

# Higher expectations from international trade: ‘Proactive’ and ‘reactive’ contributions to Turkish-Russian relations

ITIR OZER-IMER<sup>\*1</sup>  and EMRULLAH CAN KILIC<sup>2</sup> 

<sup>1</sup> Faculty of Economics and Administrative Sciences Department of International Relations, Hacettepe University, 06800, Beytepe, Ankara, Turkey

<sup>2</sup> Presidency of the Republic of Turkey, 06560, Beştepe, Ankara, Turkey

Received: July 9, 2019 • Revised manuscript received: February 24, 2020 • Accepted: June 11, 2020

© 2022 Akadémiai Kiadó, Budapest



## ABSTRACT

Turkish foreign policy has undergone a distinctive transformation in the last two decades, placing a greater emphasis on trade relations with her neighbours, which had previously been beyond the scope of Turkish foreign policy. In this respect, Turkey's relations with Russia improved dramatically due to strong trade relations, which not only contributed to the development of these countries but also resulted in peace-inducing effects. This study aims to highlight and analyse the role of economic interests and gains in the transformation of Turkish foreign policy from a political economic perspective. The study suggests that economic interests brought Turkey and Russia together, making hostilities less likely among the two countries. We make also policy recommendations, which take peculiarities of Russia into consideration in order to highlight further gains in trade relations with this country.

## KEYWORDS

Turkey, Russia, political economy, international trade, Turkish foreign policy, economic interdependence

## JEL CLASSIFICATION INDICES

F10, F50

---

\* Corresponding author. E-mail: itirozer@gmail.com

## 1. INTRODUCTION

Turkish foreign policy has changed substantially in the last two decades.\*\* The security-related isolationist understanding of Turkish foreign policy was replaced by activism, which is defined as an engagement in the Middle East, Central Asia, Africa and Russia. Until the early 2000s, security elite and deep-seated bureaucracy have dominated the Turkish foreign policy. In this respect, high politics overshadowed Turkey's economic interests. While a national-security oriented view shaped the country's relations with its neighbours except for the western countries, the Turkish foreign policy projected existential neighbouring threats. According to this understanding, Turkey was surrounded by enemies. In this respect, Russia was regarded as the communist threat to be avoided.

Since the turn of the 21st century, the high politics-intensive Turkish foreign policy agenda has been replaced by a new approach whose *modus operandi* is mostly defined by the terms such as, 'de-securitization' (Aras – Polat 2008), 'pragmatism' (Barrans 2015; İnât 2015); 'rapprochement', 'rationalization' (Sinkaya 2012), 'new geographic imagination' (Aras – Fidan 2009) and 'active engagement' (Özcan 2011; Müftüler-Baç 2014). In line with these new concepts, Turkey's relations with her neighbours and Russia, which achieved a greater improvement in comparison with those of the European countries, were analysed in order to highlight the transformation of 'potential enemies' into 'beneficial partners' in the Turkish foreign policy.

Debates on this transformation led to controversies. It was alleged that the axis of Turkish foreign policy began to shift from the west to the east (Kutlay 2011; Babacan 2011; Öniş 2011; Civan et al. 2013). However, discussions on whether an axis shift took place most analysts argued that this allegation was an exaggeration. Turkey's growing activism in Eurasia and Africa did not occur at the expense of existing cooperation with the West. While economic ties with the West continued, domestic considerations such as employment and welfare drove the Turkish foreign policy in the direction of better relations with these regions (Özer-Imer et al. 2013).

The rationale and pragmatism behind the new Turkish foreign policy activism were the economic interests revolving around bilateral trade relations, which functioned both as a means and an end. As a means, the trade relations helped Turkey establish an integration and rapprochement with foreign countries due to economic and non-economic benefits of trade. As an end, growing trade was promoted in order to consolidate the nation's power. In this regard, export industries and business groups have become the active participants in the foreign policy-making, which were under the dominance of the security elite throughout the 1990s. This emphasis on trade positioned Turkey, as a 'trading state' (Kirişçi 2009).

While data on foreign trade point to successful economic consequences of the post-2000 pragmatic and rational foreign policy, it is widely emphasized in the literature that economic success based on trade due to an active foreign policy since 2000 was made possible by the structural transformation achieved in the 1980s (Altunişik 2009; Kirişçi 2009; Öniş 2011; Özer-Imer et al. 2013; İnât 2015). Due to this transition, the post-2000 policies found a holding ground to promote Turkey's foreign trade. However, it should be noted that there are still trade and current account deficits to Turkey's disadvantage due to a limited share of technology-intensive goods in Turkish exports and its dependency on imported energy and commodities for production.

\*\* Readers of this paper are warned that the manuscript went to the press many months before the Russian – Ukrainian war. (Editor's note)



This study puts forth that the recent change in the Turkish foreign policy was motivated by potential benefits from improved economic relations through trade, and active foreign policy engagement further strengthened the economic gains. Moreover, growing trade relations established interdependencies between Turkey and its trading partners, making hostilities less likely and more costly. Examining the trade-related motivations and consequences of the new Turkish foreign policy and highlighting the neglected significance of low politics despite the challenges posed by the phenomena of globalisation and industrialisation, this study highlights that Turkey and Russia compromised their centuries old rivalry to a great extent in order to maximise their economic gains through trade cooperation in a number of fields such as energy, agricultural products and manufactured goods, as well as tourism and construction services. Moreover, November 2015 jet crisis<sup>1</sup> in the Turkish-Russian relations is evaluated from a perspective, which is based on the 'proactive' and 'reactive' contributions of trade in the face of such crisis. To our knowledge, this approach classifying the benefits of trade as 'proactive' and 'reactive' is a novel contribution to the political economic discussions on international trade.

## 2. LESS LIKELY HOSTILITIES THROUGH TRADE

Embraced by liberal scholars and thinkers, the idea of trade as a peacemaker has been central to discussions revolving around pros and cons of free trade. According to the liberal approach, a state of economic interdependence among nations will lead to an enhanced cooperation and 'foster formal and informal mechanisms conducive to resolving conflicts of interest that might arise between nations' (Barbieri 2005).

