

Prioritizing Turkey and China in the Russian Trade Policy After Sanctions¹

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Abstract

The introduction of economic sanctions by western countries against Russia has stimulated the process of reorienting Russian trade and economic ties toward neutral partners, particularly to Turkey and China. This study evaluates the extent to which Russian-Turkish cooperation is becoming more significant a factor in neutralizing the impact of sanctions on the Russian economy and compares the relative importance of Turkey and China as trade and economic partners for Russia during the sanctions period. The article explores the potential of Russian-Turkish and Russian-Chinese cooperation.

China and Turkey play the role of Russia's key partners in overcoming the negative consequences of sanctions. The authors conclude that since the start of tough sanctions in 2022–2023, Turkey's role in Russia's trade policy grew at a faster pace than China's role in a number of areas of economic cooperation. This was confirmed by the evidence of faster growth rates of trade, and by more active energy and tourist cooperation, and by Turkey's level of direct investments comparable to the Chinese one. Despite this, China continues to be the most significant economic partner for Russia. The Western pressure on China under the sanctions during 2023–2024, was felt to a lesser extent than against Turkey. This explained why by the end of 2023, the growth rate of China's trade with Russia rebegan to outpace the growth rate of Russia's trade with Turkey. Overall, the anti-sanctions nature of trade policy, based mainly on trade rather than on investments could be depicted as not solid enough, and the likelihood of curtailing ties under pressure from Western countries remains high, that is partially confirmed by the change in the latest dynamics of Russia's trade with Turkey in 2023–24.

Keywords: sanctions, economic relations, Turkey, China

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Sanctions as an Instrument of Coercion at the Present Stage of International Relations

Recently, the topic of sanctions has become one of the central issues in the world economy and international relations. The term "sanctions" is quite common, which is explained by a series of events that led to the application of various restrictive measures by countries in the form of sanctions. Basically, we are talking about the events in Ukraine and the packages of sanctions that were imposed against Russia by the European Union, the United States and other countries (including Canada, Australia, and Japan).

Since sanctions have become an important tool for exerting pressure on a number of countries, this topic is increasingly discussed in the international scientific community. To what extent it is legitimate to apply economic sanctions in the event of a political conflict? Is it fair to apply sanctions pressure to the entire population of the offending country? How can the impact of sanctions on the country's economy be mitigated? Is a sanctions policy effective? These are only some of the questions widely discussed in the scientific literature.

A. Tostensen and B. Bull, in their article entitled "Are Smart Sanctions Feasible?" [2002], considered the concept of "smart" sanctions, which was developed in the late 1990s in response to the ineffectiveness of comprehensive sanctions. In their opinion, sanctions should be aimed at exerting pressure on the real violators of the regimes developed by international institutions while maintaining security and without violating the rights of the population living in the country that is subject to sanctions. Smart sanctions are aimed only at the political elites involved in a particular conflict and include measures such as embargoes on arms supplies, financial restrictions, and prohibitions on crossing borders by individuals. Attempts are being made to mitigate or completely neutralize the impact of sanctions on vulnerable groups (children, women, the infirm, and the elderly) by exempting them from embargoes on food and medicine. However, despite the "reasonableness" of this tool, the authors conclude that the effective application of the smart sanctions regime is greatly hampered by the decision-making mechanism in the United Nations (UN) Security Council and numerous operational problems.

Over the past decades, many countries have been under sanctions—Russia, Iran, Iraq, North Korea, Venezuela, and others. Experts analyze the application of sanctions against the above-mentioned countries and their experience in mitigating the negative effect of those sanctions. In his article entitled "A Pyrrhic Victory? The Experience of the Sanctions War Against Iran," I. Timofeev argued that, over the past 100 years, economic sanctions have become the most important tool for achieving foreign policy goals. The main leader among the countries initiating sanctions is the United States, which has extensive experience in applying sanctions against both competitors and partners.

The U.S. Council on Foreign Relations' website published an article entitled "What to Know About Sanctions on North Korea" [CFR, 2022], which argued that the economic and financial sanctions that have been in place for decades on North Korea over its nuclear weapons have not been effective. This is due to the inability and unwillingness of some countries to adhere to the sanctions policy and to the strategy of some companies based on the economic feasibility of developing cooperation. According to the article's authors, the sanctions did not put enough pressure on the denuclearization of North Korea and caused serious damage to the Korean population. A similar conclusion about the ineffectiveness of U.S. sanctions against Venezuela was reached by C. R. Selke in her article entitled "Venezuela: Overview of U.S. Sanctions"[2023]. Despite sanctions pressure, Maduro consolidated power, and the opposition dissolved the interim government led by Guaidó at the end of 2022.

