From blockade to breakthrough

Iran's economic strategy at SCO summit

Iran's President Masoud Pezeshkian (R) talks with the Indian Prime Minister Narendra Modi as they walk off the stage after taking a group photo with the leaders of the Shanghai Cooperation Organization during a summit in Bishkek, Kyrgyzstan, on September 1, 2026.
president.ir

By Saman Sofalgar
Political researcher

OPINION
EXCLUSIVE

Masoud Pezeshkian's participation in the 26th summit of the Shanghai Cooperation Organization (SCO) in Bishkek should not be viewed merely as another item on Iran's diplomatic calendar. For Tehran, the summit came at a particularly consequential moment: Iran is confronting an increasingly militarized confrontation with the United States and Israel, severe economic restrictions, and a continuing US naval blockade that has disrupted the country's oil exports and complicated maritime trade through the Persian Gulf and the Strait of Hormuz.

Against this backdrop, Pezeshkian's economic agenda at the SCO carried a significance beyond conventional summit diplomacy. Iran is attempting to transform its geopolitical position in Eurasia into concrete economic leverage. The objective is not simply to "look East," nor to replace dependence on Western markets with dependence on Asian powers. Rather, Tehran's emerging strategy is to diversify its economic relationships, build alternative financial channels, strengthen regional connectivity, and make Iran an increasingly indispensable node in Eurasian trade.

At the Bishkek summit, Pezeshkian proposed three initiatives aimed at deepening economic integration among SCO members: the establishment of an SCO bank, the creation of an export insurance and investment union, and the formation of an energy consortium. These proposals deserve attention because they address precisely the structural vulnerabilities that sanctions and military pressure have exposed in Iran's economy.

> At the Bishkek summit, Pezeshkian proposed three initiatives aimed at deepening economic integration among SCO members: the establishment of an SCO bank, the creation of an export insurance and investment union, and the formation of an energy consortium. These proposals deserve attention because they address precisely the structural vulnerabilities that sanctions and military pressure have exposed in Iran's economy.

From political membership to economic strategy

Iran became a full member of the SCO in 2023. Since then, one of the central questions has been whether membership can generate tangible economic benefits rather than remain primarily a diplomatic achievement. The answer depends on whether Tehran can convert political relationships into commercial infrastructure.

For Iran, the SCO offers a unique combination of markets, energy demand, financial resources, industrial capacity, and geographical connectivity. China and India are major Asian economies; Russia remains a critical regional power; and Central Asian states are increasingly interested in diversified trade routes that reduce their dependence on traditional corridors.

Iran sits at the intersection of several of these routes. Its geography connects Central Asia and Russia with the Persian Gulf and the Indian Ocean, while its ports and rail networks offer potential links between northern Eurasia and South Asia.

This makes connectivity one of Iran's most important strategic assets. Yet geography alone does not create economic power. Infrastructure, customs procedures, banking mechanisms, insurance arrangements, political stability, and predictable regulations determine whether a geographical advantage becomes a commercial one. The challenge for Pezeshkian's government is therefore to turn Iran's location from a map-based advantage into an operational economic asset.

Naval blockade and the logic of diversification

The urgency of this task has increased dramatically because of the continuing US naval blockade. Recent reporting indicates that the blockade, reinstated in July, has sharply reduced Iranian crude exports. Reuters reported that Iranian oil loadings fell from roughly 2 million barrels per day in March to around 240,000 barrels per day in August. Maritime traffic through the Strait of Hormuz has also fallen substantially amid the escalation of the conflict.

This is more than a temporary commercial disruption. It demonstrates the strategic vulnerability created when a country's external economic lifelines can be targeted through military means.

For Iran, the lesson is straightforward: economic resilience requires diversification not only of trading partners but also of transportation routes, financial systems, insurance mechanisms, and energy markets.

This is precisely where the SCO becomes strategically relevant. Iran cannot eliminate the importance of maritime trade, nor should it attempt to isolate itself from the global economy. But it can reduce the consequences of disruption by expanding alternative land corridors, strengthening rail connectivity, increasing trade with neighboring states, and developing financial mechanisms that are less exposed to unilateral US pressure. The objective is not autarky. It is strategic redundancy.

The SCO bank proposal

Pezeshkian's proposal for an SCO bank is particularly significant in this context. One of the central weaknesses of Iran's external economy has been its limited access to conventional international financial channels. Even when European or Asian companies may have an economic interest in dealing with Iran, the threat of US secondary sanctions can discourage them from doing so.

A regional financial institution could, over time, provide an additional layer of protection for intra-SCO trade. Such an institution would not replace the global financial system overnight. Nor should expectations be exaggerated. Establishing a multilateral bank requires capital commitments, legal agreements, institutional trust, and a workable framework for settlements.

But the strategic value of the idea lies elsewhere. If SCO members gradually expand the use of national currencies, alternative payment systems, and regional financial institutions, the ability of any single external power to disrupt their commercial relationships could be reduced. For Iran, this would represent more than financial convenience; it would constitute a form of economic sovereignty.

Energy as Iran's strategic leverage

Energy cooperation is another area in which Iran possesses significant structural advantages. The SCO's energy agenda has already been moving toward deeper coordination. In June, the organization's energy ministers agreed to continue expert consultations on establishing an energy consortium among member states and discussed energy security, infrastructure protection, and cooperation through 2030.

Iran's participation in such a framework could be highly consequential. Iran possesses enormous oil and natural gas resources, extensive petrochemical capacity, and a strategic position connecting energy-producing regions with major Asian consumers. China and India, meanwhile, remain among the world's most important energy markets.

The creation of a more institutionalized SCO energy framework could therefore provide Iran with opportunities extending beyond crude exports. Joint investment, refining, petrochemicals, energy infrastructure, technology transfer, and electricity cooperation could all become part of a broader economic strategy. The critical point is that Iran should seek to

This screengrab from undated handout video footage released by the US Central Command (CENTCOM) on July 25, 2026, shows operations enforcing the US' naval blockade against Iran.
CENTCOM