Advocated by 'many enlightenment philosophers in the 18th century and classical liberals in the 19th century', it is 'a longstanding idea that trade promotes peace among nations' (Irwin 2015: 60). Regarding the virtues of free trade as a peacemaker, one of the most prominent philosophers of Enlightenment Age, Montesquieu states that; 'Peace is the natural effect of trade. Two nations who traffic with each other become reciprocally dependent; for if one has an interest in buying, the other has an interest in selling; and thus their union is founded on their mutual necessities' (Montesquieu 1748: 346).

The logic behind this belief is that commercial interaction between states gives rise to a sort of 'interdependence'. According to Nye – Keohane (2012: 7) interdependence refers to mutual dependence resulting from ever-increased movements of people, money and goods, which give rise to 'reciprocal effects among countries'. These trade-induced interactions create strong bonds, which supposedly contribute to maintenance of peace in the world.

As Gilpin (2001) stated most economists believe that economic relations and commerce foster peaceful relations among countries since these bonds of mutual interest would bring

<sup>1</sup>Turkish military shot down a Russian fighter jet on 24 November 2015 by stating that the jet violated its airspace and did not take into consideration repeated warnings, meanwhile Russians claimed that the jet did not violate Turkey's airspace. This resulted a crisis between Turkey and Russia. Russia froze imports from Turkey and imposed other trade sanctions. In addition, Russian Foreign Minister announced the suspension of visa-free travel agreement between Turkey and Russia.



countries closer and encourage them to involve in cooperative relations. In other words, ‘politics tend to divide, economics is believed to unite’.

While classical liberals attribute peace-inducing features of trade to increasing contact and interaction between nations, which reduce misconception and enhance tolerance, some contemporary theorists and scholars suggest that states refrain from engaging in conflict in order not to jeopardize their welfare gains obtained from trade. Following remarks, Hirschman draws attention to the idea that interests rising from commercial activities have the ability to ‘overcome the passions’. ‘International commerce, being a transaction between nations, could conceivably have also a direct impact on the likelihood of peace and war: once again the interests might overcome the passions, specifically the passion for conquest’ (Hirschman 1977: 79).

Peace-inducing effects of commercial ties were recently investigated by several writers, including Polachek (1997), Oneal – Russett (1999), and Dorussen – Ward (2010). One of the key assumptions of the liberal premise that trade fosters peace through rational cost-benefit analysis by countries was empirically tested by Polachek. Putting forward that ‘the implicit price of being hostile’ is paid in ‘the diminution of welfare’, Polachek found that ‘a doubling of trade on average leads to a 20% diminution of belligerence’. Although Polachek agreed that the data set he used has its own shortcomings, the argument that countries take their welfare gains into consideration before daring hostilities is a plausible premise given that no country in the world is able to enjoy an absolute self-sufficiency.

Empirical findings of Oneal – Russett (1999) also support the idea that there are peace-inducing benefits of trade resulting from the costly nature of conflicts. As long as decision-makers act in rational ways, the likelihood of potential losses, which might be incurred from worsening trade relations, will be a guarantor, at least to some extent, of long-lasting peace.

### 3. THE POLITICAL ECONOMY OF TURKISH-RUSSIAN TRADE RELATIONS

For centuries, Turkey and Russia have been pivotal actors in Eurasia; shaping and influencing each other’s destiny in terms of economic, political and cultural aspects. However, two nations’ centuries-old mutual history is marked with struggle, conflict and war rather than peace and cooperation. Since the time of the Ottoman Empire, numerous wars were fought. With 13 wars being waged between Turkey and Russia until the beginning of the 20th century, only two exceptional periods of cooperation prevailed in 1920–1930s and since 2000 up until now.

The long-lasting history of interactions of the two nations has taken a distinctive turn at the end of the 20th century. The Turkish-Russian relations had so far been analysed mostly through tools of high politics; rivalry, competition, power struggle and war. But the relations between two countries have recently started to be studied by means of new concepts such as economic interdependence and ever-increased trade relations in addition to peace-inducing effects of such relations. Beginning in the 1980s, the economic liberalization efforts in order to adapt to globalization made it a necessity for Turkey to expand into new markets and integrate with the outer world (Büyükkınci 2012). Likewise, Russia also introduced trade liberalization reforms while trade only played a secondary role in the Russian economy until the late 1980s (Tabatchnala-Tamirisa 1997).

With the rise of the trading state (Kirişçi 2009), economic considerations gained greater significance with trade being a key component of the Turkish foreign policy considerations. As



stated by Barysch, ‘Turkey’s trade with its neighbours has grown noticeably faster than that with the EU’ (Barysch 2010: 5). Consequently, the share of Turkish exports to the Near and Middle East countries almost increased twofold between 2001 and 2012, while the EU’s share fell below 50% (Civan et al. 2013, Karataş 2020). The latest trend of increasing trade with neighbours also applied for Turkish-Russian trade. Trade with Russia has also expanded significantly and has been an important driving force behind the visible improvement in the Turkish-Russian relations (Larrabee 2010).

Improving relations between Turkey and Russia with economic and trade ties, in particular, have switched to yet another level by the year 2004. Putin became the first Russian President to visit Turkey in the last 32 years. The two day visit, which took place on 5–6 December 2004, resulted in the signing of the *Joint Declaration* between the Republic of Turkey and the Russian Federation on deepening *Friendship and Multi-Dimensional Partnership* (Kiniklioglu – Morkva 2007; Aras – Polat 2008). Besides, six cooperation agreements in such areas as energy, finance and security were finalized on this occasion (Weitz 2010; Büyükakinci 2012). Putin’s visit accelerated diplomatic relations, with Turkish and Russian officials frequently coming together in the next decade (ORSAM 2018). Following this period of close cooperation and intense diplomatic activity, the notion of the ‘strategic partnership’ has begun to be voiced in describing the Turkish-Russian relations (Büyükakinci 2012). As Göksedef (2018) put it, relations were at their best since the high level visits in 2004 until November 2015 when the jet crisis erupted.

