

Potential for a Pakistan – Russia Free Trade Agreement

Market Access Series

2021-22







Potential for a Pakistan – Russia Free Trade Agreement

MARKET ACCESS SERIES

2021-22

The Pakistan Business Council (PBC)

Acknowledgments

Team Leader:
Samir S. Amir

Lead Researcher:
Anum Hussain

Disclaimer

The findings, interpretations and conclusions expressed do not necessarily reflect the views of Board of Directors and Members of the Pakistan Business Council or the companies they represent.

Any conclusions and analysis based on the data from ITC Trade Map, Federal Board of Revenue, Pakistan Bureau of Statistics, the World Bank, International Monetary Funds, Statista, World Population Review, Central Bank of Russia, Pakistan Ministry of Commerce, World Trade Organization and the State Bank of Pakistan are the responsibility of author(s) and do not necessarily reflect the opinion of these agencies. Although every effort has been made to cross-check and verify the authenticity of the data, the Pakistan Business Council, or the author(s), do not guarantee the data included in this work. All data and statistics used are correct as of 15th January 2022 and may be subject to change.

For any queries or feedback regarding this report, please contact samir@pbc.org.pk or anum@pbc.org.pk

The Pakistan Business Council: An Overview

The Pakistan Business Council (PBC) is a business policy advocacy platform, established in 2005 by 14 (now 87) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

The PBC is a not-for-profit entity, registered under Section 42 of the Companies Ordinance 1984. Though it is not required under the law to do so, the PBC follows to the greatest extent possible, the Code of Corporate Governance as applicable to listed companies.

The PBC is a pan-industry advocacy group. It is not a trade body nor does it advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers to allow Pakistani businesses to compete in regional and global arenas. The PBC conducts research and holds conferences and seminars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan.

The PBC works closely with the relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. The PBC has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. It also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank, SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

The PBC's Founding Objectives

The major objectives of the PBC as stated in its founding documents are:

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and field works for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

The PBC is a Section 42 not-for-profit Company Limited by Guarantee. Its working is overseen by a Board of Directors. More information on the PBC, its members, and its workings, can be found on its website: www.pbc.org.pk

PBC Member Companies





LOTTE



NIMIR



SIEMENS



Tables of Contents

Executive Summary	1
Major Findings	4
Recommendations	5
Chapter 1: Introduction	8
1.1 Socio-Economic Outlook of Pakistan and Russia	9
Chapter 2: Pakistan - Russia Bilateral Relations	14
2.1 Diplomatic Relations	14
2.2 Economic Relations	15
2.3 Defense Relations	16
Chapter 3: Global Economic Indicators of Pakistan and Russia	18
3.1 Market Potential Index (MPI)	18
3.2 Logistics Performance Index (LPI) – World Bank	18
3.3 Global Innovation Index (GII)	19
3.4 Global Opportunity Index (GOI)	20
3.5 Ease of Doing Business – World Bank	20
3.6 Global Competitiveness Index (GCI)	21
3.7 Trade Facilitation Agreement (TFA) – World Trade Organization	21
3.8 Productive Capacity Index (PCI) – UNCTAD	22
Chapter 4: Trade Profile	24
4.1 Pakistan’s Trade Profile	24
4.1.1 Pakistan’s exports to the World	24
4.1.2 Major Export Destinations of Pakistan	26
4.1.3 Pakistan’s Imports from the World	27
4.1.4 Major Import Sources for Pakistan	29
4.2 Russia’s Trade Profile	30
4.2.1 Russia’s Exports to the World	30
4.2.2 Major Export Destinations of Russia	32
4.2.3 Russia’s Imports from the World	33
4.2.4 Major Import Sources for Russia	35
Chapter 5: Pakistan – Russia Bilateral Trade Analysis	38
5.1 Top Exports – HS-02 & HS-06 Levels	39
5.1.1. Pakistan’s Top 10 Exports to Russia at HS-02 Level	39
5.1.2. Pakistan’s Top 25 Exports to Russia at HS-06 Level	40
5.1.3. Pakistan’s Top Exports – Growth Rate Method	42
5.1.4. Russia’s Imports of Pakistan’s Top Exported Commodities to the World	43
5.2 Top Imports – HS-02 & HS-06 Levels	45
5.2.1. Pakistan’s Top 10 Imports from Russia at HS-02 Level	45
5.2.2. Pakistan’s Top 25 Imports from Russia at HS-06 Level	46
5.3 Trade Indicators	47
5.3.1 Export Competitiveness	47
5.3.2 Trade Complementarity Index (TCI)	48
5.3.3 Revealed Market Access (RMA)	49
5.3.4 Correlation Analysis	51

Chapter 6: Potential Opportunities for Pakistani Exports to Russia	54
6.1 Pakistan’s Potential Textile Products	54
6.2 Pakistan’s Potential Agriculture Products	57
6.3 Pakistan’s Potential Surgical Products	59
6.4 Pakistan’s Potential Chemical & Allied Products	59
6.5 Pakistan’s Potential Footwear Products	60
6.6 Pakistan’s Potential Plastics Products	61
6.7 Pakistan’s Potential Live Animals, Animal Products & Seafood	62
6.8 Product Diversification	63
Chapter 7: Trade Policies	66
7.1 Pakistan	66
7.1.1 Tariff Barriers	66
7.1.2. Non-Tariff Barriers	67
7.2 Russia	68
7.2.1 Tariff Barriers	68
7.2.2 Non-Tariff Barriers	69
Chapter 8: Russia’s Track and Trace System – Will it Affect Pakistan’s Trade with Russia?	72
8.1 About Chestny ZNAK	72
8.2 Requirements for Different Industries	73
8.3 Likely Impact on Pakistan	75
Chapter 9: Textile Industry’s Role in a Potential Pakistan – Russia FTA	78
9.1 Pakistan’s Textile Industry – An Overview	78
9.2 Russia’s Textile Market and Pakistan	79
9.3 Pakistan’s Competitors – Russia’s Main Import Sourcing Countries for Textile products	80
9.3.1 Energy Tariff Rates Comparison of Pakistan with Key Regional Competitors	81
Chapter 10: Analysis of Russia’s Agriculture Demand from Pakistan	84
10.1 Pakistan’s Agriculture Industry – An Overview	84
10.2 Russia’s Agriculture Market and Pakistan	84
10.2.1 Tangerines/Mandarins & Wilkings:	85
10.2.2 Potato (HS-070190):	87
10.2.3 Rice (HS-1006):	89
Chapter 11: Coal & Gas – Russia’s Exports & Future Prospects in Pakistan – Russia Bilateral Trade	92
11.1 Russia’s Coal and Gas Industry – An Overview	92
11.2 Pakistan’s Coal & Natural Gas Consumption	93
11.3 Russian Projects and Investment in Pakistan	95
11.3.1 Pakistan Stream Gas Pipeline (PSGP)	95
11.3.2 Off-shore Gas Pipeline Project	96
Chapter 12: Input from the Pakistani Embassy in Russia	98
12.1 General Issues:	98
12.2 Sector Specific:	100
References	103

List of Tables

Table 1: Key Economic Indicators	10
Table 2: Market Potential Index (MPI) – 2021	18
Table 3: Comparison of Logistics Performance Index (LPI) – 2018	18
Table 4: Global Innovation Index (GII) – 2020	19
Table 5: Global Opportunity Index (GOI) – 2021	20
Table 6: Ease of Doing Business – 2020	20
Table 7: Comparison of Global Competitiveness Index – 2019	21
Table 8: Comparison of Trade Facilitation Performance – 2019	21
Table 9: Productive Capacities Index (PCI) Scores – 2018	22
Table 10: Pakistan’s Top 25 Exports to the World at HS-06 level	25
Table 11: Pakistan’s Top 25 Imports from the World at HS-06 level	27
Table 12: Russia’s Top 25 Exports to the World at HS-06 level	31
Table 13: Russia’s Top 25 Imports from the World at HS-06 level	34
Table 14: Pakistan’s Top 10 Exports to Russia at HS-02 Level	39
Table 15: Pakistan’s Top 25 Exports to Russia at HS-06 Level:	40
Table 16: Pakistan’s Top 25 Exports to Russia – Growth Rate Method	42
Table 17: Russia’s Imports of Pakistan’s Top Exported Commodities	43
Table 18: Pakistan’s Top 10 Imports from Russia at HS-02 Level:	45
Table 19: Pakistan’s Top 25 Imports from Russia at HS-06 Levels	46
Table 20: Bilateral Export Competitiveness	48
Table 21: Revealed Market Access Index for Pakistan’s Exports to Russia at HS-06 Level (2016-2020)	50
Table 22: Correlation Matrix	51
Table 23: Pakistan’s Potential Textile Exports to Russia	55
Table 24: Pakistan’s Potential Agriculture Products for Exports to Russia	57
Table 25: Pakistan’s Potential Surgical Products for Exports to Russia	59
Table 26: Pakistan’s Potential Chemical and Allied Products for Exports to Russia	59
Table 27: Pakistan’s Potential Footwear Products for Exports to Russia	60
Table 28: Pakistan’s Potential Plastic Products for Exports to Russia	61
Table 29: Pakistan’s Potential Live Animal, Animal Products & Seafood for Exports to Russia	62
Table 30: Non-Tariff Barriers Applied by Pakistan on the World and Russia	67
Table 31: Non-Tariff Barriers Applied by Russia on the World and Pakistan	69
Table 32: Light industry (clothing & textile) products under mandatory labelling	74
Table 33: Footwear products under mandatory labelling	75
Table 34: Pakistan’s Top 10 Export Destinations of Textile (HS-50 to HS-63)	79
Table 35: Export Potential Textile Products of Pakistan and Comparison of Prices	80
Table 36: Regional Comparison of Power, Wages & Depreciation in the Conversion Cost	82
Table 37: Pakistan’s Top 10 Agriculture Exports to Russia at HS-06 level (2018-2020)	85
Table 38: Russia’s Top 10 Import Sourcing Markets for Mandarins (HS-080521)	86
Table 39: Russia’s Top Import Sourcing Countries for Potatoes (HS-070190)	87
Table 40: Russia’s Top Import Sourcing Countries for Rice (HS-1006)	89
Table 41: Top 3 Export Destinations for Russian Coal (HS-2701) and Liquefied Natural Gas (HS-271111)	93
Table 42: Alternate Coal & Gas Import Sources of Pakistan	94

List of Figures

Figure 1: Sectoral Shares in the GDP – Pakistan & Russia	11
Figure 2: Balance of Trade Against Exchange Rate – Pakistan & Russia	12
Figure 3: Pakistan’s Global Trade Overview	24
Figure 4: Pakistan’s Exports to the World (HS-02)	24
Figure 5: Pakistan’s Top Export Destinations – 2020	26
Figure 6: Pakistan’s Imports from the World (HS-02)	27
Figure 7: Pakistan’s Top Import Sourcing Markets – 2020	29
Figure 8: Russia’s Trade Overview	30
Figure 9: Russia’s Exports to the World (HS-02)	30
Figure 10: Russia’s Top Export Destinations - 2020	33
Figure 11: Russia’s Imports from the World (HS-02)	33
Figure 12: Russia’s Top Import Sourcing Market – 2020	35
Figure 13: Pakistan – Russia Bilateral Trade Trend	38
Figure 14: Importance of Bilateral Trade (2020)	38
Figure 15: Trade Complementarity Index for Pakistan and Russia	49
Figure 16: Product Diversification for Pakistani Exports in the Russian Federation	63
Figure 17: All State Interventions of Pakistan which affect Russia	68
Figure 18: Russian Sectors Most Affected by Liberalizing and Harmful Interventions Implemented by Pakistan	68
Figure 19: Reduction of Tariffs in accordance with the WTO commitments 2020:	69
Figure 20: All State Interventions of Russia which Affects Pakistan	70
Figure 21: Pakistani Sectors Most Affected by Liberalizing and Harmful Interventions Implemented by Russia	70
Figure 22: Benefits to the Manufacturers/ Exporters for Registering with the Chestny ZNAK	76
Figure 23: Pakistan’s Textile Exports Sector Wise	79
Figure 24: Pakistan’s Exports of Textile to the World Vs. Russia’s Imports of Textile from the World	80
Figure 25: Comparison of Textile Exports to Russia (2012-2020)	81
Figure 26: Regional Comparison of Energy Tariff Rates	82
Figure 27: Pakistan’s Agricultural Sector Growth (2016-2020)	84
Figure 28: Pakistani Citrus – Exports, Production and Area Planted	85
Figure 29: Pakistan’s Exports and Prices of Mandarin/Tangerines and Wilkings to the World	86
Figure 30: Pakistan’s Potato Exports & Average Potato Prices for Top Import Sources (HS-070190)	87
Figure 31: Russia’s Area Under Potato cultivation and Production (2014-2020)	88
Figure 32: Russia’s Natural Gas & Coal – Production, Consumption and Exports	92
Figure 33: Pakistan’s Sectoral Consumption for Coal & LNG Utilization	93
Figure 34: Pakistan’s Imports of Coal & LNG from the World against Russia’s Exports of Coal & LNG to the World	94

List of Box

Box 1: National Tariff Policy (NTP) 2019 – 2024	66
---	----

List of Acronyms

BCI	Better Cotton Initiative
CBR	Central Bank of Russia
CIF	Cost, Insurance & Freight
CRPT	Center for Research in Perspective Technologies
CU	Customs Union
EAEU	Eurasian Economic Union
EES	Encrypted Electronic Signature
FATF	Financial Action Task Force
FTA	Free Trade Agreement
GCI	Global Competitiveness Index
GFC	Global Financial Crisis
GII	Global Innovation Index
GOI	Global Opportunity Index
GTIN	Global Trade Item Number
HDI	Human Development Index
IGC	Inter Governmental Commission
ISGS	Inter State Gas Systems
JMCC	Joint Military Consultative Commission
LNG	Liquified Natural Gas
LPI	Logistics Performance Index
LSM	Large Scale Manufacturing
MCP	Motorcycle Club Pakistan
MMBTU	Metric Million British Thermal Unit
MFN	Most Favored Nation
MPI	Market Potential Index
MT	Metric Ton
NTB	Non-Tariff Barrier
NTP	National Tariff Policy

OGDCL	Oil and Gas Development Company Limited
OPEC	Organization of the Petroleum Exporting countries
PCI	Productive Capacities Index
PITAD	Pakistan Institute of Trade and Development
PPP	Purchasing Power Parity
PRBF	Pakistan Russia Business Forum
PSGP	Pakistan Stream Gas Pipeline
PSM	Pakistan Steel Mill
PTA	Preferential Trade Agreement
QIM	Quantum Index of Manufacturing
RCA	Revealed Comparative Advantage
RCET	Regionally Comparative Energy Tariffs
RLNG	Re-liquified Natural Gas
RMA	Revealed Market Access
SBP	State Bank of Pakistan
SCO	Shanghai Cooperation Organization
SEZ	Special Economic Zone
SPFS	System for Transfer of Financial Messages
SPS	Sanitary and Phytosanitary Standards
TCI	Trade Complementarity Index
TCO	Textile Commissioner's Organization
TDRO	Trade Dispute Resolution Organization
TERF	Temporary Economic Refinance Facility
TFA	Trade Facilitation Agreement
TIN	Taxpayer Identification Number
TPB	Tariff Policy Board
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USSR	Union Socialist Soviet Republics
WTO	World Trade Organization

Executive Summary

Pakistan and Russia's relations can be best described as a narrative of "mutual misunderstandings, miscalculations and wasted opportunities due to shifting policies of the two states under geopolitical realities of the Cold War period"¹. Russia's economy is 5 times bigger than Pakistan's in terms of GDP. Russia had a GDP of \$1.5 trillion in 2020 as compared to Pakistan's GDP of \$ 263.7 billion. Russia's population was 147 million while Pakistan's was 221 million in 2020. Russia is a developed country with GDP per capita being \$10,127 whereas Pakistan is a developing country with its GDP per capita being \$1,189.

The idea of an FTA between Pakistan and Russia was first proposed in 2004. Russia was not a part of the World Trade Organization (WTO) at that time and it was of the view that any trade agreement could only be signed after Russian accession to the WTO. However, after Russia's accession to the WTO in 2012, Pakistan once again requested Russia to consider signing a trade agreement between the two countries but this was met with reluctance as Russia had become a member of the Eurasian Economic Union Customs Union (CU) and needed approval of the other member states before becoming a party to any new trade agreement.

In June 2017, Moscow proposed to enter into an FTA with Pakistan during the 17th meeting of the Heads of the State Council of the Shanghai Cooperation Organization (SCO) in Astana. Pakistan's Ministry of Finance, Revenue and Economic Affairs was tasked to prepare recommendations for a potential Pakistan-Russian FTA.

This report explores the potential of a Pakistan-Russian Free Trade Agreement (FTA). The Russian market presents an opportunity for Pakistan to increase its exports but is hampered by factors related to the lack of banking and payment channels, a strict Russian business visa regime, absence of direct cargo and passenger flights, long transit periods, increased freight charges, language barriers, over-cautious Pakistani banks, absence of International Road Transport (TIR) agreement, and non-operational Trade Dispute Resolution Organization (TDRO) among others.

Bilateral trade between Russia and Pakistan has always been in the favor of Russia. Bilateral trade reached an all-time high in 2020 worth \$757.6 million. In 2020, 40.1 percent of Pakistan's exports to Russia comprised of textiles and textile articles (HS-50 to HS-63). Similarly, "**Edible fruits...**" (HS-08) accounted for another 34 percent of Pakistan's exports to Russia.

Pakistan's imports from Russia in 2020 were worth \$617 million with the major import items being cereals, edible vegetables, mineral fuels, rubber products, paper products, iron and steel, pharmaceutical products, fertilizers and organic chemical. Pakistan's exports to Russia in 2020 were worth \$145 million with the major export items being edible fruits, knitted textile products, cotton, leather products, made-up textile articles, non-knitted textile products, optical instruments, man-made staple fibres, toys and cutlery.

The trade complementarity index indicates that Pakistan is better suited to supply to the Russian market as opposed to Russia supplying to the Pakistani market. This shows that the Pakistani export industry stands to gain more from a potential FTA between the two countries.

¹ Pakistan-Russia Relations Redux: From Estrangement to Pragmatism by M. Nawaz Khan

This study focuses on the potential for bilateral trade between the two countries. At HS-06 level, Pakistan's total indicative export potential to Russia in 2020 for its top 25 export products was roughly \$2.8 billion – Textile sector (\$1.6 billion), Agriculture sector (\$330 million), Surgical products (\$356 million), Chemical & allied products (\$178 million), Footwear (\$82 million) and Plastic products (\$62 million).



Textile Sector

Despite facing tariffs of up to 18 percent, Pakistan's exports of textile to Russia have been increasing. The export of "**Denim...**" (HS-520942) increased by 7,950 percent in 2020 over 2019. High potential textile products include "**Men's or boys' trousers...**" (HS-620342), "**T-shirts...**" (HS-610910), "**Full-length or knee-length stockings...**" (HS-611595), "**Single cotton yarn...**" (HS-520512) and "**Toilet linen and kitchen linen...**" (HS-630260).



Agriculture Sector

Pakistan's fresh fruits have significant potential in the Russian market. In 2020, Pakistan's exports of "**Edible fruits...**" (HS-08) accounted for 34 percent of total exports to Russia. High potential products include "**Fresh or dried guavas...**" (HS-080450), "**Fresh or dries wilkings...**" (HS-080529), "**Fresh or chilled potatoes...**" (HS-070190), "**Sesamum seeds...**" (HS-120740) and "**Fresh or dried mandarins...**" (HS-080521).



Surgical products

The Russian market offers an export potential of \$356 million for exports of surgical instruments and appliances from Pakistan. In 2020, Pakistan's exports of this product to Russia amounted to US\$ 6 million only. The tariff rate imposed by Russia on the import of this product was 1 percent for Pakistan and its other competitors.



Meat and Seafood

In the last ten years, Pakistan has never exported any product from this category to Russia. However, Pakistan possesses significant export potential in this sector. Pakistan had a potential to export US\$ 233.5 million worth of live animals and animal products to Russia in 2020. Products that can help Pakistan penetrate the Russian market include "**Frozen shrimps and prawns...**" (HS-030617), "**Frozen fish**" (HS-030389), "**Fresh or chilled bovine cuts...**" (HS-020120), "**Cuttle fish and squid...**" (HS-030743), and "**Guts, bladders and stomachs...**" (HS-050400).

The regional and non-regional competitors of Pakistan in the Russian market include China, Turkey, Viet Nam, Bangladesh and India. Chinese and Turkish companies have opened warehouses in the Russian Federation to maintain their market share by creating an enabling environment for businesses of both countries. Viet Nam has signed an FTA with the EAEU which allows Viet Nam to export duty free rice to Russia.

An analysis of Russia's coal and gas industry indicates that Russian exports of these products have been steadily increasing in the post-covid world. Russia is the 2nd largest dry natural gas and 6th largest coal producer in the world. The estimated natural gas and coal reserves of Russia in 2020 amounted to 37.4 trillion cubic metres and 162.2 billion tons respectively. However, Russia has never exported LNG to Pakistan despite being the 2nd largest LNG (HS-271111) exporter in the World in 2020 having a share of 8.5 percent in global exports.

Pakistan's Textile and Agriculture sectors have also been analyzed in this study. If Pakistan wants to increase its textile exports to the world in general and Russia in particular, then priority should be given to promoting and exporting high value-added products such as knitwear, towels, ready-made garments, bedwear, technical textiles etc. On the agricultural side, Pakistan is an emerging supplier for the exports of potatoes due to its quality and better shelf-life. However, Pakistan exported potatoes worth a mere US\$ 2.7 million to Russia in 2020 even though the country had the potential to export potatoes worth US\$ 65.7 million in the same year. In 2020, Pakistan was the 4th largest import sourcing market for Russia having a share of 3.6 percent in Russia's total potato imports. This is one product Pakistan can try to get included in a potential PTA/FTA since Russia applies 7.50 percent tariff on the import of potatoes from Pakistan.

Inputs from Pakistan embassy's trade wing in Russia have been included in chapter 12. In this chapter non-tariff barriers, logistics issues and other issues arising in trade between Russia and Pakistan are discussed. Opportunities in specific sectors have also been highlighted. Introduction of the Russian payment system namely System for Transfer of Financial Messages (SPFS) has been compared against the conventional Global SWIFT system.

Major Findings

- Pakistan's total trade with Russia increased by \$392.8 million in 2020, showing an increase of around 108 percent over the previous year. Pakistan's exports to Russia decreased from \$191.5 million in 2011 to \$144.5 million in 2020. On the other hand, Pakistan's imports from Russia increased from \$165.6 million in 2011 to \$613.1 million in 2020, resulting in a negative balance for Pakistan of \$468.6 million in 2020 which is Pakistan's highest trade deficit with Russia during the period 2011-2020.
- The highest change of 84,913 percent in 2020 over 2019 was witnessed in Pakistan's imports of "Cereals" (HS-10) from Russia. The CAGR reflects an average increase of 418.1 percent during the period 2016-2020.
- Another product that records the second highest change of 1,037.5 percent in 2020 over 2019 was Pakistan's imports of "Mineral fuels..." (HS-27) from Russia. The CAGR reflects an average increase of 71.1 percent during the period 2016-2020.
- The highest CAGR of 182.5 percent during 2016-2020 was witnessed in Pakistan's exports of "Woven fabrics of cotton, containing predominantly, but < 85% cotton..." (HS-521019).
- Pakistan mainly imports coal, shelled peas and chickpeas from Russia which accounted for 14 percent, 16.59 percent and 5.05 percent respectively, of Pakistan's total imports from Russia. Other top imports include rubber products, paper products, iron and steel, pharmaceutical products and fertilizers.
- Pakistan mainly exports fruits to Russia along with textile products, leather products, surgical instruments, toys and cutlery. The top 10 exports accounted for 93.4 percent of total Pakistani exports to Russia, showing that exports to Russia are highly concentrated.
- Pakistan's total indicative export potential to Russia in 2020 for its top 25 export products was roughly \$2.8 billion
- There exists an export potential for Pakistan of around \$2.8 billion to Russia mainly driven by textile, agriculture, surgical, chemical and allied products, footwear and plastics products.
- The trade complementarity index indicates that Pakistan is better suited to supply the Russian market as opposed to Russia supplying the Pakistani market. This indicates that the Pakistani export industry stands to gain more from a potential FTA between the two countries.
- Analysis of the agriculture sector reveals that Pakistan's exports of fruits are mainly concentrated around citrus fruits, especially Kinnow. Pakistan's total kinnow production increased from 2,180,000 tons in 2016 to 2,468,700 tons in 2018. Pakistan's global exports of citrus grew almost nine-fold between 2003 and 2020, from US\$ 22.6 million in 2013 to US\$ 205.4 million in 2020.
- Pakistan is the 2nd largest import sourcing market to Russia for kinnow exporting around US\$ 49 million in 2020, and having a share of 11 percent in Russia's total kinnow imports from the world.
- Similarly, Pakistan was the 4th largest potato import sourcing market for Russia having a share of 3.6 percent in Russia's total potato imports. This is one product Pakistan can try to include in a potential PTA/FTA since Russia applies 7.50 percent tariff on the import of potatoes from Pakistan.

- Currently, Russia is facing a shortage of domestically produced potatoes due to many reasons which has affected potato production leading to decreased supply and has compelled Russia to import potatoes to meet demand. The reasons include heavy rains, a reduction in the area under potato cultivation over the last 7 years as farmers have shifted to growing other crops (such as cereals and oilseeds) with marginally more profits.
- Pakistan has an export potential of US\$ 90.9 million in “*Semi-milled or wholly milled rice...*” (HS-100630) to Russia. In addition, Pakistan has increased its area under rice cultivation by 29 percent which has in turn increased production of rice in Pakistan by 54.0 percent in the period 2010-2020.
- Analysis of Russia’s Liquefied Natural Gas (LNG) industry reveals that the average prices offered by Qatar (US\$ 308/ton), USA (US\$ 298), Egypt (US\$ 339) for LNG exports to Pakistan are comparatively higher than the average price offered by Russia (US\$ 206/ton).
- In 2020, Russia was the 4th largest “*Natural Gas, Liquefied*” (HS-271111) exporter in the world. Despite this fact, before 2020, Pakistan did not import LNG from Russia. Last year, a minimal quantity of LNG was imported for the first time, amounting to around US\$ 13.2 million.

Recommendations

■ Revising Russia’s Tariffs for Pakistan’s High Potential Exports:

The current tariff structure reveals that there is room for tariff cuts for goods traded between the two countries. Tariff rates imposed by Russia on Pakistan for imports of Textile products ranges between 2 & 18 percent which is quite high. It is recommended to rationalize tariffs to those offered by Russia to other trading partners to enhance Pakistan’s exports to Russia.

■ Proactively Promote an Exports Enabling Environment:

Covid-19 restrictions have affected the buyer-seller links resulting in reduced clientele for Pakistani exporters. Helping firms to seeking new clients’ needs to be a policy priority². TDAP needs to incorporate the fast-changing reality of virtual exhibitions and meet-ups to help exporters harness the potential of online marketing platforms.

■ Visa Regime

Russia’s stringent visa policy for Pakistani businessmen has made it difficult to conduct business deals. Although visa services were resumed in December 2021, it has not yet become practically operational for Pakistan. Additionally, acquiring a Russian visa is also a cumbersome task for Pakistani businessmen. Both governments need to work together to make the process easier and smoother for improved trade relations.

2 Four actions to speed up Pakistan’s export recovery – WB
<https://blogs.worldbank.org/endpovertyinsouthasia/four-actions-speed-pakistans-export-recovery>

■ Direct Linkages:

In December 2021, Russia allowed direct flights from Pakistan using the Russian air corridor of Central Asian Republics (CARs). However, there is a need to practically implement this decision to encourage trade and investment between the two countries.

■ Pakistan Should Look to Sign an FTA with the EAEU:

Russia is a member of the Eurasian Economic Union (EAEU) which binds Russia to several regulations and laws. Russia cannot sign a trade agreement without the approval of all members of the EAEU. Therefore, Pakistan should push for signing an FTA with the EAEU as a whole and not just with Russia alone. To achieve this, Pakistan should negotiate with the other members of the EAEU and put forward its terms and conditions which would be mutually beneficial for all.

■ Resolving the Issue of High Freight charges:

Increasing freight charges have made Pakistani exports less competitive in the international market due to increased costs. Government of Pakistan should support logistics companies and freight forwarders to control such situations as they can collectively make an impact³. Furthermore, Pakistan National Shipping Corporation (PNSC) should acquire containerized ships on wet lease (rent) to facilitate exporters.

■ International Road Transport (TIR) Agreement Should be Signed:

Pakistan should look to sign the TIR agreement with Russia to initiate road transport with Russia. In 2021, Pakistan exported its first mango consignment to Russia via Tehran-Astara-Astrakhan route which took about 7 days. Usually, it takes 40 days to transport goods from Pakistan to Russia via the sea route. However, for perishable items like edible fruits and vegetables, land route can prove more useful.

■ Training be Provided to Comply with Russian Standards:

Exporters need to be educated and trained on the regulations and standards that have to be met before exporting to Russia.

³ <https://tribune.com.pk/story/2289594/freight-rates-jump-up-to-700>

A scenic view of a city canal, likely in St. Petersburg, Russia. The canal is filled with water and several boats, including tour boats and smaller vessels. The buildings lining the canal are multi-story, classical-style structures with many windows. The sky is a clear, light blue. A red banner with white text is overlaid on the lower part of the image.

Chapter 1: Introduction

Introduction

Russia, officially known as the Russian Federation (Russia), is the biggest country in the world by area. Russia was part of the former Union of Soviet Socialist Republic (USSR) along with Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. However, after dismemberment of the USSR in 1991, Russia became an independent state.

Prior to Russia's accession to the World Trade Organization (WTO) in August 2012, the Russian economy used to be a centrally planned market economy advocating the policy of self-sufficiency. However, after dismemberment of the USSR, a major policy shift emerged in the Russian narrative and approach, and it gradually started to move towards trade openness.

“Russia’s motivation for and progress toward accession to the WTO was directly related to efforts to dismantle the Soviet economic system of central planning and replace it with a more market-based economy”⁴.

Despite there being a history of difficult political relations between the two countries, Pakistan has been seeking to sign a Preferential Trade Agreement (PTA) leading to a Free Trade Agreement (FTA) with Russia since 2004. The Russian side, however, at that time was of the view that the PTA or FTA could only be considered after Russia's accession to the WTO⁵. In 2012, after Russia's accession to the WTO, Pakistan again requested the Russian federation to consider signing a PTA/FTA but the Russian authorities showed reluctance as they had become a part of the Eurasian Economic Union's Customs Union⁶ (CU) and needed approval of the other CU member countries before becoming a party to any trade agreement.

In June 2017, Moscow proposed to enter into an FTA with Pakistan during the 17th meeting of the Heads of the State Council of the Shanghai Cooperation Organization (SCO) in Astana. Pakistan's Ministry of Finance, Revenue and Economic Affairs was tasked to prepare recommendations for a potential Pakistan-Russia FTA.

The recent ministerial level visits from Pakistan & Russia to each other's country and the US forces withdrawal from Afghanistan has increased the possibility of the two countries being able to agree on an FTA. In September 2021, the Russian President Vladimir Putin and the Pakistani Prime Minister Imran Khan exchanged two telephonic calls to share views over the recent developments in the region and to enhance bilateral relations⁷.

Bilateral trade between Pakistan and Russia is far below its potential. Between 2016 and 2020, bilateral trade between both the countries grew at a CAGR of 0.14 percent indicating an insignificant growth.

4 Russia's Accession to the WTO <https://www.everycrsreport.com/reports/RL31979.html>

5 Pakistan urges Russia to sign preferential and free trade agreements <https://customstoday.com/pakistan-urges-russia-to-sign-preferential-and-free-trade-agreements/>

6 **Customs Union (CU)** was signed in 2010 between Russia, Kazakhstan and Belarus by adopting a common external tariff (CET). In 2015, Eurasian Economic Union (EAEU) came into force becoming the successor of CU.

7 Afghan situation figures in Putin-Imran phone call <https://tribune.com.pk/story/2320168/afghan-situation-figures-in-putin-imran-phone-call>

1.1 Socio-Economic Outlook of Pakistan and Russia

■ Pakistan:

Pakistan is the 5th most populous country in the world with a population of approximately 220 million in 2020. Pakistan is a semi-industrialized developing economy ranking 23rd in the world in term of nominal GDP (Purchasing Power Parity, PPP). The Services sector is the largest sector in Pakistan contributing 62 percent to the GDP in 2020.

In 2020, Pakistan had a GDP of US\$ 263.7 billion with an annual growth of 0.5 percent. According to World Bank estimates, Pakistan's GDP growth was 3.5 percent in 2021, after a contraction of 0.5 percent in the previous year. Record-high remittance inflows, recovering domestic demand and an accommodative monetary policy were the major reasons behind this growth in 2021. Inflation rose from 5.1 percent in 2018 to 9.7 percent in 2020. The rise in prices of global agrarian and oil products contributed to rising domestic inflation in Pakistan.

Pakistan's economic recovery amid Covid-19 was supported by maintaining the policy rate at 7 percent throughout FY20-21 to promote spending. However, to contain the emerging external pressure (inflation) and to manage the long-standing fiscal challenges, Government of Pakistan increased the policy rate by 25 basis points i.e., to 7.25 percent in September 2021.

Repeated Covid-19 infection waves and declining foreign exchange reserves have rendered Pakistan's economy dependent on the 39-month IMF-Extended Fund Facility (IMF-EFF)⁸ which is likely to resume in 2022. The program aims at strengthening long-term growth in Pakistan through policies supporting domestic revenue mobilization, a reduction of power sector arrears, electricity subsidy reforms and an increased central bank operational autonomy⁹.

■ Russia:

Russia is the 9th most populous country in the world with a population of approximately 145 million in 2020. Russia is an industrialized economy with its industrial sector contributing 30 percent to the GDP. Russia is the 6th largest economy in the world in terms of nominal GDP (Purchasing Power Parity, PPP). The economy of Russia is mainly dependent on exports of oil and natural gas which comprise 42 percent of total exports.

Russia's GDP had been trending downward since the Global Financial Crisis (GFC) of 2008. A series of significant macro-stabilization efforts have been made by the Russian Government in recent years to reduce exposure to oil price volatility, improve fiscal management and a lowering in the public debt burden¹⁰.

In 2020, Russia had a GDP of US\$ 1,483 billion with an annual growth of negative 3 percent. According to World Bank estimates, Russia's GDP growth is forecast to rebound to 3.2 percent in 2022. However, achieving long-term economic growth will depend on promotion of economic diversification, a reduction in the state's economic footprint, leveling the playing field for the private sector and taking advantage of shifting global value chains¹¹.

8 Pakistan's 39-month IMF-EFF arrangement was approved by the Executive Board on 3rd July 2019 for US\$ 6 billion. <https://www.imf.org/en/News/Articles/2021/03/24/pr2183-pakistan-imf-executive-board-completes-the-combined-2nd-3rd-4th-5th-reviews-of-the-eff>

9 The World Bank in Pakistan <https://www.worldbank.org/en/country/pakistan/overview#1>

10 The World Bank in Russia <https://www.worldbank.org/en/country/russia/overview#1>

11 Ibid

The extension of the OPEC+¹² deal in 2020, calling for a reduction in the global oil production resulted in reduced oil export receipts for Russia. A decline of 20.3 percent was reported in the Russian exports of oil products in 2020 over 2019 due to declining demand resulting from Covid-19¹³. This coupled with a volatile financial market and increased geopolitical risks in the region led to a sharp increase in capital outflows to US\$ 47.8 billion in 2020 up from US\$ 22.1 billion in 2019.