The process of reorientation of Russian economic ties to alternative markets in connection with the sanctions policy of western countries in the context of the Ukrainian conflict puts on the agenda of scientific and practical discussion the question of the development of cooperation with other

countries to minimize the negative effect of sanctions on the Russian economy.

In the Russian International Affairs Council report entitled "New Stage of Russia–Turkey Economic Relations Report," the authors [Avatkov et al., 2016] emphasized the general progressive trend in Russian-Turkish relations in many areas but expressed concerns about its instability. A number of major joint Russian-Turkish projects are not being implemented due to pressure on Turkey from its western partners.

Many experts believe that China is a promising partner for Russia in the current geopolitical context. In his article entitled "Economic Relations Between China and Russia Are Based on the Principles of Mutual Respect," W. Wang [2022] believes that Russian-Chinese economic relations are currently going through the best period in their history, demonstrating great potential. According to Wang, by 2025, the total trade turnover between China and Russia will reach \$300 billion. However, the low level of mutual investment, as well as the imperfect system of mutual settlements and payments, are cause for concern. According to K. Gilchrist, Chinese firms currently play an important role in strengthening the Russian economy and building up its military potential, which is confirmed by the export of a large number of unmanned aerial vehicles, helmets, vests and radios, as well as semiconductors to Russia.

Prior to the imposition of sanctions against Russia, Iranian sanctions were unique and unprecedented—Iran was sanctioned by a large number of countries (the United States and the countries of the European Union (EU), among others) and international institutions (the UN, for example), which included a wide range of tools, including asset freezes, visa restrictions, and restrictions on the supply of arms and trade in oil and oil products. Iranian sanctions were extraterritorial in nature, blocking Iran's cooperation with third countries [Timofeev, 2018]. Iran has adapted to the sanctions by seeking alternative partners and investors, as well as by developing its own industrial and technological base.

The sanctions against Iraq in the 1990s were the last example of comprehensive sanctions initiated by the UN Security Council. However, it was not possible to achieve the stated goal of changing the political regime in Iraq. Moreover, the sanctions caused a deterioration in the living conditions of the population, led to a large number of casualties, and initiated a military operation [Tostensen, Bull, 2002].

The UN Security Council, the United States, the EU, Australia, Japan, and Korea have also imposed sanctions on North Korea for developing nuclear weapons [CFR, 2022]. The sanctions included a ban on the trade in weapons and military equipment, the freezing of assets of those involved in the nuclear programme, and restrictions on scientific cooperation. Venezuela has been under western sanctions pressure for quite a long time. For 17 years, the United States has imposed sanctions in response to Argentina's passive, from its point of view, position with regard to the fight against terrorism, the consumption and distribution of drugs, the violation of human rights, and the development of corruption, among other things. The sanctions provided for freezing the bank accounts of the Nicolás Maduro administration and measures against the Venezuelan state-owned oil and gas company PdVSA (a ban on transferring funds to its accounts from the United States, where the oil exported by the company is processed) [Seelke, 2023].

Anti-Russian Sanctions

Almost all the world's experience in sanctions policy, accumulated over decades, is related to their application by western countries against Russia in the context of the development of the Ukrainian conflict. In just one year, 11 packages of sanctions were imposed on Russia. Anti-Russian sanctions are hybrid in nature—they include the establishment of a price cap for Russian oil, and targeted and sectoral restrictions. Sanctions against Russia were imposed by the U.S, the EU, Canada, Japan, Switzerland, and Australia. The EU, along with the United States, is leading the sanctions confrontation. In 2014, after the incorporation of Crimea into Russia, the EU introduced the first

restrictions. As of September 2023, EU sanctions apply to 1,544 Russian individuals and 240 legal entities [European Council-Council of the European Union, n.d.a]. The list of sanctioned individuals and entities is constantly reviewed and is subject to periodic updates by the Council of the EU. From 2014 to 2023, assets worth €21.5 billion were frozen. Since February 2022, the EU has banned the export of goods worth more than €43.9 billion to Russia, and imports worth €91.2 billion. As a result, 49% of Russian exports and 58% of imports are currently under sanctions. In addition, the assets of the Central Bank of Russia, worth €300 billion, were blocked in the EU and Group of 7 (G7) countries [Ibid].

The sanctions policy of western countries, including EU members, significantly escalated after 22 February 2022. After the incorporation of Crimea into Russia in 2014, the EU imposed mainly individual sanctions, which included asset freezes and visa restrictions, with only 185 individuals and 48 legal entities subject to restrictions. The sanctions regime in 2022–23 was characterized by the introduction of large-scale and unprecedented sanctions against Russia.

