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ECONOMIC RELATIONS BETWEEN RUSSIAN FEDERATION AND BANGLADESH: A PRELIMINARY ASSESSMENT

Abstract

This paper attempts to examine the causal factors that seem to explain the past trends of economic relationship between Bangladesh, and the former USSR and then the Russian federation in order to assess the future potential. While geo-political considerations explain the initial spurt in economic exchanges between USSR and Bangladesh right after the independence of Bangladesh, the relative insignificant volume of trade in later years can be attributed to a host of economic and non economic factors. Using the coefficients of a gravity model equation estimated by International Trade Center (ITC), covering the export data of 55 developing countries into 75 markets, the potential export from Bangladesh to Russian Federation is found to be approximately, US$ 2.8 billion. Reaching this volume, the same magnitude as Bangladesh's current export to USA, would crucially depend on whether both countries can improve their business infrastructure, achieve healthy economic growth, and governments of both countries can implement some policies conducive to business and trade.

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Introduction

Economic relations between former USSR and Bangladesh go back to the birth of Bangladesh. Thirty years after the birth of Bangladesh, while the socio-political scenario in Bangladesh underwent substantial changes, the changes are nowhere near the dramatic changes that former USSR went through. In fact, Russian Federation, in many ways is a new country that was born in the late 1980s and now undergoing sea changes especially in its economic structure and institutions. At this point of time, an in-depth review of the past economic relations and an examination of the potential for expanding that relationship may be of crucial importance in shaping up the future course of the overall relations between the countries. Although the resources for undertaking a full-scale research are not available at this point, this paper makes an attempt at a preliminary assessment, even if somewhat sketchy, of the relationship between the two countries. It is expected to be a useful start in the direction of conducting further in-depth investigations.

The paper is organized as follows: the first section describes the past trend in the economic relations. The second section discusses the sequence of events that appears to account for the close economic relations in the seventies and an almost stagnant flow of economic exchanges later on. In the third section, we estimate the potential trade flow based on the estimated coefficients of a gravity model as modified *TRADESIM*, by ITC's Market Analysis Section (ITC 2000). We also discuss the factors that are likely to be crucial in determining whether the two countries can reach their full potential in their trading relationship.

Section I: The Past and Present Trends of the Economic Exchanges

We can divide the Bangladesh-Russia economic relations into three periods: 1971-75, 1976-1991, and 1991-2000. Division of the

three sub-periods reflects major changes in the socio-political scenario in both the countries. The dividing line between the first and the second period reflects a major change in Bangladesh's political regime and the associated shift in the foreign policy. The dividing line between the second and the third period reflects the dismantling of the USSR and the socialist system.

The Early Seventies:

The initial period could very well be termed as the golden period between Bangladesh and the former Soviet Union in terms of both military cooperation and non-military economic cooperation.

Right after the independence of Bangladesh, Soviet Union extended its official assistance to Bangladesh. On March 2, 1972 an agreement was signed under which Bangladesh received three freight ships (each 1000 ton capacity), four MI-8 helicopters with crews for one year, grant for the construction of 350 ton capacity cold storage plant, 50 locomotives along with substantial quantity of food and various other equipment. USSR also came up with generous assistance in infrastructure building; e.g., grant assistance for the construction of the two units of Ghorasal Thermal Power Station, eight radio stations and for the clearing up sea ports of Chittagong and Chalna from mines and drowned ships for safe navigation.

The official assistance figures as reproduced in the appendix does not appear very high in dollar terms despite the commonly known fact that Soviet assistance was quite significant in the early seventies. This may be because of the fact that a lot of assistance was in the form of in-kind transfer, the value of which was not translated in dollar terms[1]

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[1] Even if the figures were available in dollar terms, its international comparability may be reduced due to lack of PPP consistency.

The official assistance figures show that there was a substantial inflow of food aid in 1972 and in 1973. There was some commodity aid in this period but no project aid at all. Food aid declined to zero after 1973 but commodity aid remained somewhat stable throughout the 1970s decade.

Although detailed data on the military aid is not available to us, it is clear that the whole Bangladesh airforce was built with the few dozens of MIG-21 supplied by USSR. The associated training, spare parts and other support for maintenance of the aircraft were also provided form USSR as governmental assistance. Some other types of military hardware for the army, in addition to the equipment provided for the airforce, along with military experts from Russia as well as Cuba was also part of the assistance provided by USSR during the early years after the birth of Bangladesh.

The initial burst of economic assistance was also matched by a significant (compared to later years) trade exchanges between USSR and Bangladesh during 1973-75 period. Although official figures (in USD) on trade[2] do not appear to be very high, it cannot be denied that the practice of barter helped the foreign exchange starved Bangladesh enormously in those early years. The practice of barter may be another reason why the official statistics on trade does not show very significant volume of transactions in dollar terms.

According to official figures[3] import from Russia jumped from 8 million dollars in 1972 to an average of 36 million dollars in 1973-75 period. Comparison between imports from Russia and the total export receipts of Bangladesh shows that while import from

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[2] Trade volumes as well as composition are given in the appendix.

[3] Bilateral trade figures, for the 1972-75 period are taken from State Custom Committee of Russia. The rest of the data are from Statistics Department of the Bangladesh Bank.

