

## Policy Brief

# Strategic Guidelines for Pakistan- Russia Cooperation

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## Executive Summary

Pakistan and Russia have made significant progress in defence, economic, and geopolitical cooperation since the early 2000s. The bilateral relations have improved ever since Pakistan's active commitment to fight terrorism. The key developments include foreign ministers' meetings, defence collaborations, and Russia's support for Pakistan's access to the Shanghai Cooperation Organisation (SCO). Since 2007, relations have strengthened through trade and investment in sectors such as agriculture, energy, infrastructure, and military cooperation, including arms purchases and joint counterterrorism exercises. Russia invests in Pakistan, particularly in the energy and infrastructure sectors, and both the nations have special interest in the success of the multi-billion dollar China-Pakistan Economic Corridor (CPEC), which also provides an instant access to Russia to the Indian Ocean via Gwadar Port.

The automotive industry, collaboration in education, strengthening economic ties, increasing trade, and boosting foreign direct investment will be the key to augmenting bilateral relations. Future collaboration on energy transitions and technological advancements could enhance economic growth. The strategic framework outlined in this paper highlight shared interests in areas like technology, infrastructure, and trade, offering both nations a chance to deepen their partnership and achieve broader economic and geopolitical goals through diplomacy, trade, and investment.

## Background and Scope of Strategic Note

In the 1990s, Pakistan's relationship with Russia was generally strained due to the Taliban regime in Afghanistan. Nevertheless, at the onset of the twenty-first century, there were signs of improvement as Pakistan began to withdraw its support for Taliban and joined the international fight against terrorism. The first high-level contact was the meeting of the Russian Deputy Foreign Minister in Pakistan in 2001.<sup>1</sup> The second one was the visit of Pakistan's president to Russia in 2002. These visits included official working meetings aimed at improving cooperation in the fields of economic, cultural, technological and development sectors. It also included facilitating the process of finding peace and stability in the region.<sup>2</sup>

There was a leap forward in the year 2007, when Russian Prime Minister Mikhail Fradkov visited Pakistan. Many-sided talks were held with Pakistani leadership.<sup>3</sup> As a result, Russia backed Pakistan's candidature to attain an observer status in the Shanghai Cooperation Organisation (SCO). Different agreements in the form of MoUs were also signed regarding investments in agriculture, energy, civil aviation, intelligence, and counterterrorism.<sup>4</sup> However, positive signs dawned across the board gradually by 2014<sup>5</sup>. Russia removed its ban on arms sales to Pakistan and signed a defence cooperation deal. Under the agreement in 2016, Pakistan approved the Russian request to use the strategic Gwadar port in Balochistan. Consequently, Russia also officially backed Pakistan's SCO full membership in 2017.<sup>6</sup> The cooperation also increased in the defence and security sectors, which included Russia's decision to give four Mi-35M helicopters to

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<sup>1</sup> "Islamabad, Moscow Seek Better Ties," Dawn, April 21, 2001.

<sup>2</sup> Dmitri Trenin, "Russia-Pakistan Relations," Carnegie Moscow Centre, 2001, <http://carnegie.ru/2011/02/18/russia-pakistan-relations-pub-42695>

<sup>3</sup> Tahir Azad, "Pakistan-Russia Strategic Partnership: New Horizons for Cooperation," Institute of Strategic Studies Islamabad, Issue Brief, December 26, 2016, <http://issi.org.pk/wp-content/uploads/2016/12/Final-Issue-brief-Tahir-Azad-dated-26-12-2016.pdf>

<sup>4</sup> Muhammad Hanif, "Pakistan-Russia Relations: Progress, Prospects and Constraints," IPRI Journal XIII, no. 2 (summer 2013): 71.

