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Harnessing the Economic Transformation of the Shanghai Cooperation Organization: Economic Opportunities and Challenges for Pakistan

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Abstract

The full membership of Pakistan in the Shanghai Cooperation Organization, since 2017, presented a wide range of opportunities in the realm of economic development as well as regional integration. While the SCO economic transformation came with an enormous potential benefit on the facilitation of trade, infrastructure development, and financial cooperation, these have not been fully harnessed by Pakistan. This paper, therefore, discusses why Pakistan has realized only limited success in securing the attendant economic benefits of the SCO. Given that the study applies a qualitative research approach and a comprehensive review of related literature, it discusses the economic framework of SCO and determines the strategic economic initiatives that Pakistan can adopt. This mainly brings out internal challenges such as policy gaps, institutional deficiencies, and lack of strategic planning that hinder effective participation in the economic activities of the SCO. This paper identifies and discusses a framework for Pakistan to engage more meaningfully with the SCO by overcoming these challenges through policy reforms, institutional strengthening, and strategic actions. Subsequently, it concludes that Pakistan needs to overcome internal impediments so as to align with the SCO's strategic economic ideas and programs and, through this, achieve greater economic dividends of its membership, overall, and contribute far more measurably to regional economic integration.

Keywords: Shanghai Cooperation Organization, Economic Transition of SCO, Economic Liberalism, Regional Integration, Strategic Economic Initiatives.

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Introduction

The SCO is geared to an economic transformation which aims at consolidating multilateral cooperation between its member states. It shifts the focus to strategic economic cooperation that pursues long-term collaboration for certain economic goals and advantages. While general economic cooperation is normally ad hoc or short-term in nature, strategic economic cooperation is systematic towards a pre-defined long-term goal with the purpose of achieving a competitive advantage in the global market and using economic instruments to achieve broader strategic objectives. The best example of such strategic economic cooperation is the Association of Southeast Asian Nations (ASEAN), which has fostered regional connectivity, trade integration, and strategic economic objectives. ASEAN has implemented initiatives such as the ASEAN Free Trade Area (AFTA) and the ASEAN Economic Community (AEC) to promote economic integration among its members while respecting their sovereignty (ASEAN, 2021). This set of measures has managed to provide deeper economic integration and lower trade barriers for creating a more cohesive economic environment within the bloc. For example, intra-ASEAN trade reached USD 598.2 billion in 2020, accounting for 21.2% of ASEAN's total trade (ASEAN Statistics, 2021).

In 2024, the combined GDP of SCO member states are approximately 25% of the global GDP (Shanghai Cooperation Organization, 2024), which is estimated more than 6.36 trillion USD (World Bank, 2023), thus constituting high economic potential in the region. At the same time, it actively promotes economic integration through the use of trade facilitation, SCO joint infrastructural projects, and financial cooperation having potential towards a single economic space (Xin, 2021). The members are striving for increased trade cooperation, reduced trade barriers, development of trade corridors, and harmonization of customs procedures in accordance with international standards in order to provide an open and efficient trading environment. From 2000 to 2019, the SCO's total economic volume grew 13-fold from USD 1.5 trillion to 20 trillion USD, while its total foreign trade increased tenfold from 650 billion USD to 6.6 trillion USD (Xin, 2021). The key element of the economic cooperation of this organization is mutual trade which has risen considerably as depicted in Figure 1 (World Bank, 2019). As SCO assumes ever-increasing economic importance, enormous opportunities have opened up for its members, of which Pakistan is also a part.

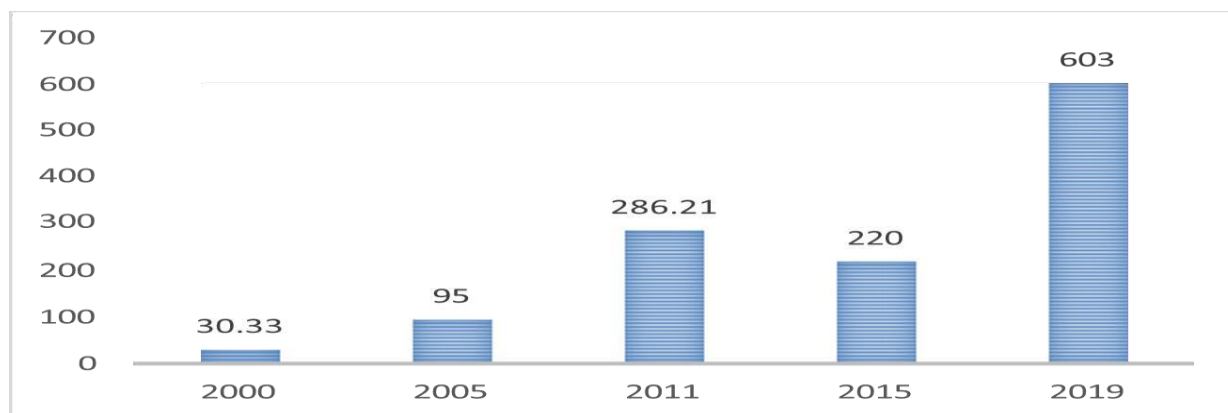


Figure 1 Mutual Trade Volume the SCO member states Billion USD

Source: UN Comtrade Database. URL: <https://comtradeplus.un.org> (accessed on 08.10.2024).

