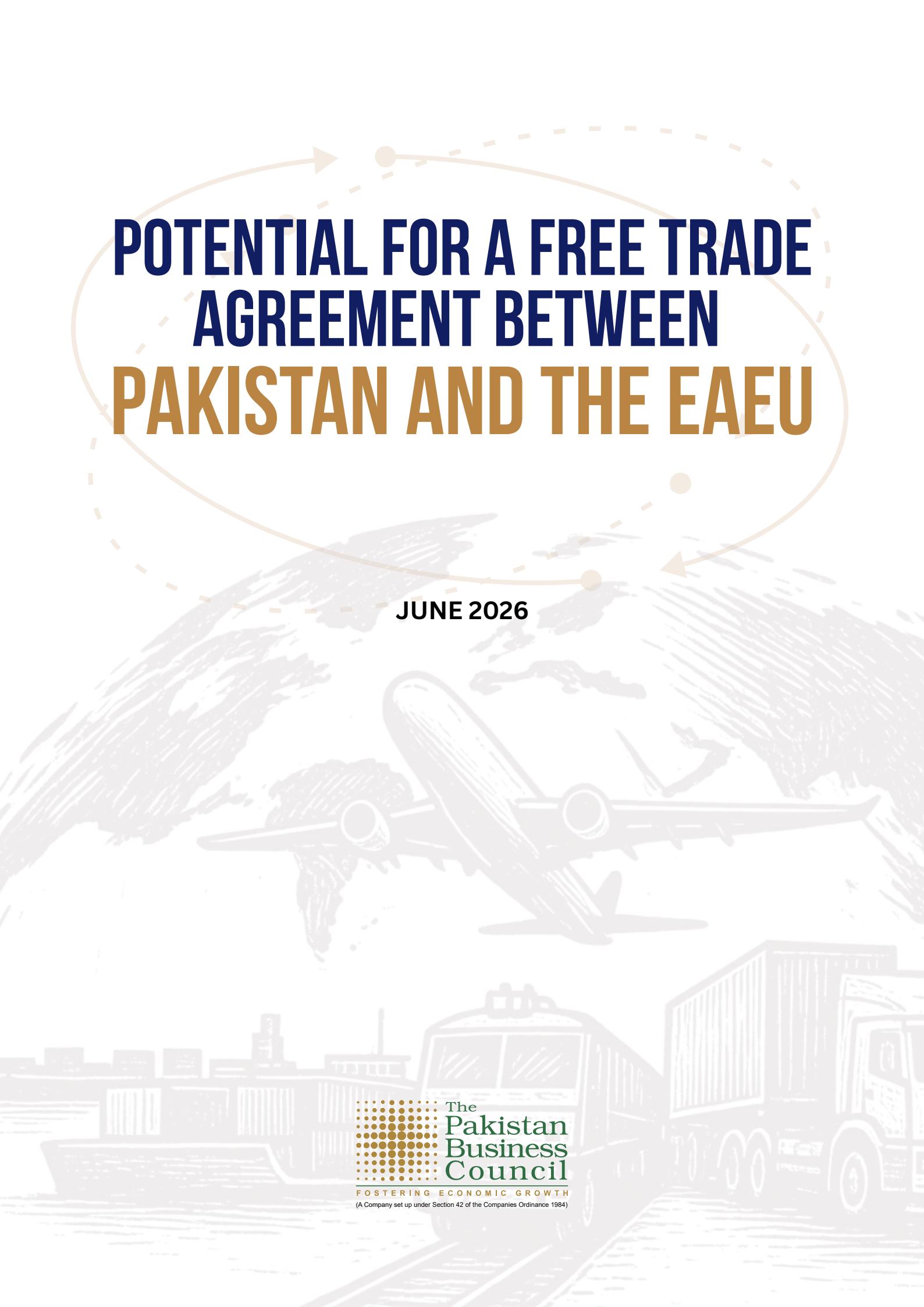


POTENTIAL FOR A FREE TRADE AGREEMENT BETWEEN PAKISTAN AND THE EAEU

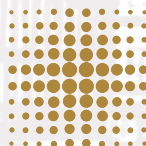


JUNE 2026



POTENTIAL FOR A FREE TRADE AGREEMENT BETWEEN PAKISTAN AND THE EAEU

JUNE 2026



The
Pakistan
Business
Council

FOSTERING ECONOMIC GROWTH
(A Company set up under Section 42 of the Companies Ordinance 1984)

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The Pakistan Business Council: An Overview:

The Pakistan Business Council (PBC) is a research-based business advocacy platform established in 2005. It is now supported by over 100 private sector local and multinational businesses with significant investment in, and long-term commitment to sustainable growth of the country. They come from 14 countries, have leading roles in 17 major sectors of the formal economy, generate 40% of annual exports, contribute a third of Pakistan's total tax revenues and employ three million. Their combined sales represent every 6th Rupee of Pakistan's GDP.

PBC's major objectives are to advocate policies that lead to creation of jobs, value-added exports and reduction in import reliance through improved competitiveness of manufacturing, services and the agriculture sectors. It also promotes formalization of the economy.

PBC's over-arching theme, **"Make-in-Pakistan"** consists of three pillars: **"Grow More/Grow Better"**, **"Make More/Make Better"** and **"Serve More/Serve Better."** Its evidence-based advocacy is backed by over a hundred studies to date through its full-time research team, supplemented by collaborative research with renowned industry experts and economists. Through its Centre of Excellence in Responsible Business (CERB), PBC works to build capacity and capability of businesses beyond its membership, to adopt high environmental, social and governance standards. PBC holds conferences, seminars and webinars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan. Through its presence in Islamabad and Karachi, it works closely with relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues impacting the economy.

PBC is a pan-sectoral, not-for-profit, Section 42 entity. It is not a trade body; therefore, it does not advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers that thwart competitiveness of businesses in Pakistan. Further information on the PBC is available on: www.pbc.org.pk

The PBC's Founding Objectives

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and fieldwork for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

The PBC Member Companies





The PBC Affiliates



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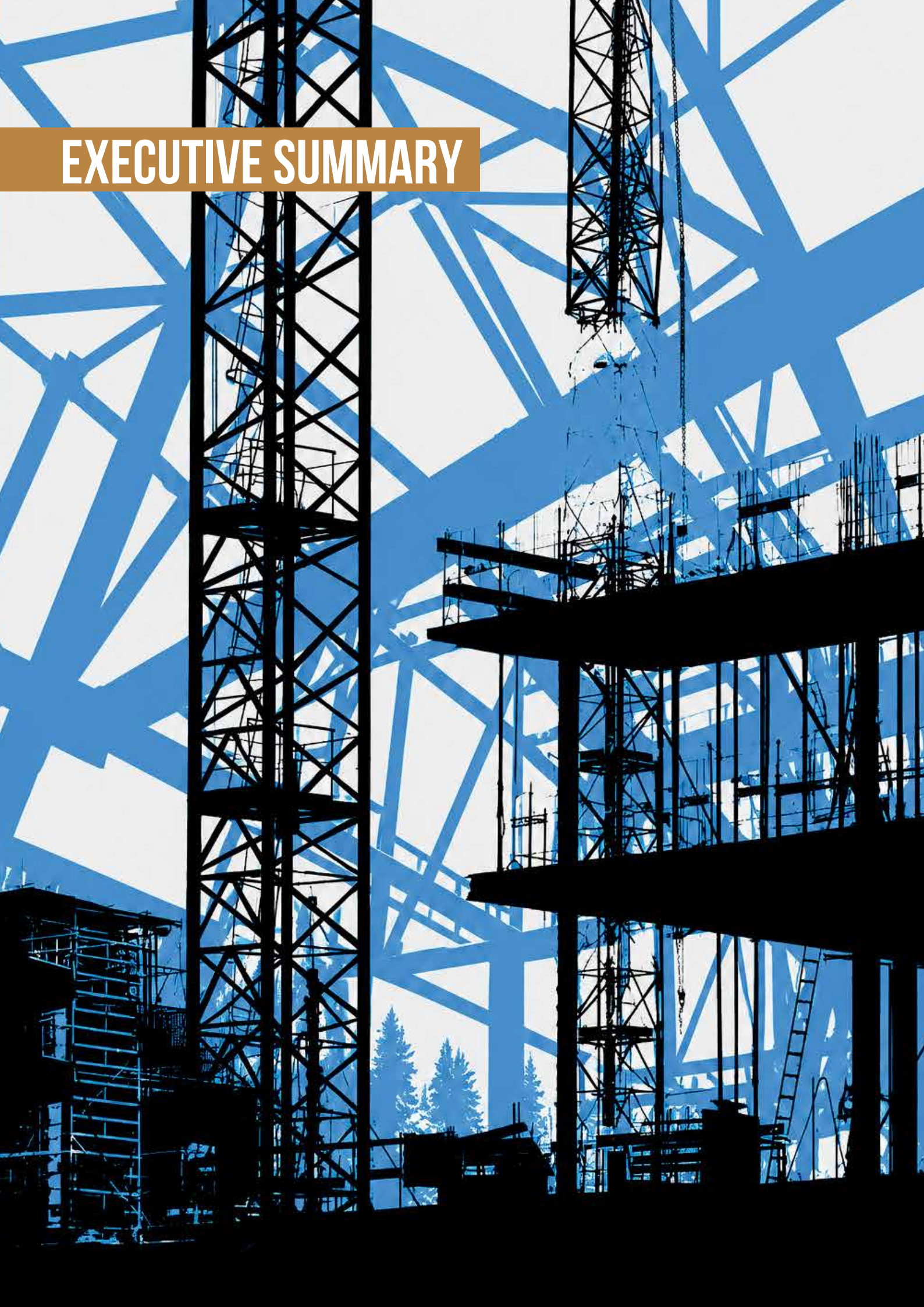
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List of Abbreviation

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
ASTM	American Society for Testing and Materials
AWS	Amazon Web Services
BUC	Belarusian Universal Commodity Exchange
CAREC	Central Asia Regional Economic Cooperation
CE	Conformité Européenne (European conformity marking)
CIS	Commonwealth of Independent States
CPEC	China-Pakistan Economic Corridor
CPC	Caspian Pipeline Consortium
CSTO	Collective Security Treaty Organization
DAP	Diammonium Phosphate (fertilizer)
EAEU	Eurasian Economic Union
ECO	Economic Cooperation Organization
EEC	Eurasian Economic Commission (also European Economic Community)
EFS	Export Facilitation Scheme
EU	European Union
EurAsEC	Eurasian Economic Community
EV	Electric Vehicle
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GOST	Russian national standards system
GSP	Generalized System of Preferences
GSP+	Generalized System of Preferences Plus
HDPE	High-Density Polyethylene
HS	Harmonized System (product codes)

IEA	International Energy Agency
IMF	International Monetary Fund
INSTC	International North-South Transport Corridor
ISO	International Organization for Standardization
IT	Information Technology
ITC	International Trade Centre
ITeS	IT-enabled Services
LDC	Least Developed Country
LDPE	Low-Density Polyethylene
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MFN	Most Favoured Nation
MOU	Memorandum of Understanding
MRA	Mutual Recognition Agreement
NEV	New Energy Vehicle
NTB	Non-Tariff Barrier
OPEC	Organization of the Petroleum Exporting Countries
PTA	Preferential Trade Agreement
RCA	Revealed Comparative Advantage
RCEP	Regional Comprehensive Economic Partnership
SCO	Shanghai Cooperation Organization
SPS	Sanitary and Phytosanitary (standards)
TII	Trade Intensity Index
UN Comtrade	United Nations Commodity Trade Statistics Database
UNCTAD	United Nations Conference on Trade and Development
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

EXECUTIVE SUMMARY



Executive Summary

Pakistan's trade with the Eurasian Economic Union (EAEU) – Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan – remains conspicuously underdeveloped. Exports to the bloc totalled \$356 million, whereas imports stood at \$668 million in 2024. These are the trade numbers one might expect from a small, geopolitically remote partner, but not from a bloc of five countries with a combined GDP of \$2.6 trillion and a population of 183 million.

Two major shifts have overtaken Pakistan's trade architecture in the past eighteen months. The Strait of Hormuz closure has severed the country's primary energy artery. The India-EU Free Trade Agreement, effective January 2026, has stripped Pakistani textiles of a 10-12 percent tariff advantage in Europe that took two decades to secure. Together, they have rendered the old certainties of unlimited Gulf energy supply and European demand less reliable than at any time since the 1970s.

An FTA with the EAEU will not entirely replace either the Gulf supply or the European demand. It can, however, offer a second point of access i.e. a parallel supply chain and an additional export market. The bloc's cohesion owes more to inherited infrastructure and political pragmatism than to deep economic complementarity. Its comparative advantages are concentrated in primary commodities and heavy industry, with limited presence in consumer goods or high-end services. That asymmetry, rather than being a liability, is precisely what gives Pakistan room to offer something the bloc lacks.

The EAEU imports \$5 billion worth of apparel annually. Pakistan exports \$2 billion worth of apparel globally, but virtually nothing goes to the EAEU markets. The bloc's demand for rice, citrus, leather goods, surgical instruments, and generic medicines aligns with Pakistan's export basket. What is missing, from a workable payment channel to a functioning logistics route to mutual recognition of standards, is a whole cluster of basic commercial infrastructure. A single phytosanitary stamp dispute recently caused a full shipment of Pakistani kinnow mandarins to rot at the Russia-Belarus border.

Export potential under a comprehensive FTA between Pakistan and the EAEU exceeds 9 billion annually.¹ On the import side, the EAEU's crude oil and other fossil fuel export capacity alone is twenty-five times Pakistan's total crude oil and fossil fuel import bill. Polypropylene, polyethylene, organic chemicals, fertilisers, steel and aluminium are all available from the bloc. However, on the flip side, banks have no reliable channel to settle payments. The logistics route remains fragmented, with rail and road operating separately. Standards are checked case by case because mutual recognition has not been agreed.

Meanwhile, physical connectivity has seen some progress. The Pak-Iran Transit Corridor – alternative to Afghan routes – moved its first shipments in April 2026. The Uzbekistan-Afghanistan-Pakistan railway line is under construction. CASA-1000 is still expected to deliver Kyrgyz electricity by the end of the year. These developments do not solve the payment deadlock or the standards morass, but they do expand the practical possibilities for moving goods.

Over the last eighteen-months, political engagement between Pakistan and the EAEU member states has increased. Kazakhstan and Uzbekistan each sent their presidents to Islamabad in early 2026. Pakistan and Armenia formally established diplomatic relations. In April 2026, the Eurasian Economic Commission and Pakistan's commerce ministry agreed to form a joint feasibility study group. Implementation now requires the same level of attention that produced these agreements.

This report recommends a sequenced approach. Immediate action would focus on a government-backed non-dollar settlement channel, a reduction in the LNG tariff from 11 percent, and a limited preferential agreement for rice, mangoes, leather gloves and tractor components. The medium term would require completing the Uzbekistan-Afghanistan-Pakistan railway line and negotiating mutual recognition of phytosanitary and industrial standards. Longer-term objectives include

¹ Note: Potential estimates assume full diversion of global trade flows to the bilateral corridor. Actual outcomes will depend on enabling factors. The realistic near-term potential (10-20% capture) would be lower.

a comprehensive free trade agreement and joint ventures in textiles and agricultural machinery.

The cost of inaction is continued dependence on a single maritime chokepoint for energy and a single export market for manufactured goods.

Key Findings and Recommendations

Below is a summary of the key findings from the sectoral potential analysis (Chapters 6 and 7) and from the findings and recommendations of this report (Chapters 10 and 11). These sectoral pathways are not mutually exclusive. The recommendations below should be pursued in parallel, not sequentially.

Sector	Import Potential (from the EAEU)	Export Potential (to the EAEU)	Joint Venture / Investment	Key Actions
 Energy	Crude oil (\$5.6bn), LNG (\$4.0bn), gasoline (\$4.4bn), diesel (\$1.9bn), LPG (\$978m)	–	Pakistan Stream pipeline (feasibility); CASA-1000 (1,000 MW from Kyrgyzstan, due 2026)	Immediate: Create rupee-ruble/yuan payment channel; cut LNG tariff from 11% to 23%; Medium-term: complete CASA-1000; use Gwadar as energy hub. [See Chapter 5, sub-sections 5.6.3 and 5.6.4]
 Fertilizers	Urea (\$29m), DAP (\$602m), potash (\$29m), potassium sulphate (\$45m)	–	Kazakh-Pakistani joint storage at Gwadar (proposed)	Immediate: Lock DAP tariff elimination; Medium-term: negotiate govt-to-govt supply agreements (Russia, Belarus); develop overland route via Iran. [See Chapter 7, section 7.2]
 Textiles & Apparel	Cotton yarn (\$135m), grey fabric (\$66m), bedlinen (\$66m)	Knitted apparel (\$1.8bn), non-knitted apparel (\$1.0bn), cotton T-shirts (\$388m), surgical gloves (\$83m)	Pakistan-Belarus textile JV (agreed May 2025)	Immediate: Fast-track tariff elimination; value-added rules of origin; Medium-term: mutual recognition of standards. [See Chapter 6, section 6.2, and sub-section 6.2.2]
 Tyres & Rubber	–	Truck/bus tyres (\$47m), motorcycle tyres (\$15m), rubber gloves (\$12m)	Service Long March Tyres - Existing JV with China - (\$120m expansion, targeting \$70100m exports)	Immediate: Rubber should also be the focus of “quick win” FTA in short-term; Medium-term: Certify to GOST standards; attract Russian/Belarusian machinery investment. [See Chapter 6, sub-section 6.4.4; Link: Service Long March Tyres announces add'l investment of \$120m in Pakistan]
 Aluminium	Aluminium alloys (\$56m), containers (\$52m)	–	–	Long-term: Secure longterm supply contracts; explore Pakistani recycling/fabrication for EAEU. [Link: Understanding Adversary Threats to the Defense Industrial Base Ahead of Conflict]
 Pharmaceuticals	–	Medicaments (\$199m), hormone medicaments (\$146m), surgical instruments (\$438m)	Localised Russian insulin production (agreed March 2026)	Immediate: fast-track tariff cuts; Medium-term: Mutual recognition of pharma registrations; use Health Working Group. [See Chapter 6, sections 6.3.1]
 Agricultural Products	Wheat (\$257m), chickpeas (\$182m), lentils (\$118m), soya beans (\$373m)	Rice (\$17m), mangoes (\$92m), citrus (\$37m), sesame seeds (\$23m), potatoes (\$88m)	Agri machinery and seed and tech exchange	Immediate: Complete Pakistan-Kazakhstan Transit Trade Agreement; operationalise Pak-Iran Transit Corridor; Medium-term: mutual recognition of phytosanitary standards; stabilise sugar export policy. [See Chapter 6, sections 6.5]

Sector	Import Potential (from the EAEU)	Export Potential (to the EAEU)	Joint Venture / Investment	Key Actions
 Machinery & Electronics	Valves (\$68m), diesel engine parts (\$47m), pumps (\$26m), gears (\$25m), vehicle parts (\$63m)	Table fans (\$32m), lead-acid batteries (\$33m), transmission apparatus (\$50m)	Belarusian textile machinery JV (proposed); Russian agri-machinery assembly	Immediate: Include components in the propose “quick win” framework; Medium-term: Align technical standards (GOST vs ASTM); facilitate B2B machinery exhibitions. [See Chapter 7, sub-section 7.3.4]
	●	Immediate		0-12 Months
	●	Medium-term		1-3 Years
	●	Long-term		2-5 Years

Explanatory Notes for the Matrix:

- Figures are drawn from the ITC data-based trade potential calculations in Chapter 6 and 7, rounded to the nearest million.
- “Key Actions” column summarizes the stakeholder recommendations from Chapter 9 and the phased roadmap from Chapter 11.

CHAPTER 1

CONTEXT TO THE STUDY

Chapter 1:

Context to the Study

Economic and trade co-operation has been an important part of Russia's foreign policy towards the Central Asian Republics and the South Caucasus (also former Soviet Republics). This cooperation goes back to the formation of the Union of Soviet Socialist Republics (USSR) and the Commonwealth of Independent States (CIS) in the aftermath of the disintegration of the USSR.

After the collapse of the Soviet Union, the newly independent countries suffered some of the deepest and longest economic declines in their histories. Their economies, however, began to recover only in the early 2000s.

During the Soviet Period (1922-1991), the region was governed by a unified system that controlled finance, economics, transport and energy infrastructure, as well as the distribution of labour. Due to the entrenched preexisting trade and commerce ecosystem, it was initially necessary to maintain cooperation in a common economic space for the newly formed Republics.

Following the long tradition of economic and security interdependence that existed between the countries in the Eurasian region, the idea of a Eurasian single market was first conceived by Nursultan Nazarbayev, then president of the Republic of Kazakhstan, who felt that the CIS was inadequate and there needed to be a separate body for economic and political union of the growing economies of Central Asia. The idea was that such a regional economic union would serve as a complementary to the EU's Eastern partnership.²

The Eurasian Economic Community (EurAsEC) – which served as a predecessor to the Eurasian Economic Union – was formed in October 2000 to develop a customs union and a single economic space between six CIS member countries i.e. Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. Moldova, Ukraine and Armenia were granted the status of observer states. The Eurasian Economic Community (EurAsEC) was modelled after the European Economic Community (EEC)³ which ceased to exist and was later absorbed by the EU in 2009.

EurAsEC provided the necessary institutional framework. Its most significant achievement was serving as the direct precursor to a more ambitious integration project. This evolved in stages; first with the Customs Union of Russia, Belarus, and Kazakhstan (launched 2010), which eliminated internal tariffs and established a Common External Tariff; the Single Economic Space (2012), which extended integration to the free movement of goods, services, capital, and labour; and finally, the Eurasian Economic Union, established by a treaty on January 1, 2015. Armenia and Kyrgyzstan acceded that same year, and marked the finalization of the Union's core membership.

Today, the EAEU constitutes a coherent economic bloc with a significant collective scale. It encompasses a unified market of over 183 million people, with a combined GDP exceeding US\$2.5 trillion and, accounting for approximately 2.3% of global output. Beyond these metrics, the Union possesses distinct operational advantages that facilitate integration. The widespread use of the Russian language across member states' business and administrative spheres reduces transactional and communicative barriers. Furthermore, the legacy of shared technical standards and regulatory norms lowers the cost of regulatory harmonization compared to more diverse blocs.

² The Eastern Partnership (EaP) is a joint initiative involving the EU, its Member States and five Eastern European Partner countries: Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine. – European Union External Action.

³ The European Economic Community – which later renamed to the European Community (EC) was one of the three international organizations that were created for the integration of the economies of Europe.

Table 1: Comparative Breakdown of the EAEU and other Regional Economic Blocs

Trade Blocs	Member countries	Population	% share of global population	Total GDP (\$ trillion)	% share of global GDP	Total Exports (\$ Billion)	% share of global exports
EAEU	5	183.5 million	2.25	2.58	2.32	542.83	2.28
EU	27	450.0 million	5.50	19.42	17.46	7,150.22	30.06
ASEAN	11	682.7 million	8.36	3.9	3.51	1,940.55	8.16
AfCFTA	54	1300.0 million	15.93	3.4	3.06	682.00	2.87
RCEP	15	2200.0 million	26.95	30.48	27.40	7,289.41	30.65

Source: World Bank, IMF, EU

The operational context of the EAEU is also defined by a complex and overlapping institutional geography. It exists within a dense network of regional organization that have intersecting memberships and partially competing mandates. This overlapping architecture, as shown in the figure 1, creates a unique dynamic. The CIS provides a broad, foundational political forum for post-Soviet states, whereas the SCO offers a larger platform for security and infrastructure agendas across Eurasia and South Asia, along with ECO, that facilitates trade dialogue along the Central-to-South Asia axis. The EAEU, with its deeper treaty-based commitments to regulatory harmonization, sits at the most integrated end of this spectrum.

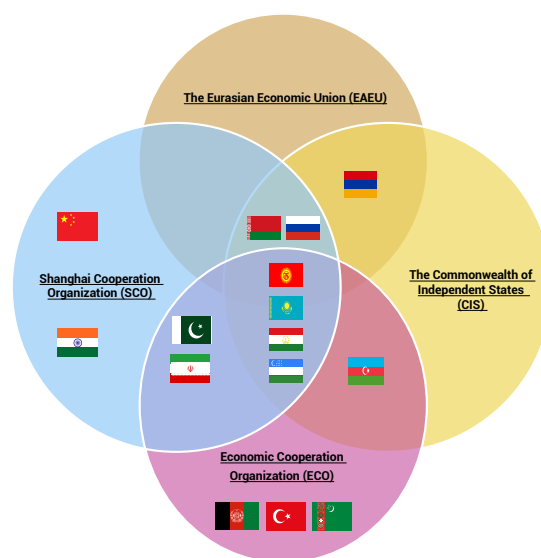
Its relevance is made more pronounced by its strategic positioning within the broader Eurasian initiatives. It is a key component of Russia's vision for a Greater Eurasian Partnership, that is a proposed continent-wide network seeking to align the EAEU with other major platforms like China's Belt and Road Initiative (BRI).

A significant political breakthrough occurred in August 2025, when Pakistan and Armenia formally established diplomatic relations during the SCO summit in Tianjin. This marked the removal of the last political obstacle to Pakistan's full engagement with the EAEU.

For Pakistan, analysing a potential FTA with the EAEU is a strategic economic consideration. It represents an opportunity to secure preferential access to a sizable and structured market.

The Gulf crisis has shown that relying on a single geographical axis for trade is a liability. Pakistan needs to diversify both its trading partners and the routes through which it trades. The EAEU offers a distinct economic space with its own regulatory framework and connectivity options. An FTA could potentially open that space.

The analysis in this report will assess the potential of this economic relationship and the institutional pathways for a deeper partnership.

Figure 1: Institutional Overlap of Key Eurasian Multilateral Organizations

CHAPTER 2

UNDERSTANDING THE SCOPE OF THE EAEU



Chapter 2:

Understanding the Scope of the EAEU

The formation of the EAEU marked a significant strategic pivot from ad-hoc cooperation between the post-soviet states, towards a structured, treaty-based framework for regional economic governance. The EAEU reflects a model of structured multilateralism. Its operational scope is defined by a formal institutional framework designed to facilitate economic coordination while preserving the sovereign prerogatives of member states.

The structure is built upon a tripartite model of governance which is as follows:

- **The Supreme Council:** Operating at the level of Heads of State, this body sets the strategic direction for the Union. Its consensus-based decision-making model ensures that all major initiatives represent the collective endorsement of the highest national authorities.
- **The Intergovernmental Council:** Comprising Heads of Government; this council performs the function of overseeing policy and the implementation of the Union's objectives.
- **The Eurasian Economic Commission (EEC):** As the permanent regulatory body, the EEC is the technocratic heart of the Union. Based in Moscow, it is tasked with preparing integration proposals and monitoring compliance. The EEC is divided into a two-tier structure with two bodies i.e. a Council of Deputy Heads of Government and a professional Collegium.

Completing this institutional ecosystem is the Court of the EAEU in Minsk. Its mandate is to ensure the uniform application of the Union's legal framework, including the founding treaty, subsequent international agreements, treaties within the EAEU and with third parties, and decisions of the EAEU bodies. The Court's existence provides a formal mechanism for dispute resolution.

2.1 The Integration Substructure of the EAEU

The EAEU has shown tangible progress in several foundational areas of economic integration. The most significant achievement remains the establishment of a fully functioning Customs Union, which has greatly eliminated internal tariffs and expedited border procedures, by creating a unified customs territory with a Common External Tariff.

Building on this, the Union has advanced the creation of a Single Economic Space, to facilitate the free movement of goods, services, capital, and labour. This has benefits, such as simplified procedures for migrant workers from member states and the reduction of certain administrative barriers to cross-border trade.

Having established these foundational pillars, the EAEU's current agenda focuses on addressing the more complex, "second-generation" challenges of deeper economic integration.

A primary and ongoing focus is the identification and removal of non-tariff barriers (NTBs). The EEC's work in cataloguing and harmonizing these regulations is central to realizing the full potential of the common market.

Concurrently, the Union is also developing common policies in key strategic sectors. This includes coordinated approaches to competition policy, public procurement, and intellectual property. A significant digital transformation is underway, detailed in the EAEU Digital Agenda 2025, which seeks to create a unified digital market by harmonizing e-commerce regulations and promoting digital infrastructure.

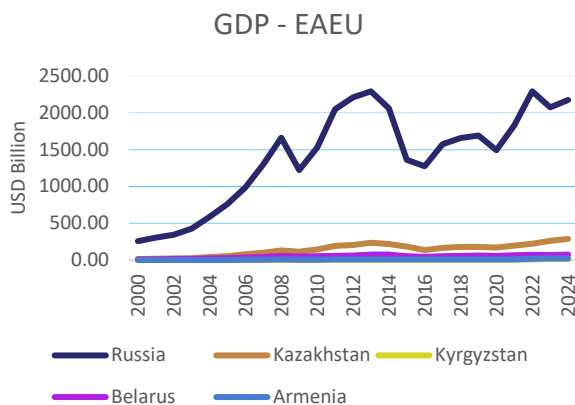
Furthermore, enhancing labour mobility remains a strategic priority. Efforts are majorly directed at improving labour conditions and social security coordination to optimize the economic and social benefits of the integrated labour market.

2.2 The EAEU's Economic Performance

The resilience and depth of a regional economic bloc or union are ultimately tested by its ability to maintain a stable growing trade among its members and to provide collective economic stability. Intra-EAEU trade efficacy and macroeconomic performance from its inception shows a bloc that has weathered significant global shocks and reveals a clear trajectory of internal economic integration.

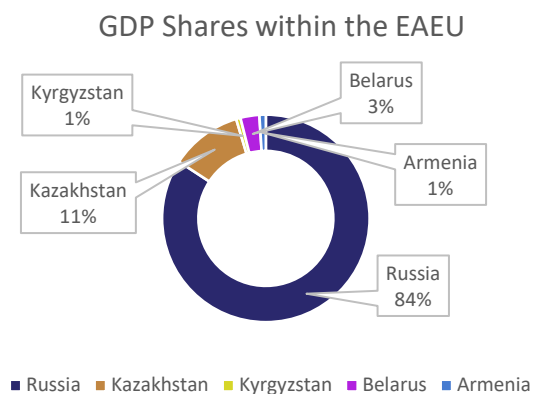
The global pandemic of 2020, has no analogues except global recessions and perhaps the great depression. The economic shock of the COVID-19 pandemic, which precipitated a 3.6% contraction in global GDP in 2020, had a comparatively mitigated impact within the Union, where GDP declined by an average of 2.9%.

Figure 2: Gross Domestic Product – EAEU Member States



Source: World Bank

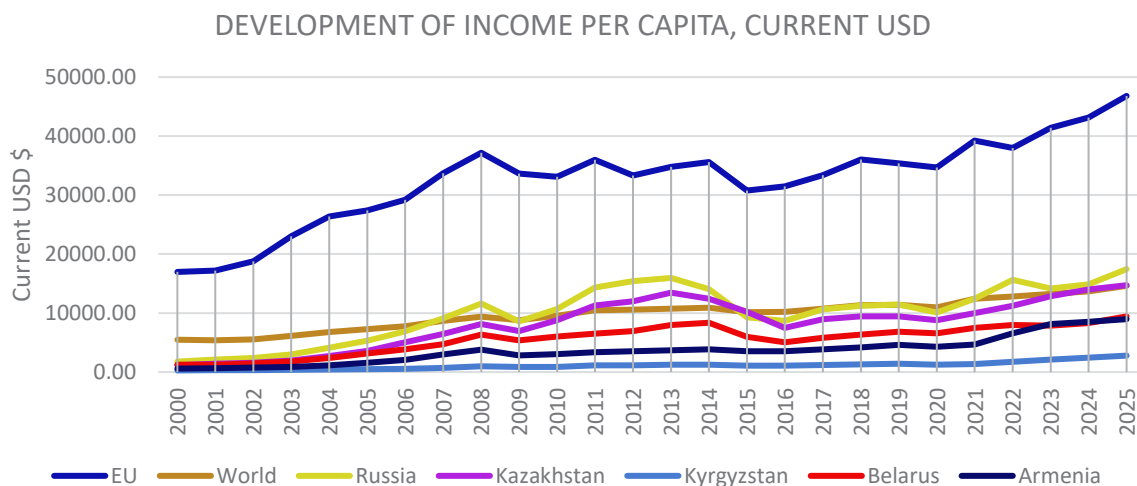
Figure 3: GDP shares of the EAEU Member States



Source: World Bank

The same can be observed in the data of Development of Income Per Capita given in the figure below, which reflects the purchasing power and overall living standards of a country. The data reveals a pattern of gradual convergence and growth among member states. Russia maintains the highest GDP per capita within the bloc, which is consistent with its larger and more diversified economy. On the other hand, Kazakhstan has emerged as a secondary economic engine within the union and among its Eurasian counterparts, with a 2025 figure of \$14,770. While disparities remain, the overall upward trajectory across all members indicates that the common market framework supports broader economic development, and not merely trade facilitation.