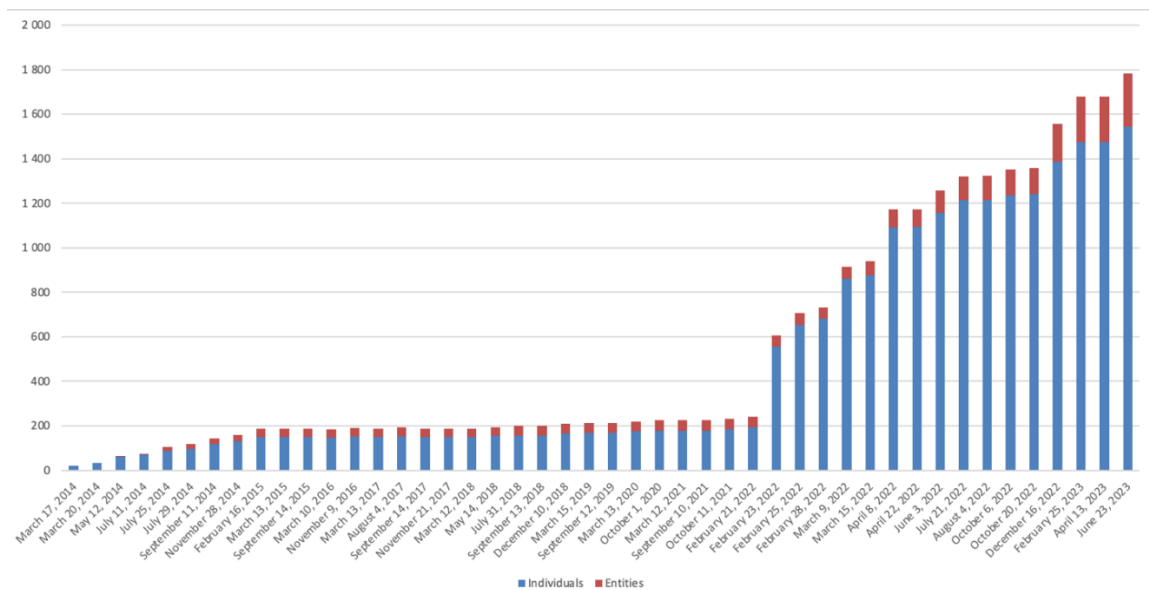


Figure 1. Number of European Union Sanctions Against Russian Individuals and Legal Entities, March 2014–June 2023

Source: Compiled by the authors based on data from the European Council-Council of the European Union [n.d.b].

Eleven sanctions packages were adopted with the aim of halting Russia's economic development and causing a deep economic crisis in key industries. In addition to the expanded range of individual sanctions against individuals and legal entities, restrictions were imposed on Russian exports (crude oil and refined petroleum products, coal, steel, gold, cement, and seafood) and imports (semiconductors, software, transport equipment, technologies necessary for oil refining, luxury goods, dual-use goods, and equipment for the energy industry); the provision of services by EU companies in the Russian Federation (accounting services, audit, IT consulting, legal consulting, architectural and engineering services, advertising and marketing research, product testing services, and others) was prohibited. Restrictions on banking activities were implemented (such as the disconnection of a number of Russian banks from SWIFT), as were financial restrictions (freezing of accounts), and a price ceiling was set for Russian oil and refined products; the broadcasting activities

of Russian state TV channels in the EU countries were suspended. Thus, constraints cover the financial, energy, and transport sectors, as well as the military-industrial complex, and restrict trade in significant goods and services [Ibid].

The 10th package of anti-Russian sanctions, introduced on 25 February 2023, for the first time introduced measures to combat the circumvention of sanctions, which involve a ban on the transit of dual-use goods, advanced technologies, and firearms through Russian territory. This means that European countries cannot use Russia's transit potential when exporting goods, for example, to the Asia-Pacific countries [European Commission, 2023a]. The 11th package of anti-Russian sanctions, introduced on 23 June 2023, is not aimed at introducing new restrictions but strengthens the measures provided for in the 10th package to prevent the Russian side from circumventing existing sanctions. For example, a new tool for "anti-circumvention" consists in restricting the sale, supply, transfer, and export of certain sanctioned goods and technologies to third countries whose jurisdictions are subject to a constant and particularly high risk of circumvention (for example, countries that have significantly increased their purchases of goods prohibited for export from the EU, which, as a result, go to Russia). In addition, the 11th package extends the ban on the transit through the territory of Russia of goods supplied to third countries and expands the range of prohibited goods (due to, for example, advanced technologies and materials used in the aircraft industry) [Ibid].