Full membership of Pakistan in the SCO since 2017 has opened promising avenues of development and regional integration on many counts. Firstly, this is where market access can increase manifold, considering the combined population of over 3.3 billion people that the SCO member countries maintain (SCO Summit 2022: Key Takeaways, 2022). This thus provides an opportunity for diversification and expansion of Pakistan's trade, thereby reducing reliance on traditional markets. The SCO's efforts at reducing trade barriers, like the abolition of tariffs and quotas between its member states, will make Pakistani exports more competitive in the region. Another major benefit is that of improved regional connectivity. For instance, Trade Growth in Kazakhstan Over the past two decades, the Kazakhstani economy has become one of the major beneficiaries of SCO economic cooperation, having increased significantly in its mutual trade volume during this period. In 2000, the mutual trade of Kazakhstan with the six initial SCO member states reached USD 560 million, comprising 18.4% of total SCO trade. This volume increased to USD 31,767 million by 2015, a growth of 56.7 times, while its trade share decreased to 14.5% due to the overall increase in SCO trade and the inclusion of new members such as India and Pakistan. It continued to grow further, and in 2019, Kazakhstan's mutual trade within the SCO reached USD 47,265 million, which is 84.4 times greater than in 2000, though its share fell to 7.8% (Xin, 2021). In 2023, its mutual trade turnover with the SCO member states reached 66.7 billion USD which represents a 119.1-fold increase from 2000 and the trade share was approximately 13.6% (Omirgazy, 2024). This astounding growth in absolute terms serves as evidence of the developed trade capabilities of Kazakhstan, powered by its strategic geographic position, improved

infrastructure, effective trade facilitation measures, and substantial foreign direct investment from key SCO members such as China and Russia (Xin, 2021).

Table 1: Kazakhstan's Mutual Trade Turnover within the SCO (2000-2019)

Year	Mutual Trade Volume (USD million)	Trade Share (%)	Fold Increase from 2000
2000	560	18.4	1
2015	31,767	14.5	56.7
2019	47,265	7.8	84.4
2023	66,700	13.6	119.1

Source: UN Comtrade Databas. URL: <https://comtrade.un.org>

The SCO focuses on joint infrastructure projects, including operational initiatives like the China- Kyrgyzstan-Uzbekistan Highway and the Central Asia–China Gas Pipeline, which enhance regional connectivity. These projects are beneficial for Pakistan because of its strategic location at the crossroads of South and Central Asia. Projects such as the China-Pakistan Economic Corridor (CPEC), which is supported by the SCO's emphasis on regional connectivity and integration, can help develop Pakistan's transport network, increase foreign investment, and enable the country to accelerate economic growth and infrastructure build-up (Abdul Rab, 2023).

Having full membership since 2017, Pakistan is guaranteed great opportunities for development and regional integration within the SCO region. Its means a number of avenues leading to achieving its development and regional integration through access to enhanced markets of SCO members-both increasing trade and economic diversification-driven inwards-bound foreign direct investment into the energy, infrastructure, and technology sectors by fellow member countries. Similarly, Pakistan can also take part in infrastructure projects at a regional level to develop better transportation and communication links, engage in energy projects with resource-rich member states as a remedy for the energy shortage, and benefit from opportunities for collaboration in education, science, and culture, hence enhancing human capital development.

Trade facilitation, infrastructure building, and financial cooperation are some of the major initiatives involving the advantages accruing to Pakistan from the ongoing economic transformation of the SCO, geared toward multilateral cooperation among its members. However, hampered by internal weaknesses, a lack of strategic economic initiatives, policy gaps regarding the SCO, and external challenges associated with geopolitical tensions, Pakistan has not been fully able to avail itself of these opportunities so far. This research will undertake a broad study of the SCO's economic dimensions and future advantages while

analyzing what internal deficits have existed in Pakistan that did not allow it to gain maximum benefits from such an excellent opportunity. This research accordingly attempts to find the answers to the following questions:

1. How does the SCO provide realistic economic opportunities for Pakistan?
2. How can the SCO provide an opportunity for Pakistan to set and achieve strategic economic initiatives?
3. What are the principal impediments or constraints to Pakistan's fulfilment of these strategic economic initiatives, which can be addressed through being part of the SCO?

Origin and Evolution of the SCO

The Shanghai Cooperation Organization, also known as SCO, grew out of the Shanghai Five, which was established in 1996 by Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan for the purpose of deliberating on matters pertaining to border disputes and security concerns (Abdul Rab, 2023). In 2001, the organization expanded into the SCO, with the intention of more intensive and higher-level cooperation, with the addition of Uzbekistan. It further expanded with the granting of permanent membership to Pakistan and India in June 2017, followed by Iran's membership in July 2023, and finally, Belarus joined the organization (Permanent Representatives to the SCO Secretariat, 2024). Other observer and dialogue partner countries also take part. The observer states include Afghanistan and Mongolia, while the dialogue partners are Armenia, Azerbaijan, Nepal, Myanmar, Cambodia, Nepal, Sri Lanka, Türkiye, Egypt, Kuwait, Bahrain, UAE, Qatar, and Saudi

Arabia (Shanghai Cooperation Organization, 2024). It is one of the biggest regional organizations in Eurasia, encompassing political, economic, international security, and defence dimensions. It is actually the biggest regional organization in terms of area and population.

Table 2. Overview of the Shanghai Cooperation Organization

Item	Details
Total members	10 States (including Iran and Belarus)
Names of full members	China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India, Pakistan, Iran, Belarus

Number of observers	2
Names of observers	Afghanistan, Mongolia
Dialogue partners	14 States
Names of dialogue partners	Armenia, Azerbaijan, Nepal, Myanmar, Cambodia, Nepal, Sri Lanka, Türkiye, Egypt, Kuwait, Bahrain, UAE, Qatar, and Saudi Arabia.
Total GDP of SCO	Approximately 26.3 trillion USD (2023), accounting for about 25% of global GDP
Total intra-SCO trade	Intra-SCO trade has been increasing, reaching over 6.6 trillion USD in total foreign trade by 2019
Countries that have maximum trade within SCO	China and Russia
Countries that have least intra-SCO trade	Kyrgyzstan and Tajikistan
Regions covered geographically	East Asia, Central Asia, South Asia, and parts of Eastern Europe
Countries most connected within SCO	China, Russia, Kazakhstan (extensive road and rail networks); China and Pakistan (via Karakoram Highway)
Years in which trade barriers reduced	Since 2003, with the adoption of the Program of Multilateral Trade and Economic Cooperation, ongoing efforts include agreements in 2018 to enhance trade facilitation
Years in which tariffs reduced	Tariff reduction discussions have been ongoing; specific bilateral agreements have been made, but comprehensive tariff reductions within the SCO are still under development

Source: Shanghai Cooperation Organization, 2024 URL: https://eng.sectsc.org/about_sco/.