Figure 4: The Growth Trajectory of the GDP per Capita of the EAEU countries



Source: IMF

2.3 The EAEU's Commercial Expanse

The year 2025 marked the completion of the 10-year time period since the inception of the EAEU in 2015. Between 2022 and 2024, the EAEU's total exports decreased from \$701 billion to \$524 billion. The bloc's share in global exports amounted to 2.28% in 2024. On the import side, the EAEU collectively absorbed \$342.7 billion worth of goods in 2024, accounting for 1.42% of global imports.

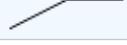
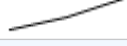
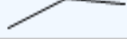
It should be noted that since 2022, both Russia and Belarus have suspended the publication of trade statistics through official channels. Their customs authorities have withheld trade returns, and the practice has persisted, leaving a gap in primary trade data for these two EAEU economies. Consequently, the trade figures presented in this report for Russia and Belarus are drawn from mirror data, i.e. statistics reported by their trading partners and aggregated by international databases including the International Trade Centre and UN Comtrade.

Table 2: Export Trends of the EAEU and its Member States between 2022-2024

Exporters	Exported value in 2022 (\$ Billion)	Exported value in 2023 (\$ Billion)	Exported value in 2024 (\$ Billion)	Growth Trajectory	% Share in Total exports (2024)
World	24,695.73	23,647.08	23,785.39		-
The Eurasian Economic Union (EAEU)	701.31	554.15	542.83		2.28
Kazakhstan	76.14	78.74	81.62		0.34
Russian Federation	579.39	423.82	404.11		1.70
Kyrgyzstan	2.25	3.38	40.33		0.02
Belarus	38.22	39.84	6.95		0.03
Armenia	5.31	8.37	13.03		0.05

Source: ITC Trade Map and UNCTAD

Table 3: Import Trends of the EAEU and its Member States between 2022-2024

Importers	Imported value in 2022 (\$ Billion)	Imported value in 2023 (\$ Billion)	Imported value in 2024 (\$ Billion)	Growth Trajectory	% Share in Total imports
World	25,314.18	23,953.33	24,116.70		-
The Eurasian Economic Union (EAEU)	287.10	347.74	342.71		1.42
Russian Federation	199.40	218.95	208.50		0.86
Belarus	38.31	43.09	45.70		0.07
Kazakhstan	30.95	61.16	59.79		0.25
Armenia	8.64	12.02	16.81		0.07
Kyrgyzstan	9.80	12.52	11.91		0.05

Source: ITC Trade Map and UNCTAD

While the establishment phase of the Union was accompanied by an expansion of intra-bloc exchanges, recent years data point to a moderation in recorded internal trade volumes. Intra-EAEU exports amounted to approximately \$69 billion in 2021, but declined to around \$46 billion in 2024. Importantly, intra-EAEU trade remains significant for several member states, particularly the smaller economies, for whom the Union continues to function as a primary export destination. Even as aggregate values fluctuate, internal trade retains a high degree of directional stability. In this context, the evolution of the EAEU's internal financial architecture is also analytically relevant. A growing share of intra-bloc trade is now settled in national currencies, with recent estimates indicating that over 90% of mutual settlements take place outside the US dollar system. Russian President Vladimir Putin at the Eurasian Economic Forum, said that 93% of settlements among EAEU member countries are made in national currencies.⁴ The increased use of national currencies also suggests a partial internalisation of payment mechanisms within the Union. Rather than operating as a purely trade-facilitating arrangement, the EAEU is gradually developing features of a self-referential economic space, where trade and financial intermediation are increasingly aligned.

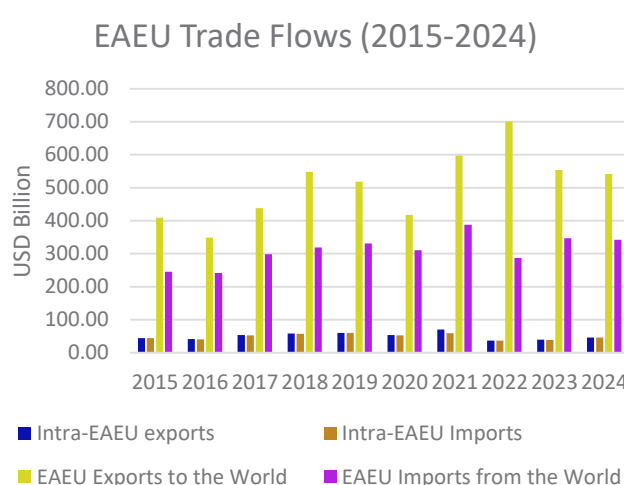
The longitudinal data (2014-2024) on export destinations outside the bloc and across the globe show an outward structure that is diversified across major economic partners. The European Union's share has stagnated, and in some cases, declined, while the shares destined for China and, crucially, for the internal EAEU market, have grown substantially. This is particularly evident for Kyrgyzstan and Armenia, for whom the EAEU is now the dominant export destination.

Exports to the EU declined from their 2014 highs for Kazakhstan and Belarus but stabilized by 2024, with Kazakhstan reaching \$38.56 billion and Armenia \$0.61 billion.

Exports to China rose for most members over the decade, with Kazakhstan increasing from \$9.80 billion (2014) to \$14.90 billion (2024), Kyrgyzstan from \$0.03 to \$0.12 billion, and Armenia from \$0.17 to \$1.10 billion.

Exports to Russia show a consistent upward trend for smaller members. Kyrgyzstan reached \$0.98 billion in 2024, and Armenia reached \$3.12 billion in 2024.

Figure 5: EAEU Trade Flows



Source: ITC Trade Map

Table 4: Comparative Export Flows from EAEU Members to Selected Markets

Countries	EU 28			China			Russia			Central Asia			EAEU		
	2014	2019	2024	2014	2019	2024	2014	2019	2024	2014	2019	2024	2015* (Inception)	2019	2024
Exports (In USD Billion)															
Kazakhstan	44.68	24.73	38.56	9.80	7.82	14.90	6.39	5.60	9.55	2.66	3.35	5.42	5.12	6.32	10.98
Kyrgyzstan	0.06	0.76	1.28	0.03	0.08	0.12	0.12	0.27	0.98	0.76	0.54	0.72	0.51	0.62	1.38
Belarus	10.61	8.26	-	0.64	0.63	1.81	15.07	13.62	-	1.24	1.03	-	10.91	14.47	0.90
Armenia	0.44	0.58	0.61	0.17	0.19	1.10	0.30	0.72	3.12	0.02	0.02	0.11	0.24	0.74	3.30

Source: ITC

Thus, it is safe to conclude the EAEU reveals itself to be a differentiated adaptive economic ecosystem. At the time of the formation of the EAEU in 2015, the Russian GDP had contracted due to a sharp decline in oil prices and the international sanctions faced by Moscow for the annexation of Crimea. Conventional models of regional integration, predicated on stable external conditions, would predict either institutional fracture or significant economic contraction under such

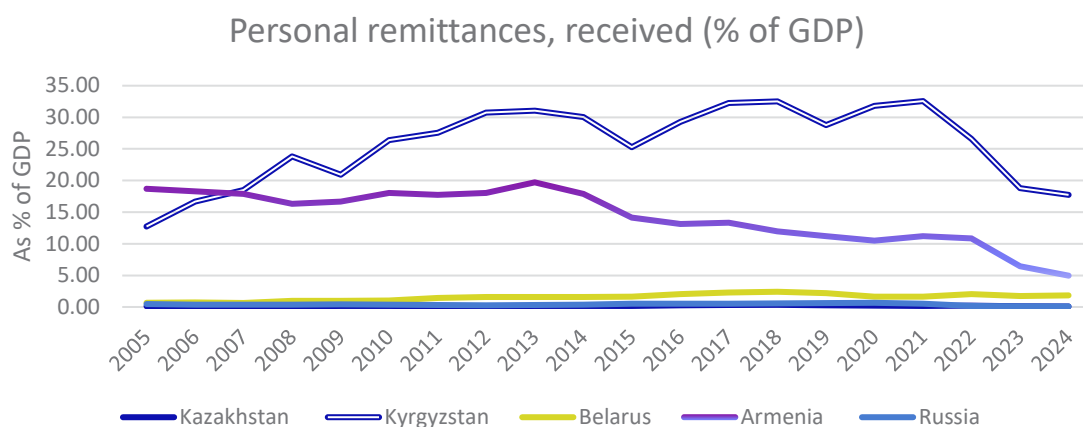
strain. But, contrary to these expectations, the Union persevered and contributed a great deal to implement trade integration among the member countries.

The union's structure allows a dominant shock (sanctions on Russia) to be partially absorbed and reconfigured through the logistical and legal capacities of a secondary member (Kazakhstan), and shows a non-linear form of collective resilience. The stability of the market is not a given, but a condition maintained through continuous, asymmetric negotiation and tactical reconfiguration of its economic geography.

2.4 Remittance Flows

Remittance inflows constitute a persistent and quantitatively significant component of income formation in several EAEU member states, particularly among the smaller Central Asian and Caucasus economies, particularly for Kyrgyzstan and Armenia where they function as a core macroeconomic variable.

Figure 6: Personal Remittances inflows as % of GDP – EAEU



Source: World Bank

Over the long run (2005-2024), Kyrgyzstan shows one of the highest remittance-to-GDP ratios globally, peaking above 32% of GDP between 2017 and 2021. Even after a decline in recent years, remittances remained structurally high at 17.7% of GDP in 2024. This decline could be explained through a gradual normalization from unusually high post-2015 levels rather than a fundamental weakening of remittance dependence.

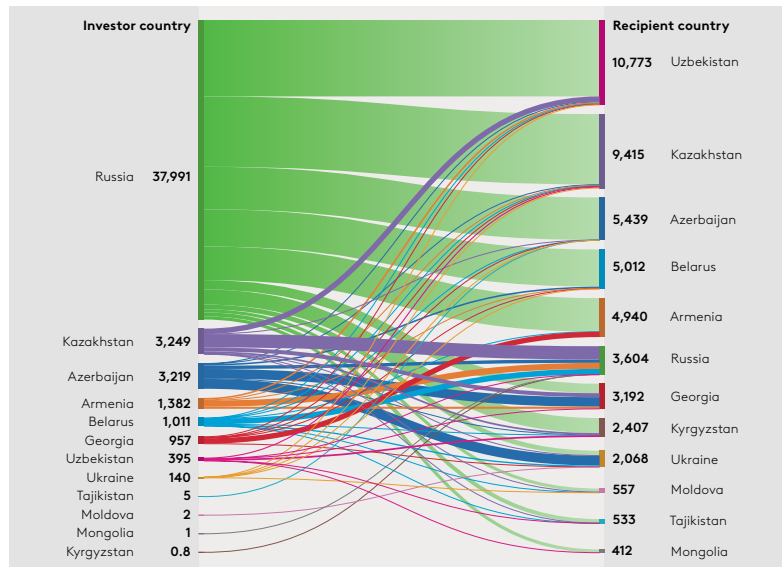
Remittance inflows were historically high in Armenia, above 18% of GDP in the mid-2000s, but have followed a steady downward trajectory, reaching 4.96% of GDP in 2024. Belarus occupies an intermediate position, with remittances stabilising around 1.8-2.4% of GDP in recent years.

A key feature of the EAEU remittance system is its intra-bloc concentration. For Kyrgyzstan, remittance inflows are overwhelmingly sourced from within the EAEU. In 2024, over 93% of Kyrgyz remittances originated from Russia, amounting to approximately \$2.9 billion, despite a decline in the migrant stock.

2.5 Investment Climate and Capital Flows within the EAEU

Contrary to expectations of capital flight amid geopolitical tensions, mutual FDI within the EAEU has showed notable resilience. While the aggregate FDI volumes display year-to-year volatility, the longer-term pattern indicates sectoral diversification and sustained intra-regional investment linkages.

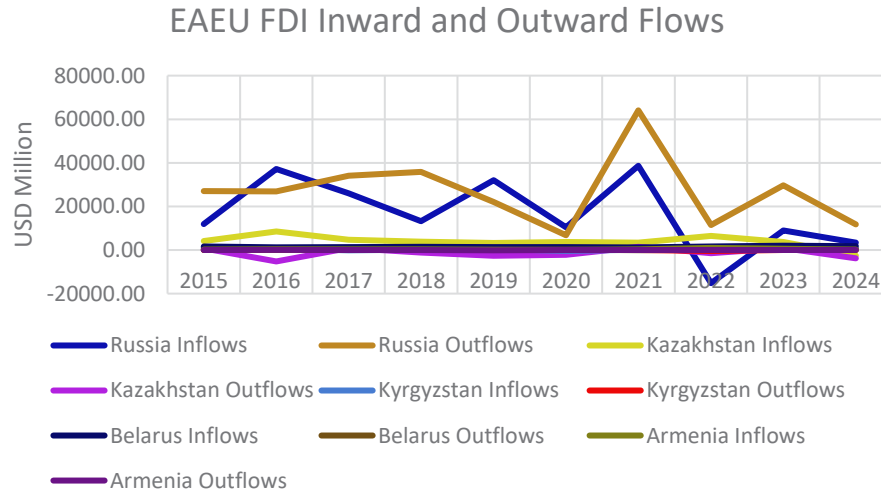
As per the latest report published by the Eurasian development bank in 2025 on mutual investment in the Eurasian region, investments have shifted from going into the capital-intensive extractive industries to manufacturing, transport and logistics, agriculture and energy sectors.

Figure 7: Direction of the flow of mutual FDI stock (in USD million)

Source: Eurasian Development Bank 2025 MMI Eurasian Region Report

Russia and Kazakhstan dominate the EAEU investment space in absolute terms. Russia records the largest inflows and outflows, which is consistent with its size and central position in regional capital allocation.

The figure below shows the breakdown of FDI inflows and outflows over the years in all five countries of the EAEU.

Figure 8: EAEU FDI Flows

Source: World Bank

A critical trend is the growing prominence of China as an external investor. As the Eurasian Development Bank reports, Chinese investment in the region grew by 13% (\$7.4 billion) in 2024 against an 11% global FDI decline. The rise in greenfield investment, from 43% to 60%, also suggests long-term commitment to building new industrial and logistics assets, rather than merely acquiring existing ones.

Taken together, remittances and investment flows form two important non-trade channels that define the EAEU's economic structure. Remittances support labour-market integration and consumption stability in smaller economies, while investment flows (both intra-regional and external) support capital formation and sectoral diversification. These dynamics function alongside merchandise trade and help explain the bloc's internal coherence and stability despite large differences in economic scale among member states and geopolitical tensions.

CHAPTER 3

THE STRUCTURAL COMPOSITION AND COMPETITIVE PROFILE OF EAEU TRADE



Chapter 3:

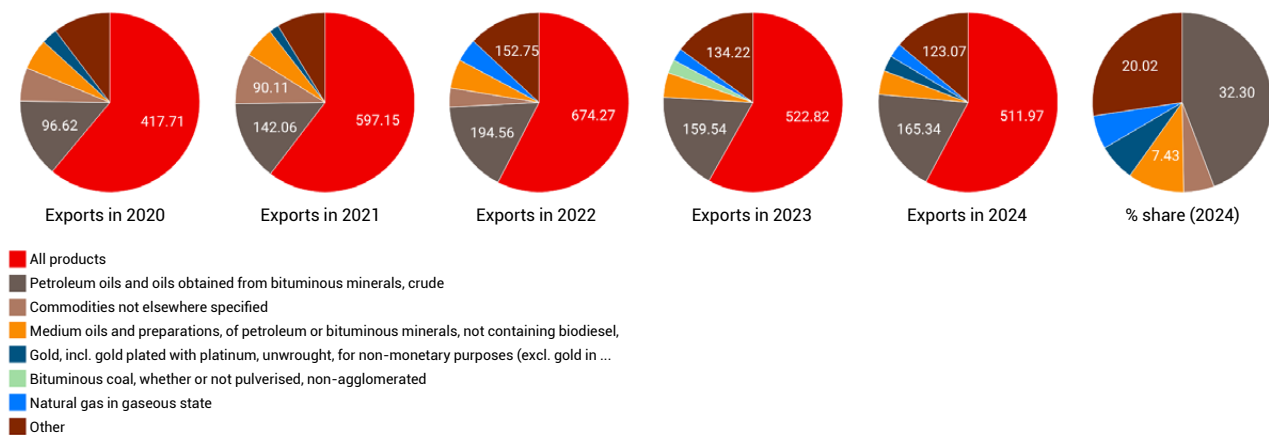
The Structural Composition and Competitive Profile of EAEU Trade

3.1 Export Composition of the EAEU

A preliminary examination of the EAEU exports at the HS-06 level over the 2020-2024 period shows a trade structure that is concentrated in primary commodities and resource-adjacent products, with limited representation from higher value-added manufacturing categories. Total exports peaked in 2022 at \$674.27 billion before moderating to \$511.97 billion in 2024.

Figure 9: EAEU Top Exports at HS-06 over the years

EAEU Exports at HS-06 in USD Billion (2020-2024)



Source: ITC

The data presents a hierarchy of export dependency. In 2024, a single product category, crude petroleum oils (HS 270900), accounted for 32.3% of the EAEU's total export value. When combined with other refined petroleum products (HS 271019, 271012) and natural gas (HS 271121, 271111), hydrocarbons collectively constituted nearly 50% of the bloc's total export earnings.

Beyond hydrocarbons, the next tier of exports consists largely of unwrought or minimally processed mineral and metal products. Gold (HS 710812) represented 4.87% of exports in 2024, followed by coal, copper (both refined and in concentrate form), aluminium, uranium compounds, and palladium. These products share two defining characteristics i.e. limited downstream processing and strong price-dependence on global commodity markets.

Another notable feature of the data is the presence of "commodities not elsewhere specified", which accounted for 4.03% of exports in 2024. The presence of this category suggests continued reliance on bulk, non-differentiated exports that resist fine-grained classification, that are often characteristic of commodity-heavy trade structures.

The overall HS-06 exports composition points to an export model that is resource-intensive and in turn, highly price-sensitive, with limited penetration of complex manufactures or technology-intensive goods. This configuration provides an important context for understanding subsequent analyses of comparative advantage and trade responsiveness in this chapter.

Box 1: Are EAEU Countries Rentier Economies?

The concept of the rentier economy, most prominently discussed in the context of oil-exporting Gulf states, refers to an economic structure in which a substantial share of national income is derived from externally generated rents rather than from diversified domestic production. Luciani (1990) defines rents as revenues accruing from natural resources or external transfers, where the generation of income is largely detached from domestic productive effort.

Applied to the EAEU, the rentier framework could not be applied uniformly across all member states but offers a useful analytical lens for interpreting export and income structures. The dominance of hydrocarbons, metals, and precious minerals in the export baskets of several EAEU economies aligns with key features of rent-based systems that includes high exposure to international price movements and concentrated revenue sources.

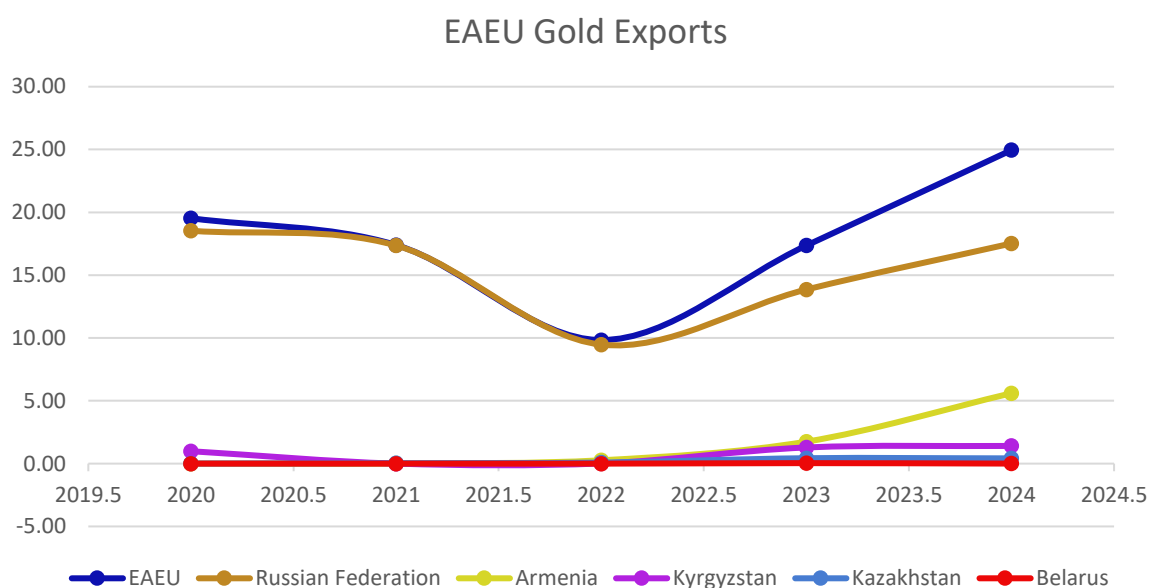
Importantly, the rentier concept also extends beyond natural resources to include remittances, which similarly represent income earned outside the domestic production system. For countries like Kyrgyzstan, where remittances constitute over 17% of GDP, a significant portion of national income is derived from the “rent” earned by exporting labor to a resource-rich core (Russia). This creates a dual rentier structure within the bloc: a core (Russia, Kazakhstan) reliant on commodity rents, and a periphery (Kyrgyzstan, Armenia) reliant on labor rents remitted from that core.

However, it would be analytically imprecise to label the EAEU as a bloc of rentier economies. Larger members such as Kazakhstan and Russia have substantial industrial and services sectors, while smaller economies display varying degrees of diversification. Rather than a binary classification, the evidence points to rent-intensive trade structures, where rents coexist with, but often dominate over, production-based exports.

Moreover, gold exports offer another useful lens through which to examine both concentration and internal differentiation within the EAEU export structure. At the bloc level, gold exports declined from \$19.53 billion in 2020 to \$9.84 billion in 2022, before rebounding to \$24.95 billion in 2024.

The Russian Federation remains the dominant gold exporter, with \$17.52 billion exports in 2024, or roughly 70% of total EAEU gold exports. However, the recent period also shows a redistribution of gold export activity across smaller member states. Armenia's gold exports rose sharply from levels prior to 2022 to \$5.6 billion in 2024, while Kyrgyzstan recorded \$1.41 billion gold exports in the same year.

Figure 10: EAEU Gold Exports over the Years



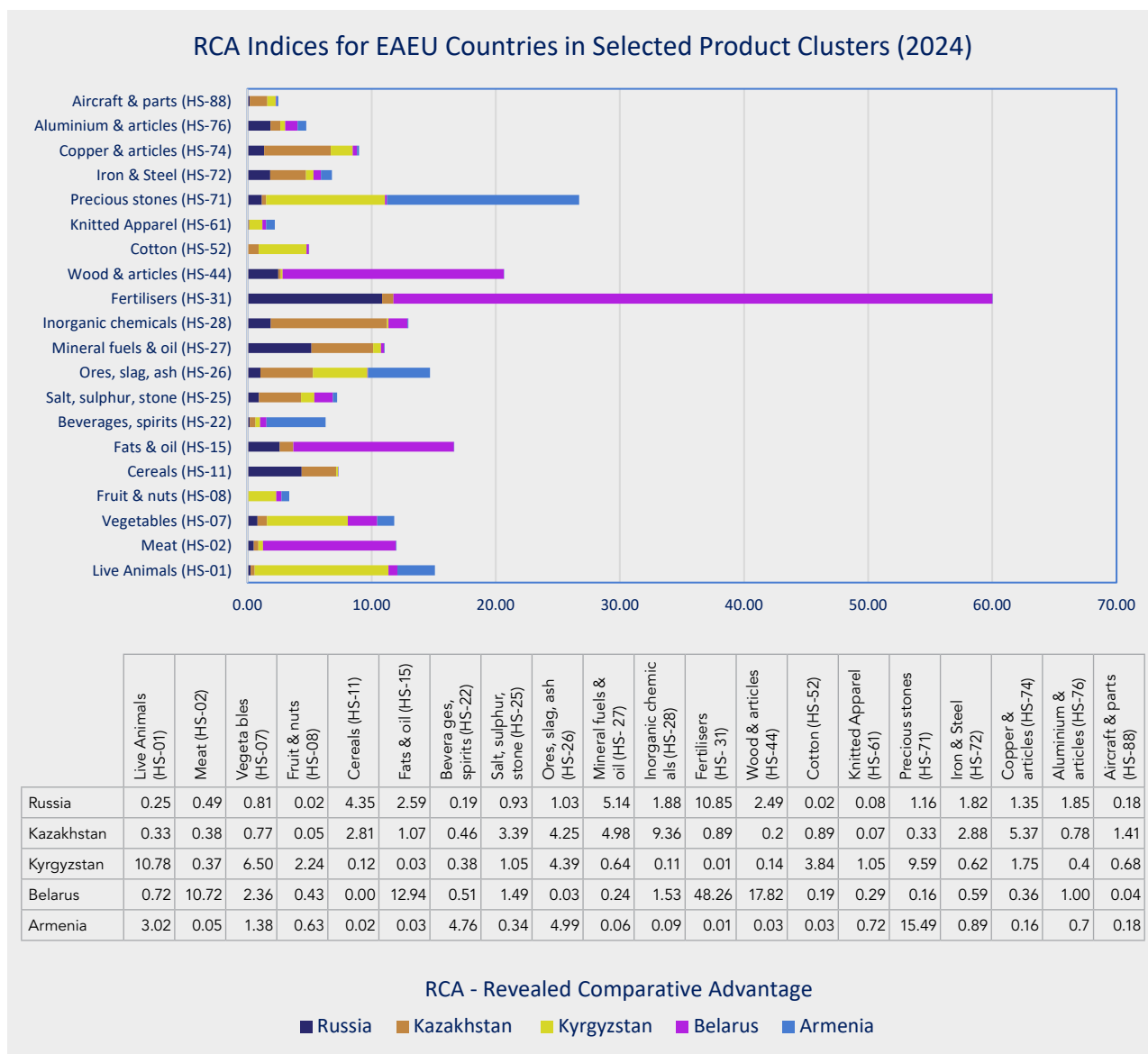
Source: ITC

3.2 Revealed Comparative Advantage and Export Competitiveness in the EAEU

This section examines the lay out of export competitiveness across the EAEU member states using Revealed Comparative Advantage (RCA) indices at the HS-2 level. Rather than treating RCA as a proxy for success in exports, the analysis uses it more narrowly to identify where export specialisation is concentrated and whether competitiveness is embedded in resource endowments or in downstream production capabilities.

An RCA value greater than one indicates that a country exports a given product more intensively than the world average, which means it holds relative specialisation. Sustained RCA patterns across product clusters therefore offer insight into the structural composition of an economy's external sector, not merely its export volumes.

Figure 11: RCA Indices for EAEU Countries in Selected Product Clusters (2024)



Source: This index is based on the Balassa measure (1965), and the values were calculated using trade data sourced from the International Trade Centre (ITC), with the underlying methodology following the UNCTAD definition.

3.2.1 Resource-Centric Comparative Advantages

The RCA profiles of Russia and Kazakhstan are dominated by mineral fuels (HS-27), ores and slag (HS-26), and basic metals, this shows a strong alignment between export competitiveness and natural resource endowments.

Russia exhibits a high RCA in:

- Mineral fuels (5.14)
- Fertilisers (10.85)
- Cereals (4.35)
- Fats and oils (2.59)
- Wood products (2.49)

Kazakhstan shows a similar pattern, with particularly strong comparative advantages in:

- Inorganic chemicals (9.36)
- Ores and slag (4.25)
- Mineral fuels (4.98)
- Copper (5.37)

These patterns thus suggest that competitiveness for the two largest EAEU economies remains upstream and extraction-oriented, with limited evidence of diversification into complex or technology-intensive manufacturing clusters. RCA strength is thus concentrated in sectors that are highly sensitive to global commodity cycles and price volatility.

3.2.2 Smaller Economies and Niche Specialisation

In contrast, the smaller EAEU economies possess highly concentrated but narrow comparative advantages, that are spread across a limited set of agricultural or low-value-added product clusters.

Kyrgyzstan shows strong RCA values in:

- Live animals (10.78)
- Edible vegetables (6.50)
- Ores and slag (4.39)
- Precious and semi-precious stones (9.59)
- Cotton (3.84)

Armenia's comparative advantages are focused on:

- Precious and semi-precious stones (15.49)
- Ores and slag (4.99)
- Beverages (4.76)
- Live animals (3.02)

Belarus, on the other hand, stands out with exceptionally high RCA values in:

- Fertilisers (48.26)
- Wood products (17.82)
- Animal and vegetable fats and oils (12.94)
- Meat (10.72)

Across all the EAEU member states, RCA values in manufactured and technology-intensive sectors remain consistently

below one. Categories such as Apparel (HS-61), Aircraft and spacecraft (HS-88) and Processed consumer goods, show weak or small comparative advantages. Even in cases where industrial capacity exists, it does not translate into export specialisation at a scale sufficient to shift comparative advantage indicators. This also has implications for the nature of internal trade dynamics within the EAEU, and suggests that trade expansion is more likely to occur through external demand rather than through the development of dense intra-regional value chains.

3.3 Product Concentration and Export Diversification in the EAEU

This section assesses the degree of export concentration and diversification across the EAEU member states using UNCTAD's product concentration and diversification indices. Taken together, these indicators allow for an evaluation not only of how uneven export baskets are, but also how closely national export structures resemble, or diverge from, the global trade pattern.

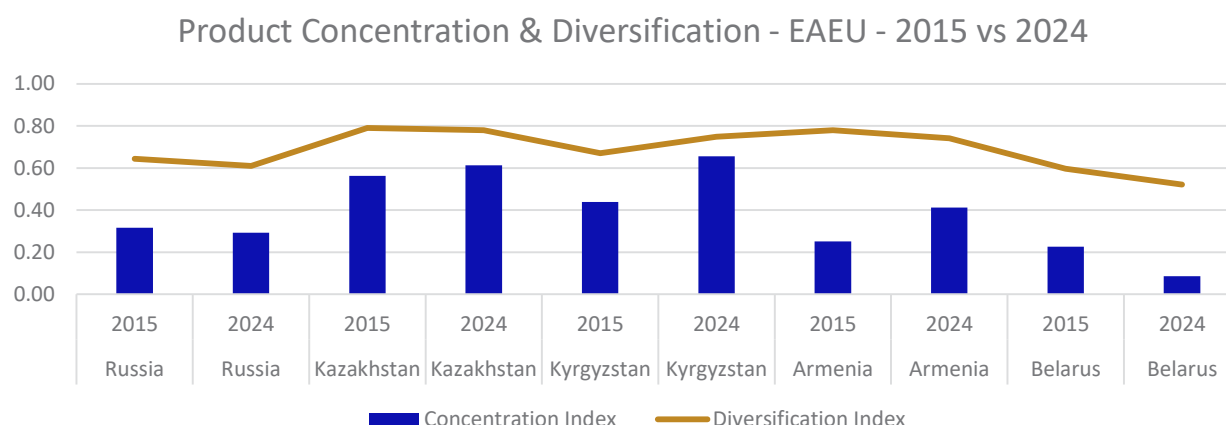
The product concentration index explains the extent to which a country's exports are concentrated in a limited number of products. Higher values indicate greater inequality within the active export basket and dependence on a narrow set of goods at the intensive margin. The diversification index measures the deviation of a country's export structure from the world average, with higher values signalling lower diversification relative to global trade patterns.

