining multilateralism, flexibly integrates judicial, diplomatic, and unilateral instruments to manage the complexity and challenges of global governance. Nevertheless, limits on the transfer of member state sovereignty (as demonstrated in the CETA dispute), fragmented enforcement of rules (e.g., due to divergences in directives), and difficulties in multilateral institutional reform remain key issues that this highly developed system must continue to address.

The primary legal framework for economic and trade cooperation in North America is the United States–Mexico–Canada Agreement (USMCA) [155]. Thanks to its unique institutional structure, multi-tiered rule system, and specialized dispute settlement procedures, this framework has established one of the largest free trade

zones in the world. This article systematically analyzes these mechanisms across three dimensions: institutional design, rule compliance enforcement, and dispute settlement efficiency, revealing their internal logic, operational effectiveness, and historical evolution.

1) Measuring Institutional Design: Innovative Practices of North–South Regional Integration

The legal basis for economic and trade cooperation in North America is founded on differentiated principles of North–South coexistence, leadership by one country, and economic complementarity. Unlike the highly institutionalized EU model, NAFTA/USMCA employs a flexible design, combining hard and soft law, accommodating differences in development levels among member countries while promoting deeper integration. The institutional design of USMCA reflects a clear "America First" policy orientation. Its core logic is to address challenges that were perceived as unfavorable to the United States during the NAFTA era while setting new standards for emerging sectors and geostrategic competition [156].

a) Core Institutional Framework and Strategic Balance

NAFTA establishes a three-tier governance structure, skillfully balancing U.S. dominance with the key interests of Canada and Mexico, creating a unique strategic equilibrium. At the top level, the Free Trade Commission (FTC)—composed of trade ministers from all three countries—serves as the supreme decision-making body, overseeing implementation, interpreting key provisions, ensuring political coordination, and providing final resolution for major disputes that cannot be settled at lower levels [157].

At the middle level, more than 30 specialized working groups and committees, such as the Rules of Origin Committee and the Agricultural Trade Committee, handle technical issues, standard harmonization, and day-to-day consultations in specific sectors, forming the operational backbone of the agreement [157].

At the base level, national secretariats from the three countries form a permanent administrative and coordination body, responsible for procedural oversight of dispute resolution. This design – high-level political leadership, mid-level technical support, low-level procedural implementation – enables the United States to effectively implement trade policy despite its dominant share of regional GDP, while providing Canada and Mexico with strategic advantages through institutionalized consultation and dispute resolution mechanisms.

For Canada, the agreement guarantees stable access to the U.S. market, critical for its economy. For Mexico, NAFTA has served as the institutional foundation for market reforms since the 1980s, significantly enhancing international investor confidence and supporting profound economic transformations [158, p. 371]. This has fostered an asymmetric but relatively stable strategic balance among the three countries: "rule-driven (U.S.) – protected market (Canada) – reform-supported (Mexico)", which is key to the long-term stability of the agreement.

Another important innovation in NAFTA's institutional design is the recognition of significant differences in development levels among member states. An asymmetrical rights and obligations system and a gradual liberalization approach

provide a dynamic balance between efficiency and equity.

Regarding market access, the agreement allows Mexico a transitional period of up to 15 years to reduce tariffs, particularly in sensitive sectors such as automotive and agriculture, giving sufficient time to adjust to external competition [155]. In contrast, most industrial tariffs between the U.S. and Canada were eliminated immediately upon the agreement's entry into force.

In the investment sector, the agreement also accounts for differentiated conditions, allowing Mexico to maintain national sovereignty and restrictions on investments in key energy sectors, such as oil. For example, foreign investment in oil exploration is restricted, unlike the highly open U.S. – Canada investment relationship.

In labor and environmental matters—frequent sources of conflict between developed and developing countries – NAFTA addresses these through two side agreements: the North American Agreement on Labor Cooperation and the North American Agreement on Environmental Cooperation. These agreements established a soft regulatory mechanism based on a consultation–assessment–penalty/sanction process, aiming to gradually raise standards through cooperation and oversight rather than through binding hard law, which could have directly affected Mexico's comparative advantage based on low costs [155].

This series of "gradual liberalization" measures has demonstrated high effectiveness. Although the original text states that "Mexico's manufacturing sector experienced a 300% increase in foreign investment," this specific claim is not substantiated in scholarly sources. Nevertheless, according to UNCTAD statistics, after NAFTA's entry into force, the total flow of foreign direct investment (FDI) into Mexico increased nearly fivefold—from USD 4.389 billion in 1993 to USD 26.1094 billion in 2001. Approximately half of this FDI was directed into the manufacturing sector, illustrating the remarkable success of a differentiated institutional approach in attracting investment and promoting industrialization [159].

Despite NAFTA's substantial achievements, certain institutional provisions generated persistent controversy and were ultimately significantly revised under USMCA. A central point of dispute concerned the Rules of Origin (RoO). Under NAFTA, a Regional Value Content (RVC) threshold of 62.5% was established for automobiles to qualify for zero tariffs [160]. This rule was widely criticized as a disguised protectionist instrument aimed at excluding component suppliers outside North America, particularly from Asia and other regions.

USMCA radically increased the RVC threshold for automobiles to 75% and introduced stricter additional requirements, such as the Labor Value Content (LVC) provision, mandating that 40–45% of components be produced by workers earning at least USD 16 per hour, as well as a 70% local content requirement for steel and aluminum [160]. These reforms directly led to a substantial reshaping of the North American automotive supply chain and an overall increase in production costs. While the original claim of a "USD 1,200 increase in the average car price in North America" lacks authoritative confirmation, numerous studies and market observations up to 2025 indicate that the new rules significantly increased manufacturing costs, which have largely been passed on to consumers. A 2025 report forecasts a 5% increase in the

average price of a new car in North America by the end of the year [161].

These changes profoundly affected Mexican industry: by increasing production costs, they also encouraged the reshoring or regional relocation of component manufacturing, further strengthening Mexico's position in the regional automotive supply chain.

Another contentious issue is the Investor–State Dispute Settlement (ISDS) mechanism, which allows foreign investors to bring claims against host state policies (e.g., environmental or public health regulations) and seek substantial compensation. It was widely criticized as undermining national sovereignty and public interest. USMCA implemented a radical reform, completely eliminating ISDS between the U.S. and Canada and significantly limiting its application between the U.S. and Mexico. It now applies only in a few sectors (e.g., energy and telecommunications) under narrowly defined circumstances, such as direct expropriation and violations of most-favored-nation treatment, thereby addressing much of the social critique of ISDS.

USMCA represents not only a correction of NAFTA's shortcomings but also a modern institutional upgrade for the 21st-century economic and trade landscape [162]. Its primary objective is to shift from the singular goal of "facilitating free trade" to a comprehensive mandate of managing trade in alignment with national strategy. One of the most notable innovations is the inclusion of a dedicated chapter on digital trade, establishing the highest standards among global trade agreements. This chapter explicitly prohibits member states from requiring companies to store data locally (data localization ban) and from erecting barriers to cross-border data flows, thereby enabling the global operations of U.S. technology firms. It is often referred to as the "American template" for future digital trade rules.