Table 1 compares the key economic and social indicators of Pakistan and Russia in the years 2011 and 2020. The population of Pakistan has been increasing at a rate of 2 percent annually whereas Russia's population is decreasing at a rate of negative 0.2 percent. Between 2011 and 2020, Russia's population increased by only 2 percent while Pakistan's population increased by 20.4 percent.

Table 1: Key Economic Indicators

Economic Indicators	Pakistan		Russia	
	2011	2020	2011	2020
GDP (Current US\$) (Billion)	213.59	263.69	2,046	1,483
Annual GDP Growth Rate (%)	2.74	0.53	4.30	(2.95)
Agriculture (% of GDP)	25.13	19.19	3.15	3.7
Industry (% of GDP)	20.50	19.12	29.41	29.99
Services (% of GDP)	50.93	61.68	53.80	56.27
Trade (% of GDP)	32.27	25.79	40.22	38.35
Inflation, Consumer Price (Annual %)	11.92	9.74	8.44	3.38
Exchange Rate (LCU* per US\$, period average)	86.34	161.84	29.38	72.11
Foreign Exchange Reserves (US\$, Billion)	-	24.4	-	453.9
Labor Force Participation Rate (% of Total Population)	-	50.2	-	62.0
Female Labor Force Participation Rate (% of Total Labor Force)	-	20.1	-	48.6
FDI, Net Inflows (BoP, Current US\$) (Billions)	1.32	2.23	55.08	31.97
Social Indicators				
Population (Million)	183.34	220.89	143.06	146.81
Population Growth (%)	2.16	1.98	0.08	(0.21)

Source: World Bank Data; World Economic Outlook; State Bank of Pakistan (SBP); Central Bank of Russia; Pakistan Economic Survey 2020-21
*LCU = Local Currency Unit

GDP Composition

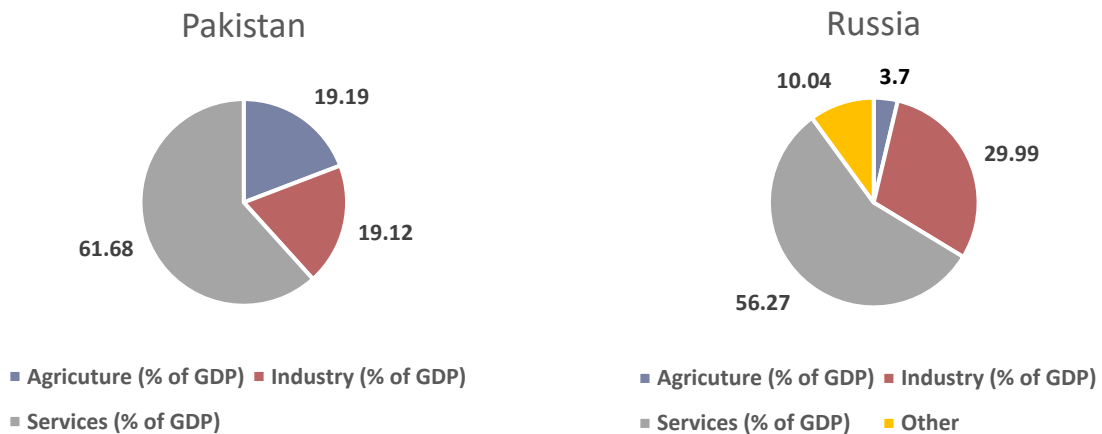
In 2020, Pakistan's services sector contributed 61.7 percent to the GDP while, the contribution of the services sector in Russia was 56.3 percent indicating the importance of this sector for both economies. However, the significant difference between the two economies was the contribution of the industrial and the agriculture sectors to their respective GDPs. While Pakistan's industrial sector contributed 19.1 percent to the GDP, the industrial sector's contribution to Russia's GDP was 30 percent. Similarly, agriculture sector contributed 19.2 percent to Pakistan's GDP whereas only 4 percent contribution was reported by the agricultural sector in Russian GDP.

Figure 1 shows the GDP composition for Pakistan and Russia.

¹² OPEC+ is a loosely affiliated entity comprising of 13 OPEC members and 10 non- OPEC top oil exporting countries. It was formed in 2016.

¹³ <https://www.eia.gov/international/analysis/country/RUS>

FIGURE 1: Sectoral Shares in the GDP – Pakistan & Russia



Source: Pakistan Economic Survey 2020-21; World Development Indicators, World Bank

Balance of Trade and the Exchange Rate

Pakistan is a net importer which has resulted in a negative balance of trade and as a result the Pakistani rupee has been continuously depreciating against the US dollar. This indicates that there exists a strong negative correlation between the exchange rate and balance of trade for Pakistan. The main reason for negative balance of trade is that when domestic currency depreciates, it gives rise to inflation – as is the case in Pakistan – which leads to reduced savings (or increased consumption), and thus negative balance of trade¹⁴.

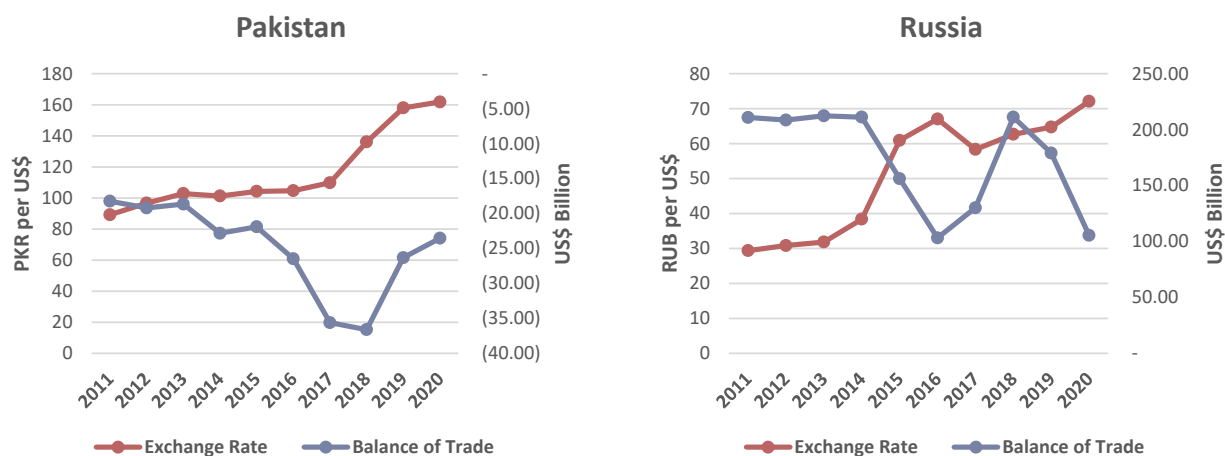
Russia's balance of trade, although positive, has fluctuated over the past decade due to oil price volatility and the covid-19 outbreak. Russia is an oil-exporting country with its exports of oil products to the world amounting to US\$ 141 billion in 2020 (42 percent of total exports). However, total Russian exports fell by 20.3 percent from US\$422 billion in 2019 to US\$337 billion in 2020 owing to reduced oil export receipts. On the other hand, imports also fell by 5 percent from US\$244 billion in 2019 to US\$232 billion in 2020. Similarly, in 2020, the ruble's exchange rate to the dollar dropped by 11.4 percent to RUB 72.1/US\$. Reduction in global oil prices and changing geopolitical situations in the region were the main reasons for this¹⁵.

Figure 2 compares the balance of trade and exchange rates of Pakistan and Russia during the period 2011 and 2020.

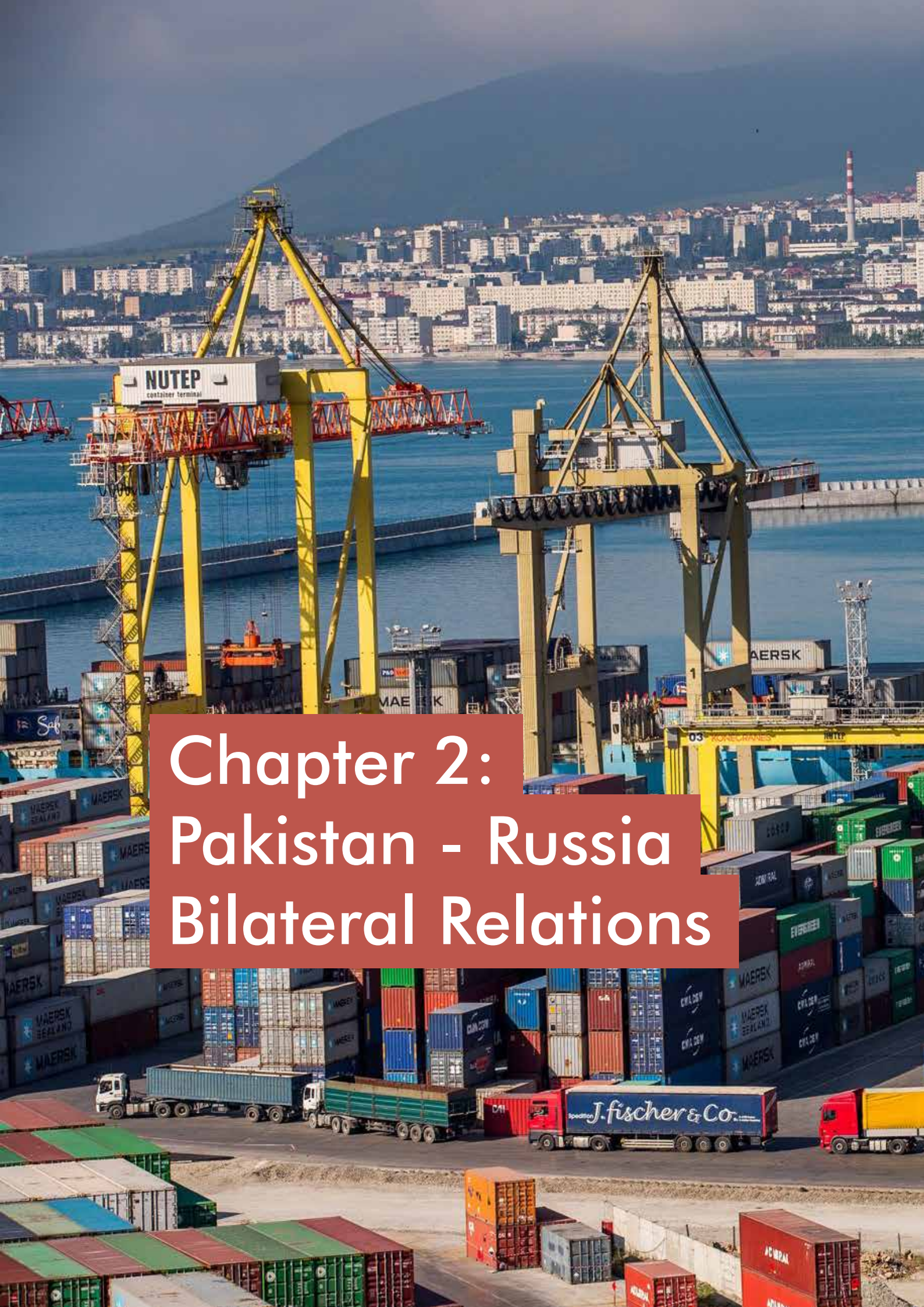
14 Does exchange rate effects the trade balances really? Evidence from Pakistan authored by Faisal Asghar, Mubeen Asif, Muhammad Haseeb Aslam, Rao Qamar Bahadur, Khalid Mahmood

15 Balance of Payments: Results of 2020 MONITORING OF RUSSIA'S ECONOMIC OUTLOOK NO.2(125) FEBRUARY 2021

FIGURE 2: Balance of Trade Against Exchange Rate – Pakistan & Russia



Source: Pakistan Economic Survey; ITC Trade Map; World Development Indicators of World Bank

A high-angle photograph of a busy port terminal. In the foreground, several yellow gantry cranes are positioned over stacks of shipping containers. The containers are stacked in neat rows, with various colors and logos visible, including 'MAERSK' and 'EVERGREEN'. A red truck with a blue trailer is driving through the terminal, and other trucks are parked nearby. In the background, a city skyline is visible across a body of water, with a large mountain in the distance. The sky is clear and blue.

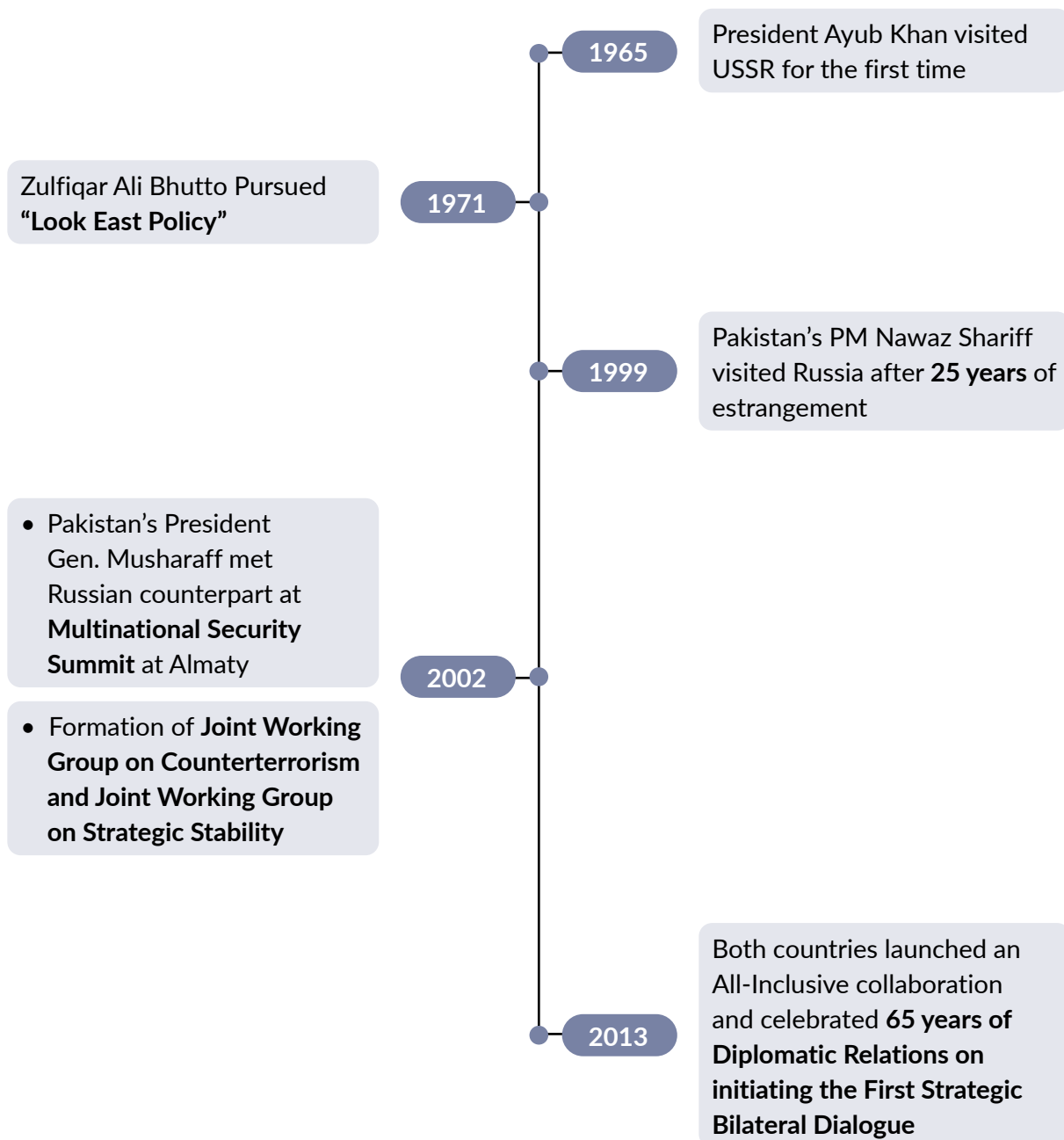
Chapter 2: Pakistan - Russia Bilateral Relations

Pakistan - Russia Bilateral Relations

Pakistan and Russia's relations can be best described as a narrative of "mutual misunderstandings, miscalculations and wasted opportunities due to shifting policies of the two states under geopolitical realities of the Cold War period¹⁶. However, the bilateral relationship has survived several strains and is on its course towards converting into a long-term sustainable strategic partnership.

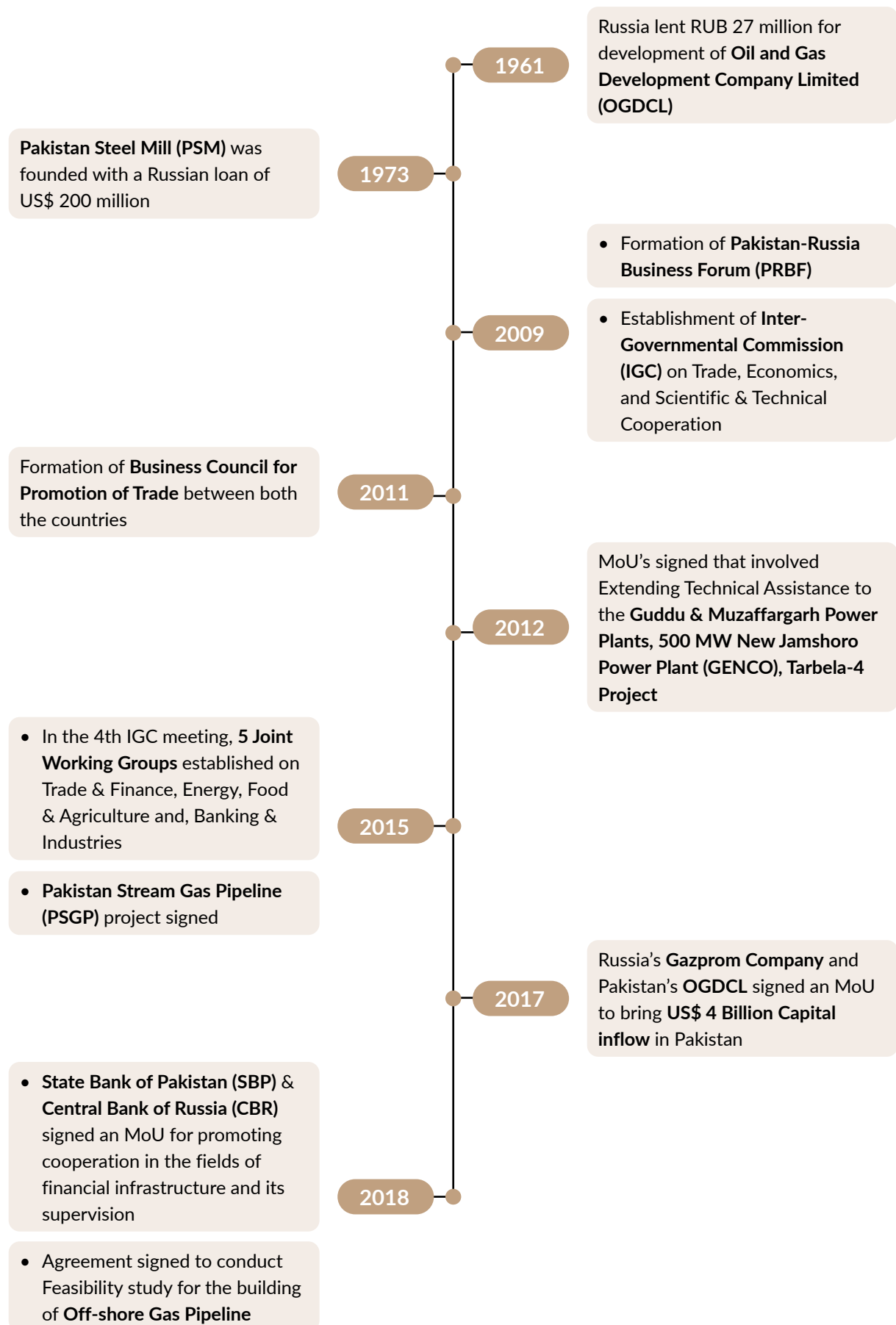
This chapter has been divided into three sections briefly explaining the diplomatic, economic and defence ties between the two countries.

2.1 Diplomatic Relations

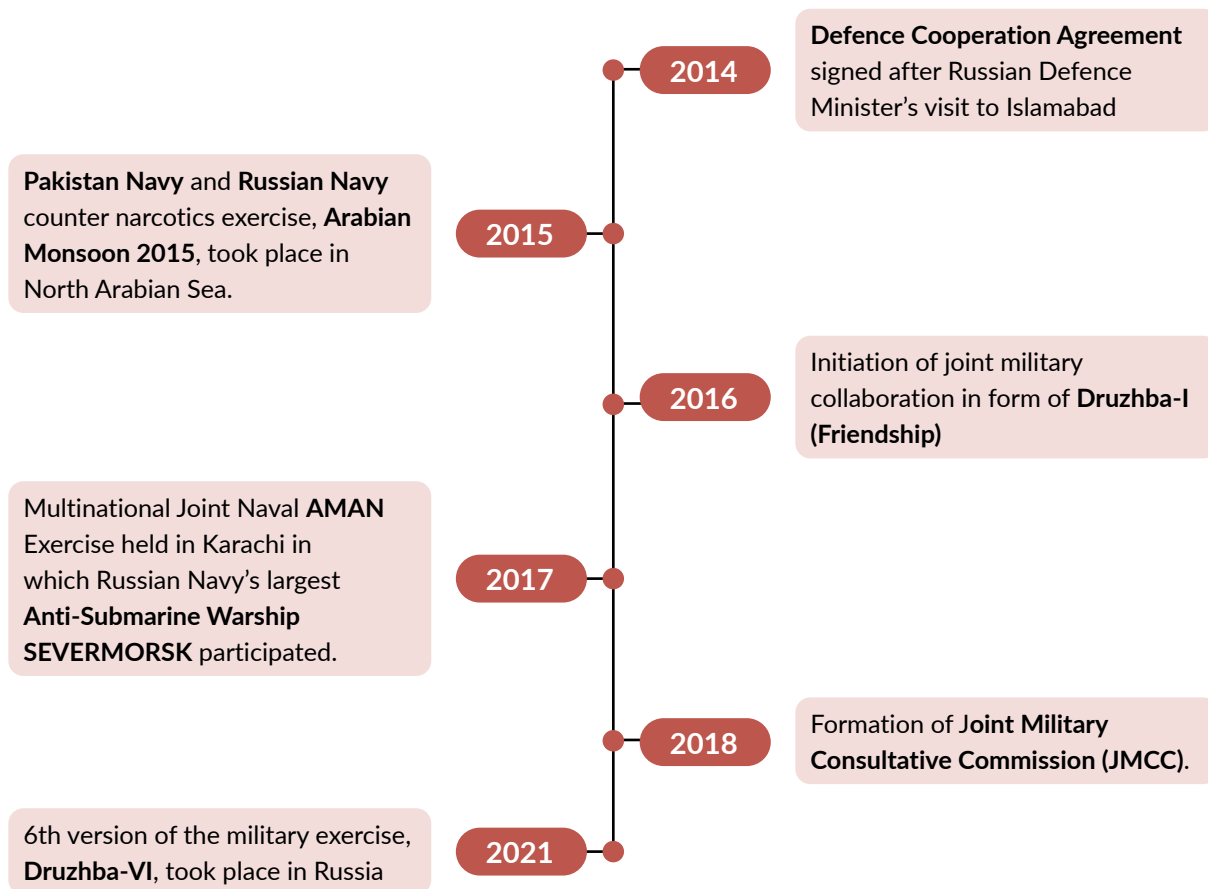


¹⁶ Pakistan-Russia Relations Redux: From Estrangement to Pragmatism by M. Nawaz Khan

2.2 Economic Relations



2.3 Defense Relations



A close-up photograph of a business meeting. In the foreground, a person's hand holds a silver pen over a document. The document features several charts: a line graph with blue and orange lines, two pie charts (one blue and orange, one blue and green), and a bar chart with blue and orange bars. In the background, a laptop is open, and another person's hand is pointing at the document. The scene is brightly lit, suggesting an office environment.

Chapter 3: Global Economic Indicators of Pakistan and Russia

Global Economic Indicators of Pakistan and Russia

3.1 Market Potential Index (MPI)

Market Potential Index (MPI) was developed by the MSU-IBC¹⁷ to compare prospective markets and identify potential export markets. The indexing is based on eight dimensions: market size, market intensity, market growth rate, market consumption capacity, commercial infrastructure, market receptivity, economic freedom and country risk. Pakistan's MPI rank rose from 66 in 2020 to 58 in 2021. Russia's MPI rank went up from 51 in 2020 to 16 in 2021. Russia's global MPI ranking has improved significantly making it comparatively a more export-friendly country than Pakistan, despite Pakistan's improvement in world rankings.

Table 2: Market Potential Index (MPI) – 2021

Pakistan			Russia		
Overall Score (100 = Highest)	Rank		Overall Score (100 = Highest)	Rank	
	2021	2020		2021	2020
24	58	66	35	16	51

Source: Market Potential Index 2021 – A study by MSU-IBC (Michigan State University – International Business Center)

3.2 Logistics Performance Index (LPI) – World Bank

The LPI is an interactive benchmarking tool designed to assist countries in identifying obstacles and challenges they face in trade logistics as well as what they can do to improve these. According to the World Bank Logistics Performance Index (LPI) (2018), Russia was ranked 75th in 2018. Whereas Pakistan was ranked 122nd.

Table 3: Comparison of Logistics Performance Index (LPI) – 2018

	Pakistan	Russia
Overall Rank	122	75
Customs	139	97
Infrastructure	121	61
International Shipment	97	96
Logistics Quality and Competence	89	71
Tracking and Tracing	136	97
Timeliness	136	66

Source: LPI Global Rankings 2018, World Bank

¹⁷ Michigan State University – International Business Centre (MSU-IBC)

3.3 Global Innovation Index (GII)

The Global Innovation Index (GII) ranks 131 economies based on innovation. Based on 80 indicators grouped into seven categories, these metrics help policymakers and stakeholders evaluate their economy's innovation capability on an annual basis.

Pakistan was ranked the 107th most innovative nation in 2020, while Russia was ranked 47th. Among SAARC countries, Pakistan has retained its position as the second most robust economy after India in trade-related variables, 72nd in high-tech exports and 106th in creative goods exports

Table 4: Global Innovation Index (GII) – 2020

	Pakistan		Russia	
	Overall Score (100 = Highest)	Rank 2020	Overall Score (100 = Highest)	Rank 2020
	22.3	107	35.6	47
Institutions	54.1	99	61.5	71
Political Environment	43.6	109	54.5	75
Regulatory Environment	44.5	116	54	95
Business Environment	74.1	55	76.1	45
Human Capital and Research	12.2	118	45.6	30
Education	21.9	124	51.9	46
Tertiary Education	6.0	(123)	49.9	17
Research & Development	8.8	62	34.9	33
Infrastructure	23.3	119	42.4	60
Information and Communication Technology	38.7	111	81.2	29
General Infrastructure	10.1	125	25.9	72
Ecological Sustainability	21	94	20	100
Market Sophistication	36	116	49.7	55
Credit	21.1	124	45.2	50
Investment	28.5	100	27.4	106
Trade, Competition & Market Scale	58.5	85	76.5	18
Business Sophistication	22	87	34	42
Knowledge Workers	21.1	(98)	44.8	36
Innovation Linkages	18.5	83	17.6	90
Knowledge Absorption	26.6	72	39.7	32
Knowledge and Technology Outputs	18.6	69	26.4	50
Knowledge Creation	15.3	(63)	32.7	30
Knowledge Impact	20.8	81	23	68
Knowledge Diffusion	19.5	81	23.6	66
Creative Outputs	11.6	108	22.8	60
Intangible Assets	18.6	98	28.4	61
Creative Goods & services	0.8	128	9.1	81
Online Creativity	8.4	93	25.3	44

Source: The Global Innovation Index 2020, co-published by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO), a specialized agency of the United Nations

3.4 Global Opportunity Index (GOI)

The Global Opportunity Index (GOI) uses a combination of economic, financial, institutional, and regulatory variables to determine a country's attractiveness for foreign investors. These factors are grouped into five categories – business perception, economic fundamentals, financial services, institutional framework, and international standards and policy¹⁸.

Out of 145 countries, Pakistan has been ranked 115th while Russia ranks 47th in the Milken Institute's Global Opportunity Index.

Table 5: Global Opportunity Index (GOI) – 2021

	Pakistan		Russia	
	2020	2021	2020	2021
Total Rank	116	115	51	47
Business Perception	94	89	45	32
Economic Fundamentals	140	133	56	51
Financial Services	117	120	66	51
Institutional Framework	93	88	63	60
International Standards and Policy	116	126	54	61

Source: Global Opportunity Index 2021, Milken Institute.

3.5 Ease of Doing Business – World Bank

According to the World Bank Ease of Doing Business Report 2020, Pakistan has improved its ranking from 136th in 2019 to 108th in 2020, showing a jump of 28 places. However, Pakistan has been performing poorly and is lagging behind its competitors in the overall ranking – China (77th), India (45th) and Viet Nam (38th).

Table 6: Ease of Doing Business – 2020

	Pakistan	Russia
Overall	108	28
Starting a Business	72	40
Dealing with construction Permits	112	26
Getting Electricity	123	7
Registering Property	151	12
Getting Credit	119	25
Protecting Minority Investors	28	72
Paying Taxes	161	58
Trading Across Borders	111	99
Enforcing Contracts	156	21
Resolving Insolvency	58	57

Source: World Bank Doing Business 2020, 17th Edition

¹⁸ Milken Institute (2021), Global Opportunity Index 2021 White Paper
<https://milkeninstitute.org/reports/latin-america-global-opportunity-index/white-paper>

3.6 Global Competitiveness Index (GCI)

The Global competitiveness Index describes competitiveness by integrating different sets of factors based on 12 pillars – Institutions, Infrastructure, ICT adoption, Macroeconomic stability, Health, Skills, Product market, Labor market, financial system, Market size, Business Dynamism, and Innovation capability.

Table 7: Comparison of Global Competitiveness Index – 2019

	Pakistan	Russia
Overall (Rank)	110	43
Institutions	107	74
Infrastructure	105	50
ICT Adoption	131	22
Macroeconomic Stability	116	43
Health	115	97
Skills	125	54
Product Market	126	87
Labor Market	120	62
Financial System	99	95
Market Size	29	6
Business Dynamism	52	53
Innovation Capability	79	32

Source: The Global Competitiveness Report 2019 – World Economic Forum

3.7 Trade Facilitation Agreement (TFA) – World Trade Organization

In December 2013, negotiations for the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) were concluded. In February 2017, TFA entered into force when two-thirds of the WTO members ratified the agreement.

A Free Trade Agreement (FTA) leads to a reduction in tariff rates, but goods traded under FTA may not always be traded smoothly. Trade facilitation measures are important because of existing non-tariff barriers (NTBs) between FTA partners. Tariff elimination complemented by trade facilitation can facilitate cooperation and increase trade flows between FTA partners.

Table 8: Comparison of Trade Facilitation Performance – 2019

	Pakistan	Russia
Average Trade Facilitation Performance	1.35	1.70
Category		
A-Information Availability	1.40	1.91
B-Involvement of the Trade Community	1.43	1.88
C-Advance Rulings	1.60	1.70
D-Appeal Procedures	1.63	1.39
E-Fees and Charges	1.77	1.86
F-Documents	1.11	1.75
G-Automation	1.23	1.77
H-Procedures	1.20	1.63
I-Internal Border Agency Co-operation	1.10	1.64
J-External Border Agency Co-operation	0.46	1.18
K-Governance & Impartiality	1.89	2.00

Source: OECD – Trade Facilitation

3.8 Productive Capacity Index (PCI) – UNCTAD

The Productive Capacities Index (PCI) of UNCTAD is a dynamic and realistic tool that helps developing countries understand their productive potential and how to strengthen it.

The PCI includes 193 economies and 46 indicators. The PCI scale ranges from 0 to 100, with 100 being the best score.

The index can help diagnose where countries are leading or lagging, highlighting successful and ineffective policies. The components of PCI include human capital, natural capital, ICTs, structural change, transportation, institutions, and the private sector.

Table 9: Productive Capacities Index (PCI) Scores – 2018

	Pakistan	Russia
Overall PCI	25.2	33.9
PCI Average (2011-18)	24.7	33.0
Human Capital	36.6	60.7
Natural Capital	56.5	45.7
Energy	24.8	33.8
Transport	11.8	15.7
Information & Communication Technology	5.9	18.0
Institutions	32.7	38.3
Private Sector	77.7	76.8
Structural change	17.8	22.0

Source: UNCTAD Stat

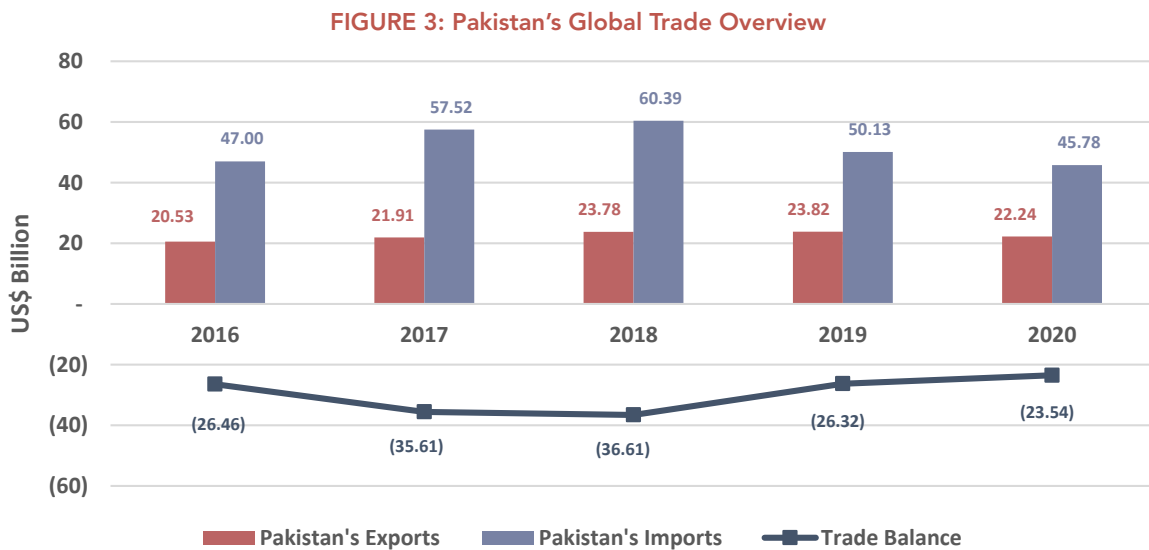


Chapter 4: Trade Profile

Trade Profile

4.1 Pakistan's Trade Profile

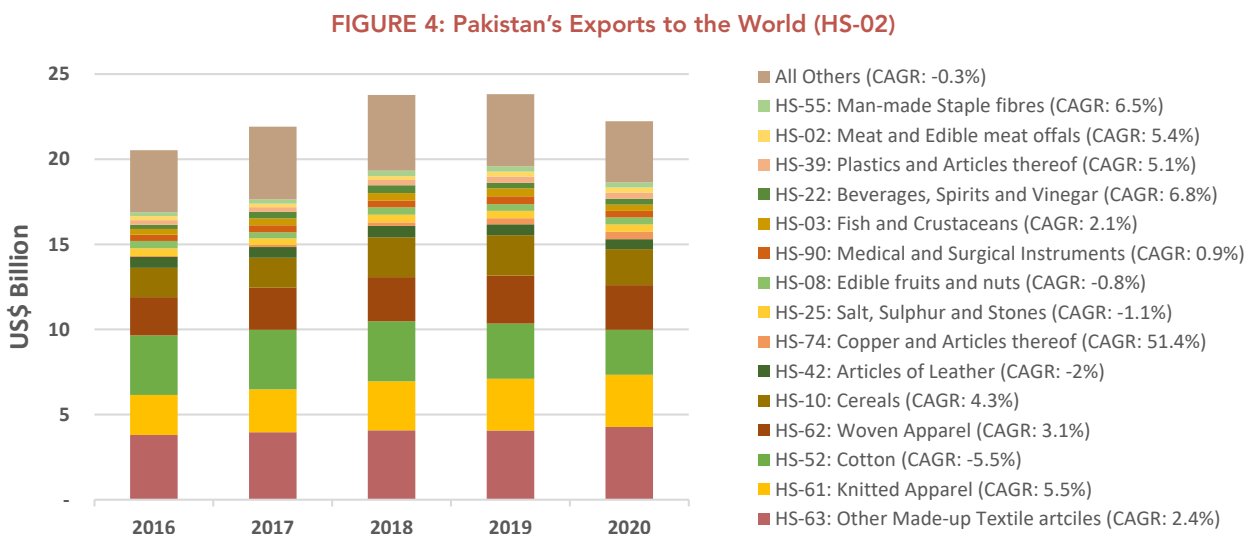
In 2020, Pakistan's exports amounted to US\$ 22.2 billion whereas Pakistan's imports amounted to US\$ 45.8 billion leading to a trade deficit of US\$ 23.5 billion. Figure 3 below shows Pakistan's Trade overview during the period 2016-2020.



