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**A DESCRIPTIVE ANALYSIS OF TURKISH-RUSSIAN
TRADE RELATIONS: 1923-2015**

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DECLARATION

I hereby declare that this master's thesis titled as “***A Descriptive analysis of Turkish-Russian trade relations: 1923-2015***” has been written by myself in accordance with the academic rules and ethical conduct. I also declare that all materials benefited in this thesis consist of the mentioned resources in the reference list. I verify all these with my honor.

Date

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ABSTRACT

Master's Thesis

A Descriptive analysis of Turkish-Russian trade relations: 1923-2015

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The current economy is characterized by the intensifying economic interaction between countries, with emerging powers increasing their influence in neighboring regions. The growing partnership between Turkey and Russia constitutes a useful case study for examining this transformation, in which economic ties take a significant part. After years of conflict and antagonistic relations between Turkey and Russia during the Cold War, a significant partnership has developed, based on a series of bilateral agreements, as well as on a loose regional integration agreement in the form of the Black Sea Economic Cooperation Project, over the relatively short period of two decades. This study examines the deepening of cooperation in spite of differences in political orientations and geopolitical rivalry between Turkey and Russia. In other respect, they are very different. Turkey is a functioning democracy with a diverse and dynamic economy. Russia is a recovering ex-superpower with a distorted industrial sector inherited from Soviet times, a heavy dependence on natural-resource exports and an authoritarian political regime, although a soft and flexible one. This thesis aims to study the relations between Turkey and Russia by focusing on the nature of economic interdependence between these countries, focusing on the energy, trade, tourism and investment sectors. The study uses a descriptive analysis and analyses, which main products exported and imported between two mentioned countries.

Keywords: Turkey, Russia, Trade, Economy, Descriptive analysis

ÖZET

Yüksek Lisans Tezi

Türkiye ve Rusya arasındaki ticaret ilişkilerinin tanımlayıcı analizi: 1923-2015.

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Mevcut ekonomi, gelişmekte olan güçler komşu bölgelerde etkilerini artırılmakla birlikte ülkeler arasındaki yoğun ekonomik etkileşim ile nitelendirilmektedir. Türkiye ve Rusya arasındaki büyüyen ortaklık, ekonomik bağların önemli ölçüde yer aldığı bu dönüşümü incelemek için yararlı bir vaka çalışması ortaya konulmaktadır. Soğuk Savaş döneminde Türkiye ve Rusya arasındaki yıllarca süregelen çatışma ve karşıtlık ilişkileri sonrasında, 20 yılın nispeten kısa bir süre içinde bir dizi ikili anlaşmaya ve Karadeniz Ekonomik İşbirliği Projesi şeklinde gevşek bir bölgesel entegrasyon anlaşmasına dayanan önemli bir ortaklık geliştirildi. Bu çalışma, Türkiye ile Rusya arasındaki siyasi yönelimler ve jeopolitik rekabet arasındaki farklılıklara rağmen işbirliğinin derinleşmesini incelemektedir. Öte yandan, Türkiye ve Rusya ülke yapıları çok farklıdır. Türkiye, çeşitli ve dinamik bir ekonomiye sahip olan demokratik bir ülkedir. Rusya, yumuşak ve esnek olmasına rağmen, Sovyet döneminden miras kalan çarpık bir sanayi sektörüyle, doğal kaynaklı ihracata ve otoriter bir siyasi rejime aşırı bağımlı yaşayan eski bir güçtür. Bu tez enerji, ticaret, turizm ve yatırım sektörlerine odaklanan bu ülkeler arasındaki ekonomik bağımlılığın doğasına odaklanarak Türkiye ile Rusya arasındaki ilişkileri incelemeyi amaçlamaktadır. Çalışma tanımlayıcı bir analiz kullanarak ve hangi ana ürünlerin bahsedilen iki ülke arasında ihraç ve ithal edildiğini göstermektedir.

Anahtar kelimeler: Türkiye, Rusya, Ticaret, Ekonomi, Tanımlayıcı analizi

**A DESCRIPTIVE ANALYSIS OF TURKISH-RUSSIAN TRADE
RELATIONS: 1923-2015**

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ABBREVIATIONS

BSEC	Black Sea Economic Cooperation
CEC	Central Executive Committee
CIS	Commonwealth of Independent States
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSM	Global System for Mobile Communications
NATO	The North Atlantic Treaty Organization
OPEC	Organization of the Petroleum Exporting Countries
SITS	Standard International Trade Classification
TUIK	Turkish Statistical Institute
USA	United States of America
USSR	Union of Soviet Socialist Republics

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INTRODUCTION

The world's structure changes every day. Somewhere wars start, somewhere international agreements are signed. Subsequently, the history of the world becomes richer and more interesting. From everlasting, the relationships between countries are built due to various reasons such as trade, cultural, political, social issues, etc. The history of relations between Turkey and Russia is not an exception. Their history takes a long story. There were many positive and negative moments. Every event is significant for both countries. Turkey and Russia are two great powers that have vital influence in global community.

Turkey and Russia are two nations with close economic relationship. Turkey acts as a major consumer of Russian gas and oil, a key transit country, and it is subject to the investment activities of Russian companies.

The relationship between Turkey and Russia is so complex to analyze as a partnership. On the one hand, both of countries used to be rivals. Before the twentieth century they were two Empires and fought many times. Reasons for wars differed from political to land issues. Russia's authorities wanted to reach warm seas that were at the control of the Turkish Straits and hegemony in the Black Sea, this has been at the core of relations between Ottoman Empire and the Russian Empire (Lebedev, 2002). On the other hand, economic cooperation, especially in energy, trade, and tourism sectors, is the main aim that they followed to expand their power in global world. After the collapse of Empires, good relationships were important for both Turkey and the Soviet Union (Tella, 2002). The authorities of both countries tried to develop a very constructive relationship. Consequently, the relations have become multilevel.

In recent years, the relationship between Turkey and Russia has been deepening and widening. This relation has changed dramatically, and current trends in their development require a thorough analysis. A powerful resource potential of Russia and Turkey's unique geographical position make them natural partners in international trade in various resources. It ranges from political relations to economic and cultural issues.

In spite of the fact that Turkey and Russia have different demographic, economic and military potentials, they were able to maintain bilateral relations. The

main reason of the improvement of Turkish-Russian relations is the development of increasingly strong economic bonds. The table below represents the general state of the economies of both countries in 2015. According to the table, population of Turkey and inflation are almost twice less than those of Russia. GDP of Turkey also is less, but GDP per capita and unemployment rate are higher. The countries also differ in terms of current account balance.

Table 1.1: The economies of Turkey and Russia (2015)

	TURKEY	RUSSIA
Population (mln)	77,7	144
GDP per capita (\$)	9,221	8,181
GDP (\$ bn)	717	1,176
Inflation (CPI) % year-on-year	7.7	15,5
Unemployment (%)	10.3	5,6
Current account balance (% GDP)	-4.5	5,9

Source: <http://www.focus-economics.com/countries/>

Turkish–Russian relations have an important impact on the Black Sea, the Caucasus, Central Asia and the Middle East Regions. The thesis aims to analyze the economic relations between Turkey and Russia. Delivery of Russian energy resources, improvement of trade relations, construction activities, and tourism sector – these all tell us the relationship is highly important for both sides. The thesis provides an account of what the most recent trends and developments are, from both domestic and foreign policy perspectives. Thus, here current dynamics of Turkish–Russian economic relations will be examined.

Russia became Turkey’s largest trading partner in 2008, surpassing Germany, while Turkey in 2014 ranks as Russia’s seventh largest trade partner (Ersen, 2011). In addition to Russia becoming Turkey’s dominant energy supplier, bilateral

commerce and investment have also grown considerably in recent years due to the millions of Russian tourists who visit Turkey and the extensive role of Turkish contractors in several sectors of the Russian economy, especially construction. For instance, the number of tourists coming to Turkey in 2014 reached to 3.451.749 (TUIK, 2014). Turkey and Russia are also leading members of the multinational Black Sea Economic Cooperation organization, which promotes trade, energy, and environmental collaboration among the littoral states.

However, the developments in the global economy such as instability in the region in general and fear of developed countries, in addition to national dynamics of both countries, complicate the Turkish-Russian relations.

In summary, there is a need for better understanding of trade relations between Turkey and Russia. The purpose of the study is to analyze the Turkish-Russian economic relations in the trade sector, problems and prospects of their development. More specifically, the following research questions need to be addressed:

1. What is the history of the formation of economic relations between Turkey and Russia in the twentieth century?
2. What are the trends in the development of international trade relations in recent years?
3. What is the importance of geopolitical situation in the field of trade in the interests of the Turkey and Russia?
4. What is the current state of Turkey and Russia market in terms of trade, and what are the problems and prospects of trade cooperation between countries?

The result of this study is deemed to be valuable to the industry supervisors and macroeconomists as well as traders in developing better practice.

This thesis studies the trade relations between Turkey and Russian Federation in period from 1923 to 2015. Especially after the Cold War for both states it was a “new area of cooperation” where each one wanted to gain from (Hill and Taspinar, 2006).

This study is composed of three chapters. First chapter briefly describes the historical episodes of the Turkish-Russian economic relationship in period from 1923 to 2015. Second chapter provides a scholarly literature review about Turkish-Russian economic and trade relations. Third chapter presents an outline of the methodological

framework and empirical results. Last section is the conclusion. The Turkish-Russian economic relations are classified with time periods from 1923 until the Second World War, between 1945 and 1984, between 1985 and to the end of the Soviet Union, and from 1991 to 2015. The historical background is classified in terms of significant improvements in terms of Turkish-Russian relations.



CHAPTER ONE

HISTORICAL BACKGROUND OF TURKISH-RUSSIAN ECONOMIC RELATIONSHIP

Turkey is one of the most important countries of foreign policy and economic partner of Russia from the fiftieth century on (Prousis, 2002). Geographical contiguity and objectively existing complementary economies of both countries have always, and especially in recent history, pushed them to the development of trade and economic cooperation. But, according to some political scientists (Hill and Taspinar, 2006), historically established distrust is still the dominant factor for the establishment of relations of long-term strategic partnership. These trends were observed in the Soviet period, and after the independence of Russia.

This study proposed that the recent warming relations between Turkey and Russia suggest a profitable period of economic cooperation. The rapid transition of Russia to a market economy and the opening of its world market were accompanied by a deep crisis of national production, which caused a huge demand for foreign consumer goods (food and clothing especially) and services (tourism), and it turned out that the specifics of the Russian demand (the optimum price, quality and fashion) identified Turkey as one of the main suppliers of these products. By this time, Turkish-Russian trade system had been mastered experience relatively balanced exchange of goods based on a model contract – natural gas from Russia, and consumer goods – from Turkey.

The period of Turkish-Soviet relations in the sphere of economy and trade between the national liberation war in Turkey and World War II has been studied very little. Two young states formed about the same time after the collapse of the Ottoman and Russian Empires, inherited and established economic relations, which were very limited. As a result of the First World War, the Soviet king's troops occupied the eastern part of Asia Minor, most of the Black Sea coast. The Soviet government as a goodwill gesture conveyed not only the newly captured territory, but also of Kars and the Erzurum of the former Russian Empire and underwent a significant Russian influence. This action put an end to the military confrontation and played an important role in the rapprochement between the two countries.

Modern forms of cooperation between Russia and Turkey began to grow in the 1920s, after the revolutions and during First World War, after which the Ottoman and the Russian Empires brought to the end. It should be noted that the cooperation between two countries has been mainly in the spheres of trade and economy. As the historical experience of the twentieth century shows, even during the Cold War and the political divisions of the Soviet-Turkish and Russian-Turkish relations exchange in the field of trade did not stop, and it is one of the characteristic features of the bilateral dialogue. Year 1923 is considered the starting point for the modern trade and economic cooperation between Turkey and Soviet Russia. In addition, it is the year of the Kemalist revolution in Turkey, the year of the beginning of deep reforms that withdrew backward Middle Eastern country to the average European level.

The Ottoman and Russian Empires, with their considerable human and material resources, acted as the self-sufficient formation of a State that could exist independently of the outside world and claimed not only political, but also on the religious supremacy in the region.

The first state that officially recognized the Republic of Turkey was the Soviet Union. The choice of different political systems did not prevent the development of friendly relations between the two countries, where the success of Lenin and Ataturk's activity was due to the principles on which they were built:

1. Respect for the integrity of the two neighborhood territories;
2. Non-interference in the internal affairs of another country;
3. Resolution of disagreements on international issues by negotiation and a compromise solution (Tella, 2002).

In March 1921 a Treaty of Friendship and Brotherhood between the Russia and Turkey was signed (Erkin, 1968). According to this document the Soviet government conceded Kars, Ardahan and Artvin regions, and Turkey gave up Batumi to Georgia. At the same time, Russia agreed to assist Turkey by 10 million gold rubles and military materials (Gurun, 1991). During 1920-1922 Turkish Republic was delivered 39 275 rifles, 327 machine guns, 54 balls, 63 million rifle bullets, 150,000 shells, 1000 throw the ball gunpowder, 4,000 hand grenades, 4,000 rounds of shrapnel, 1500 swords and 20,000 gas masks (Oran, 2002).

On the eastern borders military equipment were transferred, left by the Russian army in 1918, including two marine fighter named "Alive" and "Creepy".

The Soviet government helped the construction of the two gunpowder mills (factories), supplied the raw materials for the production of ammunition and equipment for ammunition plant (Armaoglu, 1983).

The cooperation between Soviet Union and Turkey was based on agreements as follows:

1. Friendship Agreement between Turkey and the Soviet Union, 16 March, 1921
2. The Friendship Agreement between Turkey, Georgia, Armenia, Azerbaijan, 13 October, 1921
3. The Friendship and Neutrality Agreement between Turkey and the Soviet Union, 17 December, 1925

Further rapprochement between the two countries contributed to the Lausanne Conference of 1922-1923's, where the Soviet Union supported Turkey on the question of Turkish sovereignty over the straits.

In 1923, the import of Turkey from the Soviet Union was just 2 percent; in 1924, it reached to 3.29 percent. Petrol, food and lightening stuff were imported from the Soviet Union and tobacco, animal and lemon were exported. In 1925 a Treaty of Commerce and Navigation was signed between the Soviet Union and Turkey that gave impulse to the development of trade-economic cooperation. According to statistics, in 1929, the volume of import of Turkey was 275 million liras, 6.43 percent of which belonged to imports from Russia. The total volume of export was approximately 150 million liras; 3.49 percent of which was exported to Russia (Armaoglu, 1983).