USSR accounted for 0.94(approx.) of the total imports in 1972 it jumped to more than 3.10% (approx.) of the total in the later part of this period.

Although there was no such spurt in the export figures, there was a steady increase in the export from Bangladesh during this time period. Export receipts from Russia increased from 7 million dollars in 1972 to an average of 13 million dollars during 1973-75 period. Comparison of the total export receipts of Bangladesh with this figure shows that while export to USSR accounted for 2% (approx.) of the total exports in 1972, it jumped to 4% (approx.) of the total in the later part of this period.

Trade with USSR mostly consisted of imports from Russia of diesel fuel, pig iron, steel billets and some cotton, and few exports from Bangladesh. Export from Bangladesh consisted of jute, jute goods (bags and packing cloth), jute carpets, raw leather, tea, and tobacco.

Trade balance was clearly tilted towards USSR. While the trade deficit was one million dollars in 1972, it jumped to 30 million dollars in 1973 and then to 20 million dollars in 1974 and 1975.

Late Seventies and the Eighties:

With the change of the political regime in Bangladesh in the mid-seventies, flow of assistance from USSR fell drastically and the growing trend in trade flows also reversed. Russian imports were steadily being replaced by imports from other countries, most notably China. China came out not only as the biggest supplier in the field of military hardware but also as a significant trading partner.

During 1976-1991 period, the flow of assistance from Russia averaged about 20 million dollars per year. Although food aid

declined to zero after 1973, commodity aid was flowing at an average rate of almost 12 million dollars per year during 1972-79 period. Commodity aid declined to zero after 1979 except for a brief spurt in 1982 when it reached 55 million dollars for that particular year alone. Project aid started flowing from USSR to Bangladesh from the year 1979 and it reached relatively significant magnitude during 1984-89 period averaging 34 million dollars per year.

During the late 1970s and 1980s decade, although import from the former USSR declined significantly, export from Bangladesh was not affected in any significant way. The value of imports from former USSR reached the average of 22.3 million dollars in the late 1970s from 36 million dollars in the earlier part of the decade.

Trade balance clearly improved during this period although not completely reversed. Bangladesh enjoyed trade surplus in 1978 (5.5 million dollars) and in 1979 (9.9 million dollars) and achieved almost perfect trade balance in 1980 and 1982. The improvement in trade balance is attributable to reduction in imports and improvement in export earnings from USSSR.

The Nineties:

With the breakup of the socialist system, Bangladesh entered a new phase in the relationship with the component parts of the former USSR, the largest and the most significant among them being the Russian Federation.

Aid in this period dried up almost completely. There was no commodity aid or food aid to begin with, and now the new changes in Russia affected the flow of the project aid also. After reaching 54 million dollar in 1989, the flow of project aid declined to 6 million dollars in 1990, 4 million in 1991 and only 1 million dollar in 1992 and zero thereafter. The reason behind the aid figure not reaching

zero right from the start of 1990 was perhaps that the aid money was pre-committed in the earlier decade.

Like the earlier periods, this decade has also been characterized by trade balance tilted in favor of the Russian federation. Although in terms of absolute volume import and export tended to be same, the relative importance of Russia as a trading partner declined due to Bangladesh's relative affluence during this period.

The composition of export to Russia underwent significant changes during this period. While the exports in the earlier period were based on traditional items such as jute, leather, and tea Bangladesh's export became more concentrated on textile goods. On the other hand due to Russia's complete loss of market in pig iron, still billets to China in earlier decades, Russian export to Bangladesh consisted of mainly machinery, electrical equipment, vehicles and transport equipment along with textile products.

Section II: An Informal Analysis of the Past and Present

The past trends merely provide us a background to pursue the central question of this paper regarding the uncovering the true potential for future economic relationship. In order to explore and understand the true potential, it is important that we analyze the factors that account for the past trends in the economic relationship starting from the 1970s decade.

It is quite clear that in the climate of cold war Bangladesh was a natural ally of the USSR in the early 1970s for well-known geo-political reasons. Therefore, it was no surprise that USSR found Bangladesh, a poor country, worthy of providing assistance. The generous flow of assistance took the form of both military and non-military aid.

Although it is difficult to rely on an estimated trend for such a few years in the early seventies, it is conceivable that economic

exchanges between the two countries would have expanded significantly. This is deduced from the fact that the official trade volume had increased significantly in 1973, 1974 and the first half of 1975 compared to previous years. Moreover, there were other military and non-military cooperation going on that is not reflected fully in the official figures for possible reasons mentioned above.

After the changes in the political scenario of Bangladesh in 1975, there was a trade diversion as well as substitution sources of aid. Politically Bangladesh was moving away from the Eastern block and becoming closer to the west as well as China. China turned out to be a more cost-effective supplier of most of the military equipment and non-military goods previously supplied by the USSR.

Although Bangladesh shifted away from Soviet Union to the Chinese, there was hardly any retaliation by the Soviets. Despite some harsh diplomatic actions against the Soviets, in coordination with the US, in the early 1980s USSR did not reduce imports from Bangladesh. Perhaps one reason explaining the non-retaliation was the relative insignificance of Bangladesh's export volume to the USSR. However, it did help Bangladesh to move towards a more balanced trade position from the persistent deficits in early 1970s.

