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PROSPECTS FOR THE DEVELOPMENT OF TRADE AND ECONOMIC RELATIONS BETWEEN RUSSIA AND TURKEY IN THE NEW ECONOMIC ENVIRONMENT

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Highlights

- The article examines in detail the current trends in trade and economic relations between Russia and Turkey, with an emphasis on structural changes and factors affecting bilateral trade.
- The study analyzes the dynamics of imports and exports, highlighting the main commodity groups and changes in trade volumes depending on political and economic conditions.
- The paper uses statistical methods to assess the degree of interdependence of the economies of Russia and Turkey, and discusses the prospects for deepening cooperation in the context of global instability.

Abstract

Introduction: The purpose of the article is to determine the prospects for the development of trade and economic relations between Russia and Turkey at the present stage. The relevance поставленной of this goal is due to the fact, that Turkey did not join the economic sanctions against Russia and took advantage of the favorable market conditions to increase the supply of priority goods to the Russian market, but the prospects for the development of these relations are currently not clearly defined, as a result of which the aspect requires further in-depth study.

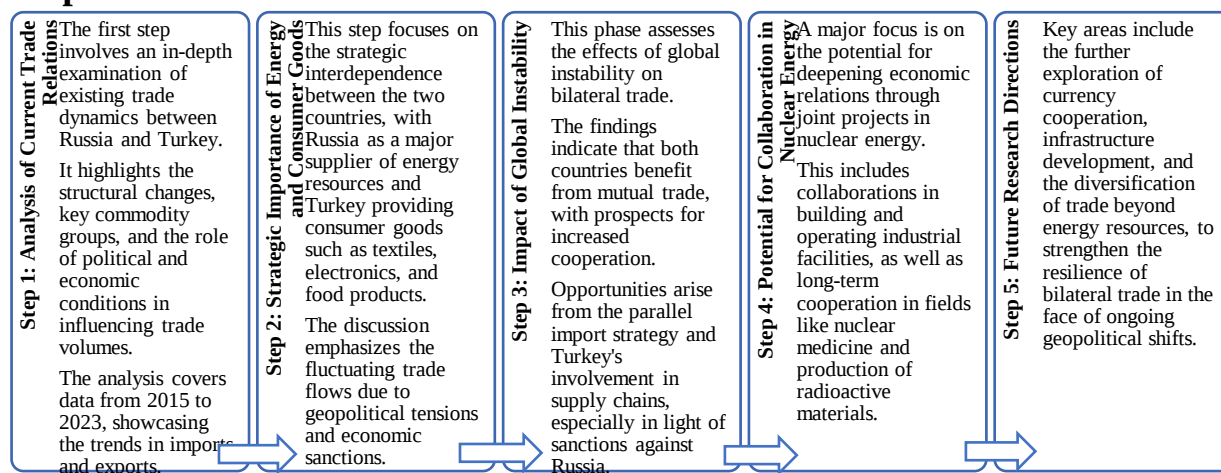
Methods: Research methods are analysis and systematization of information, as well as methods of generalization and analogy.

Results: The results of the study show that Russia is one of the main suppliers of energy resources for Turkey, and Turkey occupies a unique position as the main supplier of consumer goods, such as textiles, clothing, food, household appliances and electronics. The study revealed significant fluctuations in the share of trade flows between countries depending on the foreign policy situation and economic sanctions, which reflects the high sensitivity of trade to political factors.

Available data: The article presents data on trade turnover between Russia and Turkey for the period from 2015 to 2023.

Discussion: It is concluded that the development of Russian-Turkish relations is based on mutual benefit, which allows us to judge their further development. Promising areas for the development of trade and economic relations between the two countries are: further development of parallel imports and Turkey's participation in supply chains, increasing the supply of Turkish-made consumer goods to the Russian market, as well as joint cooperation in the field of nuclear energy, including joint construction and commissioning of industrial facilities. In the current political and economic environment, new prospects for deepening Russian-Turkish relations have emerged, including currency cooperation and the development of the infrastructure of trade and economic ties. In the long term, both countries may consider cooperation opportunities in related areas, such as nuclear medicine, the production of isotopes and radioactive materials.

Graphical abstract



Keywords

Russia and Turkey, Russian-Turkish partnership, trade and economic relations, international trade, development of the Russian economy.

JEL classification: B17, B27, F51.