Sanctions have undoubtedly become a serious instrument of economic pressure on the country against which they are directed. Given the high level of cooperation between Russia, on the one hand, and the EU, the United States, Australia, and New Zealand, on the other, until 2014, it is impossible not to agree that Russia is experiencing a number of problems in the context of a decrease in the number of trading partners. First, this applies to the European Union, with which Russia built a common economic space from Lisbon to Vladivostok at the beginning of the century, filled the Partnership and Cooperation Agreement after 2007 with new content, and even considered the option of forming a free trade zone. The EU accounted for about 50% of Russia's trade turnover. Sanctions erode existing supply chains of goods and services and redirect trade flows in new directions, often contrary to economic logic. This happens not only in the case of a sanctions confrontation. The economic foundation of international economic relations is being destroyed (as evidenced, for example, by the conflict between China and the United States, the differentiation of developing countries, the economic situation in the EU, and the crisis of the multilateral trading system). Many countries are looking for reliable allies and like-minded governments in the face of the threat of fragmentation of the world economy.

The sanctions have become a kind of stimulus for the diversification of Russia's foreign economic relations and for strengthening economic cooperation with countries that take a neutral position in the Ukrainian conflict and are not supporters of the politicization of economic relations. This process can be facilitated by the changing geometry of the modern architecture of the world economy. The year 2023 demonstrated that Turkey and China are among Russia's such partners. At the same time, Turkey's role is more active. This article analyzes Russian-Turkish and Russian-Chinese economic cooperation and assesses the potential of Turkey and China to reduce the negative impact of western sanctions on the Russian economy. It also compares the effect of levelling the impact of sanctions in cooperation with Turkey and China. Already in 2021, these countries occupied a significant share in Russia's trade turnover (see Figure 2).

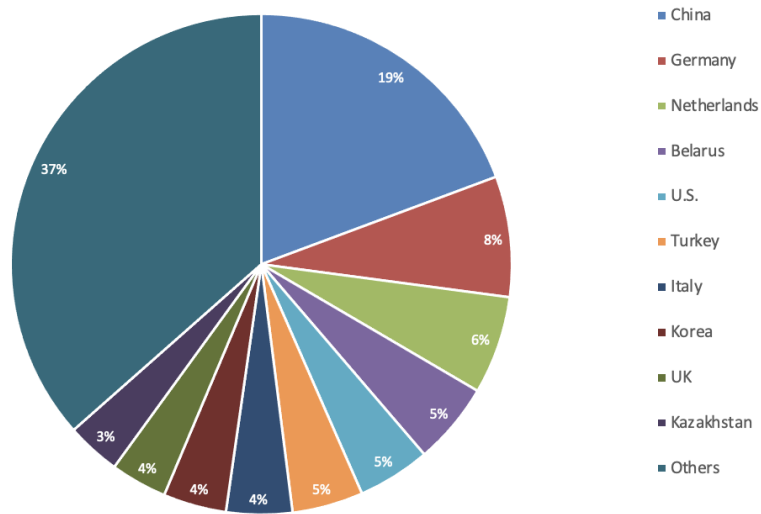


Figure 2. Russia's Trade Turnover, 2021

Source: Compiled by the authors based on data from the Federal State Statistics Service.

Since 2022, Russia's trade with Turkey and China has grown at a faster rate than Russia's total trade turnover and faster than trade with Russia's other partners. In 2022, Russia's trade with China increased by 29% compared to 2021, and with Turkey by 84% (for comparison, it increased by 10% with Belarus) [Romanova, 2023]. According to the Federal Customs Service, Russia's total foreign trade turnover at the end of 2022 increased by 8.1% and amounted to \$850.5 billion. Exports increased by 19.9% (\$591.5 billion), while imports decreased by 11.7% (\$259.1 billion) [TASS, 2023a]. As a result of the rapid growth of Russia's trade with Turkey (84% per year), at the end of 2022, Turkey overtook Germany, the Netherlands and Belarus in terms of share in Russia's total trade turnover and moved to second place after China. Thus, Russia's main trading partners at the end of 2022 were China, Turkey, the Netherlands, Germany, and Belarus. Such a significant increase in trade with China, and especially with Turkey, is primarily due to the neutral position of these states regarding the sanctions confrontation between Russia and western countries, at least in terms of economic cooperation. In addition, it is necessary to take into account such factors as interest in the capacious Russian market and in the opportunity to occupy vacant export niches due to a sharp reduction or cessation of supplies of western goods, access to energy resources on more favourable terms, growing interest on the part of Russians in tourist trips to these countries, and geographical proximity and historical ties.

Trade Relations Between Russia and Turkey in the Context of Sanctions

Russian-Turkish economic relations have been developing on an upward trajectory over the past two decades, accompanied by an increase in trade, an increase in mutual investment, the development of tourism (mainly an increase in the flow of Russian tourists to Turkey), the expansion of energy cooperation, and the strengthening of cultural ties. The past two years have been no exception to the general trend, given that Turkey has demonstrated loyalty to Russia's actions in the framework of the confrontation with the West and did not join the anti-Russian sanctions. Thus, Russia is one of the largest investors in the Turkish economy and one of its key trading partners. Turkey is a serious candidate for increased cooperation with Russia in the context of anti-Russian sanctions, both in the format of bilateral cooperation and in the structure of various multilateral partnerships (for example, the Greater Eurasian Partnership).