Two key permanent bodies conduct its activities: the Secretariat of the SCO headquarters in Beijing, China, and the Regional Anti-Terrorist Structure, which is headquartered in Tashkent, Uzbekistan. Besides these, there exist a number of ad hoc projects dealing with economic and security matters. The SCO's major objectives are: to establish mutual trust and good neighbourly relations; deepen multifaceted cooperation in politics, economy, trade, education, transportation, tourism, and environmental protection; and to rely on safeguarding the region's peace and stability, actively promoting an international political and economic order that is fair and reasonable. Two central concepts lie at the core of the organization: security cooperation against terrorism, separatism, and extremism, and promoting regional stability through Confidence Building Measures (CBMs) and peaceful dispute resolution. This is achieved through strategies and programs which include information sharing and constant military exercises as a way to ease tension and avoid conflict (Shanghai Cooperation Organization, 2024).

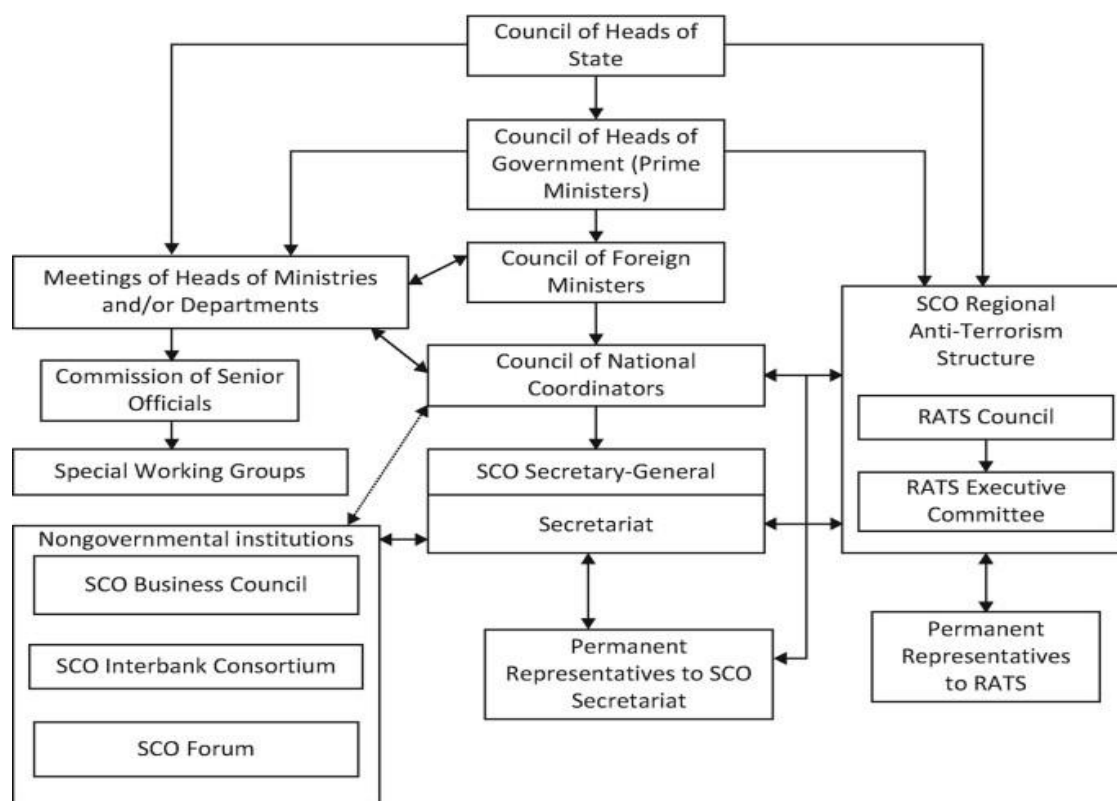


Figure 2. The SCO Structure

Source: Palgrave Macmillan, 2020 URL: https://media.springernature.com/lw685/springer-static/image/chp%3A10.1007%2F978-981-15-4708-9_5/MediaObjects/485206_1_En_5_Figa_HTML.png

One of the economic dimensions of the SCO is the establishment of specific bodies and initiatives that are beneficial for member states. For instance, the Interbank Consortium (IBC), was set up in 2005 with a view to encourage cooperation amongst the financial

institutions of the member states. It can support the IBC for trade financing, cross-border settlements, and joint investment projects while potentially increasing funding to Pakistani businesses that are involved in SCO-related trade and development. The Business Council of the SCO, established in 2006, serves as an interaction platform among businesses from member countries. Therefore, through this council, Pakistan can draw its businesses toward the SCO region, establish contacts with potential partners, find new trade opportunities, and participate in joint ventures.

Theoretical Framework **Economic Liberalism**

It is concerned with the facets of free markets, competition, and limited intervention by the state while propagating an open market system where prices, production, and distribution are determined by the demand for and supply of a particular entity. Hardin (1993) stated that economic liberalism is a unique subset of liberalism that persuades a limited role of government, and it primarily ensures the independence of the markets while functioning (Cambridge, 2009). Withal, the root of economic liberalism is traced from classical economists such as Adam Smith and David Ricardo, who advocated for free trade and economic independence. According to Helleiner, 2003, economic liberalism was a euphoria in responding to the mercantilist policies by supporting low tariff barriers and encouraging international economic cooperation (Helleiner, 2003).