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Introduction

Russia and Turkey are strategic partners in many areas of joint activity, including the development of trade and economic relations. In the context of sanctions restrictions, the prospects for the development of the Russian economy are largely determined by the effectiveness of foreign economic activity [1]. Russia is intensifying its internal and external relations with its business partners in Southwest Asia in order to further develop trade and economic relations and diversify markets for priority export goods, as well as provide opportunities for the supply of products whose direct import is difficult. In the context of ongoing geopolitical transformations, the Russian-Turkish partnership has the potential for further deepening and development, which determines the relevance of the chosen research topic. Thus, *the purpose* of the article is to determine the prospects for the development of trade and economic relations between Russia and Turkey at the present stage.

Literature review

T.A. Lopatina, A.A. Solovieva and A.G. Bayerbakh study the relations between Russia and Turkey in historical retrospect. The authors' article shows that over the last thirty years the relations between the countries have evolved, which is reflected in a number of signed documents, among which we can note the signing of the Treaty on the Foundations of Relations between Russia and Turkey, agreements on the avoidance of double taxation in respect of taxes on income, on cooperation in the field of tourism, cooperation and mutual assistance in customs affairs, a statement on the mutual lifting of sanctions in trade between Russia and Turkey and others [2]. The numerous strategic documents signed reflect the desire of both countries to expand the areas of cooperation.

L.A. Khabibullina comes to a similar conclusion about the presence of tendencies to deepen foreign economic cooperation. The author shows that Turkey, which borders Russia in the Black Sea, occupies an important strategic position as a trade, economic and diplomatic partner. Geographical proximity determines the importance of developing foreign economic relations, especially in the context of the political interests of both countries [3].

In the scientific article by A.S. Burdel it is noted that currently trade relations between Russia and Turkey play a key role in ensuring the economic stability of both countries, which has a favorable impact on business development and opportunities for attracting investments. Russian-Turkish trade relations are becoming an integral element of the economic dynamics of both countries, contributing to the strengthening of their mutually beneficial cooperation [1]. E.I. Mildzikhova, in the process of analyzing trade turnover, comes to the conclusion that trade and economic cooperation has a clear tendency to strengthen, especially in the context of sanctions pressure against Russia and Turkey. Russia [4]. A.S. Markina and V.D. Frolov come to a similar conclusion about the existence of mutual benefits in trade between Russia and Turkey. The authors point out that the Russian side is interested in trade and investment cooperation, and the Turkish side is

interested in strengthening the national economy through mutual trade with Russia [5].

The analysis of scientific materials allows us to conclude that trade and economic ties between Russia and Turkey are in the process of actively developing and strengthening. However, the prospects for the development of these relations currently do not have a clear definition, as a result of which the aspect requires further in-depth study.

Methods

Research methods include analysis and systematization of information, as well as methods of generalization and analogy. The sources of research materials are data from the Turkish Statistical Institute [6], as well as publications of the Russian International Affairs Council [7]. Statistical data on the dynamics of trade and economic relations between Russia and Turkey indicate that Russia is a strategically important partner, covering an average of 10% of Turkish imports. In the period from 2011 to 2021, the development of trade relations between the two countries did not show any obvious dynamics. The decline in Turkish imports in 2016 was caused by the aggravation of diplomatic relations, but since 2017, relations have been resumed. The impetus for strengthening Russian-Turkish relations is the new sanctions imposed on Russia. Thus, in 2022, Turkey's imports from Russia reached 58,849 million US dollars. The main products that Russia exports to Turkey are petroleum products (\$6.51 billion), coal briquettes (\$3.2 billion) and wheat (\$2.05 billion). Russia also exports construction services, transport and other business services to Turkey (Fig.1).

Analyzing the dynamics of Turkish exports to Russia, it should be noted that Russia is also one of the strategic trading partners. Despite the fact that Russia's share in Turkey's exports fluctuates, in 2022-2023 it tends to increase: the growing demand of Russian consumers for Turkish goods encourages an increase in exports (Figure 2). In 2023, Turkey exported goods and services to Russia in the amount of \$ 10,908 million. It should be noted here that the decline in trade volumes observed in 2015-2016 is due to the aggravation of diplomatic relations and the introduction of an embargo on the supply of a number of goods from Turkey. However, as it was shown above, by 2017 agreements were reached on lifting restrictions on mutual trade.