<sup>5</sup> Baqir Syed, "Pakistan, Russia Sign Landmark Defence Cooperation Agreement," Dawn, November 21, 2014, <https://www.dawn.com/news/1145875>

<sup>6</sup> "It is a Historic Day: Pakistan becomes Full Member of SCO at Astana Summit," Dawn, June 9, 2017, <https://www.dawn.com/news/1338471>

Pakistan<sup>7</sup> and supply engines of JF-17 aeroplanes, which were being co-manufactured by China and Pakistan.<sup>8</sup> Russia appreciated Pakistan's counter-terrorism efforts and provided equipment to Pakistan, and both the countries also underwent military drills named "DRUZBA" (Friendship) exercise.<sup>9</sup>

Since 2011, Russia has been supporting a few major projects in Pakistan, such as the Heavy Mechanical Complex Taxila, Guddu and Muzaffargarh Electric Power projects and the Thar Coal Project.<sup>10</sup>

Relations between Pakistan and Russia have been on a positive trajectory since the year 2000. They were facilitated by the favourable geopolitical settings, and ranged from defence to geo-economics, and from science and technology to education and counterterrorism. Sectors that have attracted Russian interest include energy, agriculture and infrastructure in Pakistan.

There are several potential advantages of deepening bilateral relations between Pakistan and Russia in strategic, economic, and even political spheres. Economically, both are endowed with natural resources; well-developed cultural identities; an adequate supply of manpower; strong military; and favourable geographical positions.

Strengthening these ties would not only contribute towards maintaining stability in the region, particularly in matters related to the Afghanistan and drug-trafficking, but also usher enhanced cooperation within the SCO on issues concerning disaster management, disease control, biotechnology, and climate change.<sup>11</sup>

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<sup>7</sup> Franz Gady, "Pakistan Receives 4 Advanced Attack Helicopters from Russia," *Diplomat*, August 29, 2017, <https://thediplomat.com/2017/08/pakistan-receives-4advanced-attack-helicopters-from-russia/>

<sup>8</sup> Arif Rafiq, "Pakistan: Russia's New Best Friend?," *National Interest*, September 27, 2015, <http://nationalinterest.org/feature/pakistan-russias-new-best-friend13945?page=5>.

<sup>9</sup> Taimur Khan, "Pakistan-Russia Military Drills – A New Equation to Counter Terrorism," *Institute of Strategic Studies Islamabad*, Issue Brief, October 4, 2017, [http://issi.org.pk/wp-content/uploads/2017/10/Final\\_IB\\_Taimoor\\_dated\\_04-10-2017.pdf](http://issi.org.pk/wp-content/uploads/2017/10/Final_IB_Taimoor_dated_04-10-2017.pdf)

<sup>10</sup> "Helping Hand: Russia Pledges \$1 billion for Steel and Electricity," *Express Tribune*, November 9, 2011, <https://tribune.com.pk/story/289087/russia-announces500m-grant-for-pakistan-steel-mills/>

<sup>11</sup> Khan, Muhammad Taimur Fahad. "Pakistan's Foreign Policy towards Russia." *Strategic Studies* 39, no. 3 (2019): 89-104.

Russia can also help improve relations between Pakistan and India by using the SCO forum. Moreover, Pakistan has been a victim of terrorism. A comprehensive counter-terrorism strategy can be devised by both the state and expand its scope to other countries in the region. In the energy sector, Russia, as one of the leading oil and gas producers, can invest and bring its resources to Pakistan to overcome the country's energy requirements. Similarly, the CPEC project is another way of increasing friendship between Pakistan and Russia where the latter will get access to the Indian Ocean through the Gwadar Port.

## A Brief Socioeconomic Profile of Russia and Pakistan

This section gives an overview of the socioeconomic environment of Pakistan and Russia. Both countries have sizable population but they are vastly different in terms of social and economic indicators. In 2023, Russia's economy was nearly 5.97 times larger than that of Pakistan. Russia also surpasses Pakistan in per capita output and productivity. In 2023, Russia's GDP per capita was \$13,817, approximately 9% of that of the United States. This is much higher than Pakistan's per capita income of \$1,407, highlighting the stark difference in the economic well-being of the two countries.

The inflation rate in Russia is lower than that of Pakistan. Pakistan's inflation was 29 percent (YOY) by June 2023,<sup>12</sup> while Russia only averaged 7%.