Neoliberalism, an expansion of economic liberalism, was devised in the late 20th century and voiced an ever-increasing reliance upon free markets and state non-interference with a globalized economy. As Scott Burchill has stated, neoliberalism is not simply an economic doctrine but an ensemble of processes with a political project since it intends to reshape the nature of both state and individual in society. It also preaches the mantra of deregulation, privatization, and the opening of domestic markets to international competition on the grounds that human well-being is best advanced by liberating individual entrepreneurial freedoms within an institutional framework characterized by strong private property rights, free markets, and free trade (Burchill, 2013). Neoliberalism has come to dominate the international economic institutions, stamping its imprint upon the World Trade Organization WTO, the International Monetary Fund IMF, and the World Bank as bastions of free trade and capital mobility (Burchill, 2013).

Yet, Burchill also suggests that there are critics of neoliberalism. According to its critics, neoliberal policies heighten economic unequal distribution and create social dislocation and state sovereignty (Burchill, 2013).

It is principally grounded in concepts that include free trade, comparative advantage, and the efficiency of private enterprise. A somewhat more current analysis of these concepts is given by Freedon (2015), with particular focus on how economic growth is inherently intertwined with the principles of liberalism itself (Freedon, 2015). These are concepts that show their face

in many of the regional trade agreements, as economic liberalism grounds many of these through the use of comparative advantage and mutual economic gain. Simmons, Dobbin, and Garrett document how the spread of liberalism facilitated economic cooperation across regions, improving trade among member nations (Simmons, 2006).

The theoretical linkage between economic liberalism and regional integration is based on the fact that both concepts promote interdependence and market connectivity for mutual growth. This can be envisioned within regional models of the European Union's Single Market and ASEAN, where the economic liberal principles of free movement and market integration help to bring stability and development toward an economy (Vail, 2017). The European Union and ASEAN stand tall as successful regional integrations based on economic liberalism that permits open borders to trade, capital, and labor. This approach is within the liberal economic efficiency maximization principle through specialization that can contribute to regional prosperity (Cardoso, 2015).

Besides, SCO also covers aspects of economic liberalism in different projects related to facilitating trade, investment cooperation, and infrastructure development. Economic liberalism lies at the heart of SCO's goals when it comes to an open economic environment and conditions that are suitable for free trade and financial cooperation among its member states. This alignment therefore enables SCO to take part in activities that lower trade barriers and advance common projects that lead to greater economic connectivity. Initiatives include the Interbank Consortium, which underlines infrastructure financing by the SCO, and the involvement in trade liberalization by the same is a sign of going along with the liberal economic principles, allowing easier trades and investments across national barriers (Azizi, 2024).

Moreover, the efforts of SCO embody the principle of liberal economy by signing agreements on financial cooperation and developing joint infrastructure projects. The SCO's multilateral agreement promotes investments and infrastructural projects for enhancing economic interdependence among members through the development of economic linkages, thus stimulation of economic integration process. The system of cooperation corresponds to economic liberalism because a focus is made on the mutually beneficial and open market systems, which are highly significant for regional economic integration. These projects do not only contribute to the economic welfare of the member states but also consolidate the organization's position in developing a regional economic entity based on liberal economic principles.

The SCO has also influenced the policies of its members in respect to liberal market policy promotion, giving a more liberal approach towards trade and investment. This is in respect to the liberal trade practices among the member countries that have been steadily implemented to date by the SCO. According to Joobani, 2013, this involves pursuit of liberal economic policies by all its member states in form of reduced trade restrictions combined with

increased foreign direct investment. In all, these cumulatively enhanced economic linkages among SCO members and practically implemented the principles of economic liberalism at the regional level (Joobani, 2013).

Pakistan's engagement with the Shanghai Cooperation Organization (SCO) reflects an alignment with economic liberalism, particularly through its trade liberalization and market-opening policies. Consequently, Pakistan has also elaborated free trade and market liberalization policies under the SCO umbrella, primarily with the view to benefit from regional economic integration. Large initiatives involving basic infrastructure development, like CPEC, reflect Pakistan's approach towards facilitating an open-market framework to attract more investment in developing better connectivity with Central Asian countries (Ali, 2021).

The opportunities provided by the SCO framework allow Pakistan to expand its market access and diversify trade routes, along with investment inflows, for its liberal economic agenda. Given that SCO members, especially in regions like Central Asia, are encouraging reduced trade barriers and stimulating joint infrastructure projects, these could be especially sizeable. According to Gul (2022), the very fact of integrating Pakistan into SCO-driven economic projects has allowed it to be involved in broader investment flows that contribute to economic resilience and regional connectivity (Gul, 2022).

However, the complete translation of principles of economic liberalism into all spheres of policies of Pakistan has many gaps and institutional impediments, apart from external geopolitical stresses. Due to institutional deficiencies, policy continuity is hampered by the proper implementation of the liberal economy initiatives proposed by SCO. The regional geopolitics, above all, Pakistani relations with the neighbors complicate its full utilization of the SCO potential, as Rauf 2024 discusses in light of the delicate balancing act within the SCO's geopolitical landscape (Rauf, 2024).

This would involve recommending policy reforms in areas that would increase the degree of economic liberalism in Pakistan under the SCO, such as reduction of all types of tariffs, simplification of trade-related regulations, and improvement in ease of doing business to attract more foreign investment. In addition, strengthening government agencies would ensure better implementation and support for liberal economic policies with a view to integrating into the SCO initiatives. Furthermore, active participation in SCO's infrastructure projects and economic programs-through joint efforts at trade and investment-will also allow Pakistan to tap into its regional economic linkages.