Despite fluctuations, Russia's foreign trade balance remains positive, which indicates a high demand for Russian goods in Turkey. Mainly, the predominance of exports of goods from Russia to Turkey in comparison with imports is due, first of all, to significant purchases of energy resources from Turkey. According to the Russian International Affairs Council, Turkey is one of the three largest buyers of Russian oil after the economies of China and India. In addition, Turkey acts as a transit corridor for maritime transport. So, in 2022, more than 30 million tons of Russian oil were delivered to the countries of Southeast Asia through the Bosphorus and Dardanelles Straits. In the construction sector, Turkey is one of the most important strategic partners, as Russia has been the largest foreign market for the Turkish construction business for 20 years. An important aspect of trade and

economic relations between the two countries is the tourism sector, where more than 5 million Russian tourists come to Turkey annually, which is approximately 20% of the total tourist flow [7].

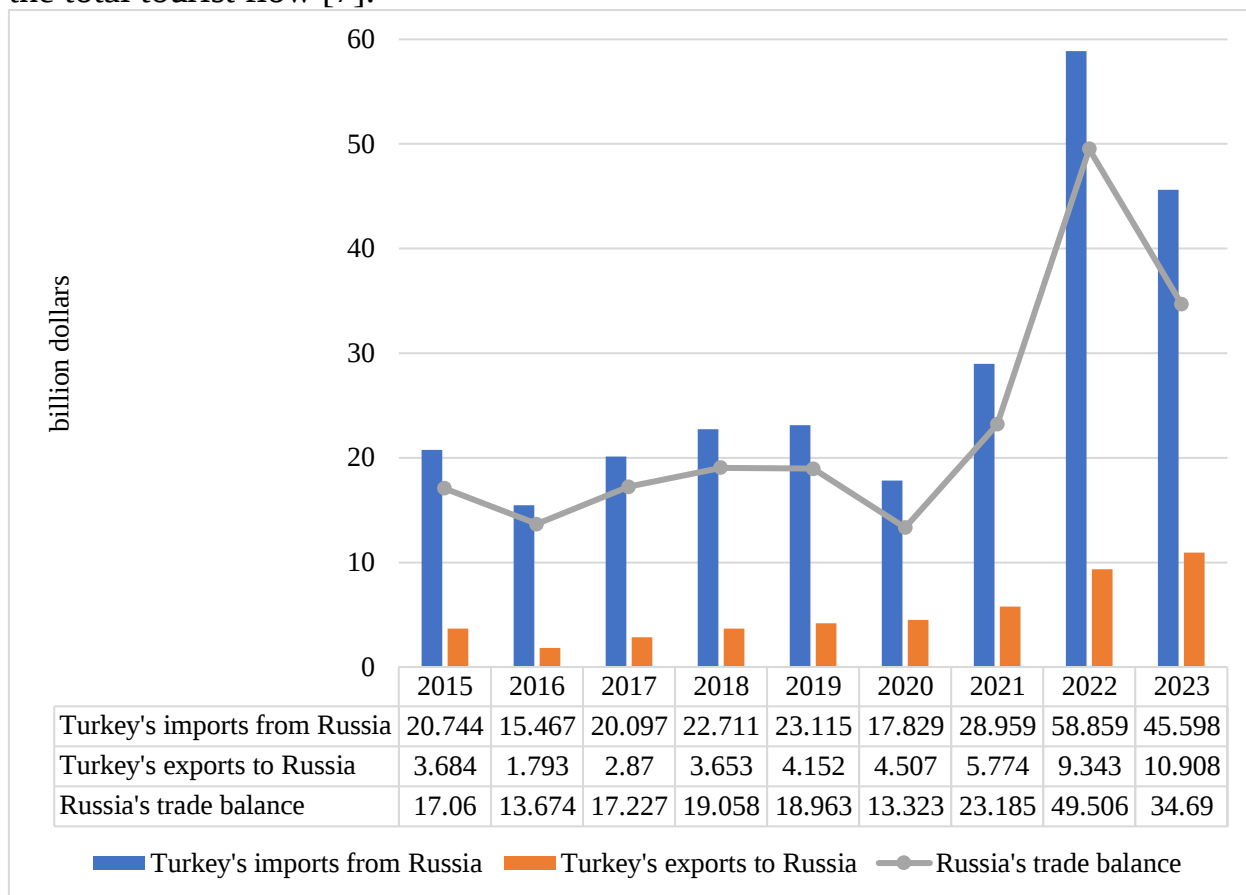


Fig. 1. Dynamics of trade relations between Russia and Turkey

Source: compiled by the authors according to [6]

Figure 2 shows the dynamics of Russia's share in the structure of Turkey's foreign trade for the period from 2015 to 2023. Russia's share of Turkey's imports fluctuated, showing a decline from 9.7% in 2015 to 7.6% in 2016, probably as a result of geopolitical tensions and economic sanctions. However, since 2017, there has been a tendency to increase this share, which reaches a peak in 2022 at 16.2%. Such growth may be related to Turkey's increasing energy dependence on Russian exports (especially oil and gas), against the background of global energy instability and reduced supplies from other sources.