Table 5: Concentration and Diversification Indices of the EAEU countries

Country	Concentration Index (2024)	Trend (2015 vs 2024)	Diversification Index (2024)	Trend (2015 vs 2024)	Interpretation
Kyrgyzstan	0.66	Sharp Increase (from 0.44 to 0.66)	0.75	Increase (from 0.67 to 0.75)	Hyper-Specialization. Extreme concentration confirms reliance on few sectors (e.g gold re-export, agriculture). Rise in diversification index signals its export structure diverges further from the global norm.
Kazakhstan	0.61	Increase (from 0.56 to 0.61)	0.78	Stable (from 0.79 to 0.78)	Entrenched Dependency. High and rising concentration reflects increasing reliance on core mineral and fuel exports. A high diversification index shows its economy still remains structurally dissimilar to the world's.
Armenia	0.41	Sharp Increase (from 0.25 to 0.41)	0.74	Slight Decrease (from 0.78 to 0.74)	Strategic Re-Specialization. Increased concentration validates the pivot to dominant niches like precious metals and gold. A slight diversification improvement is minor relative to its heightened focus.
Russia	0.29	Decrease (from 0.32 to 0.29)	0.61	Decrease (from 0.64 to 0.61)	Forced de-concentration. The fall in concentration is driven by sanctions-induced loss of European energy markets and a pivot to Asia, not organic diversification. The export basket remains overwhelmingly dominated by fuels and raw materials.
Belarus	0.09	Sharp Decrease (from 0.23 to 0.09)	0.52	Decrease (from 0.60 to 0.52)	Sanctions-driven fragmentation. The dramatic drop in concentration reflects the collapse of traditional exports (e.g., potash) and loss of EU market access, not a healthy expansion of high-value industries.

Source: UNCTAD and Author's contribution

Figure 12: Product concentration and Diversification Indices – EAEU – 2015 vs 2024



Source: UNCTAD

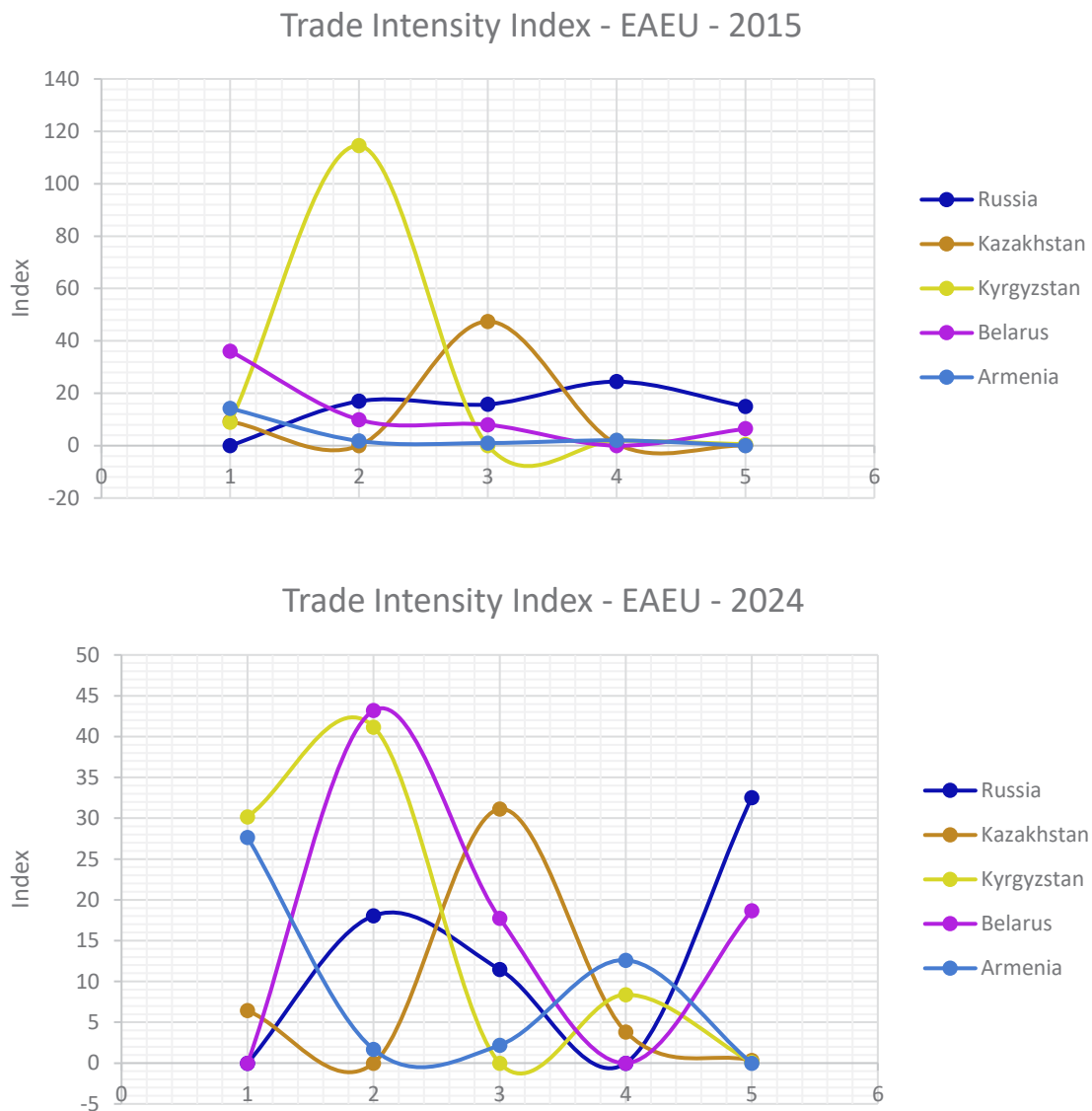
3.4 Internal Trade Intensity and Market Integration within the EAEU

This section examines the degree of internal market integration within the EAEU using the Trade Intensity Index (TII). The index captures whether bilateral trade between two countries is larger or smaller than would be expected based on their respective shares in world trade. Values greater than one indicate a trade relationship that is more intensive than predicted by global benchmarks, while lower values point to weak or underdeveloped trade linkages. It is calculated as:

$$T_{ij} = (x_{ij}/X_{it})/(x_{wj}/X_{wt})$$

Where x_{ij} and x_{wj} are the values of country i 's exports and of world exports to country j and where X_{it} and X_{wt} are country i 's total exports and total world exports respectively.⁵ By comparing trade intensity patterns of the EAEU countries in 2015 and 2024, the analysis traces how internal trade relationships within the EAEU have evolved over time, and whether deeper economic integration has materialised uniformly across member states.

Figure 13: Trade Intensity Index – EAEU – 2015 vs 2024



Source: ITC and Author's Calculation. How to read: TII > 1 = trade intensity above global average. Higher strand = stronger bilateral linkage. Compare 2015 vs 2024 to see integration trends.

The data shows a decisive consolidation of the hub-and-spoke model, but with significant realignments among the peripheral spokes. Russia remains the undisputed gravitational centre. Every other member's most intense TII score in 2024 is with Russia. The extreme score with Armenia shows Russia's ability to deepen integration bilaterally as a strategic priority.

While all paths lead to Moscow, secondary connections of strategic importance have also been formed. The Belarus-Kazakhstan corridor is the most significant, and represents a functional industrial-trade axis within the bloc. Conversely, the near-total collapse of the Kazakhstan-Kyrgyzstan intensity from its 2015 apex indicates a deliberate diversification of dependencies.

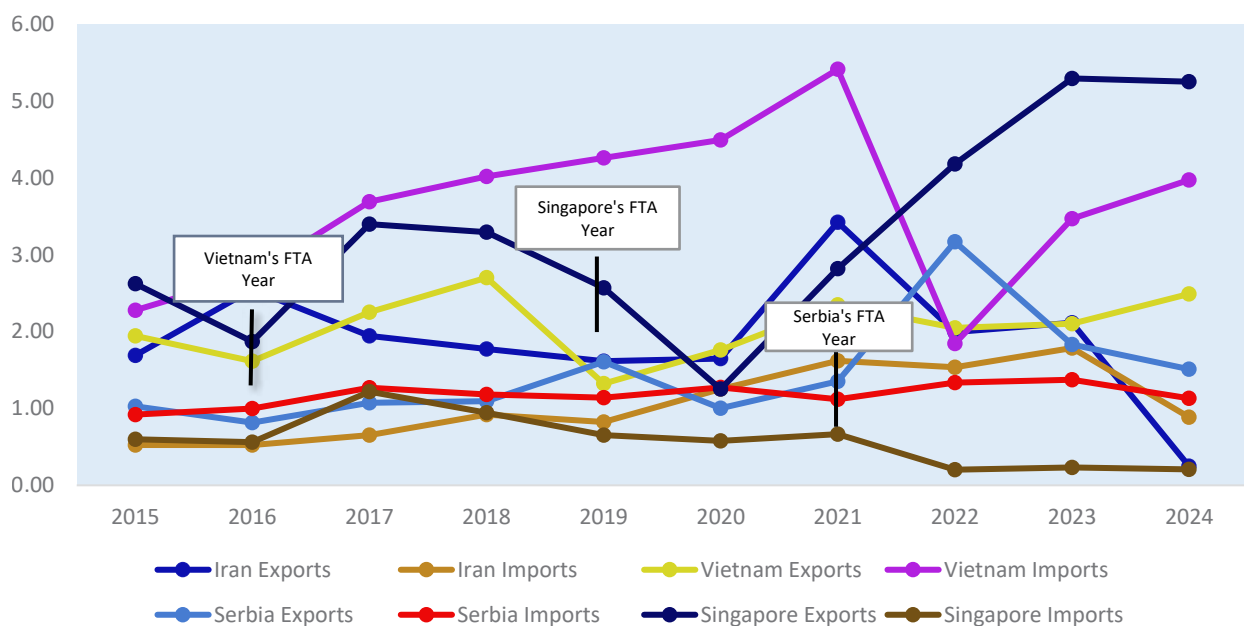
3.5 External Integration Outcomes: Trade Performance with EAEU FTA

Partners

The Eurasian Economic Union's external trade strategy has also been focused on concluding Free Trade Agreements (FTAs) with selected partners to diversify economic ties and secure markets for its commodity-driven exports. The following section focuses on exports and imports flows before and after the entry into force of free trade arrangements with partner countries, with the objective of identifying broad post-FTA trade patterns rather than attributing strict causal effects.

The selected partners differ in market size and timing of agreements which allows for a comparative assessment of how the EAEU trade responds under varying external integration contexts.

Figure 14: EAEU through trade trajectories with selected FTA partners (Values in USD Billion)



Source: ITC; Eurasian Economic Commission

Vietnam represents the earliest FTA partner of the EAEU, with the agreement entering into force in October 2016. Trade data show a relatively smooth post-FTA trajectory, particularly on the import side.

EAEU imports from Vietnam increased steadily from 2016 onward, rising from \$2.74 billion in 2016 to a peak of \$5.41 billion in 2021. Although imports decline sharply in 2022, they recover partially by 2024. Exports to Vietnam display more moderate growth, fluctuating within a narrow range but remaining above pre-FTA levels through most of the post-agreement period. Hence, the Vietnam case suggests that FTA effects materialised more strongly through import

expansion than export growth, with increased market access for Vietnamese goods within the EAEU rather than a symmetric trade response.

The EAEU-Singapore FTA entered into force in October 2019, and the trade outcomes show a noticeable divergence between export and import figures. EAEU exports to Singapore increased markedly after 2020, from \$1.25 billion in 2020 to over \$5.25 billion by 2024. Singapore is not a primary consumer of Russian oil or Kazakh wheat. Instead, it functions as a global logistics and financial hub. The FTA likely facilitates the export of EAEU commodities to Singapore for re-export, blending, financing, or transshipment to final markets in Asia.

On the other hand, imports from Singapore remain low throughout the period, never exceeding \$1.22 billion and declining further after 2021.

The FTA with Serbia came into effect in July 2021, and trade data reveal a lagged adjustment pattern. EAEU exports to Serbia rise sharply in 2022, reaching \$3.17 billion, compared to pre-FTA levels that remained close to \$1 billion. While exports moderate in subsequent years, they remain structurally higher than pre-agreement averages.

Imports from Serbia, however, show low variation over time, fluctuating within a narrow band both before and after the FTA.

Iran's engagement with the EAEU began with an interim agreement in October 2019, followed by the signing of a full FTA in May 2025. The trade trajectory during the interim phase is characterised by high volatility. Exports to Iran peak in 2021 at \$3.42 billion but decline sharply thereafter to \$0.25 billion by 2024. Imports from Iran show a more stable pattern, rising through 2023 before easing in 2024.

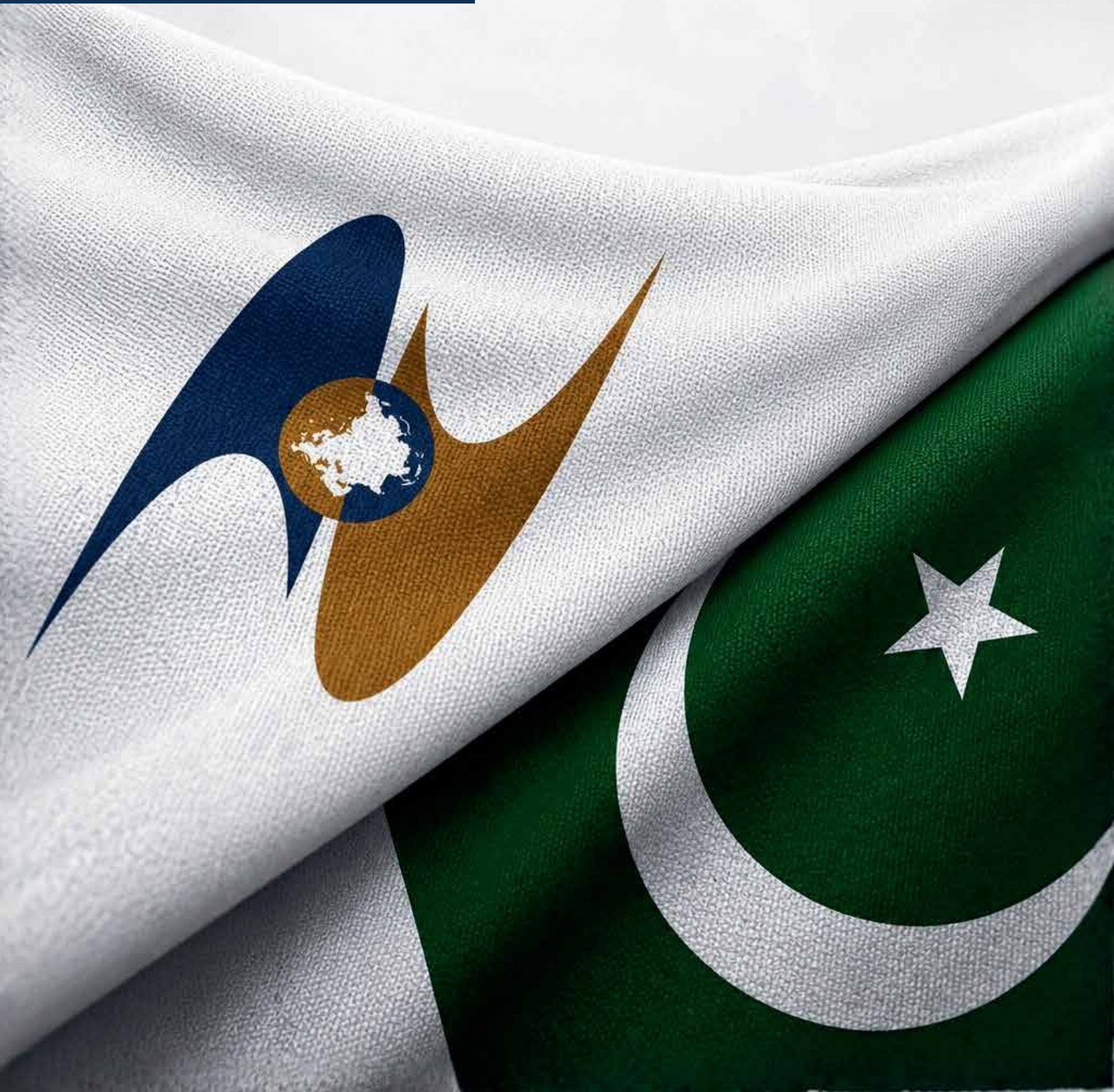
Across all four partners, the conclusion made from the pattern is as follow:

- Trade responses to FTAs are heterogeneous, and vary by partner and by direction (exports vs imports).
- In most cases, trade expansion is asymmetric, with either exports or imports responding more strongly, rather than balanced growth.
- FTAs appear to strengthen existing trade channels rather than create entirely new ones, with stronger effects observed where baseline trade links already existed.

Importantly, the evidence does not point to a uniform post-FTA convergence in trade volumes. Instead, external integration outcomes appear contingent on partner-specific factors and pre-existing trade structures.

CHAPTER 4

DIPLOMATIC RELATIONS BETWEEN PAKISTAN AND THE EAEU COUNTRIES



Chapter 4:

Diplomatic Relations between Pakistan and the EAEU countries

Pakistan's diplomatic ties with the states that now constitute the EAEU date back to the existence of the USSR. But those ties were shaped, and often constrained, by the Cold War alignment that defined the second half of the twentieth century.

Pakistan's foreign policy during the Cold War tilted decisively toward the Western hemisphere. This orientation created a gap in relations with the Soviet bloc that was, in strategic terms, filled by India. The Soviet-Indian relationship deepened through the 1950s and 1960s, culminating in the 1971 Treaty of Peace, Friendship and Cooperation, which made India a quasi-ally of the Soviet bloc. Pakistan, by contrast, joined the SEATO⁶ in 1954 and the CENTO⁷ in 1955, both of which signalled a clear alignment with the United States and deepened Soviet mistrust.

Yet the relationship was never entirely absent. In 1949, before formal diplomatic channels were established, the Soviet Union invited Pakistan's Prime Minister Liaquat Ali Khan to Moscow. He chose to visit Washington instead. In 1960, Pakistan signed an agreement on oil trade with the USSR. In 1965, President Ayub Khan made an official visit to Moscow. In 1969, Pakistan signed an agreement with the Soviet Union for the preparation of a feasibility report on Pakistan's first steel mill. Construction began in 1974, with more than 400 Soviet engineers and workers involved. The project was built and funded by the Soviets with an investment exceeding Rs 25 billion.⁸

Two subsequent geopolitical developments altered this dynamic. The Islamic Revolution in Iran in 1979 and the Soviet invasion of Afghanistan the same year prompted the United States to reconfigure its foreign policy toward Pakistan. Fearing a military threat on its north-western border, Pakistan accepted US advances, which paved the way for economic and military assistance. The trade-off was decades of instability due to terrorism and, when US assistance periodically halted, economic turmoil.

The dissolution of the USSR in 1991 marked the end of the Cold War. Subsequently, Pakistan was among the first countries to recognize the newly independent Central Asian and South Caucasus states. Diplomatic ties were established with all former Soviet Republics, including all current members of the EAEU, with one exception, namely, Armenia.

Pakistan's close ties with Azerbaijan, and the long-standing dispute between Armenia and Azerbaijan over Nagorno-Karabakh, prevented the establishment of diplomatic relations with Armenia for more than three decades. Pakistan did not recognize Armenia, and Armenia did not recognize Pakistan. Economic relations too were almost negligible, and limited to minor trade flows through third countries.

This impasse was resolved in August 2025, following the normalization of relations between Armenia and Azerbaijan. Both Pakistan and Armenia are now in the process of establishing diplomatic missions in each other's capitals. The resolution of diplomatic ties removes what was, for practical purposes, the final political obstacle to Pakistan's full engagement with all EAEU member states.

Pakistan's position within the new world order is defined by its membership in a web of multilateral organizations that intersect with the EAEU. Among them, The Shanghai Cooperation Organization (SCO) deserves particular attention. Established in 2001 as a successor to the Shanghai Five dialogue (1996), the SCO was initially focused on boundary issues and counter-terrorism cooperation among China, Russia, and the newly independent Central Asian republics. Pakistan and India joined in 2017. The SCO is one of the few multilateral organizations in which Pakistan and all EAEU members

⁶ SEATO (Southeast Asia Treaty Organization) was an international organization for collective defense in South East Asia comprising US, UK, France, Australia, New Zealand, Philippines, Thailand and Pakistan.

⁷ CENTO (Central Treaty Organization,) also known as Baghdad Pact, was a military alliance during cold war between Iran, Iraq, Pakistan, Turkey and the UK.

⁸ The Express Tribune - A look back at history of PSM

except Armenia (which holds observer status) participate. It provides a regular forum for dialogue on security and economic matters, and its existence means that Pakistan and the EAEU states are not strangers to each other in multilateral settings.

The Economic Cooperation Organization (ECO) provides another set of institutional linkage. Kazakhstan and Kyrgyzstan are full members, whereas Russia, Belarus, and Armenia hold observer status. The Central Asia Regional Economic Cooperation (CAREC) program, supported by the Asian Development Bank, includes Pakistan, Kazakhstan, Kyrgyzstan, and Armenia, though not Russia or Belarus.

These overlapping memberships mean that when Pakistan negotiates with the EAEU member states, it does so from a position of institutional familiarity. The diplomatic channels exist. The question is whether they can be activated for economic purposes.

4.1 Trade and Investment Relationships between Pakistan and the EAEU

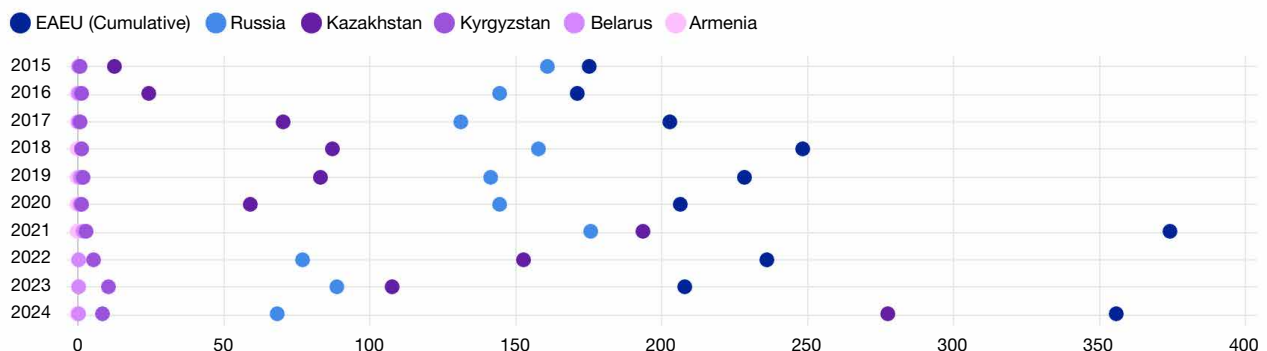
countries

Despite the institutional linkages and the declared potential for trade, the actual numbers remain below par. In 2024, the cumulative imports of the EAEU countries from Pakistan amounted to 0.11 percent of their total imports. In Pakistan's national accounts, exports to the EAEU accounted for 1.09 percent of total exports.

At the country level, Russia is Pakistan's largest trading partner within the bloc. Russian exports to Pakistan amounted to \$632.09 million in 2024, or 94.6 percent of total EAEU exports to Pakistan. Kazakhstan is the second-largest partner, and Pakistani exports to Kazakhstan (\$277.77 million in 2024) far exceed imports from Kazakhstan (\$1.54 million). Trade with Kyrgyzstan, Belarus, and Armenia remains marginal and sporadic.

Figure 15: EAEU Exports to Pakistan (as reported by Pakistan) over the years in USD million

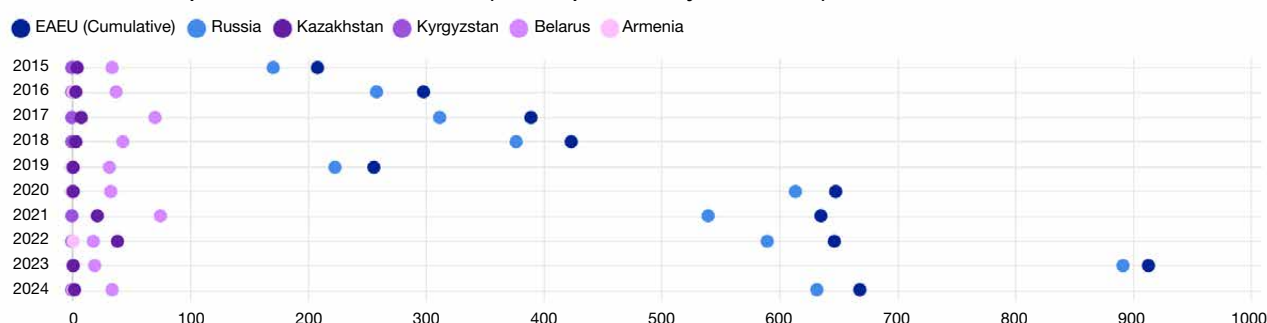
EAEU Exports to Pakistan (As Reported by Pakistan) Over The Years - USD Million



Source: ITC

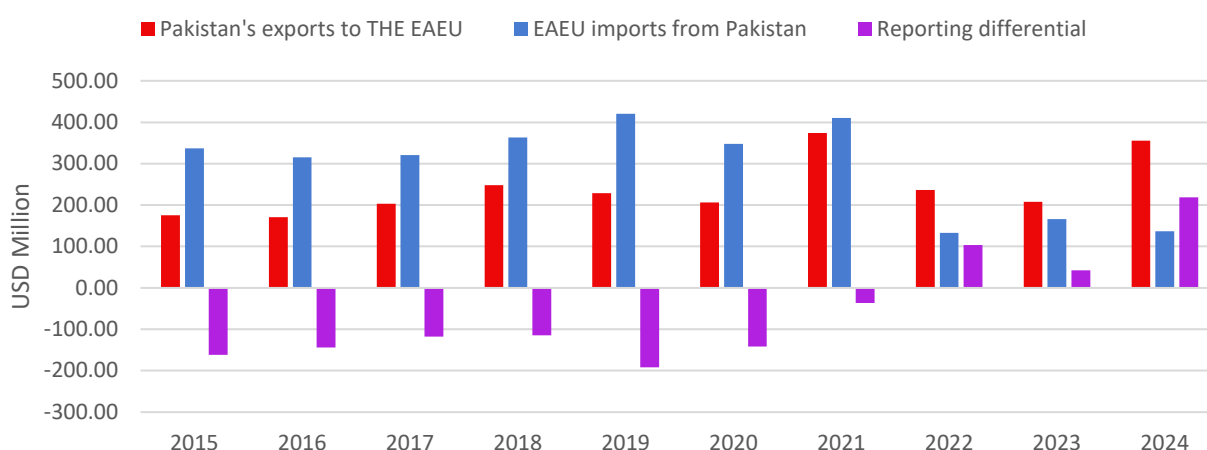
Figure 16: Pakistan's Imports from the EAEU (as reported by Pakistan) over the years in USD Million

Pakistan's Imports From The EAEU (As Reported by Pakistan) Over The Years - USD Million



Source: ITC

Two observations are worth noting. First, the sharp increase in EAEU exports to Pakistan in 2021 (\$374 million) was driven primarily by a surge in exports from Kazakhstan (\$193.7 million). Second, Russian exports to Pakistan peaked in 2020-2021 and have since declined, which likely reflects payment and logistics disruptions following the 2022 sanctions rather than any underlying major shift in commercial potential.

Figure 17: Reporting Differentials between Pakistan's Exports to the EAEU and the EAEU's Reported Imports from Pakistan over the years

Source: ITC

The figure above shows a pattern of widening discrepancy between what Pakistan reports as exports to the EAEU and what EAEU members report as imports from Pakistan. Prior to 2022, EAEU-reported imports from Pakistan consistently exceeded Pakistan's reported exports. Since 2022, the pattern has reversed.

The explanation lies in data availability. In 2022, the Russian customs service announced it would suspend publication of import and export data in order to ["exclude" errors and speculations](#)⁹. Belarus followed suit. For trade with Russia and Belarus, this report relies on mirror data from trading partners and international databases such as UN Comtrade and ITC Trade Map. The reporting differential is a direct consequence of this decision.

The decision to suspend trade data publication also limits analysis of the impact of Western sanctions on Russia and the proposed secondary sanctions announced by the Trump administration in 2025. For any assessment of Pakistan-Russia trade potential, this is a constraint that must be acknowledged.

9 Reuters – "Russia suspends publication of import-export data to avoid 'speculation'"

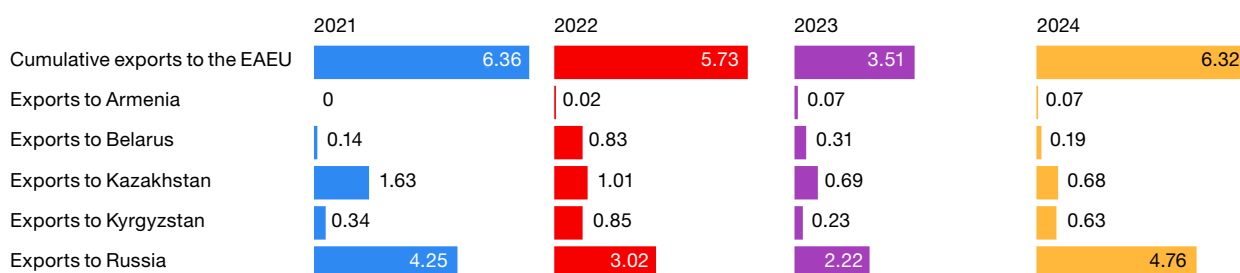
4.2 Trade in Services between Pakistan and the EAEU

Trade in services between Pakistan and the EAEU remains small but has shown incremental growth. As with trade in goods, Russia dominates the services trade as well.

Services imports from the EAEU grew from \$31.95 million in 2021 to \$52.13 million in 2024, driven almost entirely by Russia. Services exports, at \$6.32 million in 2024, remain a fraction of imports. The imbalance suggests that Pakistani services providers have yet to penetrate EAEU markets, or that the services categories in which Pakistan might be competitive (IT, professional services) are not reflected in the data.

Figure 18: Pakistan's Services Exports to the EAEU over the years

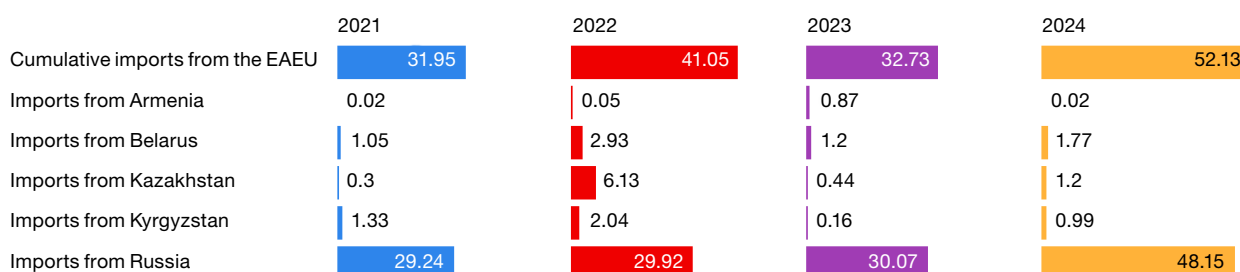
Pakistan's Services Exports to the EAEU (in USD Million)



Source: State Bank of Pakistan

Figure 19: Pakistan's Services Imports from the EAEU over the years

Pakistan's Services Imports from the EAEU (in USD Million)



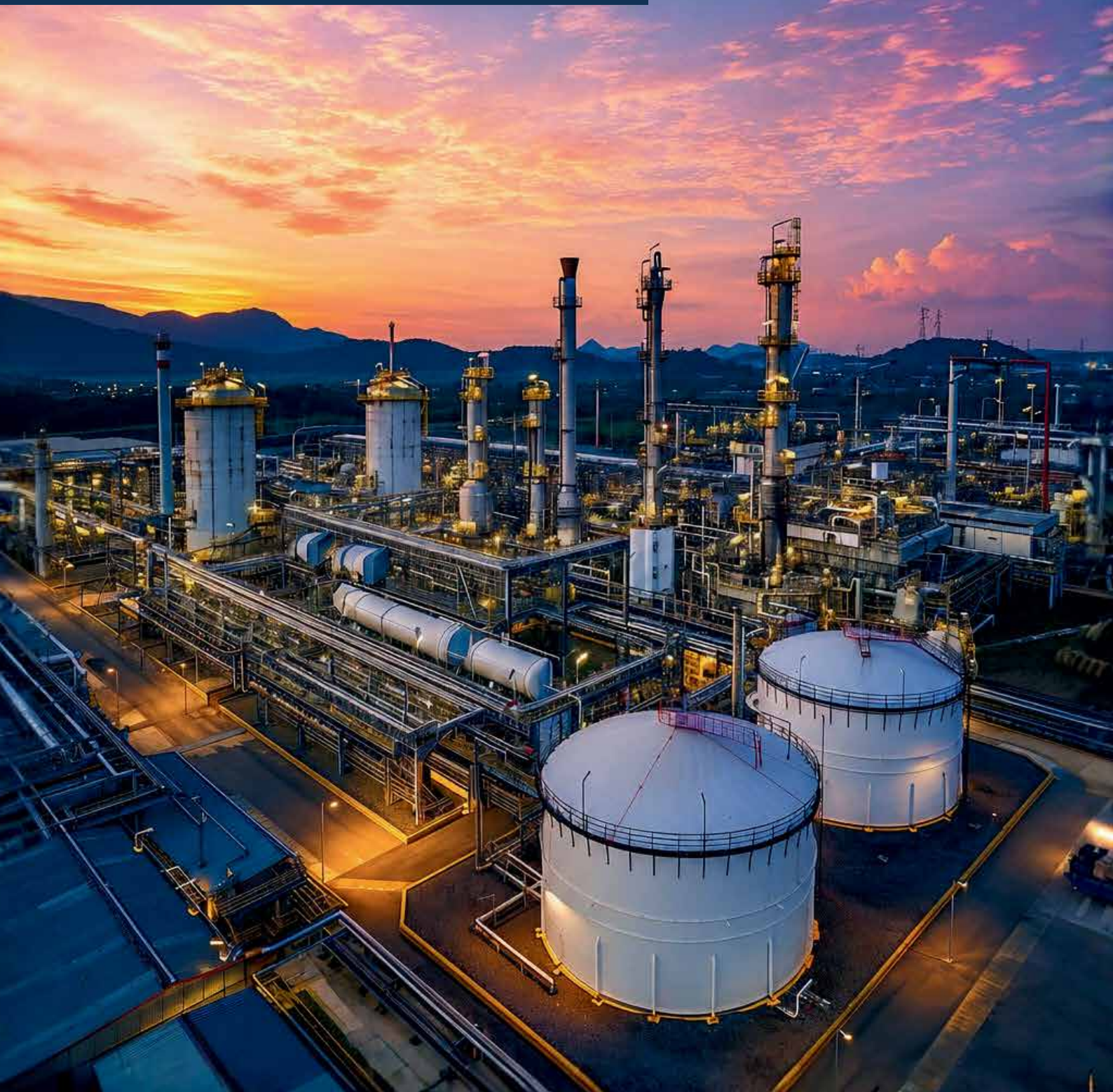
Source: State Bank of Pakistan

The diplomatic foundations between Pakistan and the EAEU states are more developed than the trade numbers suggest. Cold War estrangement gave way to post-Soviet recognition, multilateral engagement through the SCO and other forums, and most recently, the resolution of the Armenia obstacle. The political channels exist.

