

The Impact of the Russia-Ukraine War on Türkiye's Foreign Trade

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ABSTRACT *This article analyzes the impact of Russia's February 24, 2022 invasion of Ukraine and the ongoing war on Türkiye's foreign trade. Türkiye's shared maritime borders with Russia and Ukraine in the Black Sea and Russia accounting for a significant percent of Türkiye's foreign trade renders the conflict all the more important for Ankara. Accordingly, this article compares the import-export data from 2022, after the war erupted, with the relevant figures over the last decade. Furthermore, the effect of the Russia-Ukraine war on the tourism and contracting sectors, which make the most positive contribution to Türkiye's current account deficit and are at the forefront of the locomotive sectors, is also discussed.*

Keywords: International Business, Competition, Foreign Trade, International Construction, Tourism

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Introduction

Foreign trade significantly contributes to economic growth, development, and job creation in any given country. It enables nations to exceed the limits of their domestic markets and gain access to the global marketplace. As such, enterprises in a given country can reach more customers and offer them more products and services. Moreover, foreign trade promotes stronger commercial and cultural relations among countries.

Certain factors, in turn, impact trade between different countries. Social and political developments, epidemics and pandemics, economic crises, other financial developments, and armed conflicts immediately come to mind. As a matter of fact, similar developments have taken a toll on the foreign trade and economic performance of countries around the world in recent years. Particularly, the Russia-Ukraine war impacted almost all nations and regions, starting with Asia and Europe.¹

The impact of the Russia-Ukraine war has varied across the world. As a country sharing maritime borders with both nations, Türkiye views Russia as an important economic partner. Whereas the country sells agricultural produce, textiles, and construction materials to Russia, its main imports include energy products, such as natural gas and crude oil, as well as steel and machinery. The total trade volume between Türkiye and Russia increased steadily over the years to reach \$28.9 billion by the end of 2021. Moreover, the two countries launched several joint projects designed to meet their growing energy needs. For example, the Akkuyu Nuclear Power Plant, which remains under construction, shall meet approximately 10 percent of Türkiye's electricity demand upon completion.² Such partnerships and collaborations create major investment and business opportunities in Türkiye and Russia. At the same time, the Association of Turkish Travel Agencies (TÜRSAB) reports that Russia was Türkiye's leading source of tourists in 2021 with approximately 4.5 million visitors. In 2022, Russia was the second-largest source of tourists for Türkiye with more than 4.5 million visitors according to the TÜRSAB.³ Likewise, the country remains the single greatest foreign market for Turkish construction firms.

Furthermore, Türkiye's main export items to Russia include fresh fruits and vegetables, machinery, land vehicles, and their equipment, and clothing and fashion accessories. Türkiye, on the other hand, imports mostly oil, natural gas, hard coal, iron-steel products, raw aluminum, and a variety of agricultural items.⁴ Although Russia and Ukraine are not leading manufacturers in the world, they are important providers of energy and raw materials. For instance, Russian petroleum and natural gas play a vital role in meeting the global energy demand of many countries, including Türkiye. Türkiye con-

sumed 48.1 billion cubic meters of natural gas in 2020. During that year, Türkiye received 33.6 percent of its natural gas from Russia, 24 percent from Azerbaijan, and 11.1 percent from Iran through the pipelines, according to the Energy Market Regulatory Authority's (EMRA) Natural Gas Sector Report.⁵

It is possible to say that trade relations between Türkiye and Ukraine have developed over the years. The two countries also signed a free trade agreement in February 2022 to increase their bilateral trade volume and promote stronger commercial ties. Whereas Türkiye exports textiles and construction materials to Ukraine, it buys iron, steel, and agricultural products, including grains, from Ukrainian suppliers. According to the Turkish Statistical Institute's (TÜİK) 2021 data, exports from Russia and Ukraine meet 78 percent of Türkiye's annual demand for wheat.⁶ 13 percent of that grain comes from Ukraine. Moreover, TÜRSAB states that Ukraine was the third-largest source of tourists for Türkiye in 2021 with more than 2 million visitors.