In 2023, the figure dropped slightly to 12.6%, which may indicate that Turkey is trying to diversify its suppliers or reduce its dependence on Russia. Russia's share of Turkey's exports also showed growth, albeit from a lower entry level than imports. In 2015, it was 2.4%, then fell to a minimum of 1.2% in 2016. Since 2017, Russia's share in Turkish exports has gradually increased and reached 4.3% in 2023. This growth may be due to stronger economic ties and increased demand in Russia for certain categories of Turkish products, such as agricultural products and consumer goods.

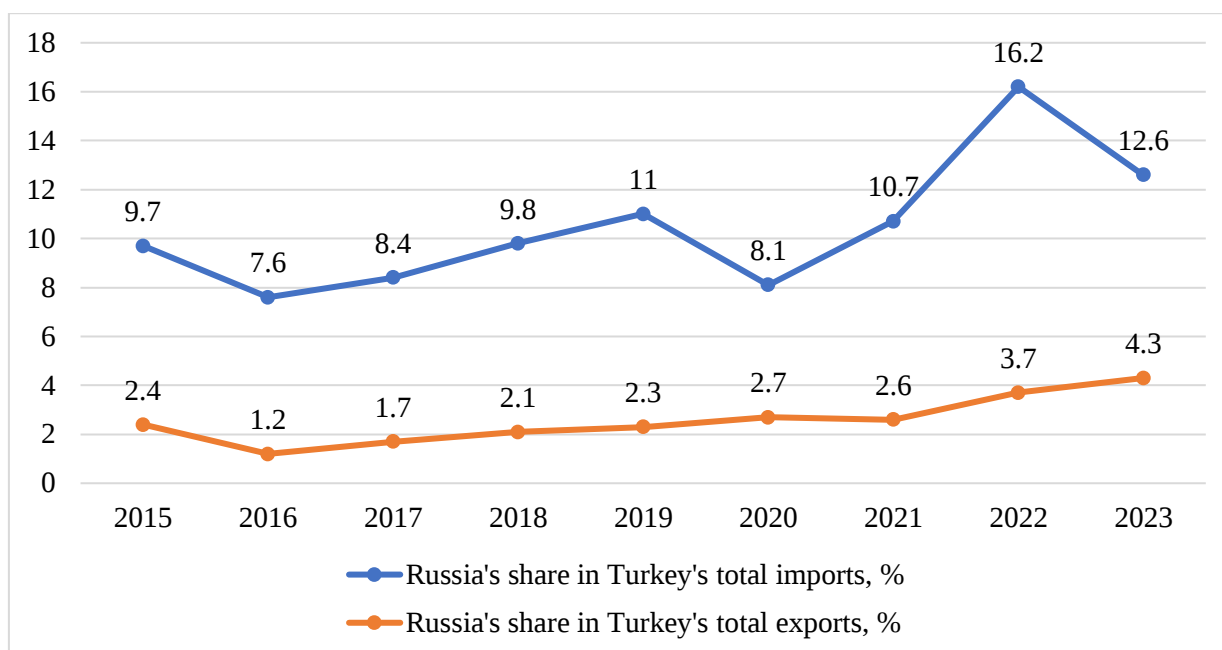


Fig. 2. Russia's share in Turkish exports and imports

Source: compiled by the authors according to [6]

Cooperation between Russia and Turkey in the energy sector is one of the strategic directions for a number of reasons. Turkey, with its population of 82 million people, is one of the largest markets for Russia's natural resources, which makes it a priority trading partner, and at the same time Turkey is an important transit hub for the transportation of Russian oil and gas [8].

The current economic and political situation creates favorable conditions for further strengthening of Russian-Turkish relations. The withdrawal of a number of large Western companies from the Russian market opens up opportunities for expanding the sales market for Turkish suppliers, which have the potential to compensate for the shortage in the supply of such important consumer goods as textiles, machinery, equipment, vegetables and fruits, as well as cars, computers and a wide range of household appliances. It is important to note that unlike Western countries, Turkey did not join the economic sanctions against Russia either in 2014 or at the present time. In general, the analysis indicates that the introduction of restrictions on Russia leads to increased integration of the Russian economy with friendly countries that have not joined the sanctions.