It means that the bilateral cooperation between Turkey and Soviet Union was increasing and the position of countries changed for better. Economic and investment cooperation between the Soviet Union and Turkey began in the 1930s, when Turkey was making its first steps towards the development of its own industrial production.

Since the beginning of the Second World War cooperation has been suspended, and resumed in the 1960s, when Turkey launched a new round of industrialization. This time, the task was to create large-scale plants with a full production cycle, starting from the processing of raw materials and ending with the release of the finished product. Cooperation with the Soviet Union greatly promoted the development of the Turkish heavy industry. At the same time by loans for the construction of giant factories, Turkey had to pay back for long periods, with funds

from the sale of products manufactured by them, some types of ore and agricultural products. The definition of products subject to the sale was founded on the principle of mutual benefit.

People's Commissar for Foreign Affairs of the Soviet Union, Litvinov, at the session of the CEC of the Soviet Union 29 December 1933 described the level of relationship with Turkey: "[As] an example of relations with foreign states, we regard our relationship with the great Republic of Turkey. For over ten years, these relations have improved from year to year, reaching a true friendship. Friendship [...] and mutual trust policy create the basis for fruitful cooperation in the international arena. Each side puts forward a proposal aimed at consolidating peace, and can count on the support and assistance to the other side" (Kireev, 2003).

In 1934, the Soviet Union provided Turkey an interest-free loan to 8 million dollars for 20 years with annual installments by Turkish goods. From this amount, 4 million allocated for military equipment, 1493 dollars on the country's first textile plant in Kayseri (1936), 1500 dollars to build a textile factory in Nazilli (1937), 500 000 dollars on the bus for Municipality of Ankara (Armaoglu, 1983). The Soviet Union exported petroleum, paper, textiles, gas, iron and steel products, various household goods, lightening stuff and imported hunting leather, wool, orange, animal and angora (Armaoglu, 1983).

In the Montre Conference in 1936, the Soviet Union supported Turkey in the issue of the establishment of military and judicial control in the Bosphorus and Dardanelles. In this difficult period for Turkey in the statements of Turkish leaders, one could often hear about mutual and friendly neighborhood. In their speeches, the Soviet Union was characterized as a proven and reliable friend, and often the expression "the great northern neighbor" was used. Overall, in 1930 the Soviet Union actively assisted in the implementation of Turkey's industrial development plans, participating in a number of projects.

In 1940s, mutual exports and imports were at their lowest level since 1923. The reasons for this were Soviet territorial claims against Turkey, as well as the practical application of the Truman Doctrine. Turkey has received financial support from the USA and at July 12, 1947 signed the American-Turkish agreement, which laid foundation of long-term USA alliance with Turkey.

In the period of Cold War, Turkey and the Soviet Union were parts of two different political regimes and rival blocs. During those times, Russia perceived Turkey as a proxy of the West, and Turkey perceived Russia as a dire threat. Due to for several reasons it was difficult to cooperate. During the Second World War, Turkey was neutral between Allies. In March 1945, the Soviet Union denounced its Treaty of Friendship with Turkey and informed Turkey that it would conclude a new treaty only if Turkey:

1. ceded the frontier districts of Kars, Artvin, and Ardahan;
2. granted bases in Straits;
3. agreed to a revision of the Montreux Convention governing the administration of the Straits.

Turkey rejected the first two demands, but agreed to discuss the Montreux Convention, provided that all nine signatory powers participated. In August 1946, the Soviet Union again renewed its request for a revision of the Montreux Convention and repeated its view that the regulation of traffic moving through the Straits must be carried on by the Black Sea powers alone, with the defense of the Straits organized jointly by the Soviet Union and Turkey. The Turkish Government again rejected this proposal and, since then, relations with the Soviet Union had been very strained (Economic Report of Turkey, 1949). As a result of those events, Turkey entered into the Marshall Plan, became part of the Truman Doctrine and in 1953 became a member of NATO (Armaoglu, 1983). In light of these developments, the relations between Turkey and the Soviet Union entered into a secession period.

Privatization in the Turkish Republic released the productive forces and caused radical structural changes that contribute to the rapid progress of the economy from a predominantly agrarian to a modern industrialized state model with diversified economy. Turkey has developed a new branch at the present level of technology and traditional industries - light and textile. In the Soviet Union, on the other hand, large-scale privatization had led to the destruction of a powerful industrial potential, however, focused mainly on the production of armaments. Authorities failed to exploit the potential to convert it into the production of civilian goods, and the most profitable industries in the energy sector were in privateer's hands. The number of major oil companies in the country did not exceed ten, and their activities had been developed according to the laws of monopoly of business

entities, among which the domestic market was virtually in no competition at the expense of the division of spheres of influence (Kireev, 2007).

In the post-Cold War period, the authorities of both governments agreed to stimulate their economic relations by starting a barter-style trade regime. The Soviet Union started to sell Turkish consumer goods in the country. Turkey became one of the main destinations for Russians who were looking for new products to satisfy the needs of a rapidly transforming Russian economy.

Since the beginning of the 1950s, after the death of Stalin, the Soviet leadership began a gradual rapprochement with Turkey. In 1954, the Soviet Union launched a program of mutual barter exchange that brought significant benefits to the Turkish foreign trade that was experiencing at the time the crisis.

Year of 1956 was marked by a series of political upheavals: the Soviet invasion of Hungary, the military agreement signed between the USA and Turkey, as well as Turkish-Syrian confrontation. All these adversely affected the Soviet-Turkish economic relations. At the same time, there was a kind of rivalry between the United States and the Soviet Union for influence in Asia Minor.

Business cooperation was not limited to joint projects, but also developed in the field of barter and trade. In 1950, Turkey's exports and imports in the Soviet Union were, respectively, 7 and 8%, and then in 1957 they reached 22 and 15% in total trade (Kireev, 2007).

In 1958, the Soviet Union provided to Turkey a loan of 3.4 million rubles with an interest rate of 2.5 % and a term of 3 years, and this loan was used to build a glass factory in Cayirova. The 7.6 million-m² glass refinery factory started to operate and export (Aydin, 1999).

Later, in the Khrushchev-Brezhnev period, the relations between Turkey and the Soviet Union resumed: they began bilateral relations, mutual trade revived, they expanded economic cooperation. During this time with Soviet assistance in Turkey a large Metallurgical Plant (Iskenderun), Aluminum Plant (Seydişehir), oil refinery (Aliaga), and other industrial facilities were established.

In March 1967, authorities of Turkey and the Soviet Union signed the Economic-Technological Agreement. According to this agreement, a number of industrial plants could be established in Turkey, including a steel mill, an aluminum smelter, and an oil refinery.

By the end of the 1960s, Turkey became the recipient of more Soviet economic assistance than any other Third World country. A significant share of Soviet imports from Turkey amounted to agricultural products - the Soviet Union bought about 20% of Turkey's total citrus exports, more than 15% - hazelnut, up to 15% - raisins, significant amounts of cotton, tobacco, etc. A growing place in Soviet imports from Turkey occupied the Turkish industry products - raw materials, semi-finished and finished products of light and food industry (Kireev, 2007).

In 1972 and 1978 respectively, the two states signed a declaration of "principles of good-neighborly relations" and a "political document" of friendly relations (Sakkas and Zhukova, 2013).

In the beginning of the 1970s, at the same time with an important OPEC oil crisis in 1973, the relations entered into a new phase. In those periods the share of machinery and equipment accounted for over a quarter of Soviet exports to Turkey, the share of oil and oil products was almost half. In exchange, the Soviet Union bought food and consumer products, especially nuts, lemons, tobacco from Turkey. In this regard, the economic interdependence increased as a result of completing characteristics of the economic situations.

The next stage in the economic relationship came with the agreement to build the Blue Stream gas pipeline, which increased the amount of gas that the Soviet Union supplied to Turkey. This agreement was executed despite multiple complications in the political relations between the two sides. The pipeline project, which tunnels under the Black Sea and therefore circumvents the ecologically risky Turkish Straits, constitutes the pillar of the energy cooperation. The cooperation between Turkey and the Soviet Union between 1984 and 1991 were experiencing their golden years within the Cold War years.

In September 1984, an agreement on the supply of Soviet natural gas to Turkey was signed. In 1987 they began gas delivery through the pipeline, laid on the territory of the then still part of the Soviet Union Ukraine and Moldova, as well as Romania and Bulgaria. Very soon, the gas was the main item of the Soviet and then Russian exports. Already in 1989 it accounted for 36% of total exports to Turkey. Along with oil, oil products, coal and electricity flowing to Turkey through Georgia, the share of energy weight in the same year amounted to 70% of exports, and 11% fell on the share of chemical products, particularly ammonia, and about 7% - the

share of ferrous metals, including 3% of the scrap. The share of machinery and equipment dropped to 2%. Also in 1989, the trade balance was for the first time in favor of Turkey. Trade between Turkey and the Soviet Union was increasing year after year. In the 1990 the Soviet Union began a relatively large supply of oil, petroleum products and nitrogen fertilizers. Subsequently, the volume of export and import in 1991 was equal to 610.61 and 1013.27 million dollars respectively (Kiniklioglu, 2007).

The period of 1991-2009 is the period of the building of the Russian Federation, an independent domestic and foreign policy after the collapse of the Soviet Union on the one hand, and Turkey, becoming an influential regional power on the other. Turkey and Russia were perceived as the Eurasian powers, with cultural, political and economic traditions of both Europe and Asia. Until the beginning of twentieth century, the relationship between them was determined by strong competition in the Black Sea, the Caucasus and the Balkans, that often led to military conflicts.

Russia made a historic step towards democracy in 1991, aligning it with the collapse of the Soviet Empire. Entry to the new path of development in Turkey and Russia was marked by major economic reforms associated with large-scale privatization in key sectors of the economy.

The development of trade and economic relations between Russia and Turkey in the 1990s can be divided into two stages. The first one covers the period before the default mid-1998. It was marked by a sharp rise in the development of economic cooperation between the two countries, especially in trade and construction activities of Turkish firms in Russia. The characteristic feature of that time was the widespread informal imports into the territory of Russia, the so-called “shuttle trade”. The second stage dates back to the Russian financial crisis in August 1998. It turned out to be a consequence of the narrowing market for imported goods and services in Russia due to the ruble devaluation.

After the collapse of the Soviet Union and the formation of new states, the picture of the Black Sea region has changed significantly. By this time, the Turkish economy was on the rise due to the selected export-oriented economic development policy, which was the result of economic reforms in the 1980s (Urazova, 2010). This, in turn, led to the need to find new markets for sales of goods. As noted by Kasim

(2008), “[after] the collapse of the Soviet Union, Turkey has become an influential force in the Black Sea region, for it opened up new opportunities[...] in economic and security cooperation”. Moreover, in the beginning of twenty first century Turkey has achieved significant results in economic development, transforming itself into the exporting state, which by 2023 is expected to enter the top ten economies in the world, increasing exports to 500 billion dollars (Ministry of Economy, 2012).

In March 1991, in Moscow the Soviet-Turkish treaty of friendship and cooperation was signed. Both sides envisioned great deal of cooperation in various areas.

After the collapse of the Soviet Union, there was the transition period from a planned economy system to the market oriented economy. This rapid transition, and the opening of its world market were accompanied by a deep crisis of a national production, which caused a huge demand for foreign consumer goods (food and clothing) and services (especially tourism), and it turned out that the specifics of the Russian demand (the optimum price, quality and fashion) identified Turkey as one of the main suppliers of these products. This was facilitated by the fact that by this time in the Russian-Turkish trade system had been mastered experience relatively balanced exchange of goods on the basis of a model contract – natural gas from Russia, and consumer goods from Turkey.

New Russia approved of Turkey’s interest towards newly independent Turkic republics. During the first six months of 1992, the Turkish and Russian foreign ministers visited each other’s countries. Stable, well-established Russian gas supplies and counter services of Turkish companies for the construction of various facilities in Russia made partners confident enough to survive in the short term negative consequences of serious changes sweeping foreign economic relations of Russia after the Soviet collapse. Refusal of state monopoly of foreign trade, the weakening of the financial state of foreign associations and access to foreign markets, numerous but inexperienced and shallow private organizations resulted in the first years of independent development of Russia, and caused a serious decline of foreign exchange, a sharp reduction in economic cooperation, breach of the old ties and obligations. During the relatively brief period of 1992 to 1996, 15 agreements and protocols were signed between Russia and Turkey, covering issues such as scientific, technical, educational, cultural, and economic cooperation, and the exchange of

armed forces personnel Russian-Turkish relations in the early stages to fully experienced the impact of these negative processes (Druzhinin, 2013).

Along with the traditional food products (lemons, nuts, raisins), Turkey has increased the supply of fur garments, knitwear, shoes, in addition to medicines, soaps and detergents, machinery and equipment, among which the statistics included and contracting Turkish companies working on the construction of the Soviet Union and then in Russia, commercial, medical, cultural institutions and homes.

While, in 1992 total Turkish exports to Russia were 441.9 million dollars, in 1995 Turkish exports reached 1238.1 billion dollars (TUIK, 1995).

At the end of 1995, the financial problems were regulated, inherited from the Soviet Union to the partners. At the same time, Turkey gave Russia a loan of 350 million dollars, mainly for the payment of construction works. Finally, in early 1996 an agreement was signed to increase gas supplies by 2005 to 14 billion cubic meters (Ulchenko, 2014).

In 1997, then Russian Prime Minister Victor Chernomyrdin visited Turkey. As result, the authorities stated that the economic position should become a “strategic partnership” (Bechev, 2001). In that meeting, both countries signed an agreement for the Blue Stream Project, which played a big role for cooperation in energy sector. On February 28, 1997, the Turkish National Security Council issued a long list of measures and policy recommendations to the ruling Islamist-conservative coalition government, with the goal of preventing the rise of Islamic fundamentalism in Turkey. These Moscow recommendations followed a “post-modern coup” in the Turkish media. This move was condemned by domestic and international critics as a manifestation of and slide into an authoritarian–militaristic form of government.

