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Trade Potential of Pakistan with SCO Countries

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by

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Introduction



Source: Policy Research and Advisory Council

“Shanghai Five” was a regional grouping formed in Shanghai on April 26, 1996 which constituted of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan, serving as an antecedent of the Shanghai Cooperation Organization (SCO) which was established on June 15, 2001 after the inclusion of Uzbekistan into the “Shanghai Five”. In

parenthesis, the “Shanghai Five” was solely focused on deepening military trust in border regions, unlike the SCO which has a multipronged scope. SCO’s objectives are, inter alia, to further cooperation in the domains of trade and economics, regional politics, technology and science, education and culture along with tourism, energy, sanctity of the environment and transportation. In other words, establish a new democratic, rational and fair international political and economic order. Back in 2005 both New Delhi, Tehran and Islamabad were granted Observer status at the Council of Heads of State meeting in Astana on July 5, 2005. Subsequently, SCO’s membership enlarged when both Pakistan and India became members in 2017 during the Astana Summit on June 9, 2017.¹

As it stands, the SCO consists of 10 members encompassing Pakistan, China, Russia, Uzbekistan, Iran, Kyrgyzstan, India, Tajikistan, Kazakhstan and Belarus. It also constitutes 2 observer status states including Afghanistan and Mongolia, whereas it has several dialogue partners including Cambodia, Nepal, Qatar, Maldives, Sri Lanka, Armenia, Turkey, Kuwait, United Arab Emirates, Azerbaijan, Saudi Arabia, Egypt, Myanmar and Bahrain. Shanghai Cooperation Organization’s official languages are Russian and Chinese. Interestingly, the United States also applied for observer status in 2005 during the Bush administration but was declined the position in order to guarantee the autonomy of the organization and keep it free of Western influence.² The significance of SCO can be determined by how it is deemed as the world’s largest regional organization, entailing approximately 66% to 80% of the land of Eurasia, nearly, and 23% to 32% of the globe’s GDP along with an estimated 17% to 25% of global trade. China is notably the biggest trading partner nation in the SCO, while Russia brings its weight with particularly energy exports and essential raw materials. While land-locked Central Asia bring natural resources to the table of SCO.³

¹ Ambassador Babar Amin (Retired), “The Expanding Role of SCO: Strengthening Pakistan’s Regional Integration,” Institute of Strategic Studies Islamabad (ISSI), Special Guest Lecture, June 23, 2023, <https://issi.org.pk/wp-content/uploads/2023/06/Article-The-Expanding-Role-of-SCO-Strengthening-Pakistans-Regional-Integration-by-Ambassador-Retired-Babar-Amin.pdf>

“‘It is a historic day’: Pakistan becomes full member of SCO at Astana summit,” *DAWN*, June 9, 2017, <https://www.dawn.com/news/1338471/it-is-a-historic-day-pakistan-becomes-full-member-of-sco-at-astana-summit>

² Stewart M. Patrick, “The SCO at 10: Growing, but Not into a Giant,” Council on Foreign Relations, June 14, 2011 <https://www.cfr.org/blog/sco-10-growing-not-giant>

³ Dr. Talat Anwar, “Scope of Pakistan’s exports to SCO countries,” *Express Tribune*, October 15, 2024, <https://tribune.com.pk/story/2502827/scope-of-pakistans-exports-to-sco-countries>



Source: Policy Research and Advisory Council

Current Trade Status and Potential Between Pakistan and SCO Countries

Increasing Pakistani exports has somewhat become a mantra of the politicians and economists alike. As it stands, Pakistan's total export to SCO countries is estimated to be around \$ 3 billion, however an unrealized export potential of \$15 billion exists according to one estimate which could not only revitalize Pakistan's economy but help the country better navigate the debt repayment crisis.⁴

"Strengthening Regional Ties: Policy Pathways Amid Post-SCO Summit 2024," Karachi Chamber of Commerce & Industry (KCCI) and Policy Research & Advisory Council (PRAC), 2024,