Due to the economic crisis in Russia, trade volume between Turkey and Russia decreased considerably in 1998. However, bilateral trade has begun to increase since the 2000s. On the other hand, rising trade volume was accompanied by a rising trade deficit to Turkey’s disadvantage with a great portion of the Turkey’s trade deficit with Russia being based on its energy imports from the Russian Federation.

As Table 1 demonstrates, Turkish-Russian trade volume was slightly more than 4 billion dollars in 1997. However, this figure increased to almost 38 billion dollars by 2008, multiplying approximately eight times. It is worthwhile to note that trade volume increased dramatically in the years 2004–2005 when the reciprocal visits by Turkish and Russian presidents as well as other high level diplomatic meetings marked the beginning of a new phase in bilateral relations. However, trade between the two countries suffered a sharp fall in the year of the global financial and economic crisis, decreasing to \$23 billion in 2009.

Another important point to emphasize in Table 1 is that there has been a sharp decrease in trade volume between Turkey and Russia from 23.9 billion dollars in 2015 to a record low of 15.3 billion dollars in 2016 since 2005. This plummet in bilateral trade cannot be explained without taking into consideration the Jet Crisis (already mentioned) which demonstrates the reciprocal interactions between political and economic spheres. In this sense, the Jet Crisis can be an important example of both ‘proactive’ and ‘reactive’ use of trade preferences in the light of economic interdependence. Freezing of imports from Turkey and other trade sanctions imposed by Russia following the downing of a Russian SU-24 fighter jet by the Turkish military demonstrate that trade relations both serves as a moderate way of retaliation as well as a safeguarding system based on the economic concerns, which limits reaction of countries to conflicts and crises. In *proactive* sense, 24th November crisis showed that countries refrain from taking aggressive steps in the face of risking highly beneficial and highly essential business and trade relations. In *reactive* sense, tailored economic and trade sanctions functioned as a non-aggressive way of retaliation. In this regard, a thorough analysis of the Turkish-Russian trade



**Table 1.** Turkish exports to and imports from Russia (1000 \$)

	Export	Import	Volume	Balance
1997	2.056.542	2.174.258	4.230.800	-117.716
1998	1.347.533	2.154.994	3.502.527	-807.461
1999	586.589	2.371.856	2.958.445	-1.785.267
2000	643.903	3.886.583	4.530.486	-3.242.680
2001	924.107	3.435.673	4.359.780	-2.511.566
2002	1.172.039	3.891.722	5.063.761	-2.719.683
2003	1.367.591	5.451.316	6.818.907	-4.083.725
2004	1.859.187	9.033.138	10.892.325	-7.173.951
2005	2.377.050	12.905.620	15.282.670	-10.528.570
2006	3.237.611	17.806.239	21.043.850	-14.568.628
2007	4.726.853	23.508.494	28.235.347	-18.781.641
2008	6.483.004	31.364.477	37.847.481	-24.881.473
2009	3.202.398	19.450.085	22.652.483	-16.247.687
2010	4.628.153	21.600.641	26.228.794	-16.972.488
2011	5.992.633	23.952.914	29.945.548	-17.960.281
2012	6.680.586	26.625.286	33.305.872	-19.944.700
2013	6.964.209	25.064.214	32.028.423	-18.100.004
2014	5.943.014	25.293.392	31.239.105	-19.347.679
2015	3.588.657	20.401.756	23.990.413	-16.813.099
2016	1.529.432	13.808.704	15.338.136	-12.279.271
2017	2.734.316	19.514.094	22.248.410	-16.779.778
2018	3.399.662	21.989.574	25.389.236	-18.589.912
2019	3.854.809	22.454.477	26.309.286	-18.599.668

Source: Republic of Turkey Ministry of Trade, 2020.

relations offers key insights into how Turkey and Russia maintain a certain level of peaceful co-existence despite their differing geographical and foreign policy expectations. Accordingly, trade volume between the two countries recovered to 22 billion dollars in 2017, and it further increased to 26 billion dollars in 2019.

The concepts of ‘complementary economies’ and ‘integrated economies’ are frequently mentioned in discussing and analysing the Turkish-Russian economic and trade relations (Arafat Alnuaimy 2011; Özbay 2011; Gökirmak 2012; Arslan 2013; Zengin 2015; Turan 2019). Complementary nature of the trade relations of two countries makes the notion of

‘interdependence’ a stronger argument in the Turkish-Russian case. Despite critics that trade deficit is to the disadvantage of Turkey since Turkey’s huge amount of energy imports from Russia makes Turkey ‘dependent’ on Russia rather than a mutual dependence, two countries have significant gains and losses with regard to their trade choices with each other. In addition to trade in goods and energy cooperation, high volume of services trade is also of significant importance to both countries.

The argument that Turkish and Russian economies have complementary natures is also supported by the breakdown of goods and services traded between two countries (Zengin 2015). Consumption goods, fruits and vegetables exported by Turkey meet an important portion of Russia’s needs, while Russian exports of minerals such as oil, natural gas and anthracite as well as semi-manufactured products are vital for Turkey’s growing energy consumption and development efforts. In addition to trade in goods, services trade of the two countries also strengthens this mutual dependence. While Turkish and Russian products complement each other, Turkish services exports in tourism and construction fields constitutes a key component of interdependence.

Turkey needs cheap and reliable energy supplies, Russia, on the other hand, needs reliable markets as well as reliable routes to export oil and gas to the third country markets. As put forward by İşeri, under the light of Russian plans to expand its western market and Turkey’s ‘pledge to become a regional energy hub’ (İşeri 2010), the Turkish-Russian economic cooperation is so important that it is this cooperation that will shape Eurasian economic space.

Despite the fact that concerns are voiced with regard to Turkey’s increasing dependence on Russian natural gas, this dependence also contributes to a collective sense of ‘interdependence’. As a key component of Turkish-Russian interdependence, energy trade will be further discussed below.