In a nutshell, economic liberalism greases the wheels for Pakistan's engagement within the SCO. Overcoming internal and external challenges, strengthening institutional capacity, and aligning with the SCO's liberal economic principles are a growth trajectory which Pakistan should aim at.

Strategic Economic Initiatives

Strategic Economic Initiatives (SEIs) are long-term, multi-sectoral projects aimed at restructuring the economy and enhancing its overall performance (United Nations, 2020). These initiatives involve comprehensive economic development strategies implemented by government bodies and regional authorities to mobilize stakeholders, talent, and resources, thereby promoting “creative placemaking” and achieving specific economic goals (Astbury, 2024). They reflect neoliberal ideals by promoting free trade and economic cooperation, while also acknowledging the role of shared goals and cooperation emphasized by constructivism. Unlike short-term or ad-hoc economic measures, SEIs are designed to create significant and lasting changes in the economy. Examples of SEIs include projects focused on infrastructure development, attracting and developing talent, supporting entrepreneurship and small businesses, and fostering industry clusters (Botich, 2024). Effective SEIs require strong monitoring and evaluation systems to assess their success and impact, allowing for necessary adjustments and improvements over time. A few of its characteristics are as follows.

Strategic initiatives in economics possess some important features distinguishing them from short-term economic measures. Firstly, they contain a long-term vision to pursue transformative changes regarding the fundamental structures of an economy over a long period of time (Tai, 2009). It is path-changing transformation that should durably enhance the performance and resilience of the economy. Coordinative collaboration lies at the heart of the success of SEIs. In fact, for such a system to be effectively realized, many different levels of stakeholder engagement will have to be established, including government entities at various levels, the private sector, and civil society organizations. Having this type of multi-stakeholder approach means that diverse perspectives are actually integrated into more comprehensive and inclusive economic strategies.

The government leadership and commitment are central in providing policy support for SEI initiatives, as well as in mobilizing the necessary resources. Indeed, it was observed that many such initiatives are driven by strategic directions provided by the government agencies in terms of creating conducive policy environments through partnerships created within the initiatives (World Bank, 2010).

Public-private partnership is the second important element of SEIs. Accompanied by efficiency and innovation from the private sector, PPPs can capture both sides of the coin—the protective policy structure through regulation and oversight. This synergy increases concurrently the effectiveness and reach of strategic initiatives and the larger and more comprehensive impact of economic outcomes.

Secondly, a strong monitoring and evaluation apparatus is required in order to track performance and progress. Such systems determine the impacts of SEIs, and adjustments can

be made on time. Continuous assessment helps in keeping the initiatives aligned with their objectives and flexible towards the current state of the economy.

Types of Strategic Economic Initiatives, depending on the focus areas, can be categorized into several types. These include infrastructure building initiatives, covering connectivity like in the China-Central-West Asia Economic Corridor, where the initiative on infrastructure development has been made to develop the transport network, logistics, and communication for trade and integration.

Another category involves Trade Facilitation initiatives, which are aimed at reducing barriers to trade, harmonizing the legal environment, and actively supporting e-commerce. Simplified customs procedures and regulatory harmony allow these initiatives to encourage smoother and more efficient flows of trade between countries.

Industrial cooperation initiatives target encouraging joint projects, technology transfer, and the development of regional value chains. Examples include the ASEAN Comprehensive Investment Agreement, aimed at investment promotion and intra-state cooperation to enhance industrial capabilities and competitiveness (ASEAN, 2015). Human capital development initiatives, finally, invest in education and skills training, recognizing the keen role a quality workforce plays in fuelling economic growth. For instance, the ASEAN Qualifications Reference Framework provides a basis from which to enhance standards of education and promote recognition of qualifications across countries, enabling better labor mobility and productivity (ASEAN, 2017).

Meanwhile, within the SCO framework, it is very plausible that SEIs can improve economic integration with various focuses on infrastructure development, trade facilitation, industrial cooperation, and human capital enhancement. These initiatives not only bolster economic growth but also foster regional stability and cooperation among member states.

Integration of the Belt and Road Initiative within the SCO

The SCO is an important platform for strategic alignment and coordination among all its member states with China's BRI. Since 2013, when Premier Li Keqiang first emphasized that all SCO member states were part of the Silk Road Economic Belt, the SCO has been actively supporting BRI construction and expansion. In 2014, at the SCO meeting in **Astana**, this was then followed by a joint declaration formally embracing the Silk Road Economic Belt initiative proposed by China, and further crystallized SCO's commitment to BRI through **the 2015 Ufa Declaration**. It was reiterated most convincingly in December 2015, when Premier Li suggested taking full advantage of the SCO as the cooperation platform for the BRI-related areas in security, production capacity, connectivity, finance, regional trade, and social

development (Beibei, 2018).

Table 4. Memoranda of Understanding (MoUs) Signing Dates

Year	Countries Involved	Notes
2013	Pakistan, Belarus, Kyrgyzstan	Initial MoUs signed to join BRI framework
2015	Kazakhstan, Uzbekistan	Expansion of BRI cooperation
2018	Tajikistan, Iran	Further integration into BRI projects
TBD	Russia	MoU signing date not officially confirmed

Source: Belt and Road Portal. URL: <https://eng.yidaiyilu.gov.cn/list/c/gbgk>

China's flagship Belt and Road Initiative (BRI) in Pakistan is embodied by the China-Pakistan Economic Corridor (CPEC). It was launched during the visit of Chinese President Xi Jinping to Pakistan in April 2015. First announced in 2013 by Pakistani Prime Minister Nawaz Sharif and Chinese Premier Li Keqiang, CPEC aims to connect China with the Gwadar Port via extensive highway, rail, and pipeline infrastructure. From an estimated initial and unsubstantiated cost of USD 10–20 billion, the cost of the project rose to approximately 62 billion USD, with its lengthy implementation to 2030. Major components of CPEC include power generation, where a value of completed energy projects reaches approximately USD 25.5 billion, ranging from solar to hydro, wind, and fossil-fuel-fired capacities (Mardell, 2020).