This gap between diplomatic possibility and commercial reality is the central puzzle this report addresses. The following chapter examines one sector where the potential for scale is undeniable and mutual interest is clear. Subsequent chapters then broaden the lens to assess product-level exports, imports and services trade across the full EAEU-Pakistan spectrum.

CHAPTER 5

ENERGY TRADE AND THE CASE FOR DEEPER PAKISTAN—EAEU BILATERAL ENGAGEMENT



Chapter 5:

Energy Trade and the Case for Deeper Pakistan–EAEU Bilateral Engagement

5.1 Global Energy Trade Realignments and the Eurasian Shift

The dislocation of global energy trade following Russia's invasion of Ukraine in 2022 marked the most abrupt reconfiguration of energy flows since the end of the Cold War. For over six decades, Russia functioned as a cornerstone supplier of pipeline gas to Europe. This relationship collapsed within a matter of months following the Ukraine war, as sanctions imposed by the European Union and the United States severed access to European markets and rendered long-standing infrastructure commercially and politically unusable.

For Russia, the loss of Europe materialised into a strategic redirection of energy exports towards Asia. For Europe, the shock necessitated an urgent and large-scale substitution of suppliers, that not only necessitated changes in import sources but also the political economy of energy security within the bloc.

5.1.1 The European Decoupling and Its Aftermath

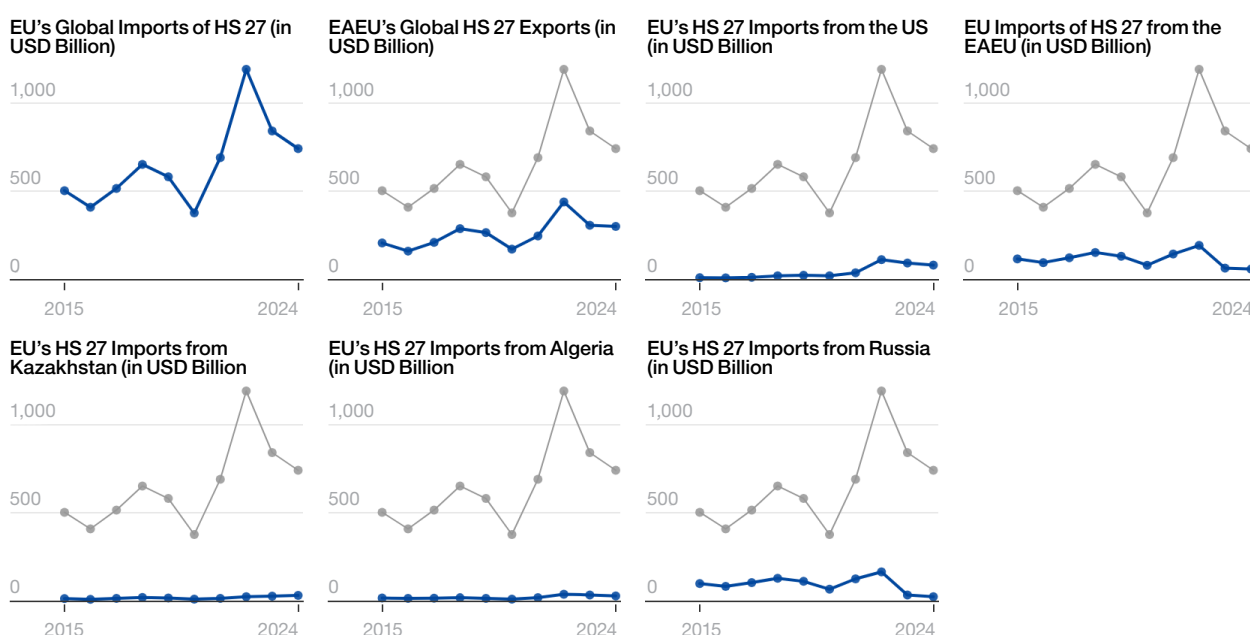
Russia's loss of the European gas market – its primary export destination for six decades – represents a structural break of historic proportions. EU energy imports from Russia, which stood at \$100.9 billion in 2015 and peaked at \$166.9 billion in 2022, collapsed to just \$26.1 billion by 2024.

On the other hand, the United States emerged as the dominant marginal supplier of energy to the EU. The EU imports of HS-27 mineral fuels and petroleum products from the US rose from \$12.2 billion in 2015 to \$113.8 billion in 2022, before subsiding to \$83.3 billion in 2024. The US supplies increasingly covered petroleum oils, LNG, and coal, by displacing pipeline-based imports from Russia, with seaborne and contract-flexible alternatives.

Figure 20: Changes in EU's Energy Import Landscape over the years

Changes in the EU's Energy Import Landscape Over the Years

— EU's Global Imports of HS 27 (in USD Billion)



Source: ITC

While this diversification may have reduced immediate exposure to Russian supply risk, it also introduced a new concentration problem. The March 2025 EU-US energy agreement, committing Europe to purchase \$750 billion of US energy by 2028, implies that – at current demand levels – the US would supply over 70% of EU energy imports. Given the bloc's current energy import demand and the gradual pace of renewable substitution, this commitment implies a degree of supplier dependence that rivals – and in some dimensions exceeds – the pre-2022 reliance on Russia.

5.1.2 Russia's Strategic Pivot to the South

The corollary to Europe's decoupling is Russia's accelerated pivot toward Asian markets. While there is lack of comprehensive data on Russian energy exports to Asia, the aggregate shift is evident in the EAEU's global energy export trajectory. The EAEU energy exports (HS 27) rose from \$207.8 billion in 2015 to a peak of \$439.7 billion in 2022, and somewhat stabilized at \$301.8 billion in 2024. The share destined for Europe has declined precipitously, while Asian destinations like China, India, and emerging markets in Central and South Asia have absorbed increasing volumes.

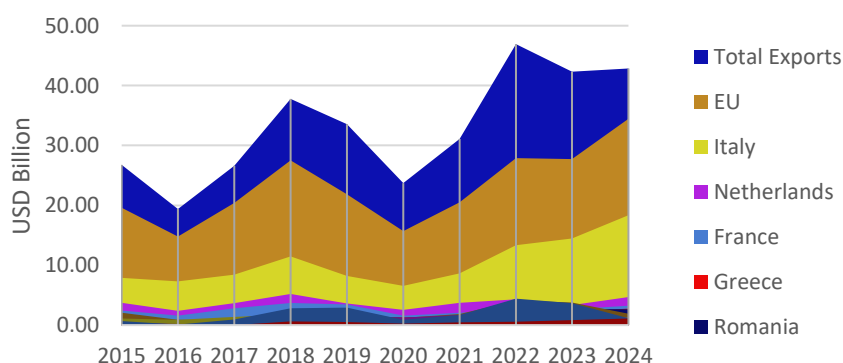
5.1.3 Kazakhstan's emergence as a Dual-Origin Energy power

Within the EAEU energy landscape, Kazakhstan occupies a distinctive position. Unlike Russia, Kazakhstan has maintained and even expanded its energy exports to Europe while also deepening ties with Asian markets.

Outside of the western sphere, Kazakhstan is the second largest energy supplier to the EU, with imports going from \$15.8 billion in 2015 to reaching a historic high at \$33.9 billion in 2024. Energy and critical raw materials are the two most important elements that define the burgeoning relationship between the European Union and the Central Asian Republics. Kazakhstan accounts for over 40% of global uranium production, and is one of the leading providers for the European nuclear energy sector. Kazakhstan is also a major player in the Middle Corridor transportation route that connects China and Europe by circumventing Russia.

Figure 21: Global supply of Kazakh Crude Oil over the Years

Kazakh Exports of HS 2709 - Crude Oil from Petroleum and Bituminous Minerals



Source: ITC

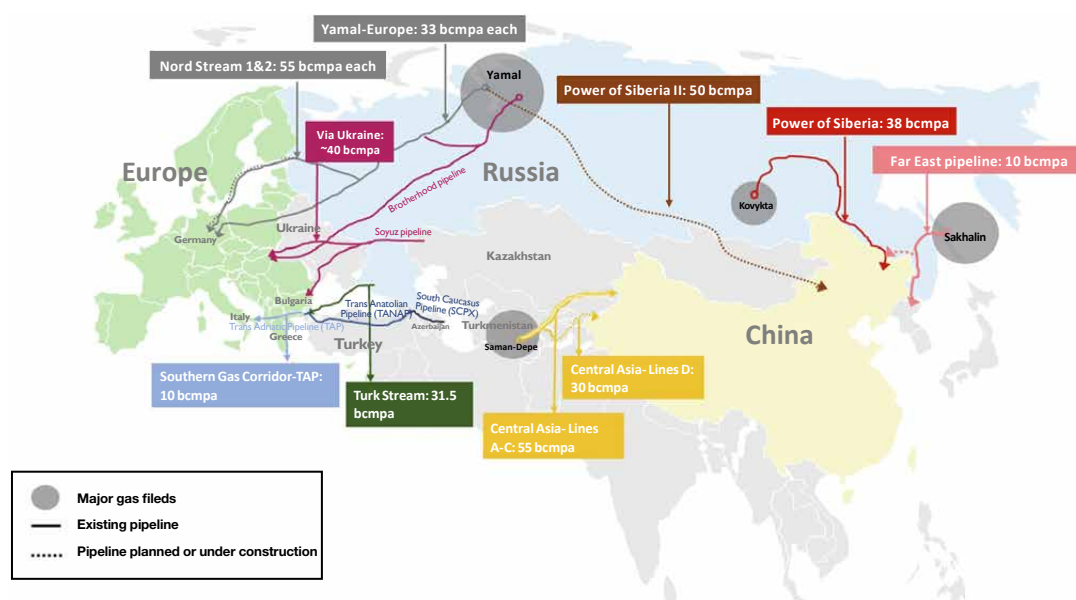
5.2 Infrastructure and the Geography of Energy Trade

Energy trade is ultimately governed by infrastructure, and remains a point of geopolitical leverage and vulnerability, regardless of the original source of supply. In December 2025, Ukrainian attacks on the Yuzhnaya Ozereevka terminal of the Caspian Pipeline Consortium – which handles approximately 80 percent of Kazakhstan's oil exports – put a damper on Kazakh sales and forced over 300,000 tons of oil from the CPC pipeline towards alternative export routes.

The CPC disruption is best understood within the broader architecture of Eurasian pipeline networks (Figure 22). This infrastructure and much of its legacy Soviet-era construction has become a source of strategic vulnerability for both

suppliers and transit states. The important observation is that Russia's pipeline infrastructure was designed for a European market that no longer exists at scale. TurkStream and the Nord Stream projects were conceived with a strategy of bypassing Ukraine and Poland to reach Western European consumers directly. Europe's post-2022 decoupling has rendered much of this infrastructure stranded asset.

Figure 22: Eurasian Natural Gas Pipeline Network



Source: [The global implications of a Russian gas pivot to Asia](#) published in Nature Communications

On the other hand, Asia's expanding industrial base and population growth makes it a high-potential growth market for energy exports for Russia and CARs. The Power of Siberia 2 pipeline, agreed in principle between Russia and China in 2025 with a legally binding memorandum signed by Gazprom's CEO, marks the most significant idealization of this shift. When operational, it will channel Russian natural gas directly to China's growing industrial centres.

5.3 The Energy Transition Paradox: Why Fossil Fuels Still Control the Global

System

The global energy order – and more importantly the global political order – is undergoing a structural transformation that is driven by the rapid expansion of clean energy. According to the Global Electricity Review 2025 published by Ember, clean electricity, that is defined as renewables and nuclear, accounted for over 40 percent of global power generation in 2024, with solar contributing more incremental generation than any other source. China has emerged as the undisputed leader of this transition, by actually institutionalizing the green ambitions that the European Union articulated at the turn of the century but failed to execute at scale.

On the other hand, the expansion of AI applications, data centres, electric vehicles, and heat pumps has materially raised baseline electricity requirements. Simultaneously, climate change-induced heat waves drove a surge in air conditioner usage, which contributed to a sharp increase in fossil generation in 2024 globally.

As a result, growth in electricity consumption outpaced the expansion of clean generation in 2024, and forced a residual increase in fossil-fuel-based power generation despite record renewable deployment.

5.4 Pakistan's Energy Constraints and Import Dependence

Box 2: The Departure of Oil as Geopolitical Leverage?

In 2024, three major oil producers – Russia, Saudi Arabia, and the United States – accounted for roughly one-third of global crude output. On paper, this concentration should confer enormous market power.

Yet Russia lost its largest energy market and has been selling at a persistent discount. The much-feared European energy weapon proved one-sided - Europe suffered, but Russia suffered more.

Three structural shifts explain why.

- First, supply diversification. US shale production has frayed OPEC+ discipline. When Russia and KSA attempt coordinated cuts, US producers take over the market share.
- Second, demand decoupling. China surpassed 1,000 gigawatts of installed solar capacity in 2025. Its cheaper green technology is enabling scores of developing countries to reduce hydrocarbon import dependence. This caps long-term price upside.
- Third, discount diplomacy. Oil politics now operates through a different mechanism. Not “who has oil” but “who will sell it at what discount to whom.” India’s Russian crude imports, that went from negligible to 38% of total, typifies this new reality.

The era when choosing a supplier meant choosing a patron is fading. Trade today follows discount, not doctrine.

The days of oil as a decisive geopolitical chokepoint are winding down. The days of oil as a routine import commodity that is subject to ordinary price and proximity logic are not.

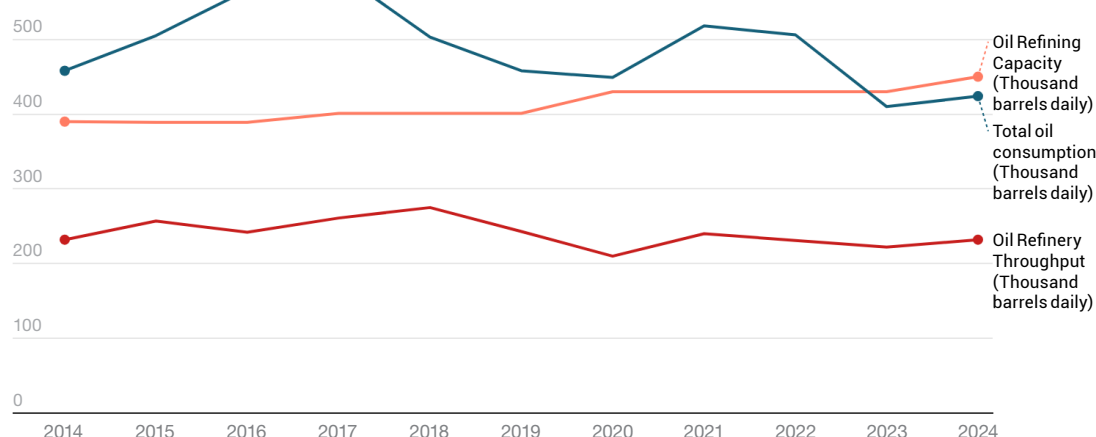
Pakistan's energy insecurity is not intermittent, nor is it reducible to price shocks or temporary balance-of-payments stress. It is thoroughly structural, and stems from a persistent mismatch between domestic energy production, processing capacity, and consumption growth. Over the past two decades, aggregate energy demand has expanded steadily, while domestic supply, particularly in hydrocarbons, has either plateaued or declined. This gap has made import dependence a necessity for the energy infrastructure of the country.

The most severe vulnerability lies in oil. While total oil consumption has fluctuated in line with macroeconomic cycles, domestic refining capacity has expanded only marginally and, more importantly, remains persistently underutilized. Refinery throughput has consistently fallen short of installed capacity, which reflects a combination of outdated infrastructure, crude slate mismatches, and operational inefficiencies. As a result, Pakistan is compelled to import not only crude oil but a substantial volume of refined petroleum products as well.

Figure 23 presents Pakistan's annual data on total oil consumption, installed refining capacity, and actual refinery throughput from 2014 to 2024.

Figure 23: Domestic Oil Processing vs Total Consumption in Pakistan Over the Years

Domestic Oil Processing vs. Total Consumption in Pakistan (2014-2024)



Source: International Energy Agency (IEA)

Four observations from this data are important to understand the energy landscape of the country.

First, refining capacity has remained stagnant for a decade. In the span of ten years, from 2014 to 2024, installed capacity increased by only 60 thousand barrels per day, which reflects a 15 percent expansion that has not kept pace with population growth or development needs.

Second, actual throughput consistently falls far below installed capacity. Capacity utilization has averaged around 55 to 58 percent over the decade, dipping as low as 48.8 percent in 2020 and remaining below 55 percent in recent years. This points towards dysfunction in the supply chain that feeds it. Whether the constraint is feedstock availability, maintenance issues, inefficiency, or the financial insolvency of refineries themselves, the result is the same i.e. the country cannot process even the limited volume its installed capacity would allow.

Third, the import gap remains persistent. Even in years of peak throughput, domestic processing covers barely half of consumption. The gap ranges from 188 to 328 thousand barrels per day. This is not a temporary shortfall that investment in new refineries could eliminate within any plausible timeframe.

Fourth, the pattern refutes any notion that import dependence is a policy choice subject to reversal. With maximum historical throughput of 275 thousand barrels per day and consumption never below 410 thousand, the gap is inescapable. Pakistan will be a net importer of oil and oil products for the foreseeable future, regardless of any plausible policy intervention.

5.4.1 The Composition of Pakistan's Energy Import Dependence

The State Bank of Pakistan reports that oil imports consistently account for approximately one fifth of the country's total import bill. In 2024, crude oil was the single largest import category by value.

Pakistan's top four sources for mineral fuels in 2024 were all members of the GCC including the United Arab Emirates, Qatar, Saudi Arabia, and Kuwait. The top four mineral fuels and oil products that the country imported are given in Table 6.

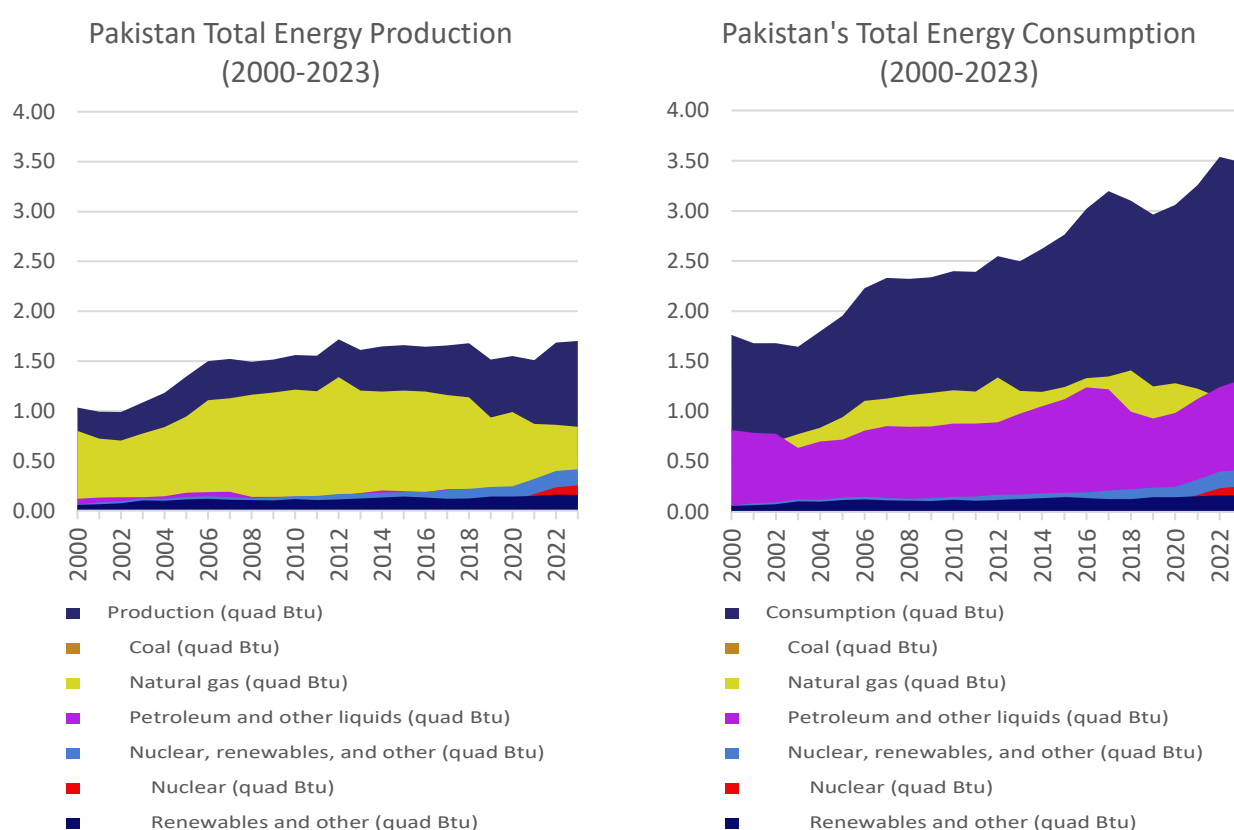
Table 6: Top 4 Mineral Fuels and Related Products Imported by Pakistan Over the Years

Code	Product label	Value in 2020 (\$ Billion)	Value in 2021 (\$ Billion)	Value in 2022 (\$ Billion)	Value in 2023 (\$ Billion)	Value in 2024 (\$ Billion)
270900	Petroleum oils and oils obtained from bituminous minerals, crude	2.27	4.22	6.04	4.83	5.61
271012	Light oils and preparations, of petroleum or bituminous minerals which $\geq 90\%$ by volume "incl. ...	2.59	4.86	5.99	4.63	4.38
271111	Natural gas, liquefied	2.08	4.01	4.58	3.69	3.98
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	1.61	3.16	5.08	1.90	1.90

Source: ITC

The volatility in import figures in the table, that are driven by both global price fluctuations and volume changes, must also be taken into account to understand the vulnerability inherent in Pakistan's import dependence. A 10 percent increase in global prices translates directly into a \$1.5 to \$2 billion increase in Pakistan's import bill, with attendant balance of payments pressure.¹⁰

Figure 24 presents total energy production and consumption data of the country from 2000 to 2023, expressed in quadrillion British thermal units.

Figure 24: Pakistan's Total Energy Production and Consumption Over the Years

Source: IEA

Table 7: Tariff Comparison – India vs Pakistan

Product	India's Applied Tariff	Pakistan's Applied Tariff
Crude petroleum oils (270900)	Rs. 1 per ton (effectively 0%)	3%
Liquefied natural gas (271111)	2.50%	11%

Source: ITC

India maintains a nominal tariff of one rupee per metric ton on crude oil imports. For all practical purposes, this is zero. The country applies the same rate uniformly to its top three suppliers including Russia, Iraq, and Saudi Arabia. At over \$51 billion in 2024, Russian crude now dominates India's import portfolio. That volume dwarfs Pakistan's total energy imports from all sources. On LNG, India's tariff ranges from zero to 2.5 percent depending on the supplier. Qatari LNG enters at 2.5 percent, UAE LNG enters duty free, and Russian LNG would face the same 2.5 percent rate were volumes to materialize.

Pakistan's tariff structure, on the other hand, is considerably more restrictive. Crude oil imports from Saudi Arabia and the UAE face a 3 percent tariff. LNG imports from Qatar – Pakistan's largest LNG supplier – and Nigeria face an 11 percent tariff. What is more, the problem of circular debt – that currently stands at 2.6 trillion rupees – in the energy sector in Pakistan has taken the entire energy security apparatus in chokehold.

5.4.2 What These Constraints Imply

The analysis in this section thus far yields three conclusions that help frame the remainder of the chapter.

- First, Pakistan's energy import dependence is structural, not cyclical.
- Second, the import basket is concentrated among traditional Gulf suppliers.
- Third, Pakistan's energy constraints are not primarily about supply.

Box 3: Oil Price Shocks and Pakistan's Exposure

The MSCI World Energy Index tracks major oil price spikes. Each surge since 2010 coincides with a geopolitical event in the Gulf or Eastern Europe.

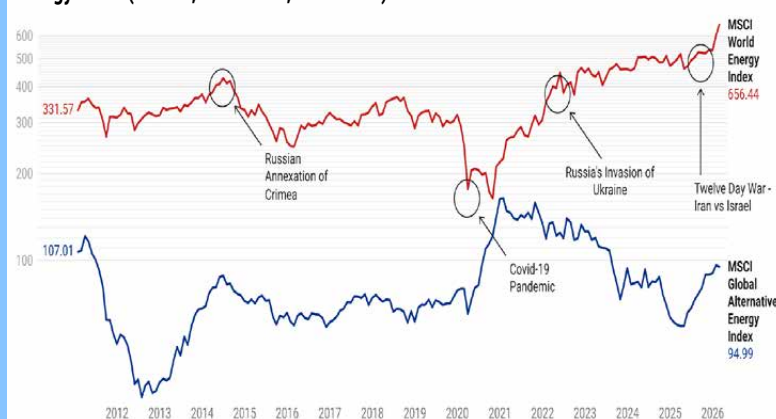
The June 2025 Israel Iran war did not block the Strait of Hormuz, but it served as a strong geopolitical signalling. Twenty percent of global oil and one fifth of LNG pass through the Strait daily. Qatar, Pakistan's largest LNG supplier, accounts for most of those volumes. In 2024, 84 percent of crude shipments through the Strait went to Asian markets.

The 2026 US Israel Iran war has escalated the threat. Tankers and Gulf energy facilities are now direct targets. Brent crude, forecast at \$56 per barrel for 2026, has surged past \$100. During the 2022-23 Russia Ukraine war, Brent reached \$100.12, pushing Pakistan close to sovereign default and exacerbating its energy crisis. A similar spike would reignite inflation.

Supply shocks are already visible. Qatar Energy suspended LNG production; Europe's gas price jumped 50 percent. Saudi Aramco halted a refinery after a drone strike. Shipping through the Strait is at a standstill.

Pakistan imports most of its energy from the Gulf. The economic spillover is severe. The country needs a contingency plan to diversify import sources and offset rising logistics and insurance costs.

The MSCI World Energy Index (ExxonMobil, Chevron, Shell etc) Vs Global Alternative Energy index (Vestas, First Solar, Orsted etc)



Source: MSCI • Created with Datawrapper

ISRAEL-IRAN CONFLICT Strait of Hormuz

The 39km (24-mile) Strait of Hormuz is the world's most critical oil chokepoint, linking the Gulf to the Gulf of Oman. It is the only route to the open ocean for Gulf-based exporters and handles about 20 percent of global oil and one-third of the world's LNG.



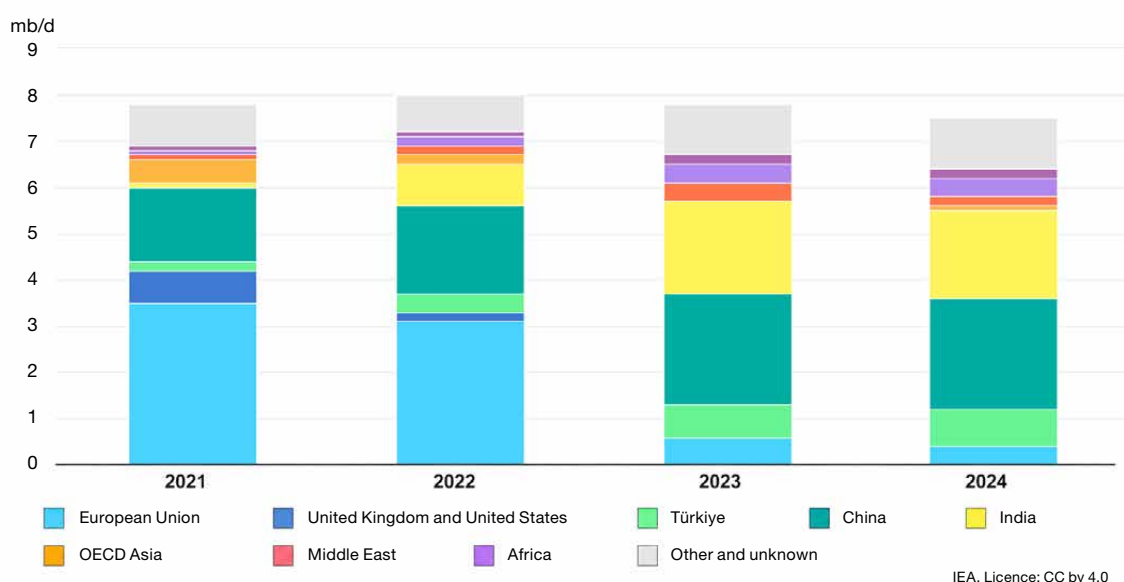
The following section examines what successful energy diversification looks like at scale, through the lens of India's experience with Russian crude imports since 2022.

5.5 Russia's Energy Exports to Asia and lessons from India

India's relationship with Russia historically has often been described as a trade-off of favors without strong ideological convergence. That characterization still holds, but the scale has changed. Bilateral trade between the two countries increased nearly sixfold following the Russia-Ukraine war, from \$10 billion before 2022 to \$69 billion in 2024. The main driver of this growth is India's purchase of discounted Russian crude oil.

Since 2022, Russia's energy revenue may have fallen, but its oil has continued to flow. Over four years, Moscow has increasingly redirected its seaborne crude to China, India and Turkey. According to the Centre for Research on Energy and Clean Air, the volume of Russian crude oil exports remained 6 percent above pre-war levels in 2025, with almost 93 percent of crude going to these three destinations.