Trade Relations

Mutual trade between Russia and Turkey showed a significant increase in the first decade of the 21st century, from \$5 billion in 2000 to \$32 billion in 2013 [Avatkov et al., 2016]. In 2015, trade between the two countries decreased due to the actions of the Turkish government in connection with the incident involving a Russian military aircraft near the Turkish-Syrian border, which has caused significant damage not only to political, but also to economic relations. In response, in January 2016, Russia imposed a food embargo on Turkey, which applied to the supply of meat and dairy products, fish, vegetables, and fruits [TASS, 2016]. In August 2016, Russia and Turkey signed a statement on the mutual lifting of trade restrictions. This led to the normalization of relations and an increase in mutual trade in the period from 2016 to 2022, which reached its record values in 2022 at \$67.84 billion (Turkish exports to Russia amounted to \$9 billion, while Russian exports to Turkey amounted to \$58.84 billion) [ITC, n.d.a]. Compared to 2021, the trade turnover has increased by almost two times.

At the same time, the Turkish government has stated that its strategic goal is to increase the annual trade turnover with Russia to \$100 billion [Vedomosti, 2023].

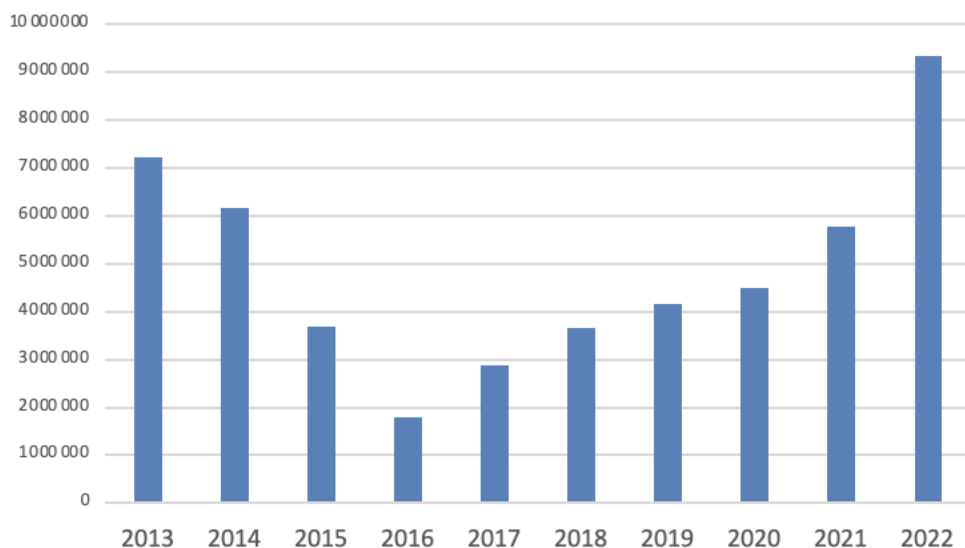


Figure 3. Dynamics of Russian Imports From Turkey, 2013–22

Source: Compiled by the authors based on data from the Turkish Statistical Institute.

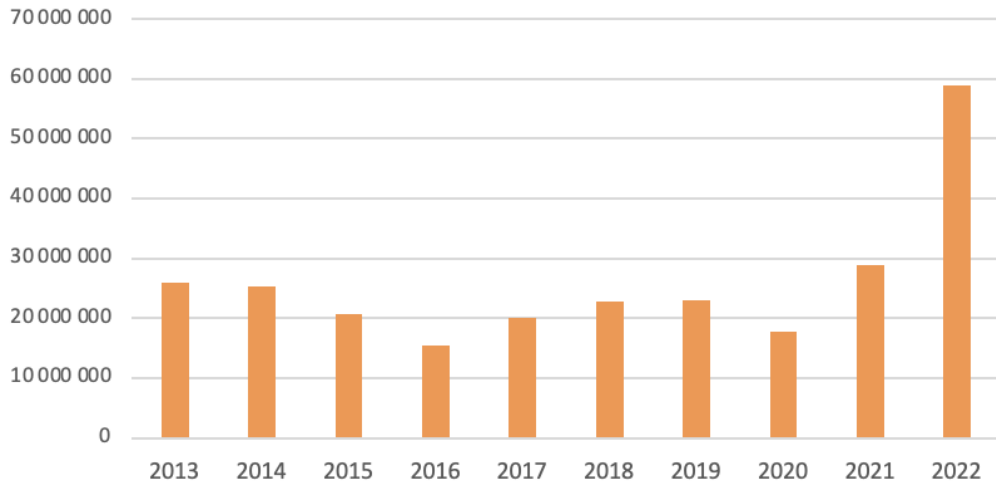


Figure 4. Dynamics of Russian Exports to Turkey, 2013–22

Source: Compiled by the authors based on data from the Turkish Statistical Institute.