It is worth noting that, while the original text mentions a ban on "algorithmic discrimination," USMCA provisions focus on prohibiting governments from forcing companies to disclose or transfer source code and algorithms as a condition for market access [155]. Issues of algorithmic discrimination, such as the U.S. Department of Justice's investigation of Meta's advertising algorithm, are primarily regulated under domestic laws of member states (e.g., anti-discrimination and consumer protection legislation).

Secondly, USMCA introduces an innovative sunset clause, establishing a 16-year duration for the agreement. Every six years, the three parties must jointly review and decide whether to extend the agreement; otherwise, it automatically expires. This mechanism challenges the traditional permanence of trade agreements, providing the U.S. with a powerful tool to periodically revise the terms and ensuring dynamic adaptation to changing economic and political circumstances.

Finally, USMCA implements the Rapid Response Labor Mechanism (RRLM), allowing parties to initiate independent investigations of alleged violations of workers' rights to unionize and bargain collectively at individual Mexican facilities [163]. If violations are confirmed, export-related sanctions are imposed on the plant until compliance is achieved. This is a hard enforcement tool that directly links labor rights to trade interests, carrying far greater binding force than NAFTA's labor side agreements. It reflects a profound shift in USMCA from "free trade" toward "fair trade"

and “managed trade.”

Overall, the institutional design of USMCA reflects a philosophical shift from merely facilitating free trade to actively managing trade in line with national strategic interests. Its refined rules consider industrial policy, domestic governance, and geopolitical strategy, exemplifying the characteristics of a trade and economic legal system led by a major power.

2) Levels of Rule Effectiveness: Conflict and Coordination Between International and Domestic Law

The North American economic and trade rule system has a pyramidal structure: at the top are obligations under NAFTA/USMCA agreements, in the middle are general principles of international law, and at the base lies domestic legislation. Interaction among these three levels generates both normative synergy and sharp conflicts [155].

a) Primacy and Limitations of Contractual Obligations

In the North American economic and trade rule system, contractual obligations occupy the apex of the hierarchy. Article 103 of NAFTA explicitly establishes the principle of “treaty supremacy”: the agreement takes precedence over any inconsistent domestic legislation [155]. This principle was confirmed in the 1996 dispute concerning agricultural tariffs between the United States and Canada. Canada had raised tariffs under the WTO Agreement on Agriculture, but the NAFTA tribunal ruled that Canada had violated its NAFTA obligations to reduce tariffs, emphasizing that “treaty obligations cannot be diluted.” The tribunal further noted that obligations under regional trade agreements are particularly binding and cannot be circumvented by reference to multilateral treaty commitments. However, treaty primacy is subject to national security exceptions. In 2018, the United States invoked Section 232 of the Trade Expansion Act of 1962 to impose 25% tariffs on Canadian and Mexican steel and aluminum, citing national security [164]. Although NAFTA prohibits unilateral tariffs, the tribunal focused exclusively on procedural compliance, avoiding judicial scrutiny of the substantive definition of “national security,” highlighting significant constraints on the treaty’s effectiveness. This case demonstrates that even under USMCA, which maintains a similar provision (Article 32.2), interpretive authority is effectively monopolized by major powers [155].

b) The “Interpretive Game” of International Law Standards

Article 1105 of NAFTA requires the provision of a “minimum standard of treatment under international law” to investors; however, its meaning was initially ambiguous, leading to a multiplicity of interpretations [155]. In Pope & Talbot, the tribunal adopted a broad interpretation, equating “fair and equitable treatment” with the judicial standards of developed countries, exceeding the contracting parties’ expectations [165]. In response, the three countries, via the FTC, issued a “binding interpretation” (2001), narrowing the standard to the “minimum treatment of aliens under customary international law” and applying the threshold of bad faith or willful neglect established in Neer (1926). This tension between judicial legislation and political countermeasures persisted in subsequent cases. In Methanex v. United States, the tribunal adopted the FTC interpretation, dismissing the investor’s claim of unfair treatment and emphasizing that only egregious unfairness constitutes a treaty violation

[166]. USMCA further tightens interpretation: Article 14.6 explicitly limits "international law" to customary international law and requires joint interpretation by the contracting parties as binding for tribunals [155]. This dynamic "game" underscores the politicized nature of international law interpretation.

c) The Problem of Domestic Law Primacy

Domestic law continues to exert significant influence at the lower levels of the normative pyramid. Section 102 of the U.S. Uruguay Round Agreements Act explicitly states that "in the event of a conflict between domestic legislation and an international agreement, the former prevails" [155]. In Mondev v. United States (ICSID Case No. ARB(AF)/99/2) [167], Canadian investors lost because a Massachusetts state court granted government agencies immunity from tort claims. The tribunal criticized the ruling as a "violation of procedural fairness" but recognized that "sovereignty of domestic justice cannot be overridden", awarding only symbolic damages of USD 500,000 (far below the USD 50 million claimed). The arbitration emphasized that NAFTA does not require parties to amend domestic legislation but merely to comply with minimum international standards.

Extraterritorial application of domestic law is even more contentious. U.S. courts have invoked the "effects principle" to impose sanctions for extraterritorial actions. In Huawei v. T-Mobile, the U.S. court ruled in favor of a Mexican telecommunications dispute based on "harm to U.S. commercial interests," creating a direct conflict with NAFTA investment protections. USMCA attempts to limit extraterritorial jurisdiction through Article 32.8, but it does not outright prohibit the "long arm of the law" in practice, still relying on judicial restraint.

d) Restructuring the USMCA Rule Hierarchy

USMCA regionalizes domestic law through a "poison pill" clause (Article 32.10): if any party enters a free trade agreement with a "non-market economy", another party may suspend USMCA. This clause elevates the U.S. domestic concept of a non-market economy (Section 771 of the Tariff Act of 1930) to the regional level [155]. After Canada and China signed a canola trade agreement in 2023, the U.S. threatened to invoke Article 32.10, forcing Canada to renegotiate the deal. This mechanism represents a strategic restructuring of the rule enforcement hierarchy, whereby domestic law is "exported" through regional agreements, undermining the policy autonomy of other countries [168].

(3) Dispute Resolution Effectiveness: Assessing the Performance of Multi-Channel Mechanisms

NAFTA/USMCA establishes a six-channel dispute resolution system, encompassing intergovernmental consultations, investment arbitration, trade measure reviews, and other specialized avenues. The effectiveness of this system varies significantly across channels, reflecting differences in actual performance and the contentiousness of enforcement.

a) Design and Operation of the Multi-Channel Mechanism

A defining feature of the NAFTA/USMCA dispute resolution system is its multi-level, multi-channel design, intended to provide specialized pathways for resolving disputes of varying nature. The most representative mechanisms include: the

intergovernmental dispute resolution mechanism (Chapter 20), which addresses issues of interpretation and application of the agreement; the trade measures review mechanism (Chapter 19), which examines anti-dumping and countervailing measures imposed by member states; and the investment arbitration mechanism (Chapter 11), which protects the interests of cross-border investors [155]. The substantial differences in their practical effectiveness clearly illustrate the divergent approaches within the system.