Results

Discussing the prospects for the development of Russian-Turkish cooperation, it should be noted that in the context of the depreciation of the Turkish lira against the ruble (Figure 3), expanding exports of Russian products that are not related to the raw materials sector of the economy to Turkey seems unpromising. The trend towards a weakening of the Turkish lira against the ruble leads to a loss of the price advantage for Russian goods on the Turkish market, which, in turn, reduces the revenue of Russian exporters.

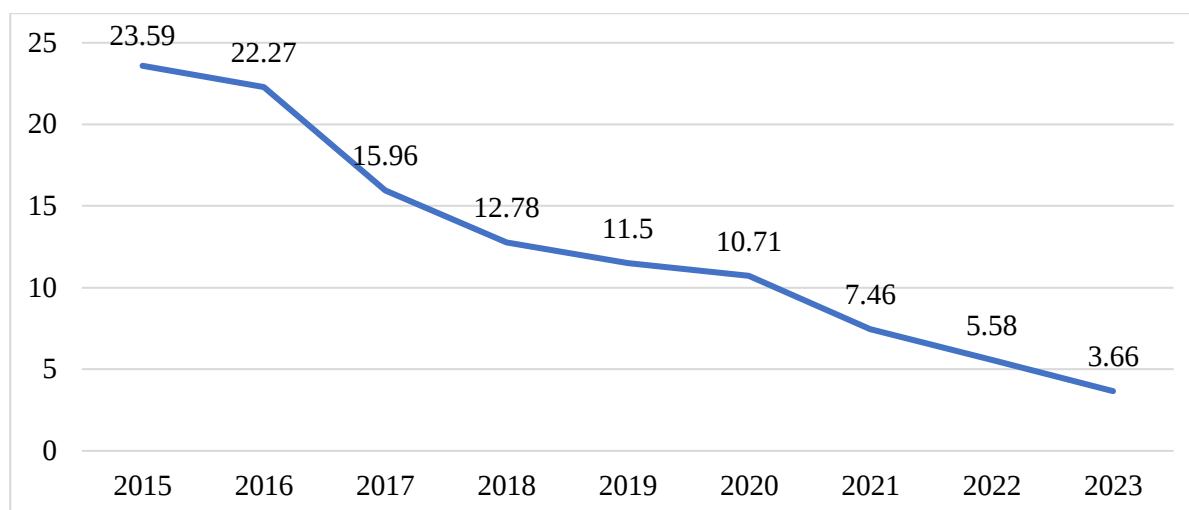


Figure 3. Dynamics of the Turkish lira exchange rate against the ruble

Source: compiled by the authors according to [9]

Another consequence of the above trends is the emergence of favorable conditions for purchasing products in Turkey with a view to their further resale on the Russian market. The weakening of the lira makes imported goods less expensive, allowing them to be purchased on the Turkish market and thereby compensate for the shortage caused by the withdrawal of a number of suppliers from the Russian market. It should also be noted that trade and economic cooperation between Russia and Turkey has made it possible to quickly reorient the supply chains of priority products and ensure the proper level of economic security [2]. To minimize payment risks, during the year more and more entrepreneurs switched to settlements in Turkish lira and Russian rubles.

In this context, it is necessary to consider such a phenomenon as parallel import, which allows you to import goods into the country without the permission of the copyright holder. The Russian government has defined a list of priority goods for import, including Land Rover, Cadillac, Tesla cars and their components, as well as Samsung and Apple products, household appliances and other similar items [10]. A significant number of these products come to Russia from neighboring countries and Turkey. Statistically, it is rather difficult to estimate the volume of parallel imports, since this information is not published in open sources, but data from the Turkish Statistics Institute indicate a significant increase in imports from Turkey to Russia in 2022, which is 62% higher than in 2021. In 2022, the volume of parallel imports exceeded \$20 billion [6]. However, by mid-2023, Turkey began to tighten controls on goods re-exported to Russia, especially products subject to sanctions. OHowever, despite the tightening, it is expected that the volume of parallel imports will remain at a high level.

