

# Russian Federation

*Trade Development Authority Of Pakistan*

Mehrun nisa, Strategic Planning And Research Division



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## Executive Summary

The Russian federation is the world's largest country in terms of area, located in North Asia. According to the trade data of 2017 Russia was the 15<sup>th</sup> largest economy of the world.

After the fall of Soviet Union, Russia has worked to establish and strengthen its international trade relations to boost its economy. Russian economy relies on the exports of its natural resources which makes it vulnerable to boom and bust cycles that follow the volatile swings in global prices.

In the last decade Russia has increased its positioning for Pakistan. After 2015, trade deficit reduced considerably and fell to USD 19 million in 2017. According to the Federal customs service of Russia, the improvement observed in 2017 has continued for 2018 as well. In the First quarter of 2018, bilateral trade between Pakistan and Russia increased by 110.06% as opposed to the same quarter of the previous year.

Prospects are still bright for future trade, investments and joint ventures between the two countries. Surgical instruments, T-shirts of cotton and Frozen shrimps are identified as potential sectors to be exported to Russia.

In Surgical instruments, Pakistan won a share of 0.5% by exporting instruments worth of USD 4.6 million to Russia in 2017 which was USD 900 million more than the previous year's value. Whereas for cotton t-shirts Pakistan has 0.9% share in Russia. In 2017, Pakistan exported T-shirts of cotton worth USD 3.4 million. Pakistan can also export frozen shrimps to Russian federation. In 2017 Pakistan exported more than nine thousand tons of shrimps to the world market. These potential sectors need hierarchical changes and developments, As discussed in the recommendation section of the report, along with more exposure in Russian market. Marketing strategies in the trade shows need to be re-drafted according to the tastes and trends of the target audience. For Russia, where people can hardly use English as a means of communication, translators are highly recommended for effective promotion of the products in trade shows.

As the coal import for Russia has increased and Citrus fruits from Pakistan are finding their way in Russian market, the trade volume between the two countries is expected to increase further in the coming years.

## Country Profile

<i>Official name</i>	<i>Russian Federation</i>
<i>Capital</i>	<i>Moscow</i>
<i>Population</i>	<i>144m(2018)</i>
<i>Area (KM Sq.)</i>	<i>17,098,242</i>
<i>Language</i>	<i>Russian</i>
<i>Provinces</i>	<i>46</i>
<i>Neighbors</i>	<i>14 neighboring countries</i>
<i>Sea ports</i>	<i>Kaliningrad, Nakhodka, Novorossiysk, Primorsk, Vostochnyy</i>
<i>Currency</i>	<i>Russian ruble (RUB)</i>
<i>Russia day</i>	<i>12 June</i>

Table 1 Russia in a glance

The Russian federation is the world's largest country in terms of area, located in North Asia bordering the Arctic Ocean, extending from Europe to the North Pacific Ocean with 14 neighboring countries including Azerbaijan, Belarus China, Estonia, Finland, Georgia, Kazakhstan, North Korea, Latvia, Lithuania, Mongolia, Norway, Poland and Ukraine.

In terms of its resources, Russian is wealthiest in the world. It has the largest volume of forest; according to the CIA report about 49.4% of the area is covered with forests. The country is also known for its oil and gas reserves. The total proven reserves of oil were 14.5 thousand million tons in 2017 which was 6.3% of the world's total reserves. While for natural gas the reserve amount was 18.1% of the world's total i.e. 35 trillion cubic meters<sup>1</sup>.

As far as the production is concerned, Russia is the third largest producer of oil after United States and Saudi Arabia. It has produced 554.4 million tons of oil in 2017, according to the BP statistical review of world energy 2018. The growth was less than 0.05% from the previous year but since 2006 to 2016 the production has increased by 1.3%. For Natural gas, Russia is the second biggest producer after United States. It has produced 636 billion cubic meters of gas in 2017 which was 17% of the world's total production.

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<sup>1</sup> BP statistical review of world energy 2018  
CIA report, Russia

### *Economic Indicators*

<i>GDP- 2017 (\$)</i>	<i>1,527.47 billion</i>
<i>GDP growth</i>	<i>19% from 2016</i>
<i>GDP per capita (\$)</i>	<i>10,608.16</i>
<i>Total Investments</i>	<i>24.35 % of GDP</i>
<i>Gross national savings</i>	<i>26.98 % of GDP</i>
<i>Human development index</i>	<i>0.78</i>
<i>Economic grouping</i>	<i>Developing Country</i>

*Source: IMUNA, IMF data*

*Table 2 Economic indicators of Russia*

## **Economic Overview**

Russia got liberated from Soviet Union in 1991. She then suffered a decade of post -Soviet economic and political turmoil but has managed to move from a centrally planned economy to a market-based system and today has emerged as world's 12<sup>th</sup> largest economy in terms of GDP, despite of the widening of the western sanctions.

During the period of 1970, when Russia was Soviet Union, she faced the era of stagnation. After Soviet Union, a new Russian federation was formed under Boris Yetsin in 1991 who introduced market-oriented reforms along the lines of shock therapy but it did not work well. It came out to be a disaster and caused hyperinflation due to the lack of price controls.

The duration of 2000 to 2008 is considered as the time period of recovery and growth for Russia. GDP rose from USD 279.03 billion in year 2000 to USD 1,784.51 billion in 2008. The macroeconomic stability achieved in 2000 was due to devaluation of currency Rubble and rise in commodity prices. This stability lasted till 2008 but got disturbed by credit crunch and GDP fell by USD 470.83 billion in 2009 from the previous year. The timely response of Government and Central Bank helped Russia to recover in late 2009 from this short period of recession and GDP started to rise again from 2010 onwards.

Russia is no more an isolated country and has worked to establish and strengthen its international trade relations to boost its economy. Russian economy relies on the exports of its natural resources which makes it vulnerable to boom and bust cycles that follow the volatile swings in global prices. Low oil and natural gas prices brought down the gross domestic product of the country from USD 2,297 in 2013 to USD 1,281 billion in 2016. Table 1 below; show the Oil and Natural gas prices from 2013 to 2017.

**13.4% of the population lives below poverty line.**

- **Unemployment rate is 5.5%.**
- **Main human trafficking in Russia is forced labor according to the CIA report.**
- **About 13% of the total land is under agriculture of which only 0.1 % is for permanent crops.**

**Table 3 Natural gas and crude oil prices along the trends of Russian GDP**

Source: BP statistical review, \*Henry hub index natural gas \*\*Brent index \$/bbl. spot crude price

	2013	2014	2015	2016	2017
<b>*Natural gas (\$/million Btu)</b>	3.71	4.35	2.60	2.46	2.96
<b>**Crude oil \$/barrel</b>	108.66	98.95	52.39	43.73	54.19
<b>GDP \$ billion</b>	2,297	2,063	1,368	1,281	1,527



In 2017, Russian economy experienced its first positive development since 2014. The secondary sector participated for this growth; detail is shown in table below

Sector	% Growth from previous year	
	2017	2016
Mining	+1.4	-2.8
Electricity	+0.3	-0.4
Gas	+0.3	-0.4
Steam	+0.3	-0.4
Water supply	+0.4	+2.3
Manufacturing	+0.4	+2.3
Transportation	+3.7	-4.5
Wholesale and retail	+3.1	-5.6
Hotels and restaurants	+2.2	0.4
Financial and Insurance	+2.5	1.4
Administrative and related additional services	+2.0	-1.2
Real Estate	+2.2	+2.9
Information and communication	+3.6	+7.2
Agriculture	+1.2	+3.2

**Table 4 Sectors contributed for Russian growth in 2017**

Source: Trading Economic, Russian economy grow for first time in 3 years

The same growth in GDP extended for year 2018. Gross domestic product grew by 1.3% year-on year in the first quarter of 2018 and then by 1.8% in the second quarter of 2018<sup>2</sup>. The main expansion can be seen in financial, insurance, real estate, public administration, manufacturing and mining sectors of Russia. Hotel, Transport and restaurant sectors have also contributed in the expansion of GDP geared by holding World cup in Russia Ministry of Economic development has concluded, on the basis of the first half of the year 2018 that Russian economy has grew by 1.7%.

<sup>2</sup> Trading Economics



# Trade Profile of Russia

Russia was the 15<sup>th</sup> largest economy of the world according to the trade data of 2017 (ITC). Due to the country's reliance on its oil and gas export, it has managed trade surplus position since 1998. In 2015, it was narrowed down led by the fall in oil prices and sanctions imposed by Europe and US over Ukraine crises to which Russia responded with total ban on food imports from EU, United States, Norway, Canada and Australia. Consequently, the overall trade volume reduced from USD 842.21 billion in 2013 to USD 467.75 billion in 2016. The fall in volume was nearly 44 percent.

As the economy boosted in 2017 due to revival of commodity prices, the trade volume also grew by USD 119.61 billion nearly 25% from the previous year's volume whereas the trade surplus enhanced by USD 27.7 billion from USD 103 billion in 2016.