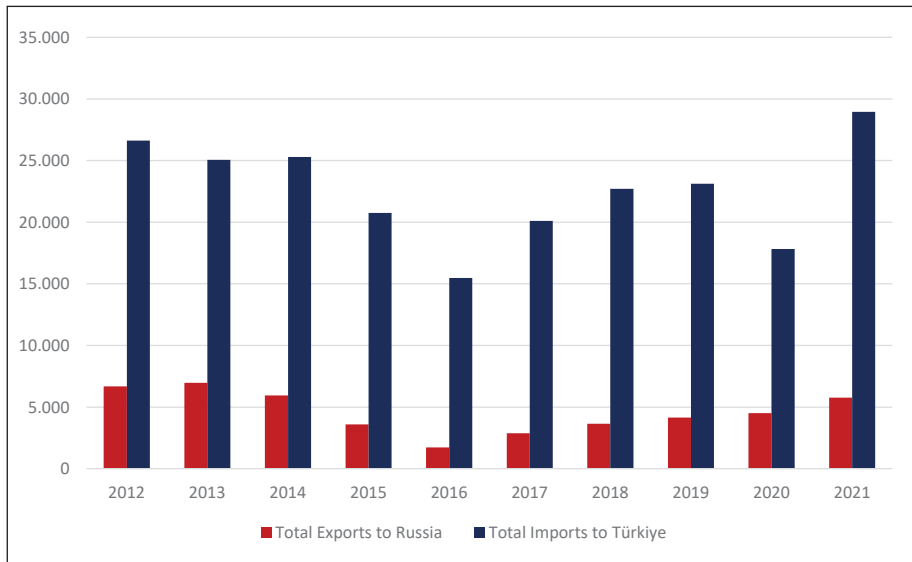
This article aims to investigate the impact of the Russia-Ukraine war on Türkiye's foreign trade. This article is structured as follows: first, Türkiye's foreign trade statistics with Russia and Ukraine will be compared as before and after the war. Next, the statistical data of the effects of the Russia-Ukraine war on the tourism and contracting sector of Türkiye will be discussed. Subsequently, we will present our analysis of the direct and indirect effects of the Russia-Ukraine war on Türkiye's foreign trade.

Foreign Trade Relations between Türkiye and Russia

Türkiye and Russia have complex and multi-dimensional trade relations. In recent years, the two countries have maintained a strong commercial relationship thanks to their mutual dependence on the energy sector. With Türkiye's rapidly increasing energy needs, the country is an important source of income for Russia's economy, despite ongoing political tension. Specifically, Russia remains one of Türkiye's main energy suppliers and it provides most of the country's natural gas and crude oil. Since Türkiye is heavily dependent on Russian gas, it could be asserted that small disruptions in natural gas supplies could have a crucial impact on Turkish consumers and industries.⁷ Furthermore, Türkiye imports a significant amount of Russian steel, machinery, and other industrial products. At the same time, Türkiye sells textiles, agricultural products, and consumer goods to Russia.



Bilateral relations between Türkiye and Ukraine have improved in recent years, resulting in a steady increase in foreign trade

Graph 1: Russia's Exports and Imports with Türkiye (\$ Million, 2012-2021)

Source: Compiled from the Turkish Statistical Institute (TÜİK)⁸

Graph 1 demonstrates that the foreign trade volume between Türkiye and Russia has been around \$20 billion per year since 2012. Türkiye's imports remained around \$25 billion in 2012, 2013, and 2014; whereas its exports were over \$5 billion per year. However, against the backdrop of cordial relations, a Russian Sukhoi Su-24 military aircraft violated Turkish airspace on November 24, 2015, to be shot down by Turkish F-16 fighter jets in accordance with the rules of engagement.⁹ That incident dealt a heavy blow to Turkish-Russian relations, resulting in diplomatic and economic boycotts between the two countries.

Due to Russia's economic sanctions and embargoes against Türkiye, there was a sudden drop in the foreign trade volume between them. By 2016, Türkiye's exports to Russia plummeted to \$1.7 billion as its imports decreased to \$15.5 billion. The following year, the improvement of bilateral relations and Russia's decisions to lift its economic sanctions increased Türkiye's imports to \$20 billion and exports to \$2.8 billion. The foreign trade volume between the two nations increased steadily in 2018 and 2019, as Türkiye's imports increased to \$22.7 billion and \$23.1 billion, respectively. Likewise, Turkish exports amounted to \$3.6 billion in 2018 and \$4.1 billion in 2019. Nonetheless, the COVID-19 pandemic disrupted the bilateral trade volume's steady increase. Accordingly, Türkiye's imports from Russia dropped to \$17.8 billion in 2020. In contrast, Turkish exports reached \$4.5 billion. With various medical developments curbing the COVID-19 pandemic, the bilateral trade volume exceeded \$25 billion anew. In 2021, Türkiye's imports increased approximately 60 percent

year-on-year to reach \$28.9 billion, making Russia the second largest supplier of imported goods to the country. At the same time, Turkish exports to Russia soared by 29 percent to \$5.7 billion.

Table 1. Turkish Exports to Russia by Sector (\$ Thousand)

Sector	2021
Fresh Fruits and Vegetables	1,014,100
Auto Industry	705,791
Textiles and Ready-made Clothes	584,885
Chemical Materials and Products	561,029
Machinery and Parts	481,199

Source: Turkish Exporters Assembly Journal of Economic Research¹⁰

According to a study of the Turkish economy by the Turkish Exporters' Assembly (TİM), Türkiye's top exports to Russia include fresh fruits and vegetables –per Table 1. Russia, in turn, sells automobiles, textiles, chemicals, and machinery to Türkiye.¹¹

Table 2. Türkiye's Imports from Russia by Sector (\$ Thousand)

Sector	2021
Chemical Materials and Products	14,174,521
Steel	5,269,085
Grains, Legumes, Oily Seeds, and Products	4,242,484
Iron and Non-iron Metals	2,327,109
Minerals	2,047,245

Source: Turkish Exporters Assembly Journal of Economic Research¹²

Table 1 demonstrates that those five sectors account for more than 90 percent of Türkiye's exports to Russia. In contrast, Table 2 demonstrates that in those five sectors, chemical products, iron and steel, agricultural products and minerals amount to 90 percent of Türkiye's imports from that country.