At the end of 20th century, an important area of Turkish-Russian economic partnership was building and Turkish companies in Russia made contracting services. As of July 1998 138 Turkish companies were working on the implementation was of 533 projects with a total construction value of over 9 billion dollars, moreover 22 projects was worth more than a 100 million dollars, and 347 projects with each worth more than 10 million dollars (Kireev, 1997).

While speaking at the conference held by the Military Academies Command entitled “How to Establish a Peace Belt around Turkey”, General Tuncer Kılınç, then Secretary General of the Turkish National Security Council, expressed frustration at

the European Union's policies towards Turkey. He said that Ankara needed to start looking elsewhere for new allies. He singled out Russia as Turkey's potentially most strategic partner and proposed to form an "alliance" with this country (Kudryasheva, 2012). This statement came as an overwhelming shock to those who had not been observing the trends and radical shifts in Turkish foreign policy since the end of the Cold War. More important for the purposes of this study is the existence of Turkic-Muslim groups that remained within the Russian Federation. These groups are concentrated in four regions:

- First, there are the autonomous republics of Tatarstan, Bashkortostan, and Chuvashstan huddled together in the Volga-Ural region;
- Second, there are the autonomous republics of Tuva, Gorno-Altai, and Khakass huddled around the Altai mountains at the intersection of the Russian, Kazakh, Mongol, and Chinese borders;
- Third, there are the autonomous republics of Chechnya, Dagestan, Kabardin-Balkar, and others in northern Caucasus;
- Fourth, there is the autonomous republic of Yakutistan, covering the middle one-third of Siberia (Kireev, 2013).

Economic ties between Turkey and Russia during the period 2000-2007 were considered as period for the improvement of bilateral relations. Especially with the advent of a new system of power in both countries pursuing a balanced foreign policy towards each other, and the best way to protect their interests and the continuation of the strategic interests in the region was making a strategic framework for cooperation between the two countries in various fields, which would inevitably have positive repercussions on the development of their bilateral relations, and therefore it would formulate options and wider areas of the foreign policies of both countries in the Eurasian region in particular.

In 2001, the foreign ministers of both countries signed the Eurasia Action Plan and two countries started following the same purpose to improve relations in areas such as trade, culture and tourism. These dialogs were very successful globally. First of all, energy sector became the main sector in their policy agenda.

In the field of economic cooperation and trade, there were significant fluctuations on a yearly basis, but one can say that the Turkish-Russian trade volume stabilized at the relatively high-level that it reached by the early 1990s. Russia

moved away from democracy with the new President Vladimir Putin's rise to power. Putin took many measures to eliminate the opposition. Russia's democracy and freedom ratings declined significantly, just as those of Turkey in the same period.

When Vladimir Putin became a President of Russia, he met with the Prime Minister Recep Tayip Erdogan for many times. Relations became more deepening. In December 2004, Putin's visit ended with the Joint Declaration on the Deepening of Friendship and Multidimensional Partnership between Turkey and Russia. In total, six agreements were signed in the areas of military and economic cooperation. The officials of both countries decided to facilitate the establishment of a more constructive relationship, including tourism, natural gas, trade, investments and other important fields (Kommersant, 2005).

Discovering new geographies, cities, and districts in Russia and Turkey may lead to greater diversity in economic activities. The Turkish Parliament passed the "New Investment Incentives Program" in 2012 offering many advantages to potential investors (Ulchenko, 2013). Russia's Siberia, Tatarstan, Bashkortostan, and Krasnodar regions developed rapidly along with Russia's general economic growth.

Thus, the total volume of trade between the two countries in 2007 amounted to 28.2 billion dollars (growth in comparison with 2006 equal to 34%), in 2008 it raised to 37.8 billion dollars (up 34%) and made Russia the first on the importance of foreign trade partner for Turkey. The construction sector had finished 59 projects in Russia and it was worth 3.6 billion dollars. 15 696 Turkish workers worked in Russia in 2008. Turkey bought 63% of the natural gas and 29% of the oil it consumed in 2008 from Russia (TUIK, 2009). At the same time, Turkey was among the five leading Russian partners in the volume of Russian exports.

Arms sales are another bid trade issue between the two countries. In spite of the fact that there were some difficulties due to Turkey's NATO membership, Russia and Turkey were able to continue cooperation in military projects. Turkey was the first NATO's country who signed an agreement to buy Russian military equipment. Russia needed cash to keep its military-industrial complex going, and Turkey, who had been turned down by Western countries for violating human rights in Eastern Turkey, needed military equipment.

Turkish construction companies have completed over 700 projects worth 14 billion dollars in Russia over the last 16 years beginning from 1990 (Kinikoglu, 2006).

Currently, the trade surplus in favor of Russia, which tends to progressively reduce, still overlaps the imbalance in favor of Turkey in the field of “shuttle trade”, construction, trucking and tourism. Russia proposes to change this trend primarily due to large-scale investment projects. Important new bilateral economic relations are direct investments by Turkish businessmen in Russia and Russian in Turkey. The main directions of the Turkish investments in Russia are the textile, food, chemical, woodworking, electronics and electro technical industry, manufacture of building materials.

Important new bilateral economic relations are direct investments by Turkish businessmen in Russia and Russian in Turkey. Turkish investments in Russia were close to 293 million dollars in 2015 and are concentrated in the textile, food, glass-making, electronic, electrical, chemical, and timber industries, in the production of building and decorative materials, and in public services: trade, tourism, and banking. Russian investments in Turkey by the end of 2015 reached to 1500 million dollars. For example, Russian Alfa Group bought a share of Turkey’s premier GSM operator, Turkcell to the amount of 3,3 billion dollars. Russian “Sberbank” acquired DenizBank, which occupies the sixth place in the top ten banks in Turkey to the amount of 3,5 billion dollars (Ria, 2015). Among the most significant of Turkish investment projects, include the opening of the hypermarket "Ramstore", brewery "Efes" in Moscow, construction of a plant for the production of Coca-Cola and the production of malt plant in Rostov and Kuban, as well as the construction of the Turkish trade center in Moscow. Construction companies such as TEKSER, ENKA, Baytur, GAMA, Alarko, TEKFEN, URBAN built numerous housing, tourist and recreational complexes, shopping centers and factories in Russia. As proof of the dynamic development of bilateral Russian-Turkish trade and economic cooperation, another Russian company - developer of the Moscow Metro “Metrostroy” weighty entered the Turkish market. Russian Construction Company together with Turkish companies has implemented many infrastructure development projects in Turkey. As examples, it may be the electrification of the railway Kapykule - Çerkezköy, the construction of bridges in Ankara, “Blue Stream” pipeline. Ground stations in

Istanbul are also built by the participation of Russian companies. Construction firms of both countries are interested in a regular, profitable offers for the construction of dams, canals, railways, airports, sea and river ports, highways, water treatment plants, power plants and other infrastructure. Turkey is actively represented in the Russian market through the Turkish businesses. The largest investment project considered the construction of nuclear power plants in Turkey “Akkuyu” is worth about 22 billion dollars (Ria, 2015). In the first eight months of 2015, Turkish firms have undertaken projects worth 2.3 billion dollars in this country. Russia’s Foreign Direct Investment (FDI) in Turkey in period 2002-2015 reached to 4.938 million dollars (3.8%) and Turkey’s FDI in Russia at the same period reached to 828 million dollars (2.6%) (CBRT, 2015). The total volume of trade between Turkey and Russia in 2015 reached to 18.072 billion dollars, where export of Russia to Turkey was equal to 15.008 billion dollars and import of Russia from Turkey was equal to 3.064 billion dollars (Ria, 2015).

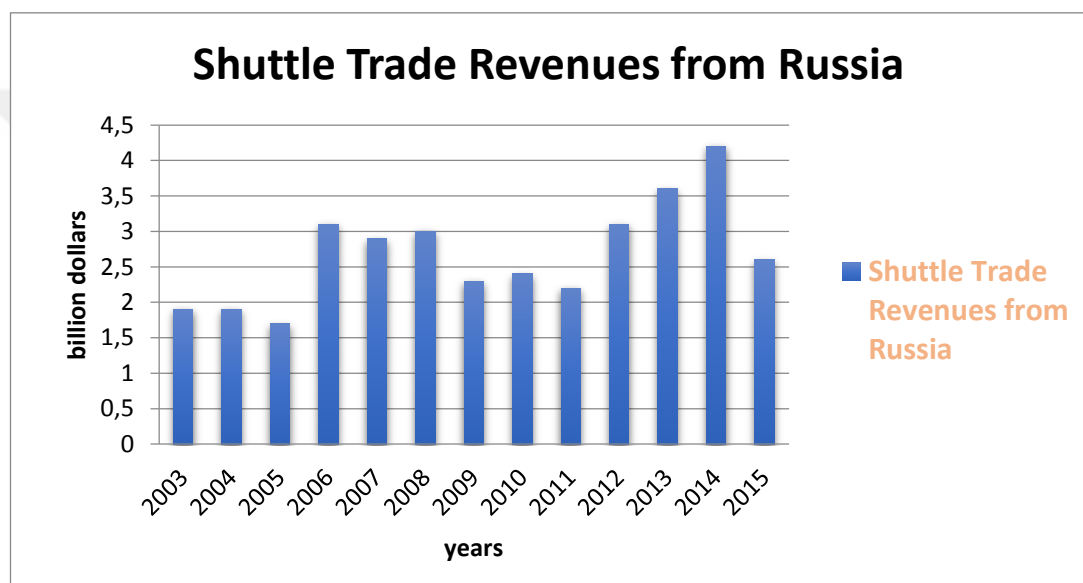
Table 2.1: Bilateral Foreign Direct Investments (million dollars)

YEAR	TURKISH FDI TO RUSSIA	RUSSIAN FDI TO TURKEY
<i>2007</i>	<i>124,091</i>	<i>182,646</i>
<i>2008</i>	<i>179,098</i>	<i>272,053</i>
<i>2009</i>	<i>146,008</i>	<i>106,201</i>
<i>2010</i>	<i>146,488</i>	<i>143,226</i>
<i>2011</i>	<i>149,762</i>	<i>1684,887</i>
<i>2012</i>	<i>177,728</i>	<i>4104,541</i>
<i>2013</i>	<i>206,785</i>	<i>1446,788</i>
<i>2014</i>	<i>135,226</i>	<i>1183,136</i>
<i>2015</i>	<i>292,100</i>	<i>1474,878</i>

Source: <http://cbr.ru/>

Table 2 represents the Foreign Direct Investments from Russia to Turkey and from Turkey to Russia in period 2007-2015. As we see, investments in general grow every year from both sides. However, due to global crisis 2008, FDI from Russia to Turkey fell by almost half. In addition, we observe that FDI of Turkey to Russia decreased from 206,785 to 135,226 million dollars in 2014. In 2015, investments started to increase in both countries.

Figure 1.1: Shuttle Trade Revenues from Russia



Source: CBT, Finansinvest

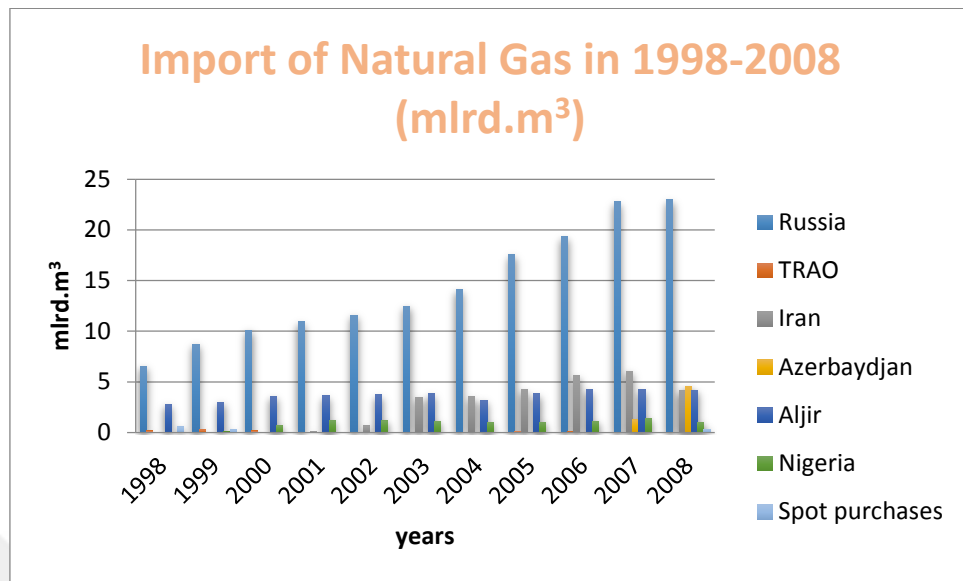
A special, previously unknown phenomenon of the Russian-Turkish relations is unorganized trade on an individual basis. It arose in the early years of Russia's independence in the economic crisis as a result of the weakening of border and customs regime. The acute shortage of consumer goods, the closure of thousands of businesses and unemployment have pushed the masses of the former workers of individual foreign trade, which, especially at first, turned out to be labor-intensive, but relatively profitable. Turkish state organizations at the request of the business community provided the Russian “shuttle” preferential conditions for entry, stay, purchase of goods, customs regime and logistics. For Turkey, “shuttle” trade has become an essential element to increase exports and compensate for permanent trade deficit in official trade with the Russia. The amount of shuttle trade reached to 8.8 billion dollars in 1996 (TUIK, 1997). However, according to the **Figure 1.1**, in

2000s, the total volume decreased to 1.9 billion dollars. In period of 2006-2008 there was increasing in total volume (around 2.9 billion dollars). Again, due to crisis there had been a decline in 2009-2011. From the beginning 2012, the total volume started to increase and in 2014 took highest point at 4.2 billion dollars. In 2015, the total volume of shuttle trade further fell to 2.6 billion dollars (Finansinvest, 2016).

Federal Service for Veterinary and Phytosanitary Surveillance (FSVPS) of Russia gave a permission for the supply of Turkish agricultural products in 2015; resulting in a significant development in the structure of Turkish exports to Russia - increased exports from Turkey of dairy products, eggs and honey, cereals, lead to 7-fold increase in the supply of meat, 3 times - other products of animal origin 75 % - fish supply. Expansion of the trading range continued as Turkish businessmen are interested in the further development of the Turkish economic expansion (FSVPS, 2014).