Though the country is experiencing increasing trade volume, the economy is still under the risks of sanctions. The sanctions by EU and US continued to be in effect as of 2018. In April

2018, Russia became the subject of new round of sanctions from US<sup>3</sup>. This will cause collapse of Russian rubble which has already fallen by 4.5% against the USD.

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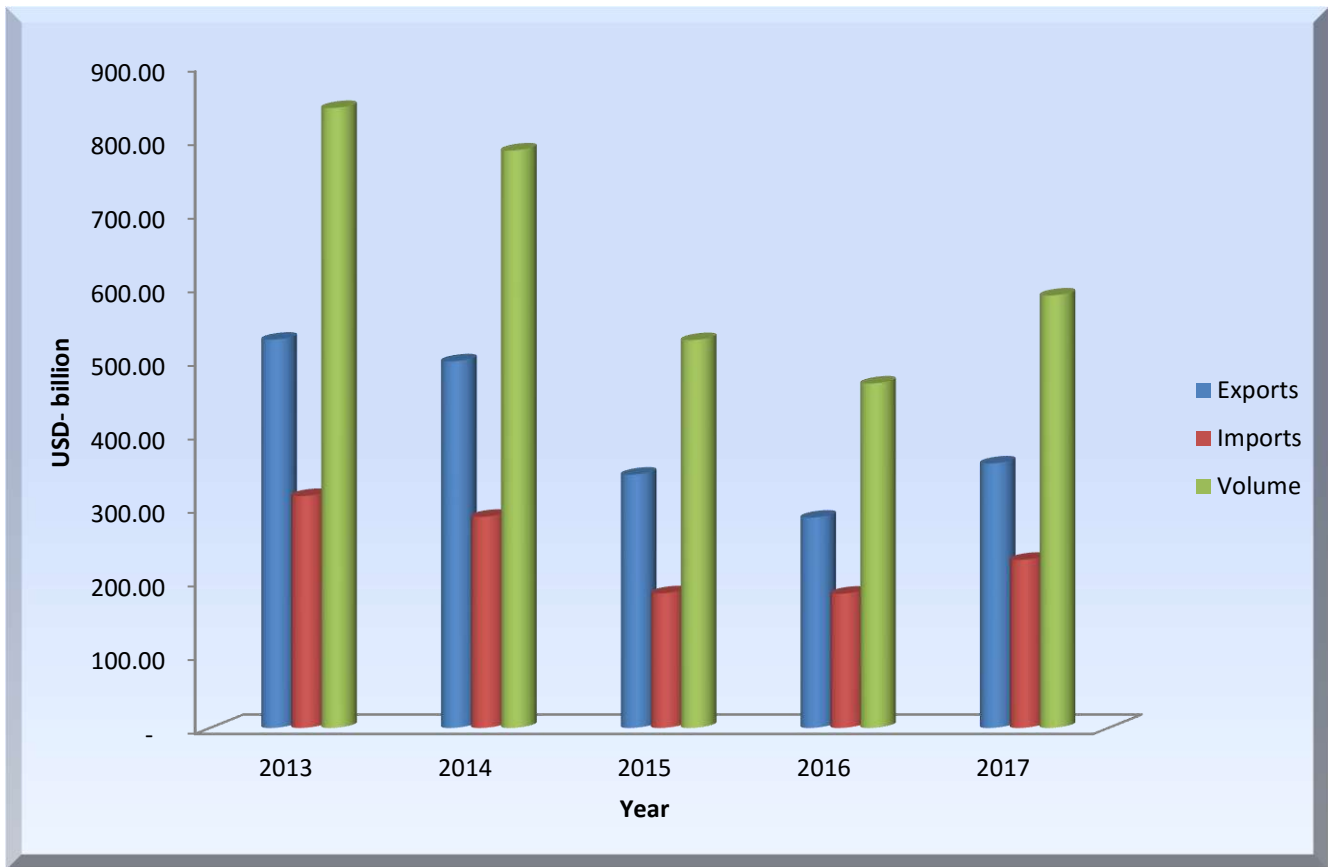
<sup>3</sup> Report of Hong Kong's Commercial council

**Table 5 Year-wise trade overview of Russia**

Trade of Russia (USD Billion)	2013	2014	2015	2016	2017
<b>Exports</b>	527.27	497.83	343.91	285.49	359.15
<b>Imports</b>	314.95	286.65	182.78	182.26	228.21
<b>Trade Volume</b>	842.21	784.48	526.69	467.75	587.36
<b>Trade Balance</b>	212.32	211.18	161.13	103.23	130.94

Source: ITC, Trade map

**Figure 1 Yearly trend in import and export of Russia**

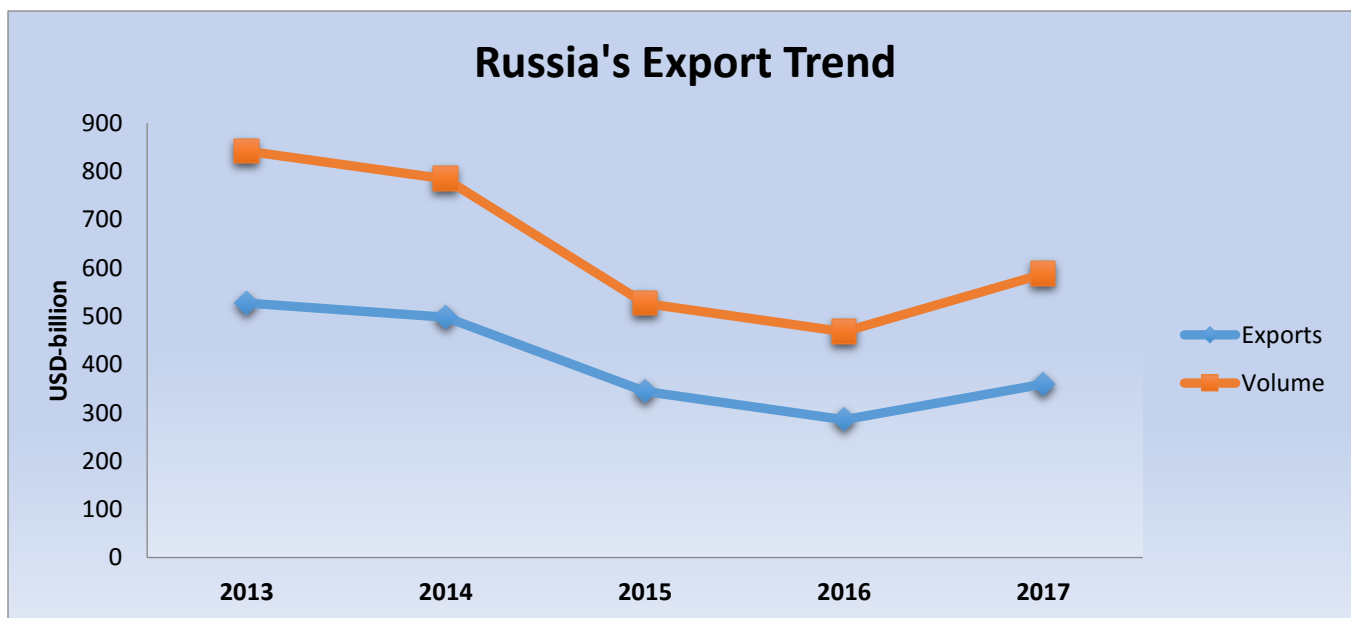


## Exports of Russia

In 2017, Russia was the top exporter of coniferous wood and iron products and the second big exporter of Oil, Coal, Wheat and Copper.

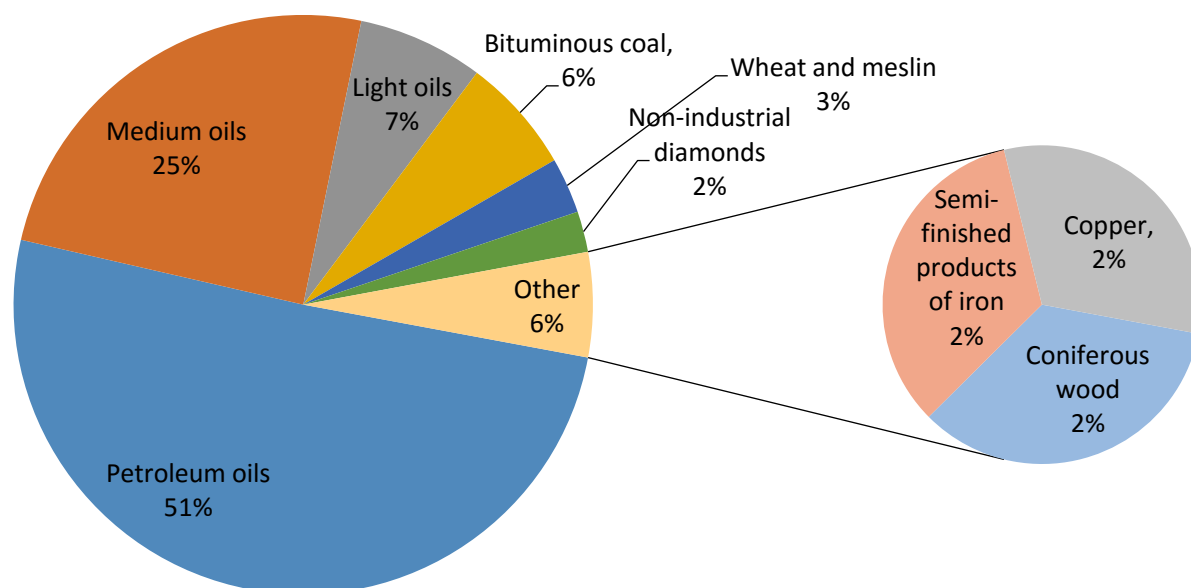
She exported commodities worth of USD 359 billion which was USD 73 billion higher from previous year's export value. Nearly 42% of the total export value was due to oil commodities categorically, Petroleum oil (26%), medium oil (13%) and light oil (4%). Figure 3 shows the share of main commodities in total Russian export of 2017.