In the first half of 2023, Russia ranked first in the list of exporting countries to Turkey (\$24.734 billion). It was followed by China (\$22.238 billion), Germany (\$13.439 billion), Switzerland (\$11.791 billion), and the United States (\$7.574 billion).

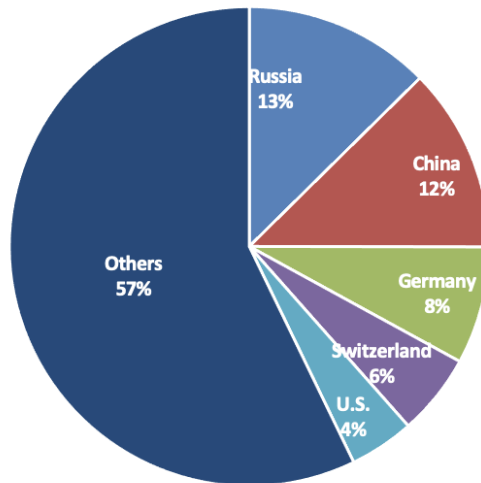


Figure 5. Geographical Structure of Turkish Imports, 2023

Source: Compiled by the authors based on data from the Turkish Statistical Institute

For comparison, in 2021, on the eve of the introduction of large-scale anti-Russian sanctions, the list of leaders among exporters of goods to Turkey was as follows: China (\$32.238 billion), Russia (\$28.959 billion), Germany (\$21.726 billion), the United States (\$13.148 billion), and Italy (\$11.562 billion). As a result of the reorientation of export flows from the EU to Turkey, Russia managed to oust China, which fell to second place.

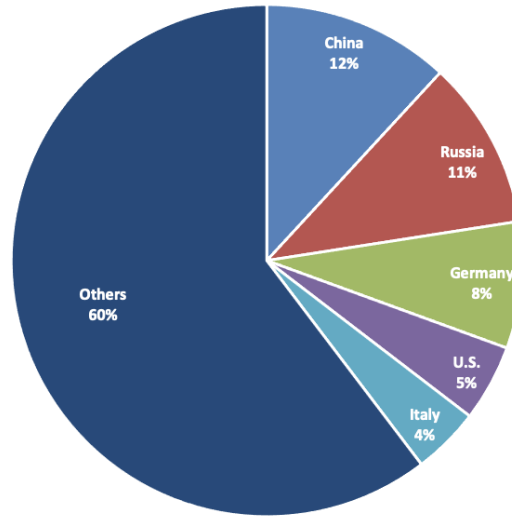


Figure 6. Geographical Structure of Turkish Imports, 2021

Source: Compiled by the authors based on data from the Turkish Statistical Institute.

In terms of Turkish exports in the first half of 2023, Germany (\$10.707 billion), the United States (\$7.387 billion), Italy (\$6.163 billion), and the United Kingdom (\$5.997 billion) stood out. Russia ranked fifth (\$5.815 billion), but had a slight gap with the United Kingdom (\$182 million).

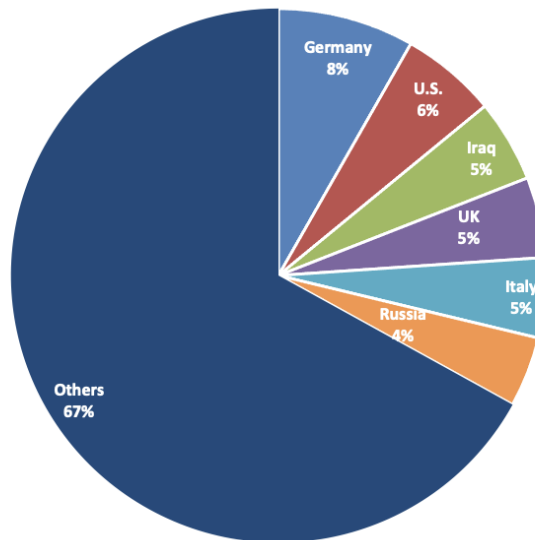


Figure 7. Geographical Structure of Turkish Exports, 2023

Source: Compiled by the authors based on data from the Turkish Statistical Institute.

In 2021 (data presented for the whole year), in terms of Turkish exports the top five were: Germany (\$19.311 billion), followed by the United States (\$14.720 billion), the UK (\$13.703 billion), Italy (\$11.473 billion), and Iraq (\$11.125 billion).