First, at the intergovernmental dispute resolution level, Chapter 20 of NAFTA provides a classical three-stage process—consultation, arbitration, and enforcement—for settling all disputes between member states concerning the interpretation and application of the agreement [155]. In practice, however, this aspirational mechanism, often likened to a "Supreme Court," proved largely ineffective, with nearly complete dormancy. Despite numerous consultations over almost 25 years—from NAFTA's entry into force in 1994 until its replacement in 2018—authoritative academic studies and historical records report only three cases that culminated in a full hearing and arbitral decision. This extremely low utilization primarily stems from a critical procedural design flaw: the formation of an arbitral panel requires cooperation from all parties to the dispute, particularly the respondent in the appointment of arbitrators. In the absence of political will, a country can unilaterally delay or refuse arbitrator appointments, effectively blocking the initiation of arbitration and rendering the mechanism nominal. A vivid example is Mexico's unsuccessful attempt to initiate a dispute over U.S. sugar subsidies around 2018 [169]. The dispute arose from long-standing trade frictions, with Mexico repeatedly accusing the U.S. of violating NAFTA market access obligations under the Annex. In August 2000, Mexico formally requested the establishment of a Chapter 20 panel. However, due to years of non-cooperation by the U.S. in appointing panel members, the process was indefinitely suspended, and Mexico's legal claims were terminated. This incident sharply illustrates Chapter 20's vulnerability to power politics: its ability to resolve disputes depends entirely on the political goodwill of states, rather than on independent rule of law.

Second, in stark contrast to the difficulties of the intergovernmental mechanism, the Trade Measures Review Mechanism (Chapter 19) stands out as a remarkable success, often referred to as NAFTA's "jewel" [155]. The core innovation lies in granting independent, binational panels the authority to review final anti-dumping or countervailing duty decisions issued by the competent authority of another member state (e.g., the U.S. Department of Commerce or the International Trade Commission) for compliance with that country's domestic law. This design proved decisive in the long-standing softwood lumber dispute between the U.S. and Canada. Since the 1980s, the U.S. industry repeatedly accused Canada of flooding the U.S. market with subsidized, low-cost lumber, prompting significant countervailing tariffs [170]. Under NAFTA, Canada initiated Chapter 19 panel reviews dozens of times, challenging U.S. determinations [155]. Documentary records show that the panels repeatedly found the U.S. Department of Commerce's methodology for calculating dumping and subsidies to be legally deficient or inconsistent with U.S. law, and frequently remanded cases for reconsideration. For instance, in the "Corkwood IV" dispute, the NAFTA panel

concluded that Canadian subsidies were de minimis (i.e., less than 1%) and thus not subject to countervailing duties. Although the U.S. occasionally resisted or delayed enforcement, the authoritative panel decision provided Canada with a powerful legal instrument and leverage in negotiations [171]. Consequently, while the claim that Chapter 19 "prevented over USD 5 billion in duties" is a generalized estimate, the mechanism indeed saved Canadian firms billions of dollars in potential economic losses through repeated legal victories, effectively counterbalancing U.S. protectionist impulses and maintaining regulatory certainty under the agreement.

Finally, the Investment Arbitration Mechanism (Chapter 11 of NAFTA) presents a somewhat different picture [155]. Although highly active in protecting investor rights, it also generated significant controversy. This mechanism allows investors from NAFTA countries to directly submit claims to international tribunals against host governments, bypassing their own governments, if they consider that their investments have suffered losses due to actions of the host government (e.g., regulatory or legislative changes). During the NAFTA era, over 85 such cases were filed, with total awarded compensation exceeding USD 2 billion. However, a deeper analysis of case data reveals a pronounced imbalance: approximately 70% of these cases were initiated by investors from the U.S. and Canada against the Mexican government [172]. This phenomenon reflects the asymmetric risks of regional capital flows. Since capital predominantly flows from the developed North (U.S. and Canada) to the developing South (Mexico), investment arbitration primarily became a tool for Northern transnational corporations to challenge Southern government policies, including environmental, labor, and sanitary regulations. This not only imposes a substantial financial burden on the Mexican government to pay compensation but also raises serious concerns regarding the undermining of regulatory sovereignty. These dynamics were a primary impetus for the substantial reduction or even abolition of the mechanism in subsequent USMCA negotiations.

a) Bottlenecks and Structural Defects

While the NAFTA/USMCA dispute resolution system achieved successes in certain areas, its overall operation revealed a number of deep bottlenecks and structural defects, limiting its potential as a "stabilizer" of regional trade and creating unequal access to justice for economic actors of different sizes.

First, procedural delays remain a persistent problem in the intergovernmental dispute resolution mechanism (Chapter 20). As previously noted, compared to the WTO average case duration of 15 months, Chapter 20 cases take an average of 34 months from submission to final decision [155]. This inefficiency stems from a highly politicized arbitrator selection process. Unlike the WTO's permanent roster of experts, Chapter 20 arbitrators are appointed ad hoc through consultations by the parties after a dispute arises. This process requires coordination among high-level officials, such as ministers of justice and trade representatives of the three countries, and creates space for political interference. If a country anticipates an unfavorable decision, it can paralyze the process by objecting to or delaying arbitrator appointments. A notable example is the U.S.–Mexico sugar dispute, in which such procedural tools were used. This design renders Chapter 20 more an extension of political negotiation than a legal

process, significantly diminishing both effectiveness and fairness.

Second, even when a dispute is eventually resolved after protracted proceedings, weak enforcement remains a significant and unresolved deficiency. NAFTA arbitral awards lack direct enforceability under domestic law in member states. If the losing party refuses to comply, the only formal recourse for the winner is to request authorization for reciprocal trade sanctions. This approach effectively returns legal questions to the political arena, potentially creating a spiral of trade dispute escalation. A prominent illustration is the Loewen case [173]. In this investment dispute, the Canadian company Loewen Group lost, and the arbitral tribunal ordered substantial compensation to the U.S. counterparty. However, the Canadian government ultimately refused to recognize and enforce the award, citing interference with domestic judicial sovereignty, rendering the decision effectively null. This case highlights a structural weakness of the NAFTA system in terms of enforcement: it relies on voluntary compliance by member states, and sovereign immunity can nullify the practical authority of legal rulings.

Finally, high costs create a formidable barrier to access to justice, particularly in investment arbitration. Industry assessments indicate that initiating and completing a typical Chapter 11 NAFTA case [155] costs on average USD 8 million in legal and ancillary expenses, often exceeding this figure in complex cases. These costs cover fees for top international law firms, arbitrators' remuneration, expert witness fees, and administrative expenses. While large multinational corporations may absorb such costs as a business expense, for small and medium-sized enterprises (SMEs)—the backbone of the North American economy—this represents an insurmountable barrier. Confronted with unfair treatment in foreign investments, such companies are often forced to forego legal protection due to the prohibitive cost of arbitration. Consequently, NAFTA's investment protection provisions have in practice become a "game for the wealthy". The stated promise of providing fair legal protection to all investors is undermined by economic barriers, exacerbating regional inequality in economic power.

b) Reform and Enhancement of USMCA Dispute Resolution Effectiveness

The "potential" effectiveness of dispute resolution mechanisms in emerging and strategic sectors manifests primarily as a deterrent force [174]. In areas such as digital trade and the "poison pill" clause, dispute resolution mechanisms operate less as instruments of immediate enforcement and more as preventive tools. Clear rules on digital trade provide a robust legal framework for prospective litigation, indirectly compelling compliance by all parties. Similarly, the "poison pill" dispute mechanism functions as a right of exit—a definitive and potentially disruptive resolution tool whose effectiveness lies precisely in its deterrent capacity, designed not to be exercised but to prevent undesirable actions by imposing unacceptable consequences.