The main export destinations of Russia are China, Netherlands, Germany, Belarus, Turkey and Italy. Netherland was a leading importer of Russian Medium and light oil till 2014, after which trade and political relation of two countries deteriorated due to the incidents like annexation of Crimea in 2014 and conflicts with Ukraine. From 2014 till date China holds an imminent position in Russian exports. In 2017, Russia exported commodities worth of USD 38 billion to China comprised mainly of Petroleum oil, light oil and bituminous Coal.



**Figure 2 Year wise Export of Russia**

Source: ITC, Trade map



**Figure 3 Percentage share of Commodities in Russian export**

**Table 6 Top merchandise exported from Russia at HS- 06 level, 2017**

HS Code	Product	Exported value- US billion	Annual growth 2016-2017%
270900	Petroleum oils	93.31	27
271019	Medium oils	45.34	29
271012	Light oils	12.91	20
270112	Bituminous coal	11.90	48
100199	Wheat and meslin	5.73	37
710231	Non-industrial diamonds unworked	4.18	-2
440710	Coniferous wood	3.73	26
720712	Semi-finished products of iron	3.62	43
740311	Copper, refined,	3.42	45
271111	Natural gas, liquefied	3.17	9
760110	Aluminum, not alloyed, unwrought	3.01	2
760120	Unwrought aluminum alloys	2.46	20
711021	Palladium,	2.45	37
710812	Gold,	2.36	160

## Imports of Russia

In 2017, Russia imports commodities worth USD 228 billion, making it 21<sup>st</sup> largest importer in the world. The annual reduction in Russian imports from 2013 to 2017 is 10% but a considerable gain of 25% has been recorded from the previous year in 2017. Figure 4 highlights the yearly trend of Russian import from 2013 till 2017.

Russia's economy is relying on imports for most manufactured goods. Figure 5 demonstrates the main sectors of import for Russia. Almost 94% of the import is from machinery and vehicle sectors.

At HS 06 level, the main commodities imported

by Russia in 2017 were medicaments, aero planes, telephones, machinery for liquefying air and motor cars. Description of each has been mentioned below in table5. As far as the supplying markets are concerned, Russia imported 48% of its required products from Europe while Asia and America contributed 41% and 10% respectively. On country basis, China, Germany and USA are the main imports for Russia where Germany held positive trade balance of USD 9.5 billion while China and USA held a share of 21.2% and 5.6% in Russia's total imports.

**Figure 4 Year-wise Imports of Russia**

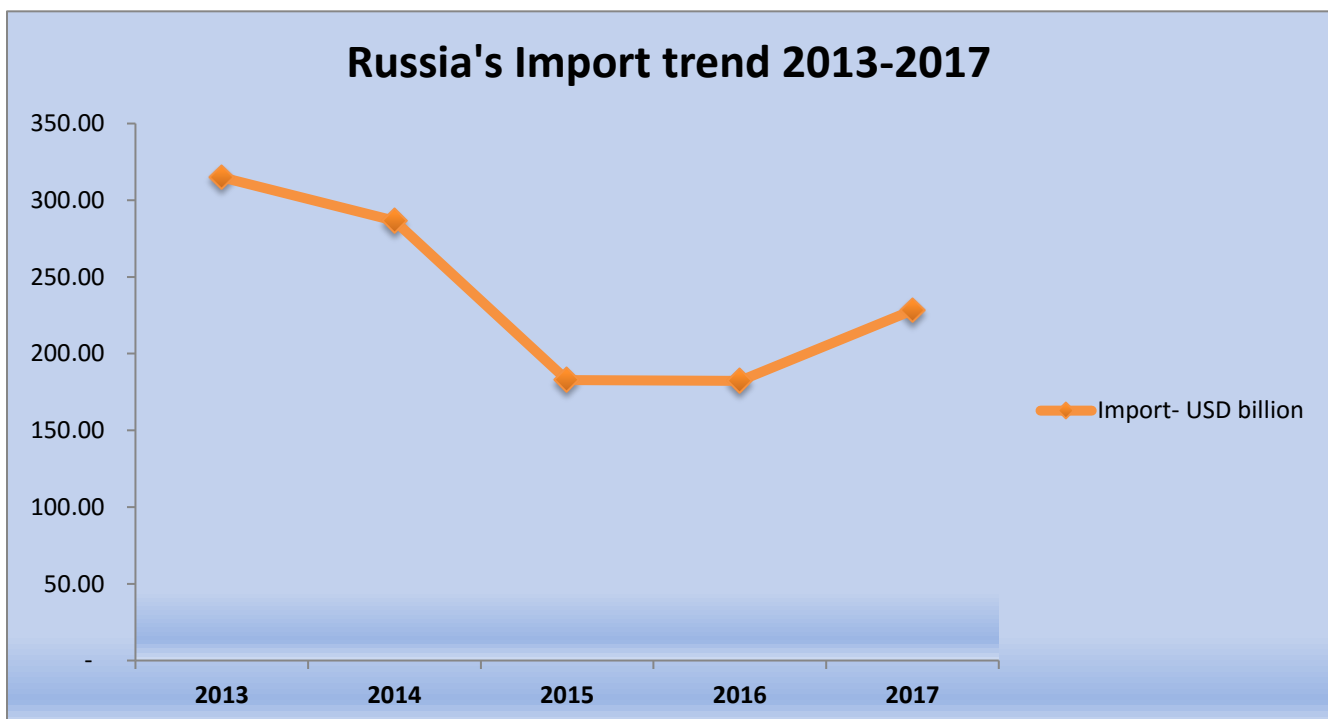
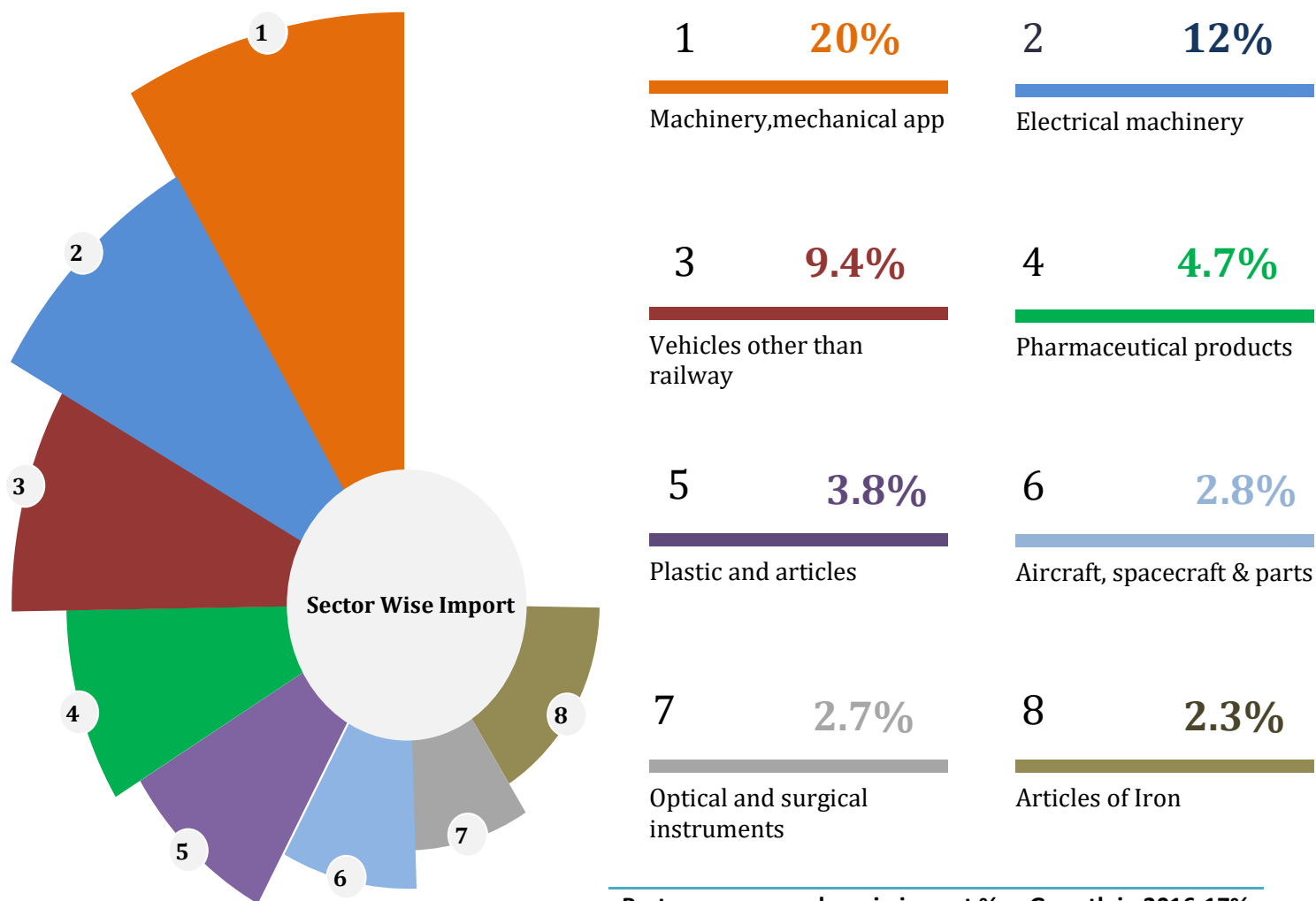


