

THE IMPACTS OF THE UKRAINE CONFLICT ON TÜRKİYE-RUSSIA ECONOMIC RELATIONS

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Abstract

Russia and Türkiye have enjoyed strong economic relations since the beginning of the 21st century despite various regional crises. The Ukraine crisis has been an issue between Moscow and Ankara since 2014 even though it did not affect the relations significantly. In February 2022, the crisis turned into a direct military conflict between Moscow and Kiev which led to considerable global consequences. Türkiye chose to remain neutral in this conflict and refused to participate in the Western sanctions. Since the beginning of the Ukraine conflict, Turkish-Russian economic relations have been a significant matter as the economy constitutes the main pillar of bilateral relations and the relations also have serious implications for the West. This article investigates the Ukraine conflict's impacts on the economic relations between Russia and Türkiye. The Ukraine conflict caused various positive and negative consequences for different economic aspects such as trade, energy, tourism, the defence industry and the construction sector while the conflict also brought about some threats and opportunities for Turkish-Russian economic relations. This study utilized primary sources including statistics regarding the economic data, reports about the topic and secondary sources such as previous academic articles. As a result, this study concluded that the economic relations between the two states continued to thrive despite the Ukraine conflict. This was thanks to Türkiye's neutral stance in the Ukraine conflict and the two states' compartmentalization policy. On the other hand, the asymmetrical interdependence between Russia and Türkiye further intensified during the Ukraine conflict in 2022 as the increase in Russia's exports to Türkiye surpassed Türkiye's exports to Russia by far.

Keywords: Russia, Türkiye, Ukraine, asymmetrical interdependence, compartmentalization.



UKRAYNA ÇATIŞMASININ TÜRKİYE-RUSYA EKONOMİK İLİŞKİLERİNE ETKİLERİ

Öz

Rusya ve Türkiye, çeşitli bölgesel krizlere rağmen 21. yüzyılın başından beri güçlü ekonomik ilişkilere sahip olmuştur. Ukrayna krizi, ilişkileri önemli ölçüde etkilemese de 2014'ten beri Moskova ve Ankara arasında bir mesele haline gelmiştir. Kriz, 2022 Şubatı'nda Moskova ve

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Kiev arasında ciddi küresel sonuçlara yol açan doğrudan bir askeri çatışmaya dönüşmüştür. Türkiye bu çatışmada tarafsız kalmayı seçmiş ve Batının yaptırımlarına katılmayı reddetmiştir. Ukrayna çatışmasının başlangıcından bu yana; Türk-Rus ekonomik ilişkileri, ikili ilişkilerin temel unsurunu ekonominin oluşturması ve ilişkilerin Batı için de ciddi sonuçları olması nedeniyle önemli bir konu olmuştur. Bu makale, Ukrayna çatışmasının Rusya ve Türkiye arasındaki ekonomik ilişkileri üzerindeki etkilerini araştırmaktadır. Ukrayna çatışması; ticaret, enerji, turizm, savunma endüstrisi ve inşaat sektörü gibi farklı ekonomik yönlerde çeşitli olumlu ve olumsuz sonuçlara neden olurken çatışma aynı zamanda Türk-Rus ekonomik ilişkileri için bazı tehdit ve fırsatları da beraberinde getirmiştir. Bu çalışma; ekonomik verilerle ilgili istatistikler, konuyla ilgili haberleri içeren birincil kaynaklardan ve önceki akademik makaleler gibi ikincil kaynaklardan faydalanmıştır. Sonuç olarak, bu çalışma, iki devlet arasındaki ekonomik ilişkilerin Ukrayna çatışmasına rağmen gelişmeye devam ettiği sonucuna ulaşmıştır. Bu durum, Türkiye'nin Ukrayna çatışmasındaki tarafsız pozisyonu ve iki devletin kompartımanlaştırma politikası sayesinde gerçekleşmiştir. Öbür taraftan, Rusya ve Türkiye arasındaki asimetrik karşılıklı bağımlılığın 2022'deki Ukrayna çatışması sırasında Rusya'nın Türkiye'ye yaptığı ihracattaki artışın Türkiye'nin Rusya'ya olan ihracatını ciddi şekilde aşması sebebiyle daha da derinleşmiştir.

Keywords: Rusya, Türkiye, Ukrayna, asimetrik karşılıklı bağımlılık, kompartımanlaştırma.



ВЛИЯНИЕ УКРАИНСКОГО КОНФЛИКТА НА ЭКОНОМИЧЕСКИЕ ОТНОШЕНИЯ ТУРЦИИ И РОССИИ

Аннотация

В данной статье исследуется влияние Украинского кризиса на российско-турецкие экономические связи. В 21-м веке, несмотря на различные региональные проблемы, Россия и Турция поддерживают прочные отношения в сфере экономики. С началом Украинского кризиса в 2014 году страны придерживались разных взглядов на проблему, что однако существенно не повлияло на эти отношения. В феврале 2022 года кризис перерос в прямой военный конфликт между Москвой и Киевом. Турция предпочла оставаться нейтральной и отказалась участвовать в санкционной политике против России, что имеет серьезные последствия для Запада. Важным фактором оставалась экономика, которая лежит в основе отношений Москвы и Анкары. Украинский конфликт создавал некоторые угрозы для этих отношений, но и предполагал дополнительные возможности. Он мог оказать как положительное, так и отрицательное влияние на различные сферы экономики России и Турции, такие как торговля, энергетика, туризм, оборонная промышленность и строительный сектор. В этом исследовании использовались такие источники, как статистические экономические данные и отчёты по рассматриваемой теме, были проанализированы существующие в литературе точки зрения на проблему. Автор пришел к выводу, что российско-турецкие экономические отношения продолжали развиваться, несмотря на Украинский конфликт. Это произошло благодаря турецкой нейтральной позиции и политике “раздельного мышления” (“компартаментализации”) относительно двух государств (России и Украины). С другой стороны, асимметричная взаимозависимость между Россией и Турцией еще больше усилилась во время Украинского конфликта,

поскольку рост экспорта России в Турцию намного превысил экспорт Турции в Россию.

Ключевые слова: Россия, Турция, Украина, асимметричная взаимозависимость, компартиментализация.



Introduction

The Ukraine crisis has been an issue for Russian-Turkish relations since 2014 and it has become more important after Russia's military operation on 24 February 2022 as the crisis turned into a direct military conflict between Ukraine and Russia. The conflict posed a challenge to the relations between Russia and Türkiye. Since the Ukraine conflict started, Russia-Türkiye economic relations have been a crucial issue as the economy is the foundation of the bilateral relations and these relations also carry important implications for Europe and the USA. This paper will focus on the economic aspect of the relations. The research question for this study is "What are the impacts of the Ukraine conflict on Türkiye-Russia economic relations?" The conflict brought some negative and positive consequences for Turkish-Russian economic relations alongside various threats and opportunities. In the paper, these consequences, threats and opportunities will be evaluated. The concepts of asymmetrical interdependence between two countries and the compartmentalization policy which is practiced by Ankara and Moscow in recent years are also analyzed in this article.