The most significant aspect of the economic relationship with the former USSR was that it was not based on market-based logic. Consideration of the domestic resource cost of exports was not the overriding consideration in Soviet transactions. Even if domestic resource costs entered into their consideration, the costs were most likely to be inaccurately estimated given the kind of command economy they operated. Since a closer relationship with former USSR presupposed a command type economy in Bangladesh as well, it is hard to see how a closer economic relationship with the Soviet block could have helped Bangladesh to achieve a respectable

rate of economic growth. With the benefit of hindsight it is most likely that most analysts, including ones from the Russian Federation, would reckon that the moving away from a closer economic relationship with the former USSR to a more market oriented policies was a positive move for the future of Bangladesh economy.

After the breakup of the Soviet system, Russia's economic relationship tended to be guided more by economic considerations. Therefore, an economic analysis based on traditional economic theory appears to be more appropriate under the changed circumstances of the 1990s and beyond compared to earlier periods.

Just the fact that Russia has moved towards a more market-oriented economy does not necessarily imply that the trading relationship of Russia reflects her comparative advantages fully. Even for matured market economies trading volume with a particular country or a group of countries or the composition of trade is actually found to differ from the ones predicted by economic models. This is both because the world we live in is imperfect and the models we use and the variables that are used for estimation are unable to capture the reality perfectly. Despite some weaknesses, estimation of a gravity model is useful in roughly showing the natural direction of trade. In the next section, we present the gravity model with its theoretical underpinnings and estimate the potential volume of trade between the two countries.

Section III: Estimation of the Bilateral Trade Potential

In the previous sections, we have seen that mutual economic exchange between Bangladesh and the Russian Federation has been relatively insignificant. A central question of this paper is whether this trend reflects the true potential of the countries in the field of trade and other areas of economic exchange. Economists have

applied some version of the gravity model in order to estimate the potential trade between two individual and cluster of countries. We shall also apply the estimated coefficients of a gravity model to estimate the potential trade between the two countries after detailed analysis of the theoretical underpinnings of the gravity model.

The gravity model that started as a reduced form equation suggested that country size and transportation costs between countries were good predictors of trade volumes. Although data did fit these reduced form equations well, the scholars showed little enthusiasm because of the lack of connection to the theory. Later on while Helpman and Krugman (1985) showed that the combination of comparative advantages and monopolistic competition provided a coherent conceptual framework, Bergstrand (1989) built a general equilibrium model from which the gravity equations may be derived. The equation derived by Bergstrand has the following form:

$$X_{ij} = \alpha_0 \, y_i^{\alpha_1} \, y_j^{\alpha_2} \, Y_i^{\alpha_3} \, Y_j^{\alpha_4} \, D_{ij}^{\alpha_5} \, P_{ij}^{\alpha_6} \, E_{ij}^{\alpha_7} \, PR_i^{\alpha_8} \, PR_j^{\alpha_9} \, e^{u_{ij}}$$

Where:

X_{ij} is the total exports from i to j

y_i, y_j *are the per capita incomes*

Yi, Yj are the countries' incomes

D_{ij} is the distance between the countries

P_{ij} is a preferential trade scheme dummy

E_{ij} is the nominal exchange rate

PR_i, PRj are the price indices in the respective countries

u_{ij} is the normally distributed error term

While the earlier gravity equations, although contained more or less the same variables, could not relate the variables in the estimating equation to the theories of international trade, each of the variables from Bergstrand's equation has its theoretical counterpart. The per capita income variables represent factor endowments, higher the ratio

of physical and human capital in a country higher the per capita income. The income variables represent the country sizes, which is supposed to reflect the strength of demand and also potential for intra-industry trade (because larger country is likely to demand greater variety). The distance variable is supposed to proxy for transport costs. The exchange rate, and the price indices are supposed to proxy for price variable that is also supposed to capture intensity of trade barriers and preferential trading arrangements if any.

Usually the coefficients are estimated by running regressions with the data on countries among which trade is supposed to have reached their normal levels. Then the estimated coefficients are used to on other countries where trade has not reached the full potential.

Interestingly, the same equation can be estimated at the industry level by adding an industry subscript, k, to X_{ij}, PR_i and PR_j. Therefore, we could use the same framework to estimate the potential trade between both countries sector-by-sector or product-by-product. However this sort of exercise is likely to provide more accurate predictions when both countries, especially Russia, becomes more mature market economies. Here we shall limit ourselves only in predicting the potential aggregate volume of exports from Bangladesh to Russia and from Russia to Bangladesh without being concerned about the composition.

ITC's market analysis section has used essentially the same framework for estimating potential trade in aggregate as well as for 14 sectors with little modification in model specification, sample selection and statistical refinements. Their estimating equation has a double log form, the usual practice due to direct availability of elasticity estimates, with the inclusion of language dummy to capture socio-cultural aspect and preferential trade arrangement

dummies to capture price differential with other countries. ITC's tradesim is based on the following estimating equation:

$$X_{ij} = \alpha_0 + \alpha_1 \log y_i + \alpha_2 \log y_j + \alpha_3 \log Y_i + \alpha_4 \log Y_j + \alpha_5 \log D_{ij} + \alpha_6 L_{ij} + \Sigma \alpha_z Z_{zij} + u_{ij}$$

Where L_{ij} stands for language dummy, which is one when the two countries speak the same language and Z_{zij} stand for dummies for preferential trade arrangements.