Figure 5 Sector-wise share in Russia's total import



Partner	share in import %	Growth in 2016-17%
China	21.2	27
Germany	10	17
USA	5.6	15
Belarus	5	21
Italy	4.3	26
France	4	8
Japan	3.4	16
Korea	3	36
Ukraine	2.2	25
Kazakhstan	2.1	31
India	1.3	21
Pakistan	0.1	3

Table 7 Top Suppliers to Russia (ITC)<sup>4</sup>

<sup>4</sup> Trade map  
[https://www.trademap.org/Country\\_SelProductCountry.aspx?nvpm=1|643|||TOTAL||2|1|1|1|1|1|2|1](https://www.trademap.org/Country_SelProductCountry.aspx?nvpm=1|643|||TOTAL||2|1|1|1|1|1|2|1)

**Table 8 Top merchandise imported by Russia  
at HS- 06 level, 2017 (ITC)<sup>5</sup>**

HS code	Product	Imported Value USD million	Share in world imports	Tariff	NTM
<b>300490</b>	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	6,286.6	2.2	3.6	22
<b>880240</b>	Aeroplanes and other powered aircraft of an of an unladen weight > 15000 kg (excluding helicopters ...	6,148.9	4.7	8.3	4
<b>851712</b>	Telephones for cellular networks "mobile telephones" or for other wireless networks	5,312.8	1.8	0	8
<b>841960</b>	Machinery for liquefying air/other gases	4,553.7	82.9	0	7
<b>870323</b>	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	2,416.8	0.8	19	6
<b>847130</b>	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a ...	1,857.6	1.3	0	13
<b>870333</b>	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1,797.3	5.1	14.8	6
<b>870829</b>	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more ...	1,575.9	2.2	1.6	2
<b>841989</b>	Machinery, plant or laboratory equipment, whether or not electrically heated, for the treatment ...	1,533.5	16.6	0	9
<b>281820</b>	Aluminium oxide (excluding artificial corundum)	1,468.4	11.8	0	6
<b>851762</b>	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	1,437.9	0.9	0	12
<b>848180</b>	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	1,374.3	2.8	4.3	12
<b>870710</b>	Bodies for motor cars and other motor vehicles principally designed for the transport of persons	1,327.9	28.3	82.9	1

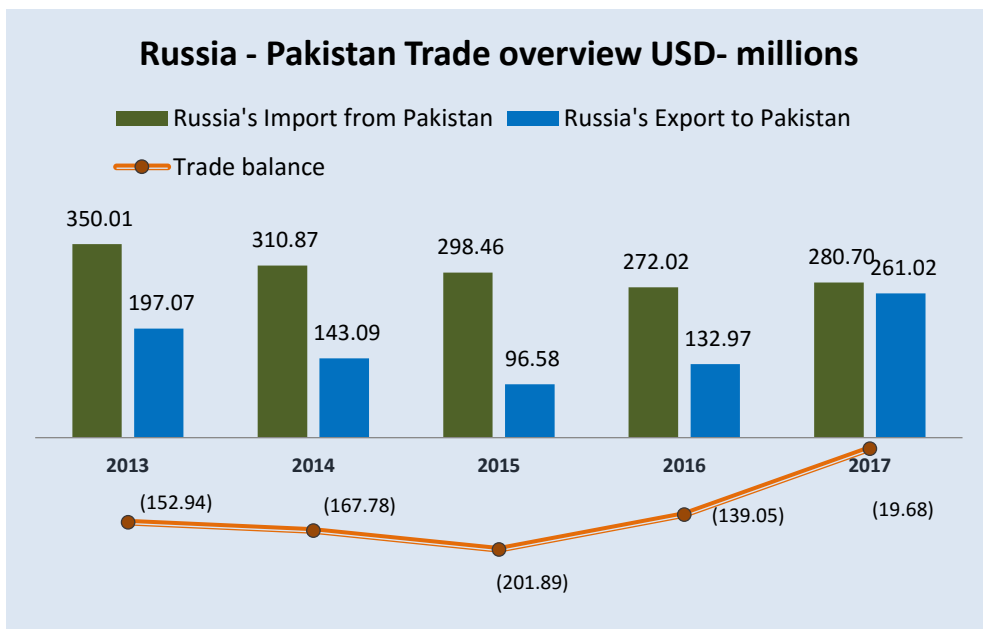
<sup>5</sup> Trade map  
[https://www.trademap.org/Product\\_SelProductCountry.aspx?nvpm=1|643|||TOTAL||6|1|1|1|1|1|1|1|1](https://www.trademap.org/Product_SelProductCountry.aspx?nvpm=1|643|||TOTAL||6|1|1|1|1|1|1|1|1)



## Russia- Pakistan Bilateral Trade

Pakistan and Russia have faced uneasy bilateral relations in the cold war period. That phase ended up in 1991 with the dissolution of Soviet Union. Various foreign policies have been revised and implemented till date to develop better ties on both sides. Progress has achieved after 2001 and in the last decade Russia has increased its positioning for Pakistan.

Russia experience trade deficit with Pakistan. Figure 7 below shows the bilateral trade scenario for last five years. Trade deficit was at its maximum in 2015 when Pakistan imported commodities worth USD 96 million from Russia and exported goods of USD 298 million in the same year. After 2015, trade deficit reduced considerably and fell to USD 19 million in 2017. According to the Federal customs service of Russia, the improvement observed in 2017 has continued for 2018. In the First quarter of 2018, bilateral trade between Pakistan and Russia increased by 110.06% as opposed to the same quarter of the previous year.



**Figure 7 Pak- Russia Bilateral Trade Overview (2013-2017) (Trade map)**

**Figure 6 Pak- Russia trade statistics for Q1 of 2018<sup>6</sup>**

Quarter	Imports from Pakistan USD-million	Exports to Pakistan USD-million
2017 (Q1)	106	49
2018 (Q1)	115	211
Change	+8.67%	+328.09%

<sup>6</sup> Calculated based on statistics of Federal customs service of Russia (Quarterly economic report April-June CC Russia)

## Russia's Exports to Pakistan

With the revival of commodity prices, oil and natural gas, Russia's export to the world increased by 26%. For Pakistan, Russia has successfully enhanced its export by 96% from 2016 to 2017. After the cold war era, many

were USD 261 million which was the highest value recorded since 2008. The maximum increase observed was for <sup>7</sup>bituminous coal (270112) and <sup>8</sup>Helicopter (880212).

### ***Russian helicopters imported in 2017***

*Russia imported four Mi- 35 M helicopters to PAAC (Pakistan Army Aviation Corps) in august 2017. The import was in accordance of the contract of value \$ 153 million, signed during COAS General Raheel's visit of Russia in 2016. PAAC could purchase 20 such helicopters in coming years according to the military sources.*

*The Mi- 35 is a multifunctional helicopter based on Mi- 24V developed by Mil Moscow Helicopter plant.*



### ***Russian Coal Imported in 2017***

*Government of Pakistan imposed ban on Oil- fired power generation which caused reduction of oil import on one hand and enhanced Coal and LNG import on the other hand for 2017.*

*But the decision caused financial losses for state owned PSO and led Government to lift the ban on the use of furnace oil in 2018 and resume the import of oil for meet growing demand from power plant.*

factors worked together to strengthen Pakistan's political and economic relationship with Russia. In 2017, the exports from Russia

<sup>7</sup> <https://tribune.com.pk/story/1677687/2-restrictions-gone-govt-removes-ban-furnace-oil-imports-power-demand-rises/>

<sup>8</sup> <https://thediplomat.com/2018/04/pakistan-begins-receiving-advanced-attack-helicopters-from-russia/>