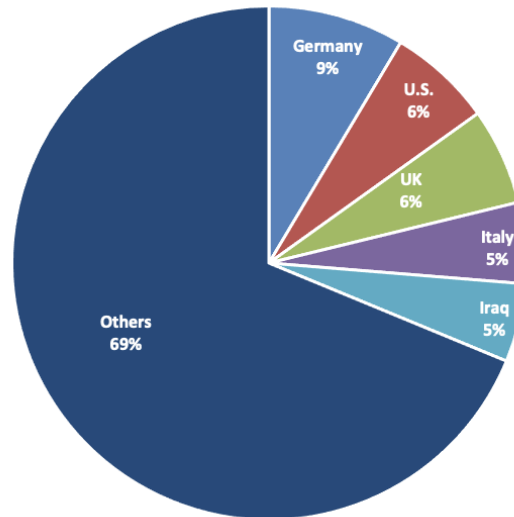


Figure 8. Geographical Structure of Turkish Exports, 2021

Source: Compiled by the authors based on data from the Turkish Statistical Institute.

Russia was not among the top five importers of goods from Turkey, occupying only 10th place with an import volume of \$5.774 billion. Such a shift in 2023 was most likely due to the development of parallel imports from EU countries to Russia through Turkish territory, as well as an increase in imports of Turkish products that replaced some European exports in the Russian market (food products, consumer goods, chemical products, and so on)

The commodity structure of trade between Russia and Turkey in 2022 was as follows. The main item of Russian exports to Turkey is energy. In 2022, Turkey imported 60.1 billion cubic meters of natural gas, almost half of which (27.15 billion cubic meters) came via pipeline from Russia. At the same time, Russian energy exports amounted to \$41.8 billion, 71% of which went to the Turkish market. It should be noted that before the introduction of western sanctions in 2021, energy exports to Turkey amounted to \$14 billion (49% of Russian exports), showing an obvious threefold increase in value terms. Russian exports to Turkey are also dominated by iron and steel (8%), cereals (5%), animal and vegetable fats and oils (2%), aluminum and aluminum products (2%), copper and copper products (2%), and various precious metals and products from them (2%).

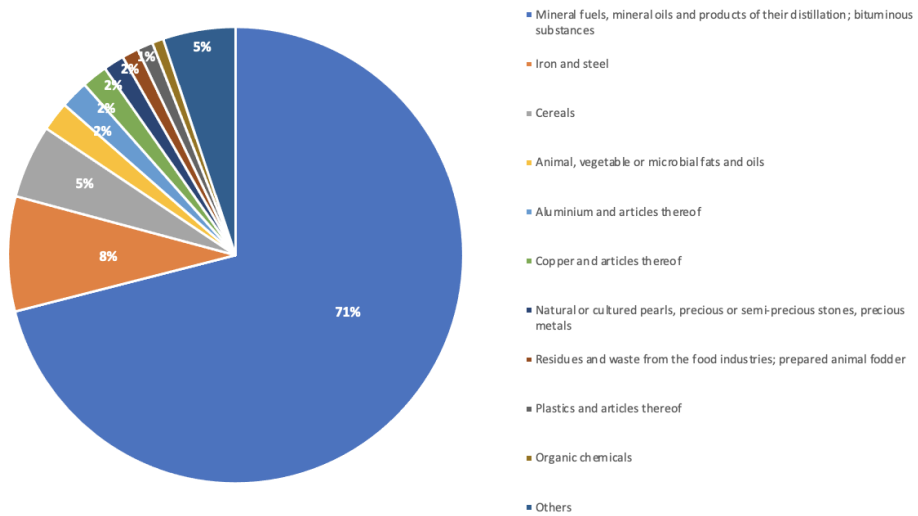


Figure 9. Commodity Structure of Turkish Imports From the Russian Federation, 2022

Source: Compiled by the authors based on ITC [n.d.a].

In turn, Turkey exports to Russia mainly machinery and equipment (17%), fruits and nuts (12%), plastics and plastic products (7%), electrical equipment (6%), transport equipment (5%), and shellfish (3%).

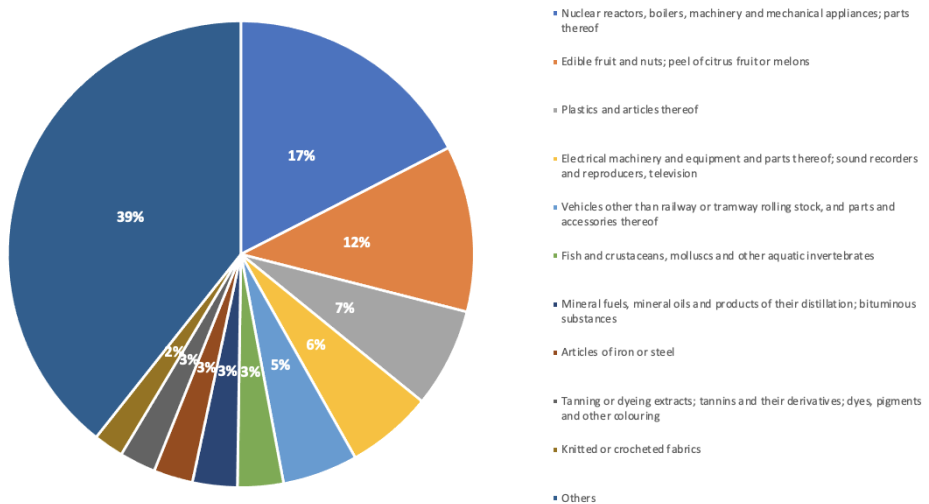


Figure 10. Commodity Structure of Turkish Exports to the Russian Federation, 2022