<https://prac.org.pk/uploads/Db3ssJhmjPTBNLvPpi6NKw313UyEb80rsIZdZHPi.pdf>

Ethan Teekah, "Shanghai Cooperation Organization," Britannica, May 21, 2015,

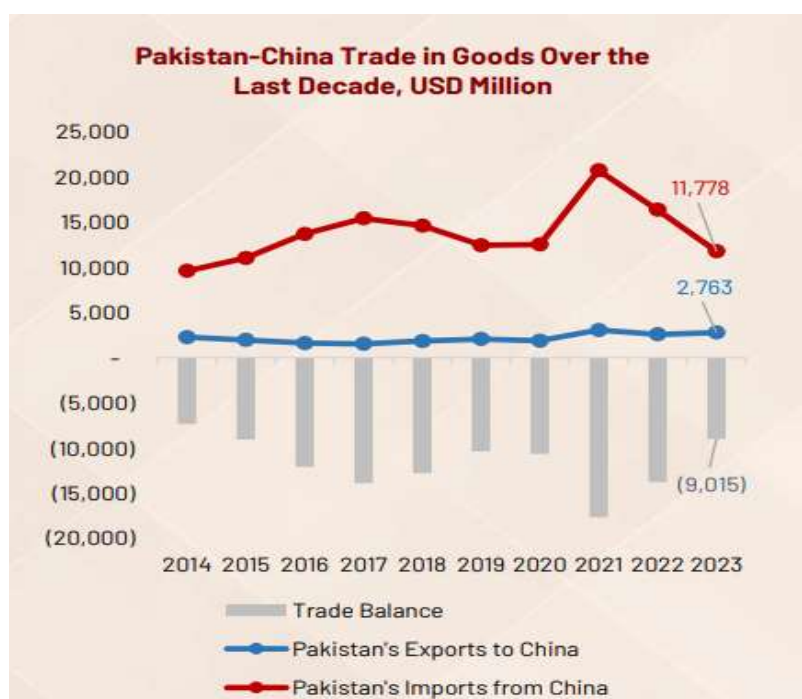
<https://www.britannica.com/topic/Shanghai-Cooperation-Organization>

⁴ Dr. Talat Anwar, "Scope of Pakistan's exports to SCO countries," *Express Tribune*, October 15, 2024,

<https://tribune.com.pk/story/2502827/scope-of-pakistans-exports-to-sco-countries>

Syed Basim Raza, "Critical Analysis of Pakistan-SCO Trade Landscape," Centre for Strategic and Contemporary Research (CSCR), November 5, 2024, <https://cscr.pk/explore/themes/politics-governance/critical-analysis-of-pakistan-sco-trade-landscape/>

i. China-Pakistan Trade Profile



Source: International Trade Centre

China is world's second most populous country and second largest economy, playing a role of a global power in world trade. The country shares borders with 14 different countries that is conducive to China's position as a transnational economic powerhouse in the region as well. As of 2023, China's GDP is estimated to be around \$19.23 trillion, with a diverse economy powered by technology, ever growing service sector and manufacturing. Beijing utilizes the SCO platform boost economic cooperation as well as regional connectivity amongst its members. In terms of the trade volume between China and Pakistan, the figure stood at \$16 billion in 2023-24. To further break down, Pakistan's exports to China were estimated around \$2.7 billion, whilst the Pakistan's imports from China were approximately \$13.5 billion, resulting in a sizable trade deficit of \$10.8 billion. From the year 2014 to the year 2023, Pakistan's trade deficit with China expanded from \$7,336 million to \$9,015 million, indicating a 2.3% compound annual growth rate (CAGR). During the aforementioned period Pakistan's export volume to China soared from \$2,253 million to \$2,763 million predominantly in items, inter alia, copper (27.4%), oilseeds (10.8%) and cotton (29.2%). On the other hand, imports destined for Pakistan from China surged from \$9,588 million to \$11,778 million, predominantly in items, inter alia, nuclear reactors (12%), organic chemicals (9.5%) and electrical machinery (26%). These 10 year trade