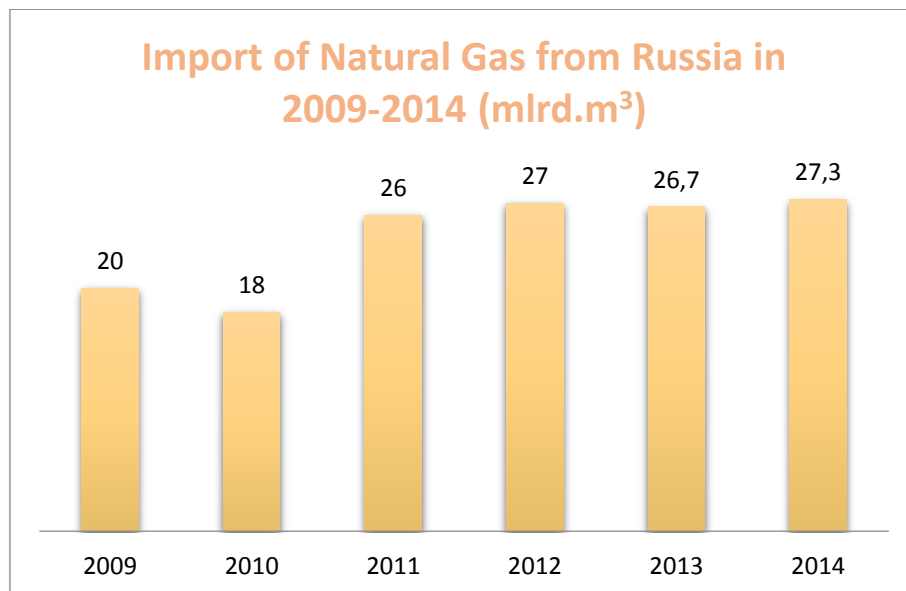
The most critical area of economic relations between the two countries concerns fuel and energy resources (petroleum 37.6%, natural gas 32.4% in 2014), and specifically the increasing energy dependence of Turkey on Russia. Currently, Turkish export to Russia mainly includes food products (25%), textile (20%), chemicals (9.6%) and automotive (7%). At the **Figure 2.1** below, we see that major exporter of Natural Gas to Turkey is Russia and the volume of total import was increasing in the period 1998-2008. According to the **Figure 2.2** the total amount of imported natural gas from Russia to Turkey were increasing in the period 2009-2014. In 2014, the amount of delivering gas reached to higher level equal to 27.3 mlrd.m³.

Figure 2.1 Turkey's import of natural gas in 1998-2008



Source: TUIK, www.turkstat.gov.tr

Figure 2.2: Turkey's import of natural gas from Russia in 2009-2014 (mlrd. m³)



Source: TUIK, www.turkstat.gov.tr

Another dimension of growing interdependence in Turkish-Russian cooperation is tourism. For example, in the first nine months of 2003, 50 percent increase was seen in Russian tourism to Turkey compared with the same period

during the previous year. To put this in perspective, the resort city of Antalya recorded a rise in numbers, from roughly 495,000 to 716,000 tourists. This raised the ratio of Russian tourists on vacation in Antalya to 19 percent of overall tourism, up from 9 percent the year before. The share of Russia in tourism revenues, on the other hand, stood at 9.7%. In 2009, Turkish tourists in Russia were equal to 43756 and in 2010 the number of tourists reached to 56376 (up to 35%) (Federal Agency for Tourism, 2011). In regard of high demand from Russian visitors, Turkey extended the visa-free travel period to 60 days in May 2012. Turkey is a favorite destination for Russian tourists. The most obvious advantages of Turkey for Russian tourists are the low-ticket costs of travel, cheaper and enough quality vacation. In terms of this, a similar pattern has emerged - considerable expansion, with more eagerly sought by both sides (Warhola and Mitchell, 2006). For instance, in 2012, 3.6 million Russians visited Turkey and in 2013, the country received four million visitors from Russia. Considering that 73% of Russian tourists arrived by chartered flights in 2013, bans on chartered flights may adversely affect the tourism sector. In Moscow there are some 27,000 Turkish residents and this figure increases to 30,000–40,000 when other parts of Russia are included. The scale of tourism, labor mobility and inter-marriages – amounting to the current figure of roughly 300,000 – captures the growing human interaction between Russia and Turkey in recent years. However, the number of Russian tourists dropped by 20.7% in the first 9 months of 2015, and reached to 3.5 million (10.4%). According to official statistics, in 2014 and 2015, 134102 and 115776 Turkish tourists visited Russia respectively (Tourism Ministry, 2015).

CHAPTER TWO

LITERATURE REVIEW

The development of Russian-Turkish relations constitutes a considerable amount of Russian, Turkish and other foreign academic studies. The scientific study of Turkey was carried out in Russia since the mid-1920s, when finally got the direction of “Turkology”. In terms of the total consideration of the various aspects of relations between Turkey and Russia, including with the participation of other countries, many studies were made. **Table 3.1** provides researches dealing with the relationship between Turkey and Russia in different topics.

Voskiy (1994) investigated the possibility of stable cooperation between the Turkey and Russia, and in the future their convergence, but with the commitment to the universal values of democracy, market economy, and respect for individual rights.

Markushin (1997) considered that Russia and Turkey are doomed to be eternal neighbors. As he said: “[the] eternal rivals have always remained eternal neighbors”. He noted that two countries fought more than traded. Russia-Turkish relations have a tasted and speculative ground for argument about the “inborn hostility”. In different periods of history, there were different ideological levels. Despite of some restrictions or problems the citizens of both states have advantages on this cooperation. Markushin suggested that the authorities in both of countries should take more actions that are active to promotion of bilateral cooperation. There should be a middle policy that would solve some problems that appear in both countries at the same time. Both sides have areas where their claims and interests clashed: the Caucasus, the Black Sea straits and the Balkans. They should be concentrated on improving their economic ties. According to Markushin, Turkey and Russia should develop friendly relations to increase their economic growth.

Akgun and Aydin (1999) analyzed the past and present problems in the Turkish-Russian political relations and argued that despite these problems, Turkish-Russian economic relations has been developing rapidly. They made a comprehensive analyze of the structural problems of Turkish-Russian relations and ways of the constructive cooperation between the two countries.

Table 3: Summarizes of literature review about the Turkish-Russian relationship

Author	Geopolitics	Social Review	Economy	Energy Review	History	Mix
Hurewits (1962)	✓					
Armaoglu (1983)					✓	
Tomilova (1993, 2010)	✓					
Ziyadullaev (1996)			✓			
Trachenko (1997)						✓
Bolukbasi (1998)	✓					
Lukoyanov (1999)						✓
Nadein-Ranevsky (1999)			✓			
Shevchenko (1999)						✓
Sezer (2000)			✓			
Bacik (2001)		✓				
Kireev (2003)			✓			
Kurov (2003)						✓

Egorov (2004)						✓
Koritsky (2004)						✓
Salygin (2005)						✓
Shevyakov (2005)						✓
Hill and Taspinar (2006)	✓					
Warholla and Mitchell (2006)	✓					
Kinikoglu and Morkva (2007)	✓					
Yanik (2007)						✓
Volkova (2008)						✓
Sychev (2008)						✓
Aras (2009)	✓					
Muzaffer (2010)	✓					
Starodubtsev (2010)				✓		
Ersen (2011)						✓
Chochiev (2012)						✓

Yakut (2013)					✓	
Kurban (2014)					✓	✓
Turker (2014)			✓			✓
Druzhinin (2013, 2014, 2015)	✓	✓		✓		✓
Aydin (2016)			✓			

Sezer (2000) used the phrase “[virtual] rapprochement” to explain the evolution of relations between Turkey and the Russian Federation in the 1990s where state level conflicts almost disappeared in relations and the rivalry was replaced by cooperation in many fields to further develop cooperation. It means that there was a consensus to cooperate, but, there was also “mutual fear, mistrust and suspicion” between the two countries. Nonetheless, Sezer argues that in 1990s the relations were still far behind “genuine rapprochement” and prefers to say that the relations was “above routine” rapprochement. For Sezer, “managed geopolitical rivalry” and “unique economic cooperation” have been two driving forces behind what he calls virtual rapprochement. As considering Turkey and the Russian Federation as geopolitical competitors, especially concerning their role in the Russian periphery, Sezer uses the phrase “managed geopolitical rivalry” where it refers to the Russian and the Turkish desire to challenge the long-term existence of one another in the region. Concerning the economic relations, she argues that cooperation ruled the relations in the field of economics between the two.

Trenin and Sezer (2001) are two scholars who argue that relations between Turkey and the Russian Federation are improving steadily. Trenin suggested that “mutual limitations” of Turkey and the Russian Federation turned these countries into more equal partners in the post-Soviet Era. Trenin further argues that it was understood by Turkey and Russia that causes of unrest and conflicts between them in the post-Soviet Era may be caused by domestic instabilities on territories between them; but cannot be the result of the “imperialistic designs” of Turkey or the Russian Federation. Thus, Trenin replaced the traditional lack of confidence and conflict by cooperation and friendship in relations and the existence of conflicts were not taken seriously. Trenin identified series of fields and issues some of which are necessary and some of which would benefit both Turkey and the Russian Federation. It is not a coincidence, however, given the fact that improvement of relations in other fields is a priority for both parties.

In the book “Turkey is between Europe and Asia”, edited by Kireev (2001), the authors dedicated the fourth section to the development of relations between Russia and Turkey. They analyzed issues such as the regional initiatives of the regime Straits, Turkey’s relations with the Russian republics in which Muslim

majority. In addition, this study discusses the relationship between the two states and the Eurasian post-Soviet areas.

The economic aspect of the relationship is considered in detail by Koptevsky (2001). This work is based on a broad documentary base of the Turkish-Russian trade and economic cooperation. The author also attempts, after analyzing the current trends, to assess the prospects of development of bilateral trade and economic relations and to predict the future of Turkish-Russian trade and economic cooperation.

In 2005, Russia was accused of launching “a little-noticed charm offensive” (Holbrooke, 2005) towards Turkey, and then, Turkey and Russia were credited for joining forces and shifting towards “Eurasianism” (Salhani, 2005) and forming an “axis of the excluded” (Hill and Taşpınar 2006) highlighting the possibility of a creation of a “quasi-alliance” between Turkey and Russia.

Warhola and Mitchell (2006) investigated the effect of the collapse of the Soviet Union in 1991 on the Turkish-Russian relationship. According to them, it opened the door for Turkish foreign policy a new range of regional possibilities. Also in terms of economic relations, Turkey, first of all, is energy-resources dependent on Russia, and Russia is service-textile-resources dependent on Turkey. Both countries have strategic perspectives to increase their mutual cooperation. Warhola and Mitchell (2006) suggested that there is a positive relationship between deep cooperation in various sectors and economic growth in each of the two countries.

Yanik (2007) tried to describe the relations between Turkey and Russia after the Cold War. She stated that the improvement of ties is a “dual normalization”. Author divided these relations on three overlapping developments. First, it is “Diminishing threat perceptions”. Several scholars had analyzed about “perceptions” such as Hill and Taşpınar (2006), Harris (1995), Sezer (1992), Ogan (2004). Threat perceptions between Turkey and Russia held for a long time. Consequently, Turkey had to choose the Western security system (NATO). By the end the Cold War and with collapse of the Soviet Union, both states had very high expectations of a “strategic partnership” (Nadein-Ravesky, 1999). From the 1990s, for Russia, Turkey was not only element that reinforced mutual threat perceptions, but also the Caspian Basin became another element of rivalry. Western oil companies wanted to cooperate in the Caspian basin, where as large as of oil reserves were in the Persian Gulf. As a

result, transportation of oil to the world market became a problem. Turkey proposed the construction of a new pipeline “Baku-Ceyhan”. For Russia, it was not profitably. In spite of all disputes, in 2006 Baku-Tbilisi-Ceyhan pipeline started to operate. Turkey was more interested in above-mentioned project for own strategic aims. According to the researcher, with the end of Russian objection one other element that spurred threat perceptions was dropped from the agenda of Turkish-Russian relations.

Second issue is Russia’s emergence as a profitable market for Turkish entrepreneurs as well as the Turkish elite’s drive to make Turkey an energy hub. In spite of mutual perceptions of threat, Turkey and Russia signed several agreements regarding military cooperation. Turkey became a first NATO’s country buying military equipment. Yanik (2007) stated that “near abroad” was a priority for both of countries for reasons. Economic, commercial, politic interests have become more significant for authorities.

Third issue is that in the post-Cold War period, energy sector became a major deal between two countries. Turkey is a transfer country to deliver natural gas to Europe. Therefore, mutual cooperation continues to deepen. By the help of Blue Stream project, the economic condition of both states has become better and better and the volume trade increased.

As a result, there different areas of ties were formed: trade, shuttle trade, mutual investment, tourism, energy. By all these factors, Turkey and Russia started to call each other “partners”. Both countries have managed to “normalize” their mutual cooperation economically and politically.

Aras (2009) investigated that the recent developments, where economic areas both of countries are willing to resume bilateral relations. Aras suggested that agreements signed between Turkey and Russia focused on obtaining mutual advantages for both countries. The domestic problems lead to develop better foreign relations. The main goal is the development economic cooperation and trade between Turkey and Russia. Turkish authorities try to adopt a good neighborhood and zero-problem policies in the bordering regions. Russia is “as an important country from the perspectives of trade, investment, tourism, and energy security” for Turkey (Akgun, 2008).

Starodubtcev (2011) discusses various aspects of trade and economic relations between Russia and Turkey, with an emphasis on the energy sector, which currently occupies the central position. The article notes a solid foundation of positive relationships, and in addition, makes an analysis of risks and contradictions, which began to accumulate between the parties. The article provides a number of recommendations for the development of Russian policy towards Turkey.

Kudryashova (2012) analyzed the nature and prospects of Turkish-Russian relations. Author stated that these relations are developing difficulty, mutual distrust still presents, and many regional problems are not settled. Kudryashova suggested that successful economic cooperation inevitably provides a firm basis for political rapprochement and advancing development of mutual trust in our relations. In fact, she explained obvious problems that existed in Turkish-Russian relations.

Arslan (2013) held a geographical analysis of foreign economic relations between Turkey and Russia, with a major emphasis on the North Caucasus, the Volga region and the Central region of Russia. Arslan investigated Turkish-Russian relations, including economic sectors and in different areas, including energy, tourism, trade sectors.