### 3.1. Energy trade

Energy issue has both economic and political dimensions for Turkey and Russia. As two key actors in Eurasia, Turkey and Russia seek to use energy issue as a policy card. From the Russian perspective, energy sources mean a political leverage in its relations with the European countries including Turkey as well as a vital source of income, which is direly needed for an active Russian foreign policy. On the other hand, geo-political considerations as well as its long-term goals to become a high-income country determine Turkey’s energy policies.

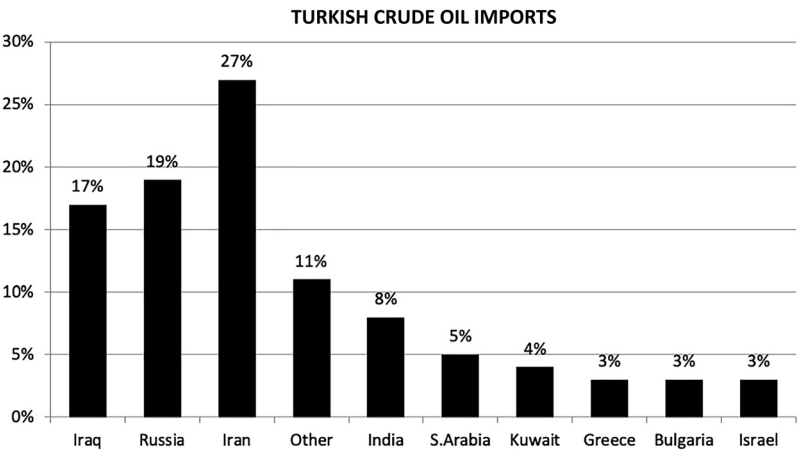
For its oil and gas imports, Turkey is highly dependent on a number of key countries; namely Russia, Iran and Iraq.

As shown in [Chart 1](#), Iran and Iraq make up for 44% of Turkey’s crude oil imports while a considerable portion of crude oil is imported from Russia, India and Saudi Arabia. The share of these countries in Turkish crude oil imports are 19%, 8% and 5%, respectively.

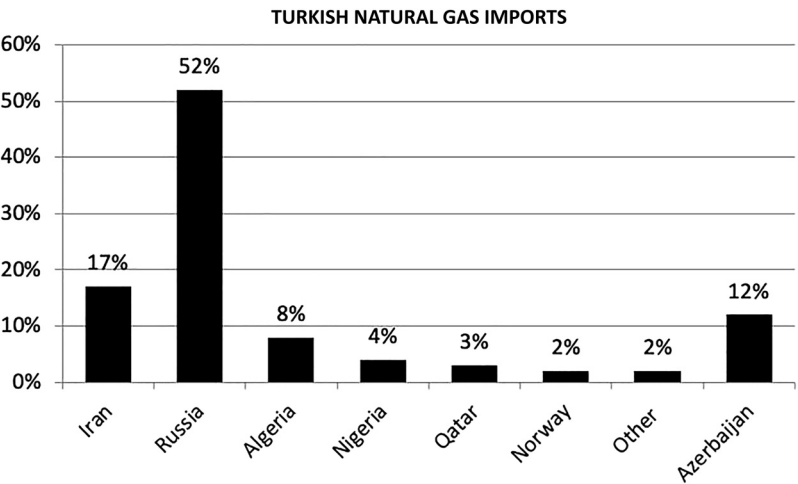
While Russia’s share in the Turkish oil imports is lower than that of Iran’s, Russia is the largest supplier of natural gas to Turkey. It can be seen in [Chart 2](#) that more than half of Turkish natural gas consumption is provided by Russia.

Energy trade with Turkey is also highly important for Russian economy both in terms of sales and transportation of natural gas. With the largest natural gas reserve in the world, Russia is a key supplier for Europe and Turkey. After Germany, Turkey is the largest importer of Russian gas in Europe with an annual import of around 27 billion cubic meters (Gazprom Export 2019).





**Chart 1. Turkish oil imports**  
*Source: Turkish Petroleum Report on Crude Oil and Natural Gas, 2017.*



**Chart 2. Turkish natural gas imports**  
*Source: Turkish Petroleum Report on Crude Oil and Natural Gas, 2017.*

Gas supply from Russia to Turkey is carried through two pipelines. 845 km long Western Line runs through northern Europe and enters Turkey on the Bulgarian border. While the maximum capacity of the Western Line was around 6 billion cubic meter in 1993, it was increased up to 14 billion cubic meters later on. The second gas pipeline from Russia to Turkey; the Blue Stream consists of three key components. The first part of the pipeline runs within the Russian territory in order to reach the Black Sea. Another line running through the





sea reaches the coastal city of Samsun in Turkey to be re-transferred to Ankara via another line. The Blue Stream pipeline has the capacity of transporting up to 16 billion cubic meters of natural gas.<sup>2</sup>

As an ongoing project ‘*Turkish Stream*’ pipeline is supposed to increase Turkish gas imports from Russia as well as Turkish-Russian cooperation and interdependence. Turkish Stream pipeline is planned to transport an annual 63 billion cubic meters of natural gas through four lines. While it is envisaged that one of these lines would provide an additional 16 billion m<sup>3</sup> of Russian gas to Turkey, the other three lines are expected to supply Russian gas to the EU countries. During the 23rd World Energy Congress held in Istanbul in 2016, ‘*Intergovernmental Agreement for the Turkish Stream Pipeline Project*’ was signed between Turkey and Russia.

Signing of the intergovernmental agreement was a key development in the project following the November crisis between Turkey and Russia. Given that Russia supplied 159 billion m<sup>3</sup> of natural gas to Europe in 2015 (Gazprom Export 2019), an additional supply capacity of 63 billion m<sup>3</sup> via the Turkish Stream pipeline would be highly critical for Russian economy as well as for Turkey’s growing energy consumption.