**Table 9 Top merchandise Exported to Pakistan at HS- 06 level, 2017**

HS code	Product	Value \$ million	Tariff Applied by Pakistan	NTM applied by Pakistan
<b>270112</b>	Bituminous coal, whether or not pulverised, non-agglomerated	28.16	3	0
<b>880212</b>	Helicopters of an unladen weight > 2000 kg	28.08	3	1
<b>480100</b>	Newsprint as specified in Note 4 to chapter 48, in rolls of a width > 36 cm or in square or ...	23.15	11	0
<b>720839</b>	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	17.05	16	0
<b>720917</b>	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	16.93	16	0
<b>071310</b>	Dried, shelled peas "Pisum sativum", whether or not skinned or split	16.62	3	1
<b>720916</b>	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	14.59	16	0
<b>280300</b>	Carbon (carbon blacks and other forms of carbon, n.e.s.)	14.48	16	0
<b>730210</b>	Rails of iron or steel, for railway or tramway track (excluding check-rails)	13.00	16	0
<b>071320</b>	Dried, shelled chickpeas "garbanzos", whether or not skinned or split	12.59	3	1
<b>300230</b>	Vaccines for veterinary medicine	9.68	11	2
<b>480421</b>	Unbleached sack kraft paper, uncoated, in rolls of a width > 36 cm (excluding goods of heading ...)	7.87	16	1
<b>720838</b>	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	6.90	16	0
<b>284130</b>	Sodium dichromate	5.06	3	0

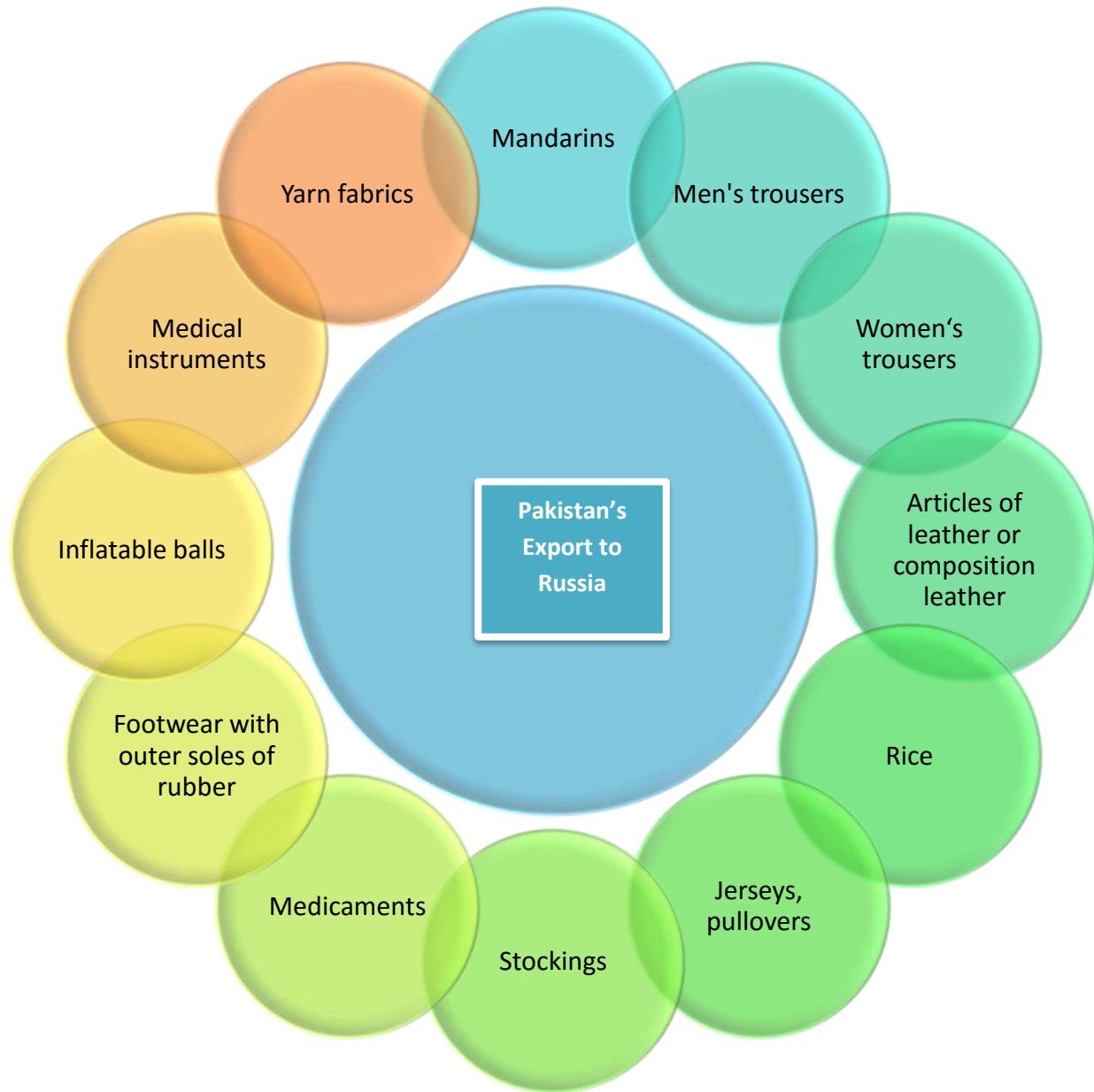
## Russia's Imports from Pakistan

Reduction in world's demand, since 2013, has also casted its impact on Pakistani exports. Exports from Pakistan to Russia are signaling downward trend and have reduced annually by 6 percent but Pakistan's ranking as an exporter to Russia has improved over 2017. An improvement of about 30% has observed in 2017 from the previous year. Goods worth USD 280 million have exported which enabled Pakistan to won 0.12% share in Russian market. In value terms the top exported items were

mandarins, trousers of cotton, leather articles and rice. The aforementioned sectors Pakistan has lost value in international market but their share in Russia has improved<sup>9</sup>. The share can be improved further with better marketing strategies. Comparison of Pakistani export to Russia with the total import of Russia for last 5 years has been illustrated in figure below.

**Figure 8 Comparison of Russia's Imports from world and from Pakistan for last 5 years**





**Figure 9 Major Import commodities of Russia from Pakistan at HS- 06 level**

**Table 10 Top merchandise imported from Pakistan at HS- 06 level, 2017**

Source: ITC Trade Map

HS code	Product	Value \$ million	Tariff applied by Russia %	NTM by Russia
<b>080520</b>	Fresh or dried mandarins incl. tangerines and satsumas, clementines, wilkings and similar citrus ...	51.61		
<b>620342</b>	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	34.68	9	25
<b>620462</b>	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	22.75	9	4
<b>420310</b>	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	15.88	10	4
<b>100630</b>	Semi-milled or wholly milled rice, whether or not polished or glazed	11.95	8	8
<b>611020</b>	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	9.77	6	26
<b>611595</b>	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	8.45	10	4
<b>300440</b>	Medicaments containing alkaloids or derivatives thereof, not containing hormones, steroids ...	7.95		4
<b>640399</b>	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	6.88	5	22
<b>610342</b>	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	5.75	10	3
<b>950662</b>	Inflatable balls	5.23	5	5
<b>901890</b>	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	4.63	1	3
<b>540784</b>	Woven fabrics of yarn containing predominantly, but < 85% synthetic filament by weight, incl. ...	4.22	10	6
<b>640391</b>	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, ...	4.05	4	4
<b>520912</b>	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup> , in three-thread ...	3.91	10	3

## Potential Trade scenario

Exports from Pakistan have improved from year 2016 to 2017. Prospects are still bright for future trade, investments and joint ventures<sup>10</sup> between the two countries.

In this report sectors/ commodities have been identified which could be improvised to enhance Pakistan's share in Russia.

A 3 tier criteria has been set for identification of the potential commodities at HS 06 level. For potential product;

- 1) Pakistan's export of the specific product to the world should be more than USD 50 million.
- 2) Russia's import from the world should be more than USD 100 million.
- 3) Pakistan's current share in Russian market should be less than 10%.

Products qualifying the above-mentioned criteria are considered potential for Pakistan.

According to the above-mentioned criteria<sup>10</sup> products have been identified which can be classified as.

- Trousers of cotton
- Footwear

- Instruments and appliances used in medical
- T shirts of cotton or textile material
- Potatoes
- Sugar confectionaries
- Medicaments

Other than these sectors, some areas have also been identified using the same 3 tier criteria where Pakistan have not performed yet in Russia but Pakistan do have a prominent share in the international market.

These commodities are;

- Cane or beet sugar
- Waste and scrap of copper
- Chromium ores
- Paper and paper boards
- Frozen shrimps

Efforts could be made to enhance the market share for already existing products while new channels could be established to introduce the above mentioned yet ignored products to enhance export volume to Russia.

Detail position of potential products has been mentioned in the Table below.