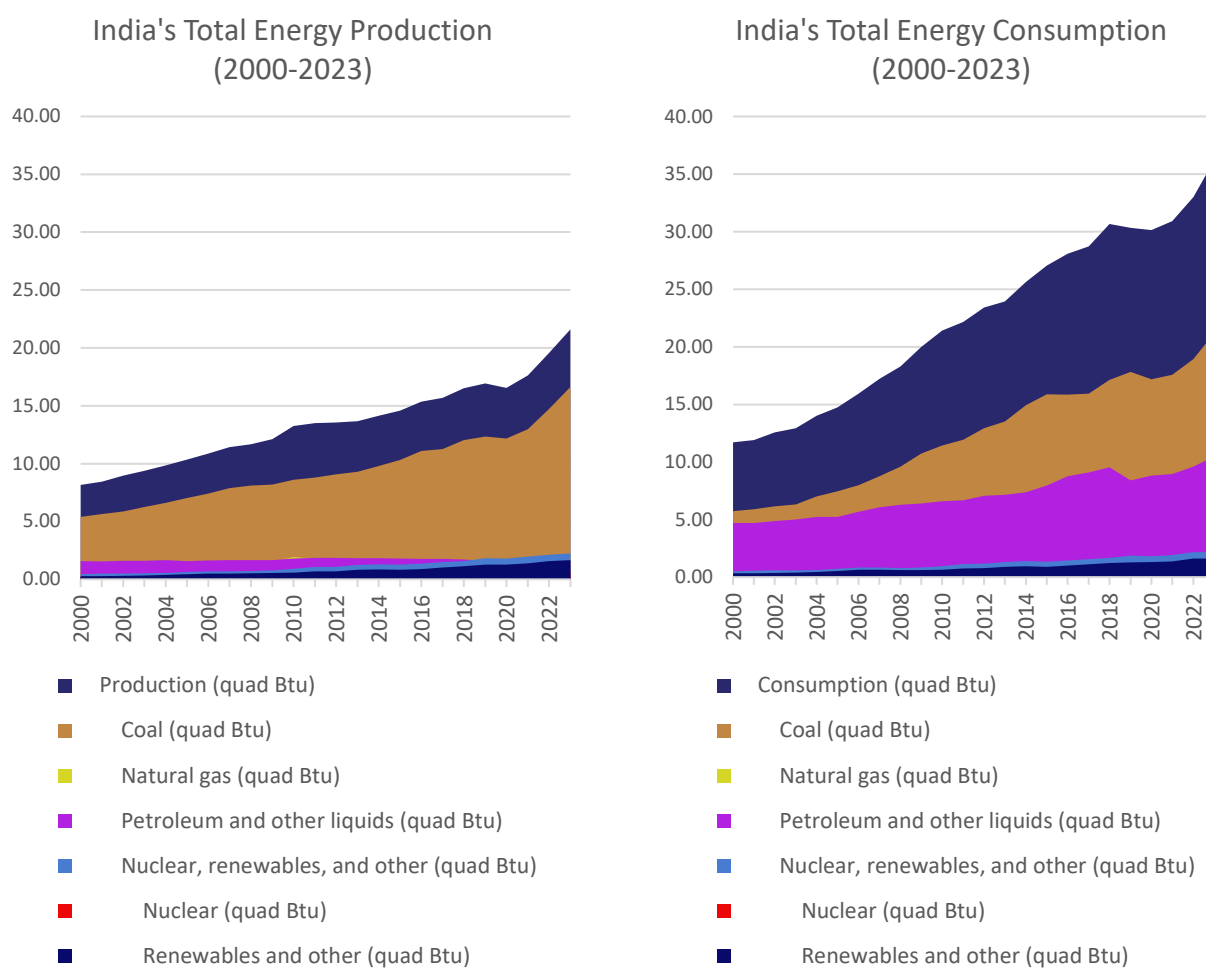
Figure 25: Average Russian Oil Exports by Country and Region (2021-2024)



Source: IEA

5.5.1 India's Energy Demand Structure and Import Dependence

In 2023, India surpassed China to become the world's most populous country. Its level of industrialization and population growth point to the fact that energy demand will only increase. India is already the third largest consumer of oil globally, and oil accounts for about one-quarter of the country's primary energy consumption.

Figure 26: India's Total Energy Production and Consumption Over the Years

Source: IEA

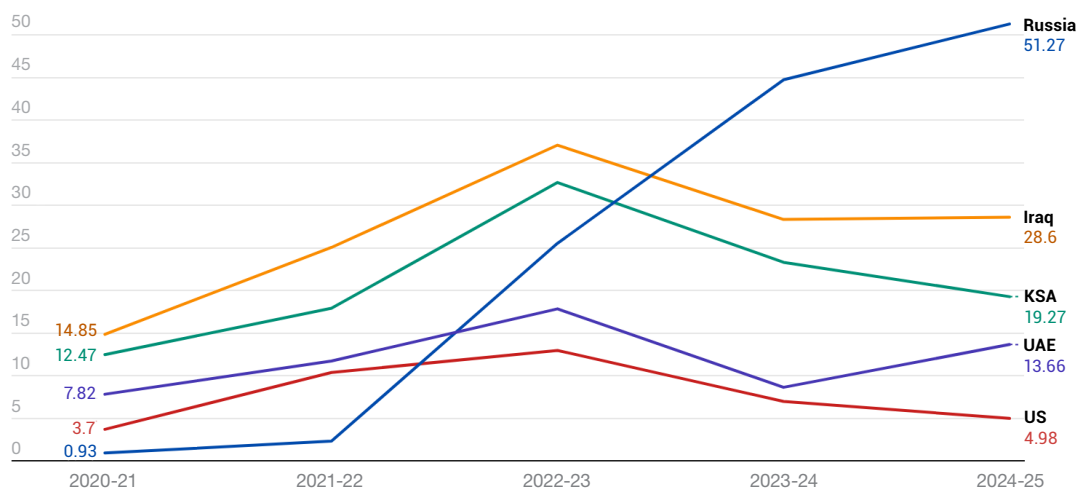
The gap between production and consumption has widened steadily over two decades. In 2023, India consumed 36.2 quad Btu of energy while producing only 21.6 quad Btu. The deficit of 14.6 quad Btu is larger than Pakistan's total primary energy consumption. Consequently, price stability and supply security take precedence over supplier diversification when favorable commercial terms are available.

5.5.2 Discounted Russian Crude and Refining-Led Arbitrage

The underlying grounds for India's post-2022 engagement with Russian energy has been the availability of discounted crude oil. Indian refiners capitalized on price differentials that initially exceeded 20 percent and later stabilized at approximately 10-15 percent after adjusting for grade and freight.

As shown in figure 27, Russian crude accounted for less than \$1 billion of India's imports in 2020. By 2024, that figure had grown to \$51.3 billion. Russia is now India's single largest crude supplier, surpassing Iraq and Saudi Arabia.

India also began importing Russian coal in 2022. One estimate suggests that by 2030, over 60 percent of Russia's metallurgical coal exports and 42 percent of its thermal coal exports will go to India.

Figure 27: India's Import of Crude Oil Over the Years**India's Import of Crude Oil (HS-270900) Over the Years - In USD Billion**

Source: ITC

5.5.3 Payments Mechanism and Logistics

Indian government officials have on multiple occasions promised to curb dependence on Russian oil, due to sanctions and tariff risks. But Indian buyers, particularly major businesses, continue to import cheap Urals crude.

India also pays for a portion of its imports in Indian rupees. According to a report by the Energy Innovation Reform Project, many of these transactions flow through cryptocurrency channels in the UAE, that yields higher commissions for Russian parties.

Russia, however, is increasingly demanding payment in Chinese yuan. The yuan is the only currency that can be directly and massively exchanged for Rubles. This arrangement forces Russia's financial system to operate on China's terms, but it also limits the drop in the Ruble's value and the associated inflation.

Russian banks are also using a netting currency settlement system with China called "China Track" to minimize the risk of secondary sanctions and conceal transactions from Western monitoring.¹¹ The system, as reported by Reuters, operates outside SWIFT and Western banks, using a network of payment agents in jurisdictions such as Kazakhstan, Kyrgyzstan, Hong Kong and the UAE. The netting model provides a parallel financial system that exists outside US and EU control.

From a logistical perspective, Russian crude shipments to India face longer and more complex routes compared to traditional West Asian suppliers. The shortest maritime paths via the Mediterranean and Red Sea have been periodically disrupted by regional instability, while alternative routes around Africa increase freight costs and transit times. Nevertheless, these constraints do not disrupt flows, as discounted pricing absorb higher logistical expenses. For LNG, Russia's Arctic terminals are better suited to the North-South route for shipping to India.

5.5.4 Sanctions and Their Limits

One reason Indian refineries were able to amass profits from discounted Russian crude was that, until July 2025, refined petroleum products derived from Russian crude in third countries were not sanctioned. This enabled Indian companies to import, refine, and re-export freely.

The 18th EU sanctions package, implemented in 2025, changed this. It imposed import bans on refined petroleum products made from Russian crude coming from third countries, with limited exceptions for a few European countries. The second

11 ['China Track' bank netting system shields Russia-China trade from Western eyes – Reuters](#)

shock came with the Trump administration's announcement of additional 25 percent tariffs on India for purchasing Russian crude. Both developments were strongly rebuked by the Indian government, which critiqued the West on energy security double standards.

India has gradually built up its supplies of US oil in response to these announcements. But experts warn that if India were to entirely cut Russian crude and diversify its oil imports to the Middle East and US, the immediate aftermath could raise India's annual oil bill by \$9 to \$11 billion due to pricing frictions and logistics costs.

■ 5.5.5. India's Policy Logic

India has been following an economy-first approach and will continue to do so in whatever way it deems pragmatic. Indian officials have defended their energy purchasing decisions and called Western sanctions unfair and hypocritical.

According to one study, two-thirds of Indian households experience some form of energy poverty. Therefore, energy imports directly affect domestic demand, which like Pakistan's, is also driven by the transport sector.

■ 5.5.6 Lessons for Pakistan

The India case yields several conclusions relevant to Pakistan's potential FTA with the EAEU.

First, scale matters. India's refining capacity exceeds 5 million barrels per day, with a target of 6 million by 2028. This scale allows India to absorb large volumes of discounted crude, refine it, and re-export the products at a profit. Pakistan's refining capacity is less than one-tenth of India's, and its refineries operate at low utilization rates. The economics of crude imports for Pakistan are fundamentally different.

Second, financial infrastructure enables the trade. India's ability to pay for Russian crude outside the Western financial system, through shadow fleets, cryptocurrency, and the China Track netting system, has been essential.

Third, discounts matter, but they are not permanent. The initial deep discounts on Russian crude have narrowed as Russia has stabilized its customer base. The window for securing favorable pricing may not remain open indefinitely.

Fourth, the political will to prioritize energy security exists. India has demonstrated that a large, import-dependent economy can defy Western pressure when its energy interests are at stake.

5.6 Pakistan's Energy Imperative and Pathways Toward Eurasian Energy

Engagement

The answer for meeting Pakistan's energy needs is not a simple replication of the India model. There are major differences that lie in scale, refining capacity, financial architecture, and geopolitical positioning that are too significant to ignore. But the India precedent brings to light both the possibilities and the prerequisites.

■ 5.6.1 Pakistan's Refining Capacity and Crude Compatibility

India's ability to absorb Russian crude at scale rests on a foundation Pakistan does not possess. India's refining capacity exceeds 5 million barrels per day, with modern, complex refineries capable of processing the medium-sour Urals crude that Russia exports. Pakistan's refining capacity is less than one-tenth of that, and its existing refineries are configured for lighter, sweeter crudes traditionally sourced from the Gulf.

Utilization rates across all refineries remain below 60 percent, with some operating at half their nameplate capacity. The reasons include chronic circular debt, inadequate maintenance, and crucially, a mismatch between available crude grades and refinery configuration. Most Pakistani refineries are simple hydroskimming units, designed for light crude and

optimized for producing high-value diesel and mogas. Russian Urals is a medium-sour crude that requires more complex processing. Without upgrading, Pakistani refineries cannot extract the same value from Russian crude that Indian refineries can.

5.6.2 The Product Mismatch - What Pakistan Imports Versus What It Needs

Pakistan's energy import basket is dominated by crude oil, LNG, and refined products. The product composition matters because it determines the form in which EAEU energy can enter the Pakistani market.

Table 8: Pakistan's Top Energy Imports by Product (2024)

HS Code	Product	Value (USD Billion)	Primary Use
270900	Crude petroleum oils	5.61	Refinery feedstock
271012	Light oils (motor gasoline)	4.38	Transport
271111	LNG	3.98	Power, fertilizer, industry
271019	Medium oils (diesel)	1.90	Transport, industry

Source: Pakistan Bureau of Statistics

Russia can supply crude, refined products, and LNG. Kazakhstan can supply crude and, increasingly, refined products. The question is which form makes sense for Pakistan given its current infrastructure constraints.

Pakistan's engagement with discounted Russian crude in 2023–2024, and from Kazakhstan in 2024–2025, marked a departure from its historical reliance on traditional oil suppliers. Pakistan's petroleum minister emphasised that no refinery adjustments were needed to process this crude and that the transaction would be commercially viable, thus directly challenging prior assumptions about Pakistan's inability to handle non-Middle Eastern crude slate. Yet, the refineries still suffer from low financial yields, that necessitates additional imports of higher-quality finished products.

5.6.3 The Financial and Logistics Channels

India's experience shows that energy trade with Russia under sanctions is possible, but it requires a parallel financial architecture.

Pakistan lacks most of these mechanisms. The banking channels between Pakistan and Russia remain underdeveloped. Payment in rupees would require Russia's acceptance, which has become less likely as Moscow increasingly demands payment in yuan. The yuan option exists, but it introduces China as an intermediary and requires Pakistan to hold sufficient yuan reserves or earn them through exports.

In December 2025, Russia signalled readiness to supply oil to Pakistan under a government-to-government agreement, with flexible payment options including rupees and yuan. Thus, the political will exists on the Russian side. The constraint is on Pakistan's side with the absence of a functioning payment mechanism that can operate outside Western financial surveillance.

The shortest sea route from Russian Black Sea and Baltic ports to Karachi goes through the Suez Canal and the Red Sea. Rerouting around Africa adds weeks to shipping time and increases costs.

The overland option exists but is constrained by Afghanistan. Russia's LPG exports to Afghanistan reached 418,000 tons in 2025, a 50 percent year-on-year increase, with some volume moving through the Kazrosgaz joint venture. This shows that overland energy trade into the region is possible.

Table 9: Comparative Logistics Costs for Sea vs. Overland Routes

Route	Distance	Transit Time	Cost Premium	Risk Factors
Black Sea -Suez -Karachi	Approx. 6,500 nm	25-30 days	Baseline	Houthi attacks, Suez disruptions
Baltic-Suez-Karachi	Approx. 8,000 nm	30-35 days	+15-20%	Same as above
Cape of Good Hope re-route	+4,000 nm	+15 days	+30-40%	No additional risk
Overland via Central Asia	Approx. 3,000 km	10-15 days	TBD	Afghan security, infrastructure

■ 5.6.4 What Pakistan Can Realistically Expect from the EAEU in Energy Trade

India's energy pivot to Russia offers Pakistan a blueprint. But India's success also highlights Pakistan's constraints that are structural features of Pakistan's energy landscape that an FTA alone cannot fix. An agreement that merely reduces tariffs on paper but fails to address these underlying constraints will deliver little.

The opportunity is substantial. Russia is seeking new buyers. Pakistan needs new sources. The geography is favourable, and the political signals are positive. But bringing tangible results requires a clear-eyed assessment of what is missing and a sustained effort to bridge the gap.

The analysis in this chapter yields a realistic assessment of what an EAEU energy relationship could deliver, and what it cannot.

What is feasible:

- Crude oil imports on government-to-government basis, with flexible payment options. The recent Russian offer confirms this is on the table. Volumes, however, would initially be small, due to constraint on the refining side.
- LPG imports via overland routes, building on the existing Russia-Afghanistan trade. Pakistan imported \$811.4 million worth of LPG from Iran in 2024.¹² But escalating US-Iran tensions, during the 12-day war in 2025, and again in 2026, along with Trump's threats to impose tariffs on Iran's trading partners make this supply route increasingly vulnerable. Therefore, extending these flows to Pakistan would offer a sanctions-insulated alternative to Iranian LPG, using existing overland routes and requiring minimal new infrastructure.
- Refinery investment and technical cooperation. Russian interest in Pakistan's refining sector has been signaled.¹³ Investment in upgrading existing refineries would address the processing constraint at its source.
- Currency arrangements that reduce dollar dependence. The yuan option exists, as does the possibility of Rupee-Ruble accounts if banking channels can be established.

What is not feasible:

- Replicating the India model at scale. Pakistan lacks the refining capacity and financial infrastructure to absorb Russian crude at Indian volumes.
- Immediate displacement of Gulf suppliers. Saudi Arabia and UAE remain Pakistan's largest crude suppliers and strategic partners. Diversification means adding sources, not replacing them.
- Pipeline gas imports in the short term. The Turkmenistan-Afghanistan-Pakistan pipeline remains stalled. No other pipeline connection to EAEU gas exists.

¹² Data from the Pakistan Bureau of Statistics

¹³ [Russia's Pivot to Asia](#)

CHAPTER 6

**SECTORAL PATHWAYS FOR
INCREASING EXPORTS TO THE
EAEU AND IMPLICATIONS**

Chapter 6:

Sectoral Pathways for Increasing Exports to the EAEU and Implications

A Free Trade Agreement with the EAEU is not an end in itself, but a tool for expanding Pakistan's export basket and diversifying its trading partners. This chapter lays out Pakistan's export potential to the EAEU market into strategic clusters based on product groupings and the calculated trade potential.

Methodology

The indicative trade potential for each product is calculated as follows:

$$\text{Export potential} = \text{Minimum (Pakistan's exports to the world, EAEU's imports from the world)} - \text{Pakistan's current exports to the EAEU}$$

The formula represents the maximum possible increase in exports, given existing productive capacity (Pakistan's global exports) and market demand (EAEU's global imports), minus what is already being sold by Pakistan in the EAEU. Products included in this analysis have an export potential exceeding \$1 million.

Data Limitations

A methodological caveat is necessary. Since 2022, Russia and Belarus have suspended publication of detailed trade statistics. Consequently, this study relies on data reported by Pakistan to the ITC and, for the two major EAEU economies, on mirror data from international databases. Any discrepancies arising from this approach are noted where relevant.

Note on Product Names

For ease of comprehension, the product descriptions in the tables that follow in chapters 6 and 7 have been shortened. The original HS6 nomenclature is preserved in the code column; the labels are condensed to the core product name without sacrificing clarity.

6.1 Aggregate Potential

Across all product categories, the total estimated export potential from Pakistan to the EAEU under a full FTA scenario stands at approximately \$9 billion annually. This represents roughly fifteen-fold increase over current export levels that were approximately \$0.6 billion in 2024 when using consistent mirror data. Of this \$9 billion figure, roughly \$6.2 billion (73 percent) lies in categories where Pakistan already has some presence – intensive margin expansion – while \$2.3 billion (27 percent) represents entirely new product categories – extensive margin diversification.

Figure 28: Pakistan's Export Potential to the EAEU by Strategic Clusters

Pakistan's Export Potential by Strategic Cluster (USD million)

Strategic Cluster	Intensive Margin	Extensive Margin	Total Potential	Share of Total (%)
Textiles and Apparel	4	955	5,285	62
High-Value Manufacturing (Pharma, Medical, Machinery)	802	296	1,098	13
Industrial Inputs (Plastics, Metals, Chemicals, Fuels)	68	1,153	1,221	14
Agricultural Products	359	586	945	11
Niche Opportunities (Footwear, Toys, Auto Parts, etc.)	482	141	623	7
Total	6,041	3,131	9,172	100

Created with Datawrapper

Table 10: Top 25 Products Currently Exported by Pakistan to the EAEU and the Potential to Export at Intensive Level

Product code	Product label	Pakistan's exports to the EAEU	The EAEU's Imports from the World	Pakistan's exports to world	Export Potential	Pakistan's RCA
		Value in 2024 (\$ M)	Value in 2024 (\$ M)	Value in 2024 (\$ M)	Value in 2024 (\$ M)	
TOTAL	All products	355.60	316,861.23	32,460.57	32,104.97	-
100630	Semi-milled rice	128.24	145.16	3,260.55	16.92	73.13
'080450	Mangoes and mangosteens	27.74	125.89	119.58	91.84	20.95
'120740	Sesamum seeds	22.78	45.62	345.96	22.84	62.47
'420310	Leather Apparel	17.54	64.63	223.62	47.09	62.93
'620322	Men's cotton ensembles	10.81	35.43	1,980.74	24.63	640.96
'901890	Surgical Instruments	8.93	1,106.13	446.63	437.70	4.27
'080529	Wilkins and citrus hybrids	7.33	44.78	62.65	37.45	45.82
'300490	Medicaments	3.40	8,766.74	202.84	199.44	0.40
'551422	Polyester woven fabrics	2.15	60.22	20.46	18.31	29.67
'950662	Inflatable balls	2.13	43.17	248.28	41.04	102.09
'611610	Rubberised gloves	2.13	85.56	242.89	83.44	46.77
'420329	Leather gloves	1.90	56.37	308.31	54.47	163.29
'080521	Mandarins and tangerines	1.84	587.23	24.95	23.11	5.00
'300439	Hormonebased medicaments	1.52	375.44	147.73	146.21	2.92
'630231	Cotton bedlinen	1.32	66.87	1,359.60	65.55	238.49
'020120	Fresh bovine cuts (bonein)	1.30	23.76	8.39	7.09	0.93
'821420	Manicure instruments	1.23	21.15	22.08	19.92	19.14
'620342	Men's cotton trousers	1.22	408.99	584.62	407.77	17.01
'520512	Single cotton yarn	0.97	136.07	335.60	135.11	83.59
'250100	Salts	0.87	55.57	76.77	54.70	16.41
'070190	Potatoes	0.69	88.58	138.26	87.90	17.98
'630239	Bedlinen (mixed textiles)	0.69	18.40	951.65	17.71	421.34
'610910	Cotton T-shirts	0.67	782.00	388.69	388.03	7.29
'950699	Sports Equipment	0.49	168.71	36.19	35.70	3.62
'611090	Knitted jerseys, pullovers	0.48	23.04	669.80	22.56	240.80

Source: ITC

The following sections examine the strategic clusters identified in figure 28 in descending order of potential.

6.2 Textiles and Apparel

Textiles and apparel constitute Pakistan's most significant export sector globally and, as the data confirms, represent the largest opportunity for trade expansion with the EAEU. Yet, at present, Pakistani apparel accounts for less than 0.2 percent of what the EAEU buys. The combined potential across cotton yarn and fabric (HS-52), man-made fibers (HS-54, 55, 56, 58, 59, 60), and apparel (HS-61, 62, 63) exceeds \$5.3 billion, accounting for more than half of the total estimated FTA potential. Moreover, this is not a sector where Pakistan must build capacity from scratch, as Pakistan already competes globally and the EAEU market is open and underserved by regional suppliers.

6.2.1 Apparel

Table 11: Top Knitted Apparel Products for Exports

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
		In USD Million				
611595	Socks and hosiery of cotton	0.04	413.17	421.27	413.13	10%
610910	Cotton T-shirts	0.67	782.00	388.69	388.03	1.75 EUR/kg
610990	T-shirts of other textiles	0.28	151.53	338.91	151.25	1.75 EUR/kg
610510	Men's cotton shirts	0.04	115.76	137.71	115.72	1.75 EUR/kg
610342	Men's cotton trousers	0.12	218.96	92.57	92.45	10%, but not less than 1.88 EUR/kg

Source: ITC and Eurasian Economic Commission

Table 12: Top Non-knitted Apparel Products for Exports

HS Code	Product	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
		In USD Million				
620342	Men's cotton trousers	1.22	408.99	584.62	407.77	10%, but not less than 1.88 EUR/kg
620462	Women's cotton trousers	0.20	402.01	212.84	212.64	-
620469	Women's trousers (other textiles)	0.03	79.27	43.36	43.33	2.2 EUR/kg
620429	Women's ensembles	0.23	67.44	35.38	35.15	10%, but not less than 1.875 EUR/kg

Source: ITC and Eurasian Economic Commission

HS-61 (Knitted or crocheted apparel) and HS-62 (non-knitted apparel) together account for \$2.8 billion in intensive margin potential and an additional \$517 million at the extensive margin. In both cases, Pakistan's global export capacity exceeds its current sale to the EAEU, and the EAEU demand is also strong.

But the EAEU is not a market Pakistani exporters have ever had to think about. The EAEU's most-favored-nation tariffs on apparel range from 10 to 15 percent. That is high enough to matter but not high enough to explain a 99.9 percent market share gap. The deeper explanation is that Pakistani apparel exporters are locked into relationships with buyers in the US and the EU. Switching to a new market requires finding new buyers, adapting to different size standards and packaging requirements, navigating unfamiliar customs procedures, and accepting payment in currencies that may not be easily tradeable. For a small exporter, the transaction costs of entering the EAEU market exceed the tariff savings. For a large exporter, the opportunity cost of diverting capacity from established buyers is too high.

6.2.2 Cotton Yarn and Fabric

For products under HS-52, Pakistan's exports to the EAEU are larger – still tiny in absolute terms, but larger – and the potential to export is huge. The top product, single cotton yarn (520512), has an intensive potential of \$135 million.

Table 13: Top Cotton Products for Exports

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
520512	Single cotton yarn (uncombed, 85%+ cotton)	0.97	136.07	335.60	135.11	5%
520812	Plain cotton fabric (100-200 g/m ² , unbleached)	0.25	66.26	158.52	66.01	5%
520852	Plain cotton fabric (100-200 g/m ² , printed)	0.01	50.46	91.09	50.46	10%
520821	Plain cotton fabric (<200 g/m ² , bleached)	0.05	14.06	42.90	14.02	10%
520612	Cotton yarn (<85% cotton)	0.42	21.51	6.37	5.95	5%

Source: ITC and Eurasian Economic Commission

Box 4: The strategic question of Yarn vs Apparel or Intermediate vs Final Goods?



Does Pakistan want to export yarn to the EAEU, or does it want to export finished apparel?

The two are, of course, not the same. Yarn is an intermediate good. Its export creates value for Pakistani spinners but does not generate employment or value-added that comes from apparel manufacturing. Worse, exporting yarn to the EAEU may also undermine the opportunities in the apparel sector. If EAEU buyers can import cheap Pakistan yarn, they may use it to produce apparel locally, which will automatically reduce their demand for Pakistani finished apparel products.

The data suggests this is already happening. The EAEU's imports of yarn and fabric are huge, but its apparel imports are even larger. Some of that apparel is made from imported yarn. The Question is whether Pakistan wants to be the supplier of inputs to a competing apparel industry or the supplier of finished goods to a consumer market.

An FTA can be structured to answer this question. If the rules of origin require that apparel be made from yarn originating in the FTA zone to qualify for preferences, then Pakistani yarn becomes more valuable to the EAEU apparel manufacturers, and Pakistani apparel made from EAEU yarn also qualifies. But if the rules are loose, the EAEU apparel manufacturers could import cheap Pakistani yarn, make apparel, and then export it to Pakistan tariff free – a scenario that would benefit no one.

In summary, the point is not that yarn exports are bad. It is that the structure of preferences matters enormously. The numbers alone do not tell us what to do. They only tell us what is possible. In the end, the choice is political.

6.2.3 Made-up Textiles

HS-63 (other made-up textile articles) rounds out the cluster with intensive potential of \$668 million and extensive potential of \$171 million. The intensive margin in this category is dominated by household textiles.

Table 14: Top Made-up Textiles Products for Exports

HS Code	Product	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
		In USD Million				
630260	Toilet and kitchen linen (terry towelling)	0.26	242.06	1,085.44	241.80	11.3%, but not less than 0.44 EUR/kg
630299	Toilet and kitchen linen (other textiles)	0.00	255.21	124.10	124.10	0.49 EUR/kg
630710	Floorcloths, dishcloths, dusters	0.01	67.52	470.93	67.51	0.61 EUR/kg
630231	Cotton bedlinen	1.32	66.87	1,359.60	65.55	0.49 EUR/kg
630900	Worn clothing	0.07	55.85	284.14	55.78	15%, but not less than 0.18 EUR/kg

Source: ITC and Eurasian Economic Commission

6.2.4 The Rules of Origin Trap

The most important decision in any FTA negotiations for textiles and apparel remains the rules of origin. These rules determine whether a product qualifies for preferential treatment by specifying how much of its value must originate within the FTA zone.

In textile and apparel FTAs, there are three standard approaches:

Yarn-forward: Apparel qualifies only if the yarn used is originating in the country of the manufacturer. This protects domestic yarn producers but makes it harder for apparel manufacturers to source inputs globally.

Fabric-forward: Apparel qualifies if the fabric is originating. This is less restrictive than yarn-forward but still limits sourcing flexibility.

Value-added: Apparel qualifies if a certain percentage of its value (often 40-60 percent) is added within the FTA zone. This allows the use of imported inputs as long as sufficient processing occurs locally.

Pakistan imports significant quantities of synthetic yarn and fabric to make apparel for export. Under a yarn-forward rule, that apparel would not qualify for preferences unless the synthetic inputs also come from within the EAEU or Pakistan – which they may not. Under a fabric-forward rule, apparel made from imported synthetic fabric would not qualify. Under a value-added rule, it might.

The EAEU's existing FTAs have tended to favor value-added rules. The Vietnam FTA, for example, uses a 40 percent value-added rule for apparel, with cumulation allowed for ASEAN inputs. A similar approach for Pakistan would allow Pakistani apparel manufacturers to continue sourcing inputs globally while still qualifying for preferences. A stricter rule would effectively exclude Pakistani apparel from preference. This is the central issue in the textiles chapter of any FTA.

6.2.5 The Western Market Risk

The crisis in the Middle East has not only disrupted supply chains but is now beginning to suppress demand in Pakistan's traditional export destinations. Europe, one of the major regions hit by shipping delays and energy price inflation, is experiencing rising consumer goods prices as downstream effects of the crisis ripple through the continent. These strains are eroding the purchasing power of European consumers. A sustained decline in European disposable income would likely reduce order volumes from Pakistani suppliers, precisely at a time when the government is trying to revive the sector.

Compounding this demand-side risk are two structural threats to Pakistan's preferential access to the European market. First, on 27 January 2026, India concluded a comprehensive Free Trade Agreement with the European Union. The India-

EU FTA eliminates duties on nearly 99.5 percent of Indian exports. For decades, Pakistan (via its GSP and then the GSP+ status) and Bangladesh (via LDC preferential access) held a tariff advantage of 9–12 percent over India in the EU market. The India-EU FTA neutralises this advantage overnight, by creating a “preference erosion” shock. Indian exporters, who are more vertically integrated and produce their own cotton and yarn, can now match or beat Pakistani prices. European buyers may prefer sourcing from India to consolidate supply chains.

Second, Pakistan’s GSP+ status, which since 2014 has allowed duty-free access for approximately 66 percent of tariff lines, is subject to periodic reviews and political conditionality. The India-EU FTA grants Indian exporters broader access across nearly 100 percent of tariff lines without the stringent periodic reviews on human rights and labor standards that hang over Pakistan’s GSP+ status. Any downgrade or suspension of Pakistan’s GSP+ would raise the effective tariff on Pakistani textile exports to Europe by several percentage points, and render them less competitive against Indian, Bangladeshi, and Vietnamese suppliers.

This creates a compelling rationale for diversifying Pakistan’s export markets. The EAEU, with its large consumer base and growing import demand for apparel, offers a hedge. Even if European demand abates or preferential access erodes, the EAEU market would remain accessible under a bilateral FTA with legally secured tariff preferences.

6.3 High-Value Manufacturing

Pakistan’s high-value manufacturing export basket has two categories with the most potential i.e. pharmaceuticals and medical instruments.

6.3.1 Pharmaceuticals

Pakistan’s global pharmaceutical exports exceed \$350 million annually. The intensive potential in the EAEU market is around \$363 million, and concentrated in the following three products:

Table 15: Top pharmaceutical Products for Exports

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
		In USD Million				
300490	Medicaments	3.40	8,766.74	202.84	199.44	5%
300439	Hormone-based medicaments	1.52	375.44	147.73	146.21	3%
300410	Penicillins	0.03	143.54	11.67	11.64	4%

Source: ITC and Eurasian Economic Commission

Pakistan’s pharmaceutical industry, at present, is globally competitive in generic medicines. The EAEU’s demand for these products is enormous. Yet, the barrier that stands in the way to bridge that supply gap for Pakistani exporters is not tariffs. The EAEU’s MFN tariffs on pharmaceutical products are already low, typically around 0-5 percent. But, on the other hand, the union requires pharmaceutical products to be registered with its regulatory authorities, which is both a time and cost intensive endeavour for individual products.