Foreign Trade Relations between Türkiye and Ukraine

Bilateral relations between Türkiye and Ukraine have improved in recent years, resulting in a steady increase in foreign trade. Accordingly, the bilateral trade volume has rapidly expanded in recent years as Türkiye became one of Ukraine's largest foreign trade partners. In 2021, the bilateral trade volume reached \$7.4 billion. Whereas Türkiye imported \$4.5 billion worth of goods and services from Ukraine, its exports amounted to \$2.9 billion. Türkiye's main imports included agricultural products, grains, and sunflower oil and it exported textiles, machinery, and chemical products to Ukraine. The two

countries aimed to further increase their bilateral trade volume by signing a free trade agreement.

Graph 2: Exports and Imports of Ukraine with Türkiye (\$ Million, 2012-2021)



Source: Compiled from the Turkish Statistical Institute (TÜİK)¹³

Graph 2 presents Türkiye's foreign trade data with Ukraine. Accordingly, Turkish exports to Ukraine amounted to \$1.8 billion in 2012 and \$2.2 billion in 2013. Its imports climbed from \$4.3 billion to \$4.5 billion during the same period. In 2014 and 2015, Türkiye sold \$1.7 billion and \$1.1 billion worth of goods and services to Ukraine. Its imports also plummeted from \$4.2 billion to \$3.4 billion. It is possible to say that Türkiye's exports to Ukraine recorded a steady increase since 2015, whereas its imports declined. Despite the COVID-19 outbreak in 2020, Turkish exports continued to increase –from \$2 billion in 2020 to \$2.9 billion in 2021– while its imports climbed from \$2.5 billion to \$4.5 billion.

The Russia-Ukraine War's Impact on Türkiye's Foreign Trade

With the Russia-Ukraine war in full swing, Türkiye's exports to and imports from Russia soared compared to the previous year. In addition, the country's foreign trade volume with Ukraine is also increased. Specifically, Türkiye's imports from Russia amounted to \$28.9 billion in 2021 before skyrocketing to \$58.8 billion in 2022 –an increase of more than 100 percent. At the same time, Turkish exports to Russia recorded a 61 percent increase from \$5.7 billion in 2021 to \$9.3 billion in 2022. Undoubtedly, that spike in Turkish exports was linked to economic sanctions that the U.S., the European Union, and other allied nations imposed on Russia. The sanctions against Russia continue to evolve daily, but the sanctions imposed to date can be divided into roughly

six categories. The first category of measures taxes the Russian leadership and elites through ‘blocking’ sanctions, that is, full asset freezes. Such sanctions have been imposed individually against Russia’s President Vladimir Putin and other members of the Russian business and political elite. The second

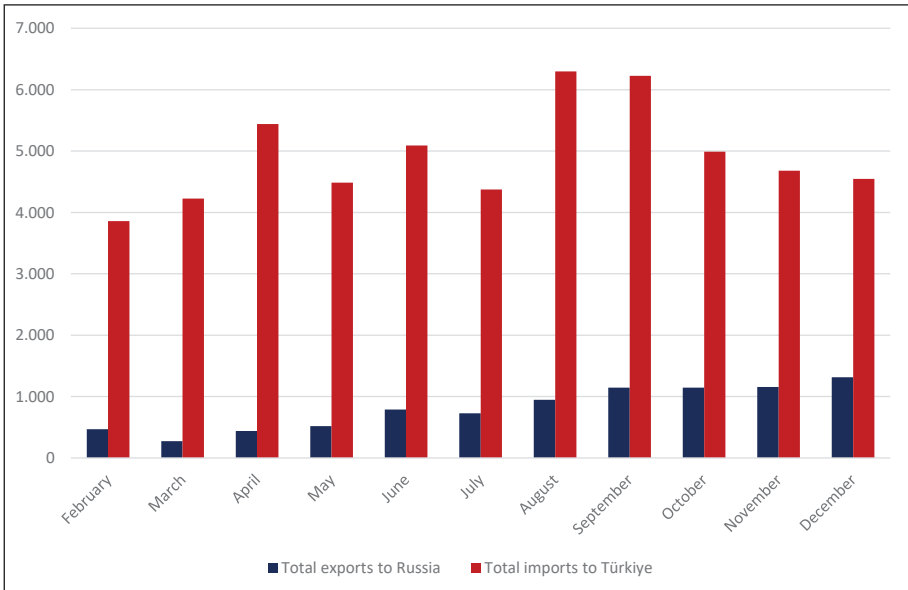
category of measures targets the Russian financial system. This includes blocking sanctions against major Russian banks and financial institutions, limitations on transactions with others, and the removal of certain financial institutions from the Society for Worldwide Interbank Financial Telecommunications (SWIFT) financial messaging system. The third category is energy. At first, the U.S. appeared to leave the energy market out of sanctions by creating express exceptions. The rationale was to maintain stability in energy markets and to protect Europe, which is highly dependent on Russian energy products. Nevertheless, the U.S. soon banned the import of Russian oil, liquefied natural gas, and coal, as well as any new U.S. investment in Russia’s energy sector. The EU was reluctant at first. But in early April 2022, as evidence of atrocities in Ukraine mounted, it began to contemplate energy sanctions, despite internal opposition from member states that rely on Russian energy supplies. A fourth category includes other controls on international trade. The U.S. and other countries have imposed export controls designed to curtail Russian access to necessary commodities and technologies and to hinder Russia’s military buildup. The fifth category is transportation. Among other restrictions, Russian airlines are now banned from large swathes of the world. And the U.S. and EU have required leasing companies to repossess planes lent to Russian airlines. Finally, these measures have been accompanied by an exodus of private actors. BP, Apple, McDonald’s, Mastercard, and Visa, among others, have suspended operations in Russia.¹⁴

