

# KCCI - Country Wrap: **RUSSIAN FEDERATION** (Dec.'18)



## Economy of Russia – a brief overview

Russia is a crucial player in the world with the innate ability to turn its economic standing into global power. It is one of the leading exporters of energy in the world where Gazprom's (a renowned Russian energy giant) extensive network of natural gas pipelines providing natural gas to almost the whole of Europe is ample testimony to the strength of its energy sector. Nonetheless, due to heavy reliance on oil exports, the Russian economy was severely hit during the financial turbulence of 2008-09; this not only dismantled its industrial growth but also squeezed the public and private investments of the country and later plummeted oil prices.

## Strong industrial base integral to Russian GDP

Russia has a strong industrial base where several items ranging from mining and extraction systems to machinery manufacturing, defense and medical instruments are being produced. Russia is also active in the production of road and rail transportation equipment, communications equipment, agricultural machinery, construction equipment, electric power generating and transmitting equipment, medical and scientific instruments, consumer durables, textiles, foodstuff and handicrafts.

## Trading commodities and partners of Russia

Russia's main export commodities are petroleum products, natural gas, metals, wood products, chemicals, and civilian and military manufactures whereas major destinations of Russian products are China (10.9%), Netherlands (10%), Germany (7.1%), Belarus (5.1%) and Turkey (4.9%). Its import commodities are machinery, vehicles, pharmaceutical products, plastic, semi-finished metal products, meat, fruits and nuts, optical and medical instruments, iron, steel. Major import partners are China (21.2%), Germany (10.7%), US (5.6%), Belarus (5%), Italy (4.5%) and France (4.2%).

## Economic Relations between Pakistan and Russia

Pakistan and Russia have experienced many ups and downs in their bilateral relations, however current mutual cooperation has resulted in strengthened economic marked by enhanced govt. level talks between the two countries. Pakistan Steel Mills (PSM) is a towering reminder of peaceful bilateral relations between the two countries. Both Pakistan and Russia are of the view that their cooperation would bring prosperity to the entire South Asian region. In the past, Russia has also offered assistance in the expansion of PSM, technical support for the Guddu and Muzaffargarh power plants, and announced interest in Thar Coal Project.

### (i) MoUs between Pakistan and Russia

Pakistan and Russia have signed number of MoUs in various fields. Russia's Gazprom International and Pakistan's Oil and Gas Development Company Limited (OGDCL) have signed MoU in Moscow on July 3, 2017, aimed at extending mutual cooperation in the fields of oil and gas exploration and development. On Oct 16, 2015, Pakistan and Russia signed a government-to-government deal to construct an LNG pipeline from Karachi to Lahore for which Moscow will lend Islamabad an amount of \$ 2Bn. In October 2012, three MoUs were signed in the areas of railroad transportation, energy production and metallurgy. Russia has reportedly earmarked \$ 7Bn as investment in Pakistan. Gazprom has also shown interest in financing Iran-Pakistan (IP) gas pipeline project. Discussions are also underway pertaining to Russian assistance in Coal Conversion Project at Muzaffargarh Thermal Power Station and development of 600MW coal based thermal power station at Jamshoro.

### (ii) Pak-Russia Business Forum

Pakistan Russia Business Forum (PRBF) was formed on Oct 12, 2009 with the aim of enhancing mutual cooperation between Pakistan and Russia, by facilitating investors for strengthening business and investment ties of the two countries.

## Bilateral Trade Relations between Pakistan and Russia

Bilateral trade between Pakistan and Russia is expanding but at a relatively slow pace and present trade volume does not reflect true trade potential between the two countries. During 2017, Pakistan exported goods worth \$ 280.69Mn against \$ 272.02Mn in 2016 showing an increase of 3.2%. On the other hand, Pakistan's imports from Russia increased by 20.6% in just one year to \$ 310.94Mn in 2017 against imports of \$ 258.01Mn in 2016.