In practice, pharmaceutical regulatory harmonization is one of the most difficult areas of trade agreement implementation. The European Union (EU) took decades to achieve it. Therefore, expecting Pakistan to leapfrog this process is far from realistic.

6.3.2 Medical and Surgical Instruments

Table 16: Top Medical and Surgical Instruments Products for Exports

HS Code	Product	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
901890	Surgical instruments	8.93	1,106.13	446.63	437.7	0%
901849	Dental instruments	0	220.04	1.11	1.11	5%

Source: ITC and Eurasian Economic Commission

The sector for medical and surgical instruments in Pakistan is represented by a single cluster in Sialkot that has managed to build global markets for surgical instruments over the years. The EAEU imports over \$1 billion worth of these products annually. Pakistan has not been able to capture any significant share of this market because its exporters have focused on the US and Europe, where they have established distribution networks and have regulatory approvals.

For medical and surgical instruments, the regulatory barriers in place are different than those for pharmaceutical products. Surgical instruments are subject to quality standards (ISO, CE marking) that Pakistani manufacturers already meet for exports to Europe. The EAEU also accepts these standards, hence the issue remains on the commercial side i.e. finding distributors and building relationships.

6.4 Industrial Inputs

If thus far, the textiles and apparel section revealed Pakistan's core export strength, and the high-value manufacturing section exposed its structural weaknesses, the industrial input section explains the country's position in Global Value Chains more clearly.

The picture is mixed, but it is not entirely bleak. In several product categories, Pakistan's global exports already align with the EAEU's import needs. In others, the foundation exists but requires policy support to scale. The key is distinguishing between what can be tapped into quickly and what requires longer-term investment.

6.4.1 Mineral Products

The potential in cement and salt categories are the most prominent windows of opportunities in the mineral products clusters. The petroleum product potential is the largest but also the most contingent on industrial upgrading and government to government deals.

Table 17: Top Mineral Products for Exports

HS Code	Product Description	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
250100	Salt, table and denatured	0.87	55.57	76.77	54.70	5%
252329	Portland cement	0.00	134.46	147.83	134.46	3%
252921	Fluorspar ($\leq 97\%$ CaF ₂)	0.00	51.13	13.23	13.23	5% 63C) ¹⁴
251020	Natural calcium phosphates	0.00	84.09	10.28	10.28	5%
261000	Chromium ores	0.00	134.78	124.64	124.64	5%
260111	Non-agglomerated iron ores	0.00	153.43	42.11	42.11	0%
271019	Medium petroleum oils	0.00	2,475.74	469.20	469.20	5%

Source: ITC and Eurasian Economic Commission

14 The numbers refer to specific footnotes or conditions listed at the end of the tariff schedule or within the legal framework of the customs union.

Cement and fluorspar are low-value, high-bulk commodities. Pakistan's cement industry has built significant export capacity, primarily to Afghanistan and other neighbouring markets. The EAEU's cement market is large, but it is supplied by Turkey, Iran, and Central Asian producers who enjoy lower transport costs.

On the other hand, Pakistan exports chromium, iron, zinc, copper, and lead ores in the HS-26 category globally, but not to the EAEU. The extensive potential is \$196 million, captured by chromium ores (261000, \$125 million) and iron ores (260111, \$42 million). The EAEU imports large quantities of ores, but those imports come from closer sources (Kazakhstan, Ukraine, and other former Soviet republics).

The \$495 million extensive potential in mineral fuels (HS27) is almost entirely derived from medium oils (271019). Pakistan's \$469 million global exports are largely grades for which Pakistan lacks refining capacity as well as reexports, derived from imported crude that is refined in Pakistani refineries, and sold regionally.

6.4.2 Plastics

Table 18: Top Plastic Products for Exports

HS Code	Product Description	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
		In USD Million				
392020	Polyethylene sheets/film	0.00	145.89	39.67	39.66	-
392490	Household plastic articles	0.01	199.02	19.11	19.10	6.5%
392690	Other plastic articles	0.17	1,110.44	4.87	4.70	6.5% 67C)
390319	Polystyrene, primary forms	0.00	82.22	67.32	67.32	0%
392062	PET film/sheet	0.00	87.17	50.15	50.15	6.5%
390761	PET (viscosity ≥78 ml/g)	0.00	406.54	259.80	259.80	4%

Source: ITC and Eurasian Economic Commission

HS 39 (plastics) is the largest category in industrial inputs, with intensive potential of \$68 million and extensive potential of \$450 million. The opportunities in PET and polystyrene are already extensions of existing global trade. Like the textile and apparel sector, the key question here is whether Pakistani exporters will choose to sell raw polymer or use it to make downstream products.

On the other hand, if Pakistani PET producers sell to the EAEU, they are competing with their own potential customers. The EAEU imports PET to make bottles, films, and other products. Here again, the FTA's rules of origin would determine which path is incentivized. A value-added rule that encourages downstream processing would benefit Pakistan more than a simple tariff reduction on raw materials.

6.4.3 Products of Chemicals or Allied Industries

Table 19: Top Chemical or Allied Industries Products for Exports

HS Code	Product	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
		In USD Million				
283620	Disodium carbonate (soda ash)	0.00	106.22	47.01	47.01	5% 63C)
281511	Sodium hydroxide (caustic soda)	0.00	19.83	3.40	3.40	5.5%
291736	Terephthalic acid	0.00	217.22	2.84	2.84	5% 92C)
320810	Paints and varnishes	0.09	146.83	7.05	6.96	5%
330499	Beauty and skincare preparations	0.04	1,190.46	19.55	19.51	6.5%
330510	Shampoos	0.01	276.91	2.09	2.08	6.5%
340120	Soap in forms	0.06	19.74	11.42	11.36	6.5%
350300	Gelatin	0.00	50.70	19.41	19.41	5%

Source: ITC and Eurasian Economic Commission

The largest potential exists in Disodium carbonate/soda ash (283620) with genuine export scale at \$47 million, followed by gelatin (350300) at \$19 million, and beauty and skincare preparations (330499) at \$19 million. For soda ash, the raw materials are mostly locally sourced, and the demand in the EAEU countries for this product is also high. The gelatin and soap manufacturers in Pakistan utilise animal by-products. The EAEU imports gelatin for food and pharmaceutical applications. Opportunities for both gelatin and soap exist in the market as niche products, and Pakistan also has a raw material advantage. Tariff elimination could make most of the products listed in the table competitive in the EAEU markets.

6.4.4 Rubber

Table 20: Top Rubber Products for Exports

HS Code	Product	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
In USD Million						
401120	Truck/bus tyres	0.00	818.68	46.71	46.71	10%
401140	Motorcycle tyres	0.00	14.79	21.53	14.79	5%
401170	Agricultural tyres	0.00	103.10	8.07	8.07	5%
401519	Rubber gloves	0.09	69.24	12.23	12.14	10%

Source: ITC and Eurasian Economic Commission

In the rubber sector, the tyre industry is the best example of an offshoot that could pivot from import substitution to export orientation, due to the fact that domestic manufacturers have the capacity and cost structure to compete. If Pakistani tyres can be certified and marketed, the \$47 million potential in truck tyres alone is achievable, as the EAEU imports a large quantity of this product, and Pakistan's global exports at present, if every Pakistan truck tyre exported globally went to the EAEU, would only supply 6% of the EAEU market. The key is whether Pakistani manufacturers see the EAEU as a strategic market worth the investment and pivot.

6.5 Agriculture and Processed Food

The data across both agriculture and processed food increasingly points to the view that Pakistan and the EAEU countries are natural trading partners. Pakistan produces tropical and subtropical crops such as mangoes, citrus, rice, dates et al, that the EAEU's climate cannot replicate. The EAEU has a large, wealthy consumer base that imports precisely these products. The potential numbers are large, and in some categories, they represent the redirection of existing global exports. Yet actual trade is negligible.

6.5.1 Fresh Fruits

Table 21: Top Fresh Fruits Products to Export

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
In USD Million						
080450	Mangoes and mangosteens	27.74	125.89	119.58	91.84	3%
080529	Wilkins and similar citrus hybrids	7.33	44.78	62.65	37.45	5%, but not less than 0.015 EUR/kg
080521	Mandarins, tangerines, satsumas	1.84	587.23	24.95	23.11	5%, but not less than 0.015 EUR/kg
080410	Dates	0.00	76.65	50.21	50.21	5%
080390	Bananas	8.61	796.39	13.69	5.08	4%, but not less than 0.015 EUR/kg

Source: ITC and Eurasian Economic Commission

The fresh fruit data is dominated by mangoes (080450), citrus (080529, 080521), and dates (080410). Pakistan is a world-class producer of these fruits. The EAEU imports them in large quantities. The intensive potential for mangoes alone is \$92 million compared against the EAEU's total mango imports i.e. \$126 million and Pakistan already exports \$120 million globally.

But mangoes are highly perishable. They require a cold chain from farm to the supermarket shelf. Pakistan has this infrastructure for exports to the Gulf, where the journey time is short and the market is accustomed to air freight. For Russia, the journey is longer, and the volume required would necessitate sea freight. Refrigerated sea containers exist, but they are expensive and require careful coordination. Pakistani exporters have not invested in this because the market has not been there. It is a chicken-and-egg problem i.e. no market, no investment; no investment, no market.

Citrus (mandarins, oranges) is less perishable and can travel by sea. Pakistan already exports citrus to the Middle East and Southeast Asia. The intensive potential for mandarins is \$23 million. The extensive potential for dates is \$50 million, and dates are non-perishable. Here, the barrier is marketing. Pakistani dates are known in the Gulf but not in Russia.

6.5.2 Rice

Table 22: Top Rice Products to Export

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
100630	Semi-milled or wholly milled rice	128.24	145.16	3,260.55	16.92	10%

Source: ITC and Eurasian Economic Commission

Rice (100630) is Pakistan's agricultural success story. Global exports of semi-milled rice alone now exceed \$3 billion. The intensive potential for this product in the EAEU market is only \$17 million because the EAEU's total market is small relative to Pakistan's global exports.

However, the EAEU's rice imports are concentrated in basmati, which is grown in Pakistan and India. Pakistani basmati is widely considered superior, but Indian basmati has historically dominated the Russian market because of better trade relations and established supply chains. An FTA with Pakistan would level the playing field, by allowing Pakistani basmati to compete on equal tariff terms. The impact could be larger than the \$17 million intensive potential suggests, because it would then shift market share from India to Pakistan.

6.5.3 Vegetables

Table 23: Top Vegetable Products to Export

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
070190	Potatoes	0.69	88.58	138.26	87.90	10%
070320	Garlic	0.36	75.98	4.02	3.66	10%
070310	Onions	0.00	64.40	219.45	64.40	10%
070490	Cabbage	0.00	58.96	11.58	11.58	11-13%

Source: ITC and Eurasian Economic Commission

The intensive potential for potatoes is \$88 million. Pakistan already exports potatoes to the Gulf and Central Asia. The logistics are manageable as potatoes travel well in ventilated containers. The issue remains with respect to phytosanitary certifications. The EAEU requires that imported potatoes meet strict standards for pests and diseases. Pakistani certifications are not always recognized. Therefore, an FTA that includes mutual recognition of phytosanitary standards would solve this.

On the other hand, Pakistan exports over \$200 million worth of onions globally. The EAEU imports \$64 million. Onions store well, travel well, and Pakistani onions are price-competitive. Again, the barrier is phytosanitary standards. Apart from onions and potatoes, small potential exists for garlic and tomatoes.

6.5.4 Fish and Seafood

Table 24: Top Fish and Seafood Products to Export

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
In USD Million						
030389	Frozen fish, n.e.s.	0.00	97.73	75.23	75.23	5%
030617	Frozen shrimps and prawns	0.00	424.47	63.47	63.47	5%, but not less than 0.1 euro per 1 kg
030743	Cuttlefish and squid	0.00	64.41	60.83	60.83	8%

Source: ITC and Eurasian Economic Commission

The seafood data (HS-03) shows the largest extensive potential in the agri sector with \$289 million, spread across frozen fish (030389), shrimp (030617), and squid (030743). Pakistan currently exports frozen fish to China and the Middle East. The EAEU imports large quantities of frozen fish and shrimp from Turkey, China and Chile.

Seafood is frozen, so logistics are manageable. The barrier here is certification. The EAEU requires that imported seafood meet strict food safety standards, including traceability and veterinary certification. Pakistani exporters have these certifications for the EU market; therefore, they could extend them to the EAEU. The problem is that Pakistani seafood exporters have no commercial relationships in the Eurasian region. An FTA creates the opportunity, but the relationships must be built.

6.5.5 Processed Food

Table 25: Top Processed Food Products to Export

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
In USD Million						
190531	Sweet biscuits	0.01	155.71	41.30	41.29	0.11 euro per 1 kg
190590	Bread, pastry, cakes	0.00	414.60	30.46	30.46	10% but not less than 0.1 euro per 1 kg
190190	Malt extract	0.00	173.00	24.93	24.93	13%
210690	Food preparations, n.e.s.	0.23	1499.46	80.95	80.71	10%
200190	Preserved vegetables/fruit	0.01	32.08	16.39	16.39	10% but not less than 0.05 euros per 1 kg
200989	Fruit juice	0.01	84.91	10.03	10.03	12% but not less than 0.056 euros per 1 litre

Source: ITC and Eurasian Economic Commission

The processed foods data (HS-19, 20, 21) shows significant potential in Pakistani biscuits (190531), bread and pastry (190590), food preparations (210690), juices (200989). These are products that capture the value of Pakistan's agricultural production. Instead of exporting raw mangoes, Pakistan could export mango pulp; instead of raw sugar, confectionery; instead of wheat, biscuits and bread.

The intensive potential for biscuits is \$41 million, for bread \$30 million, for malt extract \$25 million, and for food preparations \$81 million. Biscuits and bread are shelf-stable and can be transported via sea. The only barrier here is processing capacity and branding. Pakistani processed food manufacturers are not yet at the scale to compete with Turkish or European brands in the EAEU market. But the potential exists to grow.

6.5.6 Tobacco

Table 26: Top Tobacco Products to Export

HS Code	Product	Current Exports to the EAEU	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
		In USD Million				
240120	Partly or wholly stemmed tobacco	0.00	433.56	104.35	104.35	5%
240220	Cigarettes	0.00	447.50	13.58	13.58	2 euros per 1000 pieces

Source: ITC and Eurasian Economic Commission

Pakistan's global exports of unmanufactured tobacco (240120) are \$104 million, whereas the EAEU imports \$434 million of this product. Cigarettes (240220) add another \$14 million in extensive potential, with the EAEU's market exceeding \$447 million.

Pakistan has a long history of tobacco cultivation, primarily in Khyber Pakhtunkhwa, and hosts processing facilities operated by multinational companies. The industry is vertically integrated, from farming to curing to manufacturing. It already meets international quality standards because Pakistani tobacco is exported to Europe and the Middle East.

The EAEU has harmonized its tobacco product regulations, including technical standards, labelling requirements, and excise tax structures. Pakistani exporters are not currently certified to meet these standards, and the regulatory burden of entering a new market with its own compliance regime is significant. An FTA that includes mutual recognition of manufacturing standards or a streamlined certification process could unlock this trade.

There is also a political economy angle. Tobacco is a revenue-generating crop for small farmers and a source of tax revenue for the government. Unlike sugar, it is not subject to erratic export bans. The industry is concentrated enough to invest in market development but not so concentrated that it dominates policy. This makes it a more reliable export sector than sugar, and one where the potential is more likely to be realized.

6.6 Other Niche Opportunities

Other niche categories that have been identified include HS42 (leather goods), HS64 (footwear), and HS95 (toys and sports equipment). These categories at their present state are the orphans of Pakistan's export economy. They do not command the attention of textiles or the strategic urgency of energy, but they still represent sectors where Pakistan has built genuine manufacturing capacity, often for export, but where the EAEU market remains largely untapped.

6.6.1 Leather Goods

Table 27: Top Leather Goods to Exports

HS Code	Product	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
		In USD Million				
420329	Leather gloves	1.90	56.37	308.31	54.47	15%
420310	Leather apparel	17.54	64.63	223.62	47.09	10%
420330	Leather belts	0.07	25.80	14.71	14.65	10%
420229	Leather handbags	0.03	10.01	17.40	9.98	12.5%
420100	Saddlery and harness	0.02	22.29	9.50	9.49	8%

Source: ITC and Eurasian Economic Commission

The leather goods sector is where Pakistan's industrial cluster finds a natural market due to climate conditions and extreme winter in the EAEU countries. Gloves, apparel, and belts are products Pakistan already makes at scale for export to the US and Europe. The EAEU's import demand in these categories is large, and the products are nonperishable.

The \$54 million potential in gloves is the most achievable in this section because the product is standardized and the EAEU market is well-defined. For apparel and belts, the adaptation costs are higher.

6.6.2 Footwear

Table 28: Top Footwear Products to Export

HS Code	Product	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
In USD Million						
640399	Leather footwear (rubber/plastic sole)	0.23	922.62	104.48	104.25	1.5 euros for 1 pair
640391	Leather footwear covering the ankle	0.10	533.17	11.13	11.04	1.5 euros for 1 pair
640299	Rubber/plastic footwear	0.02	981.00	9.03	9.01	0.3 euros for 1 pair

Source: ITC and Eurasian Economic Commission

Footwear presents a different structural problem. Pakistan has a large domestic footwear industry, but only a fraction of it is export-oriented. The country's global exports of leather footwear are \$104 million that represents a small number relative to the size of the domestic market. The EAEU imports over \$900 million worth of leather footwear annually, supplied primarily by China, Turkey, and Italy. Pakistani manufacturers could potentially compete in the mid-tier segment, where price matters more than brand for middle to low-income consumers. But they would need to shift production from the domestic market to exports, which requires investment in quality control, design, and capacity.

6.6.3 Toys and Sports Equipment

Table 29: Top Toys and Sports Equipment to Export

HS Code	Product	Current EAEU Exports	EAEU Global Imports	Pakistan Global Exports	Potential	Import Custom Duty Rates EAEU
In USD Million						
950662	Inflatable balls	2.13	43.17	248.28	41.04	5%
950699	Sports equipment, n.e.s.	0.49	168.71	36.19	35.70	10%
950691	Exercise equipment	0.15	300.58	12.92	12.78	5%
950659	Badminton rackets	0.45	5.13	10.69	4.68	10%

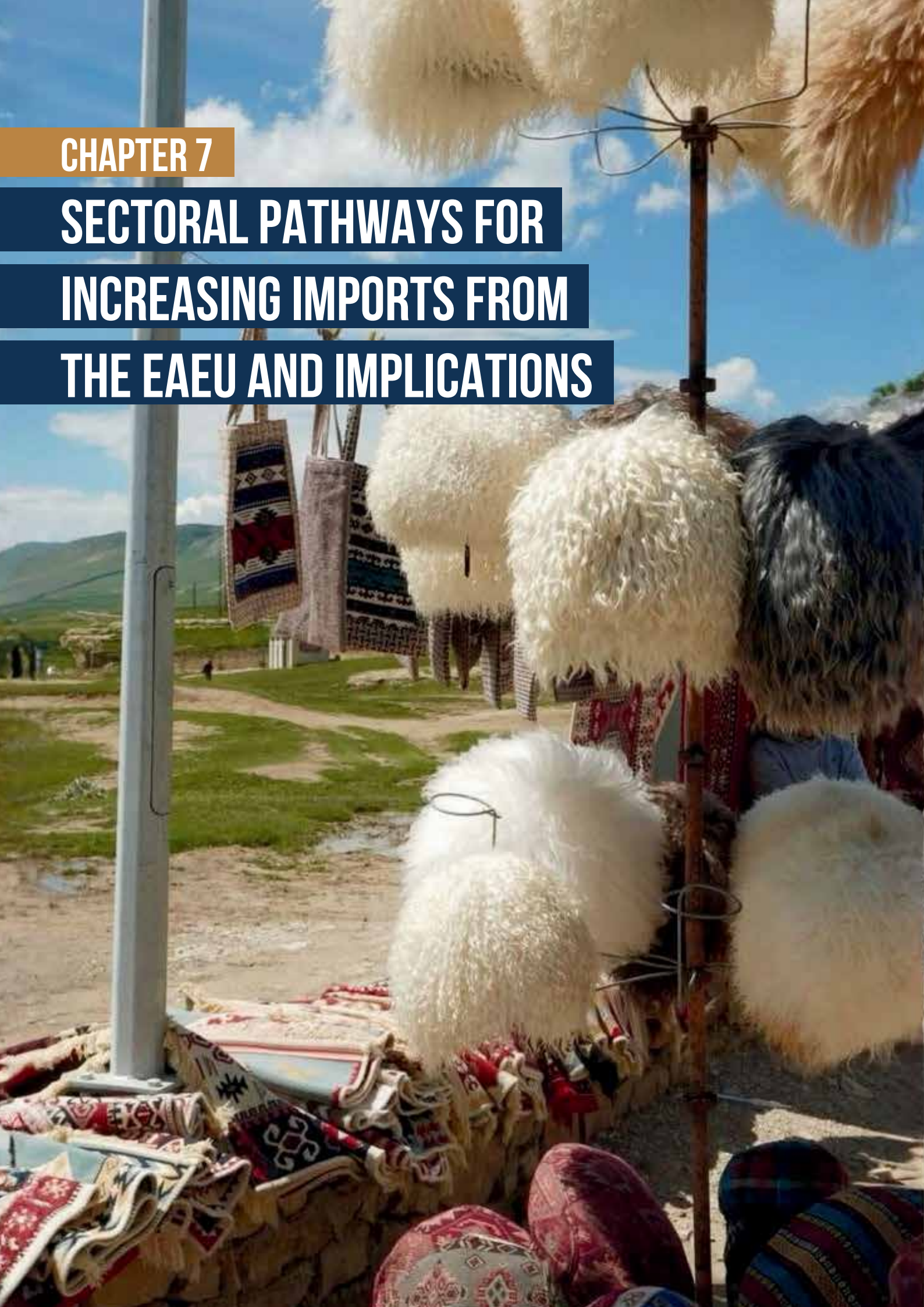
Source: ITC and Eurasian Economic Commission

Sports goods is Sialkot's other claim to fame, and inflatable balls take the lead in this category. Pakistan exports over \$200 million worth of inflatable balls globally, which include soccer balls, volleyballs, and basketballs. The EAEU imports \$43 million. In principle, Pakistani manufacturers could supply the entire EAEU market without expanding production. This is the cleanest match in the entire niche section.

Pakistani manufacturers will not abandon their Western customers for Eurasian ones. But they have surplus capacity. An FTA can make the EAEU market attractive enough to absorb that surplus. The \$41 million potential in inflatable balls is achievable within two years if the commercial relationships are built.

CHAPTER 7

SECTORAL PATHWAYS FOR INCREASING IMPORTS FROM THE EAEU AND IMPLICATIONS



Chapter 7:

Sectoral Pathways for Increasing Imports from the EAEU and Implications

A Free Trade Agreement is never solely about exports. What a country can buy from its partner is as consequential as what it can sell. This chapter argues that Pakistan's import basket is dangerously concentrated in a handful of products and suppliers, that are predominantly tied to maritime chokepoints that have or could become theatres of conflict. The ongoing crisis in West Asia has exposed the fragility of these supply lines. An FTA with the Eurasian Economic Union offers the most credible vehicle for diversifying away from this vulnerable geography.

The analysis in this chapter proceeds in three parts. First, it examines the structure of Pakistan's import dependence structure within the current geopolitical context. Second, it traces the cascade of the current conflict through critical sectors. Third, it presents the aggregate potential, and identifies the sectors where the EAEU can realistically compete.

7.1 Maritime Chokepoints and the Structure of Global Supply Chains

The modern global economy has built supply chains of extraordinary complexity and geographic reach, yet it has done so by concentrating critical inputs in a handful of locations and funnelling them through a handful of maritime passages.

The Strait of Hormuz, a 21-nautical-mile-channel between the Persian Gulf and the Gulf of Oman, is the most consequential of these, especially for economies in the Global South. Through it passes roughly 20 percent of the world's crude oil, 30 percent of its LNG, and a staggering share of the oil and gas by-products and chemical feedstocks that run the modern industry.

For decades, this concentration was treated as a logistical convenience rather than a strategic vulnerability. The conflict that erupted in West Asia, first in 2025 during the 12-day war, and again in March 2026, has ended that illusion.

When analysts speak of the Strait, they typically invoke oil. But oil is only the beginning. As Gaurab Chakrabarti observed during the early stages of the current crisis:

"The Strait of Hormuz has been closed for days. Everyone thinks this is about oil. This is about what oil becomes. 92% of the world's sulfur comes from refining oil and gas. Close the Strait of Hormuz and you don't just lose 20 million barrels of crude per day. You lose the feedstock for sulfuric acid, the single most produced chemical on Earth. Sulfuric acid is how we extract copper. It's how we extract cobalt. Without it, you can't make transformers, EV batteries, or the substrates inside every data center on the planet. One chemical, made from one feedstock, shipped through one chokepoint."

The direct military exchanges between Iran, Israel, and the United States and the subsequent drone and missile attacks on Gulf energy infrastructure have closed the Strait of Hormuz to commercial shipping in all but name. Insurers have raised premiums for vessels transiting the region to levels that make many cargoes uneconomic. Shipping lines are rerouting around Africa, adding weeks to transit times and tens of thousands of dollars to costs.

7.2 Fertilizer Input Chains and Agricultural Exposure in South Asia

Nowhere is the vulnerability more severe than in fertilizers. The two critical inputs for Pakistani agriculture are nitrogen (urea) and phosphorus (diammonium phosphate). Both are predominantly sourced from the Gulf.

Nitrogen fertilizer is produced from natural gas, which accounts for roughly 80 percent of urea's production cost. Pakistan's domestic urea production capacity is split, where about 80 percent of urea production uses domestic gas; the remaining 20 percent – two plants – rely on imported LNG.¹⁵

DAP is produced from phosphate rock and sulfuric acid. The sulfuric acid comes from sulfur, and 73 percent of Pakistan's sulfur imports come from the Gulf. The DAP itself is largely imported, with 40 percent of Pakistan's DAP coming from Saudi Arabia, and additional volumes from Morocco and China. Even domestic DAP production depends on imported sulfur and phosphoric acid, and much of it is sourced through Gulf channels.

India's government, facing similar shortages, responded by allocating 70 percent of available natural gas to urea manufacturers. But India's fertilizer companies have diversified over the years, by increasing imports from Russia (PhosAgro shipments rose 41 percent in early 2026) and seeking alternatives from Morocco and Canada. But even with these efforts, the Rabi (winter) wheat crop remains at risk.

Pakistan's position is more precarious. Figure 29 summarises the dimensions of its exposure.

Figure 29: Key Gulf Commodities and Import Reliance of Pakistan and India

Key Gulf Commodities and Import Reliance of Pakistan and India

Main non-energy use by-products of oil and gas exported from the gulf. For each commodity, the table also quantifies the import dependence of Pakistan and India, showing the percentage of their total imports sourced from Gulf countries in 2024.

Commodity	Gulf share of world production or exports	Main regional exporters	Main uses	Pakistan's imports 2024 (USD Million)	Pakistan's import sources (2024)	Pakistan's dependence on Gulf (%)	India's Imports 2024 (USD Million)	India's import sources (2024)	India's dependence on Gulf (%)
1 Urea	35-45% (exports)	Bahrain, Iran, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Fertilizers and basic chemical input	68.61	39.71m (Russia), 17.91m (Qatar), 10.91m (Azerbaijan)	26.1%	2197.59	911.94m (Oman), 402.22m (Russia), 254.30m (UAE)	53.10%
2 Ammonia (as DAP)	30% (exports)	Bahrain, Iran, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Fertilizers and basic chemical input	602.19	242.04m (China), 241.13m (Saudi Arabia), 100.43m (Morocco)	40%	2800.28	1115.56m (Saudi Arabia), 786.75m (Morocco), 525.15m (China)	39.80%
3 Sulphur	21.6% production, 45% exports	Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Fertilizer, mining and metal processing, uranium extraction	10.73	6.27m (Iran), 2.25m (Uzbekistan), 1.61m (Saudi Arabia)	73.4%	252.07	64.47m (UAE), 55.85m (Qatar), 43.78m (Oman)	65.10%
4 Methanol	35-50% (exports)	Bahrain, Iran, Oman, Qatar, Saudi Arabia	Fuel, basic chemical input, biodiesel	60.37	56.26m (Saudi Arabia), 1.99m (Oman), 1.57m (Iraq)	96.5%	890.96	433.25m (Oman), 204.44m (Saudi Arabia), 116.18m (Qatar)	84.60%
5 Polyethylene	15% (capacity)	Iran, Kuwait, Qatar, Saudi Arabia, UAE	Packaging, pipes, bottles, electrical installation	729.26	232.10m (Saudi Arabia), 129.86m (Qatar), 98.37m (UAE)	63.1%	3752.41	785.66m (UAE), 572.36m (Saudi Arabia), 454.83m (Singapore)	36.20%
6 Polypropylene	9% (capacity)	Iran, Oman, Qatar, Saudi Arabia, UAE	Packaging, automobiles, consumer goods	744.32	211.72m (Saudi Arabia), 199.97m (UAE), 86.96m (China)	55.3%	1914.82	472.08m (UAE), 421.04m (Singapore), 292.70m (Saudi Arabia)	39.90%
7 P-xylene	7-10% (exports)	Saudi Arabia, Iran, Oman, UAE	Production of terephthalic acid (PTA) for polyester fibers, PET bottles and films	308.86	177.97m (Kuwait), 130.85m (Saudi Arabia)	100%	929.20	447.33m (Japan), 213.59m (Singapore), 107.14m (Oman)	11.50%

Source: Centre on Global Energy Policy; ITC

Figure 30 projects the impact of the current disruption on Pakistan and India's crop yields during the Kharif and Rabi seasons. Projected yield losses range from 8 to 12 percent for rice and cotton. If the disruption extends into the Rabi season, the impact on wheat – Pakistan's staple grain – could reach 12 to 18 percent, and translate into a shortfall of 2 to 3 million tons.

Pakistan is ranked 106th out of 123 on the 2025 Global Hunger Index. A wheat shortfall of 2–3 million tons would force the country into the global market at a time when fiscal space is constrained.

15 [War in Iran and fertiliser security - Dawn](#)

Figure 30: Projected Fertilizer Disruption Impact during Kharif and Rabi Seasons (2026-2027) in India and Pakistan

Kharif 2026 (Monsoon Crops) — Fertilizer Disruption Impact

Sources & notes: Ministry of Agriculture (India), Bloomberg, BusinessLine, Carnegie Endowment, ITC. Yield loss ranges based on quadratic response function from Nature Food 2022 and current N application levels.

Crop / Indicator	India	Pakistan
1 Main Kharif crops	Rice (paddy), maize, cotton, sugarcane, pulses	Rice (paddy), cotton, sugarcane, maize
2 Nitrogen application rate (average, kg/ha)	160-180 (irrigated belts near optimum)	130-140 (below optimum for many regions)
3 Kharif fertilizer requirement	390.5 LMT (total)	-1.5-1.8 MMT urea, -0.4 MMT DAP
4 Opening stocks (April 2026)	180 LMT (46% of requirement)	4-6 weeks (250,000-300,000 tons urea)
5 Domestic production status	IFFCO, Chambal, Kribhco curtailed; 70% of available gas allocated to fertilizer	2 RLNG-based urea plants (20% of capacity) shut down due to LNG suspension
6 Import reliance on Gulf	Urea 53%, DAP 40% (2024 data)	Urea 26%, DAP 40% (2024 data)
7 Alternative supply options	Russia (PhosAgro +41% shipments)	Limited diversification; FX constraints limit spot purchases
8 Government buffer / policy	70% gas mandate; NBS subsidy approved; CCS monitoring	No priority gas allocation; fertilizer competes with power sector
9 Most exposed crop	Maize (sowing begins May; highest N dependence)	Cotton & rice (peak demand during RLNG suspension)
10 Projected yield loss (base disruption: 1-3 months)	3-6% (rice, maize, cotton)	8-12% (rice, cotton); 10-15% (maize)
11 Key risk factors	If disruption extends beyond May, maize plantings face shortage; but stocks cover early Kharif	RLNG plants offline; imports uncertain; farmer debt and acreage shifts likely

Created with Datawrapper

Rabi 2026-27 (Winter Crops) — Fertilizer Disruption Impact

Sources & notes: FACT MD statement (March 2026), Government of India NBS notification, Carnegie Endowment, ITC data, FAO agronomic benchmarks. Yield loss projections assume 15-20% effective nitrogen reduction and quadratic response curve coefficients from South Asian field trials - Nature 2022.