They carried out the exercise for three groups of countries of which South-World model has been chosen for our purpose. In this model there are 75 markets and 53 exporters. The name of the model derives from the fact that all fifty-three countries are developing countries (South) and their markets consist of the rest of the world (both North and South).

The estimated coefficients for simulating the aggregate trade of the ITC's TRADESIM exercise are[4]:

$$\alpha_0 = -28.13$$
$$\alpha_1 = 0.26$$
$$\alpha_2 = 0.19$$
$$\alpha_3 = 1.33$$
$$\alpha_4 = 1.05$$
$$\alpha_5 = -1.4$$

Plugging in the relevant data[5] into the estimated equation reveals that exports from Bangladesh should be around 2.8 billion dollars. Assuming a balanced trade between the countries trade volume should be no less than 5.6 billion dollars which is a about ten times

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[4] The coefficients of the dummy variables are not reported here because none of the dummies are relevant for the bilateral trade between Bangladesh and the Russian Federation.

[5] The data are taken from World Development Indicators, World Bank (2001).

larger than the current actual trade volume between the two countries. The estimated potential export from Bangladesh to Russia is of the same magnitude as the actual magnitude of exports to US market. This result conform to a casual remark by a Russian diplomat to Bangladesh that there is no reason for Bangladesh not being able to find a market in Russia for its textile products that is least as large as the US market except for the lack of infrastructure.

Although the gravity model gives a very concrete result, it does not tell us what factors needs to be emphasized in order to reach the potential. Below we discuss the factors that are likely to be crucial in realizing the trade potential in the future:

1. Business Infrastructure

2. Growth of National Income

3. Trade Policy and

4. Other Factors

1. Business Infrastructure:

Traditional theory does not explicitly state the need for the existence of suitable infrastructure for expansion of economic relations because it assumes the existence of a good infrastructure for beneficial exchange. The term infrastructure is used in broad sense that includes financial infrastructure such as good banks working under sound financial laws, legal infrastructure such as good laws for facilitation of private business, good law and order situation, transparency and the rule of law in governance mechanism. Both Bangladesh and Russia has a lot to do with respect to improvement of the infrastructure for the expansion of business in general and creating an environment conducive for the expansion of both intra-country and inter-country economic exchanges.

One reason that is alleged to be holding down the prospect of creating a vast market for Bangladesh's textile products in Russia is the fact that Russia does not have chain stores like JC Penny or Foely's or Wal-Mart in the US. Bangladeshi entrepreneurs also do not have the capability in setting up large distribution chains in Russia. Russian stores in various cities would prefer to have goods in credit but Bangladeshi entrepreneurs would prefer to have the money before they start production. A very sophisticated financial infrastructure is essential for meeting such conflicting preferences make a win-win deal possible.

The legal system has to be credible in both countries so that businessmen are confident that any possible complains or grievances would be handled in fair and just manner. A sound law and order situation would also go a long way in creating an environment that is conducive to the growth of domestic and international business simultaneously.

2. *Growth of National Income:*

Economic theory tells us that higher level of export is positively correlated with higher levels of GDP and higher the national income higher is the demand for imports. Since the birth of Bangladesh, the per capita income has risen at a respectable rate and so did the level of exports and imports. On the other hand in the case of Russia we find that GDP of Russia has not been rising since the fall of USSR. In reality it experienced negative growth in per capita GDP in some recent years. If the present trend of economic instability continues in Russia reaching the potential trade volume with Bangladesh may not take place in the near future. Only with a stable economy with solid rates of growth, both countries will look for partners where they can engage more beneficially.

3. Trade Policy

Trade policies are important determinants of the volume of bilateral or multilateral trade a country engages in. In the present day of globalization and the conditions of WTO membership makes it difficult if not impossible for a country to practice closed door policies. As WTO members both Bangladesh and Russia are pursuing relatively liberal trade policies and both countries are likely to further open up their markets in the future. Therefore trade policies are not likely to be any significant hindrance to achieving the potential level of trade. However, a look at the tariff rates given in the appendix reveals that tariff rates on Bangladesh's main export items are higher compared to the average rate of tariff on import items in Russia. Removal of this high tariff rate will result in the expansion trade relations.

Although WTO pushes for opening up of markets, it does make lot of exceptions for preferential trading arrangements. Economists are aware that while the preferential trading arrangements create more trade among members it tends to create barriers for non-members of the club. If either Russia or Bangladesh seriously gets into some preferential trading clubs, trade diversion is highly likely.

4. Other Factors

Before there are mutually beneficial economic exchanges, potential participants of that relationship must be aware of the opportunities that exist in both countries. Without a credible and efficient channel of information exchange often businesspeople are likely to be guided by the perceptions created by casual journalism that might portray Bangladesh as a country always submerged under water and Russia a country controlled by the local Mafia bosses. Therefore, serious attention needs to placed on the need for

establishing a channel for exchanging credible and useful information between the two countries, which could of immense benefit to the business communities in both the countries.