This study contributes to the field in three ways. Firstly, there are several studies which examine Russia-Türkiye relations in terms of asymmetrical interdependence or compartmentalization policy.¹ However, there are few studies that analyze these two concepts extensively in the same work.² This study incorporates both concepts and offers a wider perspective on the relations. Secondly, there had not been a quite sufficient article on investigating the economic impacts of Russia-Türkiye economic relations. This study fills aforementioned space in the field by analyzing the recent statistics and events in 2022 in light of the Ukraine conflict and it presents a clear picture of the current bilateral economic relations which were affected by the conflict. Thirdly, this study examines Russia-Türkiye economic relations by categorizing according to different sectors, utilizing official statistics and graphs created by the author from these statistics. Therefore, this article facilitates to observe details and also comprehend the overall bilateral economic relations in a more efficient way.

¹ Bk. Robert Hamilton & Anna Mikulska, "Cooperation, competition, and compartmentalization: Russian-Turkish relations and their implications for the West," Foreign Policy Research Institute (2021), erişim 05.04.2023, <https://www.fpri.org/article/2021/04/cooperation-competition-and-compartmentalization-russian-turkish-relations-and-their-implications-for-the-west/>; Habibe Özdal, "Transformation of Turkish Foreign Policy and Its Reflections on Turkey-Russia Relations," in *Turkey's Challenges and Transformation*, ed. Harun Arıkan & Zeynep Alemdar (Palgrave Macmillan, 2023), 249-266. https://doi.org/10.1007/978-3-031-25799-5_15; Davut Han Aslan & Sevde Işılak, "Russia-Turkey Energy Relations after 2002: The Asymmetry of Interdependence," *Společnostvo i Politika* 63/2 (2020): 125-146; Seçkin Köstem, "The Political Economy of Turkish-Russian Relations: Dynamics of Asymmetric Interdependence," *Perceptions: Journal of International Affairs* 23/2 (2018): 10-32.

² Bk. Tolga Demiryol, "Türkiye-Rusya İlişkilerinde Enerjinin Rolü: Asimetrik Karşılıklı Bağımlılık ve Sınırları," *Gaziantep University Journal of Social Sciences* 17/4 (2018): 1438-1455.

This study consists of two sections. The first section provides a brief background to the Russia-Türkiye economic relations from the historical aspect. The second section which analyzes the bilateral economic relations during the Ukraine conflict is formed of four parts. The first part examines the bilateral trade between Ankara and Moscow with the statistics regarding 2022 and previous years. The second part analyzes the energy aspect which is the main economic dimension between the two states meanwhile the third part explores tourism, a vital sector for Türkiye to acquire hard currencies from its northern neighbour. The fourth part investigates the ties between Russia and Türkiye in terms of defence and construction industries.

1) The Background of Türkiye-Russia Economic Relations

The history between the Ottoman Empire and the Russian Empire was mostly a history of wars and the economic relations between the two monarchies did not develop sufficiently. Shortly after the First World War, both Ankara and Moscow were clearly excluded by the Western international order and they had to battle against Western-led interventions almost concurrently.³ Turkish revolutionaries led by Mustafa Kemal Atatürk fought against the Western imperialist powers and their instrument Greece meanwhile the Russian revolutionaries warred against the White Army which was eminently supported by the West. As the two countries whose existences were seriously threatened, Türkiye and the Russian Soviet Federative Socialist Republic constructed very fruitful relations. In 1921, the two states signed the Treaty of Brotherhood in Moscow and the Soviet Russia helped Türkiye substantially during the Turkish Independence War by providing a significant amount of gold and weapons.

In 1925, the Treaty of Friendship and Neutrality was signed between the Soviet Union and the Republic of Türkiye in Paris and the positive relations were further enhanced economically through trade agreements between the two countries in 1927 and 1937. Türkiye received significant support from the Soviet Union on its first five year industrialization plan that contributed to the Turkish economy significantly as the Soviet Union established numerous factories in Türkiye like aluminium, steel and textile plants alongside oil refineries which assisted the Turkish industry to rise.

After the Second World War, the level of collaboration between the states decreased since Türkiye affiliated itself with the West more and joined NATO in 1952. The economic relations between Türkiye and the USSR continued even though not being at the same level in the 1920s and the 1930s. During the Cold War, the economic activities between the states fluctuated depending on the political environment. For instance, the Western states took a hostile stance against Türkiye due to the Cyprus issue in the 1960s and the 1970s and applied sanctions against Ankara. Intending to follow a more independent foreign policy, Ankara improved its relations with Moscow. In the 1960s, the development plans were put into practice by the Turkish government and Ankara cooperated with Moscow in these plans which further enhanced the economic relations. As in the early republic days of Türkiye, Soviet Union made considerable investments in

³ Samuel John Hirst & Onur Isci, "Smokestacks and Pipelines: Russian-Turkish Relations and the Persistence of Economic Development," *Diplomatic History* 44/5 (2020): 836.

the 1960s and the 1970s which helped the Turkish industry to significantly develop. In the coming years, the energy relations between the Republic of Türkiye and the USSR started and the first natural gas import agreement was signed between the two sides in 1984.⁴ This constituted the foundation of the energy relations between Türkiye and Russia today.

After the dissolution of the Soviet Union, the Russian Federation had to deal with political, economic and social crises which lasted nearly a decade in the meanwhile Türkiye also faced internal issues in the 1990s, especially economically. Despite their economic problems, Moscow and Ankara maintained economic relations and searched for further collaboration. Black Sea Economic Cooperation Organization was founded in 1992 in İstanbul to strengthen the economic ties between the regional actors. In the 1990s, informal trade which is also known as “suitcase trading” between Russia and Türkiye increased. The energy relations between Russia and Türkiye enhanced significantly after 1991 with the increasing importance of pipeline politics.⁵ Russia became the biggest energy supplier of Türkiye. At the beginning of the 21st century, the economic relations further developed with the signing of Eurasian Cooperation Action Plan between the two states in 2001. Common political views such as both countries’ opposition to the invasion of Iraq helped the development of economic ties and the trade volume between the two countries increased year by year. Russian tourists constituted a substantial part of incoming tourists to Türkiye. Incoming Russian tourists to Türkiye continued to increase with the mutual visa exemption agreement between Moscow and Ankara in 2011.

Considering the turbulent political environment in the 21st century, the Turkish-Russian relations had to face several regional challenges. Firstly, the Georgia crisis which peaked in 2008 was an issue since both Türkiye and Russia were neighbours to Georgia because Russia and Türkiye had different perspectives on the crisis as Ankara did not recognize the independence of Abkhazia and South Ossetia. However, Türkiye did not take an anti-Russian stance either and it appeared to separate itself from the Western allies.⁶ Secondly, the Syrian conflict which began in 2011 and continued for years was another regional issue that had more serious implications than the conflict in Georgia. The views of Russian and Turkish governments were mainly contrasting since Russia favoured the Syrian government and Türkiye called for the removal of Bashar Assad. However, the two governments also cooperated on the Syrian conflict and this cooperation led to several crucial agreements and the Astana mechanism as the negotiation mechanism. The Astana mechanism proved the joint capacity of Russia and Türkiye for cooperation and the function of compartmentalization.⁷ Furthermore, the officials of the two countries demonstrated their determination to resolve the Syrian conflict by meeting even shortly

⁴ “Sovyet Sosyalist Cumhuriyetleri Birliği’nden Türkiye Cumhuriyeti’ne Doğal Gaz Sevkiyatına Dair-Türkiye Cumhuriyeti Hükümeti ile Sovyet Sosyalist Cumhuriyetleri Birliği Hükümeti Arasında Anlaşma,” T.C. Resmî Gazete (1984), erişim 05.04.2023, <https://www.resmigazete.gov.tr/arsiv/18598.pdf>

⁵ Volkan Ediger & Duygu Durmaz, “Energy in Turkey and Russia’s Roller-coaster Relationship,” *Insight Turkey* 19/1 (2017): 135.