Başar and Mikail (2013) analyzed the economic situation at the end of 1990s and earlier of 2000s. When Putin became a President, he started to do global reforms in terms of domestic situation. By this time, national income decreased in a huge amount. Putin expressed that USSR period was a “bad experience” and “deviation”. According to the researchers, due to many reasons such as political, economic, geographical, Turkish-Russian cooperation developed. He noted that the issues of bilateral relations would be trade, investments by Turkish and Russian businessmen, tourism, natural gas purchases, and Russian oil tankers transiting the straits, future pipeline projects that may pass through the Trace or Anatolia, the Chechen question, Russian arms sales, and the actions of Kurdish separatists on Russian soil. Authors stated that in Putin’s period relations became more active in commercial and economic trends.

Druzhinin (2013) has conducted a major number of studies regarding Turkish-Russian cooperation. He analyzed the future perspectives in relations between Turkey and Russia through the South regions of Russia, because the situation in the South is not only a local “mask”, but also a sensitive indicator and

more (father) transnational, Eurasian dynamics. He stated that Russia and Turkey come together not only to actual market conditions, but also to a large-scale, long-term, sometimes dramatic potential “Eurasian Squeak”. According to the 2010 census statistics, the population of over 12 million representatives of the Turkic ethnic groups, or 8.4 % of the total population lives on the territory of the Russian Federation. South of Russia is economically important region for Turkey and geographically closer market for the whole range of good exported by the country. Also it is a producer of agricultural raw materials (cereals, sunflower oil, etc.). Both countries have done many steps to cooperate. There are series of agreements in various fields. According to Druzhinin, the South of Russia is the main communication corridor for export of Russia, and for Turkey – the possibility of including in the pan-Eurasian mega energy market as not only a priority consumer, but also a transit country as well as supplier of a diversified range of goods and services in major urban agglomerations of Russia. In spite of all relations, the possibilities of Turkish-Russian relations are still not used to a large extent. The consideration of mutual interests and the ability to compromise, to the formation of joint geo-economic zones of influence must be complemented by joint action to prevent any local and regional destabilization. In this regard, it is important to maintain concerted, coordinated action to turn the border, the coastal (seaside) periphery of Russia and Turkey in the areas of cross-border cooperation and new stimulated interstate cooperation “growth poles”.

Kalashnikov (2013) investigated the effect of natural gas factor, in particular, the main project called “Blue Stream” gas pipeline that built by Russia through the Black Sea bottom on condition and subsequent development of Turkish-Russian relations. He argued that the above-mentioned project established a solid economic foundation and mutually beneficial for Turkish-Russian economic relations, which in turn has a positive impact on the warming of political relations between the two nations.

Ulchenko (2013) investigated modern economic ties between the so-called countries. There is the fact that Turkish export value could not reach the outstripping growth rates in comparison with imports, and it is explained by the structural features of bilateral trade, in which Turkey stands as a major buyer of energy raw materials: natural gas, 65% of its imports of oil and petroleum products are from Russia. The

deficit in bilateral trade is a source of constant concern of Turkish side, causing her to constantly refer to the problem of finding ways to correct the imbalance. Ulchenko argued that the solution can be finding in various ways. For example, Turkey may increase its export share of higher value-added products. Ulchenko suggested that Turkey has potential opportunities to promote their export to the Russian market through a more active advertising the competitive advantages of its products. Another cause for concern is the fact that Russian monopoly position on the Turkish gas market. Therefore, the Turkish side has already made and continues to make considerable efforts to diversity sources of entering imported gas (Iran, Nigeria, and Azerbaijan). Ulchenko stated that Russia continues to maintain a certain level of relations with Turkey, traditionally using energy cooperation as their base. Turkey plays an important role in shaping energy flows not only to the Black Sea and Balkan regions, but also in the Middle East, and in the future – the Caspian and Central Asian regions. This is determined by exceptional geographical situation of Turkey as a bridge between the West and East.

Tahtamysheva (2013) assesses how the consequences of the impact of the same factors on national economies differ in Russia and Turkey. The article considers major problems and suggests ways of solving them, defines priorities for both countries and points out prerequisite conditions for successful development of their economies. She suggested that due to more efficient (compared to Russian) government policy in the privatization of key sectors of the economy, the upgrading and renewal of the industrial base and the use of the unique natural and climatic conditions in the business development, Turkey has become one of the fastest growing countries in the world and in a short historical period came into the twenty leading economies in the world.

Poorly conducted privatization of key sectors of the economy, reduction of industrial capacity, the use of outdated technology and equipment, the concentration of basic resources in the hands of a small part of the population, an unfavorable investment climate, the imperfection of laws and corruption of officials, the dependence on energy exports did not allow Russia to use the opportunity to modernize the economy, and the development of small and medium-sized businesses. Tahtamysheva concluded that prospects of development of the economies of the two countries at the stage of completion of the global crisis are

caused by the economic policies of governments, strategies of modernization and creating a favorable investment climate. For Turkey, this would mean further deepening and continuation of started reforms for Russia - the revision of priorities in the industrial structure, a departure from hydrocarbon dependence and a sharp decline in the corruption component of the economy.

Shkira (2014) analyzed the economic relationship between Turkey and Russia as the main trade partners in the Middle East. He considered the “viability” of the common notions of “neo-Ottomanism”, “panturanism” and “Pan-Turkism”. Shkira hold the idea about the necessity of intensification of Russian-Turkish trade and economic relations, whose presence can successfully resolve political crises.

In another study, Druzhinin (2015) investigated the post-Soviet trend of Russian-Turkish relations in the Black Sea region while focusing on the features of transnational cooperation in the modern geo-strategic context. In modern Turkish-Russian cooperation, the Black Sea has become the area of increasing priority. Druzhinin assumed that the second half of 1990s was the warming period when the Turkish-Russian relations started to do more active actions to improve their bilateral trade in main sectors. Consequently, the Black Sea became more than natural communication corridor between them. It became one of the few real poles of population and socio-economic growth, increasingly asserting itself as an integral part of the national geographical, historical, economic, cultural and sacred space within the process of transition to a “post-secular society” (Habermas, 2011). The gas transportation system is to become its key infrastructural element of these relations, while the biggest settlement centers are to become the economic-urban dominants of the coastal area. According the Turkish Statistics Institute, in period of 2012-2015 Turkey shows an extremely increasing in population growth that cause to the growth of income and effective demand, which creates significant endogenous foundation for sustainable socio-economic development, expansion of Turkey’s economic ties, its increasingly confident positioning as a de facto major regional power center.

In the light of the studies summarized above, the study argues that the economic ties between Turkey and Russia provide an opportunity to replace “bilateral relations” with “multidimensional partnership”. Turkey and Russia are strong trading partners and their cooperation has potential to deepen further. In that

respect the study allows to examine the effect of economic cooperation between Turkey and Russia.



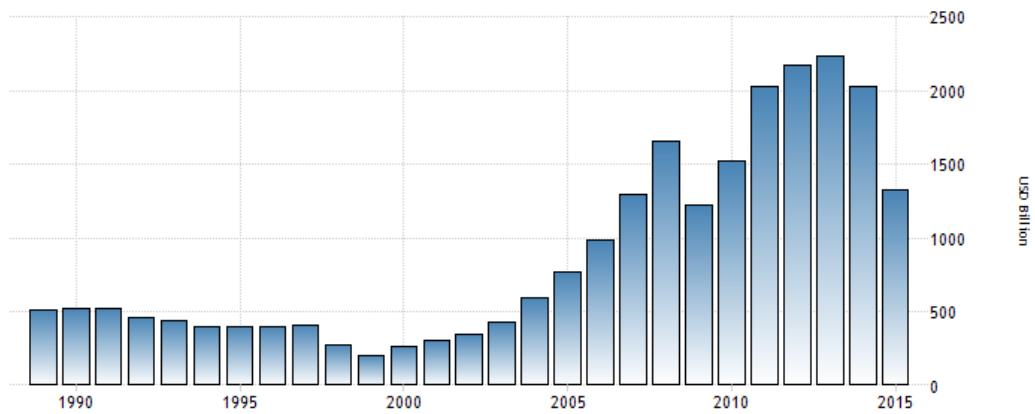
CHAPTER THREE

DATA AND EMPIRICAL RESULTS

3.1. DATA

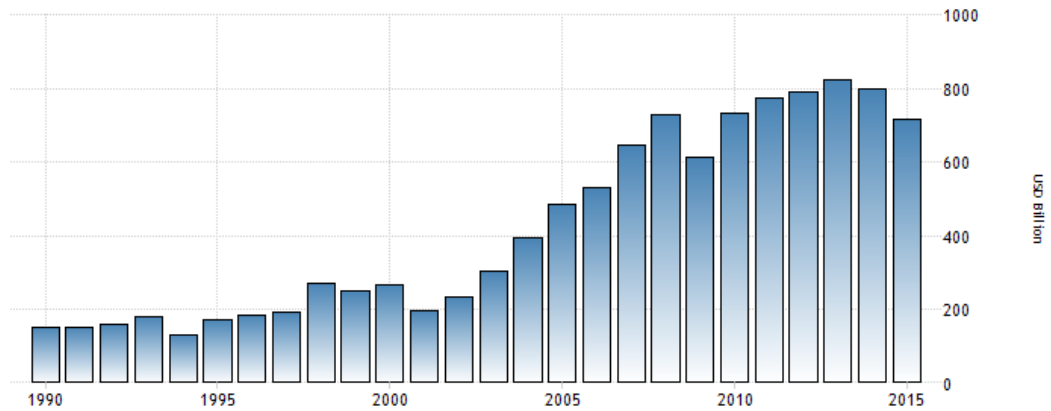
The data for the empirical analysis is obtained from Turkish Statistics Institute, Russian Statistic Institute, World Bank, and Ministries of Economics. First of all, we look at the real GDP and growth rates of Turkey and Russia in **Figures 3.1, 3.2, 3.3.**

Figure 3.1: Real GDP of Russia in 1990-2015



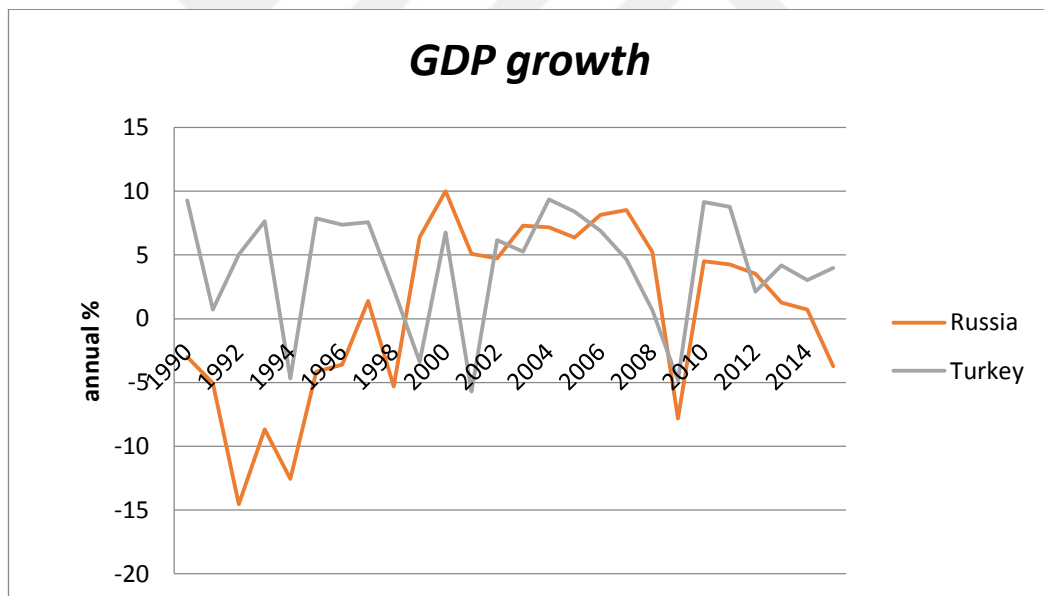
Source: www.tradingeconomics.com World Bank

Figure 3.2: Real GDP of Turkey in 1990-2015



Source: www.tradingeconomics.com World Bank

Figure 3.3: Real GDP of Turkey and Russia for 1990-2015



Source: www.tradingeconomics.com World Bank

Figures from 3.1 to 3.3 show that the real GDP of Russia after the collapse of Soviet Union was -14.5 percent in 1992. The collapse of the Soviet Union and the earlier 1990s witnessed Turkey reaching one-third of the Russian GDP, and the latter half of the 1990s Turkey reached two-thirds of the Russian economy. In 1997, GDP grew by 1.4 percent. However, due to default, in 1998 GDP growth of Russia was down to -5.3 percent (Ria, 2011). After the crisis, it began to increase and, in 2007, it

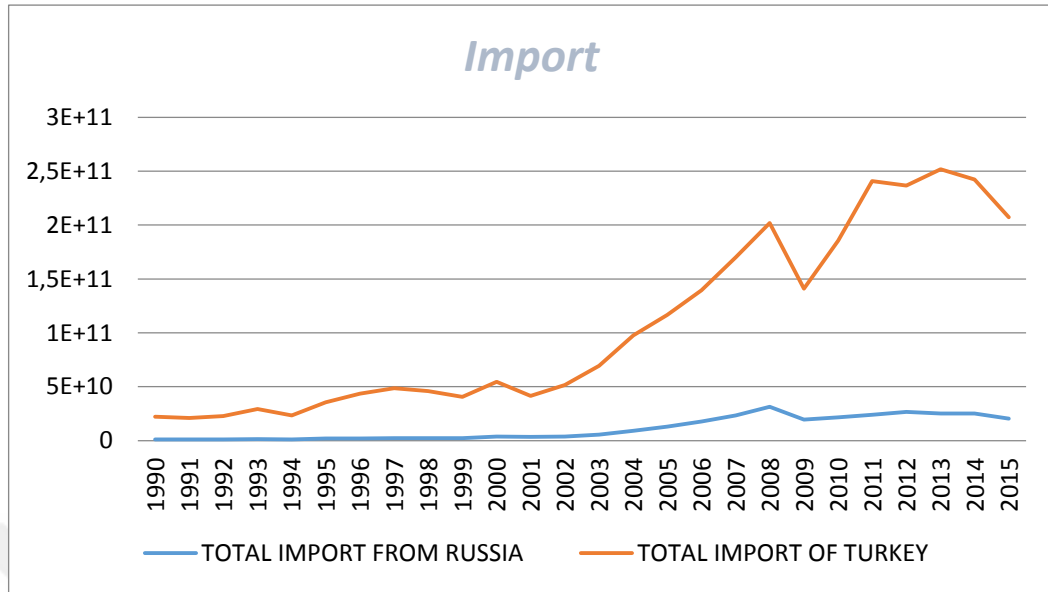
took a very high point at 8.53 percent. However, due to the global financial crisis of 2008 it again fell down. Russia recovered after two years and has since experienced exponential economic growth and productivity due to aggressive and prompt actions from the government, providing Russia with one of the most profitable economies in the world. At the same time, GDP of Turkey was stable. In 1992, GDP growth was equal to 5.03 percent. However, after the crisis it declined to -3.37 percent in 1999 and -4.82 percent in 2009. Nowadays we can observe stable real GDP growth in Turkey.

