

## **New World Order against Tariffs: SCO Development Bank as an anti-sanctions tool?**

The Shanghai Cooperation Organisation (SCO's) 2025 summit in Tianjin produced a series of outcomes that, although modest in appearance, are strategically significant. The most prominent developments were the agreement in principle to establish an [SCO Development Bank](#), seeded with approximately ¥2 billion in grants and a further ¥10–14 billion in concessional loans from China. The summit also saw Beijing extend access to its [BeiDou satellite navigation system to member states](#), enhancing both civilian and defence applications from aviation and port logistics to military procurement. On the security side, leaders condemned the [Pahalgam attack](#) in India, a diplomatic win for India that underscores China's effort to align with India at a moment when the U.S. has imposed tariffs of up to 50% on Indian exports, citing India's purchases of Russian oil. These headline measures were complemented by [renewed emphasis](#) on counter-terrorism through RATS (the Regional Anti-Terrorist Structure) and a set of intensified SCO security-council meetings, together signalling a broadening of the organisation's remit from finance into hard security enablers.

An additional dimension, often overlooked, is the SCO's latent potential to serve as a platform for India–Pakistan rapprochement. Much as Beijing successfully mediated the Iran–Saudi détente in 2023, the SCO framework offers a structured environment in which India and Pakistan are compelled to engage on shared issues such as counter-terrorism, energy connectivity, and infrastructure finance, under the auspices of a formal multilateralism rather than crude bilateral confrontation. The Tianjin summit's emphasis on regional security cooperation, and its explicit condemnation of the Pahalgam attack, is already a small step in this direction, reflecting a willingness to acknowledge Indian concerns in a joint forum. With signs that India-China relations have modestly stabilised following high-level military disengagement talks along the LAC, there is space for Beijing to use the SCO to nudge India and Pakistan toward

functional cooperation. This is not purely hypothetical: emergent trilateral conversations between India, Pakistan, and Bangladesh around trade corridors and energy-grid integration suggest that South Asia's major economies are beginning to see value in pragmatic coordination despite unresolved disputes. In this sense, the SCO could provide an institutional ecosystem for gradual confidence-building between New Delhi and Islamabad, where shared participation in multilateral projects lowers the political cost of engagement, much as regional institutions elsewhere have historically diluted bilateral rivalries.

In line with a broader shift in global governance, [recent commentary](#) by Xinhua portrays the SCO as emblematic of Eurasian agency and multipolar resonance; “*a living expression of multipolarity,*” bringing together diverse actors under a shared framework of non-interference, counter-terrorism, and connectivity. The enrolment of rivals within a single institutional ecosystem, makes the SCO, less of a confrontational bloc and closer to a practical architecture for regional autonomy and development.

Literature on the international financial architecture, has often highlighted the tension between established Western institutions and the alternative arrangements that have grown around them with much of the scholarship focusing on institutional challenges such as the creation of the Asian Infrastructure Investment Bank (AIIB) or the New Development Bank (NDB). Yet the more subtle processes of institutional layering, where new mechanisms grow alongside existing ones, gradually altering the balance of power have received far less attention.

The Shanghai Cooperation Organisation's recent summit in Tianjin has very explicitly focused on incremental innovation. Rather than issuing headline-grabbing declarations of dramatic breaks with the Western-led order, the summit dealt with the methodologies of how parallel institutions can be built to enhance member-state autonomy, whilst retaining surface compatibility with existing arrangements. This outcome reflects Beijing's preference for a global legal system based within existing [multilateral structures](#). What emerges is a model of global governance founded less on open confrontation than on institutional consolidation and the gradual aggregation of alternative practices and mechanisms that, incrementally rather than immediately, seek to recalibrate existing systems. Rather than replacement or

displacement, the SCO is engaged in a process of layering; creating additional arrangements that coexist with but subtly undermine the dominance of the incumbent system.

### **The Sanction-Resilient Financial Agenda**

President Trump's on-going weaponisation of finance through sanctions and [tariffs](#) has given states strong incentives to seek resilience. Although dollar dominance remains structurally entrenched, each episode of coercion serves to catalyse efforts to construct alternative financial conduits and channels. The decision to establish an SCO Development Bank is an obvious illustration. Chinese commitments amount to only a few billion dollars in seed capital, which is negligible when compared to the immense balance sheets of the China Development Bank, the EXIM Bank of China, or the AIIB. However, the significance of the SCO-DB lies in its ownership structure rather than in issues of scale. Unlike the AIIB, which deliberately incorporated European stakeholders to seek international legitimacy, the SCO's bank membership includes sanctioned states such as Russia and Iran, as well as large emerging economies like India and the Central Asian Republics. For those under the pressures of sanctions, this creates the possibility of channelling funds through a multilateral institution that conveys legitimacy, reducing the appearance of direct bilateral evasion and resultant forums for confrontation. In another sense, the legitimacy conferred by institutional internationalisation is more significant, and indeed ultimately more constructive and conciliatory, than the bank's raw financial scale.