⁶ Mustafa Aydın, “The long view on Turkish-Russian rivalry and cooperation,” GMF (2020), erişim 05.04.2023, <https://www.gmfus.org/news/long-view-turkish-russian-rivalry-and-cooperation>

⁷ İpek Cemil Doğaç & Mehmet Çağatay Güler, “Turkey and Russia in Syrian War: Hostile friendship,” *Security and Defence Quarterly* 35/3 (2021): 87, 89.

after the assassination of the Russian ambassador to Türkiye, Andrey Karlov, by a FETO terrorist. Thirdly, the civil war in Libya which was fought in 2010s and still not completely resolved has been another challenge to Turkish-Russian relations. Ankara and Moscow had contrasting views in Libya too as Türkiye supported the Libyan Government of National Accord while Russia backed the House of Representatives. Fourthly, the conflict between Azerbaijan and Armenia over the disputed Nagorno-Karabakh region became a recent regional issue in 2020. There were concerns that the relations between Russia and Türkiye could be negatively affected since historically Türkiye sided with Azerbaijan and Russia more with Armenia. However, the Nagorno-Karabakh conflict did not produce negative results for the Turkish-Russian relations either. On the contrary, Ankara and Moscow worked together to ensure the peace in the region such as establishing joint observation points.

Türkiye and Russia concurrently emerged as geopolitical rivals but also as partners in the conflicts in the Caucasus, North Africa and Middle East.⁸ Strong economic interdependence between Russia and Türkiye became an element which helped to resolve various political disagreements.⁹ Considering all the mentioned regional challenges, the economic relations between the two countries were not seriously affected as the two states successfully compartmentalized their different political views and maintained their economic ties at significant levels.

Even though Moscow and Ankara had conflicting perspectives on Ukraine as in other regional issues, the economic relations were not actually affected by the start of the Ukraine crisis in 2014 either. However, the relations significantly deteriorated with the downing of a Russian jet by Türkiye on November 24, 2015. The jet crisis caused Russia to seriously diminish the economic ties with Türkiye and the sanctions applied by Moscow caused major problems for the Turkish economy. A letter from the Turkish President Erdoğan was sent to Putin on 27 June 2016 to apologize for the jet incident which helped the relations to normalize. Shortly after, in the 15 July 2016 coup attempt, the Russian President declared his support to the Turkish state against the putschists. Putin was the first foreign leader to call the Turkish president for support and Erdoğan made his first abroad visit after the coup attempt to Russia. These developments marked a turning point for the relations of the two countries and the economic relations started to get back into track again.

2) Türkiye-Russia Economic Relations During The Ukraine Conflict

In the late 2013, the Ukrainian president Viktor Yanukovic turned down a deal with the European Union and decided on a further cooperation with Russia on economic terms. Following this decision, mass protests started against the Ukrainian government and an American-backed coup took place in February 2014. Afterwards, the Russian army took the control of Crimea on 27 February 2014 and the peninsula joined Russia through a

⁸ Vicken Cheterian, "Friend and Foe: Russia-Turkey relations before and after the war in Ukraine," *Small Wars & Insurgencies* (2023): 1

⁹ Giray Saynur Derman, "Turkey-Russian Federation Relations in the New Era," in *Contemporary Turkish-Russian Relations Relations From Past to Future*, ed. Ilyas Topsakal & Ali Askerov (İstanbul: Istanbul University Press, 2021), 63.

referendum on 16 March 2014. Ankara objected to Moscow and it called the Kremlin to respect the territorial integrity of Ukraine. A civil war erupted between the Ukrainian government the Donbass republics which continued for eight years. On February 24 2022, the Russian Federation declared a military operation into Ukraine and the crisis turned into a direct military conflict between the two states. The conflict intensified as the Western states led by the USA sent vast amounts of monetary and weaponry aid to Ukraine and applied numerous sanctions against Russia.

Türkiye condemned Russia's military operation but did not participate in the Western sanctions. Therefore, it can be said that Türkiye did not act as a regular NATO member. Turkish president Erdoğan's declaration "We can neither give up on Ukraine nor Russia" marked Türkiye's neutrality in the conflict.¹⁰ Türkiye desired a swift end to the conflict as it is a neighbouring country to the both states through the Black Sea. Moreover, Ankara perceived the Ukraine crisis as a threat in terms of military, political, economic and humanitarian aspects. Due to the Montreux Convention and possessing crucial straits, Türkiye is a key player for the resolution of the Ukraine conflict. Ankara searched for a diplomatic solution for the issue and it undertook an intermediary role between Kyiv and Moscow. Türkiye started to mediate peace talks between Russia and Ukraine in March 2022 and Ankara has been continuing its efforts for a permanent peace in the region. Türkiye's efforts for peace in Ukraine were not limited to peace talks since Ankara played a major role in signing the grain deal in July 2022 and its extension in November 2022 which also contributed to the Russian exports to flow safely into other parts of the world. Furthermore, with Türkiye's mediation efforts, prisoner swaps were executed between the two sides. The political power of Ankara was increased due to being neutral and its intermediary role which is valued by the Kremlin. On the other hand, Türkiye's neutrality was challenged by the US and its allies as they put pressure on Türkiye for joining the sanctions and restricting the economic activity with Russia. However, despite all these challenges, Türkiye managed to maintain its neutral status.

Previous articles written on the Turkish-Russian relations on the Ukraine crisis reached different conclusions. Ivan Timofeev argued that Türkiye is among the winners of the Ukraine crisis.¹¹ Howard Eissenstat remarked that Ankara does not want to antagonize Moscow because Türkiye is extremely vulnerable to Russian energy and wheat. He also argued that neither Kyiv nor Moscow complain about Ankara's stance regarding providing drones to Ukraine and avoiding sanctions against Russia because they both want to draw Türkiye to their side.¹² Özgür Ünlühisarcıklı, the director of the German Marshall Fund's Ankara bureau, claimed that Türkiye has a pro-Ukrainian position on the conflict but not outright anti-Russian either. He described the relations

¹⁰ "Cumhurbaşkanı Erdoğan: Rusya'dan da Ukrayna'dan da vazgeçmemiz mümkün değil," NTV (2022), erişim 05.04.2023, <https://www.ntv.com.tr/turkiye/cumhurbaskani-erdogan-rusyadan-da-ukraynadan-da-vazgecmemiz-mumkun-degil,QbFvVaiQTkClCa8unMwwgA>

¹¹ Ivan Timofeev, "Ukrainian Crisis, Turkey and Eurasia: Who Wins?," Valdai Club (2022), erişim 05.04.2023, <https://valdaiclub.com/a/highlights/ukrainian-crisis-and-eurasia-who-wins/>