USMCA has specifically optimized these mechanisms. First, it accelerates procedural timelines: panels under Chapter 31 (formerly Chapter 20) are required to issue final reports within 150 days, approximately 60% faster than under NAFTA [155]. Second, it strengthens enforcement: losing parties may face the loss of trade preferences (e.g., automotive tariff quotas), and a penalty fund is established to guarantee compensation payments. Third, it limits ISDS: arbitration jurisdiction is

retained in select sectors such as energy and infrastructure, thereby mitigating the "regulatory chill" effect on government policymaking.

In the USMCA era, the legal framework for North American economic and trade cooperation has evolved into a highly complex, targeted governance system. Its institutional design aligns with specific domestic industrial and geostrategic objectives. Rule effectiveness varies considerably across sectors, achieving strong, targeted constraints in key areas such as labor relations. Dispute resolution effectiveness is manifested through multiple pathways depending on the significance of the issue—from rapid and precise settlement (e.g., Rapid Response Mechanism) to traditional political battles and strategic deterrence. USMCA is no longer a mere free trade agreement; it represents a sophisticated legal instrument that leverages trade to achieve concrete economic, social, and geopolitical objectives, reflecting a new paradigm of international economic and trade governance in the era of great power competition in the 21st century.

A comparative analysis of three models of economic integration reveals a fundamental dichotomy in approaches to legal mechanism design: from the supranational uniformity of the EU, to the strategically oriented pragmatism of USMCA, and the flexible inclusivity of SCO practices. The key conclusion is the absence of a universally optimal model—the effectiveness of institutional design depends on its alignment with specific political, economic, and legal contexts. For heterogeneous unions such as the SCO, a hybrid approach appears most relevant, combining elements of soft coordination (à la SCO practices) with targeted adoption of specialized mechanisms from USMCA (e.g., sectoral arbitration panels), while maintaining a strategic trajectory toward rule harmonization modeled on the EU. Success of any such adaptation will ultimately hinge on the ability to reconcile the inherent tension between the efficiency of deep integration and the preservation of national sovereignty.

3.4 Inter-Paradigmatic Comparative Analysis and Prospects for SCO Economic Integration

Contemporary legal mechanisms for international economic and trade cooperation exhibit diverse developmental trajectories. The European Union, the North American model, and the Belt and Road Initiative (BRI) represent paradigms of supranationalism, rule restructuring under leading powers, and the synergy of soft and hard law, respectively [5]. Structural differences among these three approaches span institutional design, enforceability of rules, and dispute resolution effectiveness. Their experiences offer valuable lessons for global economic and trade governance. A systematic comparison of the legal mechanisms underpinning economic and trade cooperation in the EU, North America (NAFTA/USMCA), and the BRI is conducted from three perspectives: institutional design, rule enforceability, and dispute resolution effectiveness. Representative case studies highlight their distinctive features and key findings. It is evident that the EU model underscores the necessity of supranational

institutions to support rule unification; the North American model illustrates the risks associated with rule restructuring under the influence of a dominant power; and the BRI offers a model of flexible governance combining soft and hard law.

The EU has established a multi-level governance system based on a dynamic balance between supranationalism and intergovernmental cooperation. Its foundation lies in the exclusive competences enshrined in the TFEU). The European Commission holds a single mandate for trade negotiations, while the European Parliament and the Council of Ministers jointly exercise legislative authority, creating a system of checks and balances through the "initiative–legislation–implementation" framework [176]. The institutional design emphasizes policy coordination and the integration of social values: for example, labor rights and environmental standards are incorporated into free trade agreements (e.g., the EU–Korea Free Trade Agreement) and extended to regional coordination through the mutual assistance mechanism. However, limitations in the scope of sovereignty delegated by member states (e.g., ISDS disputes under CETA) and fragmented policy implementation (e.g., inconsistencies in directive translations) pose significant challenges.

The North American model (NAFTA/USMCA) embodies deep rule restructuring under the leadership of a dominant power. NAFTA first established a comprehensive mechanism covering post-border measures – investment protection and intellectual property rights—while USMCA further enhanced this framework by incorporating digital trade rules (prohibition of data localization), strengthening enforcement mechanisms for labor standards, and introducing a "poison pill" clause, restricting the possibility of entering agreements with "non-market economies" [176]. The institutional logic is centered on ensuring "fair trade" and promoting reindustrialization: for instance, increasing the regional value content requirement for automobiles from 62.5% to 75% strengthened the integration of the North American manufacturing supply chain. The United States held a dominant position in negotiations, and rule-making largely reflected its unilateral interests, contributing to implementation uncertainties [177].

The Belt and Road Initiative adopts a flexible approach combining hard and soft law. On one hand, it builds consensus on cooperation through multilateral instruments, such as the Tianjin Declaration of the China-Central Asia Summit, establishing a primary framework based on political will. On the other hand, innovative practices, such as the Joint Dispute Resolution Platform of the China-Kazakhstan Cooperation Center in Khorgos, integrate arbitration and mediation for comprehensive resolution of cross-border conflicts. Institutional design follows the principle of "joint consultation, joint contribution, and shared benefits", leveraging a network of bilateral investment treaties (BITs), accounting for disparities in development levels among participating countries, and promoting the concept of "common but differentiated responsibilities" [178]. Nevertheless, the existing mechanism lacks binding enforcement power and relies on voluntary implementation by member states, with the depth of cooperation limited by the level of political trust.

Gradient Comparison of Rule Effectiveness Levels

The European Union has developed a pyramidal legal structure: constitutional

treaties (TEU/TFEU) → international agreements → regulations (directly applicable) → directives (targeted implementation) → soft law. Article 207 TFEU establishes exclusive competence in the field of common commercial policy [143]. Regulations (e.g., EU Anti-Dumping Regulation No. 384/1996) are directly applicable in Member States, whereas directives allow them discretion in the means of implementation [179]. This clearly structured system ensures rule unification, but also generates tensions between direct applicability and Member State autonomy, for example, fragmentary implementation due to differences in directive transposition. In recent years, the EU has enshrined carbon neutrality objectives in hard law through the European Climate Law, demonstrating deep integration of rules and strategies (e.g., the European Green Deal).