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<sup>10</sup> <http://www.ipripak.org/wp-content/uploads/2014/02/art4han.pdf>



**Table 11 Potential Products from Pakistan to Russia at HS- 06 level**

Source; Calculations based on data from ITC

HS code	Product	Pak export to world \$-mn	Russia's Import from world \$-mn	Pak share in Russia	Tariff	NTM
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	410.42	352.71	9.83	9	4
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	197.08	346.81	6.56	9	4
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	68.99	774.27	0.89	5	3
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	360.58	900.82	0.51	1	6
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	197.76	387.97	0.88	5	4
070190	Fresh or chilled potatoes (excluding seed)	80.84	205.94	0.84	8	21
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	61.78	177.82	0.39	13	15
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	106.42	134.95	0.26	3	4
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	811.87	114.42	0.30	5	10
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	70.79	6,286.66	0.00	4	22
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar ...	342.90	119.83	0.00	23.6	15
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes,	85.88	171.24	0.00	0	2
261000	Chromium ores and concentrates	104.30	175.50	0.00	3.2	3
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated,	81.07	100.23	0.00	4.7	2

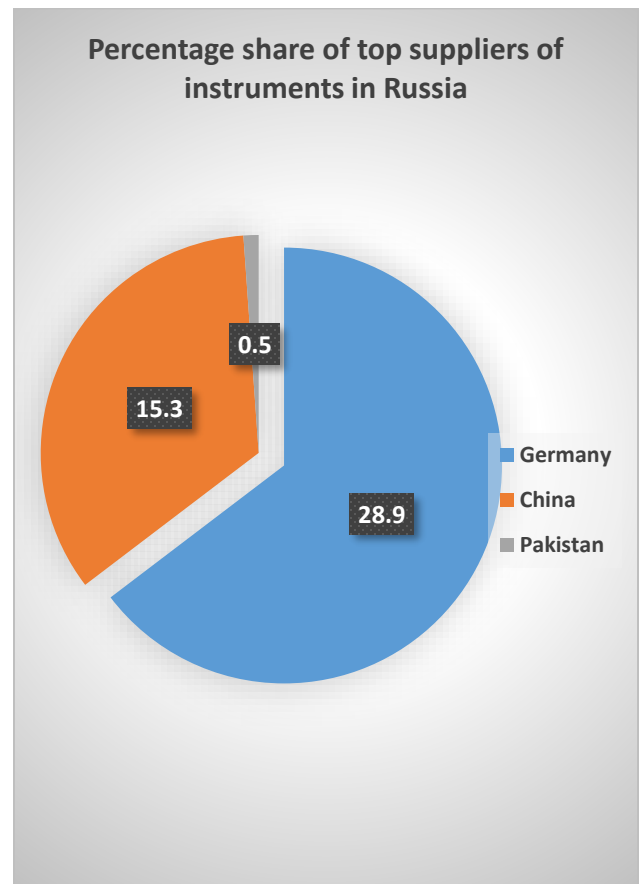


## Instruments and appliances used in medical, surgical or veterinary sciences

Russia is the 16<sup>th</sup> big importer of medical and surgical instruments (HS 9018). In 2017, Russia imported 42 million tons of instruments from all over the world which was 7% higher from the previous year in terms of value. Tariff rate applied by Russia is comparatively (1.2%) less than rest of the top importers.

At HS 06 level, the highest imported instrument were Instruments and appliances used in medical, surgical or veterinary sciences (HS 901890). In 2017, USD 900 million worth of surgical instruments were being imported by Russia.

The top suppliers of surgical instruments in Russian market are Germany and China. Figure shows the presence of exporters in Russian market.



**Figure 10 Competitors for surgical instruments in Russian market**

Pakistan has a share of 0.5% by exporting instruments worth of USD 4.6 million to Russia in 2017 which was USD 900 million more than the previous year's value. The increment of 24 percent was mainly because of the enhanced unit price charged for year 2017. Due to the increase in unit price the quantity of the product exported reduces for both Russian and international market.

Germany is a world leader in surgical instruments and has retained its leading position for Russia as well. But unlike the world's scenario, where share of German instruments is increasing, she has faced declining share for 2017 in Russian market. Table shows the Competitive analysis of the two leading exporters in Russian market and compares the situation for Pakistan

**Surgical Sector of Pakistan**

*In Pakistan, Sialkot is the hub for surgical instruments in which 2500, small medium and large sized registered firms produce over 150 million pieces a year of surgical instruments. Over 300 companies are ISO-9002 certified while 250 companies are certified for Good Manufacturing Practice. Government of Pakistan has taken few initiatives to bring the cluster in line with international quality standards as well. In 2001, Sialkot Material Testing Laboratory was being established for this purpose. The laboratory is equipped with modern, sophisticated and HI-Tec testing equipment. Pakistan Council for Scientific and Industrial Research (PCSIR) works for coating services but it is not sufficient to meet the increasing demand of the international buyers for quality coating. Source: TRTA(II), SIMAP*

**Table 12 Competitive analysis for instruments-901890**

Competitor	Germany	China	Pakistan
<b>Value exported - (000 USD)</b>	260,074.00	137,757.00	4,633
<b>Share in Russia</b>	28.9	15.30	0.5
<b>Unit price/ton</b>	46,458	14,390	42,505
<b>Tariff</b>	1.1	1.1	1.1
<b>Improvement in Value \$ 2016--2017 %</b>	-6	16	24
<b>Improvement in quantity 2013--2017 %</b>	1	1	-13

## Germany's Export Strategies

Germany is known as the world's center of surgical equipment. The sector got benefit from many social and economic factors. Germany's stable politics, high investment in business sophistication, ageing population, high health standards and high public health expenditure provides a smooth domestic platform for the sector to base international competitiveness for their product.

Quality of the raw material also creates value for the sector. High competitiveness of Germany's surgical instruments which allows for a strong export orientation is due to the sophisticated technical standards followed by the supportive industry, mainly steel. The provision of quality steel on time allows the surgical firms to complete their orders on due date and earns the reputation for timely delivery.

Germany has highest intensity of research and innovation in medical technology in Europe and third-largest in the world. Though 90% of the firms in Tuttlingen cluster are SMEs but they have dynamically updated their traditional

product portfolios with technological advancement. Production of surgical instruments requires a high degree of manual work. Therefore, companies from Tuttlingen outsource the shaping, which involves milling and grinding of the steel casting, to Sialkot.<sup>11</sup>

In order to promote competitiveness, German federal Government three large scale "*cluster development initiative*" namely;

- 1) Go- Cluster program<sup>i</sup>
- 2) The leading-edge Cluster Competition<sup>ii</sup>
- 3) Entrepreneurial Regional initiative<sup>iii</sup>

The aim of the program was to support local cluster at national level, strong regional association for international competition and addressing international challenges. To keep connectivity between different actors within and outside the medical cluster Medical platforms have been organized. whose function involves lobbying, technology development through forums and R&D projects, promote education through cluster and work for internationalization of products through network event, partnership with other international clusters and hosting exhibition.

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<sup>11</sup><https://www.hhs.se/contentassets/f51b706e1d644e9fa6c4d232abd09e63/sse-tuttlingen-medical-instrument-cluster.pdf>

Members are encouraged to participate in these exhibitions by offering discounts.

## MARKETING INITIATIVES OF GERMANY FOR SURGICAL SECTOR

<b>Event</b>	<b>Date</b>	<b>visitors</b>
Medica	November 2017	50,000-200,000
International Dental show	March 2017	155132
CPhI Worldwide	October 2021	45,000
RehaCare International	September 2019	20,000-50,000
Medtec Europe	April 2018	6,000

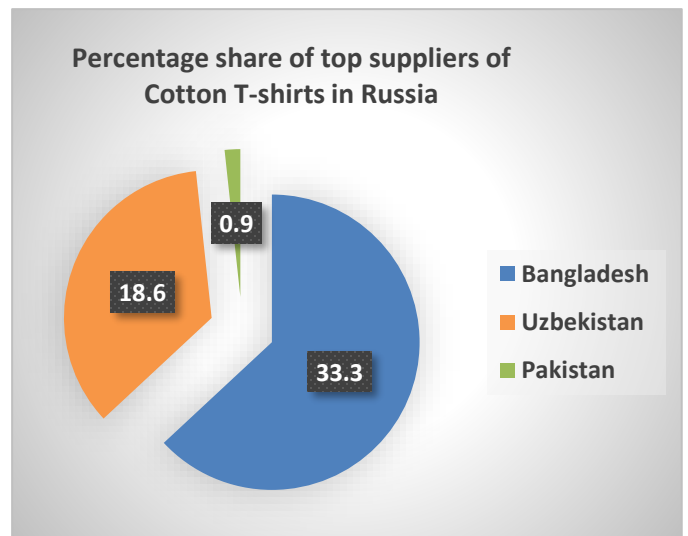
*Table 13 Marketing Events arranged by Germany for surgical sector*



### T-shirts, singlets and other vests of cotton, knitted or crocheted

Russia ranks 13<sup>th</sup> in the list of top importers of articles of apparel and clothing accessories (HS 61). Her imports represent 1.6% of the world's total import value. There is rising demand for this product in Russian market. The growth in import value for the year 2017 was 24% from the previous year. The highest value recorded at HS 6 level was for T- shirts and other vests of cotton (610910) whose import value stood more than USD 380 million in 2017.