Besides helping information flow government can try to help to bring countries together by engaging in cultural exchanges and dialogues so that people, in general, become more aware of each other and learn the ways of mutually beneficial exchanges.

Section IV: Summary and Conclusion

The relationship with Russia has strong historical roots. Economic exchanges between both countries were quite strong in the earlier part of the first decade. This strong relationship was driven more by politico-ideological consideration rather than economic considerations. Since the birth of new Russia in the aftermath of the dismantling of the socialist system Russia has moved from a donor status to a country that needs lot of economic cooperation to rebuild its own economy. Although Bangladesh is still a relatively smaller country, it has attracted Russia's and many other countries, attention by purchasing some significant quantity of military hardware in recent times. Russia is clearly interested in selling more of its products, military or non-military, to all countries including Bangladesh.

This paper examined the prospect of expanding economic relations in the light of economic theory. The analysis, although mostly sketchy in nature, indicates that there is very significant scope for enhancing mutually beneficial economic exchange. Although most of the analysis was centered on the prospect of trade, one can easily see that the factors that drive trading relationship are also important for expanding investments as well.

The factor that is likely to be crucial for the future of both the countries is the success of establishing appropriate institutional framework (legal framework, property rights, law and order system, sound banking and financial infrastructure, sound accounting practice etc.) to support a competitive market economy. Economic reform in both countries is necessary not only for expanding bilateral trade relations but also for achieving higher rate of economic growth in each country.

The biggest potential for expanding economic exchanges between both the countries lies in the fact that both Russia and Bangladesh have quite asymmetric factor endowments making it possible for both countries to gain by engaging in trade[6]. Secondly, Russia as a large country has a very big market for Bangladesh's labor-intensive products. A truly revitalized Russia promises to be no smaller market for textile products from Bangladesh compared to the EU or US. Bangladesh's huge populations size is also likely to provide a big market provided Bangladesh could achieve its potential rate of economic growth. This conclusion is borne out not only by a casual look at the economies of both the countries but also by rigorous econometric exercise. Reaching the potential volume of economic exchanges shall not only improve the living standards of the citizens of both the countries but also likely to open up the doors for other beneficial exchanges in the economic, social and cultural spheres contributing towards building a better world for all.

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[6] Asymmetric factor endowments are revealed in the quite dissimilar profile of revealed comparative advantage (RCA). The RCA profiles of both the countries are reproduced in the appendix.

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6. World Bank (2001), *World Development Indicators*, Washington D.C.

APPENDIX

Table 1. Brief of Development Profiles of Bangladesh and the Russian Federation

	Russian Federation	Bangladesh
Population (millions)	147	124
Surface area (1,000sq km	17,075	144
GDP ($millions)	446,982	41,419
Population growth (%)	-0.3	1.6
Population per sq km	9	935
GNP per capita ($)	2,680	360
People		
Life expectancy	67	58 years
Fertility rate	1	3 births per woman
Infant mortality rate	17	75 per 1,000 live births
Under 5 mortality rate	25	104 per 1,000 children
Child malnutrition	3	56 % of children under 5
Urban population	77	19 % of total
Rural population density	27	1,161 per sq km of arable land
Illiteracy-male	0	50 % of people 15 and above
Illiteracy-female	1	73 % of people 15 and above
Net primary enrollment	93	- % of relevant age group
Net secondary enrollment	..	- % of relevant age group
Girls in primary school	49	- % of total enrollment
Girls in secondary school	...	- % of total enrollment
Environment		
Forests	7,635	10 thousands of sq km
Deforestation	0	0.8 % change (1990-95)
Water use	2.6	1 % of total resources
CO2 emissions	10.7	0.2 metric tons per capita
Access to safe water	..	49 % of urban population
Access to sanitation	..	41 % of urban population
Energy use per capita	..	197 kg of oil equivalent per capita
Electricity use per capita	4,169	97 kwh per capita

|	Russian Federation	Bangladesh
Technology and infrastructure		
Telephone mainlines	183	3 per 1,000 people
Cost of 3 minutes local call	..	0.04 $
Personal computers	32	- per 1,000 people
Internet hosts	8.88	0 per 10,000 people
Paved roads	..	12 % of total
Aircraft departures	465	13 thousands
Economy		
GDP growth	0.8	5.9 annual %
GDP implicit price deflator	16.6	1.3 annual % grow
Value added in agriculture	33,596	9,845 $ millions
Value added in industry	155,012	11,367 $ millions
Value added in services	233,377	20,207 $ millions
Exports of goods and services	102,196	5,075 $ millions
Imports of goods and services	90,065	7,656 $ millions
Gross domestic investment	98,067	8,656 $ millions
Foreign direct investment	6,241	135 $ millions
Central government revenues	19	.. % of GDP
Overall budget deficit	-4.5	.. % of GDP
Money and quasi money	30	10 annual % growth
Trade and finance		
Trade as share of PPP GDP	29.80%	9.8 %
Trade growth less GDP growth	7.4	7.5 average % (1987-1997)
High −technology exports	19	0 % of manufactured exports
Net barter terms to trade	..	99 (1995-100)
Present value of debt	118,832	8,650 $ millions
Total debt service	6,774	705 $ millions
Short term debt	6,139	175 $ millions
Aid per capita	5	8 $