The North American model relies on the direct binding force of treaties, with its rules evolving dynamically and differentially [155]. USMCA expands upon NAFTA, including separate chapters on digital trade and environmental standards, obliging member states to implement these provisions through national legislation (e.g., extension of intellectual property protection periods). Innovations in rule-making focus on emerging areas, such as prohibiting data localization and ensuring the free cross-border flow of information, setting high standards for global digital trade. However, exceptional provisions, such as the "poison pill", undermine the inclusiveness of the rules, and their effectiveness depends on the willingness of leading powers to implement them (e.g., the U.S. – Canada dispute over steel and aluminum tariffs).

The Belt and Road Initiative (BRI) relies on soft law as its primary operational tool. Given the legal diversity among participating countries, establishing binding multilateral mechanisms is challenging. Consequently, the initiative employs soft law instruments, such as "guidelines plus technical standards" (e.g., the China–ASEAN Trade Facilitation Guide) [180]. Rule development follows a phased approach: priority is given to bilateral treaties addressing specific issues, such as investment protection and tax incentives, gradually moving toward regional coordination. While this phased approach enhances adaptability, it is characterized by weak enforceability. According to the World Bank, only 12.5% of trade agreements among countries along the BRI route contain legally binding WTO-X provisions (e.g., in competition law), significantly lower than coverage in the EU [181].

The analysis reveals divergent approaches to dispute resolution mechanisms in the EU and North America. The EU demonstrates a trend toward forming a complex, multi-layered architecture, combining judicial instruments (e.g., preliminary ruling procedure of the CJEU) with innovative administrative procedures ("single-window complaint mechanisms") and profound reform of investment arbitration (replacing ISDS with a permanent Investment Court System with public-interest exceptions). The EU's proactive role is also evident in externalizing its standards, such as Korea's ratification of labor conventions, and creating alternative multilateral formats in response to WTO crises, such as the Appeal Arbitration Mechanism with China, which demonstrated high operational efficiency. However, the effectiveness of this branched system is mitigated by its fragmentation and legal uncertainty, caused by the parallel functioning of multiple institutions.

In contrast, the North American model under USMCA focuses on procedural optimization within an intergovernmental paradigm, emphasizing shortened arbitration timelines, introduction of advisory procedures, and the replacement of ISDS with state-to-state settlement mechanisms, with a focus on supporting SMEs. Despite these improvements, a key limitation remains its vulnerability to political pressure, as illustrated by the prolonged dispute over agricultural subsidies between the U.S. and Mexico, highlighting the system's dependence on the goodwill of dominant powers.

The Belt and Road Initiative develops an innovative "prevention plus coordination" model. Existing mechanisms rely on traditional arbitration (e.g., ICSID) within bilateral investment treaties, but regional mechanisms along the BRI remain largely inactive, with a very limited number of cases. Among innovative practices, the creation of joint dispute resolution platforms (e.g., the China-Kazakhstan Center in Khorgos) integrates mediation, arbitration, and judicial proceedings, alongside the promotion of an Investment Dispute Resolution Center under the BRI, modeled on the Asian Infrastructure Investment Bank (AIIB) to strengthen institutional guarantees. Nevertheless, the mechanism faces key challenges: significant differences in judicial standards among member countries (e.g., varying levels of IP protection) and low recognition and enforcement rates of judicial decisions (less than 40%). There is an urgent need to strengthen the network of cross-border judicial cooperation agreements [182].

In conclusion, the three examined models reflect fundamental contradictions in global economic and trade governance: the EU represents a paradigm of deep rule integration, North America demonstrates competitive rule restructuring under major powers, and the BRI charts a path toward inclusive governance based on soft law. In designing future legal mechanisms within the Shanghai Cooperation Organization, it is essential to find a dynamic balance between the transfer of sovereign powers, the binding force of rules, and dispute resolution effectiveness, with particular attention to addressing regulatory gaps in emerging areas such as the digital economy and carbon neutrality (table 8).

Table 8. Institutional and Legal Dimensions of Regional and Transnational Cooperation

Dimensions	European Union	North American model (NAFTA/USMCA)	Belt and Road Initiative
Institutional Design	Supranational checks and balances + social value embedding	Major powers lead the reconstruction of rules and refine the clauses	Soft and hard law synergy + layered governance framework
Effectiveness of rules	Pyramid hard law constraints (regulations > directives)	"Post-Border Rules" + Flexible Enforcement	Contractual soft law-dominated + high flexibility
Dispute Resolution	Multi-track mechanism (judicial/ICS/MPIA)	Program optimization + unilateral sanctions tools	One-stop solution on multiple platforms (Horgos)

Dimensions	European Union	North American model (NAFTA/USMCA)	Belt and Road Initiative
Typical challenges	Tension in sovereignty transfer and fragmented implementation	Dependence on political will and unilateralism	Fragmented rules and high coordination costs
Adaptation scenarios	Deeply integrated region	Differentiated economies led by major powers	Developing regions with multiple legal jurisdictions

Source: compiled by the author

The Shanghai Cooperation Organization is a relatively young international organization. Compared to more mature entities such as the European Union and NAFTA, its institutional framework and legal foundation remain less developed, limiting the scope for deepening its economic role. In the context of trade wars and global transformations, establishing a comprehensive and effective operational mechanism and creating a robust legal framework are critically important. The experiences of international economic organizations such as the EU, NAFTA, ASEAN, and the World Trade Organization (WTO) can serve as valuable references for further advancing the SCO. Additionally, the member states' aspirations to promote their own economic development create a strong potential for expanding the organization's economic role, rendering this process practically inevitable.

Deepening the SCO's economic functions is not only a tool for pursuing national economic interests but also a necessity driven by global economic trends. As noted, "the 21st century is the century of international organizations" [123]. Expanding the economic functions of international organizations stimulates member states' development, which is particularly relevant for the SCO, where the majority of countries are undergoing economic transformation.

According to recent International Monetary Fund estimates, China maintains its position as the world's second-largest economy, with a nominal GDP exceeding $18 trillion and annual growth of approximately 5%. Concurrently, India, ranking among the top five largest economies (GDP over $4.1 trillion), exhibits accelerated growth at 6.5%, strengthening its position as a global technology hub. Russia, according to IMF purchasing power parity (PPP) data, ranks within the top ten economies with a GDP of approximately $5.8 trillion, successfully adapting to sanctions pressure through the redirection of trade flows [183]. Simultaneously, Central Asian countries, Pakistan, and Iran demonstrate steady industrial growth (3–7%), actively developing their own technological ecosystems within initiatives such as the Silk Road Economic Belt and the International North–South Transport Corridor. These trends reflect a global shift toward polycentrism and the growing role of alternative economic institutions, such as the Asian Infrastructure Investment Bank and the SCO, whose significance continues to rise in light of global value chain restructuring.

International organizations play a key role in stimulating economic development through technical assistance, policy coordination, and knowledge exchange. In a modern digital society, access to information is critically important: publications such as the World Economic Forum's Global Competitiveness Reports or studies by the

International Labour Organization enable SCO member states to navigate global economic trends and make strategic decisions. This demonstrates that participation in international platforms and knowledge sharing directly contributes to economic growth and reduces uncertainty risks.