**Table 1: Socioeconomic indicators**

Indicators	2022		2023		Source
	Pakistan	Russia	Pakistan	Russia	
<b>Population (million)</b>	247.5	145.4	251.3	144.8	World population Review <sup>13</sup>
<b>GDP (USD, bn)</b>	374.79	2,270	338.37	2,020	WB <sup>14</sup>

<sup>12</sup> Pakistan bureau of statistics. Available at <https://www.pbs.gov.pk/press-releases>

<sup>13</sup>World Population Review. World population by Country. 2024. Available at: <https://worldpopulationreview.com/>

<sup>14</sup>World Bank Group. Country Wise GDP. 2023. Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=PK>

<b>GDP per capita (USD)</b>	1589	15445	1407	13817	WB <sup>15</sup>
<b>Inflation, CPI (%)</b>	12.15	13.7	29.18	7.4	IMF <sup>16</sup>
<b>FDI net (USD, bn)</b>	1.34	31.5	1.548	19.7	IMF <sup>17</sup>
<b>Foreign reserve (USD, bn)</b>	6.11	417.61	9.33	414.24	IMF <sup>18</sup>
<b>Exchange rate (per USD)</b>	226.47	70.34	281.92	89.69	IMF <sup>19</sup>

The table compares the socioeconomic characteristics of Pakistan and Russia for 2022/2023. There is a large difference in the economic size of the two countries; Pakistan's gross domestic product for the calendar year 2022 was \$374.79 billion while Russia's gross domestic product was 2,270 billion dollars. By the year 2023, the GDP in both countries reduced and Pakistan's economy reached \$338 bn. Pakistan's per capita income declined from \$1,589 in 2022 to \$1,407 in 2023, while Russia's per capita income stood at \$13,817. Interest rates were also mixed; while Pakistan's inflation increased from 12% to 29%, they have already risen from 15% in 2022 to 29% due to poor finance policies. On the contrary, Russia managed to reduce its inflation rate to 7%, indicating better control over its economy and price stability.

As for Foreign Direct Investment (FDI), Pakistan's FDI was \$1.34 bn in 2022 and it has slightly risen to \$1.548 billion in 2023. On the other hand, Russia, which was improving investments, attracted \$31.5 billion in 2022. It had to bring down the FDI to \$19.7 billion in 2023. Pakistan's reserves were \$6.11 billion in 2022, which increased to \$9.33 billion in 2023. On the other hand, Russia's reserves slightly lowered from 417 billion to \$414 billion.

<sup>15</sup>World Bank Group. GDP per Capita. Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=PK>

<sup>16</sup>International Monetary Fund. The inflation rate, average consumer prices [https://www.imf.org/external/datamapper/PCPIPCH@WEO/WEO\\_WORLD/PAK](https://www.imf.org/external/datamapper/PCPIPCH@WEO/WEO_WORLD/PAK)

<sup>17</sup> International Monetary Fund. Foreign Direct Investment. <https://data.imf.org/?sk=4c514d48-b6ba-49ed-8ab9-52b0c1a0179b&sid=1390030341854>

<sup>18</sup> International Monetary Fund. Foreign Reserves. <https://data.imf.org/?sk=4c514d48-b6ba-49ed-8ab9-52b0c1a0179b&sid=1390030341854>

<sup>19</sup> International Monetary Fund. Exchange Rate. <https://data.imf.org/?sk=4c514d48-b6ba-49ed-8ab9-52b0c1a0179b&sid=1390030341854>

The exchange rate of the currencies of Pakistan and Russia also presented a marked difference in its value. Pakistan’s exchange rate in the year 2022 was 226.47 rupee per USD and it has risen to 281.92 rupee per USD in 2023. Due to depreciation of the Ruble, the exchange rate of Russia also changed from 70. 34 rubles per USD by 2022 to 89.69 rubles per USD in 2023. These figures, jointly, are indicative of the relative economic vulnerability of Pakistan as compared to Russia on counts of relatively higher inflation rates, a significantly lower per capita income, and a steeper currency depreciation rate. It suggests that Pakistan is required to undertake strategic economic restructuring and facilitate investment.

