become more than a commodity supplier. Its long-term objective should be integration into regional energy value chains.

War has changed the meaning of economic diplomacy

The current US-Israeli conflict with Iran has also changed the meaning of economic diplomacy. Under ordinary circumstances, economic diplomacy is largely about attracting investment, increasing exports, and opening markets. Under conditions of military confrontation and blockade, it also becomes a component of national resilience.

The SCO summit therefore provided Tehran with an opportunity to make a broader argument: economic connectivity can itself become a security instrument. The Bishkek declaration condemned military strikes on Iran and reaffirmed members' support for Iran's peaceful nuclear rights. It also emphasised economic cooperation, financial coordination, energy security, and the implementation of the SCO's economic and energy strategies through 2030.

This political support should not be confused with a guarantee of unlimited economic assistance. China, Russia, India, and the Central Asian states have their own national interests and calculations. None of them should be assumed to act simply as extensions of Iranian policy. But this is precisely why economic diplomacy matters. Iran does not need patronage. It needs mutually beneficial interdependence.

Corridors as an economic counterweight

Perhaps Iran's most underutilized strategic asset is its position as a transit country. If maritime routes remain vulnerable because of conflict around the Strait of Hormuz, land-based and multimodal corridors become more valuable. Iran can strengthen north-south connectivity toward Russia and Central Asia while simultaneously developing east-west routes connecting Asian markets to the Middle East.

Such infrastructure would serve two purposes. First, it would generate direct economic benefits through transit revenues, logistics, investment, and employment. Second, it would create constituencies in other countries with a material interest in maintaining Iran's economic connectivity. This distinction is important. A country becomes harder to isolate when other countries have something substantial to lose from its isolation. That is perhaps the deeper logic behind Iran's economic diplomacy at the SCO.

Beyond the 'Look East' debate

Iran's engagement with the SCO should not be reduced to the simplistic binary of "East versus West". A sophisticated foreign economic policy should preserve room for engagement with all major economic centers where national interests permit. But diversification becomes particularly important when one external actor possesses the ability to impose disproportionate costs through sanctions, financial restrictions, and military power.

Iran's objective should therefore be strategic diversification rather than geopolitical exclusivity. The East is not a substitute for the entire world. But neither should Western financial and political structures remain the only gateways through which Iran can access international trade. The SCO offers an opportunity to build additional gateways.

From summit diplomacy to implementation

The real test of Pezeshkian's economic diplomacy will begin after the summit. Iran has no shortage of memoranda, declarations, and diplomatic agreements. What it needs now is implementation.

The proposed SCO bank must move toward serious institutional discussions. The export insurance mechanism needs a concrete framework. Energy cooperation requires investment projects rather than political declarations. Railways, ports, customs systems, payment mechanisms, and digital trade infrastructure must all be developed in parallel.

The private sector must also become a central participant. Economic diplomacy cannot succeed if Iranian exporters and investors remain trapped by domestic regulatory obstacles while diplomats negotiate new markets abroad. The government therefore faces a dual task: expand external economic opportunities while simultaneously removing internal barriers to using them.

A strategic opening for Iran

Pezeshkian's appearance in Bishkek ultimately represented more than Iran's participation in another multilateral summit. It reflected an attempt to redefine economic diplomacy as an instrument of strategic resilience.

Iran is facing military confrontation, sanctions, restrictions on oil exports, and a continuing US naval blockade that has disrupted maritime trade. Yet the same pressures that seek to isolate Iran have also increased the strategic value of alternative economic networks. The opportunity presented by the SCO is therefore real, but it is not automatic. Iran must convert political relationships into infrastructure, infrastructure into trade, trade into investment, and investment into long-term interdependence.

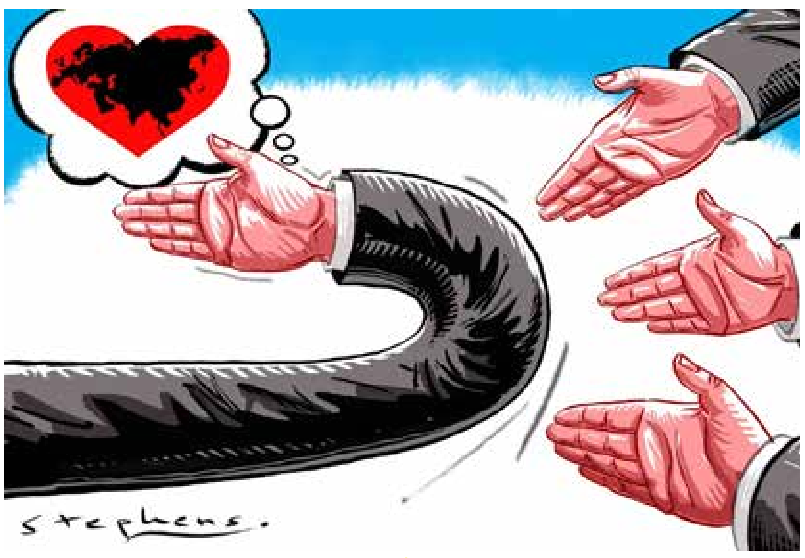
The strategic calculation is simple. If Washington seeks to constrain Iran by controlling its financial and maritime access, Tehran's most effective response is not economic isolation of its own. It is the construction of multiple alternative channels through which Iranian goods, energy, capital, and commerce can move. In that sense, the SCO may become important not because it offers Iran an escape from the global economy, but because it can help Tehran negotiate its place in that economy on more diversified and less vulnerable terms. For Iran, this is the real promise of economic diplomacy: not merely surviving pressure, but turning geography, energy, connectivity, and regional partnerships into sources of national leverage.