Source: ITC Trade Map

4.1.1 Pakistan's exports to the World

Figure 4 below shows Pakistan's top 15 exports to the World at HS-02 level along with the CAGR during the period 2016-2020.



Source: ITC Trade Map
*CAGR is for the period 2016-2020

Key Findings:

- In 2020, the top 15 exports accounted for 83.8 percent of the total exports of Pakistan.
- Exports of Pakistan declined to US\$ 22 billion in 2020 from US\$ 23 billion in 2019, reporting a decline of 6.6 percent during 2019-2020.

Table 10 below shows Pakistan's top 25 exports to the World at HS-06 level along with the CAGR for the period 2016-2020. The share of Pakistan's exports in World exports is also given below.

Table 10: Pakistan's Top 25 Exports to the World at HS-06 level

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Share in World Exports 2020 (%)	CAGR 2016-2020 (%)
TOTAL	All products	20,533.79	21,911.60	23,778.62	23,818.82	22,237.16	0.10	1.61
100630	Semi-milled or wholly milled rice ...	1,418.93	1,515.03	1,768.84	1,786.25	1,532.88	7.46	1.56
620322	Men's or boys' ensembles of cotton (excluding ...	708.81	1,293.72	1,539.78	1,618.51	1,425.69	88.42	15.00
630231	Bedlinen of cotton (excluding ...	773.31	812.18	866.31	855.93	923.83	28.38	3.62
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of ...	777.09	806.25	791.22	787.44	776.51	13.61	-0.01
630210	Bedlinen, knitted or crocheted	606.93	666.37	695.97	696.19	726.15	43.92	3.65
630239	Bedlinen of textile materials (excluding ...	651.87	671.01	702.05	710.80	636.72	56.46	-0.47
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton ...	810.98	813.13	782.45	696.17	524.51	16.60	-8.35
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths ...	384.89	407.75	441.71	407.89	400.78	14.80	0.81
520942	Denim, containing >= 85% cotton ...	461.85	483.24	501.20	498.35	388.25	20.39	-3.41
611090	Jerseys, pullovers, cardigans, waistcoats and similar ...	151.09	196.08	270.11	323.32	379.28	22.37	20.21
901890	Instruments and appliances used in medical, surgical ...	326.03	361.13	375.52	405.51	361.30	0.64	2.08
620342	'en's or b'ys' trousers, bib and brace overalls, breeches and ...	543.87	411.06	351.17	400.50	327.15	1.53	-9.67
100620	Husked or brown rice	31.73	47.30	56.59	232.92	307.20	16.87	57.47
740319	Copper, refined, unwrought (excluding ...	3.44	17.57	128.89	259.71	306.45	8.49	145.45
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	221.82	362.09	428.16	301.87	303.61	3.80	6.48
610590	'en's or b'ys' shirts of textile materials, knitted or crocheted ...	252.52	311.18	333.71	328.57	283.63	43.60	2.35
100640	Broken rice	251.85	182.85	172.97	255.73	259.13	12.64	0.57
610910	T-shirts, singlets and other vests ...	205.11	198.06	244.22	314.81	252.61	0.92	4.25
520812	Plain woven fabrics of cotton, containing >= 85% cotton ...	183.87	213.53	254.56	238.16	250.38	17.98	6.37
420310	Articles of apparel, of leather or composition leather (excluding ...	297.99	276.01	260.27	258.66	237.54	10.31	-4.43

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Share in World Exports 2020 (%)	CAGR 2016-2020 (%)
420329	Gloves, mittens and mitts, of leather or composition leather (excluding ...)	187.62	196.71	220.70	230.08	225.20	17.62	3.72
610349	'en's or b'ys' trousers, bib and brace overalls, breeches ...	159.06	175.94	232.13	215.47	218.44	29.38	6.55
611610	Gloves, mittens and mitts, impregnated, coated ...	64.63	105.25	97.31	144.75	200.30	6.69	25.39
630900	Worn clothing and clothing accessories, blankets ...	11.34	10.67	13.50	33.16	198.43	5.18	77.25
020110	Carcases or half-carcases of bovine animals, fresh or chilled	125.74	110.46	155.48	184.10	187.56	10.04	8.33

Source: ITC Trade Map

Key Findings:

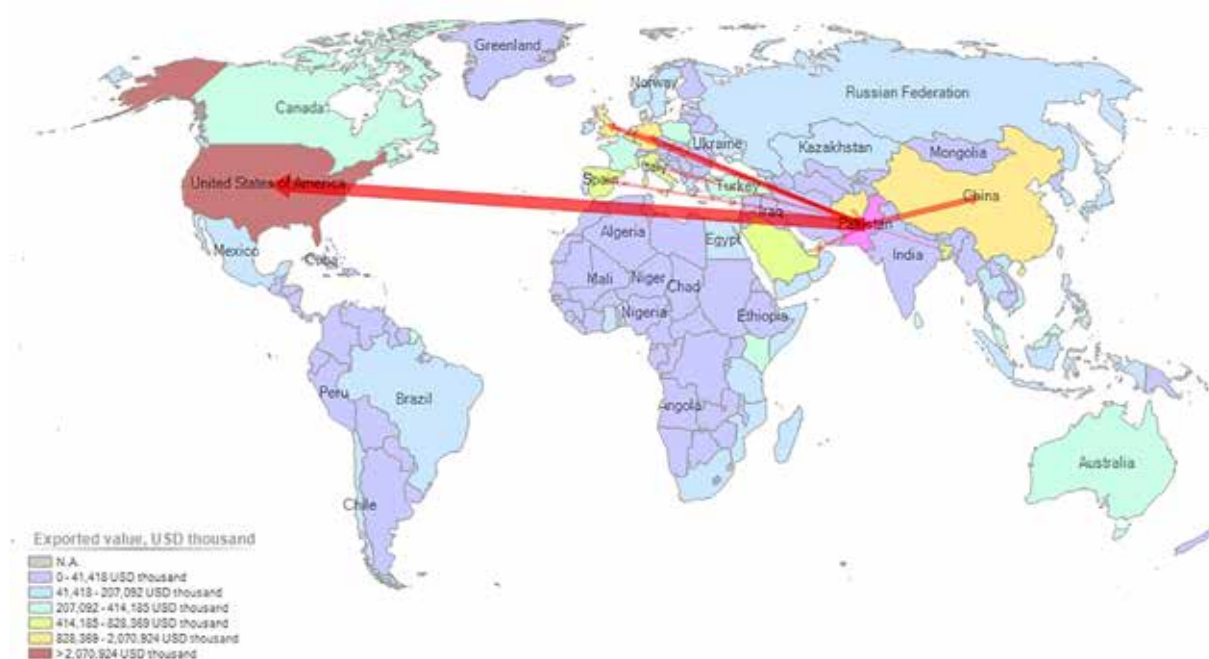
- Pakistan's top 25 exports to the world at HS-06 level accounted for 52.3 percent of total exports in 2020.
- Sixteen out of the 25 items belong to the textile group amounting to US\$ 7.9 billion having a share of 35.6 percent in Pakistan's total exports in 2020.

4.1.2 Major Export Destinations of Pakistan

Figure 5 below shows Pakistan's top export destinations in 2020, and the thickness of the arrow corresponds to the export value. Top export destinations of Pakistan include the USA (18.6 percent), China (8.4 percent), the UK (7.8 percent), Germany (6.3 percent) and the UAE (4.9 percent).

FIGURE 5: Pakistan's Top Export Destinations – 2020

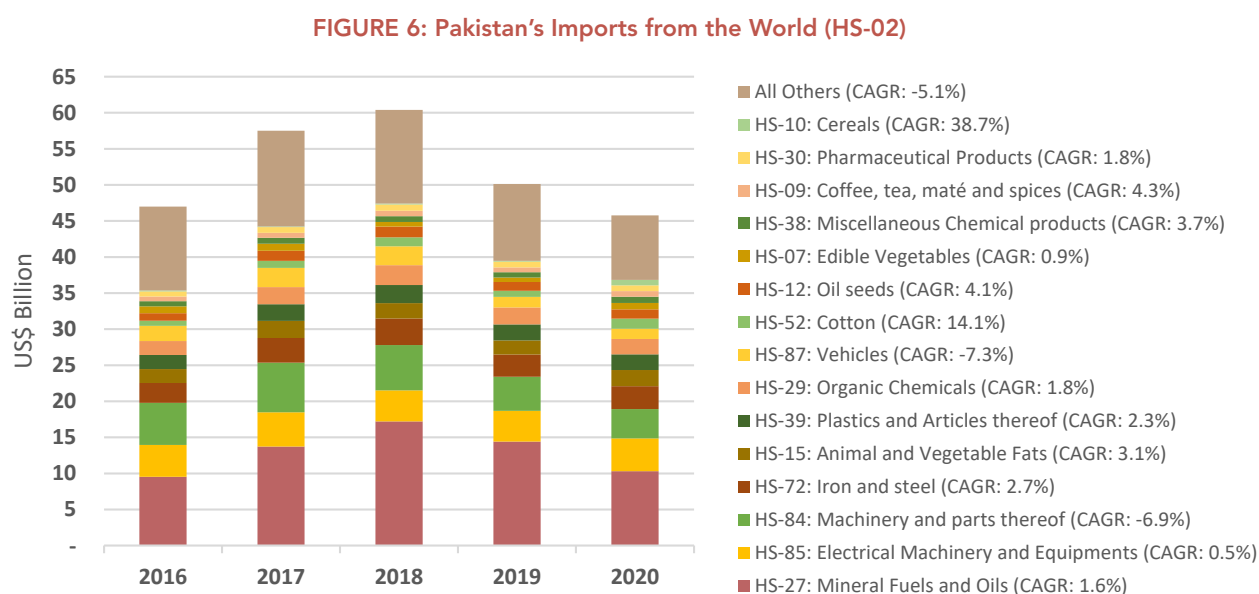
List of importing markets for a product exported by Pakistan in 2020
Product : TOTAL All products



Source: ITC Trade Map

4.1.3 Pakistan's Imports from the World

Figure 6 below shows Pakistan's top 15 imports from the World at HS-02 level along with the CAGR for the period 2016-2020.



Source: ITC Trade Map
*CAGR is for the period 2016-2020

Key Findings:

- In 2020, Pakistan's total imports from the world amounted to US\$ 45 billion.
- Imports declined to US\$ 45.8 billion in 2020 from US\$ 50.1 billion in 2019, showing a decline of 8.7 percent during 2019-2020.

Table 11 below shows Pakistan's top 25 imports from the World at HS-06 level along with the CAGR for the period 2016-2020. The share of Pakistan's imports in World imports is also shown below.

Table 11: Pakistan's Top 25 Imports from the World at HS-06 level

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Share in World Imports 2020 (%)	CAGR 2016-2020 (%)
TOTAL	All products	46,998.27	57,518.65	60,391.13	50,134.81	45,775.14	0.26	-0.53
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90%. ...	2,217.54	3,014.74	3,734.99	3,523.78	2,588.90	1.76	3.15
270900	Petroleum oils and oils obtained from bituminous minerals, crude	1,983.03	3,139.64	4,922.45	3,913.91	2,267.40	0.33	2.72
271111	Natural gas, liquefied	849.82	1,678.58	3,308.35	3,269.82	2,079.18	1.94	19.59
151190	Palm oil and its fractions, whether or not refined (excluding ...	1,629.57	2,014.62	1,834.93	1,557.14	1,989.78	8.99	4.08
851712	Telephones for cellular networks "mobile telephones" ...	707.65	761.29	836.22	1,019.64	1,695.33	0.65	19.09

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Share in World Imports 2020 (%)	CAGR 2016-2020 (%)
271019	Medium oils and preparations, of petroleum or bituminous minerals ...	3,532.11	4,404.78	3,127.40	1,863.41	1,605.69	0.58	-14.59
520100	Cotton, neither carded nor combed	580.54	762.49	1,052.93	709.51	1,315.55	9.72	17.78
270112	Bituminous coal, whether or not pulverised, non-agglomerated	214.77	915.46	1,229.22	1,157.00	1,050.00	1.66	37.36
720449	Waste and scrap of iron or steel (excluding ...)	571.12	867.98	952.83	871.45	898.90	4.18	9.50
120110	Soya bean seed, for sowing	383.44	746.09	946.93	756.16	842.49	72.06	17.05
720441	Turnings, shavings, chips, milling waste, sawdust, filings ...	426.13	544.11	587.28	613.17	732.68	27.91	11.45
090240	Black fermented tea and partly fermented tea ...	480.16	537.60	557.91	481.67	572.67	16.47	3.59
390210	Polypropylene, in primary forms	384.89	466.73	541.18	479.82	503.51	2.08	5.52
100119	Durum wheat (excluding seed for sowing)	-	-	-	-	440.11	3.79	-
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm ...	260.79	347.96	467.69	451.04	419.97	2.86	10.00
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding ...)	472.96	648.76	845.53	457.57	369.77	6.18	-4.80
271119	Gaseous hydrocarbons, liquefied, n.e.s. (excluding ...)	210.54	267.68	225.40	288.56	368.01	7.78	11.82
300490	Medicaments consisting of mixed or unmixed products ...	318.48	368.63	434.43	342.04	362.77	0.11	2.64
854140	Photosensitive semiconductor devices, incl. photovoltaic cells ...	493.70	657.44	391.07	355.91	358.15	0.61	-6.22
870323	Motor cars and other motor vehicles principally designed ...	214.96	341.21	267.73	181.62	354.76	0.16	10.54
850239	Generating sets (excluding ...)	329.86	171.52	154.69	214.95	338.27	8.12	0.50
120510	Low erucic acid rape or colza seeds "yielding a fixed oil ..."	464.42	475.47	400.45	366.59	329.48	3.21	-6.64
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	286.85	332.06	338.22	310.23	318.85	1.43	2.14
722530	Flat-rolled products of alloy steel other than stainless, of a width of >= 600 mm ...	369.06	402.78	299.36	250.38	249.71	5.11	-7.52
071310	Dried, shelled peas "Pisum sativum", whether or not skinned or split	325.71	139.07	51.87	77.89	249.20	10.55	-5.21

Source: ITC Trade Map

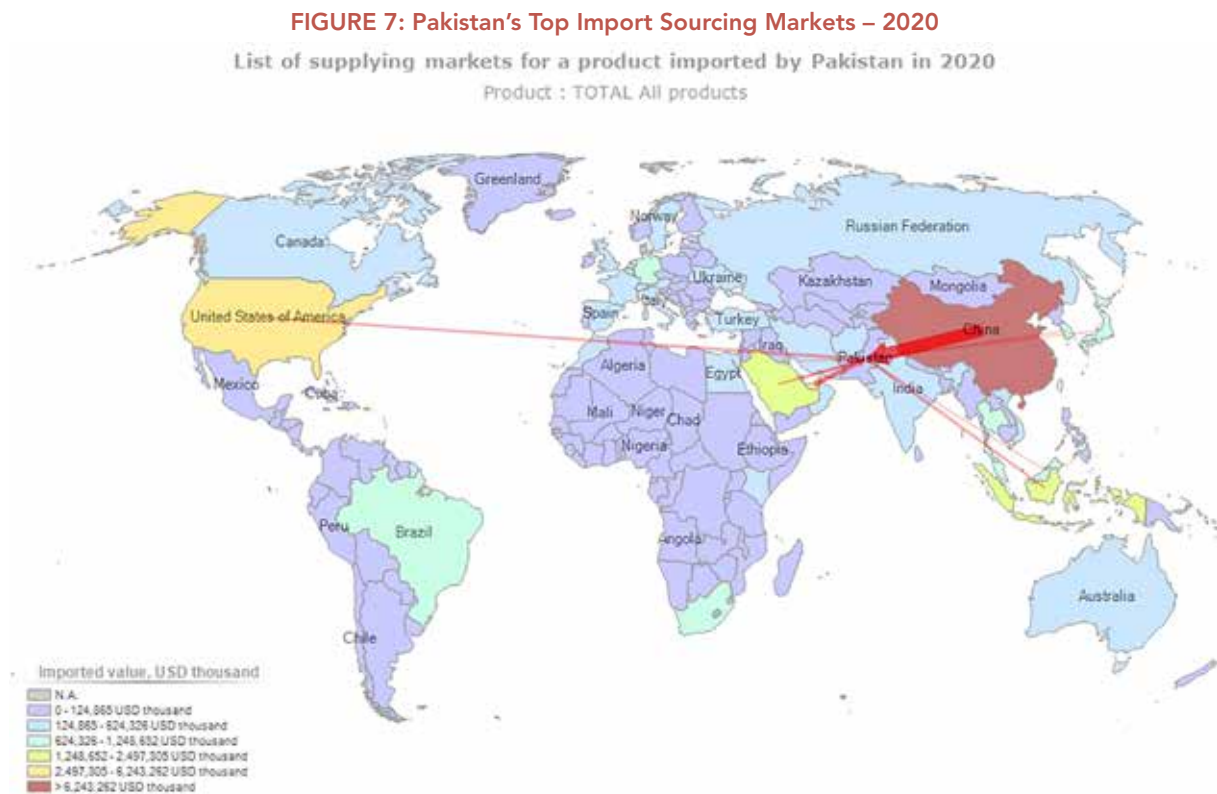
Key Findings:

- Pakistan's top 25 imports from the world at HS-06 level accounted for 48.7 percent of total imports in 2020.

- Six out of the 25 items belong to the Mineral fuel and oil group amounting to US\$ 10 billion having a share of 21.8 percent in Pakistan's total imports in 2020.
- In 2020, Pakistan imported “*Durum wheat...*” (HS-100119) worth US\$ 440 million to meet the supply shortage in the country. Pakistan had been a wheat exporting country till 2013.

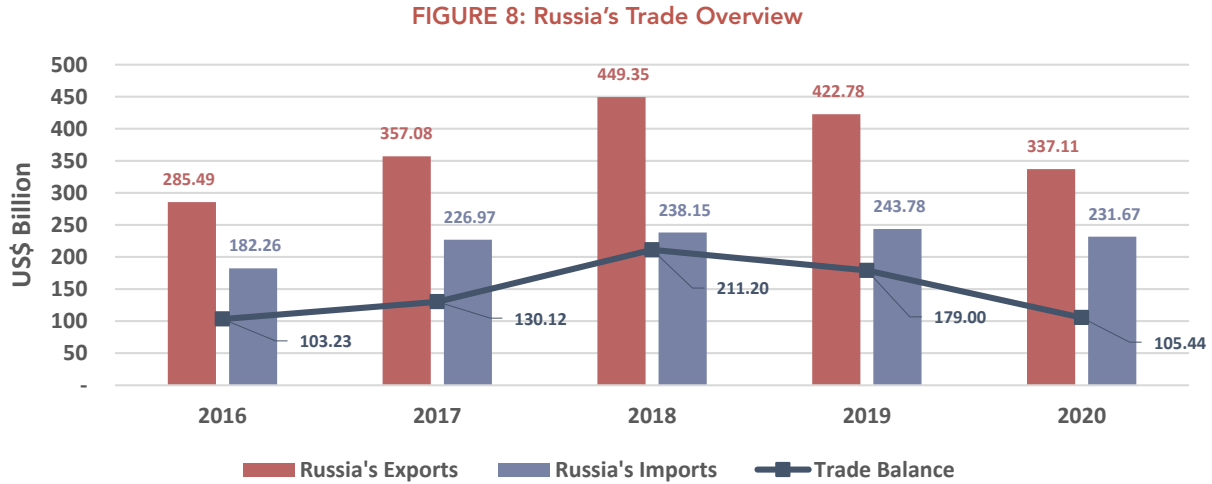
4.1.4 Major Import Sources for Pakistan

Figure 7 below shows Pakistan's top import sourcing countries in 2020, and the thickness of the arrow corresponds to the import value. Top import sources of Pakistan include China (27.3 percent), the UAE (9.8 percent), the USA (5.6 percent), Indonesia (5.3 percent) and Saudi Arabia (4.1 percent).



4.2 Russia's Trade Profile

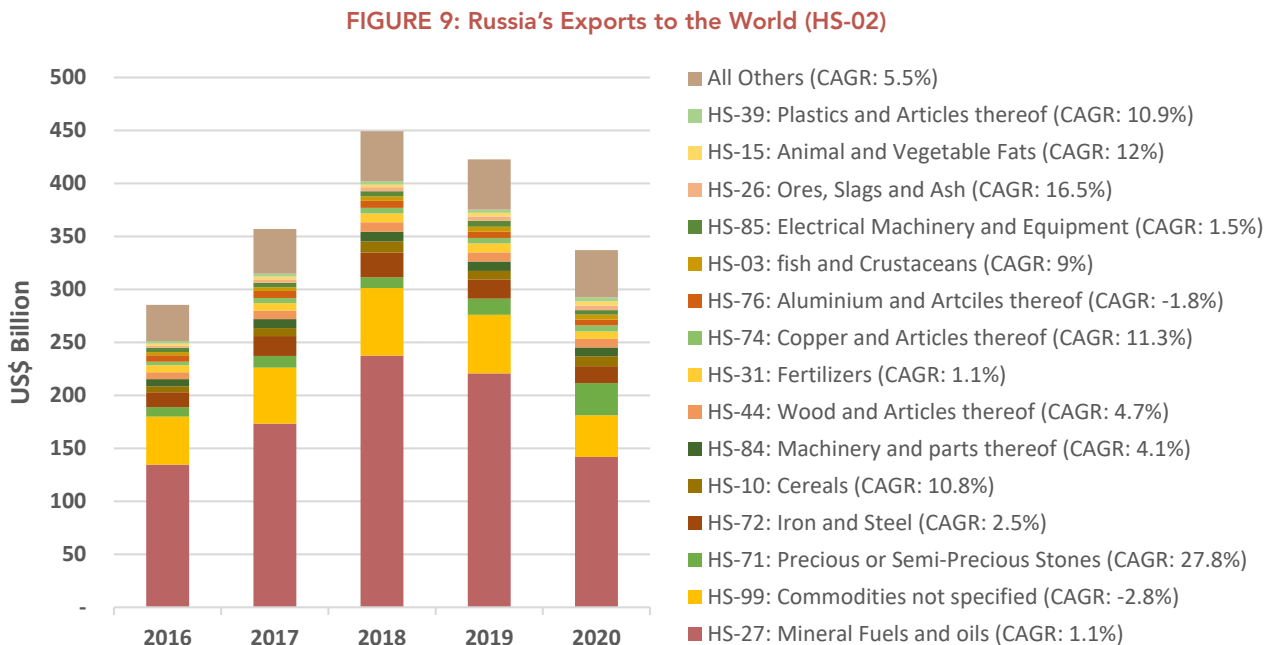
In 2020, Russia's exports amounted to US\$ 337.1 billion whereas Russia's imports amounted to US\$ 231.7 billion leading to a trade surplus of US\$ 105.4 billion. Figure 8 below shows Russia's trade overview during the period 2016-2020.



Source: ITC Trade Map

4.2.1 Russia's Exports to the World

Figure 9 below shows Russia's top 15 exports to the World at HS-02 level along with the CAGR during the period 2016-2020.



Source: ITC Trade Map
*CAGR is for the period 2016-2020

Key Findings:

- In 2020, the top 15 exports accounted for 86.8 percent of the total exports of Russia.
- Exports declined to US\$ 337.1 billion in 2020 from US\$ 422.8 billion in 2019, showing a decline of 20.3 percent during 2019-2020.

Table 12 below shows Russia's top 25 exports to the World at HS-06 level along with their CAGR for the period 2016-2020. The share of Russia's exports in World exports is also given below.

Table 12: Russia's Top 25 Exports to the World at HS-06 level

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Share in World Exports 2020 (%)	CAGR 2016-2020 (%)
TOTAL	All products	285,491.05	357,083.14	449,347.16	422,777.17	337,105.35	1.97	3.38
270900	Petroleum oils and oils obtained from bituminous ...	73,676.26	93,306.41	129,049.15	121,443.99	72,564.29	13.26	-0.30
999999	Commodities not elsewhere specified	45,239.26	52,887.53	63,746.03	55,265.42	39,315.74	5.39	-2.77
271019	Medium oils and preparations, of petroleum ...	35,192.53	45,335.01	61,357.83	52,726.49	35,405.16	12.55	0.12
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes ...	907.37	2,358.87	697.00	5,740.44	18,535.92	6.11	82.83
270112	Bituminous coal ...	8,054.09	11,898.51	14,606.79	13,616.67	10,743.06	15.98	5.93
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% ...	10,759.14	12,909.37	16,750.75	14,160.91	9,954.90	6.85	-1.54
100199	Wheat and meslin (excluding seed for sowing ...)	4,170.86	5,730.12	8,321.73	6,315.52	7,853.73	19.05	13.49
271111	Natural gas, liquefied	2,899.80	3,173.80	5,285.98	7,920.05	6,745.83	8.47	18.40
711021	Palladium, unwrought or in powder form	1,785.81	2,448.25	2,808.71	4,255.99	6,448.95	24.55	29.28
740311	Copper, refined, in the form ...	2,357.31	3,418.74	4,042.46	4,031.35	4,529.01	7.92	13.95
760110	Aluminium, not alloyed, unwrought	2,941.81	3,009.09	3,319.01	3,147.66	2,898.20	11.81	-0.30
710231	Non-industrial diamonds unworked or simply sawn, cleaved or bruted (excluding...)	4,266.43	4,183.61	4,360.78	3,257.48	2,852.75	12.26	-7.73
720712	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% ...	2,534.12	3,619.48	4,508.85	3,151.51	2,167.40	24.30	-3.08
720711	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% ...	1,129.88	1,618.99	2,143.11	1,623.39	2,111.14	25.59	13.32
440711	Pine "Pinus spp." sawn or chipped lengthwise ...	1.41	2,036.26	2,169.53	2,030.06	1,892.96	21.62	322.26
750210	Nickel, not alloyed, unwrought	1,606.59	1,360.80	1,723.26	1,835.91	1,859.22	23.86	2.96

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Share in World Exports 2020 (%)	CAGR 2016-2020 (%)
151211	Crude sunflower-seed or safflower oil	1,006.33	1,321.69	1,182.80	1,732.08	1,819.48	20.36	12.57
310420	Potassium chloride for use as fertiliser (excluding ...	1,831.78	2,110.63	2,005.02	2,314.29	1,756.41	17.85	-0.84
841112	Turbojets of a thrust > 25 kN	1,210.89	1,540.67	1,593.77	1,851.89	1,746.73	3.94	7.60
270111	Anthracite, whether or not pulverised, non-agglomerated	839.18	1,613.30	2,397.86	2,354.85	1,639.88	65.68	14.34
440712	Fir "Abies spp." and spruce "Picea spp." sawn ...	0.11	1,289.66	1,601.76	1,717.60	1,583.55	16.03	579.89
310210	Urea, whether or not in aqueous solution (excluding ...	1,137.20	1,279.92	1,582.45	1,643.18	1,516.69	12.39	5.93
270799	Oils and other products of the distillation of high ...	139.82	872.28	2,798.14	3,983.45	1,454.07	13.59	59.74
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	1,303.92	1,773.49	1,867.65	1,289.42	1,387.04	10.47	1.24
760120	Unwrought aluminium alloys	2,046.34	2,455.33	2,028.78	1,493.27	1,320.68	6.11	-8.39

Source: ITC Trade Map

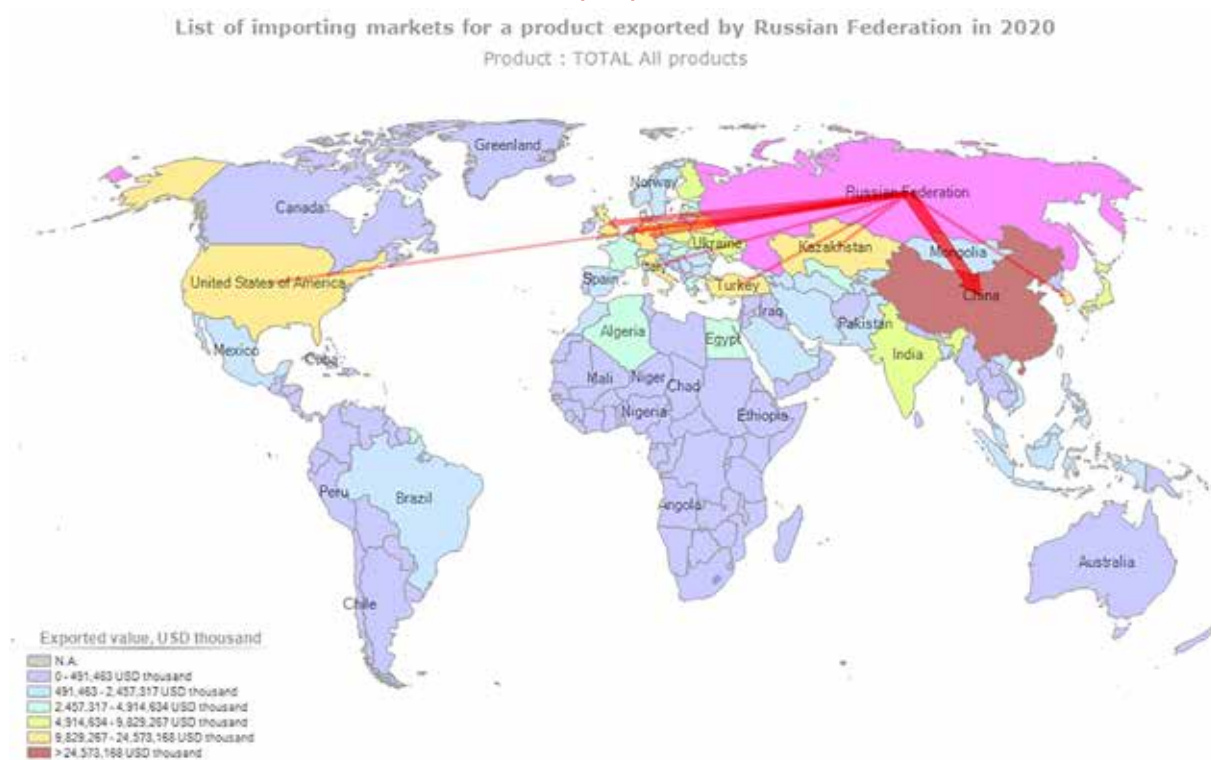
Key Findings:

- Russia's top 25 exports to the world at HS-06 level accounted for 71.2 percent of total exports in 2020.
- Five out of the 25 items belong to the Mineral fuels and oil group amounting to US\$ 137 billion having a share of 40.7 percent in Russia's total exports in 2020.

4.2.2 Major Export Destinations of Russia

Figure 10 below shows Russia's top export destinations in 2020, and the thickness of the arrow corresponds to the export value. Top export destinations of Russia include China (15.6 percent), the Netherlands (7.4 percent), the UK (6.9 percent), Germany (5.5 percent) and Belarus (4.7 percent).

FIGURE 10: Russia's Top Export Destinations - 2020

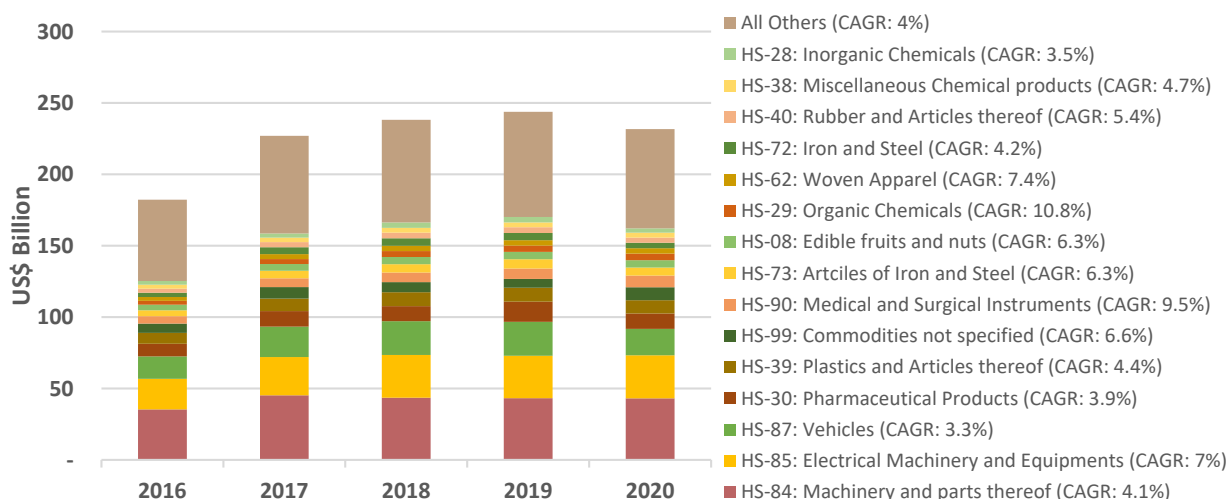


Source: ITC Trade Map

4.2.3 Russia's Imports from the World

Figure 11 below shows Russia's top 15 imports from the World at HS-02 level along with their CAGR for the period 2016-2020.

FIGURE 11: Russia's Imports from the World (HS-02)



Source: ITC Trade Map

Key findings:

- Major imports of Russia include "**Machinery...**" (HS-84), "**Electrical Machinery...**" (HS-85), "**Vehicles...**" (HS-87), "**Pharmaceutical products**" (HS-30) and "**Plastics...**" (HS-39).

- **“Electrical Machinery and Mechanical Appliances”** (HS-85 & HS-84) made up 31.7 percent of total imports in 2020.