**Pakistan and Russia's Economy in Comparison-SWOT Analysis**

Pakistan and Russia have potential grounds for cooperation. Both have had volatile economies and have frequently sought aid from the International Monetary Fund (IMF). Russia has introduced several structural reform programmes. It has evolved its economy with the passage of time through export diversification, higher GDP growth and larger export basket. Pakistan is currently under a new 25<sup>th</sup> IMF Program. Pakistan can learn from Russia in its experience of structural reforms.

This section provides a brief SWOT analysis to lay down foundations for identifying priority areas for economic cooperation between the two countries. Commonalities between the two economies are considered as building blocks of shared experiences. The differences between different economic and development trajectories despite similar challenges sets the basis for learning from each other. “Weaknesses” and “Threats” in the SWOT analysis highlight possible challenges that both countries may have to overcome while deepening economic cooperation.

**Table 2: SWOT Analysis of Russian Economy**

<i>STRENGTHS</i>	<i>WEAKNESSES</i>
<ul style="list-style-type: none"> <li>• Abundant natural resources (oil, gas, wood, cereals, diamond, potash</li> <li>• Size of its market and skilled labour force.</li> </ul>	<ul style="list-style-type: none"> <li>• Harsh and numerous sanctions against the country after its invasion of Ukraine</li> <li>• Declining demographics</li> </ul>

<ul style="list-style-type: none"> <li>• Low debt level, however, macroeconomic stability is expected to deteriorate due to sanctions.</li> <li>• Digitalisation and Innovation Capacity.</li> <li>• Vastness of the territory that borders Europe and China.</li> <li>• Sovereign wealth fund.</li> </ul>	<ul style="list-style-type: none"> <li>• No trade agreements beyond neighbouring countries.</li> <li>• Dependence on foreign technology.</li> <li>• Weak infrastructure, aggravated by lack of public investment, which is especially apparent outside main towns.</li> <li>• Heavy social security and governance weaknesses, weak investment climate.</li> </ul>
<p style="text-align: center;"><i>OPPORTUNITIES</i></p> <ul style="list-style-type: none"> <li>• Expanding trade with non-Western countries.</li> <li>• Leveraging high commodity prices for financial stability.</li> <li>• Development of domestic industries and technology.</li> <li>• Enhancing economic ties through regional alliances.</li> <li>• Exploring alternative financial systems.</li> </ul>	<p style="text-align: center;"><i>THREATS</i></p> <ul style="list-style-type: none"> <li>• Continued and intensifying sanctions, especially targeting energy and technology.</li> <li>• Declining demographics and labour force challenges.</li> <li>• Dependence on volatile energy markets and price fluctuations.</li> <li>• Technological isolation and innovation gaps due to sanctions.</li> <li>• The increasing role of government and economic militarisation.</li> </ul>

**Table 3: SWOT Analysis of Pakistan's Economy**

<p style="text-align: center;"><i>STRENGTHS</i></p> <ul style="list-style-type: none"> <li>• Geopolitical Location.</li> <li>• Young and Growing Population.</li> <li>• Agriculture Potential.</li> <li>• Natural Resources.</li> <li>• Emerging Tech and Entrepreneurship.</li> </ul>	<p style="text-align: center;"><i>WEAKNESSES</i></p> <ul style="list-style-type: none"> <li>• Fiscal Deficits.</li> <li>• Inflation.</li> <li>• Energy Crisis.</li> <li>• Political Instability.</li> <li>• Unchecked Population growth.</li> </ul>
<p style="text-align: center;"><i>OPPORTUNITIES</i></p> <ul style="list-style-type: none"> <li>• China-Pakistan Economic Corridor (CPEC).</li> <li>• Information Technology (IT) and Software Services.</li> <li>• Agriculture Modernisation.</li> <li>• Renewable Energy.</li> <li>• Export Diversification Drive.</li> </ul>	<p style="text-align: center;"><i>THREATS</i></p> <ul style="list-style-type: none"> <li>• Excessive Government Debt.</li> <li>• Political Instability.</li> <li>• Water Scarcity and Mismanagement Discrepancies.</li> <li>• Environmental Degradation.</li> <li>• Global Commodity Price Volatility.</li> <li>• Social Inequality and Poverty.</li> </ul>

