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MACRO PICTURE:

**Understanding the Shanghai Cooperation
Organization**

By

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16 July 2025

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Understanding the Shanghai Cooperation Organization

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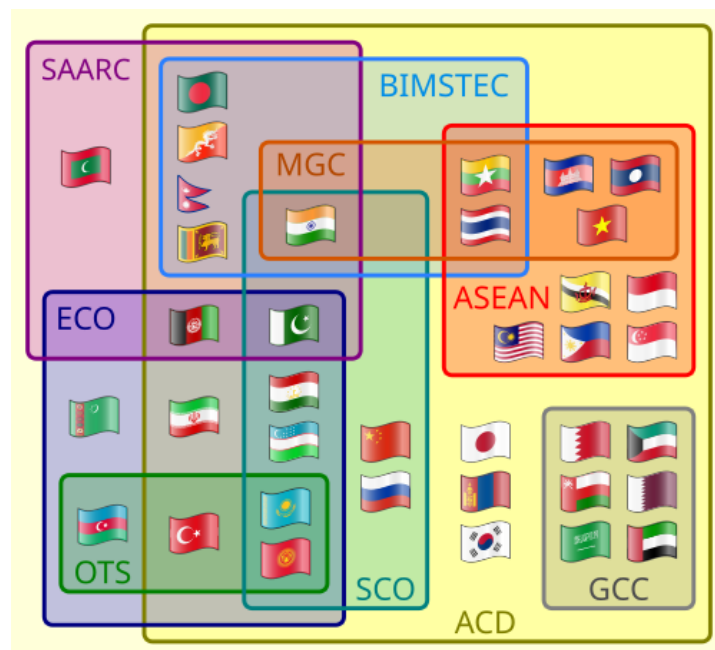
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Executive Summary

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- ✦ The Shanghai Cooperation Organization (SCO), founded in 2001, emerged as a regional response to post-Soviet geopolitical shifts, initially focused on combating terrorism and later expanding to economic and political cooperation.
- ✦ Now comprising 10 full members—including China, Russia, India, Iran, and Belarus—the SCO represents over 40% of the world's population and 25% of global GDP, making it a major non-Western bloc.
- ✦ Geopolitical rivalries, particularly between India and Pakistan, hamper unified action on counterterrorism and joint communiqués, while consensus rules limit SCO's endorsement of initiatives like China's Belt and Road.
- ✦ Beijing uses the SCO to deepen ties with Iran and Pakistan, marginalize India, and promote financial alternatives to the Western-led system, positioning itself as the bloc's central power.
- ✦ Held in Qingdao, it marked the first India-China defense dialogue in five years and underscored growing alignment among China, Iran, and Pakistan—particularly in response to Western policies and the Israel-Gaza conflict.
- ✦ SCO plans to establish a multilateral financial institution to coordinate large-scale projects, strengthen cooperation with the EAEU, and expand logistics and energy integration across Eurasia.
- ✦ The SCO summit coincided with NATO's meeting in The Hague, where the West pledged €650 billion in defense spending, highlighting a growing East-West arms and infrastructure race. SCO members view this with caution as they boost their own strategic capabilities.

Key Picture: Relationships Between Various Non-West Regional Organisation



Note: [South Asian Association for Regional Cooperation \(SAARC\)](#); [Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation \(BIMSTEC\)](#); [Mekong-Ganga Cooperation \(MGC\)](#); [Economic Cooperation Organization \(ECO\)](#); [The Organization of Turkic States \(OTS\)](#); [Association of South-East Asian Nations \(ASEAN\)](#); [Asia Cooperation Dialogue \(ACD\)](#). [Gulf Cooperation Council \(GCC\)](#).

What is the SCO and Why Does it Matter?

Following the collapse of the Soviet Union, Central Asia became an area of strategic interest, drawing increased attention from global powers. Countries outside the region, including the United States, began to expand their involvement through initiatives in security, infrastructure, and diplomacy as well as using NATO as a tool. This shift raised concerns among local states about external dominance and geopolitical imbalance. In response to these evolving dynamics, regional actors sought to strengthen multilateral cooperation. One outcome was the creation of the Shanghai Cooperation Organization (SCO), aimed at fostering regional stability and offering an alternative framework for international engagement.

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SCO is a Eurasian alliance focused on political, economic, and security cooperation. Founded in 2001 by China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, it expanded to include India and Pakistan in 2017, Iran in 2023, and Belarus in 2024. Some commentators regard it as promoting multi-polar world order and providing a counterbalance to the US-led NATO system, though SCO is not a military alliance in the same way.

While some in the West call for an “Asian NATO,” history suggests otherwise. SEATO failed, and ASEAN has long opposed collective defense, focusing instead on development to address internal instability. Originally established to combat terrorism, separatism, and extremism, the SCO has since expanded into a platform for economic cooperation. The 2005 Programme of Multilateral Trade and Economic Cooperation introduced energy projects and trade facilitation. Today, the organization operates across four main pillars: security, infrastructure, economic, and environmental coordination, each overseen by Councils of Ministers.

Key institutional additions include the SCO Business Council (BC) and Interbank Consortium (IBC), which link private and financial sectors across member states. RATS has recently expanded its remit to include anti-drug trafficking, and the SCO has signed an MoU with UNEP on climate change in Central Asia.