¹² Tom Wheeldon, "Turkey juggles relationships with Russia, Ukraine amid economic crisis," France 24 (2022), erişim 05.04.2023, <https://www.france24.com/en/middle-east/20220331-turkey-juggles-relationships-with-russia-ukraine-amid-economic-crisis>

between Ankara and Moscow as “competitive cooperation” which indicates that rivalry does not necessarily prevent them from cooperation in economy.¹³ Robert Pearson stated that, in the conflict between Russia and Ukraine, the main objective of Türkiye was to prevent a wider conflict and also to preserve prosperous and consistent relations with both countries.¹⁴

Politically, the Russian and Turkish governments had different political views on regional issues. Even though they are not on the same page with geopolitical problems and solutions, this did not have a serious negative economic effect on the two countries’ economic relations which was thanks to the compartmentalization policy that Ankara and Moscow have implemented. Even though the two states had different views on the Ukraine conflict, they did not allow their differences prevent their economic collaboration. Many scholars stated that Moscow and Ankara successfully compartmentalized their different views on Syria, Libya and most recently on Ukraine.¹⁵ Ankara managed to maintain its neutral status on the Ukraine issue and avoided a potential problem with Moscow as it had with the jet fighter crisis in 2015. Türkiye experienced serious negative economic and political consequences in the jet crisis and Ankara has been aware of what is at stake in relations with Moscow on the Ukraine conflict.

The trade volume between Russia and Türkiye has been quite unbalancedly distributed and it created an asymmetrical interdependence between Türkiye and Russia. This asymmetrical interdependence between Türkiye and Russia evidently favoured the latter.¹⁶ The main reason behind this asymmetry is the dependence of Türkiye to Russia on key energy sources, mainly natural gas and oil. Öniş and Yılmaz argued that the asymmetrical interdependence could limit Türkiye’s bargaining power which might also challenge these states’ strategic partnership.¹⁷ Yılmaz Aydın remarked that the asymmetrical trade structure between the two states demonstrated that Türkiye was quite vulnerable in the cases of political tensions with Russia.¹⁸

¹³ Özgür Ünlühisarcıklı, “Turkey vis-à-vis Russia’s War against Ukraine,” Istituto Affari Internazionali (2023), erişim 05.04.2023, <https://www.iai.it/sites/default/files/iaicom2311.pdf>

¹⁴ Robert Pearson, “Turkey between Ukraine and Russia,” Middle East Institute (2022), erişim 05.04.2023, <https://www.mei.edu/publications/turkey-between-ukraine-and-russia>

¹⁵ Filiz Tutku Aydın, “Turkey’s policy on the Russian-Ukrainian crisis,” SETA (2022), erişim 05.04.2023, <https://setav.org/en/assets/uploads/2022/02/A77En.pdf>; Hamilton & Mikulska, “Cooperation, competition”; Carter Boone, “The Turkey-Russia relationship: Why “compartmentalization” and not conflict?” RIAC (2021), erişim 05.04.2023, <https://russiancouncil.ru/en/blogs/carter-boone/the-turkeyrussia-relationship-why-compartmentalization-and-not-conflic/>

¹⁶ Senem Aydın, Evren Balta & Andrew O’Donohue, “Turkey, Russia, and the West: Reassessing Persistent Volatility, Asymmetric Interdependence and the Syria Conflict,” İstanbul Policy Center (2020), erişim 05.04.2023, <https://ipc.sabanciuniv.edu/Content/Images/Document/reassessing-persistent-volatility-asymmetric-interdependence-and-the-syria-conflict-93d479/reassessing-persistent-volatility-asymmetric-interdependence-and-the-syria-conflict-93d479.pdf>; Demiryol, “Türkiye-Rusya İlişkilerinde Enerjinin Rolü,” 1438-1455; Köstem, “The Political Economy of Turkish-Russian Relations,” 11.

¹⁷ Ziya Onis & Şuhnaz Yılmaz, “Turkey and Russia in a shifting global order: cooperation, conflict and asymmetric interdependence in a turbulent region,” *Third World Quarterly* 37/1 (2015): 5.

¹⁸ Yılmaz Aydın, “Rusya Federasyonu ve Türkiye Arasında Dış Ticaretin Yapısı ve Gelişimi,” *Rusya Araştırmaları Dergisi* 6 (2021): 174.

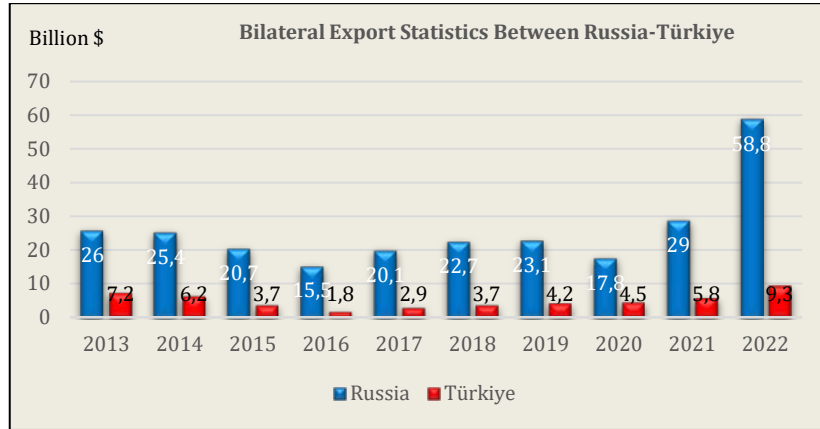
The Ukraine conflict had impacts on Türkiye-Russia economic relations on various fields. This study will analyze the main areas of trade, energy, tourism, defence and construction industries respectively.

a) Trade

Türkiye mainly exports vegetables, fruit, textile products and electrical machines to Russia meanwhile it imports natural gas, oil, metals, grain and fertilizer from Russia. The fact that Russia's exports to Türkiye have higher level of importance such as energy sources makes Türkiye more dependent on Russia than Russia depends on Türkiye which intensifies the asymmetrical interdependence between the two states.

Türkiye and Russia targeted an assertive 100 billion dollars bilateral trade and the two countries have been striving to reach that value.¹⁹ The two countries had a trade volume of 33,2 billion dollars in 2013 and the Ukraine crisis in 2014 did not have a serious negative impact on the bilateral trade. Although, the jet crisis had a detrimental effect on the trade in 2015 and 2016, the trade volume increased again from 2017 until 2019. The trade was negatively affected due to covid-19 period in 2020. However, the bilateral trade quickly recovered in 2021 and reached a record by far in 2022. It can be observed that there has been a considerable imbalance between the two countries exports to each other which peaked in 2022. In 2021, the value of imports of Türkiye from Russia was 29 billion dollars while the worth of its exports to Russia were 5.8 billion dollars.²⁰ In 2022, the worth of Türkiye's imports from Russia rose to 58.8 billion dollars while the value of exports to Russia was 9.3 billion dollars.