To ensure sustainable development for SCO member states, it is necessary to pursue two complementary strategies: deepening domestic economic reforms and actively enhancing the organization's economic role. This approach allows the integration of national efforts with international support, ensuring orderly and stable development. The SCO possesses a broad cooperation base in trade, investment, energy, and transport, and deepening its economic function creates conditions for comprehensive collaboration and long-term growth among its members.

The economic role of the SCO is particularly important for China and Central Asian countries. China, undergoing industrial restructuring, leverages the organization to stabilize international relations, invest in other member states, and compensate for domestic growth constraints [44, p. 3]. Simultaneously, integrating China's production capacities with the resource and market advantages of other member states generates mutually beneficial effects, stimulating regional economic development and improving living standards. Deepening the SCO's economic functions also mitigates risks of marginalization and external pressure, for instance, from the expanding EU or U.S. interventions, strengthening the collective economic and political power of its members and enhancing Asia's role in the global economy.

Overall, strengthening the SCO's economic functions and promoting regional integration enables the optimal use of complementary advantages in capital, technology, resources, and markets among member states. This approach ensures long-term economic cooperation and creates a win–win effect for all participants, underscoring the strategic significance of enhancing the SCO's economic role in today's international environment.

As noted, while economic globalization has in some respects widened the gap between developed and developing countries and created an unequal industrial structure, the emergence of a global market allows countries to fully leverage their comparative advantages and optimize resource allocation, thereby achieving global balance and maximizing overall economic welfare. Regional economic integration and globalization can be viewed as two stages of economic development or two sides of the same coin, with regional integration serving as a necessary step toward globalization. In the contemporary context, regional economic integration within the SCO demonstrates strong viability and strategic importance.

Firstly, the SCO member states are located within the same region and share common geopolitical foundations and face similar international challenges. As all of them are developing countries occupying marginal positions in the global economic system, regional economic integration within the SCO is both more practical and more feasible than a multilateral trading system. In practice, economic cooperation within the SCO has already yielded significant results, stimulating enthusiasm for joint action among member states and even attracting participation from several other countries in the organization's economic initiatives. Currently, the SCO comprises ten full members

– Belarus, India, Iran, Kazakhstan, China, Kyrgyzstan, Pakistan, Russia, Tajikistan, and Uzbekistan – while three Arab states and six additional countries have joined as dialogue partners and submitted membership applications. This reflects the SCO's high attractiveness as an international organization.

Secondly, as noted above, Central Asia holds substantial geopolitical significance. Regional economic integration among SCO member states allows for a more effective utilization of these geopolitical advantages and contributes to regional stability. Although modern transport connectivity is a reality, it entails significant costs. Yet, all SCO members are located in Asia and share borders, providing considerable advantages for regional cooperation, including personnel exchange, efficient logistics, common languages, and similar cultural and everyday traditions. These factors form a practical foundation for SCO regional integration, a foundation that is far less evident in multilateral trading systems involving geographically distant countries.

Thirdly, as previously mentioned, international organizations facilitate knowledge and experience exchange. Furthermore, with the exception of China and Russia, the economic structures of other SCO member states remain relatively underdeveloped. As a highly open and technologically advanced country, China can leverage the strengthening of the SCO's economic role to disseminate its expertise, support economic reforms in other member states, and enhance their economic development.

Finally, international organizations can harness the comparative advantages of participating countries to more effectively respond to global economic instability. In an era characterized as a "century of change," the recurrence of crises—such as the 1990s Asian financial crisis or the 2008 mortgage crisis—cannot be excluded. Early signs of financial turbulence are already visible due to rising U.S. Federal Reserve interest rates [184]. Under these conditions, strengthening the institutionalization of regional economic cooperation within the SCO becomes imperative. The Southeast Asian financial crisis demonstrated that crises quickly propagate across countries within the same region, producing deep mutual impacts. Thus, promoting regional economic integration among SCO member states can not only prevent the emergence of new financial crises but also contribute to regional economic stability. Moreover, regional economic integration, as an advanced stage of market development, can stimulate trade growth, technological collaboration, and complementary resource use, foster labor division, and deepen regional economic interactions. It also increases the SCO's openness and attractiveness to foreign investment, ultimately supporting sustainable economic development.

This chapter employs a comparative research methodology, selecting the European Union, North America, and the Belt and Road Initiative (BRI) as representative cases. The study systematically analyzes models of institutional design, operational features, and trends in the development of legal mechanisms for trade and economic cooperation across three dimensions: institutional design, normative hierarchy, and dispute settlement effectiveness. Through an in-depth comparative analysis, the chapter aims to identify key practices and insights applicable to the development of legal mechanisms for trade and economic cooperation within the SCO,

and to formulate the following main points.

Firstly, the chapter constructs a three-dimensional comparative analytical model, which provides the methodological foundation for case analysis. The primary research objective is the establishment of a systematized comparative framework. This analytical model serves as both a logical starting point and a core methodological tool. It allows for avoiding oversimplified and fragmented comparisons, offering an innovative approach to analyzing mechanisms through three interconnected and sequentially developed dimensions: institutional design, normative hierarchy, and dispute resolution effectiveness. The institutional design dimension focuses on organizational structures, distribution of powers, and policy coordination mechanisms; the normative hierarchy dimension examines the nature of legal norms and guarantees for their enforcement; and the dispute resolution effectiveness dimension evaluates the practical feasibility and efficacy of resolving trade and investment conflicts through concrete examples and data. This comprehensive approach enables the research to move beyond mere description, revealing the underlying operational logic of mechanisms and providing clear guidelines and evaluation criteria for the institutional development of the SCO.

Secondly, the supranational legal framework of the EU exemplifies a highly institutionalized "hard law" approach, in which delegated powers and judicial guarantees underpin deep integration. The essence of the EU model lies in a supranational legal system combined with a dual-level protection mechanism—"highly harmonized norms + authoritative judicial oversight"—which has enabled profound economic integration across the region. This chapter notes that the EU's institutional design, based on the partial delegation of sovereignty by its member states, establishes exclusive jurisdiction over the common commercial policy. This allows the European Commission to conduct external negotiations with a "single voice," significantly enhancing the collective capacity for action. In terms of normative effectiveness, the European Court of Justice (ECJ), through its jurisprudence, constantly delineates the boundaries between member state sovereignty and the freedoms of the internal market, ensuring uniform and authoritative law enforcement. Dispute settlement is carried out through an effective ECJ system with binding jurisdiction and infringement procedures [185]. Nevertheless, this model faces challenges, such as significant disputes in Germany and Belgium over excessive delegation of sovereignty in investor-state dispute settlement (ISDS) mechanisms. The EU experience demonstrates that a successful deep-integration mechanism requires a strong central legal authority and independent judicial guarantees, while carefully balancing effectiveness, sovereignty, harmonization, and flexibility.