Despite the ongoing Russia-Ukraine war, Türkiye’s foreign trade volume with Russia increased by more than 90 percent to reach \$68.1 billion

On the other hand, Türkiye refused to join the Western economic and financial sanctions on Russia. “In terms of sanctions,” announced Erdoğan, “We cannot put aside our relations with Russia ... I cannot leave my people to freeze in winter, and ... I cannot completely reboot this industry of ours.” The Turkish position expressed in this statement has been maintained even after the repeated Russian military defeats in the Kyiv battle in the spring, as well as in the Kharkiv battle in September. In fact, Türkiye profited from the conflict and the new international situation to boost its economic and financial interactions with Russia.¹⁵ After all, Türkiye opted for neutrality amid the Russia-Ukraine war, emerging as a mediator and not joining economic and political sanctions imposed by other nations. As a result of the economic sanctions imposed on Russia by the U.S., the EU, and other international communities and Türkiye’s exemption from these sanctions, Turkish companies started to take over

the activities of Western companies leaving Russia and filled the gap in the Russian market. In addition, imports and exports of oil, gas, iron, steel, and many other products, whose imports and exports were prohibited as a result of economic sanctions, were continued by Turkish companies. According to the *Dünya* newspaper, for example, Fiba Holding bought the assets of Spanish MANGO and British giant Marks&Spencer, and the Turkish company FLO bought more than 100 stores of Reebok, one of the most important players in the global shoe market.¹⁶ In addition, the Turkish company Arçelik acquired Whirlpool's production and distribution activities in Russia.

Graph 3: Exports and Imports of Russia with Türkiye (\$ Million, February 2022-December 2022)



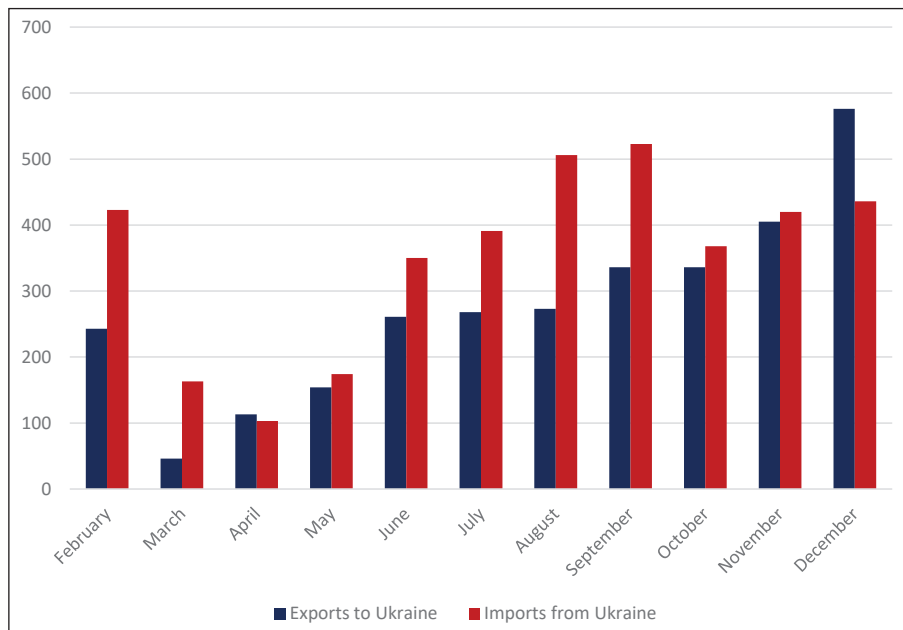
Source: Compiled from the Turkish Statistical Institute (TÜİK)¹⁷