Figure 4.1: Share of Turkish Export to Russia in Total Exports of Turkey



Source: www.tuik.gov.tr

Figure 4.2: Share of Turkish Import from Russia in Total Imports of Turkey



Source: www.tuik.gov.tr

Figure 4.3: Total Real Export of Turkey



Source: www.tradingeconomics.com World Bank

Figure 4.4: Total Real Import of Turkey

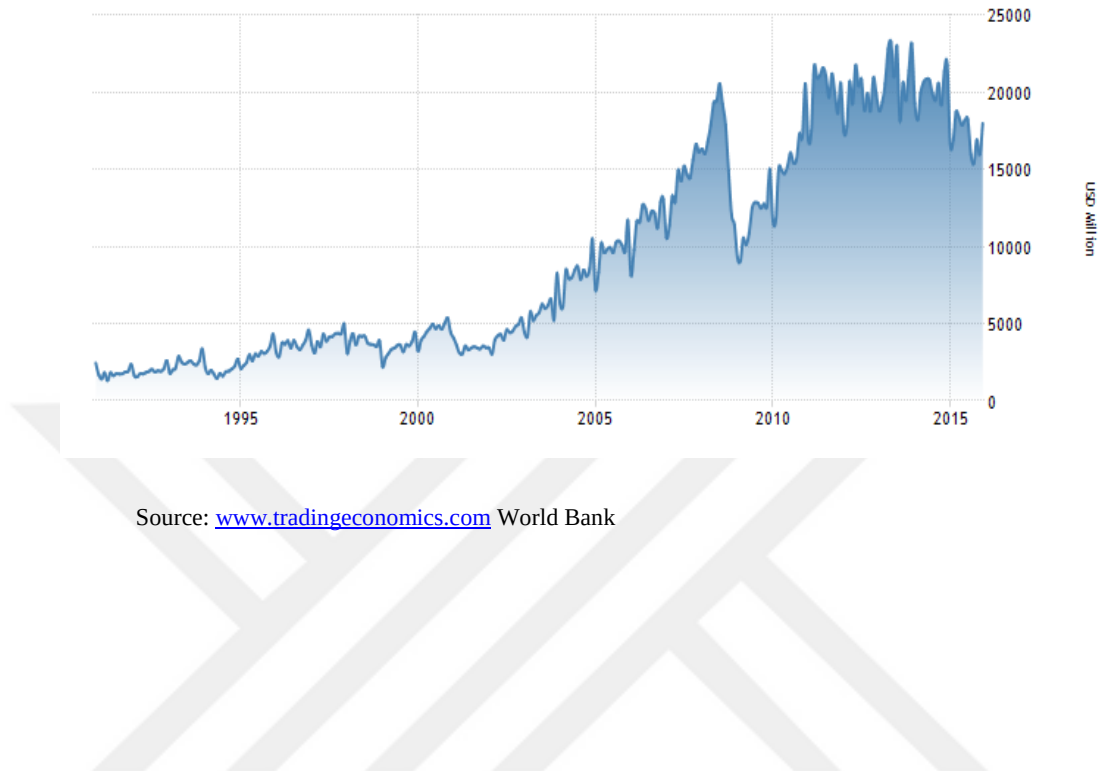


Figure 4.5: Total Real Export of Russia



Figure 4.6: Total Real Import of Russia



Source: www.tradingeconomics.com World Bank

Figures from 4.1 to 4.6 report summary statistics for Turkish and Russian exports and imports for the sample period. Turkish-Russian trade volume jumped to 1.5 billion dollars in 1992. In 1993, the volume of trade between Turkey and Russia was around 2 billion dollars, the number increased to 3.3 billion dollars in 1995 and 4.2 billion dollars in 1997, indicating a 176 percent increase in Turkish-Russian bilateral trade volume in the period between 1992 and 1997. Before the economic crisis, Russia was the second among trade partners of Turkey. In 1997, Russian market absorbed Turkish goods more than 2 billion dollars in a short time, and Russia became Turkey's second most important export market (Akturk, 2007). The main products of Turkish exports to Russia - textiles (fabrics, clothing, and footwear), food products, leather products, chemical products, and household appliances. Turkish clothing, linen, fabrics in their quality performance are in high demand in Russia.

It is also important to state that between 1991 and 1998, 138 Turkish firms were actively working on 533 projects with a total value of 9.246 billion dollars in Russia and Russian accounted for 42 percent of all contractor services provided by Turkish firms. In 1998, Turkish exports to Russia declined by 34.4 percent and in 1999, by 56.3 percent (Kireev, 2002). Turkey's increasing energy dependency on

Russia was an important cause of the negative balance of trade on the Turkish side. Accordingly Turkish imports from Russia decreased just by one percent in 1998 and continued to increase by 10.2 percent in 1999 and by 63.2 percent in 2000 causing a peak at the trade deficit between the two.

Turkish exports increased by more than 9.3 percent in 2000 and in 2001 by 43.3 percent. Turkish imports from the Russian Federation declined by about 10.6 percent and the overall imports by 25.7 percent in 2001. Turkish imports from the Russian Federation were not affected much given the fact that Turkish imports from the Russian Federation had low elasticity, as it is the case for energy resources and raw materials (Kireev, 1997). In 2002, Russia was the sixth country to which Turkey exports goods and the third among countries from which Turkey imports goods (Arafat, 2011). The total volume of trade between the two countries was around 10.860 million dollars in 2004. The distribution of revenues is not balanced since the Russian exports to Turkey are more than four times of the Turkish exports to the Russia. In 2004 the biggest share of the Russian imports from Turkey were composed of manufactured goods with the share of 84 percent. The Turkish imports from Russia on the contrary were composed of energy resources and raw materials, goods having low elasticity. In 2004, 41 percent of Turkish imports from Russia were composed of energy resources and it is followed by iron and steel industry with the share of 19 percent. There are some causes of the current trade imbalance between Turkey and Russia:

1. The increasing natural gas consumption of Turkey from the Russia and the increase in world energy prices caused a difficulty for Turkey.
2. The 1998-1999 economic crisis hit Russia in such a sense that ruble was devaluated by 75 percent causing a sharp decline in Russian imports from Turkey. Following the crisis, Russia decided to pursue import substitution policy and began to produce some of the imported materials in domestic markets. It became competitive in textiles and food industry (Müşaverliği, 2008).

During the period from 2001 to 2008, when the two-sided trade reached its peak, exports increased seven times while imports increased nine times. In 2008, as it was mentioned above, Russia displaced Germany to become Turkey's largest trading partner with an annual trade volume totaling 38 billion dollars; both countries have expressed a desire to see that trade volume grow to 100 billion dollars in 2020. In

2009, the countries set ambitious goals to further increase turnover: export of Russian natural gas, oil and petroleum products, metals, automobiles, etc. and supplies from Turkey - construction and contracting services sector, machinery and equipment, agricultural products, food products and semi-finished products, chemical products, consumer goods. In 2009, the turnover decreased by 40%, followed by trade volumes started to rise again.

The global crisis of 2009 and 2010 are characterized by a significant reduction in the volume of foreign trade between Russia and Turkey. Despite some difficulties, it is clear that by the beginning of 2010 cooperation with the Russia came high on the list of Turkish priorities. By the end of 2010, figures did not returned to pre-crisis level. Russian exports to Turkey were again dominated by energy (oil and oil products, natural gas, coal), metals and metal products. Their share of the total, according to 2010 amounted to 73.8 and 7.4%, respectively. Import the share of raw materials and intermediate materials were about 44.9%, and consumer goods, that was the final product reached to 44,7%. Leading position in the supply of Turkish products in Russia took light, automobile, iron, steel, and chemical industry. In 2012, Russian-Turkish trade turnover grew by 11.2% to 33.3 billion dollars, including Russia's exports increased by 11.1% to 26.6 billion dollars, while Russian import was equal to 11.5 % reaching 6.7 billion dollars. In 2013-2014, there was a slight decline of 3.2%, mainly due to a slight reduction of natural gas supplies and steel products. In 2014, the export volume of Turkey in Russia fell by almost 1 billion dollars, representing 14.65% of the indicators in 2013.

In 2015, total export and import reduced. The volume of Turkey's export and import reached to 3.58 (2.49%) billion dollars and 20.3 (9.85%) billion dollars respectively.

Promising products and services for deliveries to Russia are supply of fresh vegetables and fruits, textile products, construction services and tourism.

The Turkish side continues to actively lobby for the promotion of their products to the Russian market, both bilaterally and through attempts to create free trade zones, customs warehouses and terminals, logistics centers in the Russian territory.

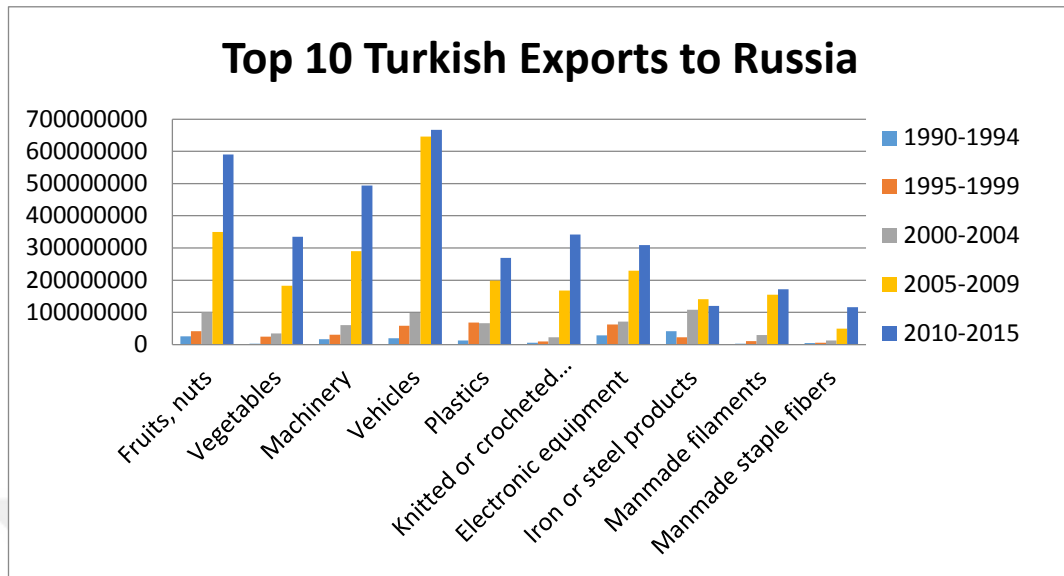
Figure 5.1: Percentage share of total Turkey's export and import to export to Russia and import from Russia in period 1990-2015



Source: www.tuik.gov.tr

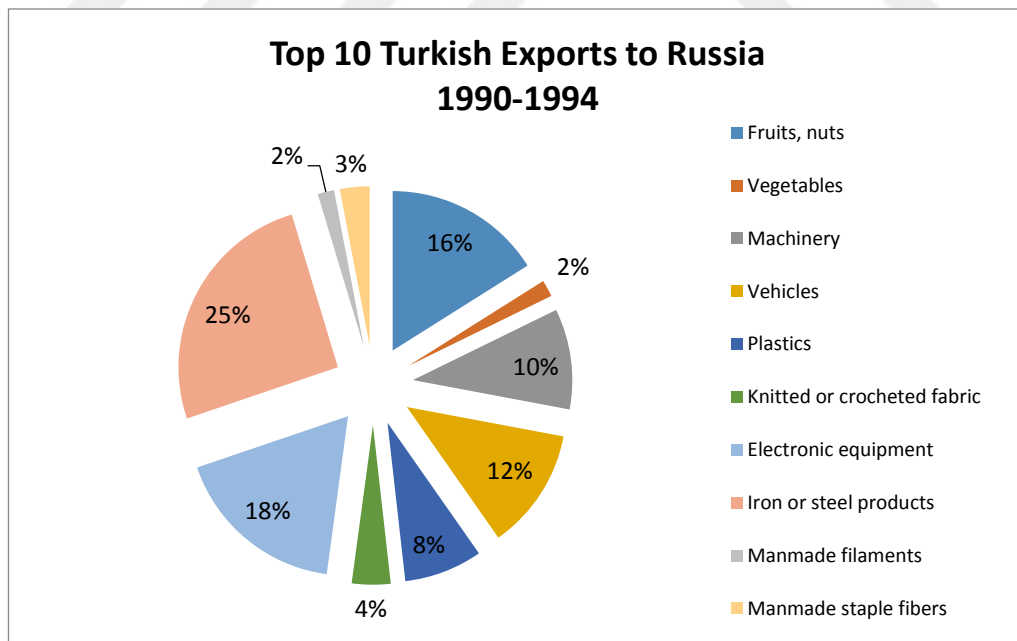
Figure 5.1 represented a percentage share of total Turkey's exports and imports in Turkey's export from Russia and import to Russia. Before the global crisis in 1998, export to Russia and import from Russia were nearly stable. In 1997 export to Russia reached to 7,83 percent and import from Russia reached 4,48 percent. However, after the crisis, there was a huge change in export and import. Due to energy ties, import from Russia began taking a high level and export became less. In 2008 import from Russia reached to 15,53 percent and export to Russia was equal to 4, 92 percent.