Based on the SWOT analysis on both Pakistan and Russia, there are apparent similarities and differences between the two economies which provide a foundation for learning and potential cooperation. In their development context, both countries share similar barriers such as political risks, income disparity, and even fiscal deficits. It is recommended to



learn from these strengths and weaknesses of each other and mutually develop strategic economic cooperation programme.

As of 2022, Pakistan being a developing country has a much lower per capita GDP. It was \$1,589, while Russia, as a developed country, has \$15,445. Although, both the economies are plagued with inflation problems, the situation of Pakistan worsened more by the inflation rate of 29. It was 18% in 2023 in comparison to Russia's 7%. This gap in economic performance has indicated the need for country-specific economic solutions in Pakistan. It may learn from Russia's strategies emplaced during sanctions and isolation from the rest of the world.

Following the strengths and opportunities of Pakistan and Russia, as deduced from their SWOT analysis, the key areas of economic cooperation between the two nations could be identified. The major capabilities of Russia are natural resources and technology providing opportunities for cooperation with Pakistan in the energy and technology sectors. Similarly, Russian investment in agriculture modernisation, introduction of new technologies and infrastructural development can improve the cooperation opportunities between the two.

Agriculture also provides employment and export avenues. Pakistan's long-term strategic focus of agricultural modernisation corresponds with Russia's strong experience in innovative farm machinery. Such coordinated strategies in this direction would open possibility for creating a structural transformation of the economy in Pakistan. Russia aims to diversify its economy too. Pakistan can offer space in the investment sectors such as automotive and agricultural-based exports apart from the traditional textile industry.

Moreover, collaboration in the green energy transition equally holds opportunities. Russia has sufficient knowledge of energy diversification and Pakistan plans to establish renewable energy projects. As part of the world's largest energy market, Russia could help Pakistan which is currently working on a comprehensive strategy of energy policy and infrastructure, as well as an increase in investment in clean energy. It may help in sharing knowledge, access to investment, and capacity development for better and enhanced energy security and sustainability in both countries.

Both Pakistan and Russia could mutually benefit by learning to overcome the problems facing their respective economies. Since the strengths and opportunities of the two compliment, they can develop a symbiotic relationship that will boost their economies, shield them against threats as well as other outside influences.

## **Guiding Frameworks for Pakistan-Russia Cooperation**

This section identifies key frameworks to enhance bilateral economic relations between Pakistan and Russia. There is no clear strategic vision for cooperation between the two countries at the moment. A set of bilateral, multilateral, international, and national policies may act as a milestone for cooperation. The suggested frameworks give a logical sequence of how cooperation on improvements and synergistic opportunity and bargaining on global challenges in trade, investment and structural transformation can be pursued between Pakistan and Russia.

### **1. Framework for Cooperation for Trade, Investment, and Structural Transformation**

The major pillars of this framework include bilateral trade, investment and finance, and digital cooperation. Both countries share similar issues and opportunities in agriculture, energy, education, healthcare, and other sectors. Pakistan and Russia can both form a similar model, which will make their partnership strong and beneficial as both share mutual economic benefits.

This means that Pakistan has much to offer in fabrics and textiles, agriculture, and new technologies. They align with Russia's prowess in energy, natural resources, and technology. This partnership can further grow by the inclusion of specialisation in their respective fields. For instance, Russia may offer technology and industrial experience to boost Pakistan's agricultural and manufacturing sectors. Triangular Cooperation with external stakeholders, including international organisations or developed countries can expand this framework. Partnership in areas in which technology and capital are key, namely renewable energy and infrastructure, could be good areas to tap.