Energy trade between Turkey and Russia is not limited to oil and natural gas sales. Cooperation and interdependence between the two countries have become increasingly more intertwined in the recent decade. Turkish-Russian cooperation with regard to nuclear energy further enhanced existing energy links. Turkey and Russia signed the Agreement Concerning the Cooperation for the Establishment and Operation of a Nuclear Power Plant in the Akkuyu Field in 2010. According to the agreement, Russians are going to build four nuclear reactors with a total installed capacity of 4800 MW in the Akkuyu field. The *Akkuyu Power Plant Project (APP)*, which is planned to produce energy by 2021, also includes a training program for 600 Turkish students who are to be trained in Russia for more than 5.5 years (Akkuyu Nükleer Güç Santrali 2018).

### 3.2. Trade in services: tourism and construction

The growing trade in goods as well as the strong energy cooperation between Turkey and Russia was complemented by beneficial interdependence between the two countries in the services sector as well. While Turkish consumption goods and Russian oil and gas complement each other, trade in services also plays a key role in the mutual dependence.

As Turkish-Russian trade data in Table 1 shows there is a considerable trade deficit to the disadvantage of Turkey in the Turkish-Russian trade. Growing in line with Turkey’s rising energy consumption, this trade deficit is frequently voiced by the Turkish authorities. However, it was claimed by the Russians that the trade deficit was balanced by Turkish exports in construction and tourism sectors (ORSAM 2018). However, the trade deficit to Turkey’s disadvantage is far from being balanced by revenues from the Russian tourists.

As one of the most visited tourism destinations in the world, Turkey hosts millions of tourists each year. Every year, more than 35 million tourists visit Turkey. While the number of tourists visiting Turkey was roughly 23 million in 2006, it increased to 39 million by 2017. However it should be noted that the number of foreigners visiting Turkey decreased in 2016 due to terrorist

<sup>2</sup>See: <https://enerji.gov.tr/bilgi-merkezi-dogal-gaz-boru-hatkari-en>.



bombings and coup attempt. On the other hand, Turkey's income from tourism considerably increased from \$16 billion in 2005 up to \$20 billion in 2017.

Due to its geographical proximity as well as favourable climate conditions, Turkey is the most popular tourism destination for Russians (Arslan 2013). In 2018, Russians replaced Germans as the largest tourist group visiting Turkey. With an increase of 16.09%, approximately 6 million Russian tourists visited Turkey in the first ten months of 2018, followed by 4 million Germans. In this regard, outstanding place of Russian tourists in statistics also points to the unprecedented level of interaction between Turkey and Russia.

In line with strong relations in the field of tourism as well as growing bilateral trade, the 'Agreement on the Mutual Travel Procedure for the Citizens of The Republic of Turkey and the Citizens of The Russian Federation' was signed in 2010. The agreement emphasises mutual aspiration of parties in order to promote cooperation in political, economic, trade and cultural fields. Expressing that visa-free travel would improve bilateral relations of the two countries in several fields, visa agreement sets forth the short-term visa exemption for the Turkish and Russian citizens. Under the light of the fact that the relations of these two nations had been characterised as hostile except for the short periods of cooperation, granting visa-free travel rights to each other's citizens was a milestone in the Turkish-Russian relations. Following the visa agreement, the number of Russian citizens visiting Turkey increased from 2.3 million in 2010 up to 3.5 million in 2014.

However, the visa-free travel arrangement came to a halt following the November 2015 crisis between Turkey and Russia. Shortly after downing of a Russian fighter jet by the Turkish military, Russian Foreign Minister announced the suspension of visa-free travel agreement. Given that Russians are the second largest tourist group behind Germans visiting Turkey, the Russian decision was likely to have a significant negative effect on the Turkish economy (Bertrand 2019). Consequently, the volume of Turkish-Russian trade decreased down to 16.8\$ billion in 2016, a record low since 2005.

Construction is another key service sector in the Turkish-Russian trade. As in the case of tourism sector, Turkey is one of the leading countries in the field of construction services. According to the Engineering News-Record Magazine, there were 42 Turkish construction companies in the '2015 Top 250 International Constructors' list as the second largest group after the Chinese companies. Total contracting revenue of these 250 companies in 2014 from projects outside their home countries stood at \$522 billion.<sup>3</sup> Due to its geographical position, qualified labour force in the construction sector, technological know-how as well as close cooperation between private and public sectors, the Turkish construction sector completed 8.838 projects in 109 countries since 1972 until the end of the first half of 2016, total value of which is \$328 billion. As in the tourism sector, Russia accounts for a considerable share in the Turkish construction exports. While Russians are the second largest tourist group visiting Turkey, the largest share of the Turkish construction services abroad are carried out in Russia.

Under the light of growing bilateral trade between Turkey and Russia, the share of Russians in the Turkish services sector is of critical importance to improved trade relations between the two countries. Given that there is a growing trade deficit to Turkey's disadvantage, Turkish

<sup>3</sup>[The 2015 Top 250 International Constructors], <[http://www.enr.com/toplists/2015\\_Top\\_250\\_International\\_Constructors3](http://www.enr.com/toplists/2015_Top_250_International_Constructors3)>.



services exports to Russia seem to close the gap in the Turkish-Russian trade imbalance to a certain extent.

In summary, it can be asserted that the economic relations, specifically trade, are and will be a key determinant of not only Turkish foreign policy but also Turkish-Russian bilateral relations.

#### 4. POLICY RECOMMENDATIONS FOR TRADE RELATIONS BETWEEN TURKEY AND RUSSIA

The potential of services trade should be thoroughly grasped. With three millions of Russian tourists visiting Turkey each year and Russia being the largest market for Turkish construction exports, service trade corresponds to a considerable amount compared to trade in goods. Given that average expenses per tourist in Turkey is around \$630, Turkey obtains an approximate revenue of \$2.25 billion per year from tourism relations with Russia. Furthermore, the total Turkish construction exports to Russia reached \$645 billion since 1972. Taking significant volume of services trade into consideration, necessary steps must be taken in order to expand the Turkish export market in services. Structural or infrastructural investments must be made in order to facilitate two countries' service trade. In this respect, procedural compatibility must be established with Russia. Besides, the Turkish tourism and construction sectors must be provided with educated manpower to overcome language barriers as well. Especially in the field of tourism, Turkey is supposed to fully understand cultural and social expectations as well as tastes and preferences of Russian people with the aim of attracting a greater number of tourists. In this respect, an extensive analysis of reasons leading the Russian tourists to choose Egypt and China as their holiday destination must be conducted.