Table 13 below shows Russia’s top 25 imports from the World at HS-06 level along with their CAGR for the period 2016-2020. The share of Russia’s imports in World imports is also given below.

Table 13: Russia’s Top 25 Imports from the World at HS-06 level

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Share in World Imports 2020 (%)	CAGR 2016-2020 (%)
TOTAL	All products	182,261.66	226,966.40	238,151.38	243,780.55	231,667.99	1.33	4.91
999999	Commodities not elsewhere specified	6,581.10	8,014.82	7,053.69	6,153.79	9,074.29	1.96	6.64
851712	Telephones for cellular networks “mobile telephones” or for other wireless networks	4,068.73	5,312.84	6,292.46	5,848.13	5,873.83	2.26	7.62
300490	Medicaments consisting of mixed or unmixed products ...	5,161.13	6,286.66	5,954.26	7,610.25	5,495.11	1.65	1.26
847130	Data-processing machines, automatic, portable, weighing <= 10 kg, ...	1,634.33	1,857.61	2,208.03	1,992.92	2,512.26	1.43	8.98
851762	Machines for the reception, conversion and transmission ...	1,135.52	1,437.89	1,597.16	1,737.56	2,182.48	1.28	13.96
870323	Motor cars and other motor vehicles principally designed ...	2,230.45	2,416.82	2,709.41	3,129.96	1,873.25	0.87	-3.43
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding ...)	1,206.72	1,374.24	1,492.90	1,765.92	1,724.53	3.38	7.40
870829	Parts and accessories of bodies for tractors, motor vehicles ...	1,077.89	1,575.96	1,820.17	1,705.93	1,617.32	2.40	8.45
281820	Aluminium oxide (excluding artificial corundum)	1,266.72	1,468.41	2,145.69	1,952.49	1,505.25	14.25	3.51
847150	Processing units for automatic data-processing machines ...	722.72	1,068.92	1,449.20	1,508.48	1,451.65	1.84	14.97
870710	Bodies for motor cars and other motor vehicles ...	1,039.50	1,327.98	1,790.36	2,084.07	1,431.27	35.44	6.61
870333	Motor cars and other motor vehicles principally designed ...	1,751.59	1,797.28	1,846.80	1,810.52	1,315.19	6.11	-5.57
870840	Gear boxes and parts thereof, for tractors, motor vehicles ...	856.41	1,254.88	1,434.57	1,436.33	1,224.70	2.40	7.42
950300	Tricycles, scooters, pedal cars and similar wheeled toys ...	1,001.73	1,184.24	1,296.39	1,317.43	1,173.95	2.48	3.22
852990	Parts suitable for use solely or principally with transmission ...	1,079.82	1,246.93	1,270.65	1,164.45	1,156.00	1.85	1.37
901890	Instruments and appliances used in medical, surgical ...	853.79	900.82	930.32	1,066.35	1,147.33	1.88	6.09
732690	Articles of iron or steel, n.e.s. (excluding ...)	798.08	990.66	1,103.37	1,175.01	1,132.99	2.58	7.26
840734	Spark-ignition reciprocating piston engine, of a kind used for vehicles of chapter 87, ...	819.79	1,071.53	1,193.54	1,288.99	1,130.46	3.91	6.64
853710	Boards, cabinets and similar combinations of apparatus ...	826.99	1,060.67	1,108.92	1,080.74	1,126.44	1.95	6.38
080390	Fresh or dried bananas (excluding plantains)	999.19	1,140.35	1,154.74	1,119.89	1,116.76	7.72	2.25

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Share in World Imports 2020 (%)	CAGR 2016-2020 (%)
847170	Storage units for automatic data-processing machines	771.19	1,048.07	1,063.43	1,039.64	1,095.16	1.41	7.27
300215	Immunological products, put up in measured doses ...	-	409.16	433.11	1,174.56	1,088.44	0.94	-
392690	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s ...	674.11	828.43	944.70	1,025.42	1,052.49	1.58	9.32
841989	Machinery, plant or laboratory equipment, whether or not ...	754.95	1,533.52	1,040.96	806.86	1,047.64	11.53	6.77
847330	Parts and accessories of automatic data-processing ...	533.14	926.46	923.23	841.54	1,045.05	0.80	14.41

Source: ITC Trade Map

Key findings:

- Russia's top 25 imports from the world at HS-06 level accounted for 21.8 percent of total imports in 2020.
- Eleven out of the top 25 items belonged to the Machinery and Mechanical appliances group (HS-84 & HS-85) amounting to US\$ 20.3 billion and having a share of 8.8 percent in Russia's total imports in 2020.

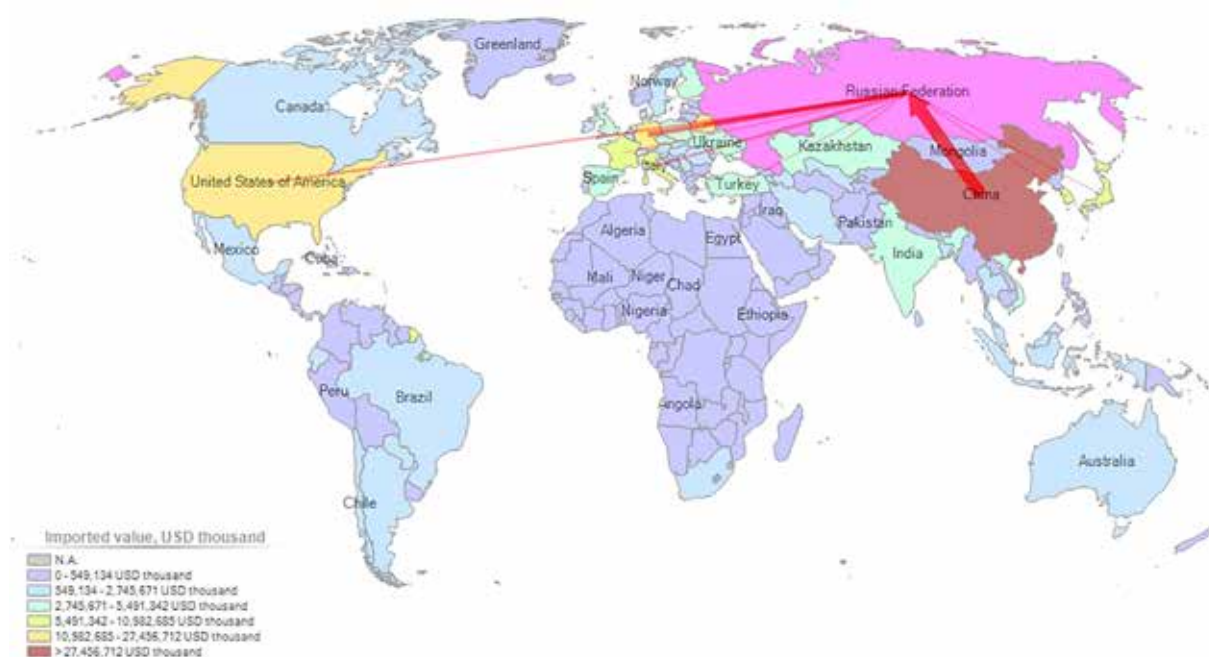
4.2.4 Major Import Sources for Russia

Figure 12 below shows Russia's top import sourcing countries in 2020, and the thickness of the arrow corresponds to the import value. Top import sources of Russia include China (23.7 percent), Germany (10.1 percent), the USA (5.7 percent), Belarus (5.4 percent) and Italy (4.4 percent).

FIGURE 12: Russia's Top Import Sourcing Market – 2020

List of supplying markets for a product imported by Russian Federation in 2020

Product : TOTAL All products



Source: ITC Trade Map





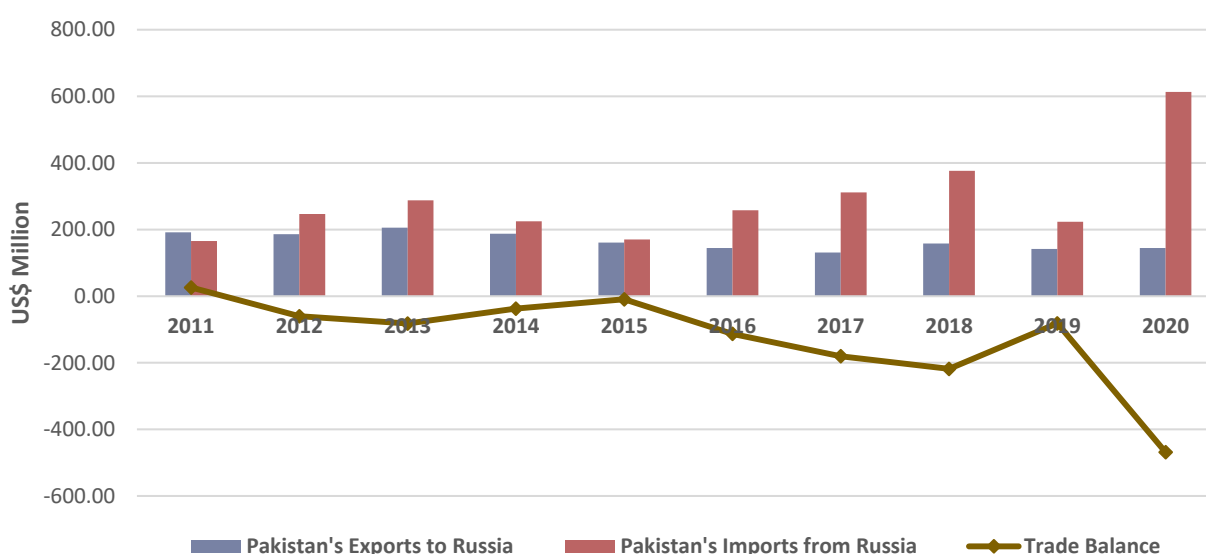
Chapter 5: Pakistan – Russia Bilateral Trade Analysis

Pakistan – Russia Bilateral Trade Analysis

Bilateral trade between Pakistan and Russia has been in favor of Russia for at least the last 10 years. Pakistan's exports to Russia declined from US\$ 192 million in 2011 to US\$ 145 million in 2020. However, Pakistan's imports from Russia have increased from US\$ 166 million in 2011 to US\$ 613 million in 2020, an increase of 269 percent, resulting in the highest ever trade deficit of US\$ 468 million in 2020. Currently, Pakistan's imports from Russia are at least 4 times more than its exports to that country.

Pakistan's total trade with Russia increased by US\$ 392.8 million in 2020, showing an increase of around 108 percent over the previous year

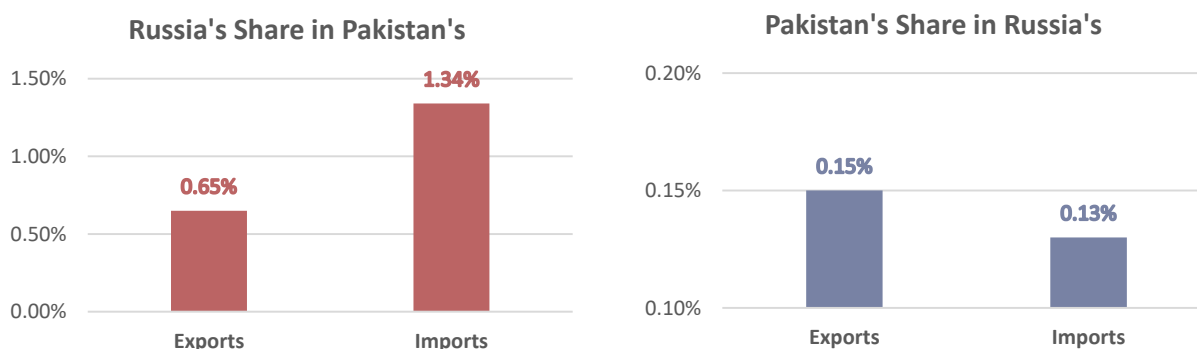
FIGURE 13: Pakistan – Russia Bilateral Trade Trend



Source: ITC Trade Map

Russia's share in Pakistan's total exports in 2020 was 0.7 percent whereas Pakistan's share in Russia's total exports was only 0.2 percent. Similarly, Russia's share in Pakistan's total imports in 2020 was 1.3 percent whereas Pakistan's share in Russia's total imports was only 0.1 percent.

FIGURE 14: Importance of Bilateral Trade (2020)



5.1 Top Exports – HS-02 & HS-06 Levels

5.1.1. Pakistan's Top 10 Exports to Russia at HS-02 Level

Table 14 shows the top ten product groups exported by Pakistan to Russia at the HS-02 level and their export pattern since 2016. Additionally, the percentage share of each product category in Pakistan's total exports to Russia along with their Compound Annual Growth Rate (CAGR) for the period 2016-2020 are also given.

Table 14: Pakistan's Top 10 Exports to Russia at HS-02 Level

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	Change 2019-2020 (%)	CAGR 2016-2020 (%)	Share in Total Exports 2020 (%)
TOTAL	All products	144.77	131.10	158.07	141.62	144.54	2.06	-0.03	-
08	Edible fruit and nuts; peel of citrus fruit or melons	49.26	33.34	44.71	40.69	49.04	20.53	-0.09	33.93
61	Articles of apparel and clothing accessories, knitted or crocheted	14.51	13.89	16.61	21.97	20.84	-5.15	7.51	14.42
52	Cotton	20.49	21.88	17.82	15.31	20.49	33.86	0.00	14.18
42	Articles of leather; saddlery and harness; travel goods, handbags ...	11.66	13.51	14.49	13.32	10.57	-20.70	-1.94	7.31
63	Other made-up textile articles; sets; worn clothing ...	9.16	6.86	3.96	3.41	9.13	167.90	-0.07	6.32
62	Articles of apparel and clothing accessories, not knitted or crocheted	6.01	6.49	5.65	6.86	7.55	10.14	4.68	5.22
90	Optical, photographic, cinematographic, measuring, checking, precision ...	3.41	4.27	5.50	6.18	5.76	-6.76	11.04	3.99
55	Man-made staple fibres	4.54	6.51	7.79	5.03	4.95	-1.69	1.73	3.42
95	Toys, games and sports requisites; parts and accessories thereof	4.67	4.74	3.92	4.63	3.58	-22.83	-5.19	2.47
82	Tools, implements, cutlery, spoons and forks, of base metal...	1.92	1.75	2.98	3.41	3.11	-8.78	10.16	2.15

Source: ITC Trade Map

Key Findings:

- The top 10 exports accounted for 93.4 percent of total exports to Russia, indicating that exports to Russia are highly concentrated.
- At HS-02 level, Pakistan's leading export to Russia was "**Edible fruits...**" (HS-08) which accounted for 34 percent of the total exports in 2020. Despite a positive change of 20.5 percent in 2020 over 2019, the growth rate during the period 2016-2020 is negative 0.1 percent.
- The exports of "**Other made-up textile articles...**" (HS-63) increased from US\$ 3.4 million in 2019 to US\$ 9.1 million in 2020, showing a change of 168 percent in 2020 over 2019. In 2020, Pakistan was the 13th largest import market of Russia for this product.

5.1.2. Pakistan's Top 25 Exports to Russia at HS-06 Level

Table 15 shows the top 25 products exported by Pakistan to Russia at the HS-06 level and their export pattern since 2018. It also shows each product's share in total exports, the CAGR for the period 2016-2020, Russia's imports of the same products from the world and tariffs applied by Russia on the top import sources as well as Pakistan are also shown below

Table 15: Pakistan's Top 25 Exports to Russia at HS-06 Level:

All Values in US\$ Million

Code	Product label	2018	2019	2020	CAGR 2016-2020 (%)	Pakistan's Share in Total Exports to Russia 2020 (%)	Russia's Imports from the World 2020	Equivalent Ad Valorem Tariff Applied by Russia (%)				
								Pakistan	China	India	Turkey	Belarus
TOTAL	All products	158.07	141.62	144.54	-0.03	-	231,667.99	-	-	-	-	-
080529	Fresh or dried wilkings and similar citrus hybrids	24.26	21.34	31.21	-	21.59	107.15	4	4	4	4	0
080521	Fresh or dried mandarins incl. tangerines and satsumas (excluding ...	20.01	19.20	17.75	-	12.28	433.38	4	4	4	4	0
420310	Articles of apparel, of leather or composition leather (excluding ...	10.66	9.65	7.37	-3.74	5.10	80.31	10	10	10	10	0
901890	Instruments and appliances used in medical ...	5.38	6.18	5.76	12.08	3.99	1,147.33	1	1	1	1	0
620322	Men's or boys' ensembles of cotton (excluding ...	3.97	5.04	5.45	26.65	3.77	11.42	12	12	12	12	0
611610	Gloves, mittens and ...	3.02	4.64	4.83	27.12	3.34	45.25	12	12	12	12	0
520942	Denim, containing >= 85% cotton ...	0.00	0.06	4.83	-	3.34	12.51	10	10	10	10	0
521019	Woven fabrics of cotton, containing predominantly, but < 85% cotton ...	2.37	5.62	4.49	182.45	3.11	0.25	10	10	10	10	0
551341	Plain woven fabrics containing predominantly ...	5.01	3.78	4.05	-0.36	2.80	4.89	8	8	8	8	0
630231	Bedlinen of cotton (excluding ...	2.32	1.55	3.98	-2.86	2.76	31.36	5	5	5	5	0
950662	Inflatable balls	3.70	4.35	3.15	-4.59	2.18	23.10	5	5	5	5	0
610910	T-shirts, singlets and other vests of cotton ...	1.98	2.51	3.14	29.33	2.18	432.52	7	7	7	7	0
821420	Manicure or pedicure sets and instruments, incl. nail files, of base ...	2.92	3.32	2.95	9.60	2.04	9.41	12	12	12	12	0

All Values in US\$ Million

Code	Product label	2018	2019	2020	CAGR 2016- 2020 (%)	Pakistan's Share in Total Exports to Russia 2020 (%)	Russia's Imports from the World 2020	Equivalent Ad Valorem Tariff Applied by Russia (%)				
								Pakistan	China	India	Turkey	Belarus
070190	Fresh or chilled potatoes (excluding seed)	3.45	6.85	2.74	14.84	1.89	118.45	8	8	8	8	0
611595	Full-length or knee-length stockings ...	4.10	4.64	1.94	-16.84	1.34	129.43	10	10	10	10	0
610349	Men's or boys' trousers, bib and brace overalls ...	1.29	1.28	1.64	12.59	1.14	2.00	8	8	8	8	0
520851	Plain woven fabrics of cotton, containing >= 85% cotton ...	1.87	1.40	1.57	-8.31	1.08	0.21	10	10	10	10	0
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics ...	0.16	0.66	1.55	45.55	1.07	78.69	11	11	11	11	0
250100	Salts, incl. table salt and denatured salt ...	1.13	1.01	1.49	35.49	1.03	76.94	4	4	4	4	0
521112	Woven fabrics of cotton, containing predominantly, but ...	0.39	1.55	1.41	-16.45	0.97	3.10	10	10	10	10	0
630239	Bedlinen of textile materials (excluding ...	0.31	0.11	1.39	-9.05	0.96	1.00	11	11	11	11	0
420329	Gloves, mittens and mitts, of leather or composition leather ...	0.88	1.42	1.30	27.76	0.90	28.89	13	13	13	13	0
520291	Garnetted stock of ...	1.37	1.35	1.29	19.69	0.89	0.46	0	0	0	0	0
611510	Graduated compression hosiery [e.g., stockings for varicose veins] ...	0.04	0.88	1.22	-8.17	0.84	15.43	5	5	5	5	0
420321	Specially designed gloves for use in sport ...	2.45	1.67	1.19	-6.13	0.82	1.27	10	10	10	10	0

Source: ITC Trade Map

Key Findings:

- The top 25 products exports at HS-06 level accounted for 81.4 percent of Pakistan's total exports to Russia in 2020.
- In 2020, Russia imported 29.1 percent of its total imports of "**Fresh or dried wilkings...**" (HS-080529) from Pakistan, making it the largest export of Pakistan to Russia. Pakistan was the 2nd largest import sourcing market for Russia for this product. An import tariff of 4 percent was imposed by Russia on Pakistan on the import of this product.

- Out of the top 25 products, fifteen belonged to textile and textile products which combined amounted to US\$ 42.8 million. These items made up 30 percent of total exports to Russia. CAGR for half of these products was positive whereas the tariffs ranged between 0 to 12 percent.

5.1.3. Pakistan's Top Exports – Growth Rate Method

While the last two tables, i.e., table 14 and table 15, in previous sections showed Pakistan's top exports to Russia at HS-02 and HS-06 levels according to export values, table 16 below shows Pakistan's top 25 exports to Russia at HS-06 level sorted according to the CAGR for the period 2016-2020, tariffs imposed by Russia on Pakistan and its other major import partners. The highlighted rows in the table represent those products which have lower tariff rates and possess export potential for Pakistan.

Table 16: Pakistan's Top 25 Exports to Russia – Growth Rate Method

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	CAGR 2016- 2020 (%)	Equivalent Ad Valorem Tariff Applied by Russia (%)				
								Pakistan	China	India	Turkey	Belarus
950691	Articles and equipment for general physical exercise ...	0.00	0.02	0.02	0.02	0.22	193.29	5	5	5	5	0
521019	Woven fabrics of cotton, containing predominantly, but < 85% cotton ...	0.03	2.51	2.37	5.62	4.49	182.45	10	10	10	10	0
610462	Women's or girls' trousers, bib and brace overalls ...	0.00	0.11	0.20	0.49	0.36	160.23	9.4	9.4	9.4	9.4	0
611699	Gloves, mittens and mitts, of textile materials, knitted or crocheted ...	0.00	0.03	0.13	0.11	0.31	153.33	14	14	14	14	0
411200	Leather further prepared after tanning or crusting incl. ...	0.00	0.00	0.02	0.06	0.09	145.40	5	5	5	5	0
392690	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s (excluding ...	0.01	0.00	0.02	0.01	0.17	101.72	4.4	4.4	4.4	4.4	0
521212	Woven fabrics of cotton, containing predominantly, but < 85% cotton ...	0.01	0.04	0.00	0.00	0.14	93.32	10	10	10	10	0
621600	Gloves, mittens and mitts, of all types of textile materials (excluding ...	0.01	0.03	0.01	0.04	0.16	91.86	12.5	12.5	12.5	12.5	0
121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery ...	0.00	0.00	0.00	0.00	0.03	90.37	3.8	3.8	3.8	3.8	0
821300	Scissors, tailors' shears and similar shears, and blades therefor, of base ...	0.01	0.02	0.01	0.01	0.09	76.65	15	15	15	15	0%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles ...	0.05	0.16	0.21	0.50	0.89	74.99	6.5	6.5	6.5	6.5	0
611693	Gloves, mittens and mitts, of synthetic fibres, knitted or crocheted ...	0.02	0.15	0.00	0.05	0.32	73.67	14	14	14	14	0
620323	Men's or boys' ensembles of synthetic fibres (excluding ...	0.00	0.01	0.02	0.00	0.03	69.52	15.6	15.6	15.6	15.6	0
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding ...	0.01	0.04	0.01	0.04	0.06	63.82	8.1	8.1	8.1	8.1	0
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted...	0.10	0.13	0.49	0.89	0.96	58.85	3.7	3.7	3.7	3.7	0

All Values in US\$ Million

Code	Product label	2016	2017	2018	2019	2020	CAGR 2016- 2020 (%)	Equivalent Ad Valorem Tariff Applied by Russia (%)				
								Pakistan	China	India	Turkey	Belarus
610469	Women's or girls' trousers, bib and brace overalls ...	0.07	0.15	0.40	0.31	0.70	58.58	8.2	8.2	8.2	8.2	0
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton ...	0.12	0.45	1.48	0.54	1.09	55.59	5	5	5	5	0
620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials (excluding ...)	0.02	0.09	0.17	0.20	0.13	48.27	6.4	6.4	6.4	6.4	0
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...)	0.24	0.20	0.16	0.66	1.55	45.55	11.3	11.3	11.3	11.3	0
611599	Full-length or knee-length stockings, socks and other hosiery ...	0.04	0.06	0.23	0.30	0.22	43.10	13	13	13	13	0
261000	Chromium ores and concentrates	0.16	0.00	0.00	0.55	0.94	42.20	3.8	3.8	3.8	3.8	0
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles ...	0.19	0.23	0.59	0.97	0.93	37.65	1.8	1.8	1.8	1.8	0
610432	Women's or girls' jackets and blazers of cotton, knitted or crocheted ...	0.01	0.03	0.02	0.05	0.03	35.52	6.6	6.6	6.6	6.6	0
250100	Salts, incl. table salt and denatured salt, and pure sodium chloride ...	0.33	0.62	1.13	1.01	1.49	35.49	4.2	4.2	4.2	4.2	0
630210	Bedlinen, knitted or crocheted	0.30	0.60	0.21	0.54	1.15	30.79	10	10	10	10	0

Source: ITC Trade Map; Market Access Map

5.1.4. Russia's Imports of Pakistan's Top Exported Commodities to the World

Table 17 shows Russia's imports of Pakistan's top exported commodities. The table is divided in two parts the left part is an overview of the top products exported by Pakistan to the world in 2020; the right part of the table is Russia's imports of each of these items, Russia's share in Pakistan's exports, the top 3 import sourcing markets of Russia for these items and tariffs applied by Russia on these top import sourcing countries.

Table 17: Russia's Imports of Pakistan's Top Exported Commodities

Pakistan			Russia			
Code	Product label	Exported value in 2020 (USD Million)	Imports from the World 2020 (USD Million)	Share in Pakistan's Exports (%)	Top 3 Import Sourcing Markets	Tariffs Applied by Russia on these countries (%)
TOTAL	All products	22,237.16	231,667.99	0.65	-	-
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1,532.88	90.92	0.00	India, 65.4% Thailand, 13.54% Viet Nam, 4.7%	India, 7% Thailand, 7% Viet Nam, 7%
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	1,425.69	11.42	0.38	Georgia, 39% China, 21.6% Belarus, 17.4%	Georgia, 0% China, 11.8% Belarus, 0%
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	923.83	31.36	0.43	Kazakhstan, 46.2% China, 16.4% Turkey, 11.4%	Kazakhstan, 0% China, 5.2% Turkey, 5.2%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...)	776.51	78.69	0.20	Uzbekistan, 44% Turkmenistan, 12.7% Turkey, 10.2%	Uzbekistan, 0% Turkmenistan, 0% Turkey, 11.3%

Pakistan			Russia			
Code	Product label	Exported value in 2020 (USD Million)	Imports from the World 2020 (USD Million)	Share in Pakistan's Exports (%)	Top 3 Import Sourcing Markets	Tariffs Applied by Russia on these countries (%)
630210	Bedlinen, knitted or crocheted	726.15	12.16	0.16	China, 56.4% Uzbekistan, 31.1% Turkey, 6.1%	China, 10% Uzbekistan, 0% Turkey, 10%
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...	636.72	1.00	0.22	China, 45.7% Belarus, 38% Turkey, 6.4%	China, 11.4% Belarus, 0% Turkey, 11.4%
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	524.51	108.87	0.21	Uzbekistan, 73.4% Turkmenistan, 13.5% Tajikistan, 6.9%	Uzbekistan, 0% Turkmenistan, 0% Tajikistan, 0%
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	400.78	55.62	0.02	China, 75.3% Belarus, 4% Korea, 4%	China, 10.5% Belarus, 0% Korea, 10.5%
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m ² , made of yarn of different ...	388.25	12.51	1.24	Turkey, 60.8% Pakistan, 31.8% China, 4.3%	Turkey, 10% Pakistan, 10% China, 10%
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	379.28	12.29	0.24	Italy, 58.5% China, 17.9% Kyrgyzstan, 7%	Italy, 1.8% China, 1.8% Kyrgyzstan, 0%
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	361.30	1,147.33	1.59	Germany, 25.1% China, 17.8% USA, 14.6%	Germany, 1.1% China, 1.1% USA, 1.1%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	327.15	301.95	0.10	Bangladesh, 31.9% China, 12.8% Turkey, 10.8%	Bangladesh, 10% China, 10% Turkey, 10%
100620	Husked or brown rice	307.20	0.79	0.02	Thailand, 47% Italy, 33% Cambodia, 8.3%	Thailand, 7.5% Italy, 10% Cambodia, 0%
740319	Copper, refined, unwrought (excluding copper in the form of billets, wire-bars, cathodes and ...	306.45	2.74	0.00	Ukraine, 58.4% Serbia, 37% Belgium, 2.6%	Ukraine, 0% Serbia, 0% Belgium, 5%
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	303.61	0.61	0.00	Germany, 56% Belarus, 18.3% Spain, 12.6%	Germany, 123% Belarus, 0% Spain, 123%
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	283.63	1.77	0.03	Italy, 57.9% China, 23.2% Turkey, 11.3%	Italy, 5.5% China, 5.5% Turkey, 5.5%
100640	Broken rice	259.13	10.31	0.00	Kazakhstan, 87.6% India, 10.8% Myanmar, 1.3%	Kazakhstan, 0% India, 10% Myanmar, 0%
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	252.61	432.52	1.24	Bangladesh, 31.3% Uzbekistan, 20.3% China, 9.8%	Bangladesh, 6.7% Uzbekistan, 0% China, 6.7%
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	250.38	27.40	0.01	Uzbekistan, 96.8% Kazakhstan, 1.3% Tajikistan, 1.2%	Uzbekistan, 0% Kazakhstan, 0% Tajikistan, 0%
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	237.54	80.31	3.10	India, 26.9% Italy, 23.9% Pakistan, 23.1%	India, 10% Italy, 10% Pakistan, 10%
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	225.20	28.89	0.58	China, 66.1% India, 6.7% Pakistan, 6.7%	China, 12.5% India, 12.5% Pakistan, 12.5%
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	218.44	2.00	0.75	Italy, 17.7% Belarus, 13.7% China, 13.6%	Italy, 7.7% Belarus, 0% China, 7.7%
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted ...	200.30	45.25	2.41	China, 64.7% Sri Lanka, 15.2% Pakistan, 4.4%	China, 12% Sri Lanka, 12% Pakistan, 12%
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles ...	198.43	120.60	0.00	Belgium, 20.9% Germany, 15.5% Netherlands, 13.8%	Belgium, 15% Germany, 15% Netherlands, 15%

Pakistan			Russia			
Code	Product label	Exported value in 2020 (USD Million)	Imports from the World 2020 (USD Million)	Share in Pakistan's Exports (%)	Top 3 Import Sourcing Markets	Tariffs Applied by Russia on these countries (%)
020110	Carcases or half-carcases of bovine animals, fresh or chilled	187.56	3.87	0.00	Belarus, 96.9% Kazakhstan, 3.1%	Belarus, 0% Kazakhstan, 0%

Source: ITC Trade Map

Key Findings:

- Pakistan is one of the top three exporters to Russia for 4 of the top 25 items listed above. These products include “Denim...” (HS-520942), “Articles of apparel of leather...” (HS-420310), “Gloves, mittens and mitts of leather...” (HS-420329) and “Gloves, mittens and mitts...” (HS-611610). These items had a combined share of 7.3 percent in Pakistan's total exports in 2020.
- In 2020, Russia imported 32 percent of its total denim from Pakistan while imposing a tariff of 10.0 percent.

5.2 Top Imports – HS-02 & HS-06 Levels

5.2.1. Pakistan's Top 10 Imports from Russia at HS-02 Level

Pakistan imported US\$ 613 million worth of goods from Russia in 2020 which was 176.6 percent more than what it imported in 2019.

Table 18 shows Pakistan's top 10 imports at HS-02 level from Russia in the last five years along with the CAGR for the period 2016-2020, percentage change experienced in the 2019-2020 period and percentage share of each import category in Pakistan's total imports from Russia.

Major import items include “Cereals” (HS-10), “Edible vegetables...” (HS-07), “Mineral fuels...” (HS-27), “Rubber...” (HS-40), “Paper and paperboard...” (HS-48), “Iron and steel” (HS-72), “Pharmaceutical products” (HS-30), “Inorganic chemicals...” (HS-28), “Fertilisers” (HS-31) and “Organic chemicals” (HS-29)

Table 18: Pakistan's Top 10 Imports from Russia at HS-02 Level:

All Values in US\$ Million									
Code	Product label	2016	2017	2018	2019	2020	Change 2019-2020 (%)	CAGR 2016-2020 (%)	Share in Total Imports 2020 (%)
TOTAL	All products	258.01	311.36	376.47	223.23	613.08	174.64	18.90	-
10	Cereals	0.08	1.24	2.25	0.34	287.34	84,913.02	418.06	46.87
07	Edible vegetables and certain roots and tubers	82.50	59.53	67.81	101.93	138.36	35.74	10.89	22.57
27	Mineral fuels, mineral oils and products of their distillation ...	6.74	40.00	54.76	8.68	98.71	1,037.45	71.06	16.10
40	Rubber and articles thereof	19.88	24.56	23.63	21.27	29.12	36.91	7.93	4.75
48	Paper and paperboard; articles of paper pulp ...	35.49	44.57	48.12	31.40	17.40	(44.60)	-13.29	2.84
72	Iron and steel	74.80	57.00	140.38	34.69	12.37	(64.34)	-30.23	2.02
30	Pharmaceutical products	0.22	8.70	10.74	3.89	5.80	49.22	93.11	0.95
28	Inorganic chemicals; organic or inorganic compounds ...	5.40	5.27	1.83	4.12	4.39	6.50	-4.04	0.72
31	Fertilisers	1.85	3.81	3.42	1.22	4.12	237.87	17.37	0.67
29	Organic chemicals	5.07	3.98	4.15	3.04	3.98	30.98	-4.74	0.65

Source: ITC Trade Map

Key Findings:

- The top 10 imports accounted for 98.1 percent of total imports from Russia.
- At HS-02 level, Pakistan's leading import from Russia was "Cereals" (HS-10) which accounted for 47 percent of total imports in 2020.

5.2.2. Pakistan's Top 25 Imports from Russia at HS-06 Level

Table 19 shows Pakistan's top 25 imports at HS-06 level from Russia in the last three years along with the CAGR for the period 2016-2020, the percentage share of each import category in Pakistan's total imports from Russia, and the tariffs faced by Russia.