Consequently, Pakistan and Russia, through knowledge exchange and international partners, can enhance trade, cut down on the barriers to trade, regulate customs and bring efficiencies to the system which would eventually promote growth. As for more detailed approaches, both countries can and should focus on the creation of clusters in the spheres of textiles, agriculture, education, energy, and technologies. These clusters can mobilise investment, spread innovation, and increase the international competitiveness of Pakistani-Russian economies.

## **2. Comparative Advantage Principle**

The principle of comparative advantage can help Pakistan and Russia bring up corresponding trade and investment specialties. Russia is more beneficial in energy, technology, and industrial sectors and can provide scope for trade and investment in Pakistan. For instance, Pakistan has a developing private aviation sector and new requirements for aviation infrastructure. Russia could use its experience and technology to invest in Pakistan's infrastructure, and use it as a transit.

In the same way, the prospective cooperation of Russia could assist Pakistan modernise its inadequate agricultural supply facilities that are vital for increasing production rates and exports. Russia has well-developed facilities in these sectors and can offer beneficial assistance to the modernisation of agriculture in Pakistan, which forms Pakistan's endeavour for economic revival.

## **3. Economic Recovery Plan of Pakistan – Aligning with National Frameworks and Local Priorities**

To advance rapid economic cooperation, it is necessary to coordinate in the priority spheres of both nations. Pakistan's Economic Revival Plan, more specifically, the sectors of focus as decided by the Special Investment Facilitation Council (SIFC), may be adopted as the areas for beginning collaboration. The plan aims at attracting investment to the agriculture, animal farming, information technology, mining and energy investment sectors in which Russia possesses a wealth of knowledge and experience to provide investment and technology.

In the financial priority sectors of Pakistan, the role of Russia perfectly harmonises with the relative strengths of the Russian Federation in energy and mining industry accompanied by technology. The SIFC provides a one-window operation for investment, and it helps to minimise the issue of policy flip-flop – an important consideration for investors. In this way, Russia, by cooperating with Pakistan’s economic strategies, can respond to the requirements of Pakistan’s economic renewal as well as receive opportunities for expanding access to new markets.

## **Top Sectors of Economic Cooperation between Pakistan and Russia**

Building on the preceding analysis, the following sectors offer immediate opportunities for economic cooperation. They are guided by the strategic frameworks outlined by analysis.

### **Agriculture Sector**

Pakistan and Russia have a win–win prospect for trade and investment in agricultural products. Russia’s experience in large-scale agriculture and the application of technologies in farming can provide trends for the modernisation of Pakistan’s agriculture produce and particularly cold storage and efficient logistics of agricultural products. It may be pointed out that Pakistan has the opportunity to provide Russia with a market for agricultural products such as grains, dairy products, and meat.

#### **a) Automotive Sector**

Automotive industry of Pakistan is in growth phase and with new government policies of localisation and new-era vehicles like electric and hybrid await Russian investors. Russia can assist Pakistan in facilitating local auto manufacturing, reduced reliance on imported cars and further expand the local production of the public transport vehicles.

#### **b) Education sector**

There is a lot of potential for increased cooperation in education. The student exchange programmes and scholarships are a case in point. Russia is a non-English speaking nation. Their medium of instruction is also Russian. This language barrier could be effectively addressed by cooperation between the two. It is suggested to establish

Russian language learning schools in Pakistan to facilitate students and professionals. This initiative would not only support academic exchanges but also improve trade and business communication between the two nations. Collaboration between Pakistani and Russian universities through student and faculty exchange programmes must be highlighted. There is a need to enhance the presence of Russian research journals in global rankings, which increases their visibility and reputation. This would encourage more Pakistani scholars to submit their research, thereby strengthening academic ties and promoting robust research collaboration.

## Step-by-Step Guide for Promoting Pakistan-Russia Economic Cooperation

Lack of higher volumes of trade, limited foreign direct investment, geographical distance and lack of awareness regarding the market potential are some of the issues that need to be addressed from a strategic perspective for enhancing trade and economic relations. The ensuing three step strategy acts as a guide that can be implemented gradually to help boost the economic cooperation between the two countries.