As for trade in goods between Turkey and Russia, Turkey should introduce a greater value-added in products exported to the Russian market. Besides, trade deficits with Russia must be taken into consideration and therefore, alternative means of payments such as 'commodity for natural gas' must be introduced for energy imports from Russia. Besides, Turkey's significant dependence on Russia for natural gas and oil must be reduced. Another key point with regard to energy trade with Russia is Turkey's search to be an energy hub in the region. Efforts for this purpose should never be to the detriment of Russia, which will seek ways to retaliate in response to its strategic losses in the field of energy. Therefore, Turkey is supposed to stick to cooperation and dialogue with Russia in order to maximise its economic and political benefits in the region. A high level of cooperation in these fields will not only promote Turkish-Russian trade but will also make it possible for the two parties to engage in joint ventures in other countries, which will be to the further benefit of Turkey and Russia.

Based on the political economic analysis in this study, it can be claimed that the role of trade in the Turkish foreign policy as a means and an end in the last two decades has been visible in the Turkey's relations with Russia. As a means, trade relations constantly secured open channels of communication with this country. Non-sacrificable bilateral trade relations were one of the driving forces behind the Turkish-Russian political and diplomatic rapprochement since the turn of the 21st century.

To sum up, a well-tailored trade strategy incorporating economic and non-economic parameters with regard to Turkey and its relations with Russia is likely to make a significant difference. Expanding markets for Turkish exports will not only promote Turkey's national



power but also make contributions to its political and diplomatic relations in the region. Accounting for a great portion of Turkey's trade deficit, energy imports are likely to grow in line with economic growth, which means that Turkey's trade deficit with Russia is likely to grow as well. Therefore, Turkey must increase the share of high-value-added and technology-intensive goods as well as services with greater market potential in order to close this deficit as much as possible.

It should finally be stated that despite the passifying effects of economic interconnectedness between the two countries, new security-related matters of conflict have emerged challenging the Turkish-Russian pragmatism. Both parties have successfully refrained from direct confrontations, especially in Syria. While the Syrian crises turned out to be a controversial policy matter for the Turkish-Russian agenda, policy makers have aptly isolated their converging interests over Syria from fertile cooperation ground. This can also be seen from bilateral initiatives assumed by Russian and Turkish statesmen in the establishment of multiple cease-fires in the Idlib province, which appears to be the centre of recent controversy between Turkish and Russian stances on Syria. Furthermore, Turkey and Russia have proceeded with their long-term strategic project "Turkish-Stream" (TürkAkım) and the leaders of the two countries came together in Turkey in January 2020 for the official inauguration of the project. Recent frictions have fallen short of derailing the Turkish-Russian relations from the path of economic pragmatism but increased the number of direct official contacts, which included economic matters again.<sup>4</sup>

It is no secret that Turkey's purchase of S-400 air defence systems from Russia has led to criticism within the Western bloc, notably NATO. However, under the light of Turkey's growing security concerns due to increasing challenges along its southern borders, S-400 issue has not evolved into a crisis. In this regard, Secretary General of NATO stated that NATO's partnership with Turkey is way greater than the S-400 issue.<sup>5</sup> Nevertheless, ever-closer Turkish-Russian cooperation is likely to attract further criticism from the Western bloc as long as it expands towards increased trade in military assets.

## 5. CONCLUSION

War and trade have always been defining features of the international order (Gilpin 1981). War and trade not only drew the course of the history but also determined the allocation of 'power and plenty' between nations (Findlay – Rourke 2007). Furthermore, war and trade as well as power and plenty have been closely intertwined throughout the history. While discoveries, war and conquest have been important means of allocation of wealth and consequently power, international trade became the main non-violent tool of sharing global wealth especially since the end of the WWII. While growing trade produced material gains such as economic development and increased welfare for consumers, empirical studies showed that trade promoted peace among nations (Polachek 1997; Oneal – Russett 1999; Gartzke et al. 2001; Dorussen – Ward 2010).

<sup>4</sup><https://www.bbc.com/turkce/haberler-turkiye-51023812>.

<sup>5</sup><https://www.aa.com.tr/tr/dunya/nato-genel-sekreteri-stoltenberg-natonun-turkiye-ile-is-birligi-f-35lerden-cok-daha-kapsamlidir/1534774>.



In the last two decades, Turkey has benefited from not only material gains but also peace-inducing effects of international trade. In this regard, Turkey's trade relations with Russia distinctly developed in accordance with the changing Turkish foreign policy, which assigned a key role to international trade.

Relations between Turkey and Russia have taken a distinct turn by the early 2000s. Facilitated by regional and international conjuncture, two countries achieved a significant rapprochement given the historical outlook of their bilateral relations. In terms of the post-2000 rapprochement, economic considerations through bilateral trade played a significant role. Embracing trade liberalisation policies after the 1980s, both countries sought to promote economic gains from further trade engagement with their neighbours. This approach helped Turkey and Russia reconcile their differences to an extent that allowed both parties to benefit from a growing bilateral trade.

Reciprocal interaction between trade and political dialogue improved relations in both economic and political spheres. While strategic expectations from trade relations propelled Turkish-Russian relations, political differences especially since the Russian intervention in Georgia in 2008 slowed the pace of trade relations. However, it should be noted that Turkey and Russia achieved to maintain pragmatic trade relations, finding a common ground even at the time of crises, such as the Jet Crisis in 2015.

