

## Economic Relations between Pakistan and Russia (2000-2022): An Analysis



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**Abstract:** *The basic aims of the study to examine the evolving economic relations between Pakistan and Russia (2000-2022): aiming to provide an insightful analysis of the bilateral dynamics. Pakistan and Russia, historically distant in their diplomatic ties, have witnessed a noteworthy transformation in their economic engagement over the years. The study places a particular focus on economic aspects, including trade patterns, investment flows, and their impact on both nations. The mutual trade increase between Pakistan and Russia from just US\$ 69.64 Million in 2001, to \$920 Million in 2022, but there is constantly increase in Pakistan trade deficit which reached to US \$772 Million in 2022. The studies also predict the future trend of Pakistan-Russia bilateral trade for the year 2030. Additionally, the study touches upon the evolution of Russia-Pakistan energy relations, emphasizing Russia's substantial contributions to Pakistan's energy sector and economic development through strategic agreements and collaborations facilitated by the Pakistan-Russia Inter-Governmental Commission (IGC).*

**Keywords:** Economic Relations; Trade; Energy Relations.

### Introduction

Pakistan's diplomatic engagement with the former Soviet Union has experienced an unrestrained trajectory since its inception. Diplomatic relations officially began on May 1, 1948. In 1949, Pakistani Premier Liaquat Ali had the opportunity to visit the Soviet Union but opted for a visit to the United States instead. It was in the early 1950s that economic connections began to take shape between Islamabad and Moscow (Khan and Amin, 2012). During Ayub Khan's era, Pakistan-Soviet Union

economic connections were characterized by an intricate mix of alliances and tensions. Initially, Ayub Khan, after taking power in 1958, leaned heavily towards the Capitalist Block led by USA. Pakistan provided support to USA, including a base for U2 spy aircraft, causing strain with the Soviet Union. The U2 incident in 1960 heightened tensions, with the Soviet Union threatening Pakistan for its involvement (Sher et.al, 2011).

Pakistan and Russia established cultural ties in 1964 through educational exchange agreements,

nurturing social and cultural bonds between the two nations. A subsequent agreement in 1965 led to cultural exchanges, including dance performances, movie screenings, and festivals (Khan, 2019). The 1965 Indo-Pakistani conflict marked a shift, with the USSR becoming a principal supplier of military resources to India, inducing Pakistan's growing suspicion of Soviet inclinations. This suspicion became stronger in the 1971 India-Pakistan conflict when Russia sided with India. Later, in 1972, Pakistan accepted a resolution regarding stronger connections with Russia (Khan and Amin, 2012). Over time, both countries worked together, and a clear example of this collaboration is establishment of a steel mill in Pakistan by Russia. In 1974, Premier Zulfikar Ali Bhutto visited Moscow, establishing a framework of mutual trust, friendship, collaboration, and technical assistance (Aslam, 2013). However, relations severely deteriorated due to the Soviet invasion of Afghanistan, cultivating deep-seated mistrust (Hanif, 2013).

Post 9/11, both nations engaged in dialogues and in 2002, established a joint working group on terrorism, in 2003 initiating discussions on strategic stability. Musharraf's visit to Moscow in 2003 marked a crucial turning point in Pakistani-Russian relations. Subsequently, agreements spanning investment, agriculture, energy, air communications, information sharing, and counter-terrorism were signed (Hanif, 2013). Over the years, efforts were made to enhance bilateral trade, culminating in the granting of Most Favored Nation status and agreements on trade and economic cooperation. In the 21st century, relations improved, with Russia expressed interest to invest in Pakistan's energy, agriculture, development, and infrastructure sectors. Trade volumes increased significantly, and talks on a free trade agreement and currency swap arrangement further showcased the intent to strengthen economic relations (Hussain and Fatima, 2015). In June 2014, Russia decided to end a ban on selling weapons to Pakistan, underscoring improved defense-related interactions. However, economic relations have not witnessed commensurate growth, despite encouraging

trends in trade. The joint trade volume, albeit having expanded from a meager \$95 million in 1980 to \$231 million in 2010-2011, still awaits substantial augmentation. In 2015, Pakistan's exports to Russia declined, portraying an intricate trajectory of economic collaboration between the two nations (Zia, 2018).

### **Historical overview of Pakistan-Russia Economic Relation**

Since its establishment, Pakistan's economic connections with the Soviet Union were low. Economic relations between the two nations began in 1950s when the Russia decided to import Leather, Jute, and Cotton from Pakistan. In 1952, famine in Pakistan, the Russia import Pakistani jute and exported 150000 tons of wheat to Pakistan (Hussain and Fatima, 2015). In 1956, the two countries signed a trade treaty, establishing payment in rupees for exports and imports, stationing a Soviet trade adviser in Karachi Pakistan, and granting each other most-favored-nation status. This led to a significant increase in trade, reaching 17.2 million rubles in just two years. In 1957, negotiations aimed at expanding commerce with other communist countries. By 1958, the total trade volume between the two nations had grown to 22.6 million rubles, with payments made in rupees. Despite occasional delegation exchanges, major trade ties remained limited (Malik, 1994,).

In spite of mutual suspicion, Pakistan-Soviet Union collaborated on industrial projects. In 1956, the USSR provided aid for the founding steel mill in Pakistan and indicated a readiness to let the Kashmir dispute be resolved based on the preferences of the people of Kashmir (Owais, 2007). This apparent softening of Soviet policies led to a trade agreement in 1956 and they granted each other Most Favored Nation status. In 1958, the USSR showed interest in helping Pakistan with various economic and technical projects, including agriculture, flood control, and oil exploration (Sher, et.al, 2011).

Regardless of the influence of Cold War politics, in 1958 both nations formed an oil consortium. The Soviet loan of 27 million rubles in 1961 played a pivotal role in founding the Oil and Gas Development Company (OGDCL) in Pakistan

(Hussain and Fatima, 2015). In April 1965, President Ayub Khan's visit to Moscow marked a significant turning point in Soviet-Pakistani relations. This visit facilitated the clearing of misconceptions and resulted in the signing of three important agreements on cultural exchanges, trade, and economic cooperation (Owais, 2007). Mr. Kosygin's commitment to stability and peace in South Asia during the 1965 Indo-Pak War resulted in the Tashkent Accord in January 1966. The signing of the Tashkent Accord marked a pivotal moment in Soviet-Pakistani relations. Following this, a new barter agreement in January 1966 further strengthened their ties through trade and mutual cooperation in various sectors (Sher et.al, 2011).

In 1972, the Pakistan National Assembly approved a resolution advocating stronger connections with the Soviet Union. During the same year, Russia provided a \$200 million loan to Pakistan for the creation of Pakistan Steel Mills (Naqvi and Masood, 2017). Some Pakistani companies disrupted this contract by charge too much for low-quality goods, leading the Russia to reject the arrangement. The unresolved loan became a source of bitterness in the relationship between the Russian Federation and Pakistan (Hussain and Fatima, 2015). In 1973, significant developments in Soviet-Pakistani relations continued, highlighting a growing partnership. The Soviet Union released Pakistan from the burden of repaying loans used in former East Pakistan and partially rescheduled other debts. Humanitarian aid was extended to flood-affected areas in Sind and Punjab provinces. Agreements were made on different matters, such as providing tractors, agricultural machinery, trade, and building a thermal power plant at Guddu. Furthermore, in 1973-1974, their relationship was bolstered by additional agreements for cultural and scientific exchanges, as well as deals in areas like education, telecasting, broadcasting, film festivals, and exchanging delegations (Rizvi, 1993).