Figure 6.1: Top Turkish Exports to Russia



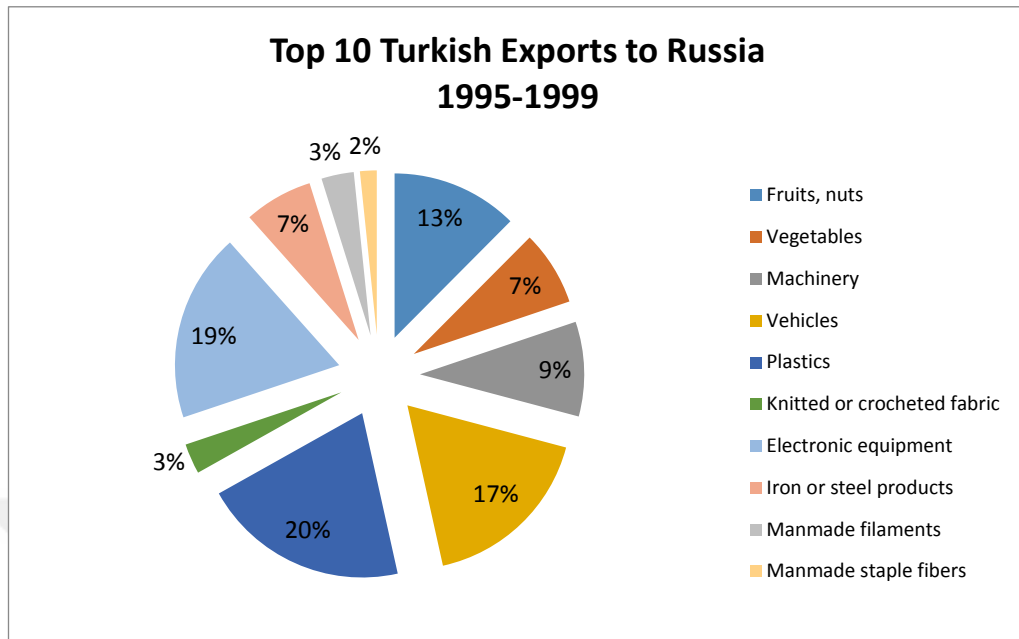
Source: www.tuik.gov.tr

Figure 6.2: Top Turkish Exports to Russia 1990-1994



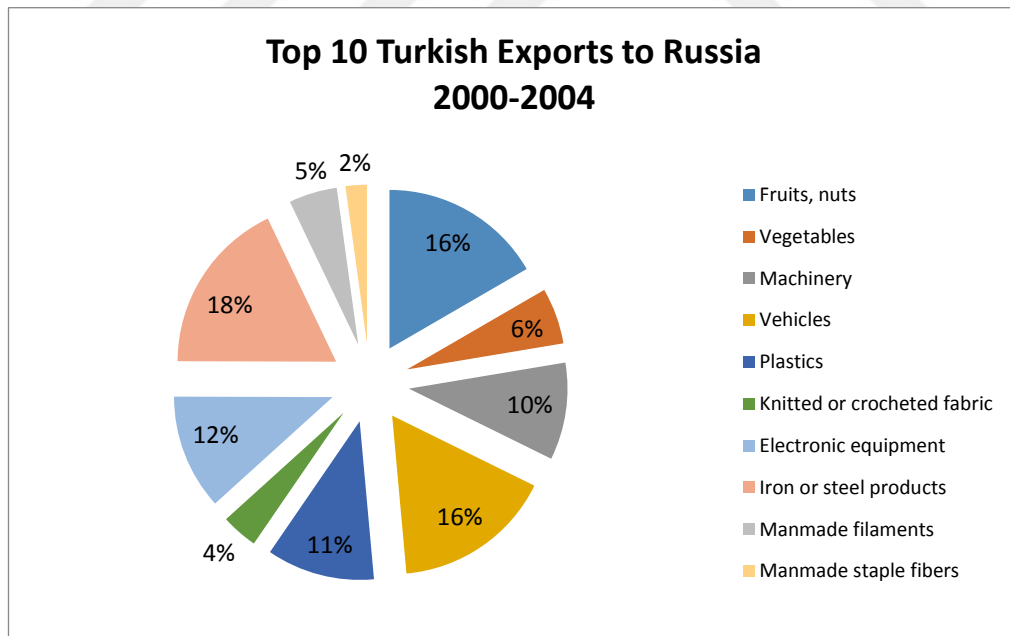
Source: www.tuik.gov.tr

Figure 6.3: Top Turkish Exports to Russia 1995-1999



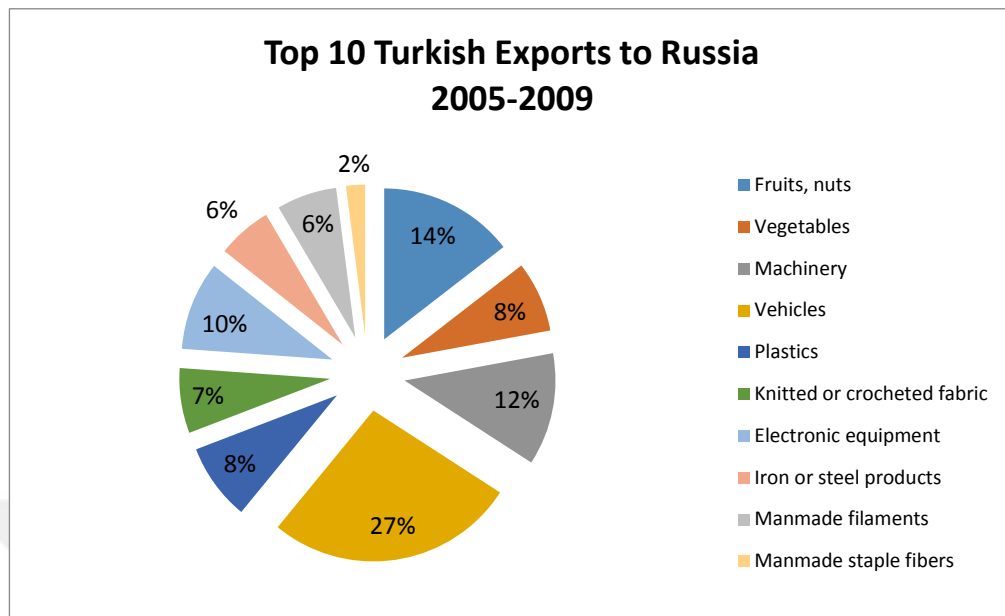
Source: www.tuik.gov.tr

Figure 6.4: Top Turkish Exports to Russia 2000-2004



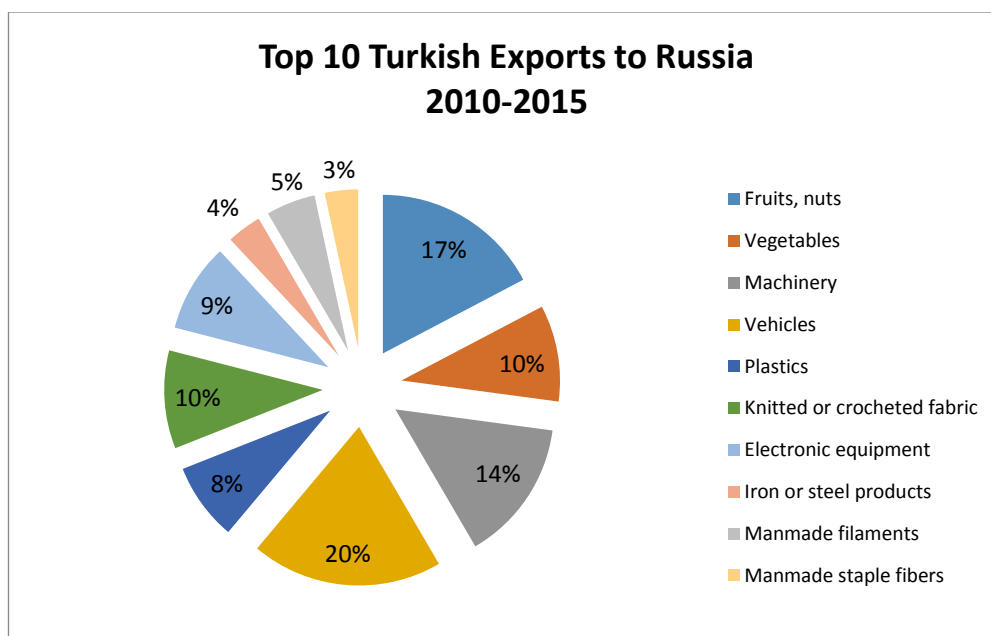
Source: www.tuik.gov.tr

Figure 6.5: Top Turkish Exports to Russia 2005-2009



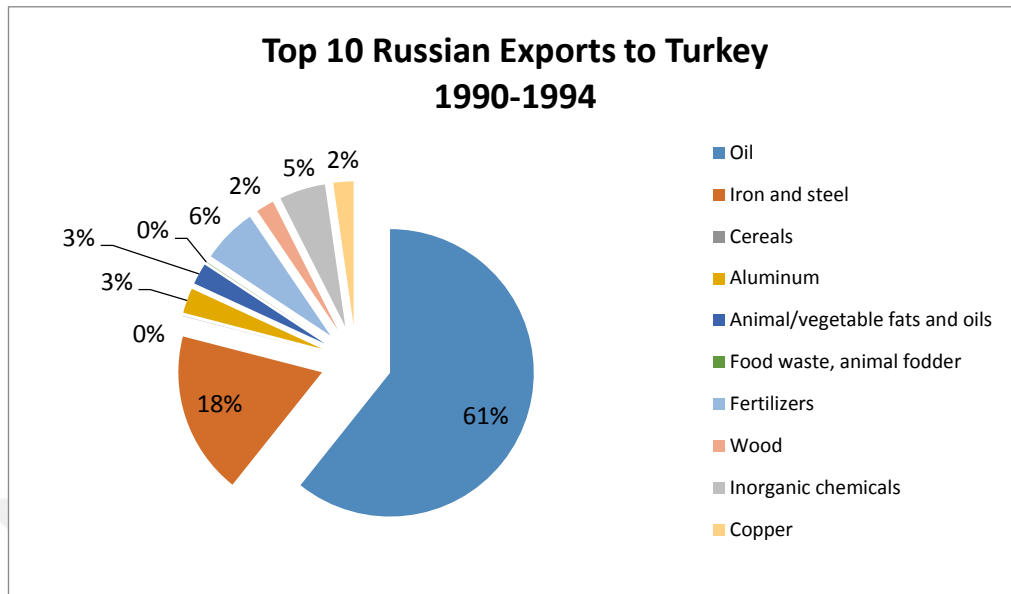
Source: www.tuik.gov.tr

Figure 6.6: Top Turkish Exports to Russia 2010-2015



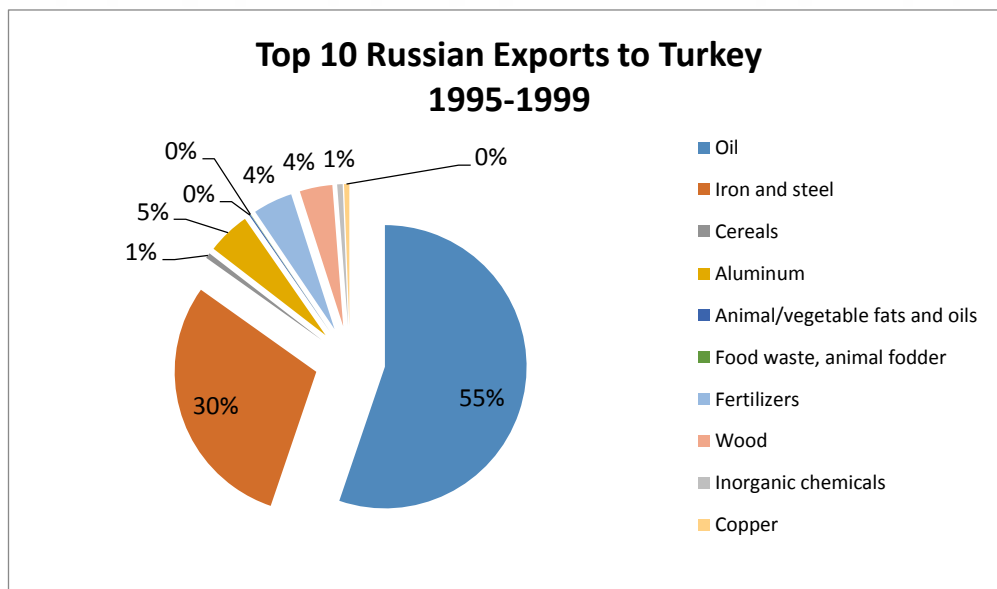
Source: www.tuik.gov.tr

Figure 6.7: Top Russian Exports to Turkey 1990-1994



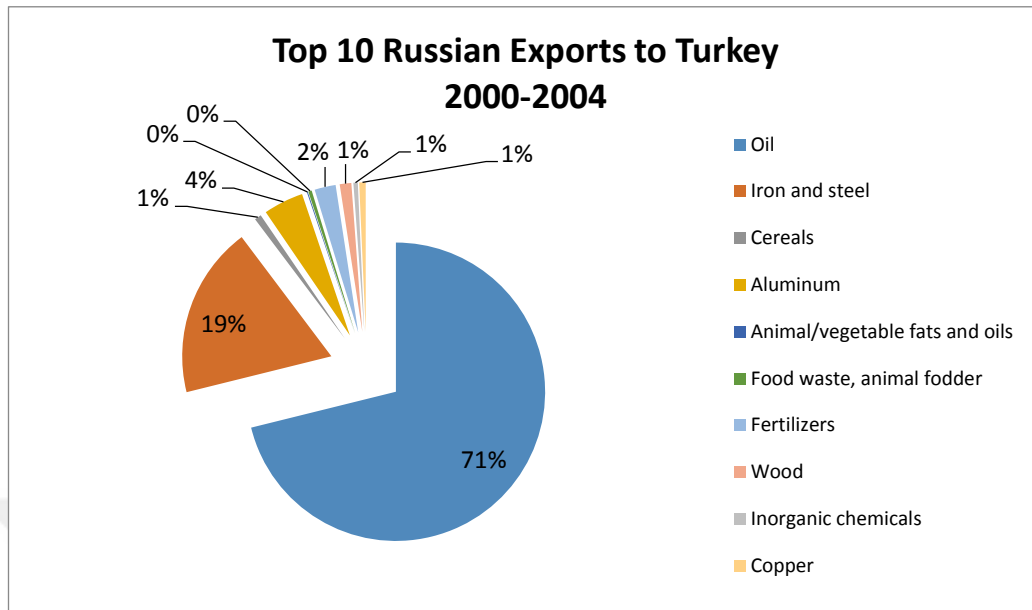
Source: www.tuik.gov.tr

Figure 6.8: Top Russian Exports to Turkey 1995-1999



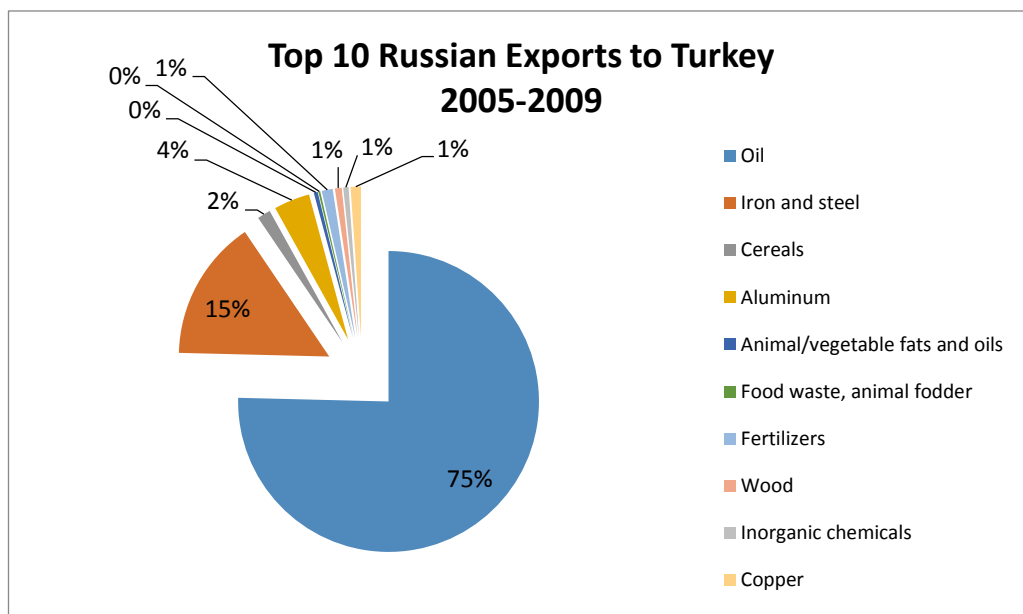
Source: www.tuik.gov.tr

Figure 6.9: Top Russian Exports to Turkey 2000-2004



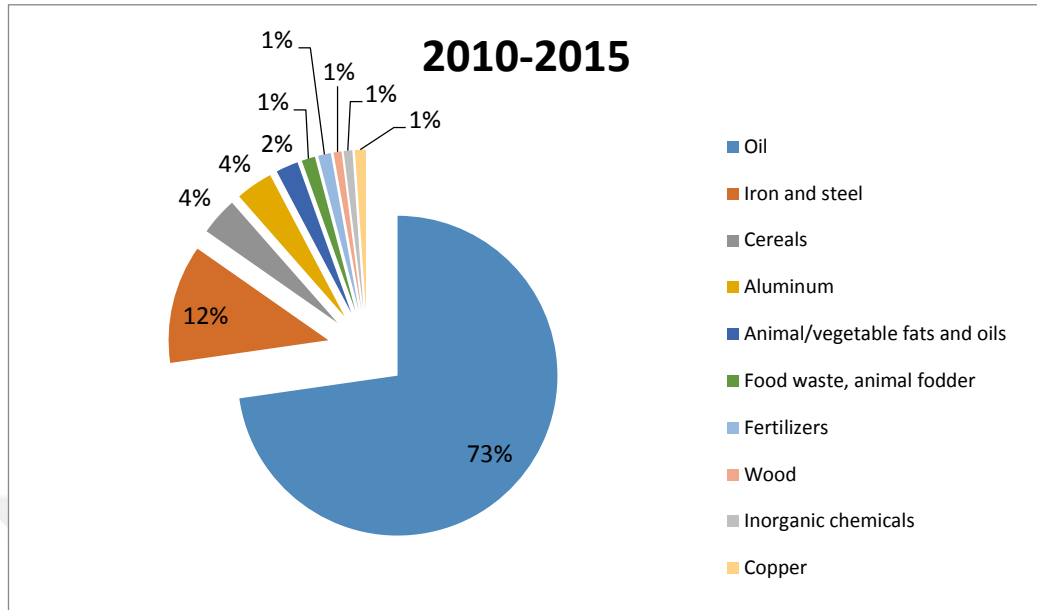
Source: www.tuik.gov.tr

Figure 6.10: Top Russian Exports to Turkey 2005-2009



Source: www.tuik.gov.tr

Figure 6.11: Top Russian Exports to Turkey 2010-2015



Source: www.tuik.gov.tr

The distribution of top 10 Turkish exports to Russia and imports from Russia represented at the Figures from 6.1 to 6.11. Turkey's exports to Russia represented a wide range of consumer products, including textiles, clothes, foodstuffs, motor vehicles and others and import from Russia range of oil products, iron and steel, aluminum, wood, copper and others. During investigate, we took the data and distributed into 5 groups as shown below. In the 1990-1994 periods the largest share of exports to Russia belongs to iron and steel product (25%), electronic equipment (18%), fruits, nuts (16%), which are divided into major classes respectively. While the share of these goods groups in exports has changed since 1995, the share of exports in period 1995-1999 belongs to plastics (20%), electronic equipment (19%), and vehicles (17%). Father, in 2000-2004 the share did not change dramatically: iron and steel products (18%), vehicles and fruit, nuts (16% each other), electronic equipment (12%). In 2005-2009 the share of such goods group in exports to this country decreased, such others increased: vehicles (27%), fruits, nuts (14%), and machinery (12%). In 2010-2015 the share of export has not change a lot: vehicles (20%), fruit, nuts (17%), and machinery (14%).

While Turkey's imports from Russia are examined, it is seen that two goods groups constitute almost all of the imports together with the continuous increase in imports in the related period. Oil, iron and steel are goods, which have the largest share in imports made from Russia. The share of products (oil, iron and steel) obtained from distillation was about 61% and 18% respectively in period 1990-1994. Fertilizers's export share was equal to 6%. In 1995-1999 the rapid increase in export of those two goods were observed: 55% and 30%. Another good – aluminum took 5%. The share of exports in 2000-2004 belongs to oil (71%), iron and steel (19%) and aluminum (4%). In 2005-2009 the share of oil was increasing: 75%, iron and steel decreased to 15%, and aluminum was unchanged: 4%. In period 2010-2015 the share of goods belong to oil (73%), iron and steel (12%); cereals and aluminum equal to 4% each other.

To sum up, the data analysis presents the results of 25 years relationship between Turkey and Russia. There were both positive and negative moments. However, the results show us that the more Turkey and Russia cooperate, the more growth rates became. It means that import and export of both countries increase. Subsequently, GDP and wealth of nations rise. Total amount of exported and imported goods are change due to of certain year's situation. For example, it is the global crisis of 1998 and 2008 or some other political reasons. Recent trends of economic ties between Turkey and Russia say that multidimensional cooperation will continue in positive line and deepen.

CONCLUSION

The last decade of the 20th century radically transformed the nature of Turkish-Russian relations. After the collapse of the Soviet Union, they have acquired a new importance, themselves the content of qualitative change: Russia is no longer the superpower Soviet Union scale, while Turkey is convinced, and quite successfully, the whole world is that along with Russia and its relatively developed economy in many respects is also the major powers of Eurasia. The economic ties between Turkey and Russia have improved in post-soviet era. The relations between Turkey and Russia mostly changed in a new line of ties. They began to build a new neighborhood based on cooperation and view each other as significant partners. Turkish-Russian relations the last two decades are given such definitions as the relationship “close neighbors”, “cooperation”, “extended partnership”, “multi-dimensional partnership”, “in-depth partnership”, as well as “strategic partnership”.

Turkey by using its highly competitive economic structure by encouraging personal initiative, high efficiency, environmental protection and export orientation, it expected to become even more active participant in the global changes in the world.

The Turkish-Russian economic relations can be divided into 5 groups:

1. *Trade relations.* The economic relations began in 1930, when the authorities of both country signed Trade and Navigation Agreement. Further, there were a numerous agreements signed and developed. Agreement on Blue Stream Project plays important role in these ties. Now, Turkey exports Russia manufactured goods, including vehicles, food, machinery, textiles, chemicals, and imports from Russia oil, natural gas, raw materials and metals. The total volume of Turkish-Russian trade increase steadily.
2. *Construction sector.* In the last two decades, many Turkish construction companies had a great opportunity to win tenders in Russian competitions to be participate in construction buildings such as housings, big malls, and other infrastructure projects. The total amount of construction projects carried out by Turkish firms between 1972 and 2015 increased to more than \$39 billion worth.
3. *Tourism sector.* Most of Russians prefer to spend their vacation in Turkey's beaches. Turkey provides cheap and high quality services. Furthermore, the last two

decades, the number of tourists increased incredibly in Mediterranean area. Subsequently, it is a good economic profit for Turkey. Executives provide comfortable and favorable conditions for them.