When the recent trade data of the Turkish Statistical Institute is taken into consideration, it is observed that the share of the EU in Turkey's exports decreased from 50% in 2018 to 48.5% in 2019, while the share of the Near and the Middle East in Turkey's exports increased from 17.5% in 2018 to 18.6% in 2019. Meanwhile, both the share of the EU and the Near and the Middle East in Turkey's imports decreased from 36.2% and 8% in 2018 to 34.2% and 7.6% in 2019, respectively. This trend for imports was not observed in Turkey's trade relations with Russia, whose share increased from 9.9% in 2018 to 11.1% in 2019. The ongoing trend demonstrates that the post-2000 Turkish foreign policy had a key pillar which was built on practical and pragmatic considerations. In this regard, Turkey sought to propel economic growth through exports by utilising long-neglected capacity for trade with its neighbours as well as other regions such as Africa which was beyond the scope of the Turkish foreign policy.

As it can be seen in the analyses on Russia, the new mind set of the Turkish foreign policy paid its dividend in a number of ways. First and foremost, Turkey significantly gained from increased foreign trade. In addition to the export-led economic growth, political and diplomatic relations benefitted from rising economic interdependence in both proactive and reactive ways. Abstaining from jeopardising lucrative trade relations and pragmatic interdependence, Turkey and its neighbours sought to minimise conflicts. While limiting confrontations in a proactive way, trade also provided all parties with economic tools of retaliation as happened in the case of Russian Jet Crisis, contributing to peace in a reactive way.

In order to maximise the contribution of international trade to economic growth and national welfare as well as peaceful co-existence in the region, Turkey is supposed to refrain from engaging in direct political and military confrontations with the neighbouring states. Furthermore, indispensable struggle against terrorist groups should not jeopardise the strategic interests of Turkey in terms of trade and economic considerations. While Turkey can ensure cordial relations with those countries in the region through increased bilateral trade, it also has to promote its industrial capabilities and productivity. Therefore, the share of technology-intensive manufactured goods and high-value added commodities must be increased in the composition



of Turkish foreign trade. Provided that Turkey reconciles political differences with all countries in the region to the extent that trade relations prosper and enhance its competitiveness in international trade through increased productivity and qualified labour, Turkish foreign policy will also reap the benefits of an increased national power based on trade-related economic growth and peaceful cooperation.

However, these positive externalities from trade are like to be realised as long as there are mutually beneficial interdependencies between these countries. Therefore, in its trade relations with Russia, Turkey must refrain from building one-sided dependencies, especially in the field of energy. While the share of Russia in Turkish foreign trade increased relatively more than that of the EU, it would be a good strategy for Turkey to keep on targeting Europe, which still offers a great market for Turkish exports. At this point, it can be claimed that maintaining a well-balanced trade strategy without preferring any particular group of country for another would be to the benefit of Turkey.

Under the light of the fact that there are discernible ethnic, sectarian, religious, social and cultural differences among Turkey and Russia, parties should embrace a peaceful, cooperative and sharing approach in their trade policies, refraining from resorting to any kind of interventionist policies, which might trigger fault lines in both economic and political fields.

## REFERENCES

- Akkuyu Nükleer Güç Santrali (2018): <http://nepud.enerji.gov.tr/tr-TR/Sayfalar/Akkuyu-Nukleer-Guc-Santrali>.
- Altunışık, M. B. (2009): Worldviews and Turkish Foreign Policy in the Middle East. *New Perspectives on Turkey*, 40: 169–192.
- Arafat, M. – Alnuaimy, L. O. M. (2011): The Turkish-Russian Relations in the Era of AKP. *Afyon Kocatepe Üniversitesi, İİBF Dergisi*, 13(2): 103–133.
- Aras, B. – Polat, R. K. (2008): From Conflict to Cooperation: Desecuritization of Turkey's Relations with Syria and Iran. *Security Dialogue*, 39(5): 495–515.
- Aras, B. – Fidan, H. (2009): Turkey and Eurasia: Frontiers of a New Geographic Imagination. *New Perspectives on Turkey*, 40: 193–215.
- Arslan, M. (2013): Türkiye'nin Rusya ile Ekonomik İlişkileri ve Bu İlişkilerin Rusya Federasyonunda Yaşayan Türk Dilli Halklara Yansımaları (Turkey's Economic Relations with Russia and the Reflections of these Relations to the Turkic Speaking Peoples Living in the Russian Federation). *Coğrafya Dergisi*, 0(26): 46–75.
- Babacan, M. (2011): Whither an Axis Shift: A Perspective from Turkey's Foreign Trade. *Insight Turkey*, 13(1): 129–157.
- Barbieri, K. (2005): *The Liberal Illusion*. Ann Arbor: University of Michigan Press.
- Barrans, T. (2015): Turkey-Iran Relations: Pragmatic Economics & the Ideological Ceiling to Strategic Relations. *Journal of the Oxford Centre for the Study of Law & Public Policy*, 1: 27–48.
- Barysch, K. (2010): Can Turkey Combine EU Accession and Regional Leadership? *Centre for European Reform, Policy Brief*.
- Bertrand, N. (2019): Russia Just Dealt a Huge Blow to Turkey Over its Downing of a Russian Warplane. *Business Insider*, <http://www.businessinsider.com/russia-turkey-jet-visa-travel-agreement-2015-11>.