To boost trade between Pakistan and Russia, in 1973 a seven members Russian's delegation led by the trade minister visited Islamabad. Their goal was to achieve a trade turnover of \$12.4

million for both countries in 1973 and \$14.9 million for 1974 and 1975 combined. Additionally, a press release from the Russian embassy in 1973 revealed Pakistan's plan to import 2300 tractors from the USSR. The year 1973 witnessed a substantial improvement in the economic and scientific relationship between Pakistan and the Soviet Union, as evidenced by visits from Soviet economic delegations, an increase in Pakistani students going to the USSR (Shah, 2001). In 1974, the Soviet Union exported road machinery to Pakistan, and a barter trade agreement was finalized in February of that year. Islamabad entered into a contract with a Soviet company in 1974 to acquire machinery valued at PRs. 2300 million. Additionally, a package of 160 million Rubles for the Karachi Steel Mill was agreed upon in December 1974. From 1975 to 1977, various initiatives were implemented with the aim of enhancing bilateral economic relations. The commitment to fostering economic ties was underscored by high-level visits and annual programs facilitating scientific expertise exchange. Bhutto's policies aligning with socialism and nationalization were lauded by Soviet representatives, emphasizing the collaborative approach to economic growth and cooperation between the two nations. The culmination of these efforts was the signing of a trade protocol in 1977, reflecting a continued commitment to economic collaboration valued at \$15 million (Khan and Amin, 2012).

By March 1979, Soviet media expressed worries about Pakistan's involvement in Afghanistan, causing strain in their ties. Despite the growing tensions, the Soviet Union continued to maintain routine relations with Pakistan, even sending delegations to inaugurate projects they had financially supported, including the Guddu Thermal Power Station and Karachi Steel Mills. The hostility over Afghanistan didn't harm these projects; trade between the two nations actually increased by 25%. The Soviet Ambassador Sarvar Azimov proposed nuclear power plants to Pakistan and invited discussions despite disagreements. The Soviets supported Afghanistan's Democratic Republic, while Pakistan, alongside others, supported Afghan

resistance fighters, the Mujahideen, against the Soviets in the 1980s (Khan and Amin, 2012). In July 1997, substantial efforts to boost bilateral trade, which had been limited to just US\$ 50 million, were undertaken during the visit of Foreign Minister Gohar Ayub Khan to Moscow. Pakistan attempted to address issues causing delays in the launch of Badr II<sup>1</sup> using a Russian rocket (Khan and Amin, 2012).

In April 1999, Nawaz Sharif successfully resolved the deadlock, resulting in three significant developments. Russia and Pakistan granted the status of Most Favored Nation (MFN) to each other and entered into a trade and economic cooperation agreement. This agreement emphasized their commitment to fair treatment in taxes, customs, and the transfer of payments. The signing took place between Sartaj Aziz, Pakistan's Foreign Minister, and Georgy Gabunia, the Russian Trade Minister. Subsequently the beginning of the 21st century, relations between the two countries have been on the rise. Russia showed interest in investment in Pakistan's various sectors like energy, agriculture, development, and infrastructure. It is essential for both states to capitalize on this positive momentum and further strengthen their ties (*The Express Tribune*, November 9, 2011).

### **Pakistan-Russia Economic Relations**

Pakistan-Russia experienced tense bilateral relations during the Cold War era, which concluded in 1991 with the dissolution of the USSR. Since then, both states have continuously reviewed and implemented various foreign policies to foster improved ties with each other (Nisa, 2022). Premier Nawaz Sharif went to Russia and inked various trade and business deals in 1999, kick starting new relations between the two states. President Boris Yeltsin of the Russian Federation described this visit as the beginning of a fresh era in their bilateral connections, with a specific focus on the 21st century (Hanif, 2013). The tragic incident of 9/11 re-aligned global politics including South

Asia, which resulted into a more conciliatory atmosphere between Islamabad and Moscow. Russia approved of Pakistan's choice to withdraw its support for the Taliban government following the U.S. invasion of Afghanistan. This move significantly diffused longstanding source of tension between the two nations since the Cold War, marking a pivotal shift in Russia-Pakistan relations and highlighting the evolving dynamics of this crucial regional partnership (Siddiqi, 2017).

Pakistan-Russia began enhancing their relations in the early 2000s. This started with a notable visit in April 2001, by Russian Deputy Minister for Foreign Affairs Alexander Losyukov, to Pakistan. Subsequently, President Pervez Musharraf of Pakistan visited Russia in February 2003. Over the last two decades, Russia has intensified its relationship with Pakistan (Nisa, 2022). In 2001, Pakistan and Russia collaborated on space exploration, and a Russian spacecraft was used to launch Pakistan's communications satellite, Al Badr (Ahmed, 2018). The transformation started when Pakistan ceased its provision for the Taliban government and joined the U.S.-led war in Afghanistan. This change resulted in improved relations between Russia and Pakistan, with Musharraf becoming the second President of Pakistan to visit Russia since 1970 Bhutto's visit (Chia and Haiqi, 2021).

Economic connections between Russia and Pakistan remained limited, with the trade volume amounting to only US\$100 million. President Musharraf expressed Pakistan's desire to support the export of traditional manufactured goods, agricultural products, and livestock to Russia.

Moreover, Russia showed interest in putting \$1 billion into Pakistan's oil, energy, and gas production sectors. While these intentions are there, the truth is that Pakistan aims to build solid connections with the recently independent Muslim nations in Central Asia, offering strategic support in political relationships, if not

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<sup>1</sup> Badr II was a meteorological satellite of Pakistan's Space and Upper Atmosphere Research Commission (SUPARCO).

in strong military intelligence. The two nations aim to overcome existing obstacles to enhance cooperation between Russian and Pakistani organizations, addressing several critical issues.

- Pakistan aimed to address debt restructuring for economic responsibility.
- The goal included enhancing inter-bank relationships.
- The objective was to establish Most Favored Nation status and sign agreements for the trade and investment of natural resources.
- The aim was to stimulate economic development and to reshape Russia economic integration.
- Russia aspired to develop a major global supremacy and keenly contribute in global affairs.
- Political conflicts were resolved through discussions between visitors, focusing on agreements and economic development, thereby fostering increased cooperation (Singh, 2016)

On April 13, 2007, during a meeting in Islamabad, Russia's Premier Mikhail Fradkov and Pakistan's Premier Shoukat Aziz decided to finalize an investment agreement and a dual taxation avoidance agreement. The aim was to boost economic and trade relationships between the two states. They also signed agreements to collaborate in tackling issues like psychotropic substances, drugs, narcotics smuggling and human trafficking. Additionally, three MoUs were inked to enhance collaboration in several areas, containing the upgrading of Mughal Pura Bridge, supply of sleepers and signaling systems, construction of new railway tracks, and establishing metro railways in major Pakistani cities. These contacts hold the potential for the Moscow and Islamabad to build more pleasant relationships (Khan and Amin, 2012).

In 2009 and 2011, Pakistan's President Asif Ali Zardari and Army Chief General Ashfaq Kayani, traveled to Moscow, signaling a change in the connection between Pakistan and Russia. In these visits, both countries signed numerous Memorandums of Understanding (MoUs)

focusing on investment in different areas such as agriculture, energy, aviation services, intelligence sharing, and counterterrorism. These agreements marked a turning point in the relationship, indicating a growing collaboration between Pakistan and Russia (Khan and Syed, 2021).

In 2009, Russia-Pakistan Inter-governmental Commission (IGC) on Trade, Economic, Scientific, and Technical Cooperation was formed to increase trade and tourism. Additionally, in 2009 the Business Council for Promotion of Trade with Islamabad was formed and Pakistan-Russia Business Forum (PRBF) was set up in 2011. These initiatives aimed to strengthen economic ties and promote collaboration between the two nations (Khan, 2019). In 2012, a Russian delegation signed three memorandums of understanding during their visit to Pakistan, with a focus on advancing Pakistan's steel factories railway and energy industry. General Kayani visited Russia in October 2012, and had discussions with politicians and top-ranking officials in the army of Russia, focusing on the improvement of defense ties. After General Kayani's visit, Sergei Viktorovich Lavrov Russia's Foreign Minister came to Pakistan in the same month. During his visit, he had important meetings with authorities in Islamabad and made a noteworthy statement regarding the relations between Russia and Pakistan (Sultana, 2019).