Russia is the 16<sup>th</sup> big importer of T-shirts of cotton with a total demand of more than 20,000 tons and offers a comparatively higher unit price after China and Belgium for the same. As far as restrictions are concerned, Russia applies a comparatively low tariff of 4.7% with



**Figure 11 Competitors for Cotton T-shirts in Russian market**

only 4 non-tariff requirements. Due to rising demand and low trade related restriction, T-shirts of cotton is a potential area for Pakistani exporters. The leading exporters of textile in Russian markets are Bangladesh and Uzbekistan

Pakistan has 0.9% share in Russia. In 2017, Pakistan exported T-shirts of cotton worth USD 3.4 million. Table below shows the comparative analysis of the two leading exporters in Russian market and compares the situation for Pakistan

*Pakistan is concentrating on European countries where it is enjoying zero tariffs under GSP Plus scheme. Russian Federation is an ignored area comparatively. Analysis at Hs-06 level for the top importers of Pakistani Product showed that Russia has offered a comparatively high unit price (\$18,593/ton) as compared to other importers of Pakistani t-shirts (610910) in 2017.*

### Textile Sector of Pakistan

The textile sector is the largest industrial sector of Pakistan. According to economic survey of Pakistan 2016-17 the sector employs nearly ten million people.

Pakistan is 4th largest cotton producer country with a need to import a minimum quantity of cotton from the world. Still the unit value of Pakistani textile products is more than our other regional competitors.

Source: TRTA(II), BIO

**Table 14 Competitive analysis for Cotton T-shirts 610910**

Competitor	Bangladesh	Uzbekistan	Pakistan
Value exported - (000 USD)	129,064.00	72,343.00	3,419.00
Share in Russia	33.30	18.60	0.90
Unit price/ton	17,758.00	12,707.00	28,025.00
Tariff	5	zero	5
NTM	4	4	4
Improvement in Value \$ 2016--2017 %	37	10	42
Improvement in quantity 2013--2017 %	12	-3	39



## Bangladesh's Export Strategies

Despite being the top importer of cotton Bangladesh has managed to retain its position as the second leading exporter of textile and garments after China.

The textile sector of Bangladesh is the largest labor-intensive sector and accounted for about 15% of the country's GDP. In 2017 Bangladeshi apparel export recorded an imminent value of USD 17.6 billion and super passed the world's growth of 4% from 2016 to 2017.<sup>12</sup>

For shirting fabric, cotton is the most comfortable fiber. Bangladesh imports cotton from neighboring cotton producers namely China, India and Pakistan.

The import of cotton has seen a growth of 16% from 2016 to 2017. This growth in import has been forecasted by USDA to enhance its magnitude for 2018/2019 due to the increased use by textile mills to meet the higher demand of the RMG sector. Government of Bangladesh is constantly working to modernize 208 garment factories of the country and not letting its dependency on cotton import to hamper the textile and garment sector.

In order to prevent RMG sector Government of Bangladesh has maintained duty free incentive for raw material import. Her focus is to attain quality status for its product and green status for companies by complying with international standards of health and safety at work place. In this regard, an agreement has also been signed between International Finance Corporation and Bangladesh Garment Manufacturers and Exports Association. For quality improvement "Textile Law 2018" has been drafted which covers monitoring of quality standards like paints and chemicals used for the textile product.<sup>13</sup>

A further boost for the sector is the establishment of Export processing zones in different parts of the country.<sup>14</sup> Zones having majority of textile and garment enterprises are Chittagong EPZ, Dhaka EPZ, Comilla EPZ, Adamjee EPZ, and Karnaphuli EPZ. Bangladesh Export Processing Zone Authority (BEPZA) is working to attract and facilitate foreign investment for these zones. The authority has signed an agreement with the Bangladesh

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<sup>12</sup> Trade map (2017)

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<sup>13</sup> Gain Report Number BG 1804 dated 4/4/2018

<sup>14</sup> <https://www.bepza.gov.bd/>

Garment and Manufacturers and Exporters Association of USD 2 billion for the establishment of Garment Park in Mirsarai Economic Zone.<sup>15</sup>

## MARKETING INITIATIVES OF BANGLADESH FOR APPAREL AND GARMENT SECTOR

Event	Date	visitors
Dhaka international Yarn and Fabric show	January 2018	50,000-200,000
Yarn and Fabric sourcing Fair	January 2018	20,000-50,000
Bangladesh Fashion Carnival	April 2018	20,000-50,000
Bangladesh Denim Expo	May 2018	20,000-50,000
Garmentech Bangladesh	January 2018	50,000-200,000

*Table 15 Marketing events arranged by Bangladesh for garments sector*

<sup>15</sup> USDA Foreign Agricultural service report BG 1804 dated 4/4/2018



**Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns**

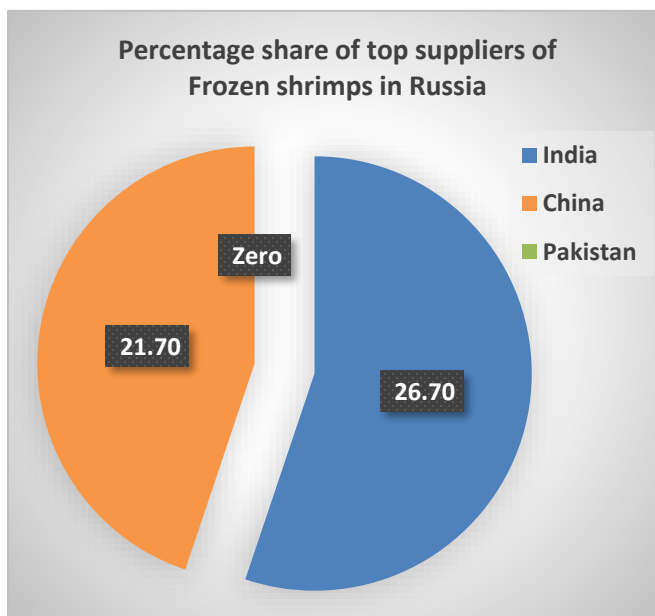
Shrimps and prawns are being classified under the sub-phylum of Crustaceans, which are arthropod taxon. The other species in the sub-phylum are crabs, lobsters, crayfish, shrimp, krill, woodlice and barnacles. The world's demand for crustaceans (HS 04- 0306) is increasing. From 2013 to 2017, 4% of the increment has been noted.

Russia is the 19<sup>th</sup> leading importer of crustaceans and have imported nearly 37 thousand tons in year 2017 according to the trade map data. The increase of 19% in the total import value from the previous year and a comparatively low tariff rate of 3.5% makes it a potential sector for exporters. Though Russian

Government is supporting the domestic fishery sector by approving the federal law on aquaculture (2014) but factors like slow fleet development, poor port infrastructure and low processing facilities are hindering progress of the sector which lags in terms of aquaculture development compared to the rest of the world. So, for the current demand, Russia will continue to be dependent on imports.<sup>16</sup>

Analysis at HS 06 level revealed that, Russia imported USD 188 million worth of frozen shrimps and prawns in 2017 which was 17% higher than previous year import. India and China fulfilled 27% and 22% of this demand by supplying shrimps and prawns of USD 50

<sup>16</sup> Gain report Number: RS1482 Government Discusses the Future of the Russian Fishery Sector



**Figure 12 Competitors for Frozen shrimps in Russian market**

million and USD 40 million respectively. Pakistan has the capacity to export the same product at HS 06 level. In 2017 Pakistan exported more than nine thousand tons of shrimps to the world market. The main destinations were UAE and China where Pakistan has the advantage of exporting at zero tariff rate

Table below shows the Competitive analysis of the two leading exporters in Russian market and compares the situation for Pakistan

*Russian federation can be an attractive target for Pakistani shrimps as she imposes a low tariff of 2.8%.*

**Table 16 Competitive analysis for frozen shrimps 030617**

Competitor	India	China	Pakistan
Value exported - (000 USD)	50,163.00	40,826.00	-
Share in Russia	26.70	21.70	-
Unit price/ton	6,835.00	6,132.00	-
Tariff	2.80	2.80	2.80
NTM	N/A	N/A	N/A
Improvement in Value \$ 2016--2017 %	21.00	(11.00)	-
Improvement in quantity 2013--2017 %	12.00	(17.00)	-

## India's Export Strategies

India is the top supplier of shrimps not only in Russia but also in international market. India has won 25% of the world's share for shrimp and prawn export and has enhanced its supplying pace by two folds with the growing demand of the world.

In Russian market the trajectory of shrimp import had fallen from 2013 to 2016 and showed improvement of 17% only from 2016 to 2017 but India has managed to maintain its growth for both value and quantity in Russia and even won the lost market share of China.

Economic survey of India- 2017 showed that shrimp export grew at the rate of 29.5%, fastest of all commodities. Government of India is committed towards safe and sustainable sea food production and has taken many initiatives till date.

India has an advantage of having a vast coastline of 8,118 km with 1.2 million hectare of brackish water area 14% utilization of which can earn one lakh ton of shrimps for India. Aquaculture is also adding to the total shrimp quantity available for export.

In order to enhance their international presence and to achieve the set target of USD 10 billion of seafood export by 2022, India is promoting export-oriented organic shrimp production, boosting aquaculture, preventing disease and pathogens at production level and building linkages for quality and traceability for improved market access of Indian seafood.

An extensive processing capacity has been established in India to promote the sector. 64% of the processing is through EU approved plants. In 2010, a pre-processing center has also been established in Kerala to improve the peeling practice and to meet ever increasing sanitary conditions of the international market.