Graph 1: Russia-Türkiye Bilateral Export Statistics



Kaynak: TÜİK²¹

In 2022, the trade deficit between the two countries more than doubled comparing with 2021. The growing trade deficit is a clear indicator of the growing asymmetrical

¹⁹ "Turkey, Russia Reinstating \$100 Billion Bilateral Trade Target: Erdogan," Reuters (2016), erişim 05.04.2023, <https://www.reuters.com/article/us-russia-turkey-trade-idUKKCN10K1LA>; "Turkey Unveils Russia Trade Plans," RT International (2022), erişim 05.04.2023, <https://www.rt.com/business/560359-turkey-unveils-russia-trade-plans/>

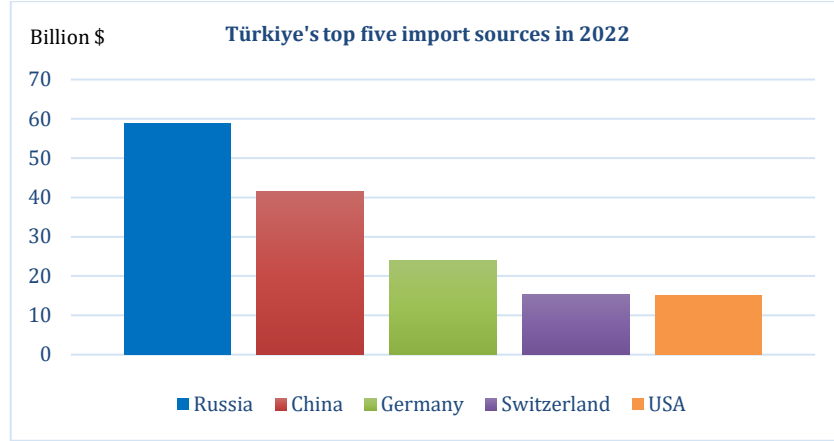
²⁰ "Dış Ticaret İstatistikleri, Aralık 2021," TÜİK (2022), erişim 05.04.2023, <https://data.tuik.gov.tr/Bulten/Index?p=Dış-Ticaret-İstatistikleri-Aralık-2021-45535>

²¹ "Dış Ticaret İstatistikleri, Aralık 2022," TÜİK (2023), erişim 05.04.2023, <https://data.tuik.gov.tr/Bulten/Index?p=Dış-Ticaret-İstatistikleri-Aralık-2022-49633>

interdependence between the two states. Increasing energy and commodity prices in the first half of 2022 was one of the main reasons behind the rise in the value of Türkiye's imports.

Russia became the number one import source for Türkiye in 2022 by surpassing China meanwhile Russia went from 10th position to 8th position in the list of exporter countries to Türkiye in 2022.

Graph 2: Türkiye's top five import sources in 2022



Kaynak: TÜİK²²

It appears that in 2021, Türkiye became the largest agricultural importer from Russia, with imports totalling \$4.3 billion. Türkiye heavily relies on Russian wheat, with 65% of its wheat imports coming from Russia, followed by Ukraine at 13%.²³ Türkiye was negatively affected by the conflict due to disruptions of the wheat trade as Türkiye also re-exports this wheat by producing various food products and selling it to other countries. However, the situation improved after Türkiye brokered the grain deal and Russia continued to be Türkiye's biggest wheat supplier in 2022. Türkiye is very dependent on sunflower oil to Russia as well with nearly 60%.²⁴ The price of agricultural products including wheat and sunflower significantly increased in due to the conflict in its first few months which caused to worsen the trade gap between Russia and Türkiye.

The increasing bilateral trade in 2022 demonstrated that the two states successfully compartmentalized their different political opinions on the Ukraine conflict and the conflict did not prevent the from enhancing their trade and economic relations.

²² "Dış Ticaret İstatistikleri, Aralık 2022."

²³ Servet Yanatma, "Buğdayda Yeterlilik Derecesi: Türkiye, Ukrayna Ve Rusya'ya Bağımlı mı?," Euronews (2022), erişim 05.04.2023, <https://tr.euronews.com/2022/03/07/bugdayda-yeterlilik-derecesi-turkiye-ukrayna-ve-rusya-ya-bag-ml-m>

²⁴ "Tarım Ürünleri Piyasaları-Buğday," T.C. Tarım ve Orman Bakanlığı, erişim 05.04.2023, <https://arastirma.tarimorman.gov.tr/tepge/Belgeler/PDF%20Tar%C4%B1m%20%C3%9Cr%C3%BCnleri%20Piyasalar%C4%B1/2022-Temmuz%20Tar%C4%B1m%20%C3%9Cr%C3%BCnleri%20Raporu/7-BU%C4%9EDAY%20T%C3%9CP%20Temmuz%202022.pdf>; "Tarım Ürünleri Piyasaları-Ayçiçeği," T.C. Tarım ve Orman Bakanlığı, erişim 05.04.2023, <https://arastirma.tarimorman.gov.tr/tepge/Belgeler/PDF%20Tar%C4%B1m%20%C3%9Cr%C3%BCnleri%20Piyasalar%C4%B1/2022-Temmuz%20Tar%C4%B1m%20%C3%9Cr%C3%BCnleri%20Raporu/5-AY%C3%87%C4%B0%C3%87E%C4%9E%C4%B0%20T%C3%9CP%20TEMMUZ%202022.pdf>

Additionally, the Turkish and Russian presidents announced that trade with Russian ruble was to be increased and Türkiye would make 25% of its natural gas imports through Russian ruble.²⁵ Moreover, the fact that both countries gradually dumping the use of the US dollar signalled a new era on their bilateral trade.

As the Western countries applied more than a thousand sanctions against Moscow since the beginning of Russia's military operation in Ukraine, some Western firms withdrew from Russia and Turkish firms started to fill the space. Especially in textile industry, Western sanctions paved the way for the Turkish companies increase their market share in Russia.²⁶

b) Energy

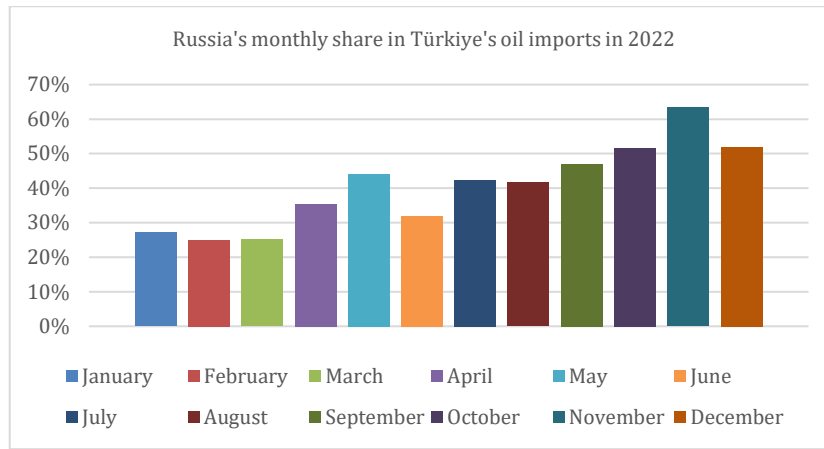
Energy can be considered as the most important economic aspect between Ankara and Moscow since Russia is a highly trusted energy partner to Türkiye as Moscow did not cut the energy exports to Türkiye even during the jet crisis in 2015. Russia has been Türkiye's largest energy supplier, with a share of nearly 45% in Türkiye's natural gas imports and 24% in its oil imports in 2021.²⁷ Energy imports from Russia constitutes the main reason for Türkiye's asymmetrical interdependence to Russia. Türkiye took steps to alleviate this asymmetry such as increasing the renewable energy investments and it has been looking for alternative countries to increase the diversity of energy import sources. However, Türkiye is still quite dependent on Russian energy as Russia was the biggest gas exporter and the second biggest oil exporter to Türkiye until March 2022. Starting from April, Russia also became Türkiye's biggest oil import source and it has gained a huge share by surpassing the former biggest supplier Iraq. This situation mainly stemmed from the Western sanctions on Russian oil as Moscow redirected its oil from Europe to other countries, including Türkiye. Russia consistently increased its oil exports to Türkiye and Russian oil reached a 63% share in the oil imports of Türkiye in November 2022 according to the official Turkish monthly statistics.