In 2012, the Russian Federation reaffirmed its commitment to fund the upgrading of Pakistan Steel Mills. During this period, mutual trade between Russia and Pakistan, which initially stood at US\$80 million, surged to US\$542 million (Hussain and Fatima, 2015). The economic ties got a more official structure in 2015 through the fourth IGC meeting. This resulted in the establishment of five Joint Working Groups (JWGs) that concentrated on energy, finance and trade, agriculture and food, industries, and banking. Furthermore, on January 15, 2018, the Central Bank of the Russian Federation and the State Bank of Pakistan inked a MoU in Moscow. This agreement aimed to enhance cooperation in developing financial systems, financial

infrastructure, payment systems, and the supervision of financial organizations. These steps reflect a growing commitment to strengthening economic collaboration between Pakistan and Russia (Khan, 2019).

### **Pakistan-Russia bilateral trade**

The fact that only 0.5% of Pakistan's overall trade involved Russia showed that the economic and business ties between the two countries were not reaching their full potential. The Chairman of Export Promotion Bureau (EPB) of Pakistan stressed at a seminar in Moscow in October 2003, focused on investment opportunities, Pakistan's economy, and Pakistan-Russia Trade Relationships (Khan and Amin, 2012). Pakistan's part in Russia's total foreign trade is quite small, but the bilateral trade is gradually growing. Russia stood at 28th in exports and 33rd place in terms of what Pakistan imports. However, there has been a positive trend in recent years, showing a gradual improvement (Sultana et.al, 2019).

### **Main Exports and Imports between Pakistan and Russia**

The main imports and exports between Pakistan and Russia vary over time due to changing economic conditions, government policies, and global trade dynamics. Following is an overview of some of the key products that were commonly imported and exported between the two countries.

Russia's imports various range of products from Pakistan. Pakistan's exports primarily consist of textiles and apparel, including cotton fabrics, yarn, and ready-made garments, reflecting Pakistan's strength in the textile industry. Additionally, Pakistan is known for its rice exports, particularly Basmati and non-Basmati varieties, which find favor in the Russian market. The export list extends to medical and surgical instruments, including items like surgical gloves, syringes, and dental equipment, indicating a contribution to Russia's healthcare sector. Leather and leather products, such as shoes, handbags, and belts, are also part of Pakistan's export portfolio to Russia. Furthermore, agricultural products, such as fruits and vegetables, are included, underlining

the diverse trade relations between the two nations.

The decline in global demand since 2013 has affected Pakistani exports, leading to a downward trend in exports to Russia, decreasing by 6 percent annually. However, there has been an improvement in Pakistan's ranking as an exporter to Russia in 2017, with a notable 30% increase compared to the previous year. In 2017, goods valued at US\$280 million were exported, allowing Pakistan to gain a 0.12% share in the Russian market (Nisa, 2022).

Pakistan's imports from Russia cover a range of essential categories. Notably, energy resources, such as petroleum products, natural gas, and coal, play a decisive role in meeting Pakistan's energy needs. Machinery and equipment, including industrial and construction machinery, are significant imports, contributing to infrastructure development and industrial sectors. The import of various chemicals and chemical products from Russia supports diverse industrial applications. Iron and steel products, including iron and steel bars, further contribute to construction and manufacturing in Pakistan. Additionally, pharmaceutical products and medicines are part of the imports, aiding Pakistan's healthcare sector.

Pakistan mainly buys items from Russia such as Edible vegetables, Paperboard and Paper, steel and Iron, Inorganic Chemicals, and Machinery at the HS 02 Level. At a more detailed HS 06 level, specific imports like Peas dried, shelled, Newsprint, in rolls or sheets, whether or not skinned or split, Chickpeas, rods and Bars, and iron/nes, forged, etc., nes together make up half of Pakistan's imports from Russia. The revival of commodity prices, especially in oil and natural gas, resulted in a 26% increase in Russia's global exports. In contrast, Pakistan experienced a significant 96% growth in its imports from Russia from 2016 to 2017. The post-Cold War era has witnessed various factors contributing to the strengthening of Pakistan's political and economic ties with Russia. Notably, in 2017, Russia's exports to Pakistan reached a value of US\$261 million, marking the highest recorded value since 2008 (Nisa, 2022).

On April 19, 2001, Alexander Losyukov, Deputy Minister of Russia for Foreign Affairs, visited Islamabad and expressed agreement to enhance economic assistance for regional prosperity and peace. Trade between the two countries has shown fluctuations, ranging from US\$63 million in 1998, US\$93.34 million in 1999, US\$69.64 million in 2000, to US\$83.45 million in 2001 (Khan and Amin, 2012). In 2002, Russia-Pakistan trade volume was a mere US\$100 million dollars. Musharraf stressed Pakistan's interest in boosting exports of traditional manufactures and farm products to Russia. Simultaneously, Pakistan sought investments from Russia in its oil, energy, and gas production sectors (Ahsan, 2004). In 2003, the trade between the two countries added up to US\$154.53 million. During 1994-95 and 2003-04, the mutual trade exceeded US\$150 million, reaching US\$154.75 million and US\$154.53 million, respectively. The surge in trade during 1994-95 was attributed to Russia selling raw cotton and iron and steel manufactures to Pakistan. In the trade valued at US\$154.53 million in 2003-04, Pakistan exported various items, including sports goods, cotton fabrics, toys, articles of textile materials, medical and surgical instruments, and other commodities, totaling US\$20.5 million (Khan and Amin, 2012). In 2004, the bilateral trade volume reached to \$320 million (Rekha, 2016). In 2005, the total trade between Pakistan and Russia was \$386.9 Million, Exports from Pakistan to Russia was \$63.9M, and import from Russia to Pakistan was \$323M (The Observatory of Economic Complexity, 2005). In 2006, bilateral trade was \$411.4 Million (Anwar, n.d). The total trade volume was \$404 in 2007, the exports from Pakistan to Russia \$119M and imports from Russia \$285M (The Observatory of Economic Complexity, 2007). In 2008, bilateral trade reached to US\$ 630 Million. In 2009, bilateral trade was \$400 Million (Anwar, n.d). In 2010, trade between Russia and Pakistan was \$402; Pakistan Exports to Russia was \$252M and imports from Russia \$150M (The Observatory of Economic Complexity, 2010).

**Table no: 1**

**Pak-Russia Bilateral trade (2000-2010)**

Year	Pak-Russia Bilateral trade between
2000	US\$ 69.64 Million
2001	US\$ 83.45 Million
2002	US\$ 100 Million
2003	US\$ 154.53 Million
2004	US\$ 320 Million
2005	US\$ 386.9 Million
2006	US\$ 411.4 Million
2007	US\$ 404 Million
2008	US\$ 630 Million
2009	US\$ 400 Million
2010	US\$ 404 Million

**Source: Author own computation**

In 2010, Following the floods in Pakistan, the Russian Federation, as a gesture of goodwill, reduced customs duties by up to 35% on Pakistani goods. Efforts to boost trade include the establishment of two Pakistan's trading houses in Saint Petersburg and one in the capital of Russia to exhibit Pakistan's products. The Pakistan-Russia Business Forum (PRBF), formed in 2009, concentrates on advancing tourism and trade. Another significant entity, the "Business Council for Promotion of Trade with Pakistan," has been active since its inception in 2011. Moreover, a governmental commission has been formed to enhance economic cooperation between Pakistan-Russia (Anwar, n.d). During the inauguration of the Pakistan-Russia Business Forum in December 2010 at Karachi, the Russian Ambassador Andrey Bandnik, conveyed the Russian Government's interest in strengthening economic bonds with Pakistan, with a specific focus on boosting mutual trade and facilitating technology exchange. He pointed out that Pakistan's

imports from Russian including wheat, fertilizers, rubber and paper goods, was totaled US\$346 million. Bandnik also underscored the potential support for Pakistan of Russia's technology in sectors such as oil exploration, power plants, railways and the steel industry. Tariq Rafi a member of the Forum, observed that Russia imports from Pakistan amounted to US\$600 million, a figure he deemed low and insignificant considering the potential (Khan and Amin, 2012).