Source: World Bank, 2000

Table 2. Revealed Comparative Advantage (RCA) of Bangladesh and Russian Federation

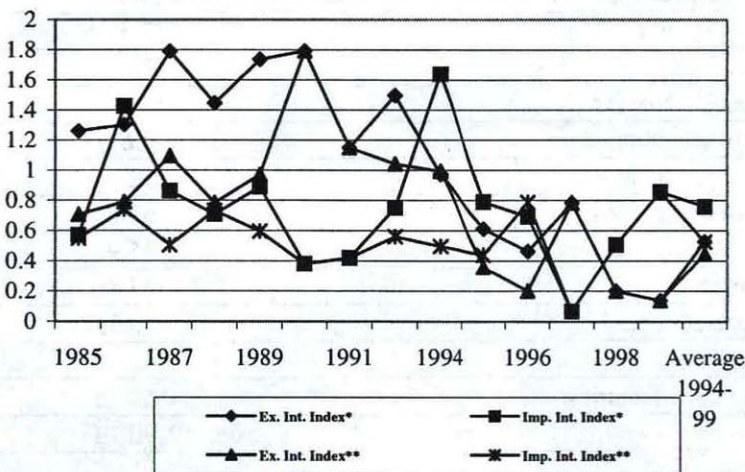| Russian Federation		
Commodity Groups	RCA	Rank
Minerals	179	1
Basic manufacturing	63	2
Wood products	12	3
Clothing	0	4
Leather products	-1	5
Textiles	-7	6
Transport equipment	-10	7
Electronic components	-12	8
Misc. manufacturing	-14	9
Cons. Electronics	-14	10
Chemicals	-20	11
Non-electric machinery	-49	12
Processed food	-62	13
Fresh food	-64	14
Bangladesh		
Commodity Groups	RCA	Rank
Clothing	361	1
Leather products	16	2
Misc. manufacturing	-7	3
Fresh food	-7	4
Cons. Electronics	-8	5
Electronic components	-9	6
Wood products	-12	7
Transport equipment	-32	8
Non-electric machinery	-35	9
Minerals	-37	10
Processed food	-43	11
Chemicals	-46	12
Basic manufacturing	-52	13
Textiles	-90	14

Source: ITC 2001

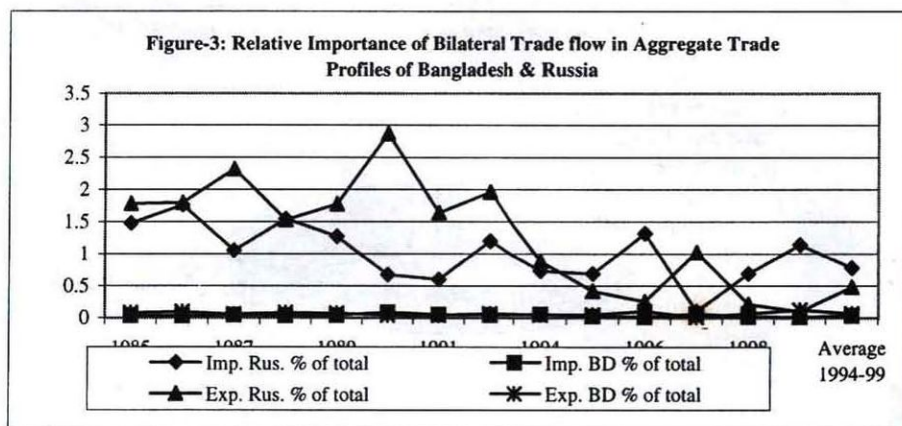**Figure-1: Trend of Bangladesh's Trade with Russia, 1972-2000**
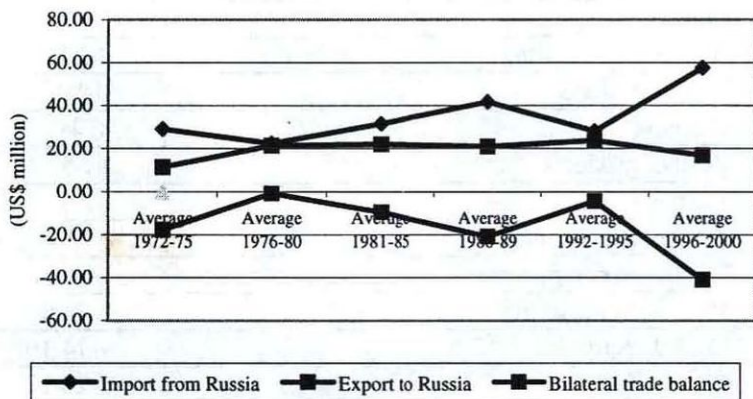
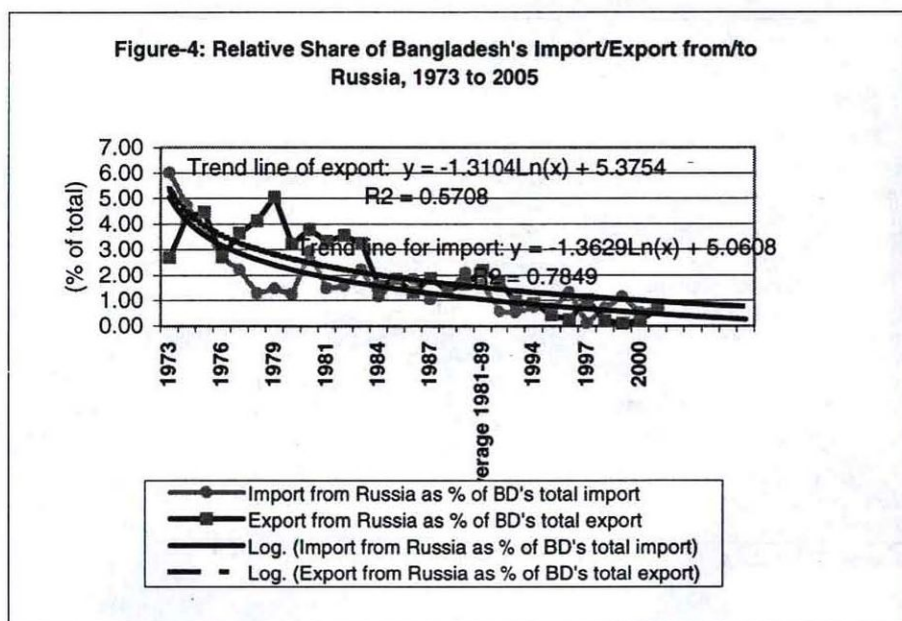Source: Estimated from Russian official trade statistics