Infrastructure projects are primarily tied to China’s Belt and Road Initiative (BRI) and Russia’s Eurasian Economic Union (EAEU). However, India’s opposition to the BRI—combined with the SCO’s consensus-based decision-making—blocks any official endorsement of China’s flagship initiative, highlighting the ongoing geopolitical frictions within the bloc. At a recent roundtable during the St. Petersburg Economic Forum, participants discussed the development of shared logistics, financial, and energy infrastructure, detailed also below.

SCO’s Astana Summit

Last year, at its [annual summit in Astana](#), the SCO admitted Belarus as its 10th member, expanding its reach across Eurasia. Discussions covered issues ranging from regional security and counterterrorism to the war in Ukraine and normalization efforts between Turkey and Syria. Members called for a fair resolution to the Palestinian issue, rejected unilateral sanctions, and supported financial initiatives like a common investment fund and bank, echoing BRICS structures. They emphasized compliance with the Non-Proliferation Treaty and discussed the possibility of building a new Eurasian security architecture, reflecting proposals by Russia to integrate regional security from Asia to Europe.

The summit showcased the SCO’s evolving role—from its anti-terror origins to a broader geopolitical and economic alliance. Long-term goals include reducing reliance on Western security and financial systems, boosting intra-Eurasian trade, developing new transport corridors (like the Middle Corridor), and expanding the use of national currencies in settlements.

With observer and dialogue partners such as Turkey, Saudi Arabia, UAE, Qatar, and others, [the SCO now encompasses](#) over 40% of the world’s population, 25% of global GDP, and significant shares of energy resources. The inaugural “SCO+” meeting marked a move toward enhanced multilateral dialogue, with leaders and representatives from across the Eurasian region participating.

Latest Defence Ministers' Gathering in China

In June this year, the defence ministers of the [ten SCO members gather in Qingdao](#), in China. The meeting could be seen as a prelude to the main SCO annual summit with heads of state scheduled for the fall in Tianjin. The event stood out for several reasons.

Firstly, it marked the first visit by an Indian defence minister visited China in five years and notably, he came face-to-face with Pakistani counterpart following their border clashes. Secondly, Iran's minister held consultations with Beijing after amid heightened tensions with Israel, which had recently led to the 12-day war. Thirdly, the timing of the meeting coincided with the NATO summit in The Hague, adding an extra layer of geopolitical symbolism.

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India-Pakistan Tensions and China's Strategic Advantage

Defence Ministers' meeting highlighted how India-Pakistan tensions continue to paralyze the bloc's counterterrorism efforts and undermine regional cooperation. [India's refusal to endorse the joint communiqué](#), after failing to include references to the April 2025 Pahalgam attack, underscored its declining clout within the SCO. In contrast, Pakistan successfully raised Baluchistan as a regional concern, with Chinese backing, further isolating India.

China's push to elevate Iran's role—evident in the SCO's condemnation of Israel, which India opposed—signals a shift toward an anti-Western consensus. This deepens India's strategic dilemma: align with this emerging bloc or risk marginalization in a China-led Eurasian order. China, the primary beneficiary of the India-Pakistan divide, uses it to weaken India's influence, test Russia's neutrality, and promote its own financial alternatives to Western systems. Iran's full membership likely strengthens China-Pakistan coordination on Afghanistan and energy, complicating India's position further, especially as it balances ties with Israel.

SCO's Economic and Institutional Ambitions

As mentioned, at a recent roundtable during the St. Petersburg Economic Forum, participants discussed the development of shared logistics, financial, and energy infrastructure. The creation of a financial institution under the Shanghai Cooperation Organization (SCO) is one of the main tasks of the organization. The SCO chief also said that the creation of a financial institution is necessary for the implementation of large-scale projects between several member states, and currently mainly bilateral cooperation is conducted.

In another session, experts including Sergey Glazyev and Alexey Gromyko explored the potential alignment between the SCO and the Eurasian Economic Union (EAEU), focusing on the post-Soviet region's role in a multipolar global economy.

Russia's Defense Minister Andrey Belousov held closed-door talks with his Chinese and Iranian counterparts and made strong statements at the SCO forum. He condemned U.S. and Israeli actions against Iran as violations of international law, emphasized Russia's role in seeking de-escalation, and criticized the declining credibility of global institutions. He also voiced concerns shared by all SCO defense ministers over the spread of extremist ideologies and militant flows from West Asia into Afghanistan.

NATO's Parallel Summit and Strategic Posturing

While SCO members convened in Qingdao, NATO held a summit in The Hague. Under the leadership of incoming Secretary-General Mark Rutte, NATO pushed the EU to commit €650 billion toward military spending, with the stated aim of countering Russia and eventually China. To meet the proposed 5% defense spending target, NATO members would need to triple current military budgets, [reaching nearly \\$1.5 trillion](#)—despite already high public debt. This would likely come at the cost of social spending, with EU citizens bearing the burden. Even the seizure of €300 billion in Russian assets would not close the funding gap.

SCO members are closely watching these moves. Russia is scaling up missile production, including 300 [hypersonic Oreshnik missiles per](#) year, while [Iran deepens military-technical ties](#) by adopting China's Beidou system over U.S. GPS.