Graph 3 lists Türkiye's monthly imports from and exports to Russia in 2022. Whereas the Russia-Ukraine war has harmed global trade since February 2022, the Turkish experience has been different. In other words, Türkiye's foreign trade volume with Russia increased due to the conflict. Undoubtedly, this development was linked to Türkiye's policy of neutrality, emergence as a mediator, and dependence on Russian energy. Whereas Türkiye imported \$3.8 billion worth of goods and services from Russia in February 2022, when the war started, that number soared to \$4.2 billion in March and \$5.4 billion in April. Likewise, Turkish exports to Russia dropped from \$467 million in February 2022 to \$273 million in March 2022 before bouncing back to \$440 million in April 2022. Over the following months, Turkish exports steadily increased to reach \$789 million in June, \$1.1 billion in September, and \$1.3 billion in December. Meanwhile, Türkiye's imports from Russia peaked at \$6.2

billion in August 2022 before dropping to \$4.5 billion by December 2022. As the war between Russia and Ukraine intensified, Türkiye's imports from Russia on a monthly basis began to decline. Despite the ongoing Russia-Ukraine war, Türkiye's foreign trade volume with Russia increased by more than 90 percent to reach \$68.1 billion. As a result, the gap that emerged as a result of the West's economic sanctions against Russia has been filled by Turkish companies.

In contrast, Türkiye's imports from Ukraine increased, and exports to Ukraine decreased due to the war, causing the foreign trade volume to climb from \$7.4 billion in 2021 to \$7.6 billion in 2022. At the same time, Turkish exports recorded an 11 percent increase from \$2.9 billion in 2021 to \$3.22 billion in 2022. Its imports, in turn, dropped from \$4.5 billion to \$4.4 billion during the same period.

Graph 4: Exports and Imports of Ukraine with Türkiye (\$ Million, February 2022 - December 2022)



Source: Compiled from the Turkish Statistical Institute (TÜİK)¹⁸

As a result of the Russian invasion of Ukraine, which started on February 24, 2022, Türkiye's imports from Ukraine decreased from \$423 million in March by 60 percent to \$102 million in April. Likewise, Türkiye's export volume amounted to \$242 million in February and \$46 million the following month. In April 2022, that number bounced back to \$113 million. It is possible to argue that Türkiye's refusal to choose sides in the Ukraine war and emergence as a mediator gave renewed momentum to its imports and exports in May –following a temporary drop in February, March, and April 2022. Between May and August,

Thanks to that mild-mannered approach, Türkiye gained the trust of Russia and Ukraine upon being encouraged by all relevant parties to act as a mediator

foreign trade surplus with Ukraine was due to the defense agreement signed between Türkiye and Ukraine in February 2022. With the agreement, Türkiye was able to export drones and other military equipment to Ukraine. Likewise, Ukraine's exports to Türkiye amounted to \$173 million in May, \$349 million in June, \$391 million in July, \$506 million in August, and \$522 million in September 2022. Despite a drop to \$368 million in October, Ukrainian exports to Türkiye bounced back and climbed to \$435 million in December.

Türkiye's exports to Ukraine fluctuated. In contrast, Turkish exports to that country soared to \$268 million in July, \$273 million in August, \$336 million in September and October, \$404 million in November, and \$576 million in December. In other words, Türkiye recorded a trade surplus with Ukraine for the first time. Türkiye's

The Russia-Ukraine War's Impact on Türkiye's Tourism Industry

Medical progress curtailed the COVID-19 pandemic in 2020, encouraging all national governments to lift restrictions on all sectors, including transportation, and giving a major boost to the tourism industry. However, the Russia-Ukraine war started in February 2022 with the Russian invasion, posing a serious threat to international tourism. Specifically, the Russian invasion of Ukraine resulted in many European countries denying Russian airlines access to their airspaces and aircraft flying between Europe and East Asia having to take a detour. In this regard, the war in Ukraine gave rise to fresh challenges to people's faith in the global economy and global travel. Indeed, the war between Russia and Ukraine, which plays an important role in the European tourism market, poses a threat to global tourism.¹⁹

Due to its strategically important location, Türkiye emerged as a major player amid clashes between Russia and Ukraine. As the only NATO ally to continue its diplomatic contacts with Russia, the country engaged in moderate diplomatic activities.²⁰ Thanks to that mild-mannered approach, Türkiye gained the trust of Russia and Ukraine upon being encouraged by all relevant parties to act as a mediator. As a result of Türkiye's acceptance by the international community as a mediator, the country has been exempted from the embargoes imposed on Russia by the U.S., the EU, and other countries. That is why Türkiye and Russia could resume their commercial activities with each other –unlike some other nations. To measure the impact of the ongoing war on the Turkish tourism sector, this article compares the tourism data since 2018 to the situation in 2022, after the war broke out.