## Potential for enhancing bilateral trade relations between Russia and Pakistan

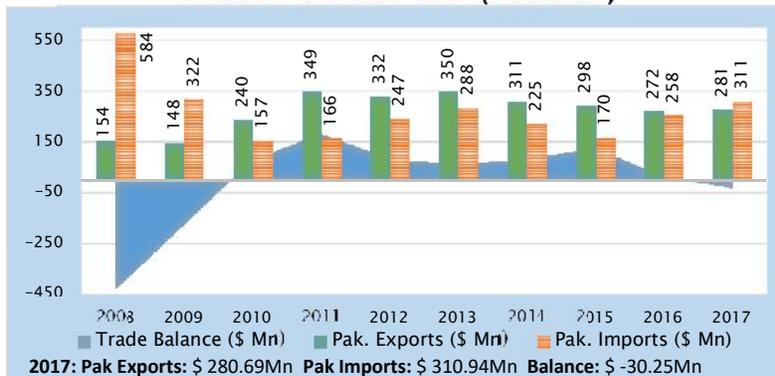
- After Russian accession to the WTO, there is a greater potential of Pakistan signing trade agreements with Russia.
- By inviting Russian investment in oil and gas sectors and heavy industries of Pakistan, Russian investment levels could be enhanced.
- Pakistan can also seek Russian assistance in the field of communication, irrigation, atomic energy, transport and infrastructure.
- Pakistani food exporters can capitalize on the ban imposed by the Russian government on agricultural imports from European countries, in order to enhance their exports to Russia. Pakistan can export livestock, meat, apple, mango, citrus and seafood to Russian markets.
- Both countries can have mutual cooperation in various fields including mining, drilling and construction machinery, railway engineering, pharmaceuticals and veterinary drugs, medical equipment etc.

## Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	3,955	4,016	1.54%
GDP per Capita	\$	27,500	27,900	1.45%
GDP growth	%	-0.2	1.5	1.70%
Forex Reserves	\$ Bn	377.70	432.70	14.56%
External Debt	\$ Bn	434.80	539.60	24.10%
Exports of Goods	\$ Bn	281.90	353.00	25.22%
Imports of Goods	\$ Bn	191.60	238.00	24.22%
Trade Balance	\$ Bn	90.30	115.00	27.35%
Current Account	\$ Bn	25.40	35.44	39.53%
FDI - at Home	\$ Bn	461.70	535.20	15.92%
FDI - at Abroad	\$ Bn	418.00	470.90	12.66%
CPI	%	7.1	3.7	-3.40%
Lending Rate	%	12.59	10.55	-2.04%
Population	Mn	142.26	142.12	-0.13%
Unemployment	%	5.5	5.2	-0.30%
Literacy Rate	%	99.70	99.70	0.00%

Sources: **KCCI Research, CIA Factbook**

## Pakistan & Russia Trade (2008-2017)



Source: **KCCI Research, Trademap**

## Russia's Top 10 Trade Items with World (2017)

Imports Items	(\$ Mn)	Exports Items	(\$ Mn)
Machinery & app.	45,288	Mineral fuels & oils	211,993
Electrical machinery & equip.	26,737	Iron & steel	18,762
Vehicles, not railway	21,499	Commodities NES	14,146
Pharmaceutical products	10,835	Natural or cultured pearls	11,048
Plastics & articles	8,766	Machinery & app.	8,541
Aircraft & parts	6,451	Wood & articles	7,902
Optical, photo. or surgical	6,193	Cereals	7,527
Articles of Iron or steel	5,305	Fertilisers	7,217
Iron & steel	4,826	Aluminium & articles	6,673
Edible fruit & nuts	4,678	Copper & articles	4,709

Sources: **KCCI Research, Trademap**

## Pakistan - Russia Top 10 Trade Items (2017)

Pakistan Export Items	(\$ Mn)	Pakistan Imports Items	(\$ Mn)
Apparel, not knitted	62.62	Edible vege. & roots	59.45
Edible fruit & nuts	52.00	Iron & steel	56.93
Apparel, knitted	46.99	Paper & paperboard	44.51
Cotton	19.68	Mineral fuels & oils	39.94
Articles of leather	18.19	Aircraft & parts	30.07
Other made-up textiles	14.34	Rubber & articles	24.53
Cereals	12.06	Articles of iron or steel	9.96
Footwear	11.20	Pharmaceutical products	8.69
Pharmaceutical products	8.23	Lead & articles	6.03
Toys, games & sports	6.40	Inorganic chemicals	5.27

Sources: **KCCI Research, Trademap**