Table 19: Pakistan's Top 25 Imports from Russia at HS-06 Levels

All Values in US\$ Million

Code	Product label	2018	2019	2020	CAGR 2016-2020 (%)	Share in Total Imports from Russia (%)	Russia's Exports to World 2020 (USD Million)	Equivalent Ad Valorem Tariff faced by Russia (%)				
								Pakistan	China	India	Turkey	Belarus
TOTAL	All products	376.47	223.23	613.08	18.90	-	337,105.35	-	-	-	-	-
100199	Wheat and meslin (excluding ...	-	-	154.03	-	25.12	7,853.73	11	65	70	45	0
100119	Durum wheat (excluding ...	-	-	133.23	-	21.73	38.82	11	65	40	45	0
071310	Dried, shelled peas "Pisum sativum" ...	35.32	44.52	101.72	11.37	16.59	170.16	3	2.5	50	9.7	0
270112	Bituminous coal, whether or not pulverized ...	52.80	4.81	82.93	112.52	13.53	10,743.06	3	4.5	1	0	0
071320	Dried, shelled chickpeas "garbanzos", whether ...	31.91	52.83	30.94	6.31	5.05	116.25	3	3.5	53.3	9.7	0
400231	Isobutylene isoprene rubber "IIR", in primary ...	19.68	20.06	22.11	5.99	3.61	181.86	0	6.8	10	0	0
271111	Natural gas, liquefied	-	-	13.16	-	2.15	6,745.83	11	0	5	0	0
480100	Newsprint as specified in Note 4 to chapter 48 ...	35.17	18.63	11.17	-18.21	1.82	356.04	11	5	10	0	0
400219	Styrene-butadiene rubber "BR"; carboxylated styrene-butadiene ...	2.58	0.53	6.15	50.60	1.00	246.58	0	7.5	10	0	0
300230	Vaccines for veterinary medicine	10.66	3.87	5.67	187.26	0.93	61.66	3	3	10	0	0
071340	Dried, shelled lentils, whether or not skinned ...	0.59	4.59	5.39	71.92	0.88	28.56	3	3.5	30	14.5	0
480421	Unbleached sack kraft paper, uncoated, in rolls of a width > 36 cm ...	12.90	12.75	5.22	1.64	0.85	213.99	3	5	10	0	0
720441	Turnings, shavings, chips, milling waste, sawdust ...	11.68	2.09	4.63	7.23	0.76	59.79	0	2	0	0	0
720449	Waste and scrap of iron or steel (excluding ...	21.92	5.60	4.38	-19.25	0.71	1,055.03	7.6	0	0	0	0
290313	Chloroform "trichloromethane"	1.29	1.59	2.36	14.29	0.39	1.69	0	10	7.5	5.5	0

All Values in US\$ Million

Code	Product label	2018	2019	2020	CAGR 2016-2020 (%)	Share in Total Imports from Russia (%)	Russia's Exports to World 2020 (USD Million)	Equivalent Ad Valorem Tariff faced by Russia (%)				
								Pakistan	China	India	Turkey	Belarus
270119	Coal, whether or pulverized, non-agglomerated (excluding ...	-	-	2.17	-	0.35	5.30	3	5	1	0	0
310530	Diammonium hydrogenorthophosphate "diammonium phosph"te" (excluding ...	1.25	-	2.13	-	0.35	433.35	0	50	5	6.5	0
720110	Non-alloy pig iron in pigs, blocks or other primary ...	1.93	0.87	1.98	3.72	0.32	1,229.13	0	1	5	0.5	0
280300	Carbon (carbon blacks and other forms of carbon, n.e.s.)	0.45	2.06	1.95	-8.92	0.32	438.11	13	5	5.8	0	0
821220	Safety razor blades of base metal, incl. razor blade ...	1.35	1.07	1.67	-8.75	0.27	29.09	20	7	10	2.7	0
252490	Asbestos (excluding crocidolite ...	2.77	2.25	1.50	-10.69	0.24	174.89	20	5	10	0	0
284130	Sodium dichromate	1.11	1.31	1.40	0.26	0.23	12.60	0	5.5	7.5	5.5	0
740311	Copper, refined, in the form of cathodes ...	-	0.30	1.19	-2.15	0.19	4,529.01	0	2	5	0	0
340213	Non-ionic organic surface-active agents ...	2.12	1.52	1.06	-6.80	0.17	25.08	16	6.5	10	4	0
720430	Waste and scrap of tinned iron or steel (excluding ...	0.99	1.26	0.90	-9.21	0.15	1.70	0	2	0	0	0

Source: ITC Trade Map

Key Findings:

- The top 25 imports at HS-06 level accounted for 97.7 percent of Pakistan's total imports from Russia in 2020.
- During the year 2018-2019, Pakistan's imports declined by 40 percent. However, during 2019-2020 period, Pakistan's imports from Russia witnessed a surge of 176.6 percent. One of the major reasons for this surge was Pakistan's large imports of "**Wheat...**" (HS-100199) and "**Durum wheat...**" (HS-100119) of US\$ 287.4 million from Russia to meet the shortfall in the country.

5.3 Trade Indicators

5.3.1 Export Competitiveness

The change in the share of one country's exports in the overall imports of the trade partner is used to determine bilateral export competitiveness. Table 20 shows the bilateral export competitiveness (i.e., change in share 2019-2020) of Russia's top import partners, including Pakistan. Export competitiveness of China, the USA, Belarus, and Turkey show a single-digit positive growth in market share in Russia's imports in 2020. Pakistan's market share has declined by 13 percent, indicating that Pakistan's export competitiveness has fallen in the Russian market.

Table 20: Bilateral Export Competitiveness

Rank	Import Partners	Imports of Russia (US\$ Million)	Share in Russia's Imports (%)		Change in Share 2019-2020 (%)
		2020	2019	2020	
1	China	54,913.43	22.2	23.7	6.76
2	Germany	23,383.77	10.3	10.09	-2.04
3	USA	13,213.42	5.51	5.7	3.45
4	Belarus	12,604.66	5.25	5.44	3.62
5	Italy	10,207.44	4.47	4.41	-1.34
6	France	8,083.82	3.51	3.49	-0.57
7	Korea	7,159.39	3.28	3.09	-5.79
8	Japan	7,111.57	3.68	3.07	-16.58
9	Turkey	5,111.62	2.04	2.21	8.33
10	Kazakhstan	5,054.82	2.29	2.18	-4.80
65	Pakistan	292.93	0.15	0.13	-13.33

Source: ITC Trade Map

5.3.2 Trade Complementarity Index (TCI)

The trade complementarity index indicates the extent to which a reporting country's export profile matches or complements the import profile of a partner country. A high degree of complementarity is assumed to indicate more favorable prospects for a successful trade arrangement. It is calculated using the formula given below:

Complementarity of Country i's exports with country j's imports

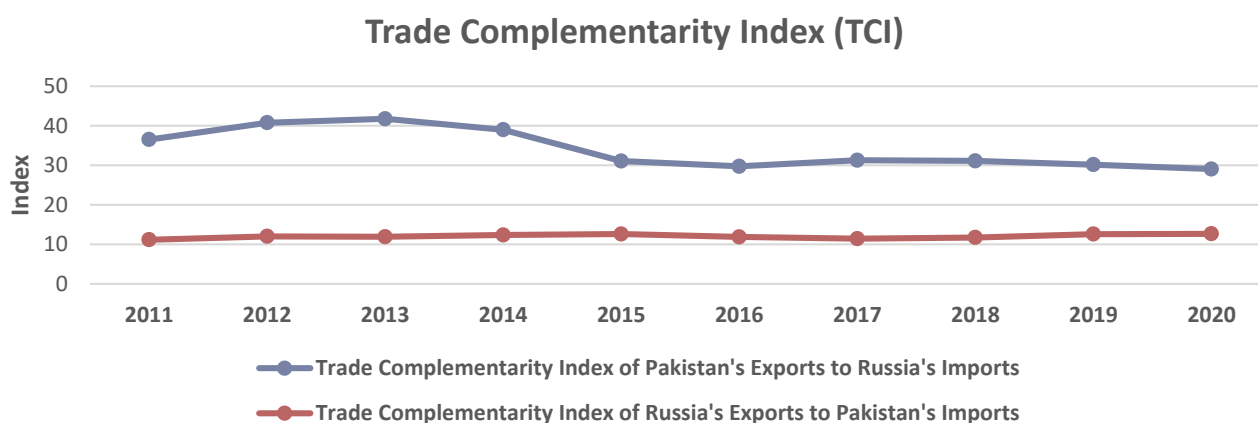
$$= 100 \times \left\{ 1 - \sum \left| \frac{m_{jk} - x_{ik}}{2} \right| \right\}$$

Where ' x_{ik} ' is the share of product ' k ' in exports of reporting country to the world and ' m_{jk} ' is the share of product ' k ' in imports of partner country from the world.

Trade Complementarity Index (TCI) ranges between 0-100 where 100 represents perfect complementarity and indicates that the country is an ideal trading partner. On the contrary, zero complementarity indicates that the country is a perfect competitor. TCI can be a useful indicator to determine if a bilateral trade agreement is feasible.

Figure 15 shows that Pakistan's exports complement Russia's imports more closely as compared to Russia's exports complementing Pakistan's imports. Around 34 percent of Pakistan's exports complement Russia's imports whereas only 12 percent of Russia's exports complement Pakistan's imports. Over the span of 10 years Pakistan's TCI decreased from 36.5 in 2011 to 29.0 in 2020, showing a decline of 7.5 index points. This decrease in the value indicates that during the period of 2011 and 2020, Pakistan has failed to diversify its exports basket in Russia for better market access.

FIGURE 15: Trade Complementarity Index for Pakistan and Russia



Source: ITC Trade Map

5.3.3 Revealed Market Access (RMA)

A study performed by (Mamoon et al. 2011) of the Pakistan Institute of Trade and Development (PITAD) computed Revealed Market Access (RMA) index to explore market access issues faced by the exporting country. RMA is an extension of Revealed Comparative Advantage (RCA) that helps access by product, whether there is any evidence that Pakistani product's access to the Russian market is higher or lower than that suggested by its RCA.

$$RMA_{i,k} = \frac{BRCA}{RCA}$$

Concept of this index is that Pakistan should gain entry into the Russian market following its global comparative advantage. An $RMA < 1$ suggests that Pakistan is not entering the Russian market at the rate that would be expected according to its global revealed comparative advantage. One explanation would be that Pakistan faces market access barriers for the product in the Russian market.

Table 21 gives detailed overviews of sector wise products divided into two groups, $RMA > 1$ and $RMA < 1$. According to the data, Pakistani, "**Parts of lamps...**" (HS-940599), "**Wooden furniture...**" (HS-940340), "**Aluminum foil...**" (HS-760711), "**Tubes, pipes...**" (HS-400942) and "**Parts of trailers...**" (HS-871690) have a better market access in the Russian market.

Table 21: Revealed Market Access Index for Pakistan’s Exports to Russia at HS-06 Level (2016-2020)

Code	Product label	RMA > 1	Code	Product label	RMA < 1
940599	Parts of lamps and lighting fittings, illuminated signs and nameplates and the like, n.e.s.	1370.09	610459	Women’s or girls’ skirts and divided skirts of textile materials, knitted or crocheted (excluding ...	0.93
940340	Wooden furniture for kitchens (excluding seats)	753.18	420330	Belts and bandoliers, of leather ...	0.93
760711	Aluminium foil, not backed, rolled but not further worked, of a thickness of <= 0,2 mm (excluding ...	687.38	060120	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, in growth or in flower; chicory ...	0.87
400942	Tubes, pipes and hoses, of vulcanised rubber (excluding hard rubber), reinforced or otherwise ...	683.90	520547	Multiple “folded” or cabled cotton yarn, of combed fibres, containing >= 85% ...	0.86
871690	Parts of trailers and semi-trailers and other vehicles not mechanically propelled, n.e.s.	535.87	520612	Single cotton yarn containing predominantly, but < 85% cotton by weight ...	0.83
842199	Parts of machinery and apparatus for filtering or purifying liquids or gases, n.e.s.	448.14	420229	Handbags, whether or not with shoulder strap, incl. those without handle ...	0.80
940540	Electric lamps and lighting fittings, n.e.s.	421.74	630221	Printed bedlinen of cotton (excluding. ...	0.80
940510	Chandeliers and other electric ceiling or wall lighting fittings (excluding for lighting public ...	269.94	610442	Women’s or girls’ dresses of cotton, knitted or crocheted (excluding petticoats)	0.77
540110	Sewing thread of synthetic filaments, whether or not put up for retail sale	226.86	590691	Knitted or crocheted textile fabrics, rubberised, n.e.s.	0.74
540211	High-tenacity filament yarn of aramids (excluding sewing thread and yarn put up for retail ...	206.12	391590	Waste, parings and scrap of plastics (excluding that of polymers of ethylene...	0.72
902610	Instruments and apparatus for measuring or checking the flow or level of liquids (excluding ...	159.30	392330	Carboys, bottles, flasks and similar articles for the conveyance or packaging of goods, of ...	0.71
401699	Articles of vulcanised rubber (excluding hard rubber), n.e.s.	149.21	681599	Articles of stone or other mineral substances, n.e.s. (excluding ...	0.70
240130	Tobacco refuse	116.38	420291	Travelling-bags, insulated food or beverage bags, toilet bags ...	0.68
482390	Paper, paperboard, cellulose wadding and webs of cellulose fibres, in strips or rolls of a ...	102.03	620442	Women’s or girls’ dresses of cotton (excluding knitted or crocheted and petticoats)	0.67
390740	Polycarbonates, in primary forms	97.54	620323	Men’s or boys’ ensembles of synthetic fibres (excluding ...	0.65
902710	Gas or smoke analysis apparatus	79.63	901849	Instruments and appliances used in dental sciences, n.e.s.	0.63
848110	Pressure-reducing valves	78.52	520859	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² ...	0.60
920810	Musical boxes	75.84	820320	Pliers, incl. cutting pliers, pincers and tweezers for non-medical use and similar hand tools, ...	0.54
650610	Safety headgear, whether or not lined or trimmed	65.45	820559	Hand tools, incl. glaziers’ diamonds, of base metal, n.e.s.	0.54
481730	Boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing an assortment ...	58.62	820510	Hand-operated drilling, threading or tapping hand tools	0.53
950639	Golf equipment (excluding balls and complete clubs)	40.08	620113	Men’s or boys’ overcoats, raincoats, car coats, capes, cloaks and similar articles ...	0.51
844180	Machinery for making up paper pulp, paper or paperboard, n.e.s.	37.19	600622	Dyed cotton fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics ...	0.49
902121	Artificial teeth	35.36	420299	Travelling-bags, shopping or tool bags, jewellery boxes, cutlery cases ...	0.46
640411	Sports footwear, incl. tennis shoes, basketball shoes, gym shoes, training shoes and the like, ...	32.77	521131	Plain woven fabrics of cotton, containing predominantly, but < 85% ...	0.45

Code	Product label	RMA > 1	Code	Product label	RMA < 1
282110	Iron oxides and hydroxides	32.26	611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted ...	0.44
401610	Articles of cellular rubber, n.e.s.	28.72	521039	Woven fabrics of cotton, containing predominantly, but < 85% ...	0.42
392119	Plates, sheets, film, foil and strip, of cellular plastic, unworked or merely surface-worked ...	25.41	560121	Wadding of cotton and articles thereof (excluding ...	0.41
902214	Apparatus based on the use of X-rays, for medical, surgical or veterinary uses (excluding for ...	25.21	901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	0.38
080510	Fresh or dried oranges	21.77	550953	Yarn containing predominantly, but < 85% polyester staple fibres by weight, mixed ...	0.38
841420	Hand-operated or foot-operated air pumps	20.73	621111	Men's or boys' swimwear (excluding ...	0.33

Source: ITC Trade Map

5.3.4 Correlation Analysis

This section provides an analysis of the correlation between Pakistan's exports to Russia and the economic indicators of Russia. It demonstrates that Pakistan's exports to Russia are contingent on economic conditions in Russia.

Table 22: Correlation Matrix

Correlation Matrix	GDP growth (annual %)	Population (millions)	Unemployment Rate	Consumer Price Index	Exchange Rate	Current Account Balance (% of GDP)	Foreign Direct Investment	Pakistan's Exports to Russia
GDP growth (annual %)	1.00							
Population (Millions)	-0.86	1.00						
Unemployment Rate (% of Total Labor force) (modelled ILO estimates)	-0.66	0.84	1.00					
Consumer Price Index (2010 = 100)	-0.92	0.98	0.88	1.00				
Exchange Rate (LCU per US\$)	-0.95	0.96	0.78	0.98	1.00			
Current Account Balance (% of GDP)	-0.75	0.50	0.61	0.68	0.66	1.0		
Foreign Direct Investment, net (BoP, current US\$)	-0.05	0.52	0.52	0.39	0.37	-0.2	1.00	
Pakistan's Exports to Russia (US\$ Millions)	0.12	0.17	0.17	0.09	0.15	-0.1	0.79	1.00

Source: Author's own estimates based on data from the World Bank

Key Findings:

- A positive correlation exists between Russia's FDI and Pakistan's exports. The inflow of FDI increases the host country's imports. One reason for this could be that the foreign direct investment (FDI) is used to import capital and intermediate goods and services that are not readily available in the host country.
- A positive correlation exists between Russia's GDP growth and Pakistan's exports. It implies that an improvement in the GDP improves living standards hence increasing imports.



An aerial photograph of a cargo ship's deck, showing a large number of colorful shipping containers stacked in neat rows. The containers are in various colors including red, blue, yellow, green, and white. The ship is moving on a blue sea, with the horizon visible in the distance. The text is overlaid on a semi-transparent red rectangular background.

Chapter 6: Potential Opportunities for Pakistani Exports to Russia

Potential Opportunities for Pakistani Exports to Russia

In this section, the export potential of Pakistani products to Russia is identified at HS-06 level. This exercise has been done to identify those products in which Pakistan has the potential to increase its exports

Export potential is calculated using the following formula:

$$\text{Export Potential} = \text{Minimum (Pakistan's Exports to World, Russia's Imports from the World)} - \text{Pakistan's Exports to Russia}$$

Indicative trade potential is a helpful method to anticipate the scope of bilateral trade. It analyzes those items with a well-established production capacity in the supplying market and robust demand in the importing country.

The 'Indicative Trade Potential' method has been used to further classify potential products into products with intensive and extensive margins. **Intensive Margin** of export is defined as the opportunities for growth of exports in goods that are already being exported whereas the **Extensive Margin** of exports is the opportunity for growth of exports in new categories.

Pakistan's total export potential to Russia in 2020 for its top 25 export products was roughly US\$ 2.8 billion.

6.1 Pakistan's Potential Textile Products

Textile sector is a significant sector in Pakistan's economy as it is the largest manufacturing sector with the highest exports earning.

Table 23 shows the Intensive and Extensive margin textile products, their potential in 2020, the tariff faced by Pakistani exporters, the average unit prices offered by Pakistan in 2020, the top exporting countries of these products to Russia, average tariffs faced by these top exporting countries and the average unit prices offered by these top exporting countries to Russia in 2020.

Table 23: Pakistan's Potential Textile Exports to Russia

All Values in US\$ Million

Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
					Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts ...	301.63	10%	18,336	Bangladesh	96.40	10%	16,567
					China	38.62	10%	18,531
					Turkey	32.65	10%	25,041
610910	T-shirts, singlets and other vests of cotton, knitted	249.47	7%	25,103	Bangladesh	135.59	7%	17,096
					Uzbekistan	87.97	0%	11,695
					China	42.35	7%	26,971
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear ...	127.49	10%	15,564	China	57.80	10%	4,724
					Uzbekistan	19.33	0%	10,140
					Belarus	14.75	0%	4,693
520512	Single cotton yarn, of uncombed fibres, containing >= 85% ...	107.79	5%	3,307	Uzbekistan	79.86	0%	1,695
					Turkmenistan	14.72	0%	1,582
					Tajikistan	7.55	0%	1,591
610990	T-shirts, singlets and other vests of textile materials ...	94.59	4%	29,375	China	24.92	4%	27,024
					Viet Nam	11.97	0%	33,351
					Turkey	11.33	4%	39,474
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts ...	89.24	9%	19,050	Bangladesh	88.05	9%	17,627
					China	64.05	9%	18,016
					Turkey	59.68	9%	27,287
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of ...	77.15	11%	6,419	Uzbekistan	34.66	0%	5,009
					Turkmenistan	10.02	0%	4,818
					Turkey	8.06	11%	8,442
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton ...	65.92	7%	19,613	China	84.64	7%	22,024
					Bangladesh	80.10	7%	16,586
					Turkey	37.84	7%	30,815
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts ...	57.72	10%	20,480	Bangladesh	20.63	10%	15,124
					Uzbekistan	20.47	0%	12,112
					China	18.35	10%	18,844
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types ...	55.56	11%	5,200	China	41.86	11%	5,715
					Belarus	2.25	0%	2,505
					South Korea	2.22	11%	7,964
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts ...	54.23	5%	24,000	Bangladesh	16.37	5%	18,451
					China	8.82	5%	39,379
					Turkey	7.28	5%	49,877
620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts ...	41.48	6%	15,571	China	13.70	6%	26,908
					Bangladesh	6.83	6%	22,773
					Italy	6.76	6%	307,318
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics ...	40.41	12%	11,636	China	29.29	12%	6,374
					Sri Lanka	6.89	12%	11,079
					Pakistan	2.01	12%	11,636
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts ...	31.54	9%	22,174	Uzbekistan	21.31	0%	13,119
					Bangladesh	20.28	9%	16,431
					China	16.64	9%	21,365
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts ...	30.77	8%	22,072	Viet Nam	8.68	0%	26,466
					China	7.80	8%	19,345
					Cambodia	4.03	8%	30,992
520852	Plain woven fabrics of cotton, containing >= 85% cotton by weight ...	30.40	10%	5,262	China	12.55	10%	4,071
					Uzbekistan	6.55	0%	3,855
					Moldova	3.40	0%	4,820
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	28.74	5%	14,132	China	668.10	5%	7,010
					Viet Nam	13.37	0%	4,094
					Belarus	10.73	0%	4,044

All Values in US\$ Million

Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
					Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear ...	28.34	11%	14,674	China	21.96	11%	9,506
					Turkey	2.28	11%	26,800
					Italy	2.21	11%	58,158
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	27.38	5%	9,848	Kazakhstan	14.50	0%	9,107
					China	5.14	5%	9,615
					Turkey	3.59	5%	9,884
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight ...	27.36	9%	5,000**	Uzbekistan	26.52	0%	2,463
					Kazakhstan	0.37	0%	2,733
					Tajikistan	0.34	0%	2,311
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of ...	25.59	8%	27,500	China	33.54	8%	23,839
					Viet Nam	22.37	0%	33,837
					Bangladesh	6.81	8%	25,973
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household ...	120.60	15%	711*	Belgium	25.19	15%	3,421
					Germany	18.69	15%	3,193
					Netherlands	16.60	15%	4,047
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	62.98	8%	40,742	China	26.82	8%	17,973
					Bangladesh	11.50	8%	19,364
					Uzbekistan	6.55	0%	10,236
611710	Shawls, scarves, mufflers, mantillas, veils and the like, knitted or crocheted	33.64	18%	62,311*	China	21.68	18%	36,560
					Bangladesh	7.56	18%	687,273
					Italy	2.20	18%	274,375
551219	Woven fabrics containing >= 85% polyester staple fibres by weight, dyed ...	29.22	8%	650**	China	22.02	8%	3,652
					Turkey	1.99	8%	6,238
					Poland	1.55	8%	7,181
611120	Babies' garments and clothing accessories of cotton, knitted ...	29.05	5%	22,179	Bangladesh	20.73	5%	18,391
					China	19.82	5%	21,061
					Uzbekistan	13.89	0%	19,128
620439	Women's or girls' jackets and blazers of textile materials (excluding ...)	19.55	2%	104,314*	Italy	6.12	2%	509,583
					China	2.61	2%	36,278
					Portugal	2.13	2%	111,947

Source: ITC Trade Map

*Average Unit Price offered by Pakistan to the World on Exports

** Average Unit Price offered by Pakistan to the Russian Federation on Exports

Key Findings:

- Pakistan had a potential to export an additional US\$1.6 billion worth of textile products to Russia in 2020. This sector alone has a vast untapped potential. A well-negotiated trade agreement can significantly enhance Pakistan's exports to Russia.
- Russia imposes tariffs between 2 – 18 percent on most countries it imports these products from.
- Bangladesh and China are the major competitors of Pakistan in the textile sector.
- Extensive margin section shows the list of products that Pakistan can export to Russia to diversify into new categories. These include *"Worn clothing..."* (HS-630900), *"Men's or boys' underpants..."* (HS-610711), *"Shawls, scarves, mufflers..."* (HS-611710), *"Woven fabric..."* (HS-551219), *"Babies' garments..."* (HS-611120) and *"Women's or girls' jackets..."* (HS620439).

6.2 Pakistan's Potential Agriculture Products

Contribution of the agriculture sector in the national GDP of Pakistan in 2020 was 19.3 percent. In 2020, Pakistan exported US\$ 3.1 billion (or 13.8 percent of total exports) worth of agricultural products to the world.

Table 24 shows the Intensive and Extensive margin agriculture products to Russia, their potential in 2020, the tariff faced by Pakistani exporters, the average unit prices offered by Pakistan in 2020, the top exporting countries of these products to Russia, average tariffs faced by these top exporting countries and the average unit prices offered by these top exporting countries to Russia in 2020.

Table 24: Pakistan's Potential Agriculture Products for Exports to Russia

All Values in US\$ Million

	Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
						Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
Intensive Margin	080450	Fresh or dried guavas, mangoes and mangosteens	83.58	3%	2,000**	Peru	22.82	3%	1,939
						Brazil	17.30	3%	1,927
						China	11.73	3%	2,041
	080529	Fresh or dried wilkings and similar citrus hybrids	75.95	4%	671	Turkey	66.00	4%	742
						Pakistan	18.26	4%	671
	070190	Fresh or chilled potatoes (excluding seed)	65.67	8%	370	Egypt	17.35	4%	782
						Egypt	73.60	8%	378
						Azerbaijan	30.91	0%	446
	130232	Mucilages and thickeners, derived from locust beans, locust bean seeds ...	32.77	4%	2,077	Belarus	5.11	0%	239
						India	25.41	4%	1,983
						Italy	1.91	5%	9,870
	120740	Sesamum seeds, whether or not broken	26.33	0%	2,056**	Spain	1.14	5%	14,779
						India	24.32	0%	1,800
						Mexico	1.68	0%	3,051
	080521	Fresh or dried mandarins incl. tangerines and satsumas (excluding ...)	24.10	4%	722	Nigeria	0.17	0%	1,779
						Turkey	236.40	4%	636
Pakistan						49.40	4%	722	
121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery ...	11.07	4%	4,286	South Africa	31.20	4%	1,063	
					Egypt	5.84	4%	1,871	
					Poland	4.35	5%	3,745	
110812	Maize starch	5.68	8%	636**	Israel	3.26	5%	6,861	
					Germany	3.36	10%	1,728	
					Italy	1.02	10%	1,192	
080510	Fresh or dried oranges	4.70	4%	392**	France	0.57	10%	1,114	
					Egypt	133.61	4%	632	
					Turkey	79.37	4%	706	
					South Africa	71.07	4%	922	

All Values in US\$ Million

	Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
						Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
Extensive Margin	100630	Semi-milled or wholly milled rice, whether or not polished or glazed	90.92	7%	543*	India	59.49	7%	461
						Thailand	12.32	7%	532
						Viet Nam	4.25	7%	480
	070310	Fresh or chilled onions and shallots	86.02	8%	408*	Egypt	30.37	8%	409
						Netherlands	14.23	10%	936
						Thailand	12.66	8%	353
	080390	Fresh or dried bananas (excluding plantains)	23.90	3%	233*	Ecuador	1,072.63	3%	735
						Guatemala	14.74	3%	731
						Costa Rica	12.67	3%	732
	080410	Fresh or dried dates	16.00	4%	1,250	Algeria	7.35	4%	1,395
						Tunisia	3.92	4%	1,718
						Israel	2.81	5%	3,121
	070490	Fresh or chilled cabbages, kohlrabi, kale and similar edible brassicas ...	12.71	9%	942*	China	13.53	9%	376
						Uzbekistan	8.48	0%	291
						Belarus	2.15	0%	182

Source: ITC Trade Map

*Average Unit Price offered by Pakistan to the World on Exports

**Average Unit Price offered by Pakistan to the Russian Federation on Exports

Key Findings:

- Pakistan had a potential to export an additional US\$ 330 million worth of agricultural products to Russia in 2020.
- Pakistan was the 10th largest exporter of **“Fresh or dried guavas, mangoes and mangosteens”** (HS-080450) in 2020. However, Russia only imported US\$ 0.01 million worth of this product from Pakistan in 2020. There exists a potential of US\$ 83.6 million for Pakistan to export this product to Russia.
- Pakistan is one of the top exporters for 2 of the 11 potential items listed above i.e., **“Fresh or dried wilkings, and similar citrus hybrid”** (HS-080529) and **“Fresh or dried mandarins incl. tangerines and satsumas...”** (HS-080521).
- In 2020, Pakistan exported US\$ 2.7 million of **“Fresh or chilled potatoes...”** (HS-070190). However, the potential for exporting this product to Russia was US\$ 65.7 million.
- In 2020, Pakistan increased its exports of **“Fresh or dried oranges”** (HS-080510) by 132 percent over the previous year. The top three exporters of this product to Russia were Egypt, Turkey and South Africa. The average price offered on export of this product by Pakistan (US\$392/ton) was lower than the prices offered by Egypt (US\$ 632/ton), Turkey (US\$ 706/ton) and South Africa (US\$ 922/ton).
- Products that are categorized as Extensive margin includes **“Semi-milled or wholly milled rice...”** (HS-100630), **“Fresh or chilled onions...”** (HS-070310), **“Fresh or dried bananas...”** (HS-080390), **“Fresh or dried dates”** (HS-080410) and **“Fresh or chilled cabbages...”** (HS-070490).

6.3 Pakistan's Potential Surgical Products

Table 25 shows the Intensive and Extensive margin surgical products, their potential in 2020, the tariff faced by Pakistani exporters, the average unit prices offered by Pakistan in 2020, the top exporting countries of these products to Russia, average tariffs faced by these top exporting countries and the average unit prices offered by these top exporting countries to Russia in 2020.

Table 25: Pakistan's Potential Surgical Products for Exports to Russia

All Values in US\$ Million

	Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
						Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
Intensive Margin	901890	Instruments and appliances used in medical, surgical ...	355.54	1%	46,560	Germany	287.83	1%	50,971
						China	203.93	1%	19,330
						USA	167.74	1%	229,469
Extensive Margin	901580	Instruments and appliances used in geodesy ...	5.80	0%	-	France	20.65	0%	105,882
						USA	20.47	0%	341,167
						Finland	4.98	0%	311,250

Source: ITC Trade Map

Key Finding:

- Pakistan had a potential to export an additional US\$ 355.5 million worth of Surgical products to Russia in 2020 mainly driven by the export of "**Instruments and appliances used in medical...**" (HS-901890). In 2020, Pakistan's exports of this product to Russia amounted to US\$ 6 million. The tariff rate imposed by Russia on the import of this product was 1 percent for Pakistan and other competitors.

6.4 Pakistan's Potential Chemical & Allied Products

Table 26 shows the Intensive and Extensive margin chemical & allied products, their potential in 2020, the tariff faced by Pakistani exporters, the average unit prices offered by Pakistan in 2020, the top exporting countries of these products to Russia, average tariffs faced by these top exporting countries and the average unit prices offered by these top exporting countries to Russia in 2020.

Table 26: Pakistan's Potential Chemical and Allied Products for Exports to Russia

All Values in US\$ Million

	Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
						Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
Intensive Margin	300490	Medicaments consisting of mixed or unmixed products for therapeutic ...	105.59	4%	6,625	Germany	1,202.46	4%	67,395
						Italy	544.81	4%	150,499
						Switzerland	441.67	4%	193,036
Extensive Margin	300439	Medicaments containing hormones or steroids used as hormones but not ...	72.06	4%	11,236*	Germany	67.91	4%	107,618
						USA	55.63	4%	1,293,698
						France	38.12	4%	373,765

Source: ITC Trade Map

*Average Unit Price offered by Pakistan to the World on Exports

Key Findings:

- Pakistan had a potential to export an additional US\$ 177.7 million worth of chemical & allied products to Russia in 2020.
- The average unit prices offered by Pakistan in 2020 for the exports of **“Medicaments consisting of mixed or unmixed products of therapeutic...”** (HS-300490) and **“Medicaments containing hormones or steroids...”** (HS-300439) were lower as compared to those of the top exporters of these products to Russia.

6.5 Pakistan’s Potential Footwear Products

The footwear industry is mainly concentrated in Asia, where almost 9 out of every 10 pairs are produced. The footwear industry of Pakistan is highly-labor intensive. Although there is an abundance of labor in Pakistan, labor quality is not up to the standards required for producing high end footwear.

Table 27 shows the Intensive and Extensive margin footwear products, their potential in 2020, the tariff faced by Pakistani exporters, the average unit prices offered by Pakistan in 2020, the top exporting countries of these products to Russia, average tariffs faced by these top exporting countries and the average unit prices offered by these top exporting countries to Russia in 2020.

Table 27: Pakistan’s Potential Footwear Products for Exports to Russia

All Values in US\$ Million

	Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
						Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
Intensive Margin	640399	Footwear with outer soles of rubber, plastics or composition leather ...	79.08	5%	29,079	China	267.37	5%	21,736
						Italy	104.78	5%	119,342
						Viet Nam	91.28	5%	27,778
	640299	Footwear with outer soles and uppers of rubber or plastics (excluding ...)	2.94	4%	30,937*	China	291.47	4%	10,195
						Viet Nam	49.83	0%	20,904
						Belarus	40.60	0%	2,385
Extensive Margin	640391	Footwear with outer soles of rubber, plastics or composition leather ...	6.58	5%	20,660	China	198.44	5%	16,692
						Italy	67.72	5%	98,716
						Viet Nam	34.41	5%	29,586

Source: ITC Trade Map

*Average Unit Price offered by Pakistan to the World on Exports

Key findings:

- Pakistan had a potential to export an additional US\$ 82 million worth of footwear products to Russia in 2020.
- China and Vietnam are the main competitors of Pakistan in this product category.

6.6 Pakistan's Potential Plastics Products

Table 28 shows the Intensive and Extensive margin plastic products, their potential in 2020, the tariff faced by Pakistani exporters, the average unit prices offered by Pakistan in 2020, the top exporting countries of these products to Russia, average tariffs faced by these top exporting countries and the average unit prices offered by these top exporting countries to Russia in 2020.

Table 28: Pakistan's Potential Plastic Products for Exports to Russia

All Values in US\$ Million

	Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
						Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
Intensive Margin	390319	Polystyrene, in primary forms (excluding expansible)	41.05	0%	1,111	South Korea	11.72	0%	1,078
						Belgium	10.72	0%	1,059
						Hungary	9.84	0%	1,259
	390740	Polycarbonates, in primary forms	20.94	4%	1,110**	Belgium	17.06	4%	1,669
						Germany	12.02	4%	2,393
						Hungary	10.41	4%	2,376
Extensive Margin	390761	Poly"ethylene terephthalate", in primary forms, having a viscosity ...	115.59	4%	808*	China	96.50	4%	747
						Lithuania	8.32	4%	1,037
						Belarus	5.10	0%	809
	392062	Plates, sheets, film, foil and strip, of non-cellular poly"ethylene ...	35.31	7%	1,536*	India	12.88	7%	1,818
						Germany	11.26	7%	3,814
						Belarus	8.50	0%	1,294
	390110	Polyethylene with a specific gravity of < 0,94, in primary forms	20.63	3%	2,400*	Belarus	63.81	0%	932
						South Korea	36.34	3%	1,534
						Germany	28.97	3%	1,078

Source: ITC Trade Map

*Average Unit Price offered by Pakistan to the World on Exports

**Average Unit Price offered by Pakistan to the Russian Federation on Exports

Key Findings:

- Pakistan had a potential to export an additional US\$ 62 million worth of plastic products to Russia in 2020.
- Products that are categorized as Extensive margin includes "**Polyethylene...**" (HS-390761), "**Plates, sheets, film, foil...**" (HS-392062) and "**Polyethylene with a specific gravity...**" (HS-390110).