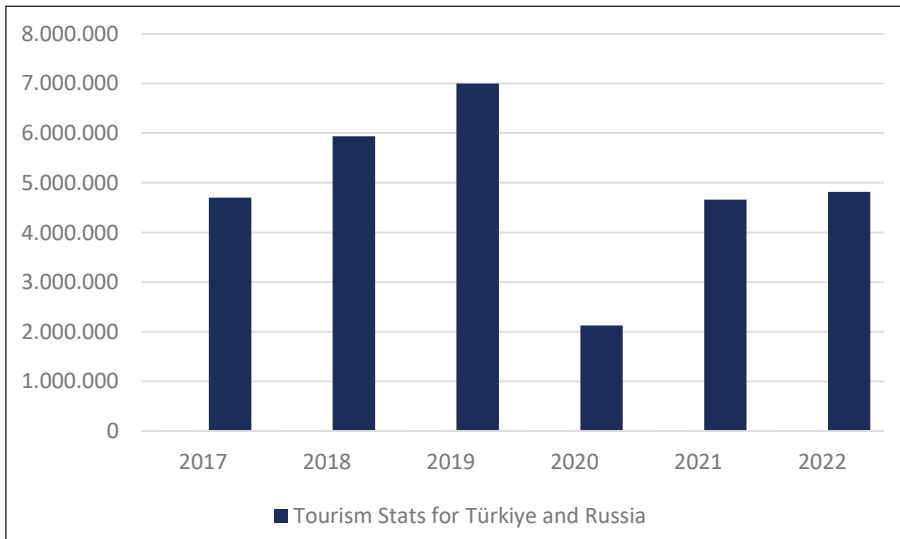
Table 3: Distribution of Visitors to Türkiye by Nationality (Top Five Nations, 2017-2022)

2018		2019		2020	
Russia	5,964,613	Russia	7,017,657	Russia	2,128,758
Germany	4,512,360	Germany	5,027,472	Bulgaria	1,242,961
Bulgaria	2,386,885	Bulgaria	2,713,464	Germany	1,118,932
UK	2,254,871	UK	2,562,064	Ukraine	997,652

2021		2022	
Russia	4,694,422	Germany	5,663,520
Germany	3,085,215	Russia	4,818,079
Ukraine	2,060,008	UK	3,309,773
Bulgaria	1,402,795	Bulgaria	2,882,512

Source: Compiled from the Turkish Ministry of Culture and Tourism²¹

Table 3 makes it possible to fully appreciate the significance of Russia and Ukraine for Türkiye's tourism industry. Indeed, Russia has traditionally been the leading source of foreign tourists in the country –including in 2020, when the COVID-19 pandemic started. Ukraine, in turn, ranked fourth among Türkiye's top sources of foreign visitors in 2020 and 2021. This Turkish Ministry of Culture and Tourism data provides a clearer picture regarding the importance of both countries.

Graph 5: Tourism Stats for Türkiye and Russia (2017-2022)

Source: Compiled from the Central Bank of the Republic of Türkiye²²

It is possible to observe that the Russia-Ukraine war has negatively impacted the Turkish tourism industry. Indeed, the number of Russian tourists (who had been the largest group since 2018) dropped below the number of German visitors in 2022 despite a minor increase in absolute numbers from 4.65 million in 2021 to 4.8 million the following year. A closer look at Graph 5, in

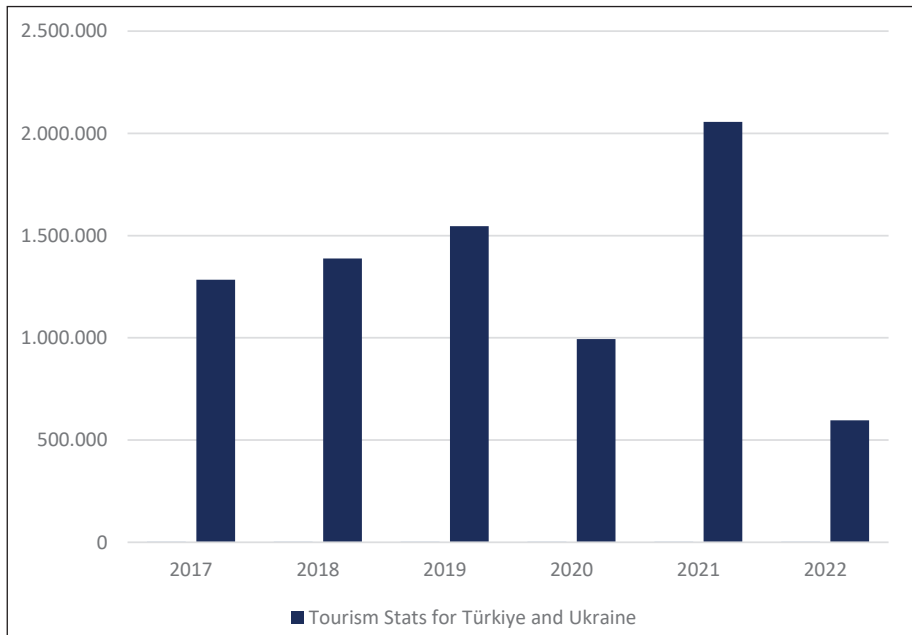
Since Russia, one of the warring parties, ranks among the world's top 10 economies, the conflict will inevitably take a toll on the global economy and supply chains