In 2011, discussions took place between both countries regarding a future Free Trade Agreement and a currency swap arrangement. The aim was to enhance mutual trade and advance their economic relations (Hanif 2013). In 2011, Pakistan sold goods worth of US\$ 206.98 million in exports and, Pakistan's imports from Russia were US\$ 87.84 million. Looking ahead to trade relations, potential sectors for economic collaboration between the two countries include textiles, oil and gas exploration, and pipeline development (Rekha, 2016). During 2010-11, Pakistan emerged as the main exporter of potatoes to the Russia, shipping a total of 125,000 tons (Anwar, n.d). Apart from potatoes, Pakistan also ships sizable quantities of vegetables, leather goods, textiles, oranges and several other fruits to Russia. Key obstacles to establishing strong trade relations involve bureaucratic hurdles, unprofessional attitudes, and the supply of subpar products (Sultana, et.al, 2019). In 2012, Pakistan's exports to the Russian Federation amounted to US\$210 million, making up only 0.04 percent of the total volume of Russian trade. Likewise, Pakistan's imports from the Russia were US\$332 million in 2012, representing just 0.07% of the total Russian trade volume (Anwar, n.d).

The bilateral trade between the two countries remains modest, amounting to \$419.34 million in 2013-14, compared to \$484.47 million in the previous year. This indicates a decrease of \$65.13 million, marking a decline of 13.45% (Akram, 2016). During the fiscal year 2014-15, Pak-Russia trade volume amounted to only \$390 million, which falls short of the actual potential. The mutual trade between Russia and Pakistan paints a concerning picture for Pakistan as the

trade gap is expected to widen from 2015 to 2020. In 2015, the trade deficit was recorded at US\$9.3 million (Sangi, 2021). In 2015, the bilateral trade of Pakistan-Russia was US\$381.00 million, a decrease from US\$454.00 million in 2014. The majority of this trade comprised Russia's imports from Pakistan, amounting to US\$285 million. Russia exported products such as Paperboard and Paper, Edible vegetables, steel and Iron, Inorganic Chemicals, and Machinery to Pakistan, valued at US\$95.7 million. The estimated total potential trade between Pakistan and Russia, based on the trade patterns of 2014, was US\$71.8 billion (including petroleum products). Notably, Russian trade surplus from 2014 to 2015 decreased by US\$55 billion (The Pakistan Business Council, n.d). In 2016, the trade volume of Pakistan-Russia reached to US\$402.78 million. In January 2018, the Central Bank of the Russia and the State Bank of Pakistan signed a MoU on mutual banking cooperation. Subsequently, mutual trade rose from \$442 million (US\$594 million) in 2017 to US\$532 million (US\$715 million) in 2018. Russia's Minister Denis Manturov, for Industry and Trade, led a 64 member commercial delegation on a four-day official visit to Pakistan, aiming to discover various areas of economic collaboration and investment with Pakistan's counterparts. By 2020, the mutual trade volume achieved a record high of US\$790 million (US\$1 billion), indicating a significant increase of more than 45% from 2019 (Chia and Haiqi, 2021).

In 2019, an export from Pakistan to Russia was US\$ 321million and imports from Russia were US\$ 178 million (The Observatory of Economic Complexity, 2019). In 2020, Russia imports from Pakistan amounted to US\$279 million, while its imports from Russia reached US\$699 million (The Observatory of Economic Complexity, 2020). In 2021, Pakistan sold goods worth US\$ 323 million to Russia. The primary items exported by Pakistan to Russia included Citrus (US\$ 47.4 million), Leather Apparel (US\$ 30.2 million), and Non-Knit Women's Suits (US\$ 29.4 million). Over the past 25 years, Russia imports from have consistently increased at a rate of



13.7% annually, starting from US\$ 13.1 million in 1996 and reaching US\$ 323 million in 2021. On the flip side, Russia exported products worth US\$ 498 million to Pakistan in 2021. The important products from Russia to Pakistan were Wheat (US\$ 185 million), Dried Legumes (US\$ 111 million), and Hot-Rolled Iron (US\$ 44.8 million). Pakistan imports from Russia have seen an annual growth of 8.32% over the last 25 years, increasing from US\$ 67.6 million in 1996 to US\$ 498 million in 2021 (The Observatory of Economic Complexity, 2021).

In the fiscal year 2022-2023, Pakistan-Russia

overall trade attained US\$920 million. Russia's imports from Pakistan were valued US\$74 million, whereas Russia's exports to Pakistan accounted for US\$846 million. The exported goods from Pakistan to Russia encompassed a variety of items, including ready-made garments, cotton fabrics, woven fabrics, leather garments, citrus fruits, potatoes, home textiles, and medical and surgical devices. Significant Pakistan imports from Russia included bituminous coal, wheat, vegetables, dried legumes, and like solid fuels derived from coal (Bonesh, 2023).

**Table No. 2**

**Pakistan-Russia Bilateral Trade (2011-2022)**

Year	Russia Import from Pakistan in US\$ Million	Russia Export to Pakistan US\$ Million	Total trade
2011	206.98	87.84	294.82
2012	210.00	332.00	542.00
2013	187.04	235.08	422.11
2014	183.84	206.45	390.29
2015	298.18	96.03	394.21
2016	144.77	258.01	402.78
2017	131.09	311.36	442.45
2018	158.07	376.47	534.54
2019	321	178	499
2020	279	699	978
2021	323	498	821
2022	74	846	920

**Source: Author own computation**

The trade between the two states has seen a consistent rise, increasing from US\$95 million in 1980 to US\$660 million in 2018. The Russian Trade Representative, Yury Kozlov, foresees a further growth in trade between the two nations, expecting it to reach around US\$750-800 million by the end of 2019. The mutual trade reached to US\$920 Million in 2022. In efforts to improve economic ties, Russia and Pakistan are considering the prospect of adoption a Free Trade Agreement (FTA). The task of preparing recommendations for this agreement has been assigned to Ministry of Finance, Revenue, and

Economic Affairs of Pakistan, along with other related ministries, following Islamabad's acceptance of Moscow's proposal during Premier Nawaz Sharif's visit to Astana on June 7, 2017, in the 17th meeting of the Heads of the State Council of the Shanghai Cooperation Organization (Khan, 2019).