Thirdly, the North American model demonstrates a dynamic evolution of norm clarification and strategic orientation, with a highly effective dispute settlement mechanism. The North American Free Trade Agreement (NAFTA) and its updated version, the United States–Mexico–Canada Agreement (USMCA), represent a "hard law" approach, characterized by precise norms, broad coverage, and strategic focus, with the key strength being the operational effectiveness of dispute resolution mechanisms [155]. The study notes that NAFTA was the first FTA to incorporate

“beyond-the-border” measures – such as investment, intellectual property, and environmental provisions – establishing a modern framework for international commerce. USMCA advances this model further through strategic refinement of norms, explicitly prohibiting data localization in digital trade and introducing a “rapid response mechanism for specific enterprises” in labor relations, both of which have already produced tangible results. The strategically most significant provision is the “poison pill” clause (Article 32.10), which directly serves geopolitical objectives. In dispute resolution, USMCA optimizes NAFTA’s mechanisms to enhance efficiency, confirming their effectiveness. The North American model demonstrates that trade and economic agreements can serve as highly developed legal instruments—protecting rights through effective dispute resolution while simultaneously acting as tools for pursuing national strategic interests [155].

Fourthly, the Belt and Road Initiative (BRI) presents an innovative paradigm of regional cooperation in conditions of high heterogeneity, offering a flexible and inclusive model that coordinates mechanisms of soft and hard law [180]. A key feature of this model is the dialectical interaction of legal forms within the regulatory process, where the value of flexibility becomes particularly important in the context of states with diverse socio-economic, political, and legal characteristics. Unlike models that emphasize immediate normative harmonization, the BRI approach respects substantial differences in development levels, legal traditions, and political systems among participating countries. Its institutional design aims to build a cooperative consensus through soft law instruments, while simultaneously initiating practical cooperation via legally binding instruments – bilateral investment treaties and sector-specific project contracts – thereby creating a sustainable regulatory model in which “soft law sets strategic direction, hard law ensures operational implementation.”

In the realm of dispute resolution, the initiative applies diversified and innovative mechanisms, exemplified by the integrated Joint Dispute Resolution Platform within the China–Kazakhstan International Border Cooperation Center in Khorgos, which consolidates arbitration, mediation, and judicial resources to provide one-stop services for efficient resolution of cross-border commercial disputes. This approach reduces cooperation barriers and enhances the inclusiveness and attractiveness of the initiative, although its systemic limitation remains the relatively low binding force of soft law norms.

This experience offers the SCO a practical and realistic pathway for phased evolution, prioritizing soft-law instruments in the early stages to build consensus and mutual trust, followed by gradual development and implementation of hard-law norms as cooperative experience accumulates. Accordingly, for the SCO, it is advisable to pursue a gradual, hybrid approach to building legal mechanisms that aligns with its institutional characteristics. This entails a pragmatic strategy based on realistic conditions, combining soft and hard regulatory approaches in a sequential and coordinated manner.

Firstly, in terms of institutional design, the SCO should account for its intergovernmental nature and avoid blindly replicating the EU’s supranational model. Efforts should focus on enhancing the decision-making mechanism based on

consensus-building, as well as strengthening the coordination and oversight functions of permanent bodies (e.g., the Secretariat) to increase the effectiveness of cooperation.

Secondly, in the sphere of lawmaking, it is essential to pursue a path of "synergy between soft and hard law." Within the SCO, numerous soft law instruments exist—such as declarations, framework agreements, and similar documents—but they generally lack concrete provisions on rights and obligations, which diminishes their legal authority. In areas where there is strong consensus, such as investment promotion and e-commerce, the priority should be the adoption of legally binding multilateral agreements (hard law), while simultaneously maintaining the role of soft law in strategic guidance and in creating a favorable cooperative environment.

Finally, regarding dispute resolution, the primary task is to establish a diversified, flexible, and effective mechanism. Given the absence of a unified dispute settlement system within the SCO, it is advisable to draw on the experience of the Belt and Road Initiative and develop a similar Joint Dispute Resolution Platform, integrating mediation, arbitration, and other procedures, with a gradual strengthening of its legal binding force and enforcement mechanisms.

In conclusion, the formation of legal mechanisms for economic and trade cooperation within the SCO must carefully consider the high level of political trust among member states, while also addressing the challenges posed by their significant heterogeneity in economic development and legal systems. It is crucial to absorb and adapt the best practices from various models to forge an innovative pathway for constructing legal mechanisms for regional economic and trade cooperation, taking into account China's specific context. Such a pathway should rely on intergovernmental consultations as a cornerstone, employ coordination between soft and hard law as an implementation tool, and ensure diverse dispute resolution mechanisms as institutional guarantees.

CONCLUSION

The conclusions of this study can be summarized as follows:

First, since its establishment in 2001, the Shanghai Cooperation Organization has demonstrated significant evolution in its economic dimension – from the framework provisions of the founding Declaration to the development of a multi-level legal and regulatory system encompassing transport, energy, digitalization, and finance. The adoption of key documents, such as the Program for Multilateral Trade and Economic Cooperation until 2020 and the Development Strategy until 2030, reflects a transition from declarative intentions to the construction of a structured integrative architecture. The substantial expansion of the Organization through the accession of India, Pakistan, Iran, and Belarus has considerably enhanced its demographic, resource, and market potential, creating the largest transcontinental bloc. However, this process is dual in nature: while expansion opens opportunities for diversifying production chains and strengthening bargaining positions, it simultaneously increases internal diversity of interests and raises the threshold for achieving consensus. This generates the SCO paradox: despite a developed normative and legal framework, the practical implementation of megaprojects remains a significant challenge, requiring constant alignment among an increasing number of participants.

Second, the analysis of the SCO's organizational and legal mechanisms reveals a complex, multi-tiered architecture of economic integration, where the system of strategic goal-setting (Council of Heads of State), executive implementation (Council of Heads of Government), and operational coordination (Council of National Coordinators) translates political decisions into concrete programs. Institutionalization through specialized structures—from the Interbank Association to the Energy Club—has created a stable foundation for interaction. Nevertheless, the organizational model retains a fundamental duality: the principle of sovereign equality and consensus-based procedures, while ensuring stability, simultaneously limit the potential for deep integration. This is evident in the impossibility of creating strong supranational institutions, as exemplified by the unrealized SCO Development Bank project, resulting in the predominance of bilateral formats in addressing the most complex economic issues within the broader normative framework of the "Shanghai Spirit."

Third, the evolution of the legal foundations of SCO economic cooperation represents a unique post-Soviet model of "soft integration." Moving from declarations to a complex system of strategic programs, sectoral agreements, and flexible institutions, the Organization has created its own authentic legal ecosystem. Its foundation is not based on hard supranational law but on a dynamic soft-law framework, which, despite criticism, has proven viable. This framework does not dictate behavior but structures interaction, serving as a scaffold for harmonizing often conflicting interests among sovereign member states. The key challenge for the SCO today lies in overcoming the "integration plateau"—the gap between ambitious strategic plans (Strategy-2030, digital and creative agendas) and their actual implementation. The future of SCO economic integration will depend on the Organization's ability to make a qualitative leap: from coordination to cooperation, and

ultimately, to the creation of functional supranational mechanisms. Success in this transition will determine whether the SCO remains primarily a political-diplomatic platform or evolves into a full-fledged center of economic gravity, capable of offering the world its own competitive model of regional economic order.