²⁵ "Cumhurbaşkanı Erdoğan: Rusya ile Rubleyle Alışveriş İki Tarafa da Kazandıracak," BBC News Türkçe (2022), erişim 05.04.2023, <https://www.bbc.com/turkce/articles/c8750xmlxvpo>;

"Putin: Türkiye Doğal Gaz ödemesinin yüzde 25'ini ruble ile Yapacak," Euronews (2022), erişim 05.04.2023, <https://tr.euronews.com/2022/09/16/putin-turkiye-dogal-gaz-odemesinin-yuzde-25ini-ruble-ile-yapacak>

²⁶ "Rusya'ya Yaptırımlar Türk Firmalara Yaradı," CNN TÜRK (2023), erişim 05.04.2023, <https://www.cnnturk.com/video/dunya/azerbaycan/rusyaya-yaptirimlar-turk-firmalara-yaradi>

²⁷ "Yıllık Sektör Raporu Listesi," EPDK, erişim 05.04.2023, <https://www.epdk.gov.tr/Detay/Icerik/3-0-94/yillik-sektor-raporu>

Graph 3: Russia's monthly share in Türkiye's oil imports in 2022Kaynak: EPDK²⁸

On the other hand, Türkiye has also been a crucial state for Russia since it is the second largest importer from Gazprom after Germany. For this reason, the position of Türkiye as a major consumer provides a significant contribution to the Russian economy. Moreover, Ankara and Moscow agreed to build the first nuclear power plant of Türkiye in 2010 which further improved the energy cooperation between two states and the power plant became operational in 2023. The two countries also have been discussing the possibility of building a second nuclear power plant in Türkiye. Moreover, Türkiye increased its coal imports from Russia in 2022 with more favourable prices due to the Western sanctions.²⁹

When the Ukraine conflict started in February 2022, global energy prices rose in the first half of the year. The significant increase in Türkiye's energy imports from Russia and global energy price hikes caused the trade asymmetry between the two states to grow. Consequently, the asymmetrical interdependence between Ankara and Moscow further deepened in 2022, making Türkiye even more dependent on Russia. However, Türkiye also gained an advantage in importing Russian energy sources after Western sanctions as more oil and gas could be diverted from Europe to Türkiye.

The beginning of the Ukraine conflict seriously damaged Ukraine's energy transmittance role to Europe. Additionally, on 26 September 2022 the Nord Stream pipelines underwent a sabotage that came as a blow for European energy security as the Nord Stream used to play a significant role for fulfilling the energy needs of Europe. The sabotage impelled the Kremlin to search for a more reliable gas route to supply gas to Europe and consequently, Türkiye gained more importance in transmitting Russian energy to Europe. After the sabotage, Moscow and Ankara began working on Türkiye's

²⁸ "Petrol Piyasası Aylık Sektör Raporu Listesi," EPDK, erişim 05.04.2023, <https://www.epdk.gov.tr/Detay/Icerik/3-0-104/petrolaylik-sektor-raporu>

²⁹ Patricia Cohen, "Turkey is strengthening its energy ties with Russia," The New York Times (2022), erişim 05.04.2023, <https://www.nytimes.com/2022/12/09/business/turkey-erdogan-energy-russia.html>; Clyde Russell, "Column: Russia boosts coal exports as western sanctions yet to bite," Reuters (2022), erişim 05.04.2023, <https://www.reuters.com/markets/commodities/russia-boosts-coal-exports-western-sanctions-yet-bite-russell-2022-07-05/>

role as a gas hub for Europe.³⁰ Although being an energy-dependent country, Türkiye aims to take advantage of its geopolitical location to gain access to strategic developments relating to energy.³¹ Türkiye already plays a role in transmitting Russian natural gas to Europe through Turkstream with a capacity of 31.5 billion cubic meters per year. Coincidentally, Turkstream project was started after the cancellation of Southstream in 2014 due to the European sanctions against Russia on the Ukraine crisis. If Türkiye becomes the main gas hub for Europe, it would bring the energy cooperation between Ankara and Moscow to another level and this can be perceived as a serious advantage for the Turkish economy and an opportunity for enhancing the relations with Russia further.

c) Tourism

Tourism is another vital aspect of economic relations between Russia and Türkiye as Russia has been the key tourist source of Türkiye for many years except the jet crisis period. In 2021, Russian tourists accounted for 16% of the tourists that visited Türkiye with 4,6 million people.³² The Western sanctions imposed after the Russian military operation in Ukraine decreased the expectations of Turkish tourism sector in 2022, especially regarding Russian tourists. In April 2022, the President of the Russian Association of Tour Operators (ATOR), Maya Lomidze, estimated that 2 million Russian tourists would be an optimistic number for 2022.³³ The President of the Association of Turkish Travel Agencies (TÜRSAB), Firuz Bağlıkaya, stated that Türkiye would not be able to reach its \$40 billion revenue target in tourism due to the conflict in Ukraine.³⁴ Despite all the challenges, nearly 5.1 million Russian tourists visited Türkiye in 2022, making it the second-highest number of visitors after German citizens and consequently, the total tourism income of Türkiye reached 46.2 billion dollars in 2022.

³⁰ Sinan Tavsan, "Putin suggests Turkey become regional 'gas hub' to Europe," Nikkei Asia (2022), erişim 05.04.2023, <https://asia.nikkei.com/Business/Energy/Putin-suggests-Turkey-become-regional-gas-hub-to-Europe>

³¹ Soli Özel & Gökçe Uçar, "The economics of Turkey-Russia Relations," Centre for Economics and Foreign Policy Studies (2019), erişim 05.04.2023, https://edam.org.tr/wp-content/uploads/2019/07/The-Economics-of-Turkey-Russia-Relations_compressed.pdf

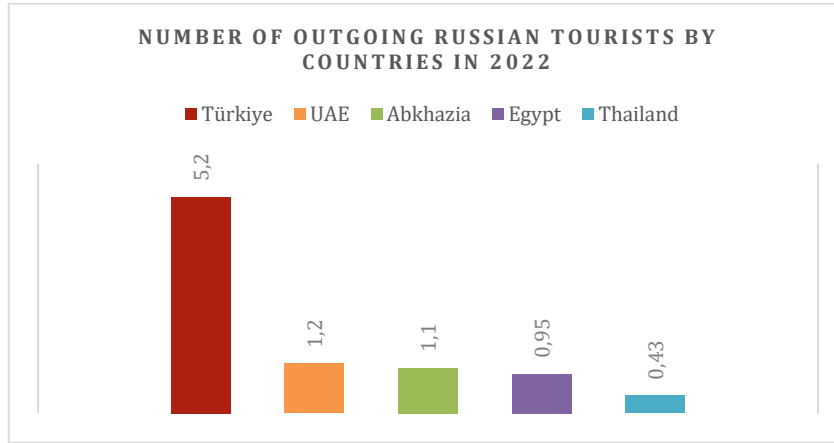
³² "Türkiye'ye 2021'de Gelen ziyaretçi sayısı 30 Milyonu Aştı," Basın ve Halkla İlişkiler Müşavirliği-T.C. Kültür ve Turizm Bakanlığı (2022), erişim 05.04.2023, <https://basin.ktb.gov.tr/TR-309194/turkiyeye-2021de-gelen-ziyaretci-sayisi-30-milyonu-asti-.html>