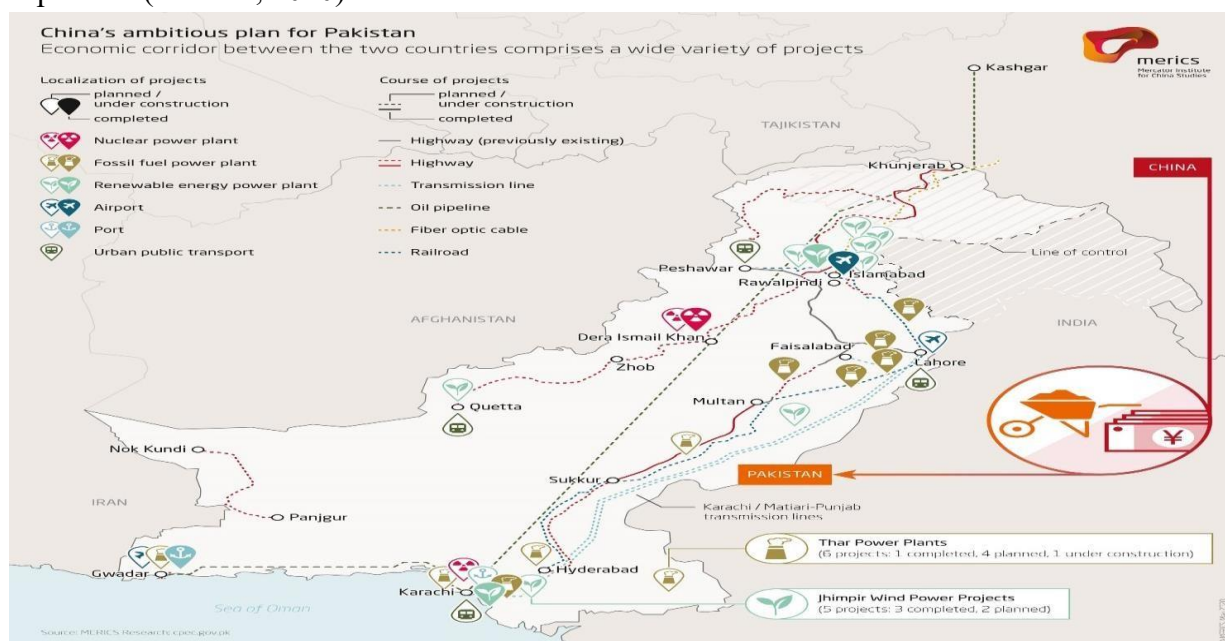


Figure 3. BRI's Plan for Pakistan

Source: Mercator Institute for China Studies, URL: <https://merics.org/en/analysis/bri-pakistan-chinas-flagship-economic-corridor>

Economic Transformation of the SCO and Its Impact on Regional Economies

Certainly, the most ambitious project within the SCO framework is the BRI-driven project by China: an advanced network of infrastructure projects aimed at boosting interconnectivity between Asia, Europe, and Africa, with many SCO member states actively joining in. These infrastructural investments have led to easier transportation routes, means of communication, and trade, which in turn facilitate the smooth and quick movements of goods, services, and capital within the region. For instance, railway, highway, and port construction within the BRI framework has opened new trade corridors, thus enabling the member countries to reach big markets with more trade partners. Another big contribution to increasing financial cooperation among the member states was made by the SCO Interbank Consortium. Established in 2005, it is under obligation to finance investment projects - as a rule, those connected with infrastructure development and trade. The bank with its financial integration enabled the member states to gain access to capital, develop joint ventures, and encourage sustainable economic development. As such, more countries would have investment flow, improved infrastructure, and enlarged trade networks.

Apart from road infrastructure and financial cooperation, the SCO has contributed to regional economic transformation with the integration of trade facilitation measures. This involves tariff reduction, simplification of customs procedures, and harmonization of trade regulations; collectively, these factors increase the ease of doing business among the member states. This approach has not only increased intra-regional trade but also attracted foreign investment, making the SCO a major force behind driving economic growth in Eurasia.

Opportunities for Pakistan

Starting from the year 2017, since attaining full membership of SCO, Pakistan had a number of opportunities for growth and economic development with regional partners. SCO has a very big market with over 3.3 billion consumers, housing immense opportunities for expansion, diversification, and investment in trade. However, at the same time, Pakistan's engagement within the SCO framework has remained rather restricted, and it is yet to avail itself fully of such opportunities.

Since joining the SCO, Pakistan participated actively in various meetings, summits, and joint exercises. For example, during May 2021, this nation hosted the SCO-Regional Anti-Terrorist Structure (RATS) Legal Experts meeting in Islamabad. It signifies that Pakistan was committed to regional security cooperation (Ministry of Foreign Affairs, Government of Pakistan, 2021). This nation also took part in the "Peace Mission" series, which stands as the joint military exercise of SCO with the intent of building counter-terrorism capabilities

among the members (The Express Tribune, 2021). Economically, Pakistan has embraced the moves of the SCO for economic cooperation and regional connectivity. However, concrete proposals or major economic projects led by Pakistan within the SCO framework have been scant. While Pakistan does benefit from the China-Pakistan Economic Corridor, the latter aligns with China's Belt and Road Initiative, but regarding SCO economic projects, it remains underdeveloped as of now. **Enhanced Market Access and Trade:** The improvement in market access and trade is a result of improved geography. At the juncture of South Asia, Central Asia, and the Middle East, Pakistan is located in a strategic position, allowing it to act as a trade and transport hub for the SCO. It is definitely expected that the China-Pakistan Economic Corridor-the foremost project under the BRI-will uplift the connectivity of Pakistan with other SCO member states.