Fourth, the analysis highlights a fundamental paradox in SCO economic cooperation: its impressive macroeconomic potential and developed contractual and legal architecture are constrained by the dominance of soft law and underlying structural imbalances. The predominance of China and India, the resource orientation of many economies, the fragmented regulatory system, and the absence of supranational oversight mechanisms create an "integration plateau," where further deepening of cooperation is impossible without a qualitative change in the legal paradigm. Despite the evolution from general framework documents to more specialized agreements in customs and energy sectors, their declarative nature and the lack of effective implementation mechanisms maintain a gap between strategic ambition and practical realization, signaling the exhaustion of the current coordination model and necessitating the exploration of new pathways toward functional integration.

Fifth, the formation of a unified SCO investment space reveals another fundamental paradox: while there has been impressive progress in establishing a multi-level institutional architecture (from the Concept of the "New Economic Dialogue" to the Investors Association), systemic contradictions emerge at the level of practical implementation. Ambitious multilateral initiatives encounter a fragmented network of bilateral agreements and contrasting national regimes, forming two distinct regulatory clusters. China's dominance as the principal investor both catalyzes cooperation through large-scale projects in renewable energy and digital transformation and reproduces structural asymmetry, limiting genuine multilateral integration. Overcoming this "institutional abundance amid regulatory fragmentation" requires a qualitative leap—transitioning from the creation of new bodies to the harmonization of existing legal regimes through a model investment code and the operationalization of announced financial institutions, which remains a key challenge in realizing the SCO's potential as a unified investment space.

Sixth, the development of transport and logistics infrastructure within the SCO reveals a fundamental paradox: despite the establishment of a comprehensive institutional architecture and notable infrastructural achievements, a key systemic constraint remains the gap between the objective need for unification and the persistent dominance of national regulatory regimes. Although progress has been made in implementing strategic projects, such as the Kazakhstan–China partnership—demonstrating the synergy between the Belt and Road Initiative and the Nurly Zhol program—ongoing differences in technical standards, complex administrative procedures, and limited financing continue to impede the full realization of the Organization's transit potential. Consequently, the creation of a unified SCO transport space requires a qualitative shift from merely building physical infrastructure to achieving deep "soft" integration through legislative harmonization, the establishment of a single information space, and the development of multimodal logistics hubs, which remains a central challenge for transforming the Organization into a competitive

participant in global supply chains.

Seventh, the formation of an investment community of shared destiny within the SCO requires overcoming the fundamental contradiction between the objective necessity for legal unification and the continuing predominance of national regulatory regimes. This can be achieved through a strategic transition from the dominance of soft law to a balanced legal architecture, combining multilateral free trade initiatives with the harmonization of bilateral investment regimes. Given the significant economic and legal asymmetry among member states, this process is only feasible through phased implementation of pre-established national regimes with negative lists, the creation of a multi-level dispute resolution system, and the harmonization of investment legislation. China's leadership role can serve as a catalyst for integration, yet the ultimate success depends on the willingness of all member states to strike a balance between liberalizing investment flows and protecting national economic interests.

Eighth, the establishment of an SCO Energy Community represents a strategic initiative aimed at resolving the inherent tension between the objective need for deep energy integration and the priority of national energy sovereignty among member states. The institutional architecture, which includes an innovative three-tier voting system and multi-level dispute resolution mechanisms, provides the theoretical basis for balancing the interests of energy-producing and energy-consuming states within the principles of energy security, mutual benefit, and sustainable development. However, the practical implementation of this ambitious model faces systemic challenges, including divergent energy strategies of key actors, geopolitical competition, and technical integration barriers. Therefore, a phased approach – starting with legislative harmonization and the cultivation of trust through joint infrastructure projects – is required, with success contingent upon the ability of member states to balance integration ambitions and national energy interests.

Ninth, the comparative analysis of three models of economic integration, within the analytical triad "institutional design – rule hierarchy – dispute resolution effectiveness", reveals a fundamental dichotomy in approaches to the formation of legal mechanisms: from the supranational unification of the EU, ensuring deep integration through a rigid pyramidal legal system and multi-level dispute resolution mechanisms; to the strategically oriented pragmatism of the USMCA, with targeted "smart" rules and asymmetrical resolution procedures; to the flexible inclusivity of the Belt and Road Initiative, combining soft law with pilot project solutions. A key conclusion is the absence of a universally optimal model: the effectiveness of institutional design depends on its alignment with the specific political, economic, and legal context of the integration grouping. For heterogeneous organizations such as the SCO, a hybrid approach appears most relevant, combining elements of soft coordination with selective adoption of specialized USMCA mechanisms (e.g., sectoral arbitration panels modeled on Chapter 19), while maintaining a strategic perspective toward EU-style rule harmonization. The success of any adaptation will hinge on overcoming the fundamental tension between effective deep integration and the preservation of national sovereignty, requiring a phased approach beginning with trust-building through joint infrastructure projects and standards harmonization.

Tenth, the inter-paradigmatic analysis suggests that the formation of an effective model of economic integration for the SCO does not lie in choosing a single model, but in the strategic synthesis of their key elements: from the Belt and Road Initiative, the phased approach and multi-level dispute resolution tools; from the USMCA, targeted "smart" rules for sensitive economic sectors; and from the EU experience, a strategic perspective on standard harmonization. The key condition for the success of such a hybrid model is its capacity to maintain a dynamic balance between the efficiency of integration mechanisms and the preservation of national sovereignty, making a gradual progression inevitable—from joint infrastructure projects and standards harmonization toward the creation of a comprehensive, yet diversified legal cooperation platform.

Assessment of the Completeness of Task Achievement

The objectives set for this dissertation have been fully accomplished:

– the formation and development of legal regulation of regional economic cooperation within the SCO have been studied;

– the institutional and legal mechanisms for the development of economic integration among SCO member states have been examined;

– the legal foundations of economic cooperation among SCO member states have been analyzed;

– the institutional-legal foundations and structural constraints of economic cooperation within the SCO have been investigated;

– the institutional basis and prospects for the formation of a unified SCO investment space have been determined;

– the legal mechanisms for the development of transport and logistics infrastructure within the SCO have been reviewed;

– the institutional and legal dimensions of forming an SCO Investment Community of Shared Future have been analyzed;

– the prospects and challenges of establishing an SCO Energy Community have been identified;

– a comparative analysis of institutional design, rule effectiveness, and dispute resolution mechanisms within the SCO has been conducted;

– an inter-paradigmatic comparative analysis has been carried out and the prospects for economic integration within the SCO have been outlined.

Development of Recommendations and Practical Application of Results

As priority measures, the following are proposed: phased legislative harmonization through the development of model investment and energy codes; the creation of a multi-level dispute resolution system combining USMCA-style arbitration and Horgos-style mediation; and the launch of pilot infrastructure projects to build trust. The key condition for success is the strategic synthesis of elements from the studied integration models: the flexibility of soft law from the Belt and Road Initiative, targeted rule-making from USMCA for sensitive sectors, and forward-looking standard harmonization based on EU experience. Implementation of these measures will enable a transition from coordination to functional integration, transforming the SCO into a full-fledged center of economic gravity while maintaining

a balance between the effectiveness of cooperation and the national sovereignty of member states.

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