India International Seafood Show (IISS) is one of the biggest seafood fairs in Asia which provides a biennial platform for promotion of Indian marine products in the international market. The show has marked the establishment of trade relations between various stakeholders of the marine sector which proves beneficial for the progress of the Indian seafood export. In 2018, Marine Product Export Development Authority (MPEDA) and Seafood Export Association of India (SEAI) jointly organized the

show (IISS) in which 3000 delegates from 12 countries participated.

### ***India- Russia Bilateral relations***

- *Two- Way investments have already crossed USD 30 billion target, which was being set for 2025. India invested \$ 5.5 billion in Russia's oil sector while Russian investment in India is of \$ 12.9 billion.*
- *Visa liberalization, E-visa allowed for Indian citizens.*
- *India- Russia Business summit involving major companies of different sectors from both sides.*
- *India's economic ties strengthened with Russian Far East through India- Russia Business dialogue at Eastern Economic Forum.*
- *India is working to bridge gap between business communities by understanding laws and regulations in Russia.*
- *Many initiatives like Green corridor, International North- South transport Corridor and Investment Promotion and Protection Agreement in place to facilitate investment and trade between the two countries.*

*Source: Government of India, Ministry of external affairs*

*Ministry of economic development of Russian federation*

*Federal Custom service of Russian Federation*

## SWOT analysis

### Strengths

- Pakistan has an inherent advantage of being 4<sup>th</sup> largest producer of cotton.
- Pakistan has the advantage of comparatively low cost and cheap labor force.
- Sialkot cluster has emerged more than 100 years ago. Long history has created specialized technical expertise in surgical sector.

### Weaknesses

- According to Shaohui Zhang, head of Chinese delegation Pakistan has high quality Cotton and labor but due to less technological advancement the production capacity of spindles is very low.<sup>17</sup>
- Surgical sector of Pakistan is facing difficulties in terms of increasing cost of production and pressures in meeting dead line due to huge lead time in import of steel.<sup>18</sup>

- Surgical instrument's export suffers loss due to the export of semi and un-finished products.<sup>19</sup>
- No brand name developed for surgical sector yet.

### Opportunities

- The purchasing power of Russia is decreasing.
- Cotton growing is not popular amongst Bangladeshi farmers as they harvest crops with short season cycle and prefer to harvest more crops in a year. Despite the efforts of Bangladesh Government, it will continue to be a cotton importer.<sup>20</sup>
- China is interested to relocate Chinese textile industry to Pakistan due to the increasing cost of doing business and environmental challenges in China. The joint ventures would be benefiting the textile industry of Pakistan.<sup>21</sup>
- Exporters lack compliance knowledge for Russian Market.

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<sup>17</sup> Textile Journal of Pakistan- Shao

<sup>18</sup> <http://trtapakistan.org/wp-content/uploads/2011/01/Sector-Report-Industrial-Products.pdf>

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<sup>19</sup> Surgical instrument manufacturers association of Pakistan

<sup>20</sup> USDA

<sup>21</sup> Tianjin Peoples Association for Friendship with Foreign Countries, Vice President Chen Weiming statement



- Pakistan lags behind for research and innovation. Testing centers are also limited both in numbers and service.
- Shrimp hemocyte iridescent virus (SHIV) has recently been detected in China's shrimps.<sup>22</sup>
- US has recently launched a complaint against India's claiming various export duties which are allowed for only developing countries and are no longer applicable to India.
- Export- Driven companies in Germany for surgical instruments face high energy and labor cost.
- Technology piracy mainly from China is a constant threat for German firms.<sup>23</sup>
- Working conditions in Pakistan are not line with international standards of health and safety at work place.

## Threat

- Financial constraints restrict the participation of Pakistani Exporters in International trade shows.
- Exporters lack interest for Russia which is a distant market.

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<sup>22</sup> Undercurrent news- seafood business news from beneath the surface

<sup>23</sup>

<https://www.hhs.se/contentassets/f51b706e1d644e9fa6c4d232abd09e63/sse-tuttlingen-medical-instrument-cluster.pdf>

## Recommendation

- The only way forward for garment sector is to invest in latest and efficient technology. Only then the world's growing demand for diversified products can be met. Through improved technology
- Pakistan can also enter into new areas of textile like organic and technical textiles. Attention toward textile machine engineering is also needed in order to reduce import bill for textile machinery.
- Designer's skills need to be updated in order to produce value added garments in line with the taste and trends of international market.

- Innovation is the demand of the era as well as of the surgical sector. This innovation should be research based in order to cater the changing world's requirements.
- German model of close liaison between sector and academia should be followed. Such linkage with Government support provides a secure environment conducive to the growth and sustainability.
- Export ban should be imposed for semi and unfinished surgical parts from the country in order to support Pakistan's surgical instruments sector.
- Steel mills should be linked with research and development institutions to work for improved quality of steel which should be cost effective at the same time.
- Brand development is the dire need of the time for surgical instruments. This cannot be done with Government support.

- For seafood sector, attention toward compliance issues and increasing interaction with foreign markets are key to survive in the international market.
- Government support is needed to streamline the actors of the sectors on one page in terms of knowledge so that value can be added at every step of the value chain for frozen shrimps and prawns.
- Training programs should be organized for exporters about the emerging threats of infections and their prevention techniques.

- Connectivity is the challenge that need to be addressed. Production clusters need to have strong forward linkages for better marketing and commercialization of product.
- B2B linkages are also needed to promote the domestic product and to ensure the continuity of contracts at the same time.
- Linkages should also be established in banking sector between the two countries to resolve.
- More product displays are needed to attract Russian buyers. Participation in the following tradeshows is recommended to tap potential segments and to build business network.

Trade show	Prospective date	Sector	Visitors
<b>Pharmtech &amp; Ingredients<sup>24</sup></b>	November 2018	Medical and Pharma	5,000-20,000
<b>Textillegprom Federal Trade Fair</b>	February 2019	Apparel and clothing	20,000+
<b>International Exhibition of food ingredients</b>	February 2019	Food and Beverages	20,000+

<sup>24</sup> [Post Show report-2017](#)

## Conclusion

In present time scenario, Russia is an attractive market for Pakistan. The vacuum created after Moscow banned food import from European countries in retaliation for sanctions imposed over Russia-Ukraine issues can be filled with proper strategies.

Russia is a price market and consumer behavior is highly dependent upon income levels. As purchasing power of Russians is decreasing, they are more rational for their purchases. Analysis of buying trends in Russia have shown preference for quality products but at reasonable prices.

As Pakistani citrus fruits have already received good response in Russian market in year 2017. Efforts can be made to promote awareness about other food products.

The exposure of the products can be maximized by taking part in Russian international trade shows which can further build ways for business connectivity. Moreover, other marketing medium can also be utilized. Russian

advertising market growth is distributed across number of mediums namely local newspaper, trade publications, radio/TV/cable information. Russia is Europe's largest internet market with 105 million users. E-commerce and international advertising agencies can be used to enhance presence of Pakistani products in Russian market.

In order to increase the competitiveness of Pakistani products, efforts can be made to reduce the heavy freight charges. While the long shipment hour problem for perishable food products can be mitigated by arranging special flights directly from Pakistan to Russia with cold storage facility.

Preferential trade agreement between Pakistan and Eurasian Economic Union is already in talk. This will boost the trade relations between Pakistan and Russia and will also pave way for Pakistan to enter other markets including Kazakhstan and Belarus.

Seafood, Textile and surgical instruments are potential sectors in Russia where export can considerably be enhanced but the sectors need

hierarchical changes and developments, As discussed is the recommendation section of the report, along with more exposure in Russian market. Marketing strategies in the trade shows need to be re-drafted according to the tastes and trends of the target audience. For Russia, where people can hardly use English as a means of communication, translators are highly recommended for effective promotion of the products in trade shows.

As the coal import for Russia has increased and Citrus fruits from Pakistan are finding their way in Russian market, the trade volume between the two countries is expected to increase further in the coming years.



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<sup>i</sup> Clusterplaoorm Deutschland, [http://www.clusterplaoorm.de/CLUSTER/Navigation/DE/Bund/gocluster/gocluster.html;jsessionid=EFD6B29A3111FCA636BDF570B6EC9B3\(18\)](http://www.clusterplaoorm.de/CLUSTER/Navigation/DE/Bund/gocluster/gocluster.html;jsessionid=EFD6B29A3111FCA636BDF570B6EC9B3(18))

<sup>ii</sup> Clusterplaoorm Deutschland, <http://www.clusterplaoorm.de/CLUSTER/Navigation/DE/Bund/SpitzenclusterWebbwerb/spitzenclusterwebbwerb.html;jsessionid=EFD6B29A3111FCA636BDF570B6EC9B3>

<sup>iii</sup> Clusterplaoorm Deutschland, <http://www.clusterplaoorm.de/CLUSTER/Navigation/DE/Bund/UnternehmenRegion/unternehmenregion.html;jsessionid=EFD6B29A3111FCA636BDF570B6EC9B3>