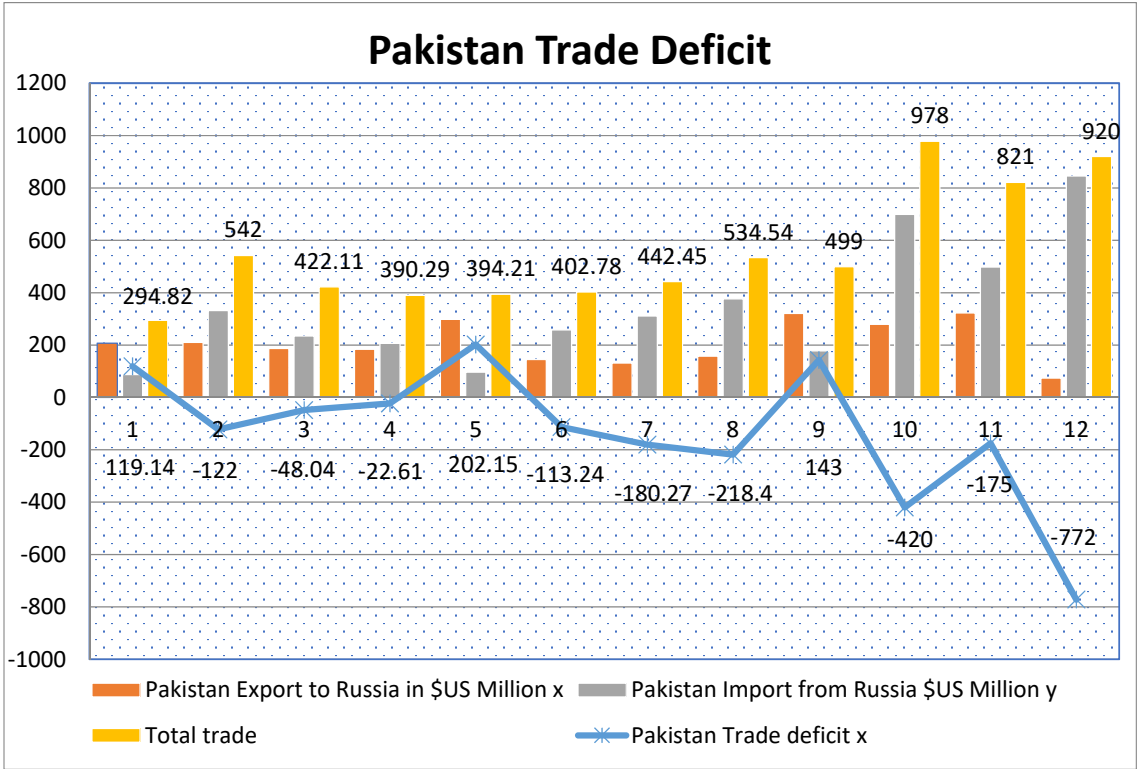
#### **Trade deficit**

The trade dynamics between Pakistan and Russia over the past twelve years showed that Pakistan was in trade deficit. The years 2011, 2015 and 2019 show Pakistan have surplus

trade. In 2012, Pakistan's trade deficit amounted to US\$122 million. The trade deficit peaked in 2022, Russia exporting goods valued at US\$846 million to Pakistan and importing commodities amounting to US\$74 million in the same year. The Federal Customs Service of Russia reported

a positive trend that persisted from 2017 into 2018. In the first quarter of 2018, bilateral trade between Pakistan and Russia witnessed a substantial increase of 110.06% associated to the same quarter of the previous year. (Nisa, 2022).

**Table no. 2 Pakistan trade deficit**



**Prediction of Pakistan-Russia Trade**

The number of years (2001 ,2002, 2003, etc.) are inconvenient for calculation purpose. Therefore, they are replaced by a simple number (say X= 0,1,2 etc.) the year which the number 0 is

arbitrary assigned is known as the year of origin. Here n= 23, so we take the middle year as the year of origin, that is 2011. So on the base of current data we predict the future trend for the coming year 2030 or X=20.

**The Table and Calculations are below:**

Years	X	Y (bilateral trade)	XY	X2	Trend
2000	-11	69.64	-766.04	121	-79.97
2001	-10	83.45	-834.5	100	-33.13
2002	-9	100	-900	81	13.68
2003	-8	154.53	-1236.24	64	60.49
2004	-7	320	-2240	49	107.3
2005	-6	386.9	-2321.4	36	145.11
2006	-5	411.4	-2057	35	200.92

2007	-4	404	-1616	16	247.73
2008	-3	630	-1890	9	294.54
2009	-2	400	-800	4	341.35
2010	-1	404	-404	1	388.16
2011	0	294.21	0	0	434.97
2012	1	542	542	1	481.78
2013	2	422.11	844.22	4	528.59
2014	3	390.29	1170.87	9	575.4
2015	4	394.21	1576.84	16	622.21
2016	5	402.78	2013.9	25	669.02
2017	6	442.45	2654.7	36	715.83
2018	7	534.54	3741.78	49	762.64
2019	8	499	3992	64	809.45
2020	9	978	8802	82	856.26
2021	10	821	8210	100	903.07
2022	11	920	10120	121	949.88
TOTAL	0	10004.51	28603.63	611	

**Source: Author own computation**

The necessary computation is done in the above table.

$$n=23 \quad \Sigma Y = 10004.51 \quad \Sigma X^2 = 611 \quad \Sigma XY = 28603.63 \quad \Sigma X = 0$$

$$\text{Normal Equations are} \quad \Sigma Y = na + b\Sigma X \dots\dots\dots(I)$$

$$\Sigma XY = a\Sigma X + b\Sigma X^2 \dots\dots\dots(II)$$

Substituting the values we get

$$10004.51 = 23a + b0 \Rightarrow a = 434.97 \dots\dots\dots(I)$$

$$28603.63 = a0 + 611b \Rightarrow b = 46.81 \dots\dots\dots(II)$$

$$\hat{Y} = a + bX$$

$$\hat{Y} = 434.97 + 46.81X$$

Now put the value  $X = -11, -10, -9, \dots, 9, 10, 11$ , to find the trend from 2000 to 2023.

$$\hat{Y} = 434.97 + 46.81(-11) \quad \hat{Y} = -79.97$$

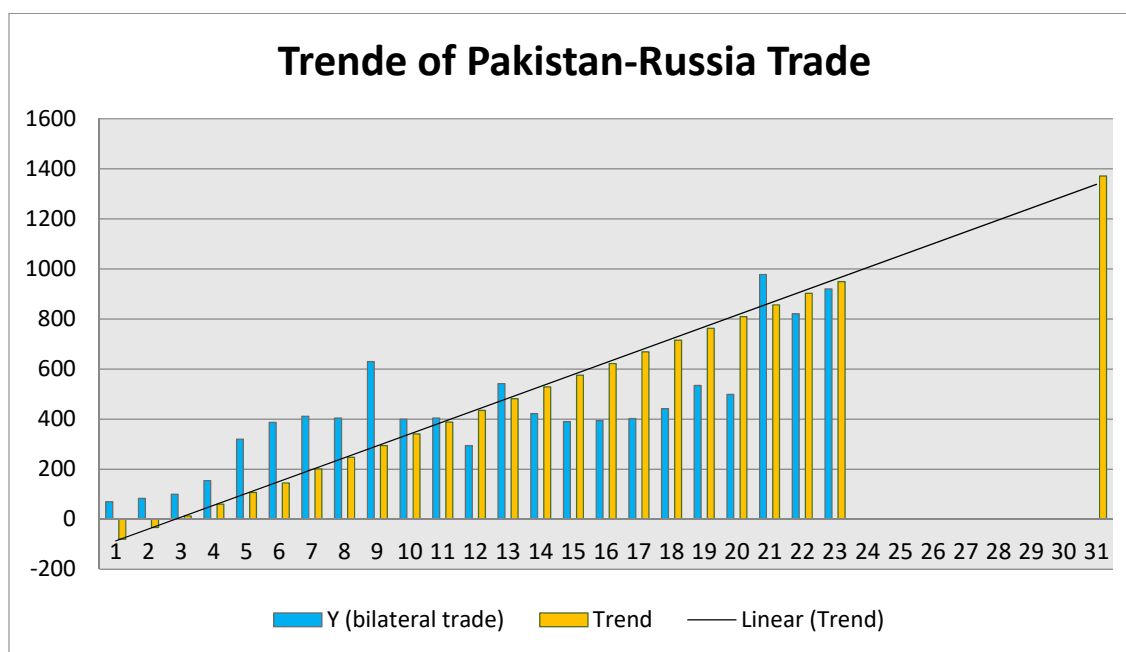
$$\hat{Y} = 434.97 + 46.81(-10) \quad \hat{Y} = -33.13$$

Similarly for other value

Now I am interested to find the future trend of Pak-China bilateral trade in 2030. Now to put  $X=20$  for the year 2030

$$\hat{Y} = 434.97 + 46.81(20) \quad \hat{Y} = 1371.17$$

In 2030 the Pakistan-Russia bilateral trade trend would be approximately US \$1371.17 million.