6.7 Pakistan's Potential Live Animals, Animal Products & Seafood

Pakistan has performed well in increasing its exports from the bovine meat sector; its exports have grown at a faster rate than any other peer country with a similar starting point. Prior to 2003, Pakistan had almost negligible exports of bovine meat. Since then, Pakistan has steadily increased its exports to over US\$ 250 million. Despite its success in increasing its exports, the bovine meat sector is constrained by a number of limiting issues throughout the value chain.

Russia is one of the top importers of bovine meat. However, it does not import meat from Pakistan due to SPS restrictions and prevalent animal diseases in Pakistan, foremost of which is foot and mouth disease.

Table 29 shows the Intensive and Extensive margin live animal & animal products, their potential in 2020, the tariff faced by Pakistani exporters, the average unit prices offered by Pakistan in 2020, the top exporting countries of these products to Russia, average tariffs faced by these top exporting countries and the average unit prices offered by these top exporting countries to Russia in 2020.

Table 29: Pakistan's Potential Live Animal, Animal Products & Seafood for Exports to Russia

All Values in US\$ Million

	Code	Product label	Export Potential 2020 (US\$ Million)	Tariff faced by Pakistan (%)	Average Unit Prices offered by Pakistan in 2020 (US\$/ton)	Top Exporters to Russia			
						Countries	Exports in 2020 (US\$ Million)	Tariffs faced by the Competitors (%)	Average Unit Prices (US\$/ton)
Extensive Margin	030617	Frozen shrimps and prawns, even smoked, whether in shell ...	68.36	3%	5,825*	India	77.72	3%	6,780
						Ecuador	73.07	3%	4,597
						Argentina	38.34	3%	5,824
	030389	Frozen fish, n.e.s.	32.71	5%	1,944*	China	16.04	5%	4,518
						Ecuador	8.87	5%	1,652
						Turkey	7.86	5%	4,167
	020120	Fresh or chilled bovine cuts, with bone in (excluding carcasses ...	29.16	20%	3,637*	Belarus	26.74	0%	3,176
						Armenia	1.65	0%	3,169
						Kazakhstan	0.52	0%	3,456
	030743	Cuttle fish and squid, frozen, with or without shell	24.98	4%	2,506*	China	12.19	4%	2,340
						Peru	11.44	4%	1,577
						Thailand	0.62	4%	5,033
	050400	Guts, bladders and stomachs of animals (other than fish) ...	20.18	4%	10,113*	Portugal	18.60	5%	10,547
						Brazil	8.15	4%	3,843
						Argentina	3.43	4%	3,469
	030359	Frozen anchovies "Engraulis spp.", Indian mackerels ...	17.11	5%	2,569*	China	31.87	5%	1,624
Japan						1.41	7%	1,270	
Taipei, Chinese						1.07	7%	1,814	
030499	Frozen fish meat n.e.s. (excluding fillets)	16.48	2%	2,085*	Viet Nam	18.05	0.4%	2,419	
					Faroe Islands	17.43	3%	1,478	
					Thailand	8.65	2%	2,445	
030353	Frozen sardines "Sardina pilchardus, Sardinops spp." ...	14.47	5%	577*	Morocco	12.84	5%	1,215	
					Mauritania	0.90	0%	1,254	
					Japan	0.57	6%	1,509	
020629	Frozen edible bovine offal (excluding tongues and livers)	10.08	8%	1,938*	Argentina	26.86	8%	2,007	
					Paraguay	12.34	8%	2,053	
					Brazil	7.40	8%	2,034	

Source: ITC Trade Map

*Average Unit Price offered by Pakistan to the World on Exports

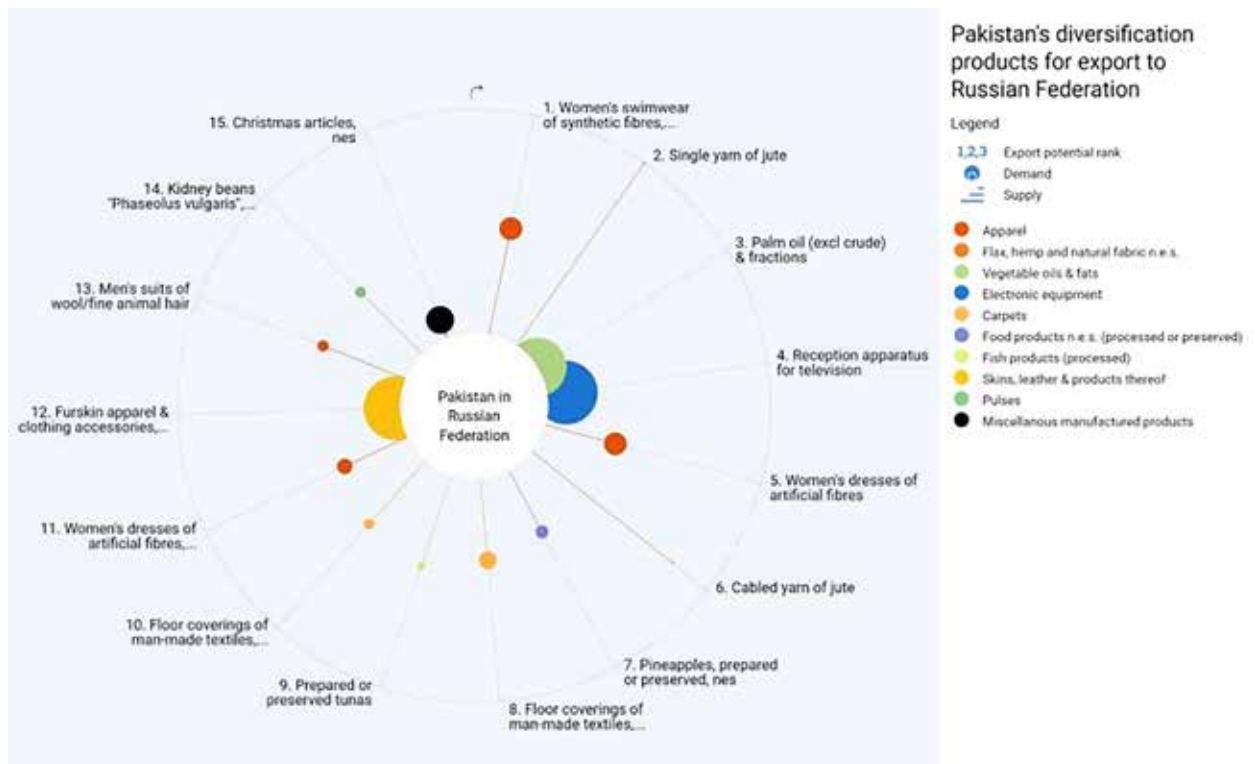
Key Findings:

- In the last ten years, Pakistan has never exported any product from this category to Russia. However, Pakistan possesses a lot of export potential in this sector. The items mentioned in the table above are all extensive margin products and can help Pakistan create a market for its live animal and animal products in Russia.
- Pakistan had a potential to export an US\$ 233.5 million worth of live animals, animal products and Seafood to Russia in 2020.

6.8 Product Diversification

Figure 16 shows that Pakistan’s best options for export diversification in Russia are Women’s swimwear of synthetic fibres, knit/crochet, Single yarn of jute and Palm oil (excl crude) & fractions. Pakistan finds Single yarn of jute easiest to reach the Russian Federation. Reception apparatus for television is the product that faces the strongest demand potential in Russian Federation¹⁹.

FIGURE 16: Product Diversification for Pakistani Exports in the Russian Federation



Source: ITC Export Potential Map

¹⁹ <https://exportpotential.intracen.org/en/products/diversification?fromMarker=i&exporter=586&toMarker=j&market=643&whatMarker=k>





**Chapter 7:
Trade Policies**

Trade Policies

7.1 Pakistan

7.1.1 Tariff Barriers

Pakistan has traditionally followed a higher tariff regime²⁰, which has contributed to the de-industrialization of Pakistan. The share of the industrial sector has gone down from 26.4 percent of GDP in 2010 to 19.1 percent in 2020, and the share of manufactured exports has gone down from 13.5 percent of GDP in 2010 to 8.4 percent in 2020²¹. In Pakistan, import tariffs are employed as a tool for revenue generation rather than as an instrument of trade policy as import tariffs are easy to levy and administer than direct taxes²².

A National Tariff Policy (NTP) was adopted by Pakistan in 2019 under which a Tariff Policy Board (TPB) was constituted to take decisions regarding imposition or removal of import duty after consulting all the stakeholders²³. As per the NTP, the entire tariff structure would be rationalized between the time period 2019 to 2024.

Box 1 – National Tariff Policy (NTP) 2019 – 2024

Objectives of NTP

NTP

Improve Competitiveness of manufacturing through duty free access to imported raw materials by rationalizing the tariff structure

Increase Employment opportunities by attracting efficiency-seeking investment in the manufacturing sector by making tariff regime transparent and predictable

Lessen the distortions in the domestic price structure and **Improve Consumer Welfare** by reducing the burden of excessive protection

Remove anomalies in the tariff structure, which is causing distortions between sectors and in the value chain of the same sector

20 Pakistan Economic Survey 2020-21

21 National Tariff Policy 2019-2024

22 Ibid

23 Year Book 2019-2020, Ministry of Commerce, Government of Pakistan

Rationalization of Tariffs in accordance with the National Tariff Policy 2019 – 2024²⁴:

Basic Raw Materials <ul style="list-style-type: none"> • Additional Customs Duty of 2% was removed on 1,623 tariff lines. 	Intermediate Goods/Inputs <ul style="list-style-type: none"> • Customs Duty on 90 tariff lines was reduced from 11% to 3% and 0% 	As per Request from Public & Private Sector <ul style="list-style-type: none"> • Tariffs on 50 tariff lines was rationalized
Make in Pakistan Initiative <ul style="list-style-type: none"> • Tariffs rationalized on 112 tariff lines 	Iron & Steel Sector <ul style="list-style-type: none"> • Regulatory Duty on 36 tariff lines was reduced to ensure cheap raw materials for manufacturing sector. 	Textile Sector <ul style="list-style-type: none"> • Additional Customs Duties and Regulatory Duties were removed on 164 tariff lines e.g fibers, wool etc, to increase the share on Man-Made Fiber (MMF).

7.1.2. Non-Tariff Barriers

Table 30 list the Non-Tariff Barriers applied by Pakistan on the World and Russia. Globally, Pakistan applied 36 export related-measures whereas only one export-related measure was applied on Russia. Similarly, Pakistan applied 32 Sanitary and Phytosanitary (SPS) measures on the World, whereas only 7 measures were applied on Russia.

Table 30: Non-Tariff Barriers Applied by Pakistan on the World and Russia

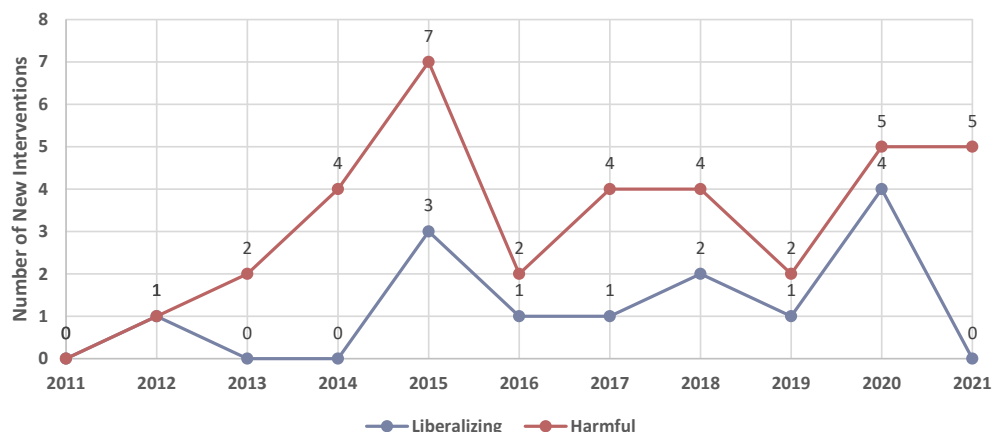
Country Imposing	Partners Affected	Requirements	Phase	Measures
Pakistan	All members	Export-related measures	In force	36
Pakistan	All members	Other measures	In force	1
Pakistan	All members	Pre-shipment inspection	In force	9
Pakistan	All members	Quantity control measures	In force	27
Pakistan	All members	Sanitary and Phytosanitary	In force	32
Pakistan	All members	Technical Barriers to Trade	In force	26
Pakistan	Bilateral	Export-related measures	In force	1
Pakistan	Bilateral	Sanitary and Phytosanitary	In force	7
Total number of Measures Imposed by Pakistan				139

Source: UNCTAD TRAINS – Non-tariff measures

Figure 17 shows the number of interventions implemented by Pakistan on Russia since 2011, these are divided into whether the intervention was liberalizing or harmful. During 2020, the Pakistani government implemented a total of 9 new measures, out of which 5 were harmful and 4 were liberalizing.

²⁴ Year Book 2019-2020, Ministry of Commerce, Government of Pakistan

FIGURE 17: All State Interventions of Pakistan which affect Russia



Source: Global Trade Alert

Figure 18 shows the Russian sectors most affected by the harmful and liberalizing trade interventions implemented by Pakistan. The Russian sectors that were harmed by the interventions include metal wastes or scraps, basic iron & steel, fertilizers and pesticides, cereals and made-up textile articles. On the other hand, the Russian sectors that were liberalized by the interventions include machinery for textile, apparel & leather production, metal wastes or scraps, basic inorganic chemicals, soap, cleaning preparations, perfumes & toilet preparations, and, pulses.

FIGURE 18: Russian Sectors Most Affected by Liberalizing and Harmful Interventions Implemented by Pakistan



Source: Global Trade Alert

7.2 Russia

7.2.1 Tariff Barriers

The Russian Federation has consciously transformed its trade policy as a constituent part of economic policy. When Russia joined the Eurasian Economic Union (EAEU) in 2014, it transferred authority over many aspects of its foreign trade regime to the EAEU which included import tariff rates, trade in transit rule, non-tariff import measures, customs policies, border enforcement of intellectual property rights, establishment and administration of Special Economic Zones (SEZs) and Industrial Zones, and the development of technical regulations and SPS measures²⁵. Customs in Russia are regulated by the new customs code of the EAEU aimed at rationalizing the tariff regimes, simplifying customs procedures and clarifying the rights of importers and exporters²⁶. Customs duties are usually in accordance with the value ad valorem, and assessed on the cost, insurance and freight (CIF) value at the point of crossing the Russian border²⁷.

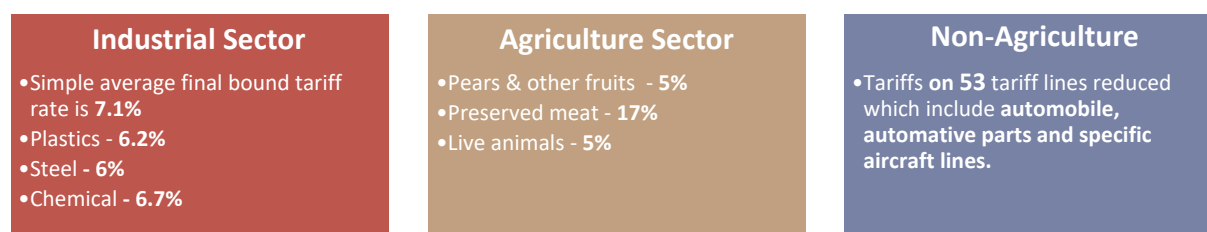
²⁵ Report on Implementation and Enforcement of Russia's WTO Commitments 2019

²⁶ Customs Regulations <https://cms.law/en/rus/publication/doing-business-in-russia/customs-regulations>

²⁷ Export Market – Russia <https://www.austrade.gov.au/australian/export/export-markets/countries/russia/doing-business/tariffs-and-regulations>

For every imported item, importers are required to complete a Russian customs freight declaration supported with documents – contracts, commercial invoices and packing lists, transport documents, import licenses, technical regulation of technical safety certificates, certificates of origin, sanitary certificates – all of which need to be submitted electronically²⁸.

FIGURE 19: Reduction of Tariffs in accordance with the WTO commitments 2020:



7.2.2 Non-Tariff Barriers

Russia imposes majority of non-tariff barriers on imports by maintaining a ‘cumbersome and opaque import licensing regime on products with cryptographic capabilities’²⁹. Additionally, Russia has been protecting its agriculture sector through a variety of measures.

In 2019, Russia began the implementation of its pilot project in selected industry sectors for its “Track and Trace” program that monitors and tracks goods through Russia’s entire distribution chain – from production/import to the final retail customer. Under this program, an encrypted label is attached on every product. This regulation aims to prevent among other products, illegitimate medicines entering Russia (Discussed in detail in Chapter 8).

Table 31 shows a list of Non-Tariff Barriers applied by Russia on the World and Pakistan. Globally, Russia applied 307 technical barriers to trade measures whereas only 5 technical barriers to trade were applied on Pakistan. Similarly, Russia applied 118 Sanitary and Phytosanitary (SPS) measures on the World, whereas only 12 such measures were applied on Pakistan.

Table 31: Non-Tariff Barriers Applied by Russia on the World and Pakistan

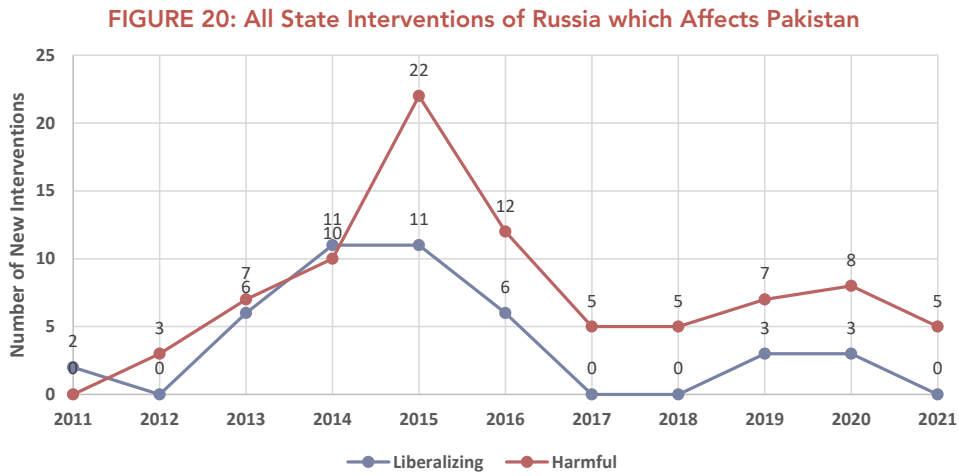
Country Imposing	Partner Affected	Requirements	Phase	Measures
Russian Federation	All Members	Export-related measures	In force	24
Russian Federation	All Members	Other measures	In force	1
Russian Federation	All Members	Pre-shipment inspection	In force	7
Russian Federation	All Members	Price control measures	In force	3
Russian Federation	All Members	Quantity control measures	In force	18
Russian Federation	All Members	Sanitary and Phytosanitary	In force	118
Russian Federation	All Members	Technical Barriers to Trade	In force	307
Russian Federation	Bilateral	Export-related measures	In force	9
Russian Federation	Bilateral	Pre-shipment inspection	In force	4
Russian Federation	Bilateral	Quantity control measures	In force	3
Russian Federation	Bilateral	Sanitary and Phytosanitary	In force	12
Russian Federation	Bilateral	Technical Barriers to Trade	In force	5
Total Number of Measures Imposed by the Russian Federation				511

Source: UNCTAD TRAINS – Non-tariff measures

²⁸ Import Customs Procedures in Russia <https://santandertrade.com/en/portal/international-shipments/russia/customs-procedures>

²⁹ Report on Implementation and Enforcement of Russia’s WTO Commitments 2019

Figure 20 shows the number of interventions implemented by Russia on Pakistan since 2011, these are further divided into whether the intervention was liberalizing or harmful. During 2020, the Russian government implemented a total of 11 new measures, out of which 8 were harmful and 3 were liberalizing.



Source: Global Trade Alert

Figure 21 show the Pakistani sectors most affected by the harmful and liberalizing trade interventions implemented by Russia. The Pakistani sectors that were harmed by the interventions include grain mill products, wearing apparel, edible roots & tubers with high starch or inulin content, pharmaceutical products, and medical & surgical equipment & orthopaedic appliances. On the other hand, the Pakistani sectors that were liberalized by the interventions include wearing apparel, medical & surgical equipment & orthopaedic appliances, made-up textile articles, edible roots & tubers with high starch or inulin content, and pharmaceutical products.

FIGURE 21: Pakistani Sectors Most Affected by Liberalizing and Harmful Interventions Implemented by Russia



Source: Global Trade Alert



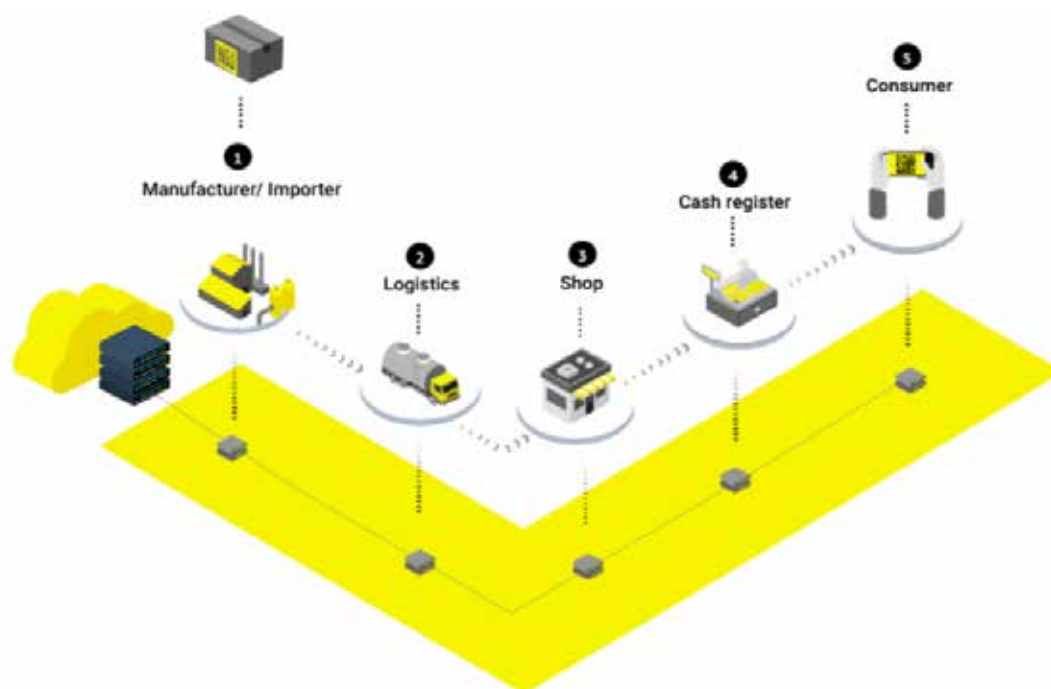
**Chapter 8:
Russia's Track and Trace
System – Will it Affect
Pakistan's Trade
with Russia?**

Russia's Track and Trace System – Will it Affect Pakistan's Trade with Russia?

8.1 About Chestny ZNAK

In 2019, a digital track and trace system was introduced in Russia by the name of Chestny ZNAK (meaning honest sign or honest badge)³⁰ which assigns a special code to each product manufactured/imported in Russia to guarantee the authenticity and quality of the product. The idea behind the introduction of this system was to curtail counterfeit products and low-quality analogues that enter Russia's borders through illegal means. In 2018, the Ministry of Trade and Industry reported that 6 million counterfeit products had been identified in the Russian market³¹. Additionally, it was reported that 10 percent of all medicines and 20 percent of all perfumes on the market were counterfeit³².

How Track and Trace System works?



Source: Chestny ZNAK

1.	Manufacturer/Importer:	A digital code is assigned to the goods by the manufacturer/importer.
2.	Logistics:	Entire journey of the product is recorded at each stage from plant to the consumer.
3.	Shop:	Goods are placed on the shelf after scanning the product code at the store
4.	Cash Register:	Goods are sold at the cash register and product is removed from the Chestny ZNAK's catalogue of marked goods after which a message is sent that code has left circulation. This prevents counterfeit products being sold.
5.	Consumer:	Customer can check the authenticity of the product by scanning the product key through Chestny ZNAK's mobile application.

30 Russia 2021 – Overview of Chestny ZNAK; Compliance for Key Industries by rfxcel Moscow

31 Chestny ZNAK – National Track and Trace System

32 What lessons can be learned from Russia's approach to track and trace? by Packaging Europe

The Russian Chestny ZNAK is considered to be the strictest track and trace system in the world as companies that do not comply with its regulations face fines and penalties as well as deprivation of liberty to do business³³. All consumer goods destined to be exported to Russia must be marked with DataMatrix code that will serve as a "Digital Passport"³⁴. By 2024, the Russian government aims to bring all industries under the Chestny ZNAK's umbrella.

Who operates Chestny ZNAK's National Track & Trace System?

The system operates as a Public-Private partnership, jointly managed by Center for Research in Perspective Technologies (CRPT) (51 percent stake), Rostec State Corporation and Elvis Plus Group.

This type of public-private partnership is a first in the IT sector.

Which products are being tracked and traced by the Russian Government?

Regulated markets:

Dairy, Bottled water, Medications, Tobacco, Light industry, Footwear, Fur, Perfumes, Tyres, Photo camera & Flash bulbs.

Experiments:

Dietary supplements, Wheelchairs, Bicycles & Beer based beverages.

How is Serialization done?

All the products must be marked with DataMatrix codes with an alphanumeric sequence that contains at least four groups of information: a Global Trade Item Number (GTIN), a serial number, a verification key (crypto key), and a verification code (crypto code).

How to Obtain the Code?

1. Register a Personal account on Chestny ZNAK official website.
2. Information about the good needs to be entered into the monitoring information system.
3. Order the marking codes and then apply them to the products.

8.2 Requirements for Different Industries

To register with the Chestny ZNAK system, importer/manufacturer needs to obtain a Russian Qualified Electronic Signature which can only be provided if a person holds a pension fund and is registered with the Russian tax authorities. This means that foreign companies cannot directly register to export their products into Russia rather they require a Russian distributor or partner as a middle man through which they can do business³⁵.

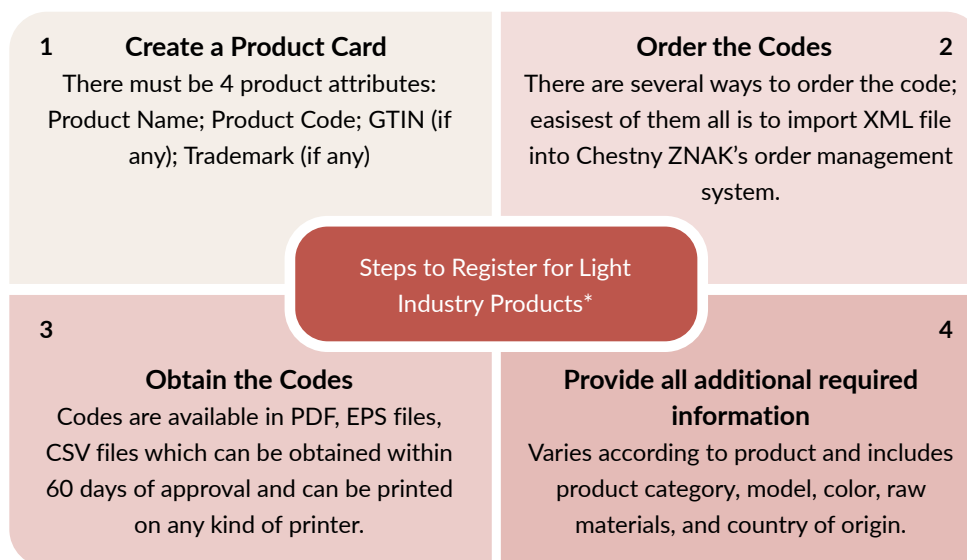
33 Russia Chestny ZNAK Track and Trace: A Refresher Course by RFXCEL ANTARES VISION GROUP

34 Exporting to Russia: Is Your Business Ready for Digital marking? by Export Knowhow

35 Exporting to Russia: Is Your Business Ready for Digital marking? by Export Knowhow

Light Industry (Clothing & textile items):

For goods that are imported into Russia from non-EAEU countries, codes must be applied to the products before the customs process begins. In addition to this, a product card needs to be created for the catalogue of marked goods before codes can be issued.



*Source: Chestny ZNAK; rfxcel

According to the official Russian website, approximately 148,535 supply chain participants had been issued more than 2.6 billion codes for different products in this category including bed sheets, table linen, blouses, shirts and coats etc.

Table 32: Light industry (clothing & textile) products under mandatory labelling

Light Industry Goods Mandatory labelling began January 1, 2021		
OKPD2 Code*	HS Code	Description
13.92.12	630210 – 630239	Bed sheets
13.92.13	630240 – 630259	Table linen
13.92.14	630260	Toilet and Kitchen linen
14.11.10	420310	Clothing made of natural or composition leather
14.13.21	620111 – 620199	Coats, raincoats, jackets, raincoats, hooded coats, anoraks, windbreakers, windbreakers, and similar textile articles for men or boys, other than knitted or crocheted
14.13.31	620211 – 620299	Women's or girls' coats, jackets, raincoats, hooded coats, anoraks, windbreakers, windbreakers and the like of textile materials other than knitted or crocheted
14.14.13	610610 – 610690	Blouses, shirts, and body shirts, knitted or crocheted, for women or girls

Source: rfxcel; ITC trade map

*OKPD2 codes are the Russian product classification codes

Medications:

As of July 1, 2020, all medications are required to be labelled, using a DataMatrix code on all individual units, with a GTIN, a serial number, a batch number and an expiration date. All manufacturers/importers need to register themselves on the CRPT platform after which a mandatory application needs to be submitted for the DataMatrix code to be placed on the medicines.

For foreign manufacturers, an Encrypted Electronic Signature (EES) is required by the company CEO in accordance with a state register of accredited affiliates. The EES can be then obtained from one of the certification centers accredited by the Russian Ministry of Digital Development. After acquiring the EES, a registration form needs to be submitted on the Russian drug monitoring system specifying the taxpayer identity number, name of organization, country of registration, and contact details of the person responsible for marking in the organization. To complete this registration, a foreign organization must send original documents to federal service for surveillance in healthcare Roszdravnadzor within 10 days from the date of filling in the registration form in the information system³⁶.

According to the Russian official website, approximately 90,184 supply chain participants had been issued more than 7.2 billion codes.

■ Footwear:

Production, import and wholesale/retail sale of unlabeled footwear is prohibited in Russia. The DataMatrix code applied to the footwear products must contain 10 data points including GTIN, a serial number, a verification key, a verification code, a taxpayer personal identification number (TIN), brand name, and the materials used to make the shoes.

Importers are responsible for printing the code and applying them to products and packages.

According to the Russian official website, approximately 92,302 supply chain participants had been issued more than 2.2 billion codes.

Table 33: Footwear products under mandatory labelling

Shoe goods (other than those made by artisans) Mandatory labelling began July 1, 2020		
OKPD2 Code*	HS-Code	Description
15.20.11	640192; 640199	Waterproof footwear with soles and uppers of rubber or plastic, excluding footwear with a protective metal toe cap
15.20.12	640220; 640291; 640299	Shoes with soles and uppers of rubber or plastic, other than waterproof or athletic shoes
15.20.13	640510	Shoes with leather uppers, except sports shoes, shoes with a protective metal toe cap, and various special footwear
15.20.14	640520	Shoes with uppers of textile materials, excluding sports shoes
15.20.21	640411	Shoes for tennis, basketball, gymnastics, training shoes and the like
15.20.29	640411	Other sports footwear, except ski boots and boots with skates
15.20.31	640340	Safety shoes with metal toe cap
15.20.32	-	Wooden footwear, various special footwear, and other footwear not included in other categories
32.30.12	640212	Ski shoes

Source: rfxcel; ITC trade map

*OKPD2 codes are the Russian product classification codes

8.3 Likely Impact on Pakistan

Compliance with Chestny ZNAK is not only applicable to local Russian manufacturers but extends to international companies as well who are looking to export their products to Russia. This means that Pakistani exporters, despite having low trade volumes with Russia, need to adhere to the regulations of Russian track and trace system to be able to enter / maintain / grow their business in Russia.

³⁶ Chestny ZNAK

Figure 22 shows benefits that a Pakistani exporter can gain by complying with the Russian track and trace system. The system allows the manufacturer/exporter to reach end consumers directly. Effective incentive programs can be designed by the Pakistani exporters to reach the audience more effectively through accessing the precise sales data and analyzing the consumer trends. The system will help to reduce the prevalence of counterfeit products in the market which can hamper sales and the exporting company's turnover.

FIGURE 22: Benefits to the Manufacturers/ Exporters for Registering with the Chestny ZNAK³⁷



³⁷ Data Matrix Codes and Chestny ZNAK system. What do companies planning to export to Russia need to know?



**Chapter 9:
Textile Industry's Role in
a Potential Pakistan –
Russia FTA**

Textile Industry's Role in a Potential Pakistan – Russia FTA

9.1 Pakistan's Textile Industry – An Overview



Textile sector is the largest contributor to Pakistan's exports, accounting for nearly 60 percent of total exports. In 2020, Pakistan exported US\$ 13.1 billion worth of textile products against imports of US\$ 3.3 billion. The sector's contribution to GDP stood at 8.5 percent and it employed nearly 40 percent of the country's labor force. Pakistan was ranked as the 5th largest cotton producer globally in 2021³⁸. The total global textile trade in 2020 was worth US\$ 783 billion with China having the largest market share (36 percent). Pakistan ranked 14th in the global textile trade with a share of only 1.7 percent.

Components (Sub-sectors) of Pakistan's Textile Industry:



Textile Sector of Pakistan has the highest weight of 20.9 in the Quantum Index of Manufacturing (QIM)³⁹ thus having a significant impact on overall performance of the Large-Scale Manufacturing (LSM) sector⁴⁰. During the July-March 2020-21 period, textile production grew by 5.9 percent against a decline of 2.6 percent the corresponding period of the previous year, the main reason for the surge being increased export orders from European and American markets for Pakistan's garments sector especially during the Covid-19 period.

Figure 23 shows Pakistan's textile exports during the period of 2019-20 and 2020-21 as well as the percentage change in 2020-21 over 2019-20. All textile sub-sectors showed a positive change in exports except for the cloth sector. Although the production of the cloth sector increased by 3 percent in 2020 over 2019, exports fell by 8.3 percent in the same period. Textile exports contributed 60.8 percent in the total exports of Pakistan in 2020-21 as compared to 58.6 percent in 2019-20.