Crop / Indicator	India	Pakistan
1 Main Rabi crops	Wheat (dominant), mustard, gram	Wheat (staple), gram, mustard
2 Nitrogen application rate (average, kg/ha)	160-180 (irrigated wheat)	130-140 (wheat, variable)
3 Rabi fertilizer requirement	250-300 LMT (estimated)	1.2-1.5 MMT urea, 0.5 MMT DAP
4 Expected stocks by October 2026	Depends on Kharif outcome; strategic reserves (6-8 weeks) likely drawn down	Depleted if no replenishment during summer; reserves 4-6 weeks
5 Domestic production outlook	6 new urea units under NIP (each 1.27 MMT) may partially offset; gas allocation continues	Two RLNG plants likely remain offline if crisis persists; domestic capacity reduced —20%
6 Import dependency	Urea 53% from Gulf; DAP 40% from Gulf; alternative deals with Russia, Morocco, Canada	Urea 26% from Gulf; DAP 40% from Gulf; weak FX limits alternative sourcing
7 Government policy / preparedness	NBS subsidy outlay \$4.47 billion; DAP subsidy increased to \$351/tonne; potential for additional gas allocation	No equivalent policy; IMF constraints limit subsidy expansion
8 Most exposed crop	Wheat (national food security)	Wheat (staple; 12-18% yield loss projected under prolonged disruption)
9 Projected yield loss (prolonged disruption: 6+ months)	6-10% (wheat)	12-18% (wheat)
10 Key risk factors	Wheat sowing (Oct—Nov) coincides with potential exhaustion of reserves; imports must be secured by August—September	Critical: wheat area 9 Mha; loss of 2 million tons production could trigger import needs beyond fiscal capacity

Created with Datawrapper

7.3 Room for Diversification by the Numbers

Figure 31 presents the major strategic clusters by value, alongside the theoretical substitution potential from the EAEU. The potential figure is the smaller of the EAEU's global exports and Pakistan's global imports i.e. the maximum share of Pakistan's current imports that the EAEU could supply if all trade barriers were removed and supply chains redirected.

Figure 31: Import Potential from the EAEU by Strategic Clusters

Import Potential by Strategic Clusters (USD Million)

Strategic Cluster	Products	Intensive Potential	Extensive Potential	Total Potential
1 Energy (HS 27)	Crude oil, natural gas, LNG, refined products	1,904	1,905	3,809
2 Metals & Steel (HS 72, 73, 74, 76, 78)	Iron, steel, copper, aluminum, fabricated metal articles	338	2,429	2,767
3 Chemicals & Plastics (HS 28, 29, 32, 33, 34, 38, 39, 40)	Organic/inorganic chemicals, polymers, resins, rubber	260	2,984	3,244
4 Machinery & Electronics (HS 84, 85, 86, 87)	Industrial machinery, electrical apparatus, electronics	440	1,763	2,203
5 Food and other Agricultural Products (HS 04, 07, 08, 09, 10, 12, 14, 15, 17, 18, 19, 21, 23)	Cereals, oilseeds, prepared foods, dairy, fats	833	1,113	1,946
6 Other Manufacturing & Inputs (HS 25, 44, 47, 48, 49, 52, 69, 70, 71, 82, 83)	Cotton, Wood, Ceramic, glass	71	844	915
7 Fertilizers & Agricultural Inputs (HS 25, 31)	Urea, DAP, NPK, potash, sulphur, other fertilisers	693	205	898

Source: ITC - Created with Datawrapper

Table 30: Top 25 Products Currently Exported by the EAEU to Pakistan and the Potential to Import at Intensive Level

Product code	Product label	Pakistan's imports from EAEU	EAEU's exports to world	Pakistan's imports from world	Indicative potential
		In USD Million			
'TOTAL	All products	667.85	511,971.96	56,522.67	55,854.82
'271019	Medium oils (diesel, fuel oil)	0.05	38,018.64	1,904.10	1,904.05
'720839	Flatrolled steel coils	0.00	875.23	323.13	323.13
'300490	Medicaments	0.71	390.33	276.30	275.59
'100199	Wheat	371.99	6,301.57	628.66	256.67
'071320	Dried chickpeas	115.76	326.91	297.67	181.91
'071340	Dried lentils	12.15	288.02	129.97	117.82
'071310	Dried peas	70.47	899.38	163.09	92.62
'382499	Chemical preparations n.e.s.	0.04	86.51	120.28	86.47
'230990	Animal feed preparations	0.01	464.59	82.26	82.26
'470321	Chemical wood pulp	0.17	872.46	71.23	71.06
'848180	Valves, taps, cocks	0.04	309.78	68.26	68.22
'870899	Vehicle parts n.e.s.	0.21	264.30	63.32	63.10
'190110	Infant food preparations	1.85	107.95	60.33	58.48
'851769	Voice/image transmission apparatus	0.03	69.06	50.41	50.39
'840999	Diesel engine parts	0.07	56.46	46.90	46.82
'310430	Potassium sulphate	0.51	66.93	46.05	45.54
'382219	Diagnostic reagents	0.00	45.06	75.42	45.05
'390690	Acrylic polymers	0.08	44.65	93.42	44.58
'300242	Vaccines for veterinary medicine	1.63	65.16	42.10	40.47
'040210	Milk powder	0.40	223.94	33.64	33.25
'400219	Styrene-butadiene rubber	0.05	384.80	33.06	33.01
'310210	Urea	39.72	3,263.18	68.61	28.89
'841490	Compressor, fan, pump parts	0.02	26.83	28.31	26.82
'070310	Fresh or chilled onions and shallots	0.01	26.57	96.26	26.56
'841330	Fuel, lubricating pumps	0.04	29.67	26.52	26.49

Source: ITC

Unlike figure 31, which shows total potential (intensive + extensive), Table 30 is restricted to intensive potential i.e. products where Pakistan already imports at least some volume from the EAEU. This is the low-hanging fruit. Each figure in the last column is the smaller of two numbers i.e. what Pakistan already buys from the EAEU (scaled up to total world imports) and what the EAEU can supply globally. In effect, it tells us how much more Pakistan could import from the EAEU in products where the trade relationship already exists.

7.3.1 Energy

Table 31: Top Energy Products to Import

Type	HS Code	Product	Pakistan Imports from EAEU (2024)	EAEU World Exports	Pakistan World Imports (2024)	Indicative Potential
In USD Million						
Intensive	271019	Medium oils (diesel, fuel oil)	0.05	38,018.64	1,904.10	1,904.05
Extensive	270900	Crude petroleum oils	0.00	165,342.96	5,611.82	5,611.82
Extensive	271012	Light oils (gasoline)	0.00	11,511.13	4,381.72	4,381.72
Extensive	271111	Natural gas, liquefied (LNG)	0.00	17,814.40	3,984.25	3,984.25
Extensive	271119	Other liquefied gases (LPG)	0.00	1,004.99	977.80	977.80
Extensive	270112	Bituminous coal	0.00	15,771.84	583.55	583.55
Extensive	271320	Petroleum bitumen	0.00	255.27	28.67	28.67
Extensive	271311	Petroleum coke	0.00	445.10	26.46	26.46

Source: ITC

Energy is the single most urgent argument for an FTA with the EAEU. With a total substitution potential of \$3.8 billion, HS27 dwarfs every other sector. The intensive potential is concentrated in a single product i.e. medium oils (HS271019), where trade exists only as a trickle. The extensive potential, by contrast, spans crude oil, gasoline, LNG, coal, and bitumen, representing almost the entirety of Pakistan's current imports from the Gulf.

7.3.1.1 The Geopolitical Window: US and EU Policy Shifts

The global context for Pakistan's energy diversification has shifted dramatically in recent months. The United States, which for years sought to isolate Russian energy exports, has shown a willingness to make exceptions for major Asian buyers. The Trump administration has allowed India to continue importing Russian crude, despite expressing disappointment and threatening tariffs.

The European Union is also recalibrating. A proposal to permanently ban Russian oil imports by the end of 2027 has been delayed, with the European Commission removing it from its near-term agenda.

These policy shifts create a window for Pakistan. If India can import Russian crude with tacit US acceptance, and if the EU is delaying its own ban, then Pakistan is not operating in a political vacuum.

Box 5: The Fuel Price Rollercoaster

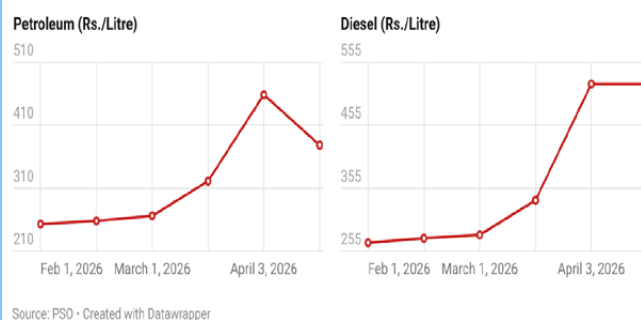
Pakistan has 11 days of crude reserves, 21 days of diesel, and 9 days of LPG, according to Senate committee figures. Unofficial assessments suggest even less.

On 3 April 2026, petrol rose to Rs458 per litre, diesel to Rs520. The government had been absorbing the gap between import costs and retail prices for weeks. By April, it stopped.

On 4 April, petrol was reduced to Rs378. The government used the petroleum levy to fund the cut. Diesel remained at Rs520.

The levy is a fixed tax per litre. Lowering petrol by Rs80 reduces government revenue by roughly Rs8 billion each week if the price stays there. That revenue would otherwise go to the budget. The Strait of Hormuz remains closed. Fuel shipments are still rerouting around Africa. Farmers need diesel for harvesting, and the price has not changed for them. The government announced a Rs1,500 per acre subsidy for small farmers, but diesel at Rs520 per litre will eat most of that before the first acre is harvested.

Retail Fuel Prices in Pakistan, Feb-Apr 2026 (Rs./Litre)



7.3.2 Metals and Steel

The metals and steel sector (HS72 through HS78) is Pakistan's second largest import category after energy, with a total substitution potential of \$2.8 billion. Pakistan's construction, automotive, machinery, and packaging industries depend on imported steel coils, sheets, pipes, and scrap, almost all of which currently come from the Gulf, China, or Europe. The EAEU offers a geographically and politically alternative source, but the intensive trade exists only in two minor product categories, while the vast potential remains entirely untapped.

7.3.2.1 Iron and Steel

Iron and steel (HS72) account for the bulk of the sector's potential, with a total of \$2.0 billion. Table 32 breaks down the intensive and extensive opportunities.

Table 32: Top Iron and Steel Products to Import

Type	HS Code	Product	Pakistan Imports from EAEU (2024)	EAEU World Exports	Pakistan World Imports (2024)	Indicative Potential
In USD Million						
Intensive	720839	Flat-rolled steel coils	0.00	875.23	323.13	323.13
Intensive	722511	Grain-oriented electrical steel	0.16	257.99	10.60	10.44
Extensive	720449	Iron/steel waste & scrap	0.00	397.24	559.43	397.24
Extensive	720890	Further worked flat-rolled steel	0.00	135.82	290.84	135.82
Extensive	720838	Steel coils, <3mm	0.00	124.53	161.79	124.53
Extensive	721049	Galvanised sheets	0.00	349.93	111.47	111.47
Extensive	720711	Semi-finished steel (billets, slabs)	0.00	1,114.79	40.66	40.66
Extensive	720230	Ferro-silico-manganese	0.00	139.67	36.55	36.55
Extensive	720916	Cold-rolled coils	0.00	79.04	34.01	34.01

Source: ITC

The \$323m potential is the entire Pakistani market that is currently supplied by Saudi Arabia, the UAE, and China. However, technical barriers are significant as Pakistani mills and fabricators are accustomed to ASTM standards, whereas the EAEU uses GOST. An FTA would need to include mutual recognition of steel standards or a roadmap for alignment.

The potential for Waste and scrap (720449) is also significant. Pakistan imports \$559m of iron and steel scrap annually, primarily from the Gulf and Europe, for recycling into rebar and other products. Scrap is a low-value bulk commodity, and transport costs are high, but the Black Sea-Suez-Karachi route is already used for other bulk goods.

7.3.2.2 Copper, Aluminium, and Lead

Table 33: Top Copper, Aluminium and Lead Products to Import

Type	HS Code	Product	Pakistan Imports from EAEU (2024)	EAEU World Exports	Pakistan World Imports (2024)	Indicative Potential
In USD Million						
Extensive	740311	Refined copper cathodes	0.00	6,734.80	120.62	120.62
Extensive	740811	Copper wire (>6mm)	0.00	800.10	14.90	14.90
Extensive	760711	Aluminium foil (≤0.2mm)	0.00	72.24	35.68	35.68
Extensive	760110	Unwrought non-alloy aluminium	0.00	5,598.49	27.64	27.64
Extensive	760200	Aluminium waste and scrap	0.00	23.23	95.52	23.23
Extensive	780110	Unwrought refined lead	0.00	221.85	102.63	102.63

Source: ITC

Copper cathodes (740311) are the largest opportunity in this subgroup. Pakistan imports \$121m worth of refined copper for electrical wiring, motors, and electronics. The EAEU's export capacity is \$6.7 billion and Russian copper export is globally significant. Currently, Pakistan sources copper from Chile, Peru, and the Gulf. The EAEU offers a shorter sea route via the Black Sea, but the product is homogeneous, so price and delivery reliability are the only differentiators.

Aluminium foil (760711) is a packaging staple. Pakistan imports \$36m worth, used for food wrapping and pharmaceuticals. The EAEU's exports are \$72m, so Eurasian foil could supply the market.

Lead (780110) is used in batteries and serves as a critical input for the automotive and telecom sectors. Pakistan imports \$103m annually. The EAEU's export capacity is \$222m, so EAEU's lead could supply nearly half of Pakistan's demand.

7.3.3 Chemicals and Plastics

The chemicals and plastics sectors (HS-28 through HS-40) represent Pakistan's third largest import sector after energy and metals, with a total substitution potential exceeding \$3.2 billion.

Pakistan imports virtually nothing from the EAEU in these categories today. Intensive potential exists only in a handful of products but the vast majority of the potential is extensive.

7.3.3.1 Inorganic and Organic Chemicals

Table 34 presents the potential for inorganic (HS28) and organic (HS29) chemicals. Both categories are entirely extensive and no current imports exist from the EAEU.

Table 34: Top Inorganic and Organic Chemical Products to Import

Type	HS Code	Product	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Inorganic Chemicals						
Extensive	280300	Carbon blacks	0.00	774.28	27.25	27.25
Extensive	280920	Phosphoric acid	0.00	16.75	414.60	16.75
Extensive	283329	Sulphates	0.00	18.79	14.78	14.78
Organic Chemicals						
Extensive	290243	pXylene	0.00	106.01	308.86	106.01
Extensive	290511	Methanol	0.00	282.69	60.37	60.37
Extensive	290250	Styrene	0.00	99.36	48.09	48.09
Extensive	291612	Esters of acrylic acid	0.00	75.47	20.19	20.19
Extensive	290512	Isopropyl alcohol	0.00	25.64	19.05	19.05

Source: ITC

pXylene (290243) and terephthalic acid (291736) are the raw materials for polyester production which serve as two of the major components of Pakistan's textile industry.

Methanol (290511) is another critical input, used in fuel blending, formaldehyde production, and as a solvent. Pakistan imports \$60 million worth, mostly from Saudi Arabia and Oman. The EAEU's exports are \$282 million, so Eurasian methanol could easily replace Gulf supplies.

7.3.3.2 Plastics

Table 35: Top Plastic Products to Import

Type	HS Code	Product	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Intensive	390690	Acrylic polymers	0.08	44.65	93.42	44.58
Intensive	392350	Closures, lids, caps	0.01	49.68	12.04	12.04
Extensive	390210	Polypropylene	0.00	746.84	590.18	590.18
Extensive	390120	Polyethylene (HDPE)	0.00	375.64	238.53	238.53
Extensive	390110	Polyethylene (LDPE)	0.00	150.28	364.16	150.28
Extensive	390410	PVC	0.00	54.70	58.28	54.70
Extensive	390230	Propylene copolymers	0.00	42.35	148.85	42.35
Extensive	392690	Other plastic articles	0.00	287.39	39.69	39.69
Extensive	390950	Polyurethanes	0.00	25.60	85.16	25.60

Source: ITC

Polypropylene (390210) is the single largest opportunity in this section. Pakistan imports \$590 million worth annually, used in packaging, automotive parts, textiles, and household goods. The EAEU's exports are \$747 million.

Polyethylene is split into two grades i.e. HDPE (390120) and LDPE (390110). Together, they represent nearly \$400 million in potential. HDPE is used for bottles, pipes, and containers; LDPE for films, bags, and flexible packaging. The EAEU's export capacity in HDPE (\$376 million) exceeds Pakistan's total imports (\$239 million). For LDPE, the reverse is true. Pakistan imports \$364 million, but the EAEU exports only \$150 million.

PVC (390410) is used in pipes, cables, and profiles. Pakistan imports \$58 million; the EAEU exports \$55 million. The match is almost exact. This is a clear opportunity for full substitution. Acrylic polymers (390690) already have some trade – \$0.08 million from the EAEU – but the intensive potential is \$44.6 million. This is a product where Pakistani industry has already tested EAEU supplies.

7.3.4 Machinery and Electronics

The machinery and electronics sections (HS-84 through HS-87) account for over \$2.2 billion in total import potential from the EAEU. Intensive potential – where Pakistan already imports small volumes from the EAEU and could scale up – exists in a range of mechanical components including valves, pumps, gears, transmission shafts, and engine parts. Extensive potential – where no trade currently exists – dominates in higher-value categories including data-processing machines, smartphones, electrical apparatus, and motor vehicles.

7.3.4.1 Machinery and Mechanical Appliances

Table 36: Top Machinery and Mechanical Appliances to Import

Type	HS Code	Product	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Intensive	848180	Valves, taps, cocks for pipes	0.04	309.78	68.26	68.22
Intensive	840999	Parts for diesel engines	0.07	56.46	46.90	46.82
Intensive	841490	Compressor, fan, pump parts	0.02	26.83	28.31	26.82
Intensive	841330	Fuel, lubricating, cooling pumps	0.04	29.67	26.52	26.49
Intensive	841391	Liquid pump parts	0.00	82.25	25.81	25.81
Intensive	848340	Gears and gearing	0.01	40.76	25.30	25.30
Intensive	848310	Transmission shafts	0.10	28.68	21.95	21.85
Extensive	847130	Portable data-processing machines	0.00	137.88	217.76	137.88
Extensive	847989	Mechanical appliances, n.e.s.	0.00	81.22	46.09	46.09
Extensive	841370	Centrifugal pumps	0.00	98.34	42.12	42.12
Extensive	842139	Gas filtering/purifying apparatus	0.00	52.04	36.36	36.36

Source: ITC

HS84 is the largest component of this sector, with intensive potential spread across a range of mechanical components.

Pakistan imports \$68 million worth of valves (848180) annually, but only \$0.04 million from the EAEU. The bloc's global exports are \$310 million.

On the other hand, Pakistan imports \$47 million worth of Diesel engine parts (840999), but only \$0.07 million come from the EAEU. An FTA would encourage Pakistani buyers to switch from European or Chinese parts to Russian ones, especially for machinery already of Russian origin.

Pumps (841330, 841391, 841490) are another cluster. Together, they represent nearly \$80 million in potential.

7.3.4.2 Electrical Machinery

Table 37: Top Electrical Machinery Products to Import

Type	HS Code	Product	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Intensive	851769	Voice/image/data transmission apparatus	0.03	69.06	50.41	50.39
Intensive	853690	Electrical switching apparatus	0.02	24.33	19.50	19.48
Extensive	851713	Smartphones	0.00	1,128.78	1,736.34	1,128.78
Extensive	851762	Reception/transmission apparatus	0.00	117.73	198.50	117.73
Extensive	852349	Optical media (CDs, DVDs)	0.00	103.21	72.13	72.13
Extensive	850440	Static converters (power supplies)	0.00	57.51	493.39	57.51
Extensive	853710	Control panels/boards	0.00	260.73	31.99	31.99
Extensive	850300	Electric motor parts	0.00	31.13	32.12	31.13
Extensive	853720	Control cabinets (high voltage)	0.00	48.69	29.59	29.59
Extensive	854442	Insulated electric conductors (fitted)	0.00	23.23	21.37	21.37

Source: ITC

HS85 is dominated by a single intensive product i.e. transmission apparatus (851769) with \$50 million potential. On the other hand, Smartphones (851713) are the largest extensive number in the entire machinery and electronics sector with \$1.13 billion in potential. But Chinese brands (Xiaomi, Oppo, Vivo) and Western brands (Apple, Samsung) dominate in the Pakistani market due to consumer preferences.

Control panels and boards (853710, 853720, 853890) are used in industrial automation, power distribution, and infrastructure projects. Pakistan imports \$80 million combined. The EAEU's exports are large, especially from Russia and Belarus.

Optical fibre cables (854470) and insulated conductors (854442, 854449) are critical for telecommunications and power transmission. Pakistan imports \$60 million worth. The EAEU is a significant producer, and the products are standardised.

7.3.4.3 Vehicles and Parts

Table 38: Top Vehicles and Parts Products to Import

Type	HS Code	Product	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Intensive	870899	Vehicle parts n.e.s.	0.21	264.30	63.32	63.10
Intensive	870894	Steering wheels, columns, boxes	0.55	10.73	7.64	7.09
Extensive	870121	Road tractors for semitrailers	0.00	58.05	46.22	46.22
Extensive	870324	Passenger cars (large engine)	0.00	62.53	42.52	42.52
Extensive	870322	Passenger cars (medium engine)	0.00	30.86	283.75	30.86
Extensive	870422	Trucks (520 tonnes)	0.00	52.23	30.62	30.62

Source: ITC

Vehicle parts (870899) is a large category covering everything from brake components to body parts. Pakistan imports \$63 million annually, but only \$0.2 million from the EAEU.

Buses (870210) are another niche. Pakistan imports \$48 million worth, mostly from China. Russian bus manufacturers (PAZ, LiAZ) could compete, but they would need to establish service networks.

7.3.5 Fertilisers and Agricultural Inputs

No sector in this chapter carries the same weight for human welfare as fertilizers. Pakistan's agriculture feeds over 240 million people, yet its fertilizer supply chain is dependent on imported natural gas (for urea) and imported finished products (for DAP and potash).

The EAEU cannot replace the Gulf entirely. But in key products such as urea, DAP, potash, and sulphur, the bloc has substantial export capacity. Table 39 presents the fertilizer import potential from the EAEU.

Table 39: Top Fertiliser and Agricultural Input Products to Import

Type	HS Code	Product	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Intensive	310430	Potassium sulphate	0.51	66.93	46.05	45.54
Intensive	310210	Urea	39.72	3,263.18	68.61	28.89
Extensive	310530	DAP	0.00	852.86	602.19	602.19
Extensive	310420	Potassium chloride (potash)	0.00	5,672.74	29.29	29.29
Extensive	310221	Ammonium sulphate	0.00	63.16	26.28	26.28
Extensive	251010	Natural calcium phosphates	0.00	102.23	150.98	102.23
Extensive	250300	Sulphur	0.00	416.78	10.73	10.73

Source: ITC

Urea – the most critical nitrogen fertilizer – already has a substantial trade from the EAEU to Pakistan. In 2024, Pakistan imported \$39.7 million worth of urea from Russia and Belarus, representing over half of its total urea imports. The intensive potential of \$28.9 million is the remaining gap and represents what Pakistan could import from the EAEU if tariffs were eliminated and supply chains optimised.

Potassium sulphate (310430) is another product where trade already exists. Pakistan imported \$0.5 million from the EAEU in 2024, but the potential is \$45.5 million.

DAP (310530) is the largest extensive opportunity with \$602 million. Pakistan imports over \$600 million of DAP annually, mostly from Saudi Arabia and Morocco. Currently, DAP from Russia faces tariffs, while Saudi DAP enters under preferential arrangements. An FTA would level the playing field and, crucially, would offer an alternative supply route that does not pass through the Gulf.

Sulphur (250300) is a byproduct of oil and gas refining, and 73 percent of Pakistan's sulphur imports come from the Gulf. Diversifying sulphur supply to the EAEU, even if only a fraction of total imports, would be a prudent hedge.

7.3.6 Food and Agricultural Products

The agricultural import categories covered in this section (HS07, 10, 12, 14, 15, 21, 23) represent a combined potential of nearly \$2 billion – the second largest cluster after energy.

7.3.6.1 Chickpeas, Lentils and Wheat

Table 40: Chickpeas, Lentils and Wheat Products to Import

Type	HS Code	Product	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Intensive	071320	Dried chickpeas	115.76	326.91	297.67	181.91
Intensive	071340	Dried lentils	12.15	288.02	129.97	117.82
Intensive	071310	Dried peas	70.47	899.38	163.09	92.62
Intensive	070310	Fresh onions	0.01	26.57	96.26	26.56
Intensive	100199	Wheat	371.99	6,301.57	628.66	256.67

Source: ITC

Pakistan imported \$116 million worth of chickpeas from the EAEU in 2024, mainly from Russia and Kazakhstan, yet total imports are \$298 million. Whereas, Pakistan imported \$130 million worth of lentils in 2024, but only \$12 million from the EAEU.

On the other hand, Pakistan imported \$372 million of wheat from Russia in 2024, but only about 60 percent of total wheat imports. Wheat is a strategic commodity. The government occasionally intervenes in the market, by imposing import tariffs or quotas to protect local farmers. An FTA would require a commitment to predictable tariff treatment which is something that has historically been absent. The opportunity depends on policy stability.

7.3.6.2 Oil Seeds and Vegetable Oil

Table 41: Top Oil Seeds and Vegetable Oil Products to Import

Type	HS Code	Product	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Extensive	120190	Soya beans	0.00	373.28	595.94	373.28
Extensive	150710	Crude soya-bean oil	0.00	459.34	163.24	163.24
Extensive	120510	Low erucic rape/colza seeds	0.00	50.14	420.93	50.14
Extensive	151211	Crude sunflower-seed oil	0.00	4,384.38	14.76	14.76
Extensive	120600	Sunflower seeds	0.00	188.47	33.44	33.44
Extensive	151790	Edible oil mixtures	0.00	205.87	11.07	11.07

Source: ITC

Soya beans present the biggest opportunity with \$373 million in potential. Pakistan imports \$596 million worth of soya beans annually, primarily from the United States, Brazil, and Argentina. The EAEU's exports are \$373 million, mostly from Russia, which has expanded soya production in the Far East. Russian soya beans are price-competitive, and shipping from Brazil to Karachi is roughly similar distance. Crude soyabean oil (150710) follows the same pattern. Pakistan imports \$163 million worth, mostly from South America. The EAEU's exports are \$459 million - far more than Pakistan needs.

7.3.6.3 Cotton

Table 42: Import Potential for Cotton

Type	Product Code	Product Name	Pakistan's imports from the EAEU	The EAEU's exports to the world	Pakistan's imports from the world	Indicative Potential
In USD Million						
Extensive	520100	Cotton	0.00	168.66	744.43	168.66

Source: ITC

Pakistan is the world's fifth-largest cotton producer, yet in fiscal year 2025, for the first time in the country's history, imports of cotton and cotton yarn exceeded domestic production. The import bill for cotton and yarn reached \$4.24 billion, up 61 percent year-on-year, while textile exports grew only 7.2 percent.

In July 2025, the government imposed an 18 percent sales tax on imported cotton, cotton yarn, and grey cloth, while also excluding these products from the Export Facilitation Scheme (EFS), which had previously allowed duty-free imports for export-oriented manufacturers.

Within the EAEU, Kazakhstan is the most plausible source of raw cotton for Pakistan. Kazakh cotton is grown in the southern regions of the country, by taking advantage of favourable climate and irrigation, and is recognised as being among the highest-quality cotton in Central Asia.

Transport from Kazakhstan to Pakistan is overland through existing trade corridors, and Kazakh cotton is already exported to China, Bangladesh, and Vietnam, which means that it meets international quality standards for textile manufacturing.

Table 43: A Strategic Framework for Cotton Under the FTA

Mechanism	Partner	Instrument	Objective
Raw cotton imports	Kazakhstan	Tariff preference under FTA	Secure alternative supply source; reduce dependence on US and Brazilian cotton
Textile joint venture	Belarus	Investment agreement; technology transfer	Produce finished textiles within Pakistan for export to EAEU
Machinery imports	Russia/Belarus	Tariff reduction; standards alignment	Upgrade Pakistani spinning, weaving, and finishing capacity
Joint export-import company	Kazakhstan	Bilateral trade agreement	Streamline logistics; reduce transaction costs

The more feasible opportunity lies in using the FTA to catalyse joint ventures that integrate the EAEU-Pakistan cotton value chain.

Russia has signalled interest in textile cooperation. The first Pakistan-Russia Trade and Investment Forum, held in Moscow in October 2024, identified joint ventures in textiles as a priority area.

CHAPTER 8

TRADE IN SERVICES



Chapter 8:

Trade in Services

The services sector, often neglected in trade negotiations, accounts for a growing share of both Pakistan's export potential and its strategic vulnerabilities. Pakistan has significant export capacity in telecommunications, computer and information services, transport, travel, and other business services, but its actual exports to the EAEU are either extremely low or non-existent. Conversely, Pakistan imports substantial quantities of services from the world including transport, travel, financial services, intellectual property etc, but almost nothing from the EAEU.

This chapter examines the services trade potential between Pakistan and the EAEU in two parts. First, it analyses Pakistan's export potential – the services that Pakistan can sell to the bloc, led by telecommunications, computer and information services. Second, it analyses Pakistan's import potential – the services that Pakistan currently buys from the world and could source from the EAEU instead.

8.1 Pakistan's Services Export Potential to the EAEU

Figure 32 presents Pakistan's services export potential to the EAEU, calculated as the smaller of Pakistan's global services exports in each category and the EAEU's global services imports. The potential figures represent the maximum share of the EAEU's import market that Pakistan could theoretically capture, assuming full liberalisation and the removal of non-tariff barriers.

Figure 32: Pakistan's Services Export Potential to the EAEU

Pakistan's Services Export Potential to the EAEU (USD Million)

	Pakistan's Global Exports	EAEU's Global Imports	Pakistan's Current Exports to EAEU	Potential
Telecommunications, computer, and information services	3,812	5,091	0.62	3,811
Other business services	1,665	11,824	1.52	1,663
Transport	981	23,244	0.61	981
Government goods and services n.i.e.	935	1,406	0.63	935
Travel	720	46,636	0.21	720
Insurance and pension services	103	346	0	103
Financial services	58	3,038	0	0.06
Construction	51	8,214	0.02	51
Personal, cultural, and recreational services	49	1,585	0.01	49
Charges for the use of intellectual property n.i.e.	12	3,007	0.05	12
Maintenance and repair services n.i.e.	10	1,599	0	10

Source: State Bank of Pakistan; ITC

The most prominent number is for telecommunications, computer, and information services – Pakistan's IT and IT-enabled services (ITeS) sector. Pakistan's global exports in this category reached \$3.81 billion in FY2025, according to the State Bank of Pakistan, representing a 26.5 percent year-on-year increase. The EAEU's global imports in the same category were \$5.09 billion.

Pakistani IT companies are already global players and serve clients in the United States, Europe, and the Middle East. The sector has recorded an 1820 percent annual growth in recent years, with monthly exports reaching a record \$366 million in September 2025. The government has set an ambitious target of \$15 billion in IT exports over the next five years. The EAEU market, with its demand for cyber-security, artificial intelligence, e-government solutions, and software development, is an apt fit.

The second largest potential is in other business services. This is a catchall category that includes professional, technical, and consulting services. Pakistan's global exports are \$1.66 billion, while the EAEU's imports are \$11.8 billion. These services include accounting, legal advisory, market research, and management consulting where Pakistani professionals have established regional reputations but have not yet penetrated the Eurasian markets.

Transport services (\$981 million potential) and travel (\$720 million potential) are the next largest categories. Transport services include freight forwarding, logistics, and shipping where Pakistan's position as a transit hub between South Asia, Central Asia, and the Gulf could be leveraged. Travel includes tourism, medical tourism, and education where Pakistan has not yet made significant inroads into the EAEU market, but where the potential exists.