According to the Ministry of Commerce, CPEC has attracted approximately 62 billion USD in investments since its inception in 2013, facilitating infrastructure projects that include highways, railways, and seaports (Ministry of Commerce, 2023). These will facilitate easier trade routes for Pakistan, reducing the cost of transportation and shaving off time in transit.

Gwadar Port is set to become a pivotal hub in the region, capable of managing 12% of the trade from China's Xinjiang province and accounting for 25% of Pakistan's total international trade. By 2020, the port is projected to capture 15% of the trade from Central Asian Republics (CARs) and 40% of Pakistan's trade with Afghanistan (Abbas, 2019). The Gwadar Port is a great opportunity that may turn Pakistan into a regional trading hub by transforming this important asset into Pakistan's vehicle transshipment and trade activities as a gateway for SCO's member countries who are trying to find easy access to the Arabian Sea. Expanding its export base and diversification of products, such as textiles, agricultural products, and value-added manufactured goods, will additionally provide a competitive edge to Pakistan in the SCO market.

1. Energy cooperation: Energy cooperation under the SCO framework creates an avenue for Pakistan to start solving its energy deficiency and ensuring long-term energy security. As an energy-deficit state, Pakistan will be able to form partnerships with energy-surplus member states like Russia, Kazakhstan, and Iran. These may come in the shape of regional pipeline and electricity grid projects which would sell the country cheap and reliable energy. The TAPI gas pipeline, as proposed, would have a capacity of 33 billion cubic meters per year, 14 billion m³/year each for Pakistan and India, with another 5 billion m³/year for Afghanistan, starting from the Galkynysh gas field in southern Turkmenistan through the Afghan cities of Herat and Kandahar, the Pakistani city of Quetta, and finally reaching India. This pipeline has the capacity to supply a wide quantity of natural gas to the emerging Pakistani requirements, hence reducing its dependence on imported liquefied natural gas (Yıldırım, 2023).

Similarly, joint ventures in energy projects can also enable the country to diversify its energy

mix and dependence on costly imports to ensure industrial development.

2. Skill Development and Technological Collaboration: SCO's emphasis on technological collaboration and skill development provides a great opportunity for Pakistan to build its human resources and increase competitiveness. The vocational training programs, innovation centers for technology, and research collaborations organized with other SCO member states will result in an overall improvement in the level of skills and capabilities in the Pakistani workforce. These include such initiatives as student exchange programs, joint research projects, and partnerships with technology firms in countries like China and Russia that facilitate the transfer of knowledge and best practices. This would facilitate upgrading the technology infrastructure, enhancing the productivity of various industries, and spurring innovation in Pakistan.

3. Financial Integration through the SCO Interbank Consortium: The Government of Pakistan can avail itself of the available financial integration through the SCO IBC to access loans for key infrastructure projects-including the CPEC projects. Engagement with the IBC may provide access to concessional loans, grants, and technical capacity that are required to accelerate infrastructure development and regional integration.

Besides, the cooperation with financial institutions of other SCO member states may further facilitate cross-border investments, improve access to capital, and enable the growth of SMEs in Pakistan. It would further mean that Pakistan gets a chance to strengthen its banking sector, improve credit access, and promote sustainable economic development.

Challenges in Implementing SCO Initiatives in Pakistan

The Capabilities of Institutions and Implementation

SCO initiatives in Pakistan face a number of obstacles in their execution, such as bureaucratic delays, poor coordination among government agencies, and general deficiencies in infrastructure and technological capabilities. These stumbling blocks shall have to be overcome if Pakistan is to draw maximum benefit from its membership of the SCO.

Bureaucratic Obstacles and Lack of Coordination: it is major obstacles in the way of implementing such projects in Pakistan are bureaucratic hurdles and a lack of coordination among various departments. The complicated administrative system of Pakistan often comes in the way of proper and timely implementation of projects of international cooperation. These are bureaucratic orientations that include lengthy procedures, volumes of paperwork, and multiple agencies' involvement in the approval process, which greatly contribute to project delays and uncertainty for both domestic and foreign stakeholders. A report by the Ministry of Planning, Development and Reform of Pakistan elaborates those bureaucratic

inefficiencies are considered the main hurdle toward timely implementation of development projects. As also depicted in the report, unclear boundaries of tasks and responsibilities of various governmental departments result in confusion and sluggish decision-making therefore (MPDR, 2019). Lack of coordination among the governmental departments adds to the agony. Projects requiring various clearances from the Ministry of Finance, Ministry of Commerce, and Ministry of Science and Technology fall prey to inapt communication and coordination among these three departments.

The fragmented approach impacts on the efficacy of organizational programs that need positive involvement from different sectors. The Pakistan Journal of Public Administration carries an article identifying that coordination among agencies is needed to execute various projects that come under international cooperation. This study concluded there was a lack of a mechanism at the center for coordination and therefore disorganized effort exerted a second-order effect on the overall effectiveness of such projects.

Infrastructure and Technological Capacity Constraint: The second big challenge is the need for infrastructure upgrades and increasing technology capabilities for full involvement in and benefits from the SCO initiatives. Various infrastructural gaps, especially those related to transport, energy, and communication, need substantial improvements to conform to the standards and demands of SCO initiatives.