turn, reveals that the number of Russians visiting Türkiye had increased by approximately 1 million annually since 2017. Accordingly, that number soared from 4.7 million in 2017 to 5.9 million in 2018 and 7 million in 2019. Whereas the COVID-19 pandemic led to a temporary decline in 2020, the number of visitors more than doubled to 4.65 million

in 2021. It is important to note, however, that no similar increase has been observed since the Ukraine war started.

Similarly, the conflict significantly decreased the number of Ukrainians visiting Türkiye. As seen in Graph 5, the number of Ukrainian tourists, which had increased steadily since 2017, plummeted due to the war. Indeed, more than 2 million Ukrainians visited Türkiye in 2021, the final year of peace—which means that Ukraine ranked third after Russia and Germany in the list of countries sending the most tourists to Türkiye. The February 2022 Russian invasion and the resulting war, however, resulted in a 71 percent decrease in the number of Ukrainian tourists from approximately 2 million to some 596,000. Clearly, the decline in Russian and Ukrainian visitors, along with the high level of uncertainty, remains a source of concern for the Turkish tourism industry.

Graph 6: Tourism Stats for Türkiye and Ukraine (2017-2022)



Source: Compiled from the Central Bank of the Republic of Türkiye²³

The Russia-Ukraine War's Impact on Türkiye's International Construction Sector

Accounting for approximately 5 percent of Türkiye's gross domestic product and creating 1.5 million jobs overall, the construction sector plays a key role in the country's economic development. Keeping in mind its direct and indirect impact on other economic sectors, the construction industry corresponds to nearly 30 percent of the Turkish economy.²⁴ Having experienced a slowdown due to the COVID-19 pandemic and the resulting global supply chain disruptions in 2020, the construction business regained momentum the following year as the pandemic was gradually contained. In this regard, Turkish construction firms expanded their business volume, launching 442 projects in 69 countries worth \$30.7 billion. A quick look at the distribution of Turkish companies' new business ventures by country shows that the Russian Federation ranked first with 35.9 percent and Iraq reclaimed second place with 11.8 percent. Furthermore, some countries in sub-Saharan Africa emerged as major customers, sidelining some traditional markets.²⁵

Table 4: Most Projects Undertaken and Total Budgets by Country (\$ Million)

2020		2021		2022	
Russia	4,585	Russia	11,017	Russia	2,015
Algeria	904	Iraq	3,624	Azerbaijan	1,765
Qatar	876	Tanzania	1,908	Iraq	1,58
Kuwait	841	Ukraine	1,661	Romania	1,495
Romania	743	South Sudan	1,236	Uzbekistan	1,325
Ukraine	724	Zambia	1,135	Tanzania	1,016
Holland	697	Kazakhstan	944	Poland	936
Senegal	680	Algeria	940	Hungary	649
Azerbaijan	596	Turkmenistan	922	Qatar	635
Uzbekistan	536	Poland	799	Libya	607
Others	5,028	Others	6,544	Others	5,744
Total	16,221	Total	30,729	Total	17,797

Source: Compiled from the Turkish Contractors Association²⁶

Table 4 demonstrates that Russia remains the largest market for Turkish construction firms. Whereas Turkish companies undertook \$4.5 billion worth of projects there in 2020, that number more than doubled to \$11 billion by 2021. However, the war started in 2022 and resulted in an 82 percent decline in the business volume of Turkish contractors in Russia to \$2 billion. Although Russia remains the largest market for Turkish contractors, the ongoing war entailed certain major challenges. Specifically, the U.S. and the European Union imposed economic sanctions against Russia and excluded that country from SWIFT. Those measures restricted international money transfers and had a negative impact on commercial transactions. Moreover, the difficulty of accessing various goods and services, starting with logistics, created serious problems for Turkish construction companies.



President Erdoğan met with the Russia-Ukraine negotiation delegations in Istanbul, on March 29, 2022.

