

ORION FORUM

The SCO 2025: Progress and Reality Checks

OCTOBER 10, 2025

Xi Jinping had a September full of diplomatic wins. The Shanghai Cooperation Organization (SCO) held its 25th [summit](#) in Tianjin, drawing the largest attendance in its history. Later, Beijing hosted a military parade commemorating the defeat of Japan in World War II, referred to in China as “The War of Resistance Against Japanese Aggression.”

Within a few days, leaders from across Eurasia passed through Beijing, consolidating what seems to be Beijing’s leadership of the so-called Global South. Some of the names that visited Xi included Russia’s Vladimir Putin, India’s Narendra Modi, Indonesia’s Prabowo Subianto, NATO member Turkey’s Recep Tayyip Erdoğan, and representatives from Southeast Asian and Central Asian republics.

On paper, this year’s SCO summit was historic. Xi used the stage to present an ambitious vision of the SCO as a force in reshaping the world order. The United Nations Secretary-General António Guterres also [attended](#), giving the event a veneer of institutional legitimacy. Without directly mentioning President Trump’s tariff policies, Chairman Xi [referred](#) to them denouncing Western “bullying” and “hegemonism.” Xi’s alternative [called](#) for a multilateralism centered on the so-called Global South, unveiling a set of institutional proposals: a new SCO Development Bank, financial pledges worth billions of yuan, and a cooperative framework on artificial intelligence.

For Beijing, this was meant to mark the moment when the SCO expanded beyond its original security focus into economics, technology, and governance. Yet beneath the diplomatic display lies a more moderate reality. A more sober assessment reveals that while the SCO is making incremental progress, and it has evolved as an institution and increased its membership, its capacity to become transformational a real counterweight to the institutions of the

international liberal order remains questionable.

Xi's triumphant September

It is undoubtable that the SCO's 2025 summit demonstrated organizational growth. The SCO's mandate is broader, going beyond its original focus in anti-terrorism, and now also includes the fight against narcotic trafficking and information security. President Xi also announced two ambitious proposals. First, the SCO Development Bank, [backed](#) by over 2 billion yuan in aid commitments and 10 billion yuan in loans. Second, the [Global Governance Initiative](#) (GGI) and AI cooperation framework, demonstrating Beijing's strategy to leverage institutions like the SCO to expand its technological systems to global standards.

This summit also marked an important milestone in terms of participation. Over 20 countries attended, signaling key diplomatic momentum beyond the organization's formal membership. As with BRICS, SCO members may not have much in common beyond a certain disdain for the liberal international order. However, the fact that Xi Jinping managed to bring more than twenty global leaders to China in person is significant in itself as an important diplomatic victory.

Membership categories were simplified, [merging](#) "observer" and "dialogue partner" categories reflecting an administrative maturation. If an organization aims to grow, it needs to have standardized membership statuses. Laos that plays a key role as China's partner in Indochina, an area that has become recently highly unstable with the civil war in Myanmar and the [clashes](#) between Thailand and Cambodia, became a dialogue partner signaling more involvement in the SCO. Finally, Kyrgyzstan was handed over the chairmanship of the organization for the next term, choosing the [theme](#) "Together for a Stable World, Development, and Prosperity," signaling the expanded scope of the SCO.

The Reality Check: Gaps Between Rhetoric and Action

The SCO was established in 2001 to address what China calls the three evils, "terrorism, separatism, and religious extremism" in Central Asia. The SCO developed an institutional culture, decision-making processes, and expertise around coordination in the security domain. The SCO achievements are in no way comparable to NATO, but its anti-terrorism initiatives

have produced some [tangible results](#) that could be linked to greater regional stability.

Nevertheless, the current gap between the SCO's new aspirations and its ability to deliver does not only concern its newly expanded areas of interest, it is also visible in its original security role. The Twelve Days War between Israel and Iran could be a good [example](#) of the SCO's limits. Iran achieved full SCO membership in 2023, but, when Israeli and American forces struck Iranian nuclear positions earlier this year, the SCO's response was absent. An organization supposedly committed to collective security and resistance to Western "hegemonism" offered no meaningful support to a member under direct attack.

This example shows the SCO's core limitation, despite having the appearance of a multi-lateral forum, member states consistently prioritize bilateral relationships and national interests and rarely take collective action to defend the SCO's interests as a block. Going back to the Israel-Iran example, India is a close ally of Israel and treats its SCO participation more as hedging than as ideological alignment with an anti-Western bloc. China condemned the strikes but prioritized relations with Gulf states and even criticized Tehran when it threatened to close the Strait of Hormuz. Russia, swamped in Ukraine, while having harsh rhetoric against Israel-US actions, Moscow has tried to maintain good ties with both Iran and Israel which ties its capacity of action.

In this fashion, the concrete achievements from the 2025 SCO summit remain limited. Xi's development bank is the most tangible outcome, a new institution that will aim to create RMB-denominated financing channels outside the US dollar system. Yet this is far from new. Similar institutions, such as the BRICS New Development Bank (NDB) or the Asian Investment Infrastructure Bank (AIIB) --linked to the Belt and Road Initiative--, have existed for nearly a decade, but have had a limited impact in the global financial system, which raises doubts about whether this SCO bank will amount to anything.