- Büyükkakıncı, E. (2012): Türk-Rus İlişkilerinin Değerlendirilmesi: Güvenlik Sorunsalından Çok Boyutlu Derinliğe Geçiş (Evaluation of Turkish-Russian Relations: Transition from Security Problematic to Multidimensional Depth). In: Büyükkakıncı, E. – Bacanlı, E. (eds): *Sovyetler Birliği'nin Dağılmasından Yirmi Yıl sonra Rusya Federasyonu: Türk dilli Halklar ve Türkiye ile İlişkiler (The Russian Federation Twenty Years After the Dissolution of the Soviet Union: Turkic-Speaking Peoples and Relations with Turkey)*. Ankara: Atatürk Kültür Merkezi Yay, pp. 779–842.
- Civan, A. – Genç, S. – Taser, D. – Atakul, S. (2013): The Effect of New Turkish Foreign Policy on International Trade. *Insight Turkey*, 15(3): 107–122.
- Dorussen, H. – Ward, H. (2010): Trade Networks and the Kantian Peace. *Journal of Peace Research*, 47(1): 29–42.
- Findlay, R. – Rourke, K. H. (2007): *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*. Princeton, NJ: Princeton University Press.
- Gartzke, E. – Li, Q. – Boehmer, C. (2001): Investing in the Peace: Economic Interdependence and International Conflict. *International Organization*, 55(2): 391–438.
- Gazprom Export (2019): <http://www.gazpromexport.ru/en/statistics/>.
- Gilpin, R. (1981): *War and Change in World Politics*. Cambridge: Cambridge University Press.
- Gilpin, R. (2001): *Global Political Economy: Understanding the International Economic Order*. Princeton, NJ: Princeton University Press.
- Gökırmak, M. (2012): From Foe to Friend: Turkish-Russian Relations in the 21st Century. *International Journal of Social Inquiry*, 5(1-2): 85–102.
- Göksedef, E. (2018): Putin dönemi Türk-Rus ilişkileri (Turkish-Russian Relations in the Putin Era). *Al Jazeera Turk*, <http://www.aljazeera.com.tr/al-jazeera-ozel/putin-donemi-turk-rus-iliskileri>.
- Hirschman, A. O. (1977): *The Passions and the Interests*. Princeton, NJ: Princeton University Press.
- Irwin, D. A. (2015): *Free Trade Under Fire*. New Jersey: Princeton University Press.
- İnat, K. (2015): Ekonomik İşbirliği Örgütü'nün 30. Yılında Türkiye-İran Ekonomik İlişkileri (Turkey-Iran Economic Relations in the 30th Anniversary of the Economic Cooperation Organization). *SETA Analiz*.
- İşeri, E. (2010): Eurasian Geopolitics and Financial Crisis: Transforming Russian-Turkish Relations from Geopolitical Rivalry to Strategic Cooperation. *Journal of Balkan and Near Eastern Studies*, 12(2): 173–186.
- Karataş, A. – Şimdi, H. – Garip, B. (2020): The Correlational Relationship Between Misinvoicing and Non-Tariff Measures for Turkey's Exports to the EU. *Acta Oeconomica*, 70(2): 327–346.
- Keohane, R. – Nye, J. (2012): *Power and Interdependence*. Boston: Longman.
- Kınıklıoğlu, S. – Morkva, V. (2007): An Anatomy of Turkish-Russian Relations. *Southeast European and Black Sea Studies*, 7(4): 533–553.
- Kirişçi, K. (2009): The Transformation of Turkish Foreign Policy: The Rise of the Trading State. *New Perspectives on Turkey*, 40: 29–57.
- Kutlay, M. (2011): Economy as the 'Practical Hand' of 'New Turkish Foreign Policy': A Political Economy Explanation. *Insight Turkey*, 13(1): 67–88.
- Larrabee, S. F. (2010): Turkey's New Geopolitics. *Survival*, 52(2): 157–180.
- Montesquieu, C. (1748): *The Spirit of Laws*. Kitchener, Ontario: Batoche Books.
- Müftüler-Baç, M. (2014): Changing Turkish Foreign Policy towards Iraq: New Tools of Engagement. *Cambridge Review of International Affairs*, 27(3): 538–552.
- Oneal, J. R. – Russett, B. (1999): Assessing the Liberal Peace with Alternative Specifications: Trade Still Reduces Conflict. *Journal of Peace Research*, 36(4): 423–442.



- ORSAM (2018): Komşuluktan Stratejik İşbirliğine: Türk-Rus İlişkileri (From Neighborhood to Strategic Cooperation: Turkish-Russian Relations). *Ortadoğu Stratejik Araştırmalar Merkezi*, <http://www.orsam.org.tr/index.php/Content/Report/21?s=su%7Cturkish>.
- Öniş, Z. (2011): Multiple Faces of the 'New' Turkish Foreign Policy: Underlying Dynamics and a Critique. *Insight Turkey*, 13(1): 47–65.
- Özbay, F. (2011): Soğuk Savaş Sonrası Türkiye-Rusya İlişkileri (Post-Cold War Turkey-Russian Relations): 1992-2010. *Bilge Strateji*, 2: 35–77.
- Özcan, M. (2011): From Distance to Engagement: Turkish Policy towards the Middle East, Iraq and Iraqi Kurds. *Insight Turkey*, 13(2): 71–92.
- Özer-İmer, I. – Kugler, J. – Root, H. L. (2013): Turkey and the West: Bargaining for Realignment. *Journal of Contemporary European Studies*, 21(2): 218–251.
- Polachek, S. W. (1997): Why Democracies Cooperate More and Fight Less: The Relationship between International Trade and Cooperation. *Review of International Economics*, 5(3): 295–309.
- Sinkaya, B. (2012): Rationalization of Turkey-Iran Relations: Prospects and Limits. *Insight Turkey*, 14(2): 37–156.
- Tabatchnala-Tamirisa, N. (1997): Trade Liberalization and Industry Protection in Russia during 1992–95. *Hitotsubashi Journal of Economics*, 38(1): 79–91.
- Turan, İ. (2019): Türk-Rus İlişkileri: Sorunlar ve Fırsatlar' (Turkish-Russian Relations: Challenges and Opportunities). <http://www.bilgesam.org/Images/Dokumanlar/0-10-2014040950rapor5.pdf>.
- Weitz, R. (2010): Russian-Turkish Relations: Steadfast and Changing. *Mediterranean Quarterly*, 21(3): 61–85.
- Zengin, E. (2015): Türkiye ve Rusya Federasyonu Ticari İlişkileri (Trade Relations of Turkey and Russian Federation). *Avrasya İncelemeleri Dergisi*, 4(1): 61–103.