The smallest potentials are in financial services (\$58 million global exports, \$0.06 million potential) and intellectual property charges (\$12 million global exports).

8.2 Pakistan's Services Import Potential from the EAEU

Pakistan's global services imports are substantial – and reached \$7.7 billion in the first eight months of FY2025 alone – but its imports from the EAEU are below par. The potential figures are large in absolute terms, but they are concentrated in a few categories where the EAEU has export capacity.

Figure 33: Pakistan's Services Import Potential from the EAEU

Pakistan's Services Import Potential from the EAEU (USD million)

	Pakistan's Global Imports	EAEU's Global Exports	Pakistan's Current Imports from EAEU	Potential
Transport	4,664	25,454	10.39	4,653
Travel	2,399	14,703	1.82	2,397
Other business services	1,559	8,271	0.34	1,559
Government goods and services n.i.e.	627	1,283	3.57	623
Financial services	611	3,093	0.08	532
Insurance and pension services	413	712	0	413
Charges for the use of intellectual property n.i.e.	293	644	0	293
Telecommunications, computer, and information services	498	7,468	0.02	480
Construction	43	5,597	0	43
Maintenance and repair services n.i.e.	58	1,408	0	58
Personal, cultural, and recreational services	4	1,430	0	4

Source: State Bank of Pakistan; ITC

Transport is the largest category by a wide margin. Pakistan imports \$4.66 billion worth of transport services annually by means of freight, shipping, logistics, and cargo handling. The EAEU's global exports in this category are \$25.5 billion. The potential is \$4.65 billion.

Travel (\$2.4 billion potential) is the second largest category. The EAEU is not a major destination for Pakistani tourists today, but there is potential for growth, particularly in medical tourism to Kazakhstan and Russia (for advanced cardiac and oncology treatments) and cultural tourism to Kazakhstan (for ecotourism and the revived Silk Road routes).

Other business services (\$1.56 billion potential) and financial services (\$532 million potential) are the next largest categories. The EAEU's financial services exports are large, but Pakistan's imports are currently low.

Telecommunications, computer, and information services (\$480 million potential) is a smaller category on the import side. Pakistan already imports \$498 million worth of these services globally, but only \$0.02 million from the EAEU.

Box 6: When a War in the Gulf Knocks Out Your Bank Account



3 – Number of AWS data centre clusters knocked offline in the Gulf (two in UAE, one in Bahrain).

2+ million – Active SadaPay users who lost access to their accounts.

0 – Number of Tier III or Tier IV data centres in Pakistan hosting sovereign cloud infrastructure.

17 – Submarine data cables passing through the Gulf and Red Sea conflict zones.

The story of the March 2026 outages is the most vivid example yet of how a conflict in West Asia can directly paralyze Pakistan's digital economy.

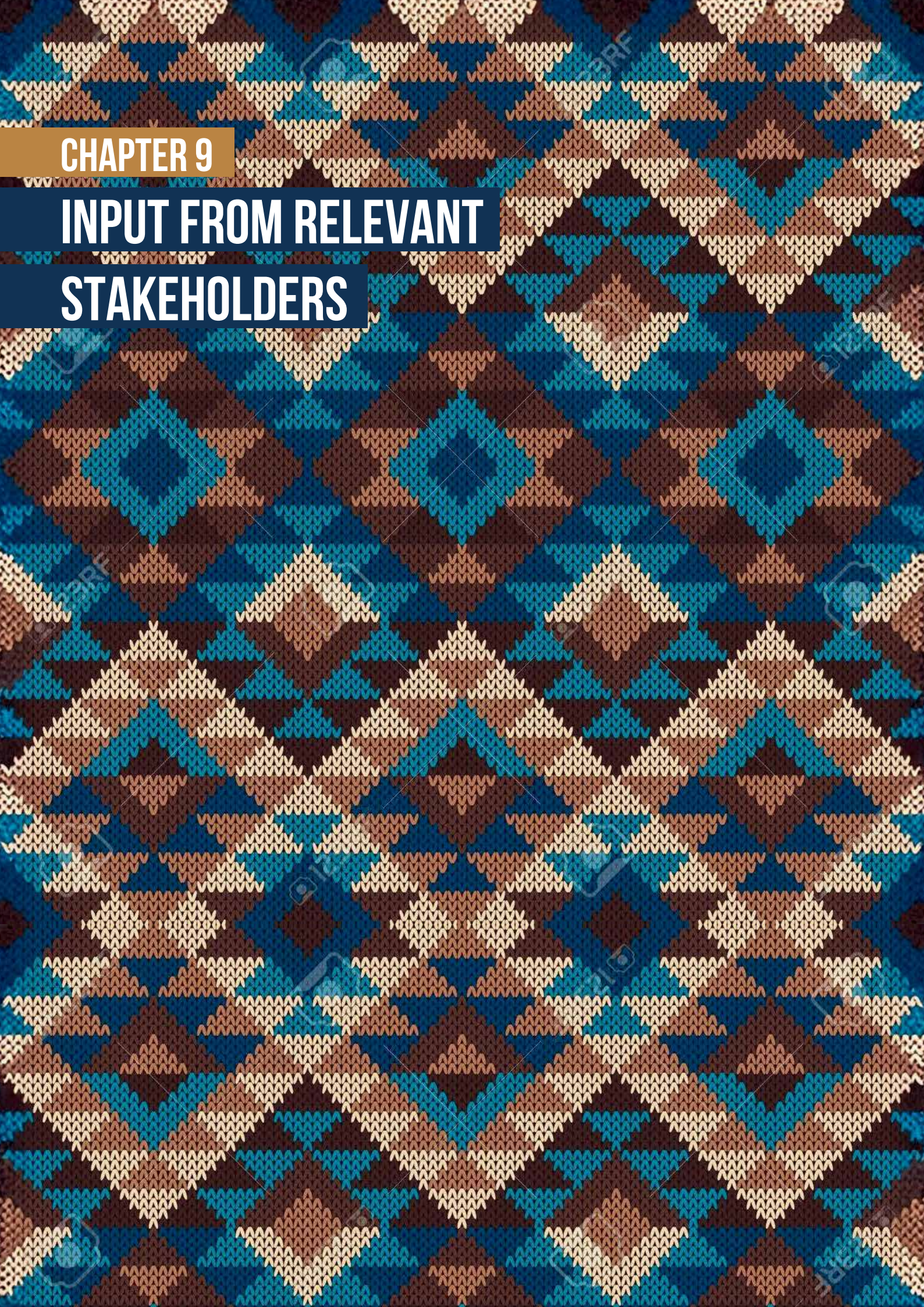
Iranian drones struck three AWS data centre clusters in the Gulf (two in UAE, one in Bahrain). SadaPay, a Pakistani fintech with over 2 million active users, lost its entire digital backbone. For days, users could not access their accounts. The company restored service by migrating to Europe.

Pakistan has zero Tier III or Tier IV data centres hosting sovereign cloud infrastructure.

Seventeen submarine data cables pass through the Gulf and Red Sea conflict zones. The country's digital economy runs on cloud infrastructure located in the Gulf, Europe, or Singapore.

As far as the purpose of this study goes, the EAEU cannot replace AWS overnight. But Kazakhstan is building alternatives. Akashi Data Center's Tier IV facility in Astana now hosts Google Cloud. Beeline Kazakhstan is constructing a hyper cloud data centre in Almaty. The government has approved a "Valley of Data Centers" to attract global providers.

An FTA cannot force Pakistani companies to move data to Kazakhstan. But it can include provisions on digital trade, data localisation, and mutual recognition of cybersecurity standards. That would lower the cost and risk of shifting digital infrastructure away from the Gulf.



CHAPTER 9

INPUT FROM RELEVANT STAKEHOLDERS

Chapter 9:

Input from Relevant Stakeholders

The quantitative analysis in the preceding chapters lays down the trade potential between Pakistan and the EAEU countries under ideal conditions. But trade agreements are formal arrangements that are implemented by businesses, banks, customs officials and diplomats. To test the assumptions of the analysis against ground-level experience, five interviews were conducted with practitioners whose work coincides within the existing Pakistan-EAEU commerce relationships.

The interviews were semistructured and focused on five themes i.e. financial channels, logistics and transit, non-tariff barriers, data transparency, and the practical preconditions for an FTA.

Interviewees

- **A:** A trade diplomat from an EAEU member state,
- **B:** A commercial officer from a Pakistani embassy in the region,
- **C:** A private-sector trade facilitation professional,
- **D:** A senior executive of a Pakistani company with decades of manufacturing and assembly ties to an EAEU country,
- **E:** A representative of a foreign chamber of commerce in Pakistan.

Disclaimer

To preserve anonymity, individual names, titles, and institutional affiliations are not disclosed. The roles described above are provided only to indicate the scope of operational perspectives reflected in the interviews.

The conversations took place between January and April 2026. The operational environment in the Gulf and Eastern Europe has continued to evolve. Where stakeholders referred to specific events (such as border closures or price spikes), those references have been preserved as they show the type of friction that businesses face, not as a real-time update.

9.1 How Money Moves (Or Does Not)

The most binding constraint identified by all interviewees was the simple inability to transfer funds reliably. Sanctions on Russia and Belarus have not made trade illegal, but they have made it cumbersome and unpredictable. It was explained that even Russian banks not under direct sanctions face reluctance from correspondent banks in third countries. Pakistani banks worry that a single flagged transaction could jeopardise their access to Western financial networks. As a result, middle-sized Pakistani businesses find themselves in a dead zone i.e. they are too large to operate through informal hawala channels, but too small to absorb the legal expenses of setting up structured workarounds through Hong Kong or Dubai.

One respondent confirmed that there is no official restriction on financial flows between Pakistan and Belarus. Several private Pakistani banks maintain direct relationships with Belarusian counterparts. But in most cases, payments are delayed, routed through third countries, or simply not made. Some transactions move through cryptocurrency; others rely on trading companies in the UAE that act as intermediaries. The Pakistan government has amended its B2B barter trade framework to include Russia, that allows direct exchange of goods without cash settlement, but barter is a partial solution at best.

However, as noted by another interviewee, an alternative exists on the Belarusian side in the form of Belarusian Universal Commodity Exchange (BUC). BUC acts as a clearing house, and guarantees both payment and product delivery for a fee of about 7 percent. Once a Pakistani company registers on the exchange, the payment risk shifts to the exchange itself. That said, the problem lies on the Pakistani side. The State Bank has issued no clear guidance on which currencies or

documentation are acceptable. Some businesses have successfully used Chinese Yuan for transactions, since Belarusian banks have correspondent relationships with Chinese banks. Yet this channel is not institutionalised; it works for some firms and not for others, depending on their bank's risk appetite.

One interviewee noted that both governments are actively working on a roadmap to resolve payment challenges. The Pak Stream Gas Pipeline remains stalled for precisely these reasons. But progress is slow, and businesses cannot wait for intergovernmental agreements. The bottom-line is that any meaningful trade agreement must be accompanied by a parallel inter-bank arrangement — rupee-ruble or rupee-yuan settlement accounts at designated public-sector banks —and government-backed export credit guarantees to de-risk transactions.

9.2 The Long Road North

The second most frequently cited constraint was physical logistics. Pakistan does not share a land border with any EAEU member. The traditional overland route through Afghanistan is effectively closed for security reasons. The maritime route from Karachi to the Black Sea or to the Baltic ports is reliable but slow, and insurance premiums have risen sharply.

In June 2025, Pakistan Railways was set to launch its first direct cargo train to Russia, carrying sixteen wagons loaded with goods. The route was to traverse Iran, Turkmenistan and Kazakhstan before reaching Russia – a journey that would have reduced delivery time from 35–45 days by sea to 20–25 days by rail. But the train never left. Border closures triggered by the Iran-Israel conflict forced indefinite postponement. It was noted that even now, the situation has not normalised.

With respect to Belarus, before the war, shipments moved easily through Lithuania's Klaipeda port. That route is now closed. The two remaining Russian ports i.e. St. Petersburg and Novorossiysk, are both under sanctions, with Novorossiysk being the more restricted. A practical workaround is to ship goods to Mersin port in Turkey by sea and then move them overland to Belarus. This adds distance and cost, but it is viable for high-margin products. For regular trade, St. Petersburg is the lesser evil, though banks are more willing to process transactions if the shipping port is not the most heavily sanctioned one.

However, a new corridor has since emerged.¹⁶ In April 2026, Pakistan activated the Pak-Iran Transit Corridor, with the inaugural shipment of frozen halal meat moving from Gwadar port through Iran to Tashkent, Uzbekistan. The corridor is part of the China-Pakistan Economic Corridor (CPEC) and is intended to connect Pakistani ports to Central Asian markets via Iranian territory (Figure 34).

China has a clear interest in extending CPEC's connectivity to Central Asia. Reports suggest that Beijing pushed for the corridor, and the US is reportedly onboard. Pakistan has also relaxed export rules to allow shipments of food, medicines and tents to Iran and onward to Central Asia.

The Gabd-Rimdan border crossing bypasses the Afghan chokepoint and offers a shorter overland path to Kazakhstan, Kyrgyzstan and Russia. India, which had invested in the Chabahar Port project, has been excluded from the Pak-Iran Transit Corridor and has scaled back its involvement in Chabahar due to US sanctions. Pakistan's trade with Central Asia (including Afghanistan) rose to \$2.41 billion in 2025, up from \$1.92 billion in 2024, with exports at \$1.77 billion. The corridor could further accelerate this growth.

¹⁶ Arab News - Pakistan opens transit corridor with Iran by sending first shipment to Uzbekistan.

Figure 34: Gabd-Rimdan border crossing connecting Gabd in Balochistan province (Gwadar district) with Rimdan in Iran's Sistan and Balochistan province to Central Asian Republics and beyond.



Source: Iran Chamber Newsroom

Another respondent mentioned that the Pakistan-Kazakhstan Transit Trade Agreement, that is still under negotiation, could act as a complementary enabler. If operationalised, it would allow Pakistani goods to enter Kazakhstan and then circulate freely within the EAEU common market.

A practical suggestion from one stakeholder was to revisit the railway corridor when conditions stabilise. The new road-based corridor through Iran is a promising start, but it is not a full substitute for rail. In the short term, maritime transport remains the most scalable option for bulk goods, albeit a slow and expensive one. The combination of the Pak-Iran Transit Corridor (for timesensitive or highvalue goods) and sea routes (for bulk commodities) may offer a workable hybrid.

9.3 Hidden Barriers and Vanished Data

Since 2022, Russia and Belarus have ceased publishing detailed trade statistics. The official justification is to prevent 'speculation', but the effect for Pakistani exporters, and other international businesses seeking to enter the market, is profound. Without reliable data, they cannot assess demand and monitor competitor activity, which limits their ability to price their goods accurately. This study's reliance on mirror data from the ITC and UN Comtrade is therefore a necessity, not a choice.

On the other hand, in 2026, a shipment of Pakistani kinnow mandarins was held at the RussianBelarusian border for 12 days because of a dispute over phytosanitary stamps. The fruit perished. Similar delays affect pharmaceuticals, leather goods and textiles – not because of any deliberate protectionism, but because of incompatible certification systems and the absence of mutual recognition agreements.

One respondent noted that the EAEU's common tariff schedule is applied uniformly to all South Asian suppliers. Pakistan does not face discriminatory tariffs. But the non-tariff burden is higher for Pakistani exporters as compared to Indian exporters. This is possibly because India has dedicated working groups on standards harmonisation with the EAEU, while Pakistan does not.

Another elephant in the room is the lack of knowledge and widespread misconceptions about EAEU countries. For instance, many Pakistani businesses dismiss Belarus as a Russian satellite state with a rural, isolated economy. But as was pointed out by one respondent, that's not the case. In their experience, smaller Eurasian countries like Belarus have

distinct cultural identities, growing IT sectors, and educated population open to international business. The perception of a 'dictatorship' or 'farmland' discourages firms from even exploring these markets. Yet those who visit find extremely structured economies and genuine demand for Pakistani products. This perception gap, they said, is as damaging as any tariff.

9.4 A Partnership That Already Works

The interview with one Pakistani company representative provided the most convincing evidence that Pakistan-EAEU trade is not just a theoretical possibility. The company in question has imported and assembled Belarusian tractors since 1962 – long before the EAEU existed. The company was founded to distribute Soviet tractors in Pakistan. To date, approximately 165,000 Belarus tractors have been sold in Pakistan.

The primary obstacle identified by this respondent is customs duties. Belarusian tractors face a tariff of approximately 2530 percent when entering Pakistan, compared to competitors from China and Turkey that benefit from preferential agreements. The tractors themselves are competitively priced and of acceptable quality. But the tariff disadvantage makes the final price unattractive.

When asked about the potential of an FTA, the respondent suggested to eliminate the duty on tractor and other agricultural machinery components. That way, the company and others could increase local assembly, reduce prices and expand market share. The benefit would extend beyond the company to the entire agricultural sector. They also noted that Belarus has sophisticated textile machinery, and a joint venture to manufacture or assemble such machinery in Pakistan under an FTA would be commercially viable, provided the tariff structure is rationalised.

9.5 What Negotiators Should Prioritise

Drawing from the collected inputs, the key practical recommendations are presented below:

- **Start with a limited agreement:** A comprehensive FTA covering all products and all barriers could turn out to be difficult. A 'quick win' agreement focused on a few product categories where trade already exists or complementarity is clear for instance, in agricultural machinery, textiles, leather goods, rice and citrus, would build confidence and create momentum for further arrangements.
- **Fix financial channels first:** All five stakeholders emphasised that a free trade agreement is of little use if payments cannot flow. Pakistan should negotiate a parallel interbank agreement to establish rupee-ruble or rupee-yuan settlement accounts at designated public-sector banks. Government-backed export credit guarantees were also suggested as a way to de-risk transactions.
- **Invest in standards alignment.** One respondent recommended that Pakistan send technical teams to the EAEU's regulatory bodies to understand product certification requirements. A mutual recognition agreement for phytosanitary standards and industrial certifications would remove more barriers than a tariff cut.
- **Use existing forums.** It was also noted that the EAEU is not the only forum where Pakistan meets Russia, Kazakhstan and Belarus. The SCO and other multilateral platforms provide spaces for technical working groups. Resolving small, noncontroversial issues, such as the recognition of veterinary certificates, in those forums would pave the way for formal FTA negotiations.

CHAPTER 10

KEY FINDINGS



Chapter 10:

Key Findings

The preceding analysis has established a series of interlocking propositions. It can be confidently concluded that the EAEU is a stratified economic space with genuine potential for Pakistan, but that potential is blocked by barriers that are only partly tariff-related. The Gulf crisis has demonstrated the urgency of diversification, and the India-EU FTA has eroded Pakistan's traditional preference margins in Europe. This chapter lists the key findings of this report that will guide the recommendations that follow.

Finding 1: Energy diversification is no longer a commercial option. It is imperative for energy security.

- The Strait of Hormuz is shut. Not temporarily. Sustained.
- Tankers are not moving. Major Gulf refineries are offline. LNG production suspended.
- Even if the war ends tomorrow, oilfields might take 30-90 days to restart. Refineries take months.
- Prices will stay sticky for the rest of the current year.

What this means for Pakistan

Reserves: 11–20 days of crude. 21–27 days of diesel. 9–14 days of LPG. The numbers change weekly. The crisis does not.

The government has run out of room to absorb losses. The petroleum levy is not a solution. It is a transfer of burden from consumers to the budget. The budget is not infinite.

The EAEU's energy export capacity is vast. \$165 billion in crude oil alone – 25 times Pakistan's total crude import bill. The question is whether Pakistan can build the channels to access it.

Finding 2: Europe is no longer a reliable hedge for Pakistan's exports.

- The India-EU FTA was signed on 27 January 2026. It eliminates duties on 99.5 percent of Indian exports.
- Pakistan's historic 10–12 percent tariff advantage over India in the EU market has dissolved.
- Indian textiles can now enter Europe duty-free across 100 percent of tariff lines. Pakistan remains capped at approximately 66 percent under GSP+.

On top of that

Rising energy prices in Europe are crushing consumer purchasing power. European demand for Pakistani goods will likely fall, exactly at the time when Pakistan needs it most.

The conclusion, however, is not to abandon Europe. The conclusion is that Europe cannot be the only safeguard for Pakistan's exports. Diversification toward the EAEU offers a hedge against the erosion of Pakistan's traditional market position.

Finding 3: The EAEU market is real. But it is not a flat playing field.

- Export potential across textiles, leather, agriculture, and industrial inputs exceeds \$9 billion annually.
- In apparel alone, Pakistan exports over \$2 billion globally. To the EAEU, the numbers are of no account.

Here the distribution matters greatly

Textiles and apparel account for more than half of the total potential. Within that, the intensive margin dominates – meaning the quickest gains will come from selling more of what Pakistan already sells, not inventing new products.

On the import side

The EAEU can supply nearly all of Pakistan's crude oil, gasoline, LNG, and diesel. Polypropylene potential is \$590 million. Polyethylene nearly \$400 million. Organic chemicals over \$500 million.

These are not small opportunities. They can constitute structural shifts in Pakistan's import geography in these changing global dynamics.

Finding 4: Connectivity remains a major constraint. But new routes are opening.

The most emblematic failure of the past decade is that Pakistan has not been able to turn geographical proximity with its regional partners – both historic and emerging – into working logistics.

However

- In April 2026, Pakistan activated the Pak-Iran Transit Corridor, with its first shipment of frozen meat from Gwadar to Tashkent. It is part of CPEC, and bypasses the Afghan chokepoint.
- The primary advantage with this new route is reduced transit time and lower logistics costs. There are also direct benefit for perishable goods and industries that need fast inventory turnover.

Other projects that are also in motion include

- Uzbekistan-Afghanistan-Pakistan railway - feasibility studies done, framework agreement being finalised.
- CASA-1000 (power from Kyrgyzstan and Tajikistan) - scheduled for completion December 2026. Pakistan's segment on track for mid2026.
- Khyber Pass Economic Corridor - \$482 million, World Bank-funded project that is under implementation.

Six trade corridors have also been identified (Karachi-Moscow via China, Gwadar-Moscow via Afghanistan, etc.). At the UNECE Geneva session in February 2026, Pakistan's Communications Minister explicitly offered Arabian Sea routes to Russia and Central Asian states.

To put it in a nutshell, connectivity is an active project. The Pak-Iran Corridor is a start. It is not a substitute for a fully integrated rail and road network.

Figure 35: Key Connectivity Infrastructure Projects for Pakistan-EAEU Trade

Key Connectivity Infrastructure Projects for Pakistan-EAEU Trade

Sources: Anadolu Ajansi, BRECORDER, Ministry of Commerce Pakistan, World Bank, ADB, as cited in the report.

Project	Route	Status	Timeline	Relevance to the EAEU Market
Pak Iran Transit Corridor	Gwadar (Pakistan) → Iran → Turkmenistan → Uzbekistan (Tashkent) and beyond (Kazakhstan, Kyrgyzstan, Russia etc)	Operational (first shipment April 2026)	Ongoing	Provides overland access to Central Asia and onward to Russia; bypasses Afghan chokepoint
Uzbekistan Afghanistan Pakistan (UAP) Railway	Termez (Uzbekistan) → Mazar i Sharif → Kabul → Peshawar	Feasibility studies completed; framework agreement being finalised	Estimated 3–5 years	First direct rail link between Central Asia and South Asia; would cut transit time to EAEU by 50%
CASA 1000 Power Transmission	Kyrgyzstan → Tajikistan → Afghanistan → Peshawar (Pakistan)	Scheduled for completion Dec 2026; Pakistan segment on track for mid 2026	2026	Deepens economic integration with Kyrgyzstan and Tajikistan (one EAEU member); supplies up to 1,000 MW
Khyber Pass Economic Corridor	Peshawar → Torkham (Afghan border) → CAREC 5/6 corridors to Uzbekistan, Tajikistan, Kyrgyzstan	\$482.75m project co funded by World Bank; under implementation	2026–2028	Connects to CAREC corridors that feed directly into EAEU transport network
The Identified Trade Corridors	Karachi/Moscow via China; Gwadar/Moscow via Afghanistan; Gwadar/Turkey via Iran; etc.	Identified in 2025 at Kazan Forum; awaiting feasibility studies	Not specified	Comprehensive framework for multimodal connectivity with Russia and Central Asia
Pakistan Kazakhstan Transit Trade Agreement	Pakistan → Kazakhstan (then onward to EAEU)	Under negotiation	TBD	Would allow Pakistani goods to enter Kazakhstan and circulate freely within EAEU common market
Direct Freight Train (proposed, currently stalled)	Karachi → Iran → Turkmenistan → Kazakhstan → Russia	Planned launch June 2025; postponed indefinitely due to Gulf conflict	Unknown	Would have reduced delivery time from 35–45 days (sea) to 20–25 days (rail)

Created with Datawrapper

Finding 5: Tariff preferences are useless if the buyer cannot pay.

- Cross-border payments are the single biggest barrier inhibiting trade and economics.
- Sanctions have not closed the door to trade. But they have made banks afraid to open it.
- Correspondent banks routinely block or delay payments to Russian and Belarusian entities, even when no sanction is violated.
- Workarounds exist – Dubai, Hong Kong, China, the “China Track” netting system, crypto – but they are inefficient and inaccessible to most businesses.
- The government has amended the B2B barter framework to include Russia. But barter is a partial solution at best.

SMBs that are willing to enter the market do not care about tariff preferences they cannot use. They care about getting paid.

Any FTA must be accompanied by a parallel interbank agreement. Rupee-Ruble or Rupee-Yuan settlement accounts at designated banks. Backed by government-guaranteed export credit facilities.

Without this, zero tariffs will not automatically convert into potential trade figures listed in this report.

Finding 6: Political will exists. But it needs operational machinery.

The past eighteen months have seen high-level engagements that would have been unthinkable a decade ago.

- **February 2026:** Presidents of Kazakhstan and Uzbekistan visited Islamabad. Kazakh President received Nishan-e-Pakistan. Over 60 bilateral documents signed.
- **April 2026:** EEC Trade Minister and Pakistan's Commerce Minister agreed to establish a Joint Feasibility Study Group for a potential preferential trade agreement between Pakistan and the EAEU.
- **May 2026:** Prime Minister of Pakistan was invited to Russia-Islamic World Kazan Forum.
- Pakistan and Armenia have established diplomatic relations; therefore, the last political obstacle has been removed.

India, on the other hand, has also taken note of these developments

A February 2026 analysis from the Vivekananda International Foundation (New Delhi think tank with close ties to the Indian government) called Pakistan's "Vision Central Asia" policy a direct challenge to Indian influence. The author wrote that Pakistan's renewed courtship of Central Asia "is being sold as a strategic awakening, an overdue realisation that geography, if intelligently leveraged, can be destiny rather than curse."

The political infrastructure is in place. What is missing is the machinery to convert aforementioned high-level agreements into working commercial channels.

CHAPTER 11

RECOMMENDATIONS



Chapter 11:

Recommendations

The preceding findings establish what is possible. This chapter establishes what is practicable. The recommendations are organised into three-time horizons: immediate (0–24 months), medium-term (3–5 years), and longterm (5+ years). Each horizon contains a set of sequenced actions for governments and businesses.

11.1 Immediate Horizon (0–24 Months): Stabilise and Signal

The immediate priority is to address the most severe constraints and send a clear signal of commitment to EAEU partners.

1. **Establish a government-backed payment channel.** The single most important action is to negotiate a rupee-ruble and rupee-yuan settlement mechanism at designated banks. This should be accompanied by a government-guaranteed export credit facility to de-risk transactions for middle-sized exporters. The model exists i.e. the “China Track” netting system that is used by Russian banks, which operates through payment agents in Kazakhstan and Kyrgyzstan (See sub-section 5.5.3). Pakistan could replicate that model with its own banks.
2. **Fast-track tariff elimination on priority products.** The intensive margin analysis shows that the most immediate gains will come from products where Pakistan already exports to the EAEU in small volumes. These include cotton yarn (HS-520512, \$135m potential), surgical instruments (HS-901890, \$438m), leather gloves (HS-420329, \$54m), and rice (HS-100630, \$17m). A “quick win” PTA covering these products – or a unilateral tariff reduction on these lines – would build confidence and create momentum for broader negotiations.
3. **Operationalise the Pak-Iran Transit Corridor.** The corridor is open, but it is not yet a fully functioning trade route. The government should: (a) publish clear customs procedures for the corridor; (b) negotiate transit agreements with Iran and Turkmenistan; (c) provide incentives for Pakistani exporters to use the route (e.g., subsidised freight rates for initial shipments); and (d) promote the corridor at trade fairs and business forums.
4. **Deploy a trade promotion task force to EAEU capitals.** The absence of commercial relationships is as binding as any tariff. The government should deploy a dedicated task force – comprising officials from the Ministry of Commerce and TDAP – to Moscow, Astana, Tashkent, Bishkek and Minsk. The task force should organise buyer-seller meetings, sector-specific trade fairs, and B2B matchmaking events. The target should be fifty concrete deals within twelve months.

11.2 Medium-Term Horizon (3–5 Years): Build Infrastructure and Align

Standards

The medium-term priority is to invest in the physical and regulatory infrastructure that will enable trade growth.

5. **Push for completion of the Uzbekistan-Afghanistan-Pakistan railway.** The project is progressing, with feasibility studies underway and a framework agreement being finalised. The government should prioritise its completion, including securing financing from multilateral donors (ADB, AIIB, Islamic Development Bank). The railway would reduce transit time from 35–45 days by sea to 20–25 days by rail and fundamentally change the economics of Pakistan-Central Asia trade.
6. **Negotiate mutual recognition agreements for standards.** The most binding non-tariff barriers are in pharmaceuticals (registration requirements), food products (phytosanitary certification), and industrial goods (technical standards). Pakistan should negotiate MRAs with the EAEU for these sectors, modelled on the agreements that India has already secured. This is a technical negotiation, not a political one, and should be pursued in parallel with tariff negotiations.

- 7. Establish a joint working group on financial channels.** The immediate-horizon payment channel should be institutionalised through a bilateral working group comprising central banks, commercial banks, and finance ministries. The working group should meet quarterly to resolve operational issues and expand the range of eligible banks and products.

11.3 Long-Term Horizon (5+ Years): Deepen Integration and Capture Value

The long-term priority is to move beyond trade in goods to deeper economic integration, including joint ventures, technology transfer, and value-chain integration.

- 9. Pursue a comprehensive FTA with the EAEU.** The immediate-horizon “quick win” PTA agreement should be expanded into a comprehensive FTA covering all goods, services, investment, and government procurement.
- 10. Catalyse joint ventures in textiles and machinery.** The Fecto Belarus Tractors example demonstrates that Pakistan-EAEU joint ventures are commercially viable. The government should actively facilitate joint ventures in two priority sectors: (a) textiles, and (b) agricultural machinery. The FTA should include provisions for investment protection and technology transfer to support these ventures.
- 11. Position Pakistan as a regional energy trading hub.** The EAEU has surplus energy; Pakistan has a strategic location and port infrastructure. The government should develop a long-term strategy to position Pakistan as a hub for the transshipment and processing of EAEU energy. This would involve: (a) upgrading refining capacity to process Urals crude; (b) developing LNG regasification infrastructure; (c) establishing a regional oil storage facility at Gwadar; and (d) negotiating long-term supply contracts with Russian and Kazakh producers.
- 12. Integrate the six identified trade corridors into a single Eurasian logistics network.** Pakistan has identified six potential trade corridors that connect its ports to Russia, Central Asia, and Europe. These corridors should be integrated into a single logistics network, with harmonised customs procedures, digital cargo tracking, and multimodal transport options (road, rail, sea). The network should be promoted as a competitive alternative to traditional routes through the Gulf.

Table 44: Summary of the Phased roadmap for Pakistan-EAEU Engagement

Horizon	Priority Actions	Key Outcomes
Immediate (0–24 months)	Government-backed payment channel; “quick win” tariff cuts; operationalise Iran transit corridor; deploy trade promotion task force	Stabilised financial flows; initial trade expansion; functioning overland route
Mediumterm (3–5 years)	Complete UAP railway; fasttrack CASA-1000; negotiate MRAs for standards; establish joint financial working group	Reduced transit time; integrated power grid; lower non-tariff barriers
Longterm (5+ years)	Comprehensive FTA; joint ventures in textiles and machinery; regional energy hub; integrated logistics network	Deep economic integration; value-chain participation; strategic energy security

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