Pakistan and Russia have maintained somewhat limited economic relations since the inception of their diplomatic ties. Their trade relations have historically been characterized as somewhat subdued, resembling the interactions of a merchant and a customer. The trade between Pakistan and Russia is still limited it was just like the trade of a wealthy merchant. For instance, Pakistan-Russia mutual trade volume stood at a modest \$294.82 million in 2011, a figure that had risen to \$920 million by 2022. Nevertheless, these figures remain considerably below the full potential of economic cooperation between the two nations. The future trend of Pakistan-Russia bilateral trade would be approximately US \$1371.17 million in 2030.

#### Russia-Pakistan Energy Relations

Pakistan and Russia revived their diplomatic relations, and an agreement was inked Russia agreed to assist \$2 billion in the establishment of the 1100 kilometer Iran-Pakistan-India (IPI) pipeline in the region of Pakistan. The purpose of this pipeline is to convey liquefied natural gas (LNG) from Karachi, a port city in the south, to Lahore. These efforts to bolster a substantial economic connection have been ongoing since September 2001 (Singh, 2016). In February 2003, President Musharraf of Pakistan indicated a desire to engage Russians in proposing the

potential denationalization of the Pakistan State Gas and Oil Corporation. To enhance their economic relationships, Pakistan-Russia pinpointed various promising sectors, including metallurgy, telecommunications, and several infrastructure projects (Singh, 2016).

Both countries evaluated opportunities in gas and oil exploration, on each other's territory cross-border pipelines, gas storing for future usage, the initiation of Liquefied Natural Gas (LNG) developments, and the improvement of oil fields in Pakistan. In November 2007, a MoU pertaining to the oil field was inked during the visit of Pakistan's Minister of Petroleum to the Russian Federation. Moscow show interest on investing in the energy sector of Pakistan through international gas pipelines, electricity imports to Pakistan, and participation in the government's denationalization program. Gazprom has also indicated interest in the creation of the IPI gas pipeline (Singh, 2016).

Russia is actively participating in significant energy initiatives in Pakistan. On December 23, 2014, both nations entered into a significant agreement amounting to \$1.7 billion in the energy sector was formalized between Pakistan and Russia, with a specific emphasis on the development of a pipeline of Liquefied Natural Gas (LNG) stretching from Karachi to Lahore

(Khan, 2019). In a significant development, an energy agreement was signed between Islamabad and Moscow during the visit of the Russian Defense Minister, marking the first such pact after their defense deal. Additionally Islamabad and Moscow signed a defense and military assistance agreement (Bhutta, 2014). The relationship between the two nations has been on the mend, although not progressing rapidly. In October 2015, a MoU was executed for the advancement of the Pakistan Stream Gas Pipeline, formerly recognized as PakSteam or North-South gas pipeline. This pipeline is designed to connect Liquefied Natural Gas (LNG) terminals with an annual capacity of 12.4 billion cubic meters stretch from Karachi to Lahore. Russia entrusted the supervision of the project to its state-owned entity RT Global Resources, a subsidiary of the Rostec Corporation (Sultana, et.al, 2019).

On 16 October 2015, Shahid Khaqan Abbasi concluded a MoU for the development of an LNG corridor. Moscow committed to providing 26% of the financing, while Islamabad was responsible for the remaining 74%, amounting to estimated investments of \$1.5 billion according to Russia and \$3.5 billion according to Pakistan (Reuters, 2022). Russia plans to invest US\$2 billion in this project. Although the first phase, anticipated completed by December 2017, faced delays due to disagreements over tariffs. Spearheaded by the Russian Oil and Gas Consortium, the bilateral project involves the creation of LNG terminals and a 683-mile pipeline spanning from Karachi to Lahore. Inter-Rao and Himmash Apparatus are actively involved in this endeavor (Ministry of foreign affair government of Pakistan, n.d). This marks the initial energy contract between the two nations in three decades, underscoring Pakistan's policy shift to attract investments aimed at addressing its energy challenges (Bhutta and Manan, 2015). The funding for the Liquefied Natural Gas pipeline is a precursor to Russia's proposal to sell Liquefied Natural Gas to Pakistan. Russia, being the world's second largest natural gas producer, aims to broaden its export destinations following a disagreement with the EU over Ukraine last year, a major buyer of its gas. According to the

agreement, Pakistan is to contribute 15% equity, while the Russian firm would provide 85% of the funding. Discussions between both sides encompassed the current status of bilateral energy collaboration, the potential for increased Russia's assistance in Pakistan's Oil and Gas sector, and considerations on the Karachi-Lahore Gas Pipeline (Bhutta and Manan, 2015).

Russia has offered support to the Oil and Gas Development Company, which still utilizes outdated Russian technology for gas and oil exploration. Moreover, Russia has extended assistance for the construction of LNG terminals and the North-South Gas Pipeline from Gwadar to Nawabshah. Ongoing negotiations involve Moscow to convert the Muzaffargarh power project into a coal-fired power station. Additionally, Russia has the potential to contribute to gas refinement plants, the upgrading of oil and gas infrastructure, and the construction of several power generating plants in Pakistan, particularly those of Russian origin, such as the Tarbela 4th and 5th extension Hydro Power Project and the advancement of the Jamshoro Power Plant. (IPRI [February 4, 2016](#)).

In late 2019, the Pakistan Stream Gas Pipeline was planned to stretch 1122 km with a diameter of 42 inches, connecting Karachi to Kasur in Punjab. This pipeline was designed to transport 12.4 billion cubic meters of LNG. During the initial 25 years after its construction, Russia was set to manage and control the pipeline. The expenses associated with gas delivery would enable the company to recover reserves, recoup investments, and generate revenue. Following this period, control of the pipeline was intended to revert to Pakistan, which would then manage and operate it.

On January 28, 2018, a delegation from the Russia's Oil and Gas sector visited Pakistan with the aim of investing in the energy sector in Khyber Pakhtunkhwa. The Russian delegation and KPOGCL (Khyber Pakhtunkhwa Oil and Gas Company) finalized an agreement to establish an oil refinery plant in Kohat with a capacity to refine 20,000 barrels of oil per day (Khan, 2019).

In November 2002, a MoU was signed between the Pakistan's Ministry of Petroleum and Natural

Resources and Russian company Gazprom. Gazprom indicated interest in engaging in the \$4 billion project. The involvement of Russian oil and gas corporations could have been advantageous. The commercially viable Trans-Afghan Pipeline project, commonly known as TAPI, could have offered benefits for both the Russian gas trader and the oil company Rosneft (Khan and Amin, 2012).

In October 2005, the Ministries of Petroleum and Natural Resources of the two nations initiated discussions on the energy sector. The treaty fostered mutual trust and cooperation across various aspects, encompassing the establishment and safety of gas pipelines, maintenance of underground storing amenities, exploration of natural gas sectors, and the substitution of diesel fuel with compressed natural gas for motor engines and rail transport in 2006. A delegation of five members, led by the Vice-President from the Russian Oil and Gas group, explored significant opportunities for utilization in both countries (Singh, 2016).

Aleksei Miller's visit to Islamabad in October 2005 marked a significant turning point in the diplomatic and economic relationships between the two countries. The signing of Memorandums of Understanding (MoUs) during this visit, aimed at enhancing cooperation in the oil and gas sector, research initiatives, and more, demonstrated the commitment of both the nations to strengthening their ties. The subsequent engagement of a Russian consortium in April 2006 further solidified their mutual interest in vital projects like the IPI and TAPI pipelines, and Russia's commitment to providing essential resources and expertise for Pakistan's energy infrastructure development. Additionally, Viktor Rashnikov's willingness to invest \$ 2 billion in upgrading the Pakistan Steel Mills underscored the growing economic collaboration between the two countries, emphasizing the potential for increased collaboration in the years to come (Hussain, et.al, 2021).