TCCB / MURAT ÇETİN MÜHÜR DAR / AA

According to an April 2022 study by the Turkish Contractors' Association, the sector had undertaken a total of \$8.7 billion worth of projects by the end of 2021. It also stressed that Ukraine had been making additional infrastructure investments with EU funds, making it possible for Turkish contractors to play a more active role there. Accordingly, the number of projects in Ukraine soared from seven in 2019 to 10 in 2020 and 34 in 2021. It is possible to note that Turkish construction companies currently have \$3 billion worth of ongoing projects in that country. However, those firms were compelled to suspend their operations and evacuate their Turkish employees due to the Russian invasion of Ukraine. As a result of the ongoing conflict, Turkish firms have experienced various problems in Ukraine, including the lengthy disruption of their operations, cash flow issues related to customers' failure to make payments, the physical destruction of construction sites and damage to various materials, equipment, and machinery at those sites.

Conclusion

This study analyzed the impact of the Russia-Ukraine war, which started on February 24, 2022, with the Russian invasion and remains underway, on Türkiye's foreign trade with those nations. Since Russia, one of the warring parties, ranks among the world's top 10 economies, the conflict will inevitably take a toll on the global economy and supply chains. To measure the Russia-Ukraine war's impact on Türkiye's foreign trade, this article compared Türkiye's import

and export data from the previous decade with an emphasis on 2021.

It is important to note that Türkiye's foreign trade volume with Russia and Ukraine increased amid an armed conflict between the two countries. Accordingly, Türkiye's trade volume with Russia reached an all-time high of \$68.1 billion in 2022. Whereas Türkiye's imports more than doubled to \$58.8 billion, its exports grew by 61 percent to reach \$9.3 billion. Likewise, Türkiye's foreign trade volume with Ukraine recorded significant growth, soaring from \$7.4 billion in 2021 to \$7.6 billion in 2022. Accordingly, the country's exports increased by 11 percent to reach \$3.22 billion, whereas its imports plummeted to \$4.4 billion with a \$100 million drop. Altogether, the total foreign trade volume recorded an increase.

As a matter of fact, Russia and Ukraine diverted a significant share of their imports and exports involving other countries to Türkiye, increasing Türkiye's trade volume with both nations

The ongoing war between Russia and Ukraine harmed the Turkish tourism industry. Having been the leading source of foreign visitors to Türkiye since 2018, Russia ranked second (after Germany) in 2022. Accordingly, there was an insignificant increase (of 150,000) in the number of Russian tourists from 4.65 million to 4.8 million in 2021-2022. A closer look at Russian visitors reveals that their numbers had increased by approximately 1 million yearly, whereas the wartime increase was limited to less than 4 percent. The number of Ukrainian tourists, in turn, was affected even more. Whereas 2.06 million Ukrainians visited Türkiye in 2021, before the war started, there was a 71 percent drop in 2022, pushing the number of Ukrainian visitors to 596,000. In response to a decline in Russian and Ukrainian tourists, Türkiye's tourism sector may need to diversify its target markets and focus on attracting visitors from other countries. This may require increased marketing efforts, promotional campaigns, and the development of new tourism products and experiences to cater to different markets.

Undoubtedly, the international construction industry –which, along with tourism, does more to decrease Türkiye's current account deficit than any other business sector– was impacted most severely. With the U.S. and other countries imposing economic sanctions on Russia, which is the leading consumer of Turkish construction services, ongoing projects were forced to stop. That disruption took a severe financial toll on Turkish companies. It is also important to recall that Turkish construction firms had won \$3 billion worth of infrastructure and construction tenders in Ukraine since 2019, as that country began to receive funds from the European Union. The war, however, forced them to suspend their operations. It's worth noting that the impact on Türki-

ye's construction sector will depend on the duration and severity of the war, as well as the broader geopolitical and economic dynamics in the region. It is important for Turkish construction companies to carefully assess the risks and adapt their strategies accordingly, while also exploring opportunities in other markets to diversify their operations.

The ongoing war between Russia and Ukraine took a heavy toll on the world economy, causing disruptions in energy, finance, and supply chains. During this period, Türkiye's total foreign trade with Russia increased with both imports and exports soaring. At the same time, Türkiye's trade volume with Ukraine grew, resulting in the country recording a trade surplus with Ukraine for the first time. Nonetheless, two major economic sectors, tourism, and international construction services, were negatively affected by the war.

Since the war began, Türkiye pursued a policy of neutrality, keeping its distance from both sides. When the fighting intensified in March and April 2022, the country emerged as a mediator to de-escalate tensions and work for peace. In line with that policy, Türkiye did not join economic sanctions and embargoes by the U.S., the EU, and others against Russia –which sheltered its foreign trade with both countries from the serious fallout. As a matter of fact, Russia and Ukraine diverted a significant share of their imports and exports involving other countries to Türkiye, increasing Türkiye's trade volume with both nations. It's important to note that the impact on Türkiye's foreign trade volume will depend on the extent and duration of the conflict and the specific measures taken by all parties involved. The situation is subject to change, and monitoring the developments and adapting trade strategies accordingly is crucial for minimizing any potential negative effects. ■

Endnotes

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