dynamics point to enlarging deficit. Whereas, Pakistan's services exports to China increased from \$223 million to \$281 million between financial years 2020 and 2024. Simultaneously, China's services exports to Pakistan grew from \$ 1.3 billion to \$1.4 billion. Resultantly Pakistan's trade deficit in services with China was recorded to be around \$1.16 billion in financial year 2024. Economists estimate Pakistan's potential of exports to China to be around \$10 billion especially in items like cotton t-shirts, rice, maize, bovine animals and medical instruments. The China-Pakistan Free Trade Agreement (CPFTA) has functioned as a trade booster between the two countries. It is key to focus on securing preferential access to Chinese markets for Pakistan's exports encompassing sectors like agriculture, pharmaceuticals and textiles and apparel. For this to materialize Pakistan's exporters need to enhance product quality and improve compliance with Chinese standards. Pakistan's exports to China can witness a notable rise if Non-Tariff Measures (NTMs) on high-demand items are negotiated.⁵

ii. Pakistan-Russia Trade Profile



Source: International Trade Centre

The 11th largest economy in the world, Russia is a founding member of the SCO with a GDP of \$2.08 trillion.⁶ Considered as a declining power by the West, Moscow occupies

⁵ Dr. Talat Anwar, "Scope of Pakistan's exports to SCO countries," Express Tribune, October 15, 2024,

<https://tribune.com.pk/story/2502827/scope-of-pakistans-exports-to-sco-countries>

"Strengthening Regional Ties: Policy Pathways Amid Post-SCO Summit 2024," Karachi Chamber of Commerce & Industry (KCCI) and Policy Research & Advisory Council (PRAC), 2024,

<https://prac.org.pk/uploads/Db3ssJhmjPTBNLvPpi6NKw313UyEb80rsIZdZHPi.pdf>

"China, People's Republic of," International Monetary Fund, accessed June 5, 2025,

<https://www.imf.org/external/datamapper/profile/CHN>

⁶ "Russia," Observatory of Economic Complexity (OEC), accessed June 5, 2025,

<https://oec.world/en/resources/about>

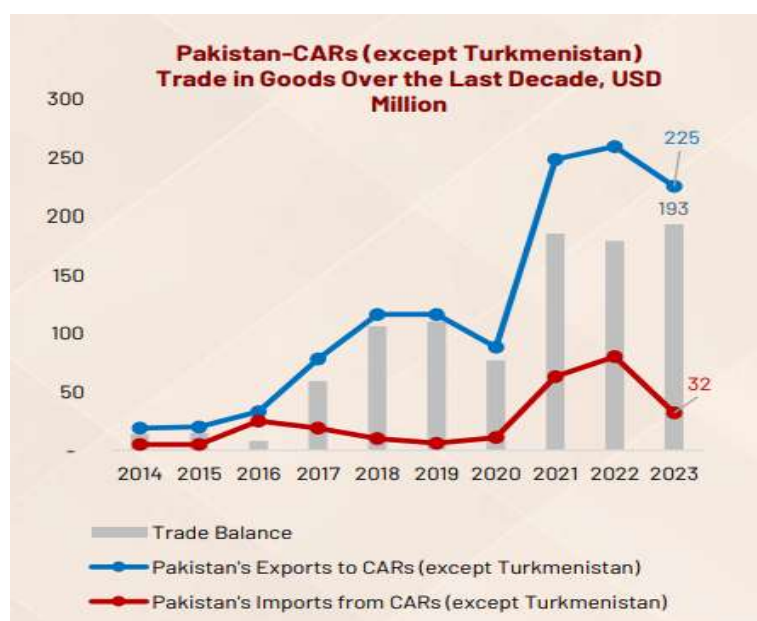
a leading position in the affairs of SCO including addressing security challenges in post-Soviet land-locked Central Asia. Bilateral trade was recorded around \$1 billion dollars in 2024. In 2024, both countries explored avenues of economic cooperation including potential LNG purchases via barter trade – Pakistani officials tried to hash out with State Department of America regarding the feasibility of LNG imports from Moscow at competitive prices. Economists highlight how the trade balance between Islamabad and Moscow has gone South beginning from 2014 to 2023. Pakistan's trade deficit with Russia augmented from \$37 million to \$803 million, highlighting a 41% CAGR. Pakistan's exports to Russia dropped from \$187 million in 2014 to \$78 million in 2024 with a -8% CAGR. In 2023, Pakistan's key exports to Russia entailed optical and photographic instruments, textile and leather goods. On the other hand Russian imports destined for Pakistan ramped up from \$224.9 million to \$891.8 million with 17% CAGR during 2023. The aforementioned Russia imports entailed mineral fuels and oils, cereals, and vegetables. Whereas, in the trade of services, Pakistan's exports to Russia surged between financial year 2020 and financial year 2024, from \$3.3 million to \$5.1 million. Conversely, Russian services imports rose from \$21.6 million to \$49.1 million enlarging Pakistan's trade deficit in services from \$18 million to \$44 million during the aforementioned financial year bracket. It is estimated that Pakistan's export potential to Russia is said to be between \$2.8 billion to \$8.4 billion in items including, inter alia, textiles and clothing, medical instruments, agricultural products, chemical and allied products, plastic products, surgical instruments and footwear.⁷