Russia has indicated its readiness to make investments in Pakistan, particularly in the Trans-Afghanistan-Pakistan-India Pipeline (TAPI) gas project. The TAPI gas pipeline, covering a distance of 1,640 km and estimated at a cost of

\$7.5 billion, has encountered delays due to ongoing disputes involving the U.S., Russia, and other participating nations. Upon becoming operational, TAPI is anticipated to transport 3.2 billion cubic feet of natural gas per day from Turkmenistan to Pakistan (Abrar, 2019).

In 2017, Gazprom and Pakistan Oil and Gas Development Company Limited (OGDCL) entered a cooperation agreement. This agreement outlined collaborative efforts between Pakistan and Russia in developing hydrocarbon projects in Pakistan and other nations, exploring the potential supply of gas to Pakistan and beyond. Following this, in 2018, Gazprom and Pakistan signed a \$10 billion deal to conduct a feasibility study for an offshore pipeline from Iran to Pakistan. Moving into 2019, Russia committed to investing \$14 billion in the North-South Pipeline Project, which includes an offshore gas pipeline and underground gas storage facilities in Pakistan. Currently, there is consideration of establishing a sea link between the offshore pipeline and the Pakistan Stream gas pipeline, with a planned connection to the Turkmenistan–Afghanistan–Pakistan–India Pipeline (TAPI) (Kuczynski, 2022).

Often recognized as an 'energy superpower,' Russia holds the position of the world's leading natural gas exporter and the second-largest oil exporter globally. Traditionally, it has been a major supplier of natural gas and petroleum to the European Union (EU). However, with the EU's shift towards de-carbonization and renewable energy as part of the European Green Deal, Russia is seeking alternative markets for its energy products. There is a growing concern within the EU about overreliance on Russian energy supplies, especially following disruptions caused by Russia cutting gas supply to Ukraine in 2006, 2009, and 2014 due to pricing and political disagreements, impacting several EU nations dependent on the same supply routes (Chia and Haiqi, 2021).

Russia has shown significant interest in supporting the expansion of the Pakistani industry. During a visit to Islamabad in 2012/13 by a high-powered delegation, both countries signed Memorandums of Understanding to invest in various Pakistani projects. These projects

involve funding and technical expertise for the development of trans-regional rail links connecting Iran and other Central Asian countries, including the implementation of the CASA-1000 project. The CASA-1000 project aims to facilitate the supply of electricity from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan. Furthermore, Russia has expressed a keen interest in providing technical and financial assistance to Pakistan for the Thar Coal Project (Khan, 2014).

Pakistan is currently facing a gas shortage, positioning itself as a significant consumer of energy. Reports indicate a current deficit of 1.5 billion cubic feet per day, expected to double by 2025. Authorities project a decline in domestic gas supply from 3.51 billion cubic feet per day in 2019 to 1.67 billion cubic feet per day in 2028, necessitating increased LNG imports to meet demand. To tackle this issue, Pakistan began importing LNG in 2015 to manage consumption growth and reduce oil imports. In just six years, Islamabad has become the world's ninth-largest LNG importer. While Qatar remains the primary gas supplier, Pakistan is actively seeking additional energy partners. This effort is part of a broader Russian investment package of US\$14 billion pledged to Pakistan's energy sector in 2019 (Javed, n.d).

As the world's leading producer of oil and gas, Russia holds a prominent position. Pakistan is actively pursuing Russian investment in its energy sector to address domestic energy requirements. The involvement of Russian industry giants such as Rosneft and Gazprom is seen as crucial for the development of Pakistan's oil and gas capabilities. Additionally, Russia has extended an offer to export 5000 MW of electricity to Pakistan, leveraging the Kyrgyzstan-Afghanistan route to meet the country's energy demands (Ahmad, 2018).

To address the pressing need for increased electricity in Pakistan, substantial efforts are being made in collaboration with China through the China-Pakistan Economic Corridor (CPEC). However, these are long-term initiatives, and there is a need for immediate solutions. Another significant step is being taken in partnership with Tajikistan and Kyrgyzstan through the CASA-

1000 project (Central Asia-South Asia power project), involving a substantial \$1.6 billion investment. This project aims to deliver 1,300 megawatts of electricity to Pakistan from Central Asian hydropower plants and was initiated on May 12, 2016, in Tajikistan. Russia's involvement in this project could enhance the supply, leading to a substantial improvement in Pakistan's energy balance (Głogowski, 2016). The Gwadar Port is of immense economic importance and carries a unique significance for Moscow. There are anticipations that Gazprom, a major Russian energy company, will become part of the broader energy network in Asia. Proposals for establishing a north-south energy corridor, connecting Russia and the Central Asian Republics (CARs) to Gwadar, have been discussed. This prospect is appealing to Pakistan, as it would create vital connections with China, Russia, and Central Asia. Additionally, it fulfills Russia's longstanding goal of securing access to sea transit routes for trade. Russia is also showing interest in projects like the Central Asia-South Asia (CASA) power project and the Thar Coalfield Project, aiming to enhance electricity trade between the two regions (Abrar, 2019).

In 2012, both countries entered into a memorandum of understanding for energy collaboration. The Russian delegation, led by State Secretary and Deputy Energy Minister YP Sentyurin, expressed a keen interest in investing \$500 million in the Central Asia-South Asia 1,000-megawatt (CASA-1,000) power import project. This initiative aimed to transport electricity from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan. During a meeting with Federal Minister of Water and Power, Ahmad Mukhtar, the delegation also offered support for the modernization and rehabilitation of Muzaffargarh and Guddu thermal power plants, suggesting their conversion to run on more economical fuels, such as coal. Ahmad Mukhtar, in welcoming the delegation, urged Russian assistance in modernizing hydroelectric plants, participating in the construction of a 500-kilovolt transmission line for importing 1,000 megawatts of electricity from Iran, and engaging in various projects like the Tarbela 4th Extension, coal, renewable energy, and transmission lines (The



Express Tribune, June 29, 2012).

Pakistan should capitalize on Russian investment proposals in its energy sector, including the conversion of the Muzaffargarh power house to a coal-fired station, activities at the Jamshoro Thermal Power plant, advancement of the Thar Coal project, and collaboration in oil exploration. Concrete steps should be taken to facilitate the implementation of these initiatives (Yarns and Fibers, n.d). The Chairman of the Board of Investment (BOI) highlighted that Techno Prom Export (TPE) stands as one of Russia's largest companies, specializing in establishing electric power stations. Previous projects undertaken by TPE in Pakistan include the installation of units 1, 2, and 3 at the 660MW-Muzaffargarh plant between 1993-95 and the establishment of the 220MW-Guddu plant in 1981 with financial support from the Soviet Union. Expressing interest in further projects in Pakistan, TPE is willing to provide assistance in securing loans and financing for various initiatives. During a visit in June 2010, TPE was approached for support in the rehabilitation of three Russian-made units at the Muzaffargarh plant by officials from the Water and Power Development Authority and Pakistan Electric Power Company (The Express Tribune, August 2, 2013). Moscow has expressed its willingness to assist Pakistan in building a railway track from Quetta to Taftan (Abrar, 2019).

Russian investors have proposed comprehensive technical and financial solutions for the Jamshoro and Muzaffargarh power plants, demonstrating interest in investing in the Gaddani Power Park as well. Additionally, Russia, involved in the construction of hydro-power plants in Kyrgyzstan and Tajikistan, is exploring opportunities to export cost-effective electricity to new markets (Dawn, September 20, 2013). Russia has proposed significant investment in Pakistan's energy sector, demonstrating a willingness to export 5000 MW of electricity through the Kyrgyzstan-Afghanistan route, effectively addressing Pakistan's energy needs. The Russian company Gazprom is ready to invest in the Iran-Pakistan-India (IPI) gas pipeline and collaborate on transnational energy projects like CASA-1000 and the TAPI gas pipeline. In

response to Western embargoes, Russia has actively engaged major energy companies, including Techno Prom Export, Rostec-Global Resources, Rushydro International, Power Machines, Inter RAO, United Engine Corporation, and the Stochinsky Institute of Mining, signaling potential cooperation with Pakistan (IPRI [February 4, 2016](#)).