Figure-2: Trend of Bangladesh's Trade Intensity with Russia

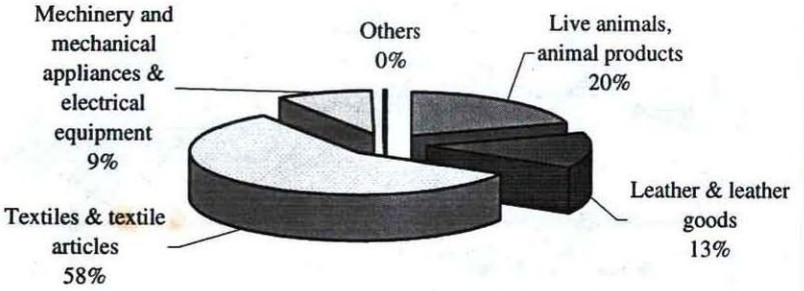Source: Estimated from Russian official trade statistics

Figure-3: Relative Importance of Bilateral Trade flow in Aggregate Trade Profiles of Bangladesh & Russia

Source: Estimated from Russian official trade statistics

Figure-4: Relative Share of Bangladesh's Import/Export from/to Russia, 1973 to 2005

Trend line of export: y = -1.3104Ln(x) + 5.3754
R2 = 0.5708

Trend line for import: y = -1.3629Ln(x) + 5.0608
R2 = 0.7849

Import from Russia as % of BD's total import
Export from Russia as % of BD's total export
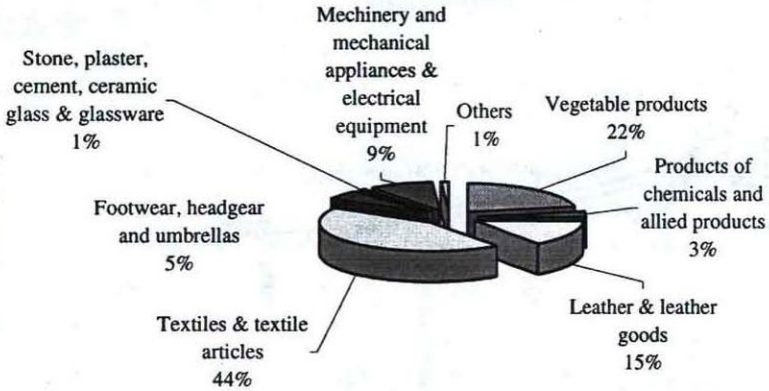Log. (Import from Russia as % of BD's total import)
Log. (Export from Russia as % of BD's total export)

Source: Estimated from Russian official trade statistics

Figure-5: Composition of Bangladesh's Export to Russia, 1990-91

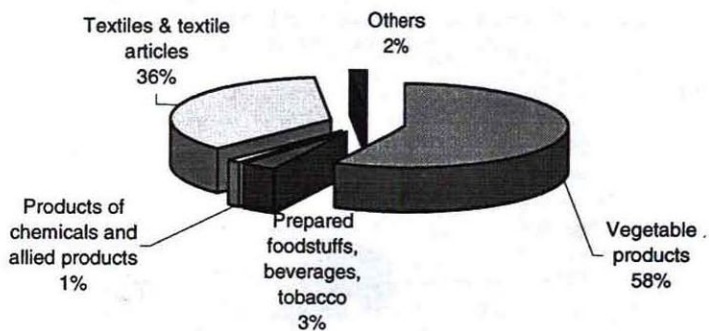Mechinery and mechanical appliances & electrical equipment 9%