A Eurasia that no longer seeks US permission

By Shirley Ze Yu

Director of the China-Africa Initiative at the London School of Economics

OPINION



● CRAIG STEPHENS/SOUTH CHINA MORNING POST

Chinese President Xi Jinping arrived in the Kyrgyzstan capital Bishkek this week, hailing a "golden period" in ties between the two Asian countries, at the 25th anniversary summit of the Shanghai Cooperation Organisation (SCO). Xi also shared the stage with Russian President Vladimir Putin and Iranian President Masoud Pezeshkian. Together, they lead the three most heavily sanctioned economies on earth.

Against the backdrop of war, the summit projected a continental Eurasia whose mission no longer seeks America's permission. This year, the SCO advanced two important objectives that echo Beijing's long-term pursuits: a push for local-currency settlement to bypass Western financial systems (the Bishkek Declaration), and progress (at last) towards an SCO Development Bank.

Kyrgyzstan made launching an SCO Development Bank the goal of its 2026 chairmanship. China first proposed the concept back in 2010, and Xi revived it at the Tianjin summit in 2025. He called it a strategic measure to address big geopolitical shifts. Initially, Russia and India were wary of a bank China would dominate, but US actions have made them think again. Russia has been locked out of Western capital, Iran is under a US trade blackout, and those who trade with Iran are also now in the firing line.

An SCO bank offers obvious incentives. Central Asian states need infrastructure capital that no one else will provide on comparable terms. Escalating US pressure has been Beijing's best recruiting tool. Unlike the China-based Asian Infrastructure Investment Bank and the New Development Bank, the SCO Development Bank will operate outside the dollar-denominated financial system. More than just a multilateral lender, it will also provide a settlement architecture that lets sanctioned or wary states move money outside the dollar-clearing system.

The summit comes a week after the US Treasury launched its so-called "economic D-Day" against Iran and its trading partners. Chinese financial institutions now risk further US sanctions. However, if Washington were to sever a major Chinese bank from dollar clearing, it would be a grave economic act against Beijing and one that the US Treasury is most reluctant to use. Asked why, US Treasury Secretary Scott Bessent said: "Why would I want to blow up the global financial system?"

It was a telling answer because sanctioning a systemically important Chinese bank risks doing exactly that. China can hit back where America is genuinely exposed. For instance, Beijing controls the rare-earths that US defence and technology depend on, and has shown before that it will hold them to ransom. A Chinese bank sanction would almost certainly trigger that kind of retaliation.

Even the prospect of it forces China to de-dollarise. China's Cross-Border Interbank Payment System now links 1,800 institutions and has cleared the equivalent of $245 trillion in yuan annual transactions by March 2026. Iran's trade already clears outside the dollar through the yuan and barter. Every time the US Treasury threatens to weaponise the US-controlled SWIFT banking system, it boosts Beijing.

Chinese President Xi Jinping (L) arrives in Bishkek for the Shanghai Cooperation Organization (SCO) Summit 2026 and a state visit to Kyrgyzstan upon the invitation of President Sadyr Japarov (R) of Kyrgyzstan, on August 30, 2026.
● XINHUA

> An SCO bank offers obvious incentives. Central Asian states need infrastructure capital that no one else will provide on comparable terms. Escalating US pressure has been Beijing's best recruiting tool. Unlike the China-based Asian Infrastructure Investment Bank and the New Development Bank, the SCO Development Bank will operate outside the dollar-denominated financial system. More than just a multilateral lender, it will also provide a settlement architecture that lets sanctioned or wary states move money outside the dollar-clearing system.

Institutionalising an alternative

China's response to the US at the Bishkek Summit is to institutionalise an alternative. The SCO Development Bank and local-currency settlement turn a loose Eurasian gathering of illiberal nations into a functioning post-dollar regional economic bloc. This makes future American sanctions less effective.

Against this backdrop, and from China's standpoint, US sanctions have not isolated Iran. Rather, they have drawn it closer to the Eurasian bloc. The wider message from this is that states under US pressure have an alternative.

China also wants to 'lock in' the continental corridor end-to-end, with Xi's state visit to Kyrgyzstan likely to cement the spine of the rail corridor to Iran and Turkey, with Egypt being the Mediterranean terminus. This physical infrastructure ensures China's trade and partial energy supply in the event of a maritime blockade. Xi hosted several bilateral meetings on the sidelines of the SCO Summit, aiming to cement the China-Kyrgyzstan-Uzbekistan railway, the southern spine of a continental corridor already carrying freight from Xi'an to Tehran in 15 days, compared with a month by sea.

Beyond that, Beijing wants to win the post-dollar world narrative. The leaders of the three most sanctioned nations standing side-by-side just days after Washington's 'D-Day' reframes American coercion as the gathering force for a Eurasian bloc of nations, one increasingly financed by (and settled in) yuan, gauged by rail and pipeline infrastructures, and built to route around every US-patrolled waterway.

The project is far from complete. China still imports most of its oil by sea. The newly operational Arctic route (resulting from melting sea ice) and the rail corridor can still only carry modest volumes compared to seaborne trade. Meanwhile, an SCO Development Bank has been 'imminent' for 15 years, and India still has a veto.

Washington's selective access to US capital, the dollar, and trade has become China's best recruiter. For the first time in 80 years, two parallel global trade and financial architectures now exist: one maritime, dollar-denominated, and US-financed; the other continental, local-currency-denominated, and Chinese-financed. The politicisation of one led to the other. By denying China access to energy, Washington shows that there is an alternative to trading with America. China could not have designed it better.

The article first appeared on Al Majalla.