### a) Step 1: Establish a Robust Exchange Between Pakistan and Russia for Narrative Building

Exchange is indispensable to diversifying and intensifying relations between Pakistan and Russia. They can set up platforms to exchange policy experiences on economic diversification with special emphasis on Russia's experience of transition to a more diversified and high-complexity economy. Key initiatives under the Knowledge Exchange between Pakistan and Russia can include:

1. **Civil Society and Academic Network:** Create linkages between civil society organisations and academia from the two countries. It will be helpful to arrange scholarly and student exchange, to foster positive perceptions that would consolidate the socioeconomic relations. Such programmes may be dedicated to the relevant fields of common concern, including economic development, governance, and innovations.

**2. Parliamentary Caucus for Pakistan-Russia Cooperation:** An idea of having a parliamentary caucus that will enhance the visits and talks between the lawmakers of the two nations can help attain political support for cooperation in the sphere of economy. This approach has proved effective between European Union and Pakistan, where it seeks to put in place constituencies to enhance two-way relations.

**3. Introductory Sessions and Embassy Engagements:** The embassies of Pakistan and the Russian Federation can hold meetings with civil and business circles together with other participants of the local community to discuss current economic and social forecasts. Such meetings can point to the possible fields of cooperation.

**4. Business Exchange Forum through Chambers of Commerce:** One of the ways is the use of chambers of commerce that will provide a platform to enable investors as well as firms of the two countries to engage in direct business deals. The bodies that can proactively contribute towards the proper market knowledge and information-sharing process include the Pakistan-Russia Business Forum and Joint Chambers of Commerce.

**5. Capacity Building Workshops and Study Tours:** Schedule formal and informal inter-office meetings and exchange, and site visits, to impart policy advances in key sectors such as education and health. Such activities can be conducted through platforms like the UNCTAD and the Belt and Road Initiative, which will in turn help strengthen the countries' policymaking capacities.

For those exchange programmes to be successful, there is a need to enhance the capacity of the embassies and the economic staff. Actively interacting with the representatives of the private sector, business councils and other representatives of the business society will help create a narrative for a closer integration in the economic sphere.

## **b) Step 2: Narrative Building to Embrace Scaling Up of Cooperation**

It has also been noted that a compelling narrative will help set the stage for expanded trade and investment. This narrative should, therefore, centre on the growth and development of trade as the foundation for deeper cross-border investment. The

groundwork has been laid and more can be done in analysing new opportunities for cooperation in the fields of textile and garments, farming and food production, and information technology.

A prime opportunity is to work with Russia in technological advancement, especially in the manufacturing of energy and heavy capital equipment. For instance, Russia has better and new techniques in the field of agriculture that can be useful for Pakistan such as, the production of flexible crops. This would help the farmers in many ways. As the previous exchanges in agriculture research show, the Pakistani and Russian universities and research centres can also serve these purposes.

Political dialogue, trade, investment and tourism should be stressed along with the cooperation in education and student/scholars exchange programme. Encouragement of people-to-people contacts with the exchange of students and faculty and collaborative research can create the basis for further investment links.

#### **c) Step 3: Expanding and Deepening Economic Ties – Mapping Trade Potential at Product Level**

An increase in trade could be a key to a strong linkage between the two countries. In a product-level analysis, one can make exposures as to how each country can leverage and take the best out of the other. For instance, Russia has an enormous demand for textiles and garments, agricultural machinery and products, and medical instruments and equipment, sectors in which Pakistan's economy specialises. The mapping of the products could also be done to identify other micro-level risks that may adversely affect trade, including, consumer preferences and regulations. Knowledge about these dynamics can be useful in varying marketing approaches, coordinating product standards and easing recognition of quality assurance certifications.

#### **d) Step 4: Breaking Preference Barriers – Preparing Consumers to Embrace Products from New Markets**

It is, thus, advisable to ensure that the consumer preference barriers are dealt with to increase market access. Similarly, different consumers in the two countries may develop

strong and ongoing supplier preferences mainly from their traditional trading partners. The two countries can begin with brands and goods that are familiar to the market of the importing country.