Russia has shown interest in the Iran-Pakistan (IP) gas pipeline project, and Gazprom's participation in the project has been proposed, a gesture well-received by Pakistan. Additionally, several other Russian companies, including Techno Prom Export, Rostec Global Resources, Rushydro International, and the Stochinsky Institute of Mining, have expressed interest in collaborating with Pakistan. Russia's previous support for Pakistan's Oil and Gas Development Company Limited in oil and gas exploration further underscores the potential for Russian companies to play a significant role in gas purification, the modernization of oil and gas infrastructure, and the construction of various power-generating units in Pakistan, including those in Tarbela and Jamshoro (Ahmad, 2018).

Russia showed willingness to invest \$2 billion in Pakistan's water and power sector projects, notably expressing interest in the 800 MW Mohmand Dam project. The proposed dam is located on the Swat River, approximately five km upstream of Munda Head Works in the Mohmand Agency within the Khyber-Pakhtunkhwa province ([Business Standard](#), 2019). In a separate proposal, the entity has recommended that Pakistan combine five small hydropower projects for an initial phase if the government is reluctant to undertake larger projects. Furthermore, the entity has shown interest in investing in various water and power initiatives, including the 7,100MW Bulji, 2,200MW Tangus, 800MW Mohmand Dam, 52MW Nauseri, and 2,800MW Yulbo projects. It has expressed preparedness to provide technical support and financing for these projects, with a cumulative estimated cost of PKR 318 billion (Pakistan Today, January 17, 2019).

Russia, as a formidable energy superpower and one of the world's foremost exporters of oil and natural gas, has played an intriguing role in this dynamic. Notably, Russia ceased its natural gas



supplies to Ukraine and sought new partners. Pakistan, facing a substantial energy demand, was grappling with a 1.5 billion cubic feet gas deficit. Consequently, Russia expressed its willingness to invest in energy projects within Pakistan. While some initiatives were undertaken, such as assistance in upgrading Pakistan Steel Mill, the outcomes have often been less substantial than anticipated, marked by ceremonial inaugurations of energy projects with limited practical impact.

### **Pakistan-Russia Intergovernmental Commission**

In April 1999, an Inter-Governmental Agreement on Trade and Economic Cooperation was signed when Pakistan's Prime Minister, Nawaz Sharif, visited Russia. A key result of this agreement was the creation of an efficient institutional mechanism for bilateral collaboration, known as the Inter-Governmental Commission (IGC) on Trade, Economic, Scientific, and Technical Cooperation (Sultana, et.al, 2019). The Inter-Governmental Commission (IGC) on trade, economic, scientific, and technical cooperation between Russia and Pakistan was established to facilitate collaborative efforts in trade, economy, science, technology, and education. The Russian side of the IGC is led by V. L. Mutko, who serves as the Minister of Sports of the Russian Federation (The Chamber of Commerce and Industry of the Russian Federation, n.d). The meetings of the Pakistan-Russia Inter-Governmental Commission (IGC) on Trade, Economic, Scientific, and Technical Cooperation take place alternatively in Islamabad and Moscow.

The bilateral relations between Pakistan and Russia have witnessed significant advancements, as evidenced by the consistent efforts of the Pakistan-Russia Inter-Governmental Commission (IGC). Initiated in 2010, the IGC has played a pivotal role in fostering cooperation across various sectors, including trade, economics, science, technology, and culture. The meetings held in subsequent years, such as those in 2012, 2014, 2015, and 2019, reflect the sustained commitment of both nations to strengthening their partnership. Despite fluctuations in bilateral trade, the leaders have

continually identified priority areas for collaboration, including the fuel and energy sector, metallurgy, mechanical engineering, and agriculture. The establishment of working groups and the introduction of the Pakistan-Russia Investment Forum further underscore the joint determination to enhance economic ties. The focus on specific projects like the North-South Gas Pipeline demonstrates the practical steps taken to address energy needs and boost cooperation. Overall, the ongoing engagement through the IGC exemplifies the shared dedication of Pakistan and Russia to deepening their relationship and exploring new avenues for mutual benefit (The Chamber of Commerce and Industry of the Russian Federation, n.d).

### **Conclusion**

Pakistan's diplomatic relations with the former Soviet Union have navigated a complex historical path, marked by shifts in political alignments, economic interactions, and cultural exchanges. From the early years of diplomatic engagement and limited trade to the era of increased economic cooperation and cultural exchanges, the relationship has experienced both cooperation and periods of tension, often influenced by regional conflicts and international dynamics. Despite these complexities, recent efforts have been made to strengthen diplomatic and economic ties, with hopes for further improvement in the 21st century. As both the nations explore opportunities for enhanced cooperation, it is essential for them to build on the current positive momentum, solidify their partnership, and realize the untapped potential for mutual collaboration in various domains of modern international relations.

The economic relation between Pakistan and Russia is still limited. The economic relations between Pakistan and Russia have undergone significant evolution. Since the early 2000s, both nations have actively worked to enhance their economic ties through various agreements and trade initiatives. Despite occasional fluctuations in trade volumes and trade deficits, there has been a consistent growth in bilateral trade over the past two decades, with substantial recent increases. While trade deficits have been prevalent, the economic partnership has been fortified through

the establishment of trading houses, business forums, and the exploration of a potential Free Trade Agreement. The formation of joint working groups and bilateral banking cooperation has further institutionalized these linkages. Notably, Russia's exports to Pakistan have been on the rise, reaching a record high of US \$920 million in 2022. Despite the trade imbalances, the expanding economic engagement reflects a growing interest in exploring untapped collaborative potential across various sectors. Based on historical data, it is projected that Pakistan-Russia bilateral trade will continue its upward trajectory, potentially reaching approximately US \$1371.17 million by 2030. These economic developments signal a positive trajectory in the bilateral relationship, demonstrating both nations' commitment to expanding economic cooperation. While challenges persist, such as trade deficits and bureaucratic hurdles, the recent growth in trade volumes and ongoing dialogue between Pakistan and Russia indicate a promising avenue for deeper economic collaboration and the realization of their trade potential.

The energy relationship between Russia and Pakistan has seen a significant evolution and expansion over the years. The two countries have fostered diplomatic ties, leading to substantial cooperation in various energy projects. This collaboration includes Russia's financial contributions to initiatives like the Iran-Pakistan-India (IPI) pipeline and the North-South Gas Pipeline. Russia has also expressed interest in helping Pakistan overcome its energy shortages through investments in the oil, gas, and power sectors, as well as collaborations in projects like the Central Asia-South Asia power project (CASA-1000) and the Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI). Additionally, Russia has offered substantial financial support for the rehabilitation and expansion of Pakistan Steel Mills. This multifaceted cooperation reflects the growing economic and diplomatic relationship between these two nations, promising a future of mutual benefit.

The Pakistan-Russia Intergovernmental Commission (IGC) was established as a result of

the 1999 Intergovernmental Agreement on Trade and Economic Cooperation. Over the years, the IGC has played a crucial role in fostering bilateral ties, with meetings held alternately in both countries. These sessions covered various aspects of cooperation, from trade and economics to energy and infrastructure projects. They also explored cultural exchanges and strengthening private sector involvement. In recent years, both nations have expressed a commitment to enhancing trade relations and have embarked on initiatives like the Pakistan-Russia Investment Forum. Additionally, Pakistan and Russia have a history of cultural exchanges, but language barriers and limited cultural interaction have hindered further development. Nevertheless, there have been positive steps taken, including faculty appointments, student exchange agreements, and the publication of an Urdu-Russian dictionary. People-to-people contacts, academic exchanges, and media programs are seen as avenues to strengthen these relations further. Overall, Pakistan and Russia are working towards a more robust and prosperous future in their bilateral relations, with social and cultural ties playing a significant role in this evolving partnership ([The Chamber of Commerce and Industry of the Russian Federation](#), n.d).

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