"Russian Federation," International Monetary Fund (IMF), accessed June 5, 2025, <https://www.imf.org/external/datamapper/profile/RUS>

⁷ Dr. Talat Anwar, "Scope of Pakistan's exports to SCO countries," Express Tribune, October 15, 2024, <https://tribune.com.pk/story/2502827/scope-of-pakistans-exports-to-sco-countries>

"Strengthening Regional Ties: Policy Pathways Amid Post-SCO Summit 2024," Karachi Chamber of Commerce & Industry (KCCI) and Policy Research & Advisory Council (PRAC), 2024, <https://prac.org.pk/uploads/Db3ssJhmjPTBNLvPpi6NKw313UyEb80rsIZdZHPI.pdf>

iii. Pakistan-Central Asia Trade Profile



Source: International Trade Centre

4 Central Asian Republics (CARs) with the exception of Turkmenistan are key members of the SCO; Kazakhstan (GDP: \$263.4 billion), Uzbekistan (GDP: \$101.6 billion), Kyrgyzstan (GDP: \$14 billion) and Tajikistan (GDP: \$11.0 billion).⁸ Trade between these Pakistan and CARs was worth an estimated \$325 million in 2023 and 2024. During the same period imports from CARs to Pakistan remained at \$41 million, while exports to CARs from Pakistan remained at \$284 million, with a surplus of \$243 million for Pakistan. To further dissect another source details a little differently on how from 2014 to 2023, Pakistan's trade surplus with 4 CARs ramped up from \$14 million to \$193 million. In this aforementioned time frame exports to CARs rose from \$19.1 million to \$225.2 million securing a 31.5% CAGR in 2023. In other words these exports represented 7.3% of Islamabad's collective exports to SCO member countries. Exports encompassed products of chemical or allied industries (13.6%), tobacco, frozen foods, spirits, beverages and vinegar (18.9%), and vegetable products (49.9%). Concurrently, imports from CARs also surged from \$5.1 million to \$32.1 million, registering of CAGR of 22.7%. Key imports primarily included, mineral products (17%) and vegetable products (71.6%). The aforementioned trade surplus of \$243 million in

⁸ "Central Asia: Market Profile," Hong Kong Trade Development Council (HKTDC), accessed June 5, 2025, <https://research.hktdc.com/en/article/MTg3NDk4Mzg1OA#:~:text=Overview,expanded%20by%20a%20modes%20of%202%25>.

favor of Pakistan can be increased by an export potential of \$6 to 6.3 billion annually in items like frozen foods, spirits, beverages, textiles, vinegar, tobacco and associated products. Whereas the services side exports from Pakistan to CARs dropped from \$3.7 million to \$2.2 million between financial year 2020 and financial year 2024. Simultaneously, services' imports surged from \$4.4 million to \$4.7 million. Consequently, this results in a deficit rising from \$683,000 to \$2.5 million during the aforementioned period.⁹

iv. Pakistan-India Trade Profile



Source: International Trade Centre

India is the most populous country in the world with a GDP of approximately \$4.19 trillion securing the title of the 4th largest economy in the world behind Germany.¹⁰ Since being granted SCO membership in 2017, New Delhi has crafted and fortified trade relations with SCO states. Between 2014 and 2023, Pakistan's good's trade balance with India enhanced markedly as the trade deficit contracted from \$1,712 million to \$259.9 million, registering a CAGR OF -19%. During the aforementioned