4. *Energy sector* is one of the most promising sectors in economic relations. Since 2007, Russia has been biggest supplier of oil and gas to Turkey (Ulchenko, 2013). The total amounts of delivering products grow. The Blue Stream pipeline from Russia to Turkey under the Black Sea, which provides the vast majority of Turkey's natural gas. According to the project, there would be delivered 16 million cubic meters of Russian gas. In addition, Turkey and Russia signed an agreement on the construction of a nuclear power plant in Akkuyu (2010). In addition, there were established some organizations such as Organization of the Black Sea Economic Cooperation (BSEC) in 1992 and The Black Sea Naval Co-Operation Task Group – BLACKSEAFOR in 1998 that may regulate critical situations. Thus, Turkey could provide security in the region and aimed to achieve cooperation rather than conflict. In addition, Russia is planning to build a north-south pipeline from Samsun to the Mediterranean port of Ceyhan, parallel to Blue Stream, to export oil as well as electricity to Turkey (Kinikoglu, 2006).

5. *Foreign Direct Investments*. In last two decades, Turkish investments and Turkish existence in construction sector has increased in Russia and vice versa. Efes Beverages Group, Enka, Netas, Vestel, Şişecam were first biggest investment companies in Russia. Turkey took advantage in this market due to cheaper labor and responsibility in quality in comparison with some countries. Most Turkish construction companies have constructed big buildings such as government buildings and various malls in Moscow. The increasing economic and human interaction also motivated seven Turkish banks to open new branches in Russia. Also Russian investment companies operate in Turkey. The main investments groups are Alfa group, Gazprom. They constructed pipeline under Black Sea, assisted in building subway in Istanbul, plan to construct first nuclear power plant "Akkuyu" in Mersin, and etc.

In methodological framework, with regard of Descriptive analysis we have observed trade relations between Turkey and Russia in sample products. There was estimated main 10 products that exported and imported between two countries and shown which products more exported or imported. For example, Turkey's main

exported goods are: fruit and nuts, machinery, electronic equipment and its main imported goods are oil, aluminum, iron and steel.

The recent warming in Turkish-Russian relations suggests a fruitful period of economic cooperation. The system of Turkish-Russian trade and economic relations can be described as the intensification of cooperation in all areas, improvement of new forms and methods of cooperation; expansion of official contacts, the creation of high-grade multi-level organizational structures; the gradual registration of long-term legal framework.

Turkish policy-makers emphasize adopting a good neighborhood and “zero-problem” policies in the bordering regions (Aras, 2009). Both of countries prefer to stability in region and desire to influence out of the region regardless of that they are in opposite blocks. Since the 1990s the total volume of trade between Turkey and Russia has increased steadily, and finally reached to 18 072.5 million dollars in 2015, including Russian exports - 15 008.0 million dollars and Turkish exports - 3 064.4 million dollars. Consequently, we can say that the interdependence of both countries are growing. Turkey needs oil and gas, while Russia needs textiles, vacation in resorts of Antalya, fresh fruits and vegetables. Recent developments made Russia and Turkey as strategic partnership. Economic rapprochement between Turkey and Russia based on numerous agreements and protocols, official meetings, bilateral trade in various sectors. This cooperation seems more advantageous rather than rival. The combination all spectrums of activities ranging from trade to tourism can bring to better economic prospects for both of countries.

Objective factors such as complementarity, mutual benefit and good neighborliness between the two countries, despite some differences in their views, will always serve to accelerate the development of economic relations, rapprochement of nations. Turkey and Russia are changing the geopolitical confrontation on the geo-economic cooperation that existed hundreds of years between them. The current situation in their relationship shows that towards this goal, they have gone a long way. Thanks to a peaceful, active and constructive foreign policy and extremely cautious diplomacy between Ankara and Moscow, the Turkish-Russian relations are gradually acquiring a new view. Taking into account the worldwide importance of the two countries, and therefore their responsibility, this

situation can be regarded as vital to the preservation of peace, stability and security, both regional and global levels.

The results of competition or cooperation between the two countries directly affected the development of the neighboring countries and territories to affect the dynamics of commerce, economy, and technology transfer, accelerated the process of integration. The interaction of Turks and Russians outside of five-star hotels will serve to consolidate trust and closeness between their societies. Possibilities include cultural tours and festivals, convention tourism, educational trips and orientation programs, introductory visits that will acquaint Turkish and Russian families and art events that Russian culture values, such as ballet, opera, theatre, piano, cinema, and others.

The geographical closeness of Turkey and Russia gives them the advantage to increase mobility between countries by low transportation costs.

Moreover, by increasing economic relations and cooperation in economic areas, especially from the beginning of 2000, the economic interdependence has become the base of relations between two nations. Recent developments make Russia and Turkey as main partnerships. We see it in the high number of official meetings, signed agreements, booming in trade relations between them, increasing number of tourist coming to Turkey and close economic ties. Foreign policy of both countries have changed in positive relations.

Turkey and Russia definitely are trading partners enjoying mutually beneficial exchange. Recent pace of development of Turkish-Russian trade relations describes a positive correlation that it is particularly important in global market for deeper integration to international economy.

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