A report from the Asian Development Bank states that Pakistan's huge infrastructure deficit adjusts its economic growth and development potential. Poor infrastructure, it states, is the leading constraint to trade and investment, both vital components of SCO initiatives (ADB, 2019). In technological capacity, Pakistan lies behind many SCO member states. These include significantly upgrading the technological infrastructure of the country, such as its connectivity, facilities for research and development, and institutions for technical education. A report from the World Economic Forum places Pakistan low in the Global Competitiveness Index Ranking, largely in areas like technological readiness and innovative capacity (World Economic Forum, 2020).

Competition from Established SCO Members

Also, Pakistan will have to compete with the more developed economies and infrastructures of the SCO members, which will challenge its position in attracting investment, securing trade deals, and effectively participating in regional projects. Success in this organization would require more understanding of the economic strengths of other SCO members and strategies toward enhancing its competitiveness for Pakistan.

Whereas several SCO members states, especially China, Russia, and India, enjoy much stronger economies and more developed infrastructure compared to Pakistan, such a competitive advantage is given by the appropriate industrial bases, advanced technological capabilities, and substantial financial resources of these countries. China is the world's second-largest economy, with a highly modern infrastructure network considering advanced

transportation systems, massive manufacturing capacity, and advanced leading technological innovations. The Belt and Road Initiative of China has taken its infrastructure even further into becoming a major regional player (WBG, 2024). Another powerful SCO member, Russia is an extremely natural-resource-rich country. It has an advanced industrial capability with enormous energy resources, huge scientific research potential, and a strong military-industrial complex. Such strategic investments in infrastructure, like the EAEU, further add to Russia's regional credence (WBG, 2023). At the same time, another significant SCO member is India, with its fast-growing economy and developing infrastructure. It boasts a large and varied industrial base, considerable informational technologies, and a vigorous startup community. Economic reforms carried out in India, as well as such infrastructural projects, further raise its competitiveness within the SCO framework (World Bank, 2021).

Policy Recommendations for Pakistan

Institutional Reforms: Establish within the relevant ministries a clearly dedicated SCO Coordination Unit that will ensure communication and, accordingly, an efficient implementation of the SCO initiatives taken.

Trade Facilitation: Establishment of SCO Special Economic Zones, which are in tune with SCO trade and have all the necessary incentives and simplified regulations to attract investments and boost exports.

Infrastructure Development: Emphasize infrastructure development projects in line with the SCO's connectivity sustainable goals such as expansion of road and rail networks that will enhance the role of Pakistan in regional trade.

Financial Inclusion: Avail concessional loans from the SCO Interbank Consortium and promote Pakistani and SCO member banks for better investment avenues in partnership.

Energy Cooperation: Long-term energy contracts with energy-rich SCO members and participation in projects of extraction, such as the TAPI pipeline, in order to alleviate energy shortages.

Capability Development: Collaborate with technically advanced SCO member states in technology transfer and human resource training programs to enhance the competitiveness of Pakistan.

Export Enhancement: Emphasis should be placed, in the export policy, on commodities in demand within the SCO, while quality standards to meet international standards are upgraded through branding.

Prudent foreign policy: maintain neutrality in respect to foreign policy, which will allow uninterrupted economic cooperation with all SCO members free from geopolitical tension.

Monitoring & Evaluation: Provide structure for the monitoring aspect for the projects covering SCO so that improvements can be made to deliver effective engagement.

Public-Private Partnerships: Foster partnerships in infrastructure, energy, and technology sectors to ensure value for money spent on efficacious implementation of SCO-prioritized projects.

Conclusion

The full membership of Pakistan in SCO has brought immense potential for economic growth, regional integration, and development. However, at the national level, Pakistan has not utilized the opportunities arising out of the strategic initiatives of SCO in the areas of trade facilitation, infrastructure development, and financial cooperation due to internal challenges related to bureaucratic hurdles, policy gaps, as well as limited infrastructure and technological capacity. At the external plane, geopolitical tensions, competition from the more established SCO members, and lack of strategic planning on the part of Pakistan impede a serious engagement with the organization.

The Economic Transformation of SCO, being an artefact of projects like BRI and the establishment of the Interbank Consortium amongst others, also denotes the capacity of the organization for regional connectivity and financial cooperation. Therefore, the required priorities regarding institutional reforms in Pakistan include the establishment of an SCO Coordination Unit. The country also needs to focus on trade facilitation through Special Economic Zones, infrastructure development, and signing of long-term energy contracts, and capability development through cooperation with technically advanced SCO member states. There should also be enhancement of exports, prudent foreign policy, monitoring and evaluation of SCO projects, and public-private partnership to ensure effective implementation of SCO-prioritized initiatives.

These initiatives open up ways for Pakistan to expand its market, enhance trade routes through the China-Pakistan Economic Corridor, and engage in energy cooperation with member states like Russia and Iran. The SCO has also emphasized skill development and technological collaboration, which Pakistan can utilize to upgrade human capital and competitiveness in many industries. These privileges are to be translated into reality, with Pakistan overcoming internal weaknesses to modify its institutional framework and kick off strategic economic programs that would be in consonance with SCO objectives. It should go for an increase in cooperation in financial platforms like the

SCO Interbank Consortium while evolving a more proactive and coordinated approach towards involvement in regional projects.

The experiences of countries like Kazakhstan, where such opportunities have availed themselves of infrastructure and economic engagements, should go a long way in instructing Pakistan. In sum, though the road to maximum gains for Pakistan from the membership of the SCO is long and arduous, with much falling by the wayside, the rewards potentially accruing are great. Thus, a more strategic, coordinated, and inclusive approach would position Pakistan not just as a passive observer in achieving economic transformation and regional integration and stability, but also as a key player within the SCO. This will be achieved through hard work in overcoming existing obstacles and improving competitiveness, with maximum exploitation of the opportunities given by the SCO economic framework.

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