The summit declaration included vague language on developing trade facilitation agreements within the SCO framework. Nevertheless, progress on trade in local currencies among SCO members remains minimal, with only weak commitments to extend [existing](#) roadmaps from 2022. In this context, it is difficult to see how the SCO can move from a lowest common denominator security organization to an economic and financial one capable of challenging the

West.

Besides, security cooperation and financial innovation require very different organizational capabilities. The SCO's consensus based decision making is effective enough for some intelligence sharing and joint military drills, but it is ill suited for a new development bank, which may require faster responses to keep up with markets and crises.

Expanding its mission also risks diluting the SCO's identity. Organizations that attempt to be everything to everyone often excel at nothing. The SCO's comparative advantage lies in it offers unique security coordination organizations among Eurasian powers, and that it is likely, the largest non-Western security organization that exists in the world. On the other hand, there are already many non-Western development financial forums, and extending the SCO into those fields may strain its institutional coherence.

Strengthening China's Position in Eurasia

There is one element that could, however, largely mitigate all the SCO's shortcomings, and that is the fact that not only China participates in it, it is the leading voice and the *raison d'être* of the SCO. The SCO lacks the technocratic expertise and institutional agility that an effective financial institution demands. Therefore, as has happened with the NDB and AIIB, the SCO Bank will inevitably rely heavily on Chinese financial capacity despite its multilateral framing.

But will this be enough to become a multilateral alternative to the International Monetary Fund or the World Bank? The reality is that if we exclude China trade among SCO members, while growing, is still a fraction of member states' total commerce. A shared financial institution bank could stimulate more trade, but more likely it will just increase China's economic dominance within the organization rather than promote a balanced multilateralism.

Moreover, it is hard to say to what extent China's real goal is to replace the existing financial order. China is already the top trading partner of most of the so-called global south, and it is hard to say that Beijing hasn't benefited from the current global trade system. Till the moment the SCO has operated within, rather than outside, the existing UN institutional order, and it is likely to remain so. That means that if it expands its activities to the financial domain, it will have a similar approach. Most likely Beijing's goal here aims more towards complementing

Western institutions than replacing them.

Xi Jinping's proposed AI [cooperation](#) framework follows a [similar line](#), and it will also naturally have to rely heavily on Chinese technology. Xi's Global Governance Initiative, includes plans to establish an AI cooperation center for SCO member states to serve as a shared platform for research, infrastructure development, and talent exchange. Given that in the global AI race there are only two serious contenders, the United States and China, it is hard to see what could most of the members of the SCO, still developing nations, contribute. In the end this would actually just be a way to facilitate Chinese market expansion of its hardware, AI systems and standards around Eurasia.

Slow Geopolitical Shifts

Perhaps the most powerful image of the summit was [Xi, Modi, and Putin](#) walking together hand in hand. Many have seen this as a China India [rapprochement](#) amid Trump's tariffs on India. Despite the tensions in the Himalayas and the rising competitions between China and India in manufacturing, but also for influence in South East Asia, Xi and Modi have been trying to amend relations since before Donald Trump's second victory in November 2024. Also, India and China have traditionally had ups and downs in their relationship, so a cooling down of tensions after years of heated conflict is not a surprise.

The reality is that despite what both Modi and Xi wanted to portray during the SCO, the truth is that India's participation in the SCO remains very pragmatic. New Delhi uses it to hedge against China, for accessing Central Asian energy, and as a negotiating leverage against the West. A sign that China and India are far from being something remotely close to friends, is that when in the SCO summit there were official statements with positive references to the BRI, India rejected to sign such statements, and has refused to be part of it. This shows how important structural divisions within the SCO remain, and also some of the limits to become an alternative bloc to Western power.

This is why also in terms of global governance the SCO will have a more moderate, yet still relevant impact. In his speech during the SCO summit, Xi Jinping called for the dawn of a "new global order." Nevertheless, in that speech there is little that directly contradicts the dominant

logics of the current UN system.

What Xi is really calling here is for a rebalancing in the favor of China, and for greater influence within existing institutions, which does not indeed make things easier for the West. The truth is that such rebalancing might be already happening. Beijing and its coalition of developing nations have already increased their weight in the World Bank, IMF, and UN. China's commemoration of Japan's surrender should be read less as announcing a new world order than as asserting its rightful place as a co-founder of the existing postwar system, entitled to the same position that Washington and Moscow have enjoyed in the past.

Overall, Xi can be satisfied with the SCO summit. The organization has gained momentum, and its ability to convene a diverse crowd of powerful regional leaders in Tianjin is an achievement on its own merit. But these contributions should not be overstated. The coming years will test whether the SCO can turn words into action. Until it proves it can act decisively on its stated principles, especially collective security, it should be judged by performance, not promises.

**image credit: Anadolu Agency*

Orion Policy Institute (OPI) is an independent, non-profit, tax-exempt think tank focusing on a broad range of issues at the local, national, and global levels. OPI does not take institutional policy positions. Accordingly, all views, positions, and conclusions represented herein should be understood to be solely those of the author(s) and do not necessarily reflect the views of OPI.