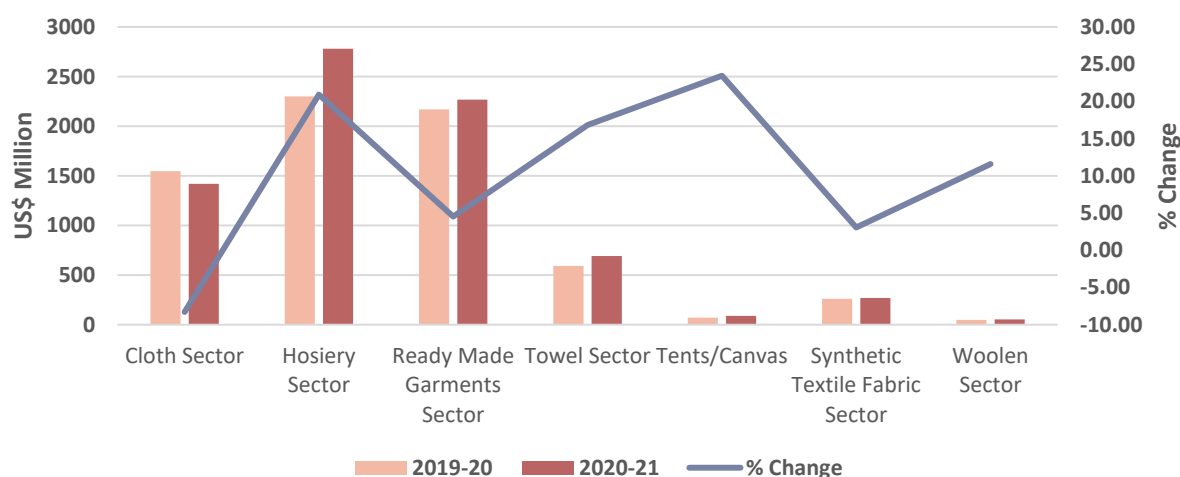
If Pakistan wants to increase its textile exports to the world in general and Russia in particular, then priority needs to be given to promoting and exporting high value-added products such as knitwear, towels, ready-made garments, bedwear etc.

³⁸ Statista

³⁹ QIM measures the performance of LSM with overall weight of 70.33 in LSM and derived from the Census of Manufacturing Industries (CMI) of 2005-2006.

⁴⁰ Pakistan Economic Survey 2020-21

FIGURE 23: Pakistan's Textile Exports Sector Wise



Source: Textile Commissioner's Organization
2019-20 July-March; 2020-21 July-March

Table 34 lists Pakistan's top 10 export destinations for textiles during the period 2018-2020, along with their share in total textile exports and CAGR (2018-2020). Russia, 25th largest export destination in 2020, has also been listed and highlighted. As can be seen, textile exports to Russia have shown the highest growth of 7 percent during the period 2018-2020. However, Russia's share in Pakistan's textile exports is only 0.5 percent indicating that there is immense untapped potential and opportunity for the country to further develop its textile exports to Russia.

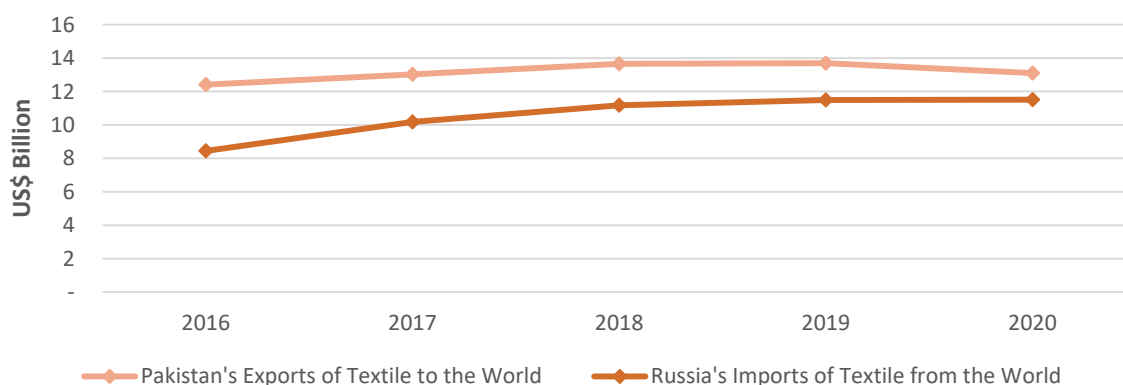
Table 34: Pakistan's Top 10 Export Destinations of Textile (HS-50 to HS-63)

Rank	Export Destination	2018 (US\$ Million)	2019 (US\$ Million)	2020 (US\$ Million)	Share in Textile Exports (%)	% CAGR (2018-2020)
	World	13,654.37	13,696.38	13,105.23	-	(1.36)
1	USA	3,208.11	3,387.43	3,462.02	26.42	2.57
2	UK	1,399.12	1,353.37	1,365.64	10.42	(0.80)
3	Germany	981.87	1,011.63	1,048.46	8.00	2.21
4	Netherlands	759.13	856.60	879.41	6.71	5.02
5	China	957.62	895.53	726.85	5.55	(8.78)
6	Spain	801.82	820.73	667.99	5.10	(5.91)
7	Italy	553.98	556.17	495.17	3.78	(3.67)
8	Bangladesh	594.86	593.52	438.77	3.35	(9.65)
9	Belgium	534.13	456.96	432.50	3.30	(6.79)
10	France	326.36	305.22	282.01	2.15	(4.75)
25	Russia	52.14	52.76	63.82	0.49	6.97

Source: ITC Trade Map

9.2 Russia's Textile Market and Pakistan

Figure 24 shows Pakistan's exports of textile products to the world against Russia's imports of textile products from the world during the period of 2016-2020. As can be seen, Pakistan's global exports of textile products increased from US\$ 12.4 billion in 2016 to US\$ 13.7 billion in 2019. However, exports fell to US\$ 13.1 billion in 2020, a decline of 4.4 percent. On the other hand, Russia's imports of textile products from the world increased from US\$ 8.5 billion in 2016 to US\$ 11.5 billion in 2020, a growth of 6.2 percent.

FIGURE 24: Pakistan's Exports of Textile to the World Vs. Russia's Imports of Textile from the World

Source: ITC Trade Map

9.3 Pakistan's Competitors – Russia's Main Import Sourcing Countries for Textile products

China and Bangladesh are the two major competitors of Pakistan in the Russian market for textiles. In 2020, Russia imported US\$ 4.6 billion worth of textile products from China and US\$ 0.9 billion from Bangladesh whereas only US\$ 0.2 billion⁴¹ worth of goods were imported from Pakistan.

Table 35 shows Pakistan's textile exports to Russia, export potential and the prices per unit offered by Pakistan, China and Bangladesh to Russia in 2020. Highlighted rows in the table are the items that belonged to Russia's top 25 textile imports in 2020 and for which Pakistan also has export potential. Prices offered by Pakistan are comparatively higher than those offered by China and Bangladesh resulting in limited bilateral trade between Russia and Pakistan.

Table 35: Export Potential Textile Products of Pakistan and Comparison of Prices

Code	Product Label	Pakistan's Exports to Russia 2020 (US\$ Million)	Pakistan's Exports Potential 2020 (US\$ Million)	Price Per Unit (US\$/ton) in 2020		
				Pakistan	China	Bangladesh
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts ...	0.32	301.63	18,336	18,531	16,567
610910	T-shirts, singlets and other vests of cotton, knitted	3.14	249.47	25,103	26,971	17,096
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear ...	1.94	127.49	15,564	4,724	18,333
520512	Single cotton yarn, of uncombed fibres, containing >= 85% ...	1.09	107.79	3,307	-	-
610990	T-shirts, singlets and other vests of textile ...	0.96	94.59	29,375	27,024	21,770
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts ...	0.11	89.24	19,050	18,016	17,627
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of ...	1.55	77.15	6,419	6,332	6,149
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton ...	0.89	65.92	19,613	22,024	16,586
610342	Men's or boys' trousers, bib and brace overalls, breeches and shorts ...	0.68	57.72	20,480	18,844	15,124
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts ...	0.01	54.23	24,000	39,379	18,451

⁴¹ Due to discrepancy in the data, there is a difference of US\$ 0.1 billion in the reported value from Russia. According to the Pakistan's reported data, Pakistan exported US\$ 0.1 billion of Textile products to Russia in 2020.

Code	Product Label	Pakistan's Exports to Russia 2020 (US\$ Million)	Pakistan's Exports Potential 2020 (US\$ Million)	Price Per Unit (US\$/ton) in 2020		
				Pakistan	China	Bangladesh
611610	Gloves, mittens and mitts, impregnated, coated or covered with plastics ...	4.83	40.41	11,636	6,374	11,254
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts ...	0.36	31.54	22,174	21,365	16,431
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts ...	0.01	30.77	22,072	19,345	18,737
520852	Plain woven fabrics of cotton, containing >= 85% ...	0.25	30.40	5,262	4,071	-
630790	Made-up articles of textile materials, incl. dress ...	0.11	28.74	14,132	7,010	8,727
611596	Full-length or knee-length stockings, socks and other hosiery, incl. footwear ...	0.72	28.34	14,674	9,506	-
620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of ...	0.06	25.59	27,500	23,839	25,973

Source: ITC Trade Map

Figure 25 shows the textile exports of Pakistan, India, Bangladesh and Viet Nam to Russia in 2020. Among the four countries, Bangladesh has benefitted the most from its bilateral trade with Russia. Bangladesh's textile exports to Russia have grown from US\$ 395.5 million in 2012 to US\$ 844.8 million in 2020, an increase of 113.6 percent. However, Pakistan's textile exports decreased from US\$ 112 million in 2012 to US\$ 63.8 million in 2020, a decrease of 43 percent.

FIGURE 25: Comparison of Textile Exports to Russia (2012-2020)

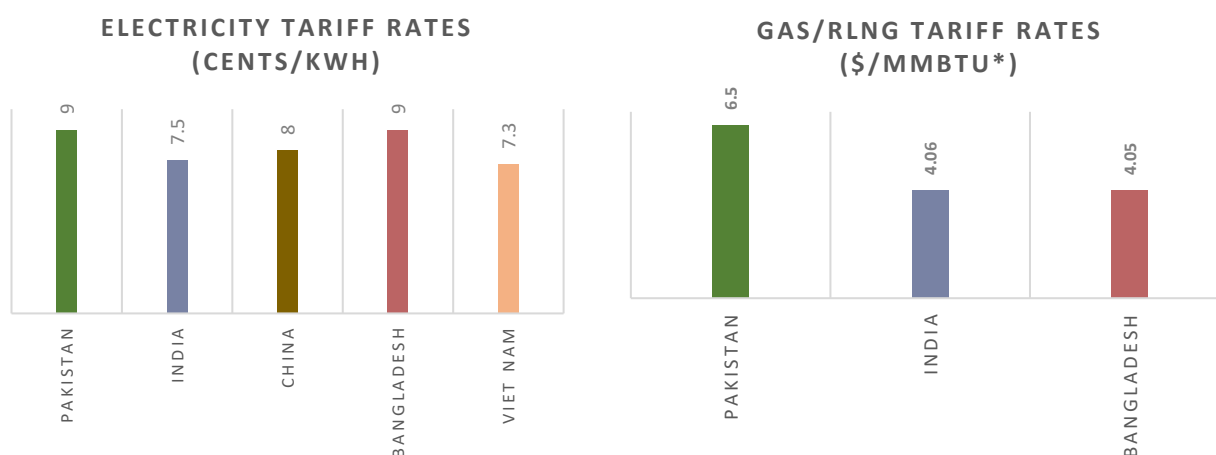


Source: ITC Trade Map

9.3.1 Energy Tariff Rates Comparison of Pakistan with Key Regional Competitors

Figure 26 shows two figures; on the left: Textile sector electricity tariff rate comparison of Pakistan with India, China, Bangladesh and Viet Nam and, to the right: Textile sector gas/RLNG tariff rates comparison of Pakistan with India and Bangladesh. As shown, Pakistan's electricity and gas tariff rates are higher than any other country in the region.

FIGURE 26: Regional Comparison of Energy Tariff Rates



Source: The Data has been extracted from PIDE Report Titled "Regionally Competitive Energy Tariffs & Textile Sector's Competitiveness" *MMBTU = Metric Million British Thermal Unit

Pakistan – Ministry of Energy, Petroleum Division, Power Division

Bangladesh – Bangladesh Energy Regulatory Commission; <https://berc.portal.gov.bd/site/page/2a25b0a8-1b3f-49a5-a275-87ef2eebb452/-Dhaka+Power+Distribution+Company>; <https://dpdc.org.bd/article/view/535/Tariff%20Rates>

India – Maharashtra State Electricity Distribution Company; <https://www.mahadiscom.in/consumer/en/commercial-circulars/>; Punjab State Power Corporation Limited <https://www.pspcl.in/tariff-orders/>; Ministry of Petroleum and Natural Gas, India. <https://www.ppac.gov.in/WriteReadData/CMS/202009300542060502504GasPriceCeilingOct2020toMarch2021.pdf>.

China – Price Monitoring Center, National Development and Reform Commission, China, <https://www.ceicdata.com/>; Price Monitoring Center, National Development and Reform Commission, China, <https://www.ceicdata.com/>

Viet Nam – Vietnam Electricity Corporation; <https://en.evn.com.vn/d6/news/WHOLESALE-ELECTRICITY-TARIFF-9-28-260.aspx>

Table 36 shows the shares of power, wages and depreciation in the total conversion cost of Pakistan's textile sector and compares it with that of India and Bangladesh. The difference between the energy share of Pakistan and Bangladesh is due to the different dynamics of the textile sector in both countries. Pakistan's textile sector heavily relies on spinning which is an energy intensive stage whereas Bangladesh's textile sector operates on the advanced stages of value chain which require less energy. Another reason for Pakistan's regional uncompetitiveness is the energy tariff rates which make up 35-40 percent of conversion cost⁴² in Textile.

Table 36: Regional Comparison of Power, Wages & Depreciation in the Conversion Cost


	Pakistan			India			Bangladesh		
	Power & Fuel Share	Wages & Salaries Share	Depreciation Share	Power & Fuel Share	Wages & Salaries Share	Depreciation Share	Power & Fuel Share	Wages & Salaries Share	Depreciation Share
Average (2017-2020)	34.6	29.3	10.3	29.8	28.0	16.0	25.5	33.8	18.0
2017	36.1	29.9	10.0	26.9	26.6	16.5	26.9	33.0	17.5
2018	36.4	29.3	10.1	30.6	27.1	14.8	24.4	29.8	15.8
2019	33.6	29.4	9.6	31.2	30.8	16.4	26.0	35.8	18.4
2020	32.8	28.7	11.8	30.4	27.6	16.3	25.0	37.1	20.9

Source: Regionally Competitive Energy Tariffs & Textile Sector's Competitiveness – PIDE Report

Key Findings:

- Pakistan has an export potential of US\$ 1.6 billion in the Textile and textile articles (HS-50 to HS-63) in Russia. In 2020, Pakistan's total textile exports to Russia amounted to only US\$ 63.8 million.
- China and Bangladesh are the two main competitors of Pakistan in the Russian textile market. The biggest strength of Bangladesh is its cheap and vast labor force. Cotton imported from Pakistan is converted into value added product such as ready-made garments and exported to the world at higher prices.
- Pakistan needs to comply with Russia's track and trace system "Chestny ZNAK" for exports of textile products to Russia.

42 Conversion Cost is the summation of overhead expenses and direct labor expenses that are incurred during the transformation of raw materials into the finished goods.

A green combine harvester is shown in the process of harvesting a golden wheat field. The harvester is positioned in the middle ground, moving from right to left. The foreground is filled with tall, golden wheat stalks. The background shows a vast, flat landscape under a bright sky, with some distant trees and buildings visible on the horizon. The overall scene is bathed in warm, golden light, suggesting a late afternoon or early morning setting.

**Chapter 10:
Analysis of Russia's
Agriculture Demand
from Pakistan**

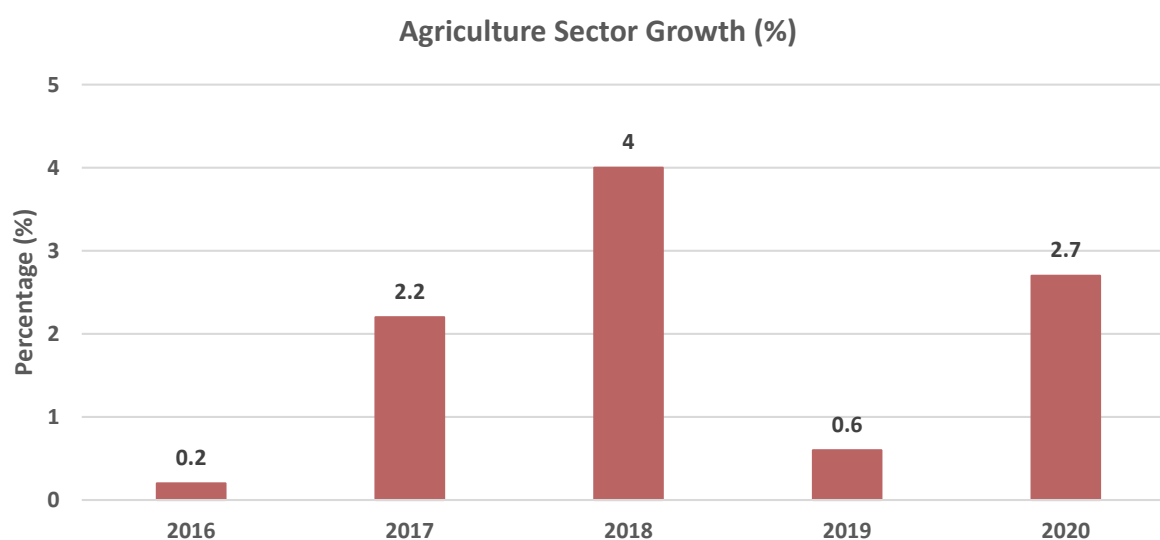
Analysis of Russia's Agriculture Demand from Pakistan

10.1 Pakistan's Agriculture Industry – An Overview

Pakistan's agriculture sector's contribution to GDP stood at 19.2 percent and it employed 38.5 percent of the country's labor force in 2020. In the same year, Pakistan exported US\$ 4.3 billion worth of agro products to the world⁴³. The sectors contribution to value-addition stood at 21.7 percent which mainly came from crops such as rice, maize, wheat, sugarcane and cotton.

Figure 27 shows Pakistan's Agriculture sector growth during the period of 2016 – 2020. Agriculture sector grew by 2.7 percent in 2020 as compared to 0.6 percent in 2019 mainly due to increased output of wheat and rice crops owing to increased area under cultivation.

FIGURE 27: Pakistan's Agricultural Sector Growth (2016-2020)



Source: Indus River system Authority (IRSA); State Bank of Pakistan (SBP); Pakistan Bureau of Statistics (PBS)

Pakistan's main agriculture products include, wheat, rice, cotton, sugarcane, vegetables and fruits. In addition to these, Pakistan also produces quality milk, eggs and meat.

10.2 Russia's Agriculture Market and Pakistan

Pakistan's exports to the world comprises of rice, mandarins, potatoes, mixed spices, dates and wilkings (citrus fruit). However, Pakistan's major exports to Russia in 2020 only comprised of mandarins, potatoes and brown rice. Pakistan had an export potential of around US\$ 330 million in 2020 comprising of items like "**Fresh or dried guavas...**" (HS-080450), "**Fresh or dried wilkings...**" (HS-080529), "**Fresh or dried potatoes...**" (HS-070190), "**Fresh or dried mandarins...**" (HS-080521) etc.

Table 37 shows Pakistan's top 10 agriculture exports to Russia, the percentage change in 2020 over 2019 and CAGR for the period of 2018-2020.

43 Agro & Food Division, Trade and Development Authority of Pakistan (TDAP)

Table 37: Pakistan's Top 10 Agriculture Exports to Russia at HS-06 level (2018-2020)

Code	Product	2018 (US\$ Million)	2019 (US\$ Million)	2020 (US\$ Million)	% Change 2019-2020	% CAGR (2018-2020)
080529	Fresh or dried wilkings and similar citrus hybrids	24.26	21.34	31.21	46.26	8.76
080521	Fresh or dried mandarins incl. tangerines and satsumas (excl. clementines)	20.01	19.20	17.75	-7.52	-3.91
070190	Fresh or chilled potatoes (excluding seed)	3.45	6.85	2.74	-60.04	-7.49
071010	Potatoes, uncooked or cooked by steaming or by boiling in water, frozen	0.06	0	0.27	-	67.59
120740	Sesamum seeds, whether or not broken	0.12	0	0.07	-	-11.84
080510	Fresh or dried oranges	0.33	0.03	0.07	128.13	-39.27
130232	Mucilages and thickeners, derived from locust beans, locust bean seeds or guar ...	0.06	0.09	0.07	-19.32	3.52
100620	Husked or brown rice	0.27	0.003	0.05	1,633.33	-42.39
121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery ...	0	0	0.03	-	-
080450	Fresh or dried guavas, mangoes and mangosteens	0.11	0.12	0.01	-93.44	-58.38

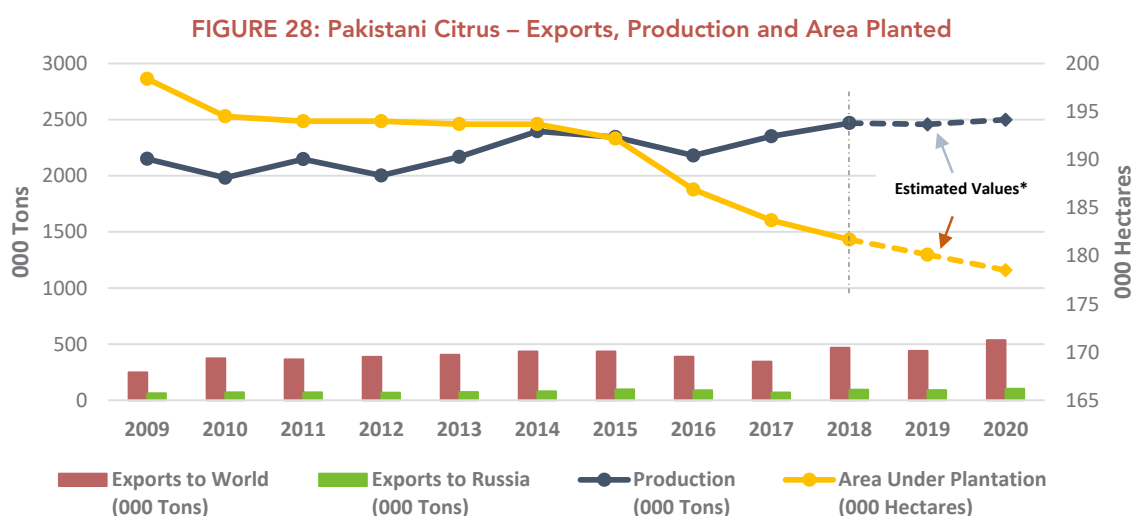
Source: ITC Trade Map

In the context of a Potential Pakistan – Russia FTA, agriculture products of interest have been narrowed down to three major items namely Mandarin (Kinnow), Potatoes and Rice.

10.2.1 Tangerines/Mandarins & Wilkings:

In Pakistan, a variety of citrus fruit is produced which includes sweet oranges (mausami), mandarins (kinnow), grape fruits, lemons and lime⁴⁴. However, 89 percent of Pakistan's total citrus exports comprise of "**Fresh or dried mandarins...**" (HS-080521) and "**Fresh or dried wilkings...**" (HS-080529). Although citrus has a significant share in Pakistan's horticulture production, its share in global trade is only 1.3 percent.

Figure 28 shows Pakistan's citrus production, area under plantation, exports to world and exports to Russia in the period 2009 to 2020. Pakistan's production increased from 2,180,000 tons in 2016 to 2,468,700 tons in 2018. Pakistan's exports of citrus grew almost nine-fold between 2003 and 2020, from US\$ 22.6 million in 2013 to US\$ 205.4 million in 2020.



Source: ITC Trade Map; Agriculture Statistics of Pakistan 2019-20;

*2018 onwards, due to unavailability of data, values have been estimated by the author.

44 Major Citrus Growing Areas & Varieties in Pakistan

<https://www.pakissan.com/2017/10/16/major-citrus-growing-areas-varieties-in-pakistan/>

Table 38 shows Russia's top import sources for "Mandarins..." (HS-080521) along with the share of each country in Russia's total mandarin imports, average unit prices offered by these countries to Russia and tariffs applied by Russia on these countries in 2020. Pakistan is the 2nd largest import sourcing market to Russia for mandarins exporting around US\$ 49 million in 2020, and having a share of 11 percent in Russia's total mandarin imports from the world.

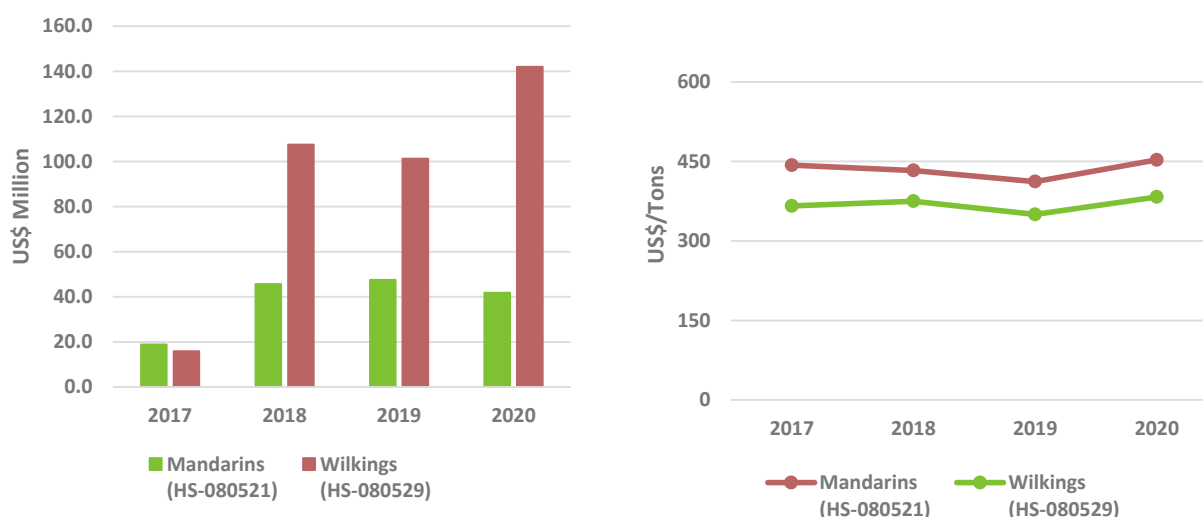
Table 38: Russia's Top 10 Import Sourcing Markets for Mandarins (HS-080521)

Rank	Country	Russia's Imports 2020 (US\$ Million)	Share in Total Imports (%)	Average Unit Prices (US\$/Ton)	Tariffs applied by Russia (%)
	Total	433.38	-	-	-
1	Turkey	236.40	54.55	636	3.75
2	Pakistan	49.40	11.40	722	3.75
3	South Africa	31.20	7.20	1,063	3.75
4	Georgia	28.76	6.64	408	0
5	Morocco	27.33	6.31	759	3.75
6	Egypt	21.95	5.06	803	3.75
7	Peru	13.75	3.17	1,059	3.75
8	Argentina	12.00	2.77	1,033	3.75
9	South Korea	3.38	0.78	868	3.75
10	China	2.77	0.64	960	3.75

Source: ITC Trade Map; Market Access Map

Figure 29 shows two graphs; on the left: Pakistan's exports of mandarins and wilkings to the world during the period of 2017 to 2020 and, to the right: Average unit prices of mandarins and wilkings during the same period. Before 2017, Pakistan did not export these variants of citrus to the world. As shown, Pakistan's exports of wilkings are higher than exports of mandarins. Similarly, the prices of wilkings are also lower than the prices of mandarins, suggesting that price will play a major role if Pakistan is to increase its footprint in international markets.

FIGURE 29: Pakistan's Exports and Prices of Mandarin/Tangerines and Wilkings to the World



Source: ITC Trade Map



10.2.2 Potato (HS-070190):

Pakistan is an emerging supplier for the export of potatoes due to its quality and better shelf-life⁴⁵. It exported potatoes worth a mere US\$ 2.7 million to Russia in 2020 even though the country had the potential to export potatoes worth US\$ 65.7 million in the same year. In 2013, Russia imposed a ban on the import of potatoes from Pakistan following the detection of a dangerous parasite namely golden nematode pest⁴⁶.

Table 39 shows Russia's top 5 suppliers for potatoes (HS-070190) during 2020, their share in Russia's potato imports, tariffs applied by Russia on these countries and global ranking of these countries. In 2020, Pakistan was the 4th largest import sourcing market for Russia having a share of 3.6 percent in the Russia's total potato imports. This is one product Pakistan can try to include in a potential PTA/FTA since Russia applies 7.50 percent tariff on the import of potatoes from Pakistan.

Table 39: Russia's Top Import Sourcing Countries for Potatoes (HS-070190)

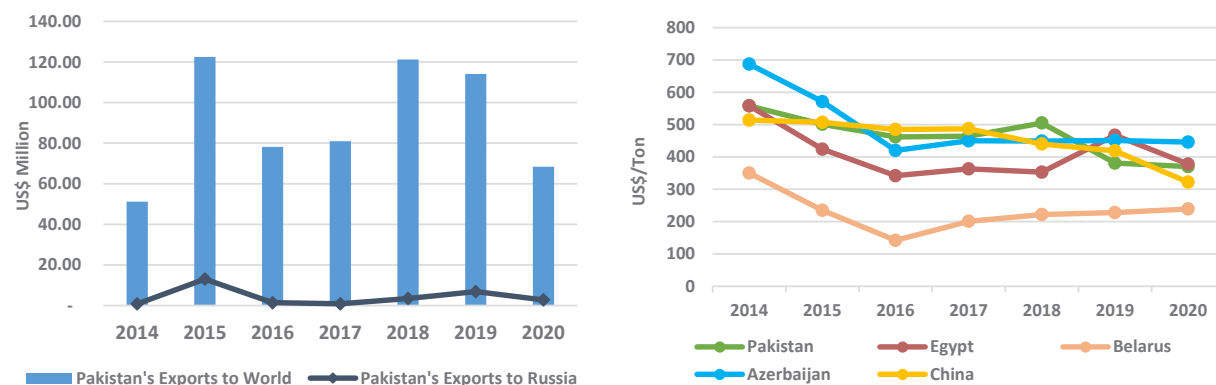
Rank	Top Supplier for Russia	Export Value 2020 (US\$ Million)	Share in Russia's Potato Imports (%)	Tariffs Applied by (%) by Russia	Ranking in World Exports
1	Egypt	73.60	62.13	7.5	7
2	Azerbaijan	30.91	26.09	0	19
3	Belarus	5.12	4.31	0	18
4	Pakistan	4.28	3.61	7.5	11
5	China	1.64	1.39	7.5	3

Source: ITC Trade Map; Market Access Map

Figure 30 shows two graphs; on the left: Pakistan's exports of potatoes to the world & Russia during the period of 2014 and 2020 and, to the right: average unit price of potatoes offered by the top 5 import sourcing countries of Russia during the same period. As mentioned earlier, Pakistan has a lot of untapped potential in this product in the Russian market. Pakistan's potato exports to Russia grew at an average of 19.7 percent during the period 2014 to 2020.

Similarly, potato prices offered by Pakistan (US\$ 370/ton) to Russia in 2020 was almost the same as what Egypt (US\$ 378/ton) offered to Russia in the same year. Furthermore, Egypt has recently shifted its focus from Russia towards exporting to Middle-Eastern⁴⁷, African and European countries due to high demand from them. Since Egypt was Russia's largest import source for potatoes in 2020, Pakistani potato exporters can try to gain a larger market share in Russia.

FIGURE 30: Pakistan's Potato Exports & Average Potato Prices for Top Import Sources (HS-070190)



Source: ITC Trade Map

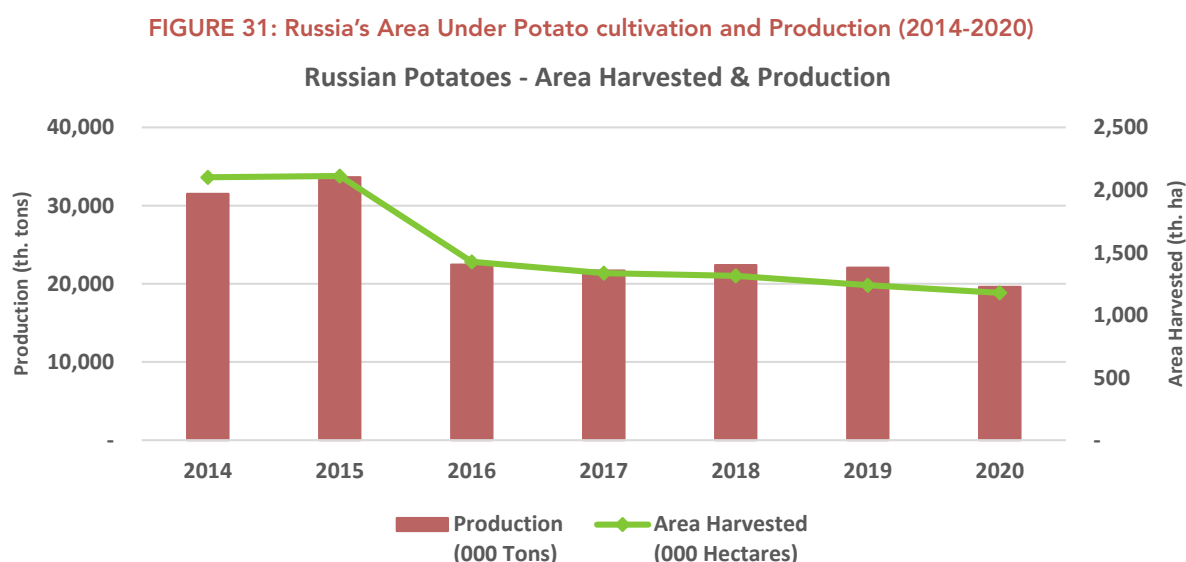
⁴⁵ Potato's huge export potential – Dawn

⁴⁶ Russia may lift import ban from Pakistani potatoes after inspection – TASS Russian News Agency <https://tass.com/economy/715345>

⁴⁷ Where can Russia get potatoes? Analyzing the prospects for covering the acute shortage <https://east-fruit.com/en/news/where-can-russia-get-potatoes-analyzing-the-prospects-for-covering-the-acute-shortage/>

Currently, Russia is facing a shortage of domestically produced potatoes due to many reasons which has affected potato production leading to decreased supply and has compelled Russia to import potatoes to meet demand. The reasons include heavy rains, a reduction in the area under potato cultivation over the past 7 years as farmers shifted to growing other crops (such as cereals and oilseeds)⁴⁸ with marginally more profits.

Figure 31 shows Russia's potato area harvest and production during the period 2014 to 2020. As shown, area under potato cultivation reduced from 2,101,460 hectares in 2014 to 1,178,100 in 2020, a decline of 44 percent. This has affected potato production in Russia.



Source: FAOSTAT

Given the decline in production, it is expected that potato prices in Russia will increase from RUB 30/kg (US\$ 0.41/kg) to RUB 50/kg in February 2022⁴⁹. This benefits Pakistan as Pakistani potatoes are price competitive compared to other import sources of Russia. Moreover, the situation in Afghanistan has resulted in a decline in the demand of Pakistani potatoes which provides Pakistan an opportunity to export its surplus potato production to Russia and other Central Asian countries⁵⁰.

Challenges to Pakistan's Potato Exporters:

- Pakistani exporters complain that the rise in sea freight charges from US\$ 3000-4000 to US\$ 7500-9000 for a 40ft container has increased their cost of delivery to Russia alone to US\$ 0.29-0.33 per kg.
- Seed varieties used for potato production are all imported and a depreciation in the value of the rupee has increased input costs
- There are four to five diseases faced by the potato crop in Pakistan which affects exports directly as importing countries impose phytosanitary measures on Pakistan.
- Pakistan produces only seven value-added products of potatoes whereas the world produces around 200 value-added potato products⁵¹.