⁹ Dr. Talat Anwar, "Scope of Pakistan's exports to SCO countries," Express Tribune, October 15, 2024, <https://tribune.com.pk/story/2502827/scope-of-pakistans-exports-to-sco-countries>

"Strengthening Regional Ties: Policy Pathways Amid Post-SCO Summit 2024," Karachi Chamber of Commerce & Industry (KCCI) and Policy Research & Advisory Council (PRAC), 2024, <https://prac.org.pk/uploads/Db3ssJhmjPTBNLvPpi6NKw313UyEb80rsIZdZHPi.pdf>

¹⁰ "The top 10 largest economies in the world in 2025," Forbes India, May 26, 2025, <https://www.forbesindia.com/article/explainers/top-10-largest-economies-in-the-world/86159/>

"India," International Monetary Fund, accessed June 5, 2025, <https://www.imf.org/external/datamapper/profile/IND>

period, Pakistan's exports to India witnessed a sharp decline from \$392 million to 0.04 million with a CAGR of -64. Key exports in 2023 primarily restricted to organic chemicals. On the other hand, imports shrank from \$2,104 million to \$260 million, reflecting a 21% CAGR. Key imports in the same period entailed, pharmaceutical products, plastics and associated products and organic chemicals. Notwithstanding tensions between the New Delhi and Islamabad on longstanding issues like Kashmir, Pakistan's has great export potential for goods destined for India, standing at approximately \$5.9 billion in the year 2023. Pakistan's sectors that can benefit from this potential include vegetable products, textiles and associated products, and optical and photographic instruments. In terms of exports of services, Pakistan's exports to India declined from \$10.8 million to \$8.5 million, conversely imports of services from India decreased steeply from \$22.3 million to 2.2 million between financial year 2020 and financial year 2024. The aforementioned decline contributed to closing Pakistan's services' trade deficit with from \$11.5 million to \$2.2 million.¹¹

v. Pakistan-Belarus Trade Profile



Source: International Trade Centre

¹¹ "Strengthening Regional Ties: Policy Pathways Amid Post-SCO Summit 2024," Karachi Chamber of Commerce & Industry (KCCI) and Policy Research & Advisory Council (PRAC), 2024, <https://prac.org.pk/uploads/Db3ssJhmjPTBNLvPpi6NKw313UyEb80rsIZdZHPi.pdf>

Belarus with a GDP of \$71.56 billion is a significant Eastern European state which secured full membership of SCO in 2024.¹² The country is landlocked, bordering Poland, Latvia, Ukraine, Lithuania and Russia. Its position on the map morphs it into a transit hub between Russia and Europe that strengthens its trade market and economy. It has a diversified economic and industrial base, specializing in chemicals, agricultural products and manufacturing machinery. As a member state, Belarus looks to cultivate trade and boost regional security cooperation. In the last 10 years, Pakistan's trade deficit with Belarus has contracted from \$33 million to \$18.7 million registering a CAGR of -6%. In order to further vitalize economic ties, the Minsk and Islamabad are in the process of materializing "Trade Road Map 2025-2027" in addition to signing Memorandum of Understanding (MOU) regarding collaboration in the textile sector. Moreover, Pakistan's exports to Belarus shrank from \$0.05 million to \$0.34 million with a CAGR of -5% in 2023; major exports entailed apparel (19%), footwear (3%), leather (5%), toys (2%), optical and photographic parts (60%) and cotton (10%). Conversely, imports from Belarus declined from \$34 million to \$19 million with -6.1% CAGR. Major imports in 2023 included cereal preparations (11%), vehicles (81%), wood pulp (2%), nuclear reactors (1%) and man-made staple fibers (3%). There is future trade potential in the domain of agriculture, technology, electric bus production, industry and pharmaceuticals. To quantify, Pakistan can have an export potential of virtually \$5 billion to Belarus, including items such as nuclear reactors, edible fruits, pharmaceutical products, plastics, optical and photographic parts. On the other hand, Pakistan's services exports to Belarus showed improvement from \$0.069 million to \$0.192 million. In terms of imports of services from Belarus also surged from \$0.66 million to \$1.8 million during financial year 2020 and financial year 2024 FY24. This resultantly has a negative impact of Pakistan's trade deficit in services with Belarus touching \$1.57 billion for financial year 2024.¹³