Others 0%

Live animals, animal products 20%

Leather & leather goods 13%

Textiles & textile articles 58%

Source: EPB data

Figure-6: Composition of Bangladesh's Export to Russia, 1994-95

Stone, plaster, cement, ceramic glass & glassware 1%

Mechinery and mechanical appliances & electrical equipment 9%

Others 1%

Vegetable products 22%

Products of chemicals and allied products 3%

Footwear, headgear and umbrellas 5%

Leather & leather goods 15%

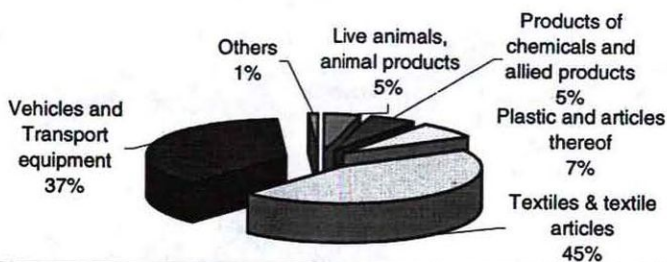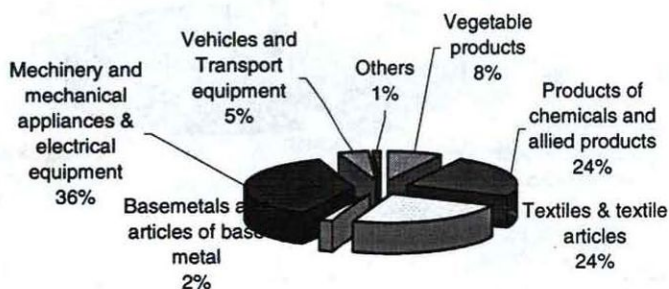Textiles & textile articles 44%

Source: EPB data

Figure-7: Composition of Bangladesh's Export to Russia, 1998-99

Source: EPB data

Figure-8: Commodition Composition of Bangladesh's Import from Russia, 1991-92
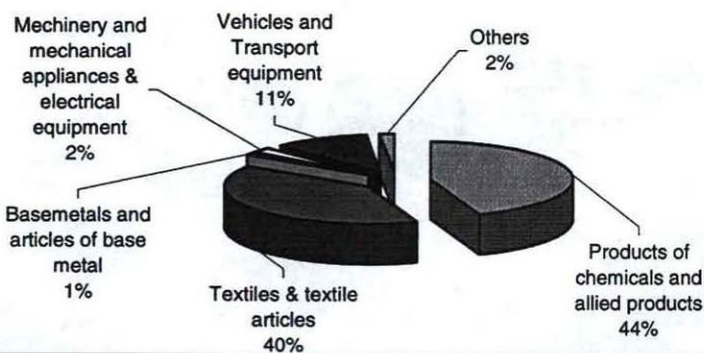

Source: Bangladesh Bank data

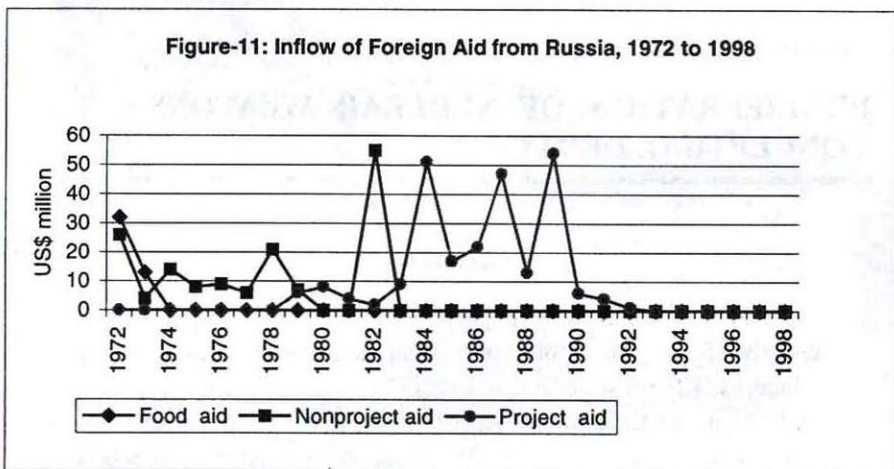Figure-9: Commodition Composition of Bangladesh's Import from Russia, 1994-95

Vehicles and Transport equipment 5%

Others 1%

Vegetable products 8%

Mechinery and mechanical appliances & electrical equipment 36%

Products of chemicals and allied products 24%

Basemetals a articles of bas metal 2%

Textiles & textile articles 24%

Source: Bangladesh Bank data

Figure-10: Commodition Composition of Bangladesh's Import from Russia,1998-99

Mechinery and mechanical appliances & electrical equipment 2%

Vehicles and Transport equipment 11%

Others 2%

Basemetals and articles of base metal 1%

Textiles & textile articles 40%

Products of chemicals and allied products 44%

Source: Bangladesh Bank data

Figure-11: Inflow of Foreign Aid from Russia, 1972 to 1998

Source: BBS