The Tianjin summit went further in embedding sanction-resilience into its agenda. While the public language was couched in the rhetoric of multipolarity and non-interference, the details were more revealing. Putin called for [joint SCO bonds and a common depository system](#), precisely the kind of infrastructure that sanctioned actors are lacking. Xi Jinping's focus on local-currency settlement, digital payments and energy corridors pointed to the construction of transactional ecosystems that would remain outside the reach of dollar-clearing. Here the likely rise in RMB-centric invoicing for energy and infrastructure (the so-called "electro-yuan") is especially notable, supported by expanded liquidity lines via Chinese banks and the CIPS clearing system, even if limits to convertibility and the risk of secondary sanctions continue to

cap volumes. None of these initiatives dismantle the structural advantages of the dollar, but they provide members with fallback options and a measure of insulation.

The tariff environment reinforces this logic. For SCO members, especially China, the rise of US tariffs justified in terms of “overcapacity” and the like, functions in practice much like sanctions. Both restrict access to the core markets upon which development models once depended. Thus, there is a palpable convergence of interests between sanctioned and non-sanctioned members, both of which require new financial and trade channels. The SCO becomes a forum for tariff mitigation as much as for sanction resilience, through local-currency invoicing, joint lending, and alternative corridors that bypass Western chokepoints.

De-dollarisation remains the most debated dimension, with the repeated refrain that despite repeated announcements, the renminbi’s share of global reserves and transactions remains modest. The Tianjin summit did however deliver some palpability, with RMB-denominated settlement mechanisms, proposals for SCO bonds, and moves toward digital payments infrastructure. These may look incremental but are so by design. Reserve currency competition is defined by powerful network effects and the incumbency advantages are immense, as dollar dominance demonstrates. The SCO’s strategy is not to overturn the dollar but to consolidate and solidify enclosed networks where RMB usage achieves critical mass. As members accumulate RMB for project finance and trade settlement, particularly in energy and grid integration projects across Central Asia, (already tilting towards yuan-denominated contracts) its utility rises, encouraging reserve managers to hold more of it, in an ongoing process that is cumulative rather than dramatic. This dynamic is not confined to SCO members. Recent reporting shows that countries as varied as Kenya, Sri Lanka and Panama are seeking to convert existing dollar debts into [renminbi or Swiss franc liabilities](#) in response to the sharp rise in U.S. interest rates. Such cases highlight both the appeal of non-dollar financing in an era of high Fed rates and the limits of RMB internationalisation, which often proceeds on a bilateral, case-by-case basis rather than through systemic market uptake.

## **Contours of SCO's Green Finance Cooperation**

Perhaps the most intriguing element of the summit was its emphasis on green energy cooperation. Considered cynically, this could be construed as a kind of greenwashing, with climate rhetoric deployed to justify financial mechanisms that serve sanction and tariff resilience. Renewable corridors and green bonds provide normative cover for what might otherwise be seen as bloc-building. Nevertheless, to attribute such initiatives to camouflage alone would be misleading. According to [reports](#) by Carbon Monitor, a global emissions tracker, between January 1 and June 30 2025, U.S. emissions rose 4.2% while China's fell 2.7%. Without reading too much into China's long-term global carbon emissions, this reduction promises commitment and viability in an ecologically threatened global scenario. On an international front, Central Asia's energy system is in genuine need of integration and decarbonisation, and Chinese capital is already flowing into [wind and solar](#). The green platform arguably therefore serves a dual function of responding to real developmental needs, whilst simultaneously offering a discursive shield for sensitive financial innovation.

### **Not de-dollarisation but strategic alliances?**

A larger implication of the 2025 SCO Summit and the potential framing of the development bank could be that the bloc does not seek a direct challenge to the [Bretton Woods institutions](#).

It is instead contributing to financial fragmentation, providing states with choices, reducing economic vulnerabilities and uncertainties of a tariff-laden US-based order. The SCO bank could offer countries institutional and economic resilience without provoking an immediate counter-response. At the same time, the SCO's heterogeneous membership, including India's divergent threat perceptions and Central Asian concerns about Chinese dominance, ensures that the organisation cannot credibly be presented or indeed perceived, as a monolithic anti-Western bloc. This diversity is a constraint, but also an asset, in that it forces the organisation to proceed with a technocratic, issue-by-issue approach that appears less threatening.

In aggregate, the Tianjin summit exemplifies a strategy of institutional layering in global financial governance. The SCO is constructing parallel arrangements that expand autonomy without severing ties to existing systems. This approach may

ultimately prove more resilient than overtly confrontational strategies. Rather than seeking dramatic breaks, it combines incremental security cooperation with the quiet construction of financial and institutional infrastructure that reduces dependence, positioning members to benefit from the gradual erosion of the contemporary imperial order.

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