One of the factors contributing to an intensive increase in export volumes is the growing demand from Russian consumers for both Turkish goods and goods of brands that have left the Russian market. Parallel imports from Turkey are divided into two main groups: non-sanctioned goods and sanctioned goods. Transit through Turkey for goods that do not fall under sanctions restrictions allows you to avoid

paying taxes, which makes this route attractive for Russian companies. However, increased control over the movement of sanctioned goods, pressure on financial institutions, and threats of secondary sanctions create some uncertainty in the context of the development of parallel imports. In general, summing up the results of the study, we can identify the following promising areas for the development of cooperation between Russia and Turkey at the present stage. First, despite the uncertainty, the parallel import and use of Turkish transit customs warehouses creates additional opportunities for further development of trade and cooperation in the field of distribution of goods. Deepening relations in the sphere of trade and expanding the range of goods supplied make it possible to ensure the stability of the Russian economy and compensate for the negative impact of sanctions pressure.

Second, Turkish food, beverages, cosmetics, household chemicals, perfumes, clothing, electronics and home appliances did not occupy a significant share in the Russian consumer market. In the current conditions, Turkish manufacturers are able to occupy the vacant market niches in order to meet the demand for products of brands that have left the Russian market. Third, trade and economic cooperation in the field of nuclear energy is a promising area. Russia expresses its readiness to continue cooperation in the field of low-power nuclear power plants. In addition, the researchers point to the prospects for expanding cooperation in other areas, such as nuclear medicine, the production of rare metal products, composite materials, and lithium-ion energy storage devices [8]. For example, one of the joint Russian-Turkish projects is the construction of the Akkuyu nuclear power plant by Rosatom», . Four reactors will fully provide power to Istanbul and 10% of the entire territory of Turkey [11].

Fourth, the project of creating a gas hub in Turkey, discussed between Russia and Turkey [11], represents one of the most promising areas for the development of their economic relations. The main idea of the gas hub is to sell gas anonymously, which will allow Russian gas to be delivered to third countries, avoiding direct contracts with Russia. The real from this project will allow energy resources to be supplied to European countries a, which have reduced purchases of Russian gas in the framework of sanctions. Currently, Turkey receives gas via Turk stream and Blue Stream with a total design capacity of about 47.5 billion cubic meters of gas per year, some of which is used for domestic consumption, while the remaining capacity allows serving the needs of Southern Europe. In the context of economic instability, Turkey does not fully choose the contracted volumes of gas, which also makes the hub project strategically significant, as it will create additional routes for gas transit from Russia to Europe.

Today, the Republic of Turkey is one of Russia's most important trading partners, both in terms of supplying its own goods that replace imports from countries that have imposed anti-Russian sanctions, and in terms of organizing parallel imports. The above-mentioned strategic directions of development allow both countries to expand and realize their own economic potential, as well as contribute to the further deepening of trade and economic relations between Russia and Turkey.

Available data

The article presents data on trade turnover between Russia and Turkey for the period from 2015 to 2023.

Discussion

In the course of the research, it was revealed that the current political and economic situation opens up prospects for the intensive development of trade relations between Russia and Turkey. The withdrawal of large Western companies from the Russian market creates significant niches that Turkish companies are rapidly occupying. Increasing the share of Turkish goods in the Russian market allows us to meet the growing demand for products previously represented by Western brands. The data confirm that Russia occupies an important place in the structure of Turkey's foreign trade, especially in imports, which indicates a significant dependence of Turkey on Russian resources. At the same time, the gradual growth of exports to Russia may indicate an expansion of economic ties and diversification of the commodity structure, which partially compensates for the trade imbalance. The use of the parallel import mechanism is promising, allowing Russia to overcome the restrictions associated with economic sanctions.

In addition, the use of Turkish transit customs warehouses increases the ability to manage supply chains and reduces the cost of transporting imported goods. Cooperation in the nuclear energy sector between Russia and Turkey is a strategic and promising direction for the development of economic relations that goes beyond traditional trade. In the long term, both countries may consider cooperation opportunities in related areas, such as nuclear medicine, the production of isotopes and radioactive materials.

The mutual benefit that underlies the Russian-Turkish partnership allows both countries to quickly adapt to international changes. Turkey gets an opportunity to strengthen its own position as a reliable trade and economic partner of Russia. Thus, in the current political and economic environment, new prospects for deepening Russian-Turkish relations have emerged, including monetary cooperation and the development of the infrastructure of trade and economic ties. TClose interdependence in key sectors, such as energy and consumer goods trade, will continue to stimulate Russian-Turkish economic cooperation, which makes it possible to predict the favorable development of relations between the two countries.

CRedit authorship contribution statement

All authors have made an equivalent contribution to the preparation of the publication.

Declaration of competing interest

The authors declare that there are no conflicts of interest.

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