

# NEWSLETTER

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## SCO SUMMIT 2025: GLOBAL INVESTMENT IMPLICATIONS FOR INDIA, BRICS, THE US AND EUROPE

The **SCO (Shanghai Cooperation Organisation) Summit in Tianjin (Aug 31–Sep 1, 2025)** brought India, Russia, and China to the forefront of discussions on trade, energy, finance, and technology. For investors, the outcomes signal a realignment of capital flows and sectoral opportunities across India, BRICS economies, and the Western world.

### Key messages for Investors

1. Energy security & infra financing flows are shifting East, with India well-positioned.
2. Parallel payment, trade, and Artificial Intelligence (AI) systems are taking shape hedges against dollar dominance.
3. Tariff frictions remain the biggest near-term drag on India's export sectors.

### SCO vs US Economic Performance - GDP

#### Growth Analysis

The economic scoreboard tells a compelling story:

#### SCO (2025 Growth Rates)

- China: 5.3%
- India: 6.5-7.0%
- Russia: 2.8% (despite sanctions)

#### United States

- Projected growth: 1.6%

**Combined, China, India, and Russia have a \$25.5 trillion economy, that's 84% the size of the entire US economy.**

### What This Means for Markets

#### The SCO is putting serious money behind their vision:

- \$1.4 billion in new loans committed by China over three years
- \$890 billion in trade volume between SCO countries in 2024
- \$140 billion in Chinese investments across SCO nations

These are large numbers and represent the building blocks of an alternative global financial system.

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## **The Real Game Changer**

### **The SCO is building parallel infrastructure:**

- Independent payment systems (against the dominance of US dollar)
- Digital trade platforms (+34% growth in cross-border e-commerce)
- Energy cooperation (72% of global renewable energy growth)
- New railways and shipping routes (reducing dependence on Western logistics)

## **Big Picture Signals**

- Parallel financial plumbing
- China advanced the idea of a SCO development bank, expanded AI/energy cooperation, and offered broader access to its BeiDou satellite system, moves designed to reduce dollar and GPS dependence while building Eurasian (the total continental land mass of Europe and Asia combined) financing rails. Expect pilot projects first, with selective scaling thereafter.
- Durable energy realignment
- India and Russia reaffirmed deep energy ties, even as Washington escalated tariffs on Indian goods over discounted Russian oil purchases. This cements low-cost crude flows and increases the likelihood of rupee–dirham–ruble settlement mechanisms in bilateral trade.
- Technology & Artificial Intelligence (AI) corridor
- SCO members pledged greater cooperation in AI standards, compute sharing, and sovereign tooling. India emphasized “equal access” principles, hinting at its push for open frameworks amid a largely China-led initiative.

## **India: Actionable Investment Angles**

### **Opportunities**

- Energy & refining: Sustained discounted Russian crude strengthens refining margins and logistics players with Eurasian exposure.
- Infrastructure & green finance: If the SCO bank materializes, Indian EPC (Engineering, Procurement and Construction) firms, grid-equipment makers, renewables OEMs, and datacentre developers could see new project pipelines in Central Asia.
- Space/geospatial stack: BeiDou integration opens markets for dual-mode navigation hardware, logistics telematics, and agri-tech solutions as an opportunity for Indian SMEs and system integrators.

### **Risks**

- Tariff overhang: US tariffs remain a headwind for export-sensitive sectors like textiles and engineering.
- China optics: Rapid SCO engagement could complicate India’s tech supply-chain shifts toward the West, especially in sensitive industries.

**Portfolio stance (India):** Overweight energy, EPC/infra, power equipment, datacenter REITs. Neutral on export-heavy midcaps until tariff clarity emerges. Maintain hedges via gold and USD assets.



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## BRICS Beyond India

- **Russia:** Stable offtake to India underwrites upstream flows. Shipping and financing remain investable but sanction-bound.
- **China:** SCO bank and AI initiatives will favor Chinese grid, EV (Electric Vehicles), and surveillance hardware firms aligned with state-led financing.
- **GCC (Gulf Co-operation Council) & Central Asia:** Logistics hubs, dry ports, and power interconnects are poised for near-term investment, likely funded by sukuk or yuan-linked paper.

## United States: Sectoral Implications

- **Tariffs & trade:** Persistent tariffs on India and China keep inflation sticky, reinforcing resilience in US value sectors, energy, and onshoring plays.
- **Dollar primacy:** Non-USD financing under SCO is a long-tail risk, but watch EM (emerging markets) reserve diversification for early signs.
- **Big Tech:** Divergent SCO AI standards may limit US cloud/semis' access to Eurasian markets, favor firms with entrenched US/EU demand and government-secure contracts.

## Europe: Navigating Fragmentation

- **Energy premiums:** With Russian flows redirected east, Europe remains LNG (liquified natural gas) and MENA (Middle East and North Africa) dependent, sustaining opportunities in renewables, storage, and grid upgrades.
- **Export competition:** Eurasian trade corridors increase competition for EU mid-cap capital goods in Central Asia and Africa.
- **Policy response:** Expect Brussels to deepen tech controls while accelerating subsidies for semiconductors, hydrogen, and battery supply chains.

## Cross-Market Sector Map

**Winners (6–24 months):** refiners, tankers, EPC/infra, datacentres, SCO-AI integrators.

**Laggards/Volatile:** tariff-exposed exporters (India–US/EU), dual-use tech vulnerable to export controls.

## Scenarios to Price

1. **Pragmatic integration (55%) :** SCO bank pilots projects, tariffs persist with carve-outs. *Position:* energy + infra barbell, selective exporters.
2. **Hard bifurcation (25%) :** Tech/finance decoupling deepens. *Position:* overweight domestic demand, defense/cyber, plus cash/gold.
3. **De-escalation (20%) :** Limited tariff relief, USD stability, and cross-listed projects. *Position:* rotate to quality growth, add EM FX duration.

## Investor Takeaway :

The Tianjin SCO summit marks a structural step in building a Eurasian financial and energy ecosystem led by India, Russia, and China. India gains energy security and potential infra-finance flows, but tariff risks and China-linked sensitivities persist. For BRICS, the SCO expands infrastructure and technology demand; for the West, it creates competing supply chains and financing rails.

**Bottom line:** Play the Eurasian opportunity set selectively, hedge fragmentation risks, and keep portfolios balanced between East–West exposures