³³ "Rus Turist Sayısı 2 Milyona Düşebilir," Turizmnews (2022), erişim 05.04.2023, <https://www.turizmnews.com/rus-turist-sayisi-2-milyona-dusebilir/26247/>

³⁴ Şehriban Kırac, "Firuz bağlıkaya, 'Küçük ve Orta Boy Tur Operatörlerinin Durumu Zor' dedi," Cumhuriyet (2022), erişim 05.04.2023, <https://www.cumhuriyet.com.tr/ekonomi/firuz-baglikaya-kucuk-ve-orta-boy-tur-operatorlerinin-durumu-zor-dedi-1920724>

Graph 4: Number of Russian tourists visiting Türkiye by yearsKaynak: TÜİK³⁵

Türkiye was by far the most preferred destination by Russian tourists in 2022.

Graph 5: Number of outgoing Russian tourists by countries in 2022Kaynak: Assotsiatsiya Turoperatorov³⁶

Among the concerns of the Turkish hotel industry with the beginning of the Ukraine conflict, Bülent Bülbüloğlu, Vice-President of the Turkish Hoteliers Federation, stated that Türkiye could lose 50% of its Russian tourists due to the sanctions and the significant depreciation of the Russian ruble.³⁷ With the beginning of the Ukraine conflict, Russian ruble faced a significant decline in its value and this caused fear among Turkish hotel sector as Russians' purchasing power would decline. However, the Russian Central Bank took precautions such as increasing the interest rate and therefore, the Russian ruble gained its value back and even reached to a higher value against the US dollar compared

³⁵ "Turizm İstatistikleri, IV. Çeyrek: Ekim-Aralık ve Yıllık, 2022," TÜİK (2023), erişim 05.04.2023, <https://data.tuik.gov.tr/Bulten/Index?p=Turizm-İstatistikleri-IV.Ceyrek%3A-Ekim-Aralik-ve-Yillik%2C-2021-45785>

³⁶ "V kakiye strany yezdili rossiyskiye turisty v 2022 godu," Assotsiatsiya Turoperatorov (2023), erişim 05.04.2023, <https://www.atorus.ru/node/51287>

³⁷ "Ege, Avrupalı Turisti Kaybetme Endişesi Yaşıyor," Ekonomim (2022), erişim 05.04.2023, <https://www.ekonomim.com/sehirler/ege-avrupali-turisti-kaybetme-endisesi-yasiyor-haberi-653545>

to before. In 2022, Russian economy contracted only 2.1% which was much less than expected and it can be said that Russian citizens did not actually lose their purchasing power.³⁸ In addition to visiting Türkiye as tourists, Russian citizens ranked first in real estate purchases in Türkiye among foreigners in 2022.³⁹

The European countries restricted flights from Russia to Europe after Russia declared its military operation and for this reason, the number of Russian tourists visiting Europe drastically decreased in 2022.⁴⁰ The Russian tourists who used to prefer EU countries for their holiday destinations redirected their holiday plans to Türkiye. Additionally, Russians started choosing Türkiye as a winter holiday as well which was not very popular before.⁴¹ Furthermore, Western passengers traveling to Russia had to fly to Türkiye first, making it a more important connection point between the West and Russia. As a downside of the Western sanctions, the Russian airline companies faced problems such as not being able to receive components or repairment and this posed a threat to the stability for flights between the two countries. In terms of the flights to Türkiye, Turkish tour operators in Russia have established new airline companies for conducting flights to its southern neighbour which could ease the airline problem.⁴²

After the Western economic sanctions against Moscow, the Russian tourists had a problem for their payments in Türkiye. As Visa and Mastercard halted their abroad operations for Russia, Russian citizens could not use their debit and credit cards abroad. In 2019, the Russian payment system “Mir” cards were accepted in Türkiye, and their popularity started to increase due to the Western sanctions. However, the USA applied pressure to Türkiye for restricting economic relations with Russia.⁴³ As a consequence, the Turkish banks that enabled the use of Mir payment system had to suspend it in September 2022. Although, it was reported that Ankara and Moscow were in the process of developing an alternative payment system to Mir which could be operational in 2023.⁴⁴

d) Defence and Construction Industries

Defence industry is one of the key sectors which constitutes an important pillar of Turkish-Russian economic relations. Türkiye purchased S-400 aerial defense systems from Russia in 2019, adding a powerful military aspect to the economic relations between the two countries. On the other hand, Ukraine started to import unmanned aerial vehicles from a Turkish company in 2019 and used them in Donbass during the civil war. Ukraine

³⁸ “Russian economy shrank 2.1% in 2022, much less than expected,” Al Jazeera (2023), erişim 05.04.2023, <https://www.aljazeera.com/news/2023/2/21/russias-economy-contracted-2-1-in-2022>

³⁹ “Russians Top List of Foreign Buyers of Turkish Real Estate in 2022—Agency,” TASS (2023), erişim 05.04.2023 https://tass.com/economy/1563331?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_reerrer=google.com

⁴⁰ “90% fewer Russian tourists visited Europe in 2022, authorities reveal,” SchengenVisaInfo (2023), erişim 05.04.2023, <https://www.schengenvisa.info/news/90-fewer-russian-tourists-visited-europe-in-2022-authorities-reveal/>

⁴¹ “1 million Russians to spend the winter in Turkey,” BusinessTurkey (2022), erişim 05.04.2023, <https://businessturkeytoday.com/1-million-russians-to-spend-the-winter-in-turkey.html>

⁴² “Rusya için üç Yeni Havayolu Geliyor,” TURIZMGAZETESİ (2022), erişim 05.04.2023, <https://www.turizm gazetesi.com/haber/rusya-icin-uc-yeni-havayolu-geliyor/82406>

⁴³ Henry Foy, et al., “US and EU step up pressure on Turkey over Russia sanctions,” Financial Times (2022), erişim April 5, 2023, <https://www.ft.com/content/95243a73-22c8-447e-bbae-a10a206d7e9e>

⁴⁴ “Türkiye and Russia developing new payment system—diplomat,” RT International (2023), erişim 05.04.2023, <https://www.rt.com/business/571239-turkey-russia-new-payment-system/>

continued to deploy these drones against the Russian army which evidently constituted a threat to the Turkish-Russian relations. In terms of the bilateral economic-military relations of Türkiye with these two countries; it can be said that Russia is more of a provider to Türkiye, while Türkiye mostly serves as a provider to Ukraine. Additionally, Türkiye is working on its national fighter jet for 2030 and Ankara aims to cooperate with Russia on this project.⁴⁵ Russian officials have expressed their willingness to assist Türkiye with its fighter jet development.⁴⁶ Moreover, there were talks of importing Su-35 and Su-57 fighter jets between Ankara and Moscow as Türkiye was removed of the F-35 jet project by the USA after Türkiye bought S-400 systems from Russia.