48 Russian potato sector faces price increase and lack of high-quality seeds <https://www.agroberichtenbuitenland.nl/actueel/nieuws/2021/04/06/russian-potato-sector-faces-price-increase-and-lack-of-high-quality-seeds>

49 Where can Russia get potatoes? Analyzing the prospects for covering the acute shortage <https://east-fruit.com/en/news/where-can-russia-get-potatoes-analyzing-the-prospects-for-covering-the-acute-shortage/>

50 Pakistan is looking for potato buyers in Russia and Uzbekistan

51 'If challenges addressed, Pakistan can increase potato exports' <https://www.dawn.com/news/1585237>



10.2.3 Rice (HS-1006):

Pakistan exported rice worth US\$ 0.05 million to Russia in 2020 even though it had the potential to export US\$ 90.9 million worth of rice during the same year. In previous years, the rice variety exported by Pakistan to Russia was "**Semi-milled or wholly milled rice...**" (HS-100630). In 2020, however, Russia did not import this rice variant from Pakistan and only imported a minimal quantity of "**Husked or brown rice**" (HS-100620). India is the lead competitor of Pakistan in the Russian market for rice having a share of 59 percent in total Russian rice imports.

In 2019, Russia banned the import of Pakistani rice following the detection of khapra beetle in one of the rice consignments shipped from Pakistan⁵². This was the first time in 20 years i.e., 2001-2020, that Russia did not import "**Semi-milled or wholly milled rice...**" (HS-100630) from Pakistan. However, on 11th of June, 2021, Russia lifted the ban on the import of rice from Pakistan.

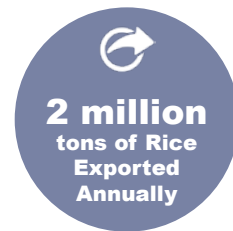


Table 40: Russia's Top Import Sourcing Countries for Rice (HS-1006)

Rank	Top Supplier for Russia	Export Value 2020 (US\$ Million)	Share in Russia's Potato Imports (%)	Tariffs Applied by Russia (%)	Ranking in World Exports
1	India	60.60	59.15	7.11	1
2	Thailand	12.69	12.38	7.11	2
3	Kazakhstan	9.66	9.42	0	37
4	Viet Nam	4.31	4.20	7.11	3
5	Myanmar	4.18	4.08	0	7
31	Pakistan	-	0.00	7.11	4

Source: ITC Trade Map; Market Access Map

Opportunities for Pakistan for Increasing Rice Exports to Russia

- Pakistan has an export potential of US\$ 90.9 million in "**Semi-milled or wholly milled rice...**" (HS-100630) to Russia. In addition, Pakistan has increased area under rice cultivation by 29 percent which has in turn increased production of rice in Pakistan by 54.0 percent in the period 2010-2020.
- Pakistan has successfully secured the Geographical Indication Tag for its basmati rice variant⁵³. Pakistan's Basmati rice is considered a high-grade premium quality rice in the international markets particularly in the Middle East and the EU⁵⁴. This opportunity can help Pakistan increase its presence in the Russian markets by shifting focus from non-basmati rice to basmati rice exports. Additionally, Pakistan can compete with India by strategically branding its basmati rice.

52 Russia allows rice import from Pakistan
<https://tribune.com.pk/story/2304696/russia-allows-rice-import-from-pakistan>

53 Pakistan Trains Sight on Russia to Boost Rice Exports to Record
<https://www.bloomberg.com/news/articles/2021-07-02/pakistan-trains-sight-on-russia-to-boost-rice-exports-to-record>

54 Rice Sector – An Overview by PARCA





Chapter 11:
Coal & Gas – Russia's
Exports & Future
Prospects in Pakistan –
Russia Bilateral Trade

Coal & Gas – Russia’s Exports & Future Prospects in Pakistan – Russia Bilateral Trade

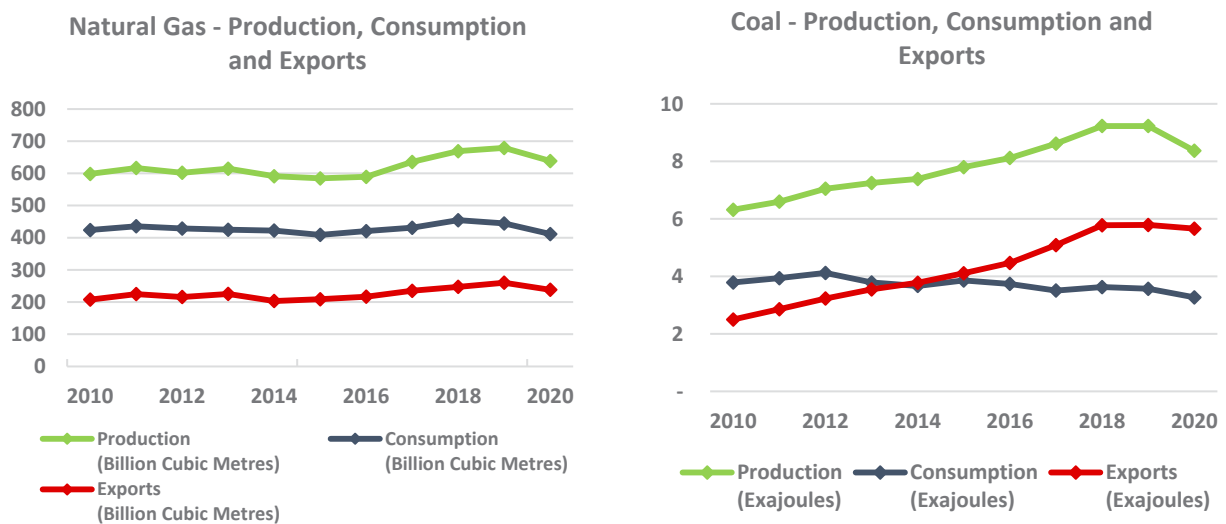
11.1 Russia’s Coal and Gas Industry – An Overview

Russia is the 2nd largest dry natural gas and 6th largest coal producer in the world. The estimated natural gas and coal reserves of Russia in 2020 amounted to 37.4 trillion cubic metres and 162.2 billion tons respectively.

Figure 32 shows two graphs; on the left: Russia’s natural gas production, consumption and exports during the period 2010-2020 and, to the right: Russia’s coal production, consumption and exports during the same period. As shown, the production, consumption and exports of natural gas remained constant with a slight increase in the year 2016 and then a decline in 2019 owing to worldwide lockdowns. However, Russian coal production and exports have followed an upward trajectory and have grown parallelly, whereas the Russian consumption of coal has been decreasing since 2010.

In 2020, Russia exported US\$ 6.7 billion worth of Liquefied Natural Gas (LNG) (HS-271111) and US\$ 12.4 billion worth of Coal (HS-2701) to the world.

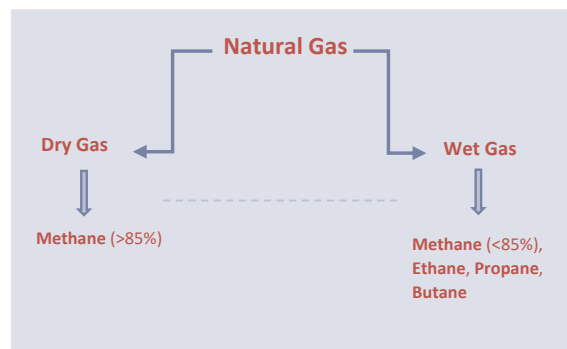
FIGURE 32: Russia’s Natural Gas & Coal – Production, Consumption and Exports



Source: BP – Statistical Review of World Energy 2021

Natural gas can either be dry or wet depending on the quantity of methane proportion in it. Dry natural gas contains 85 percent methane elements, whereas Wet natural gas has methane quantity lower than 85 percent as well as ethane, propane or butane elements.

Natural gas usually needs to be converted into liquefied natural gas (LNG) to transport it to countries where natural gas pipelines cannot reach⁵⁵. Liquefying the natural gas reduces its volume by 600 times as compared to its volume in gaseous form in natural gas pipelines.



⁵⁵ Natural Gas Explained – U.S. Energy Information Administration (EIA) <https://www.eia.gov/energyexplained/natural-gas/liquefied-natural-gas.php>

In 2020, top export destinations of Russia for coal and LNG exports included Japan, Korea, China and Belgium as shown in table 41. For coal, Pakistan had the highest CAGR of 65 percent during the period 2018-2020. However, Russia has never exported LNG to Pakistan despite being the 2nd largest LNG (HS-271111) exporter in the World in 2020 having a share of 8.5 percent in global exports.

Table 41: Top 3 Export Destinations for Russian Coal (HS-2701) and Liquefied Natural Gas (HS-271111)

Coal (HS-2701)							Liquefied Natural Gas (HS-271111)						
Rank	Import Partner	2018 (US\$ Billion)	2019 (US\$ Billion)	2020 (US\$ Billion)	Change (2019-20) (%)	CAGR (2018-20) (%)	Rank	Import Partner	2018 (US\$ Billion)	2019 (US\$ Billion)	2020 (US\$ Billion)	Change (2019-20) (%)	CAGR (2018-20) (%)
	World	17.03	15.99	12.39	-22.51	-10.07		World	5.29	7.92	6.75	27.62	8.47
1	China	1.87	2.16	1.89	-12.26	0.40	1	Japan	2.94	2.80	2.22	-24.63	-9.00
2	Korea	2.55	2.23	1.57	-29.67	-14.87	2	Belgium	0.05	0.36	0.87	1,560.22	155.11
3	Japan	1.81	1.91	1.51	-21.06	-6.04	3	Korea	0.70	0.91	0.73	4.19	1.38
30	Pakistan	0.04	0.01	0.05	793.84	8.05	-	Pakistan	-	-	0.01	100.00	-

Source: ITC Trade Map

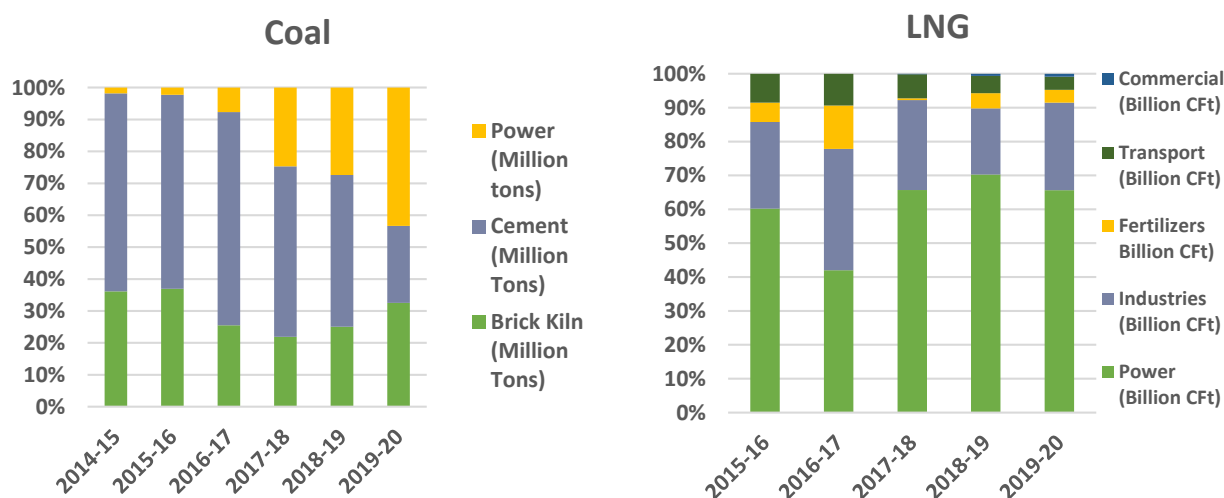
11.2 Pakistan’s Coal & Natural Gas Consumption

Coal is being utilized in the power, cement and brick kilns sectors of Pakistan for commercial energy consumption. Coal consumption has increased from 8.7 million tons in 2014-2015 to 25.2 million tons in 2019-20. Share of coal in power generation has increased from 1.7 percent of total consumed (or 0.15 million tons) in 2014-15 to 43.2 percent (or 10.9 million tons) in 2019-20.

LNG is being consumed in power, fertilizers, general industries, commercial and transport sectors in Pakistan. LNG consumption has increased from 98 billion cubic feet in 2015-16 to 318 billion cubic feet in 2020, an increase of 224.5 percent. Share of LNG in power generation has remained constant from 60.1 percent of total LNG consumed (or 59 billion cubic feet) in 2015-16 to 60.3 percent (or 192 billion cubic feet) in 2019-20. Power sector was the largest LNG consumer in the given period of 2015-2020.

Figure 33 shows sectoral consumption of coal and LNG in Pakistan for the period 2014-2020.

FIGURE 33: Pakistan’s Sectoral Consumption for Coal & LNG Utilization

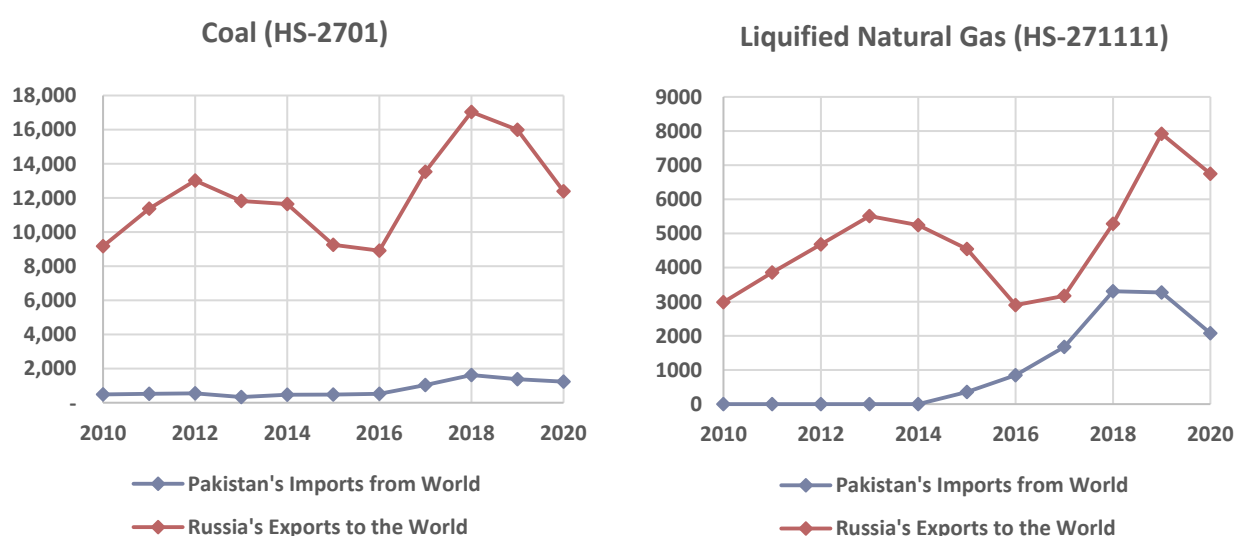


Pakistan Energy Yearbook 2020 - Ministry of Energy (Petroleum Division)

Russia's overall exports of LNG (HS-271111) to the world were US\$ 6.7 billion in 2020 whereas Russia's export of LNG to Pakistan amounted to only US\$ 0.01 billion, accounting for 0.15 percent of Russia's total LNG exports.

Figure 34 shows that Pakistan's imports of coal and LNG from the World and Russia's exports of coal and LNG to the World during the period of 2010-2020. Pakistan's LNG imports have increased at a CAGR of 34.2 percent during 2015-2020 whereas coal imports have increased at a CAGR of 17.1 percent during the same period, indicating that demand for both the items will not subside in the near future and Pakistan needs to find new markets to source its imports.

FIGURE 34: Pakistan's Imports of Coal & LNG from the World against Russia's Exports of Coal & LNG to the World



Source: ITC Trade Map

Table 42 compares Pakistan's coal and LNG imports from top 3 sources as well as the Russian Federation.

For coal, Russia was the 3rd largest import sourcing market for Pakistan. However, despite having a share of 15 percent in the global coal exports, Russia's share of coal exports to Pakistan was only 0.7 percent in 2020.

For LNG, Russia was the 14th largest import sourcing market for Pakistan, exporting only US\$ 0.01 billion worth of LNG in 2020. Russia's share in global LNG exports in 2020 was 8.5 percent whereas Russia's share of LNG exports to Pakistan was only 0.2 percent in the same year. Additionally, the average unit prices offered by Russia (US\$ 206/ton) was lower than the average unit prices offered by Qatar (US\$ 308/ton), USA (US\$ 298/ton) and Egypt (US\$ 339/ton).

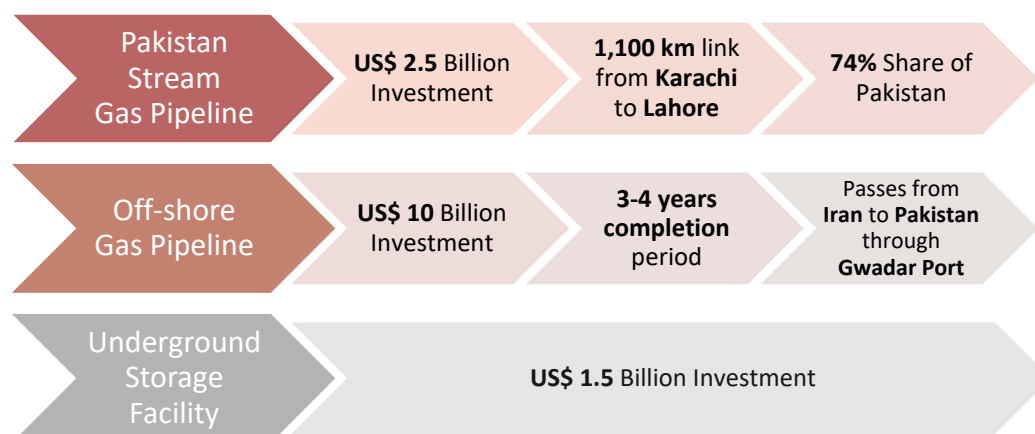
Table 42: Alternate Coal & Gas Import Sources of Pakistan

Coal						Liquified Natural Gas (LNG)					
Rank	Suppliers	Exports to Pakistan 2020 (US\$ Million)	Exports to World 2020 (US\$ Million)	Share (%)	Price Per Unit (US\$/Ton)	Rank	Suppliers	Exports to Pakistan 2020 (US\$ Million)	Exports to World 2020 (US\$ Million)	Share (%)	Price Per Unit (US\$/Ton)
1	South Africa	829.47	3,910.24	21.21	73	1	Qatar	1,340.47	20,453.27	6.55	308
2	Indonesia	224.32	14,547.62	1.54	64	2	USA	153.10	13,045.79	1.17	298
						3	Egypt	128.80	438.27	29.39	339
3	Russia	85.30	12,388.24	0.69	86	14	Russia	13.16	6,745.83	0.20	206

Source: ITC Trade Map

11.3 Russian Projects and Investment in Pakistan

A group of Russian energy companies are seeking to invest around US\$ 14 billion in Pakistan’s gas infrastructure by building two gas pipelines and an underground storage facility. This investment will be the first major Russian investment in decades since it helped establish the Oil and Gas Development company in 1960s and Pakistan Steel Mills in 1970⁵⁶.



11.3.1 Pakistan Stream Gas Pipeline (PSGP)

Pakistan Stream Gas Pipeline (PSGP), formerly known as North-South Gas Pipeline, is a flagship infrastructural mega-project of Russia in Pakistan with an estimated investment of up to US\$ 2.5 billion that is expected to be finished by 2024⁵⁷. The project seeks to build a 1,100 km long gas supply pipeline from Karachi’s Port Qasim to Lahore in Punjab that will supply 12.4 billion cubic metres of gas annually.

The agreement between both the countries for this project was reached in 2015, however, the project was delayed due to various political reasons. In November 2021, it was mutually decided by the Russian Energy Minister and Pakistan’s Economic Affairs Minister to sign a shareholder’s agreement for this project in February 2022, with Pakistan’s share being revised and upgraded to 74 percent making it the key stakeholder in the project.

After the signing of shareholder’s agreement, financial agreement, gas transportation agreement and lenders agreement⁵⁸, the construction of the project is expected to start in 2022.

Companies Involved in the Construction

Pakistan:

1. Sui Southern Gas Company
2. Sui Northern Gas Company

Russia:

1. Pipe Metallurgical Company
2. The Eurasian Pipeline Consortium
3. Center for Operational Services of the Ministry of Energy

⁵⁶ Russia warms to Pakistan after three decades of cold ties

<https://asia.nikkei.com/Politics/International-relations/Russia-warms-to-Pakistan-after-three-decades-of-cold-ties>

⁵⁷ HOW RUSSIA BENEFITS FROM THE PAKISTAN STREAM PIPELINE By Nikola Mikovic

<https://www.diplomaticourier.com/posts/how-russia-benefits-from-the-pakistan-stream-pipeline>

⁵⁸ https://www.business-standard.com/article/international/pakistan-russia-sign-pact-for-1-100-km-gas-pipeline-from-karachi-to-lahore-121071600905_1.html

11.3.2 Off-shore Gas Pipeline Project

Off-shore gas pipeline project is an inter-corporate agreement between the Russian Gazprom company and Pakistani Inter-State Gas Systems (ISGS) company. The estimated budget for this project is around US\$ 10 billion in which a 1,500 km long pipeline will be laid to transport LNG from the Middle East to Pakistan and which can be further extended to other South-Asian countries⁵⁹.

Russia holds huge gas deposits in Qatar, Bahrain and other Middle-Eastern countries⁶⁰. From these Russian concessions, Pakistan will be able to import some 0.5-1 billion cubic feet of gas per day via the sea link. Gwadar port will be used for the transportation of this gas. Additionally, this project also includes other ancillary projects such as underground gas storage, desalination and other power projects.

Key Findings:

- In 2020, Russia was the 4th largest “**Natural Gas, Liquefied**” (HS-271111) exporter in the world. Despite this fact, before 2020, Pakistan did not import LNG from Russia at all. Last year, a minimal quantity of LNG was imported for the first time, amounting to around US\$ 13.2 million.
- In the last six years (2015-2020) since Pakistan started importing LNG, Pakistan has become world’s 9th largest LNG importer. This has been largely because of the reduced indigenous natural gas production. Pakistan faces a shortfall of 4 billion cubic feet per day of natural gas due to demand-supply gap.
- The Average prices offered by Qatar (US\$ 308/ton), USA (US\$ 298), Egypt (US\$ 339) for LNG exports to Pakistan are comparatively higher than the average price offered by Russia (US\$ 206/ton).

59 Pakistan signs offshore pipeline agreement with Gazprom <https://www.reuters.com/article/pakistan-russia-gazprom-idUSL5N2022ZB>

60 Pakistan signs \$10 bn gas pipeline agreement with Russia <https://www.thenews.com.pk/print/428722-pakistan-signs-10-bn-gas-pipeline-agreement-with-russia>



**Chapter 12:
Input from the
Pakistani Embassy
in Russia**

Input from the Pakistani Embassy in Russia

The views expressed in this section are those of the Trade Wing of the Pakistan Embassy in Russia. Some minor editing has been done to the original text for brevity & clarity

Interviewee: Mr. Nasir Hamid – Minister (Trade) at Pakistan Embassy Moscow.

12.1 General Issues:

■ Increasing Freight Charges

The freight cost for containerized cargo has gone up by as much as 700 percent during the current FY2021-22. The Positive impact of incentives provided by the government for some exports during the pandemic has been offset due to increase in international freight charges for sea, rail and air routes⁶¹. It now costs about US\$8000 per container to ship a consignment to Russia. Reasons for increased freight charges include port congestion and a shortage of ships and containers⁶².

■ Increased Shipment times and Delays

For a cargo to travel from Pakistan to Russia and back, it takes about 40 days on average. Increase in the shipment times and delays can be attributed to vessel delays, overbooking, carrier space shortages, general rate increase (GRI), customs hold-ups, transshipments and vessel sharing⁶³. Moreover, Covid-19 lockdowns has also impacted trade as thousands of containers were stranded at ports for months.

Perishable items like fruits and vegetables are affected by extended transit time as they lose their value by the time, they reach their destinations. This results in losses to exporters.

■ Language Barrier

All meetings and business deals in Russia have to be in the Russian language, this creates a huge barrier for the international community. While negotiating a business deal, one has to hire an interpreter preferably a Russian native, this however, increases the cost for Pakistani exporters.

■ Customs

Russian Customs authority does not generally accept the invoice value declared on goods imported from Pakistan.

■ No Direct Flights

There is an absence of direct air links between Russia and Pakistan. There is a need to develop direct linkages between the two countries to encourage trade and investment.

■ Visa Issue

Since March 2020, Russia suspended visa services for almost all countries of the world due to pandemic. For more than two years, none of the Pakistani businessmen have been able to visit the Russian Federation

61 <https://tribune.com.pk/story/2289594/freight-rates-jump-up-to-700>

62 <https://www.dawn.com/news/1644577>

63 <https://www.cogoport.com/blogs/shipping-delays-bad-for-business-why-it-pays-to-book-and-plan-early>

for business purpose and/or exhibitions. For Pakistan, the visa services were resumed in December 2021, however, the services have not yet been practically operational.

Moreover, acquiring a Russian visa is also a cumbersome task as it takes about 2-months to obtain it. This hinders the smooth and timely travel for Pakistani businessmen which is required to build trust between trading partners. Initially, visa is granted for single entry and for a limited period of time. If a visitor makes frequent visits to Russia, then eventually after 2-3 visits, a one-year multiple business visa is granted.

SWIFT VS SPFS

In 2014, there had been a lot of unilateral sanctions imposed by the monetary department of the USA against the Russian entities. Since then, Russia has started developing its own alternate-to-SWIFT for the transfer of payments under the name of System for Transfer of Financial Messages (SPFS). Almost 40 percent of the Russian companies are registered with this system. Russia has suggested few times to the Pakistani authorities to join SPFS for smoother transactions.

	SPFS	SWIFT
Clients	About 400 users including Russian and foreign banks.	About 10k banks and a limited number of companies
Encryption	Encryption information protection facilities used in e-messaging of the payment system of the Bank of Russia	Encryption information protection facilities offered by SWIFT
Message Protection	Transmitted data is accessible to the network provider	Transmitted data is accessible to the network provider
Server location	Russia	USA, Switzerland and Netherlands
Joining Fees	Free	\$53,000 or more with mandatory cabling from specific communication operator; up to \$200,000 for each new customer
Service fee	Free	At least €10,000
Set-up time	At least 4 weeks since ABS involvement is required	At least 8 weeks for shared connection and at least 16 weeks for direct connection
Data Transfer Speed	A few seconds	A few seconds
Type of Interaction	Processing only	Processing only
Information Storage	Short-term and long-term archives store e-messages for 3 days and 5 years respectively	Customer can store information indefinitely, SWIFT stores information for 124 days whereafter the information is archived.
Speed for Developing new Modifications	Moderate. Individual modifications and integration modules are offered only to major member companies	Very low. SWIFT does not offer individual modifications or integration modules.

Source: Pakistan Embassy's Trade Wing Moscow; CyberFT <https://cyberft.com/about/comparison>

Pakistani Banks are over-cautious

Since Pakistan was 'grey listed' in June 2018 by the Financial Action Task Force (FATF), Pakistani banks have become over-cautious when dealing with payments. When Russian importers make an advance payment to Pakistani banks for their purchase, they are usually sent back after 2-3 weeks.

Letter of Credit (LC):

2014 onwards, Russian small and medium sized importers stopped opening letters of credit (LC) due to vulnerability in the Russian ruble vis a vis US dollar.

■ No TIR (International Road transport agreement)

There is no TIR agreement signed between Pakistan and Russia. Hence, if Pakistan has to use the land route to export its products to Russia, it has to be through Iranian trucks which creates a hassle for Pakistani exporters. Additionally, it also impacts the business of indigenous Pakistani truck transporters who can not avail the opportunity due to absence of the TIR agreement.

■ Trade Dispute Resolution Organization (TDRO)

TDRO was established under the Strategic Trade Policy Framework (STPF) 2012-2015⁶⁴. However, since its inception, the organization has had no real authority. Whenever a trade dispute arises between a Russian and a Pakistani company, details of the dispute are sent to the TDRO for resolution. However, the issue is rarely ever resolved. The percentage of resolution of such disputes would hardly be around 1 percent.

■ Russia is not an easy-market

When compared to North America and Europe, Russia is not an easy market as there is a lot of documentation involved along with payment issues. This has resulted in lack of interest from Pakistani exporters in the Russian market.

12.2 Sector Specific:

■ Textile Sector

Russian importers of textiles prefer to import semi-finished products rather than fully-finished ones as they get a certain incentive in taxation from the Russian government.

China and Turkey are the major competitors of Pakistan in the Russian market. After 2014 when payment issues emerged in Russia, small and medium sized importers stopped opening LCs due to vulnerability in the currency. So, as a response, Chinese and Turkish companies opened their offices/warehouses in Russia and started importing textile products in their own name and then sold them locally in Russia. These companies pay tax on profit (10%) and remit the remaining amount back to their countries. Opening of warehouses in Russia by Pakistan's competitors has pushed Pakistan out of the market.

■ Motorcycle Club Pakistan (MCP)

In 2017, one of the largest Russian companies selling heavy motorbikes visited Pakistan for an exhibition organized by TDAP and meetings were organized on the sidelines. After a series of successful meetings, the company switched its imports of motorbike accessories and gears from Italy to Pakistan and introduced a brand-named Motorcycle Club Pakistan (MCP). Russian designers visit Pakistan and hold meetings with exporters, create their own design and then sell them in Russia under the MCP brand.

■ Technical Textiles

In Russia, for the last five-years, legislations have been introduced which makes it necessary for technical people to wear a protective gear such as construction workers and road cleaners. Looking at the demand, Pakistani exporters have started providing technical textile fabric to the Russian companies. Thus, technical textile is an emerging market in Russia possessing a lot of potential.

⁶⁴ [http://tdro.gov.pk/#:~:text=Trade%20Dispute%20Resolution%20Organization%20\(TDRO,of%20trust%20of%20foreign%20buyers.](http://tdro.gov.pk/#:~:text=Trade%20Dispute%20Resolution%20Organization%20(TDRO,of%20trust%20of%20foreign%20buyers.)

Textile products in which Pakistan has a lot of potential includes technical textiles, value-added garments, leather garments and accessories, home textiles (bedsheets, towels) and hotel textiles. However, the import duties imposed by Russia on textile imports from Pakistan ranges between 2 & 18 percent which hampers trade.

■ Surgical and Pharmaceutical Sector

The registration process of medical, dental, surgical and veterinary instruments is pretty cumbersome. The certifications used for exporting surgical & pharmaceutical items to Europe and USA are not accepted in Russia.

For export of surgical instruments to Russia, mandatory state registration is required which takes about one year and costs around \$20,000. Due to this, no Pakistani surgical exporter is registered in Russia. Furthermore, in order to get these instruments registered in Russia, there has to be a company established in Russia with a local Russian person as commercial director or director general who can then initiate the process of registration in Russia.

■ Agriculture

■ Citrus

Citrus is a perishable item and its season lasts only four-months i.e., January to April. Due to increased shipping time (35 days by sea), hundreds of containers shipped from Pakistan hit the market at the same time which impacts the price of the citrus.

■ Rice

In 2019, after detection of Khapra beetle in one of the rice consignments from Pakistan, Russia imposed a ban on Pakistani rice variants. Pakistan Embassy's trade wing in Russia sent a team of Russian experts in 2020 to negotiate and resolve the issue with Pakistan's Department of Plant Protection. Upon inspection of few rice-processing plants and the provision of additional information from the provinces, Russian experts allowed 4 rice processing companies to begin exporting to Russia.

However, due to covid-19, physical inspections have been replaced with virtual inspections, the first example of which was conducted in December 2021 facilitated by the Department of Plant Protection in Pakistan.

As Pakistan was not able to export rice to Russia for more than two-years, the gap has been filled by Pakistan's competitors mainly Viet Nam. Viet Nam has an FTA with the EAEU which allows Viet Nam to export duty free rice to Russia. However, Pakistan was still able to compete in the lower variants of rice (Sella) with Viet Nam in the Russian market because of the freight costs as the freight from Viet Nam is significantly higher than that from Pakistan.

■ Potatoes

Pakistani potatoes were banned by the Russian federation in 2012. In 2017, detailed negotiations were carried out between Russia's Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhozadzor) and Pakistan's Department of Plant Protection after which the ban was lifted towards the end of 2017.

Pakistani potatoes are preferred by the local Russians over other imported potatoes available in the market. It is being sold in all wholesale markets at least RUB 10 to RUB 20 per kg more expensive as compared to other imported potatoes available in the market. Moreover, the local Russian harvest of potatoes is expected to decline in 2022 which provides Pakistan with an opportunity to export more potatoes to Russia.

■ Dairy & Meat

During the 6th IGC meeting between Russia and Pakistan held in Islamabad in 2019, negotiations were held between the Phytosanitary watchdogs of both countries for mutual opening of dairy, meat and seafood markets. In April 2020, the Russian side agreed to the proposals sent by the Pakistani trade wing relating to these sectors and has expressed a willingness to send Russian experts to inspect Pakistani dairy and meat processing units and vice versa.

■ Oil & Gas Exploration and Production Sector

Various proposals for oil and gas exploration and production have been sent by provinces of Pakistan which have been shared with the Russian energy companies such as Gazprom. There have been developments in these projects but none has matured yet. With the initiation of PSGP, the Russian consortium that will be working on the project will visit Pakistan and look into other projects also.

References

- Ali, M. (2018). Potential of the Agricultural Value Chain Improvement in Pakistan. *International Association of Agricultural Economists (IAAE)* .
- Asghar, F., Asif, M., Haseeb Aslam, M., Qamar Bahadur, R., & Mahmood, K. (2020). Does exchange rate effects the trade balances really? Evidence from Pakistan. *Journal of Administrative and Business Studies*, 54-60.
- Bozhechkova A., K. A. (2021, February). Balance of payments: results of 2020. *MONITORING OF RUSSIA'S ECONOMIC OUTLOOK NO.2(125) FEBRUARY 2021*, pp. 9-12.
- Fatima, Q., & Hussain, N. (2014). *PAK-RUSSIAN RELATIONS: HISTORICAL LEGACIES AND NEW BEGINNINGS*. University of Peshawar, Peshawar.
- KPMG Insights: Pakistan - Government and institution measures in response to COVID-19*. (2020, June 24). Retrieved from KPMG International: <https://home.kpmg/xx/en/home/insights/2020/04/pakistan-government-and-institution-measures-in-response-to-covid.html>
- Nawaz khan, M. (2019). Pakistan-Russia Relations Redux: From Estrangement to Pragmatism. *IPRI Journal*, 56-85.
- Pakistan, S. B. (2019-2020). *The State of Pakistan's Economy*. SBP.
- PIDE. (2021). *Regionally Competitive Energy Tariffs and Textile Sector's Competitiveness*. Pakistan Institute of Development Economics (PIDE).
- Smith, B. (2021). *Milken Institute*. Retrieved from Milken Institute: <https://milkeninstitute.org/reports/latin-america-global-opportunity-index/white-paper>
- Waqar Qasim, A. (2021, May 26). *PIDE*. Retrieved from PIDE Blog: <https://pide.org.pk/blog/resolve-to-revive-our-textile-sector/>



8th Floor, Dawood Centre,
M.T. Khan Road,
Karachi, Pakistan

T - +92 21 3563 0528 - 29

.....
www.pbc.org.pk