¹² "Belarus," International Monetary Fund (IMF), accessed June 5, 2025, <https://www.imf.org/external/datamapper/profile/BLR>

¹³ "Strengthening Regional Ties: Policy Pathways Amid Post-SCO Summit 2024," Karachi Chamber of Commerce & Industry (KCCI) and Policy Research & Advisory Council (PRAC), 2024, <https://prac.org.pk/uploads/Db3ssJhmjPTBNLvPpi6NKw313UyEb80rsIZdZHPi.pdf>

vi. Pakistan-Iran Trade Profile



Source: International Trade Centre

Iran with a GDP of \$341.01 billion secured membership of SCO in 2021 as the 9th state to join the transnational organization, concurrently Qatar, Saudi Arabia and Egypt became “dialogue partners”.¹⁴ According to International Relations experts, SCO invigorates Tehran global position by alluding to the EU and the US that it can come out of isolation amid the Joint Comprehensive Plan of Action (JCPOA) hanging in a limbo. Islamabad has crafted barter trade pacts with both Moscow and Tehran, helping in the exchange of particular goods such as gas and petroleum, a workaround Western sanctions on both the countries in addition to mitigate the balance of payments malady. Barter trade paves way for Pakistani businesses to export 26 commodities to Iran, as well as importing liquefied natural gas, crude oil et cetera. Between 2024 and 2023, Pakistan’s trade balance with its Western neighbor Iran aggravated, with the deficit augmenting from \$142.7 million to \$939.9 million. The underlying problem is the decline of Pakistan’s export to Iran from \$40 million to \$10 million with a -15% CAGR. These exports were majorly limited boilers, machinery, vehicle parts and associated accessories and nuclear reactors. On the other hand, imports from Iran destined for Pakistani markets notably ramped up, from \$185.7 million to \$949.9 million registering a CAGR of 20%. These imports entailed edible vegetables, mineral fuels and oils, and Iron and Steel. Notwithstanding challenges

¹⁴ “Iran,” International Monetary Fund (IMF), accessed June 5, 2025, <https://www.imf.org/external/datamapper/profile/IRN>

such as Western sanctions on Iran, an export potential of \$6.5 billion exists for Pakistan in sectors like textiles and apparel, fruits, cereals and vegetables. In the meantime Pakistan's export of services to Iran soar from \$0.01 million to \$0.92 million, whereas import of services from Iran considerably increased from \$4,000 to \$8.6 million from financial year 2020 to financial year 2024. Naturally and consequently the aforementioned phenomenon widened Pakistan's trade deficit in services with Iran, increasing from \$0.005 million to \$7.6 million.¹⁵

Policy Recommendations

1. *Improve Connectivity with CARs:* To solidify ties between CARs and Pakistan, it is indispensable for the Pakistan's Ministry of Foreign affairs and National Highway Authority to engage the Tajik government to construct road and infrastructure through Wakhan corridor. Along with this, Pakistani government needs to accelerate the Trans Afghan Railway Project, creating a direct railway link between Uzbekistan and Pakistan, which plans to further connect Tajikistan eventually. The number of flights between Pakistan and CARs needs to increase as it will result in boosting of regional trade.
2. *Accredited and Collaborative Testing Facilities:* In order to circumvent non-tariff barriers, the creation of accredited laboratories and collaborative testing facilities is sine qua non. Establishing a mutually agreed and recognized accreditation as well as certification across the length and breadth of SCO member states will actually reduce redundancies, facilitate seamless cross-border exchanges and streamline trade.
3. *Furthering Integration of Regional Trade:* SCO is a non-political entity, it can develop and implement a trade pact similar to Association of Southeast Asian Nations' (ASEAN) model fostering regional trade integration. This will not only solve limitations stipulated by South Asian Free Trade Area (SAFTA) but capitalize the economic potential of member economies by establishing a framework that is robust for joint growth.
4. *Gas and Oil Exploration:* Amongst key pillars in terms of collaboration between Beijing and Islamabad, Energy security remained a significant focus,