Construction is another key sector for the economic relations between Türkiye and Russia. Erdal Eren, the president of the Turkish Building Contractors Association, stated that Turkish contractors have undertaken projects worth around 22 billion dollars in Russia from 2019 until 2022, with contracts totaling 95 billion dollars signed since 1972. In 2022, Turkish building contractors had constructions in progress which were worth 21 billion dollars in Russia.⁴⁷ Turkish construction industry reached a record 11.2 billion dollar worth of projects in 2021.⁴⁸ Even though the value of projects in 2022 went down to 2 billion dollars due to the conflict in Ukraine, Russia still maintained its number one spot for Turkish construction firms abroad.⁴⁹ Turkish construction firms continue to be active in Russia and they have further opportunities as many of the buildings in the big cities like Moscow are under reconstruction. Moreover, the new regions who joined Russia through the referendums are damaged because of the battles and Turkish companies have a chance to play a major role in their reconstruction process.

Conclusion

Russia and Türkiye have enjoyed strong economic relations, especially since the beginning of the 21st century. Ankara and Moscow have important ties of cooperation in trade, energy, tourism, defence and construction industries as examined in this paper. The Ukraine conflict created serious global consequences which especially damaged the relations between Russia and the Western countries. Although being a NATO member, Türkiye opted to remain neutral in this conflict and did not take part in the sanctions against Russia. Ankara also acted as an intermediary in the conflict and contributed to the peace process. Türkiye's neutrality helped ensure smooth economic relations between

⁴⁵ "Milli Muharip Uçak için Rusya ile İş Birliği Gündemde," AirportHaber (2021), erişim 05.04.2023, <https://www.airporthaber.com/havacilik-haberleri/milli-muharip-ucak-icin-rusya-ile-is-birligi-gundemde.html>

⁴⁶ "Rusya: Türkiye'ye MMU (TF-X) Konusunda Yardım Edebiliriz," SavunmaSanayiST (2021), erişim 05.04.2023, <https://www.savunmasanayist.com/rusya-turkiyeye-tf-x-konusunda-yardim-edebiliriz/>; Emre Gürkan Abay, "Rusya, Türkiye ile Savunma sanayisi ve Havacılıkta İş Birliğini Geliştirmek İstiyor," Anadolu Ajansı (2021), erişim 05.04.2023, <https://www.aa.com.tr/tr/ekonomi/rusya-turkiye-ile-savunma-sanayisi-ve-havacilikta-is-birligini-gelistirmek-istiyor/2336644>

⁴⁷ Merve Özlem Çakır, "Türk müteahhitler hem Rusya hem de Ukrayna pazarını korumak istiyor," Anadolu Ajansı (2022), erişim 05.04.2023, <https://www.aa.com.tr/tr/ekonomi/turk-muteahhitler-hem-rusya-hem-de-ukrayna-pazarini-korumak-istiyor/2511054>

⁴⁸ "Bakan Muş: "Türk inşaat sektörü 2021'de yurt dışında 29,3 milyar dolarlık iş üstlendi," T.C. Ticaret Bakanlığı (2022), erişim 05.04.2023, <https://ticaret.gov.tr/haberler/bakan-mus-turk-insaat-sektoru-2021de-yurt-disinda-29-3-milyar-dolarlik-is-ustl>

⁴⁹ "Müteahhitlik Sektörü 2022'de Yurt Dışında 17,8 Milyar Dolarlık İş Üstlendi," T.C. Ticaret Bakanlığı (2023), erişim 05.04.2023, <https://ticaret.gov.tr/haberler/muteahhitlik-sektoru-2022de-yurt-disinda-17-8-milyar-dolarlik-is-ustlendi>

Türkiye and Russia, since Ankara and Moscow successfully compartmentalized their differing political views on the Ukraine conflict, as they have done in the past with other regional issues.

The trade between Russia and Türkiye was not quite affected by the beginning of the Ukraine crisis in 2014. The trade volume has reached to considerable amounts in the coming years despite the jet crisis and coronavirus period. The two states reached a record of 68 billion dollar trade volume in 2022 and Russia became the biggest import source for Türkiye which indicated that the two states left their different political views aside on the Ukraine conflict with the compartmentalization policy. As Türkiye imports critical commodities including fossil fuels and grain from Russia, Russian Federation has become a vital state for Türkiye. A problem in bilateral economic relations is that the trade gap between the two states has been growing in recent years which worsened the asymmetrical interdependence between Russia and Türkiye and this further enlarged with the Ukraine conflict in 2022. As Türkiye considerably increased its energy imports from Russia and the global energy prices hiked in the first half of the year, the trade asymmetry between the two countries grew in 2022. To reduce this asymmetry, Türkiye could export more agricultural products to Russia which could be used to pay for energy imports as the both sides executed in the early years of Republic of Türkiye and the USSR. However, the current agricultural production of Türkiye is far from supplying that level. Moreover, the Turkish government should work on diverse export opportunities to Russia and create favourable exporting conditions for its industries.

Energy is the main aspect of the economic relations between Türkiye and Russia as Russia has been the largest supplier of natural gas to Türkiye for decades. After the Ukraine conflict started, Russia also became the biggest import source of oil for Türkiye. Türkiye is a substantial contributor to the Russian economy as well since it has a strong and consistent energy demand. Moreover, the role of Türkiye as an energy transmitting country gained more importance after the Nord Stream sabotage. Therefore, the energy relations between Türkiye and Russia have significantly developed since the conflict started.

In tourism sector, the expectations were quite low about Russian citizens visiting Türkiye in 2022 due to the Ukraine conflict. However, Ankara and Moscow implemented solutions against the Western sanctions and they were able to maintain the economic activities in tourism sector. Utilization of the Mir payment system in Türkiye and creating new airlines companies were examples of the determination for partnership in spite of the barriers caused by the West. A considerable number of Russian tourists visited Türkiye in 2022 despite the negative expectations. Furthermore, Türkiye was by far the most travelled destination by Russian tourists last year.

Türkiye and Russia also have strong connections in defence and construction industries. The S-400 purchase in 2019 was a key step which enhanced the cooperation between two countries. They work on other projects such as Türkiye's first national jet TF-X. However, Turkish military exports to Ukraine constitutes a barrier for the military cooperation with Russia. In the construction industry, Russia continued to have the

largest value in 2022 for Turkish firms despite a substantial decline from 2021. Furthermore, Turkish firms continue to have a big potential in Russia for the reconstruction of newly joined regions to Russia which previously belonged to Ukraine.

To sum up, Russia and Türkiye managed to maintain and further improve their economic relations despite the Ukraine conflict as Türkiye remained neutral and the two states successfully applied compartmentalization policy. Even though the conflict brought challenges to the relations, the two states found ways to overcome them. The West led by the USA constitutes the biggest threat to Türkiye-Russia economic relations as Ankara is constantly under pressure because of its neutral stance on the Ukraine conflict. Türkiye-Russia relations mainly depend on the position of Ankara. If Türkiye desires to maintain its vital economic relations with Russia, Ankara should sustain following an independent policy on Ukraine and should not make concessions to the West. For the Russian side, Ukraine crisis and the following Western sanctions reminded Moscow how important Türkiye is as an economic and a diplomatic partner. If Türkiye continues its neutral policy on the Ukraine conflict, the Turkish-Russian cooperation is likely to further improve and this would contribute to the prosperity of both states.



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