



UPSURGE IN PAKISTAN-RUSSIA ECONOMIC TIES

By
Ume Farwa
Research Fellow/Sub-editor

Edited by
Najam Rafique

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



It was long emphasized that Pakistan and Russia must work towards tapping their true economic potential. Unfortunately, the baggage of history, Russia's tilt towards India, and Pakistan's inclination towards America have been some of the major restraints towards this end.

However, at present, many a long-established patterns in Pakistan-Russia relations seem to be fading away. Amidst an on-again, off-again relationship with US, Pakistan has decided to diversify its bilateral ties with Moscow. At the same time, amidst increasing US sanction and a flourishing Beijing-Moscow cooperation, Russia has drafted a rather unconventional strategic calculus in which Pakistan fits well. Economy, being at the core of this strategic calculus, is driving Russia closer to Pakistan. This accounts for the current upsurge in their economic ties.

On January 28, 2018, a Russian oil and gas consortium, Inter-Rao Engineering and Himmash Apparat, arrived in Pakistan with the aim to invest in energy sector in Khyber Pakhtunkhwa.¹ On January 31, the Russian consortium and the Khyber Pakhtunkhwa Oil and Gas Company Limited (KPOGCL) reached an agreement to establish an oil-refinery in Kohat, with the capacity of purifying 20,000 barrels oil per day.² Yaroslave Gavrylenko, representing Himmash, and Zainullah Shah, the Chief Planning Officer KPOGCL, signed the deal at the KP House, Islamabad.

¹ "Russian consortium to arrive in Pakistan today", *The Express Tribune*, January 28, 2018, <https://tribune.com.pk/story/1619934/2-russian-consortium-arrive-pakistan-today/>

² "KPOGCL, Russian consortium MoU to establish oil refinery", *The Frontier Post*, January 31, 2018.

At a time when Pakistan needs to diversify its foreign relations and energy mix, this deal is certainly welcoming, but only its active pursual can lead to materialization of the project. As of now, the deal is in its preliminary stages as, so far, an MoU has been signed, and the feasibility report of the project has yet to be submitted to the concerned parties. A similar MoU was also signed about an year ago, on August 10, 2017, between the Inter-Rao and Himmash Apparat and KPKOGCL, regarding the oil-refinery in Kohat district.³ The current MoU is more of the same. However, it does indicate willingness by Russian companies to invest in Pakistan's energy sector. It is now up to Pakistan's energy sector to sustain the momentum of bilateral projects by creating and facilitating avenues for the Russian companies.

On January 25, 2018, a delegation from Russia invited Pakistan to participate in world expo 2025. The delegation was headed by Sverdlovsk Region deputy governor, Alexander Visikonsky.⁴ He emphasized that the two countries must come forward to reap mutual benefits, which have been limited for the lack of focus on trade and business. He stated, "The expo would provide the Pakistani business community a good opportunity to demonstrate their quality products and enhance their business prospects."⁵ This is another indicator of Russia's readiness to work with Pakistani business community.

It, indeed, is a good opportunity for the business community of Pakistan to demonstrate their quality products and enhance their business prospects, especially at a time when European agriculture products are banned in Russia. Pakistan can export quality agricultural and textile products to Russia along with providing it better market access to South Asia, Central Asia and Middle Eastern countries. Coupled with these encouraging developments is the Russian Ambassador, Alexy Dedov's confirmation that his country is going to use Pakistan-made footballs for the FIFA World Cup 2018.⁶

From 1990 to 2010, Pakistan provided hand-stitched footballs for almost all the world cups, but in 2014, Forward Sports replaced the country. Praising the country's sports industry, Mr. Dedov said, "Pakistan is one of the most renowned countries in the world in the manufacture of sport equipment. We want to enhance cooperation with Pakistan to other sectors as well."⁷ Pakistan annually earns US\$1 billion from its sports industry and the export of footballs comprises of US\$350

³ "Russian Consortium to build refinery", *Dawn*, August 10, 2017. <https://www.dawn.com/news/1350613>

⁴ "Russia invites Pakistan to participate in world expo", *The Express Tribune*, January 25, 2018.

<https://tribune.com.pk/story/1617272/2-russia-invites-pakistan-participate-world-expo-2025/>

⁵ Ibid.

⁶ "Russia to use Pakistan's footballs in 2018 world cup", *Aljazeera*, February 3, 2018.

<http://www.aljazeera.com/news/2018/02/russia-pakistan-football-2018-world-cup-180203113114891.html>

⁷ "football made in Pakistan to be used in FIFA World Cup 2018", *The Express Tribune*, January 28, 2018.

to US\$500. Therefore, Pakistan's thriving football industry can help earn a great amount of benefit, as well as solidifying the bases of Pakistan-Russia economic relations, which hitherto were minimal.

The aforementioned developments in Pakistan-Russia bilateral relations are laudable, particularly at a time when the global politics is slipping into a transition. These current pattern of engagement does suggest that the bilateral economic relations are on an upward trajectory. Still, there are many headways to be made when it comes to fostering sustainable relations between Moscow and Islamabad. In 2017, Russia offered its support to Pakistan for signing a Free-Trade Agreement with the Eurasian Economic Union, which will further boost the bilateral cooperation.⁸ Pakistan can also provide a convenient international route to the Russian goods through China-Pakistan Economic Corridor. To this end, the Pakistan-Russia Intergovernmental Commission on Trade, Economic, Scientific and Technical Cooperation can play a pivotal role.

⁸ "Russia offers support for FTA with EEU", The Nation, June 23, 2017.
[https://nation.com.pk/23-Jun-2017/russia-offers-support-for-fta-with-euu](https://nation.com.pk/23-Jun-2017/russia-offers-support-for-fta-with-eeu)