¹⁵ "Strengthening Regional Ties: Policy Pathways Amid Post-SCO Summit 2024," Karachi Chamber of Commerce & Industry (KCCI) and Policy Research & Advisory Council (PRAC), 2024, <https://prac.org.pk/uploads/Db3ssJhmjPTBNLvPpi6NKw313UyEb80rsIZdZHPi.pdf>

In this regard, joint bids for gas and oil exploration, infrastructure development and production needs to be widened. This can be done by setting up storage facilities and oil refineries along the routes of CPEC, enabling both Pakistan and China to diversify energy sources.

5. *Implementation of Multilateral Currency:* The SCO should establish a framework of multilateral currency swap that allows its members to carry out trade in local currencies like the Chinese Yuan (renminbi) and dilute reliance on US dollar. This would enhance regional financial resilience and create deeper economic integration. Asian Clearing Union (ACU) could function as another alternative – ACU is a payment arrangement in which central banks that are participating settle payments for transactions with each other on a multilateral basis with the primary goal to facilitate international trade.
6. *Gwadar Port Access:* Pakistani government needs to make sure that SCO member states have streamlined access to the facilities of *China Pakistan Economic Corridor* and the Gwadar Port in order to help with exports to South and East Asia. It should be prioritized to make crucial warehousing accessible and available that can enable efficient access to Middle East and increase Pakistan's revenue generation.
7. *Development of Renewable Energy:* Tehran and Islamabad need to work together on wind and solar projects, in other words this will leverage or capitalize on Iran's renewable potential to address the energy needs of Pakistan. Collaboration in photovoltaic power plants, grid integration, wind farms as well as storage technology can considerably slash down dependency on fossil fuels.
8. *Industrialization under CPEC:* As a founding member of SCO, Beijing should buttress regional industrial collaboration under CPEC phase 2 by fostering investment in Pakistan's Special Economic Zones (SEZs). China can leverage its position to arrange investment forums, promote partnerships between businesses from other SCO member states and Chinese companies paving way for not only joint ventures but transfer of technology particularly in SEZs.
9. *Tapping into Trade Potential vis-à-vis Barter System:* Through barter system as per S.R.O 642(I)/2023, Islamabad can establish trade with the likes of Russia and Iran, finding a workaround Western sanctions.
10. *Cross-Border Banking:* Pakistani banks should set up branches in CARs and vice versa in order to build formalized channels of payment.

- 11. *Trade Stabilization between New Delhi and Islamabad:*** A dialogue is indispensable between India and Pakistan, to stabilize trade between Pakistan and India. This dialogue ought to restore trading ties to pre-2019 and pre-2008 scenarios. SCO summits manifest a unique opportunity for the purpose of improved bilateral economic cooperation.
- 12. *Tajikistan's QTTA Membership:*** Islamabad should back Tajikistan's membership of *Quadrilateral Traffic in Transit Agreement (QTTA)* with Beijing's help, giving Tajikistan the role of strategic storage hub for CARs.
- 13. *Iran-Russia-Pakistan Trade Taskforce:*** Establishment of a task force with officials from the government, representatives from trade and finance to buttress cooperation in agriculture, textiles and pharmaceuticals, resolve banking challenges and streamline barter trade system. Pakistan is reliant on Russian wheat, thereby the task force will play an important role in securing supplies of food.
- 14. *Digital Trade and E-Commerce:*** Member states of SCO should make it a priority to promote cross-border e-commerce framework to integrate digital payments, consumer protection and cyber-security and streamline transactions. Collaborative e-commerce platforms will strengthen SMEs giving access to bigger markets and bring down entry barriers.
- 15. *Agricultural Cooperation with Belarus:*** Pakistan needs to work with Belarusian government to improve agricultural productivity along with emphasis on Halal certification and exchange of technology. Mutual agricultural growth can be fostered by a permanent exhibit of Belarusian technologies in Pakistan.