#### e) **Step 5: Identifying Conventional and Non-Conventional Barriers and Strategies to Remove Them**

Traditional and non-traditional trade barriers that include financing must be identified and resolved. For instance, credit lines in products and services and trade financing with bilateral trade partners supported through interaction with EXIM banks and central banks have the potential to enhance trade transactions. In this step, policymakers have to put in place mechanisms to encourage exporters and investors so that operations across borders are enhanced.

#### f) **Step 6: Formal Trade Agreement**

Trade liberalisation has led to the reduction of the average tariff rate. Another way to strengthen anticipated economic relations is to develop a contractual relationship of partnership in trade. With a good economic relationship, there will be easy and better access to each other's markets to help diversify beyond their regular trading partners.

#### g) **Step 7: Preparing for Cooperation in Cross-Border Investments**

**a. Aligning Investments with Bilateral Priorities:** The engagement should be in harmony with the relevant strategies of the two nations. For instance, Pakistan's Economic Recovery Plan or Russia's Industrial Update Programme.

**b. Engaging with Stakeholders:** It is crucial to collaborate with stakeholders like the government and trade associations, and the private industry, among others. Identifying areas of potential partners and creating a network for further cooperation is one of the approaches that may be helpful for developing a complex pattern of interaction.

**c. Economic Diplomacy:** Another function of economic diplomacy is vitally important in facilitating investments across national borders. Government, commercial attachés and diplomatic missions in both countries should pursue a proactive search for new



opportunities for economic cooperation stressing Pakistan's transition towards an open economy and Russia's strategic quest for new markets.

**d. Hosting Networking Sessions:** Online networking activities, which include conferences and chats are useful in creating a platform where potential partners can discuss issues of mutual interest and business propositions. The follow-up meeting should mainly be majoring in goal setting, defining the key activities to be taken in a particular project and goal maps to be undertaken in any project collaboration.

**e. Developing Joint Plans:** Other critical process factors include consultation to explain expectations of partner organisations concerning roles, shared responsibilities, and timeframes for implementation of collaborative projects. Creating avenues for contact will enhance co-ordination and monitoring of progress hence guaranteeing successful completion of the cross-navigation projects

## Potential Challenges That Need to Be Addressed

To ensure the success of economic cooperation between Pakistan and Russia, several key challenges must be addressed:

- **Economic Diplomacy:** The frequency of interaction at the official level by both states will become critical in the next stages of cooperation.
- **Firm's Information and Networking Costs:** Lack of export-importation and direct interaction with other countries' private sector leads to higher costs of accessing basic market intelligence. To address these gaps, it is crucial to emphasise the role of government interventions.
- **Formal Trade Agreement:** It is most desirable that the two countries set up an FTA for enhanced cooperation in the sphere of economy.
- **Payments System and Regulatory Barriers:** Recent regulatory changes in Pakistan, such as delays in opening Letters of Credit (LCs), may delay cross-border trade.

- **Exchange Rate Unpredictability:** Currency volatility, especially in Pakistan, could affect investment decisions by Russian businesses.

## Conclusion

Pakistan–Russia relations show the growing dynamics of a new phase of cooperation whereby both countries are indicating increased willingness to expand their cooperation in the defence, energy and economic sectors. The two countries have shown their determination to overcome past constraints and to develop a constructive partnership that capitalises on the prevailing opportunities.

Greater cooperation would not only help keep stability in the region starting with Afghanistan and anti-terrorism or counter-extremism, but generally improve cooperation within the framework of multilateral organisations such as the SCO. Another proof of the importance of this partnership can be seen in Russia’s position as a mediator between Pakistan and India. From an economic point of view, Russia’s investment in the infrastructure and energy sectors in Pakistan will help greatly in the development of both countries. Economically, Pakistan provides to Russia an opportunity to invest in new markets and strategic areas through the CPEC and Gwadar Port.

The increase in economic cooperation remains the focal point of Pakistan and Russia's bilateral relations. It is only natural for the two countries to cooperate and focus on strategic goals that will yield tremendous economic and geopolitical benefits.

## About the Authors

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