Source: Compiled by the authors based on ITC [n.d.a].

In 2022, the share of mechanical and electrical equipment in Turkish exports to Russia increased by 2% compared to 2021, from 15% to 17% and from 4% to 6%, respectively.

Turkey's potential to mitigate the impact of western sanctions on the Russian economy is significant. Turkey can become an important market for Russian energy, metallurgical products (iron,

steel, and pipes of various sizes), and precious metals. These commodity groups were important items of Russia's exports to the EU countries in the pre-sanctions period. At the same time, Turkey can become a supplier to the Russian market of electronic components and transport equipment, that is, those goods in which the Russian economy is interested and which were previously supplied mainly by the EU countries.

American experts note that in 2022, many Turkish companies began to supply computer parts from the United States to Russia. Computer and electronic components worth \$2.6 billion were delivered through Turkey, Hong Kong, and other logistics centres. The list of products includes those from well-known western companies such as Intel, AMD, and Texas Instruments [Stecklow, Gauthier-Villars, Tamman, 2022].

Investment

Another important aspect of the economic dialogue between Russia and Turkey is investment cooperation. In 2022, the volume of Turkish foreign direct investment (FDI) in Russia amounted to \$2.063 billion, which significantly exceeded the volume of FDI in 2019 (\$1.285 billion). It cannot be stated that this growth was due to the sanctions confrontation between Russia and the West, since in 2021 the volume of Turkish FDI amounted to about \$2 billion [Bank of Russia, 2021]. At the same time, there is a trend toward a gradual, albeit insignificant, increase in Turkish investment flows to Russia, despite the imposition of sanctions. Turkish investments in Russia are concentrated in the field of wholesale and retail trade, the textile and clothing industry, the chemical industry, banking and finance, tourism, the food industry, energy, and the glass industry, as well as in construction and real estate and the production of alcoholic beverages. Turkey is one of the important business partners for Russia in the construction sector. The Russian Federation ranks first among foreign countries in terms of the size of the Turkish construction business market. Of the \$100 million invested by Turkish companies in Russia, 25% is in Tatarstan [Tatar-Inform, 2023].

Currently, the leading Turkish firms investing in the Russian market are Enka (construction), Renaissance (construction), Anadolu Efes (alcoholic beverages), Şişecam (glass), Trakya Cam (glass), Eczacıbaşı (tiles and ceramic products), Hayat (consumer goods and wood products), Koç (home appliances and banking), and Zorlu (household appliances and energy).

In 2022, Russian direct investment in the Turkish economy amounted to \$6.6 billion, which is \$1.6 billion less than in 2019 (\$8.2 billion). And again, this was not due to sanctions but due to the crisis caused by the pandemic, as a decrease of \$2.2 billion occurred in 2020 (\$6 billion) Since 2021, there has already been an upward trend (\$6.4 billion) [Bank of Russia, 2021]. Russian FDI is directed both to the manufacturing industry (metals, energy, and so on) and to the service sector (such as tourism and banking). In 2022, 1,363 companies with Russian capital were registered in Turkey. This figure increased by 600% compared to 2021, when Russian entrepreneurs opened only 177 companies in Turkey (115 were opened in 2020).

Tourism

Tourism is one of the most significant forms of cooperation between Russia and Turkey. This is due to a number of factors, such as Turkey's geographical location with access to several seas, climatic conditions, the development of tourist services and infrastructure, and the absence of a language barrier. To date, tourist flows are mainly directed in one direction, from Russia to Turkey. This is primarily due to the low share of outbound tourism in Turkey. However, as the tourism business in Russia improves, there is reason to believe that Turkish tourists will visit Russia en masse due to the high interest in Russia's history and culture. This was demonstrated, in particular, at numerous forums and meetings in 2019, which was declared the Year of Culture and Tourism in Russian-Turkish relations. In 2019, the number of Russian tourists visiting Turkey reached a record high of 7 million

people, an increase of 17.9%. Such a flow provided Russia with the first place among the countries developing tourism to Turkey [Republic of Turkey, n.d.a]. Revenues from tourism (\$3.5 billion) were crucial for solving a number of acute problems in the Turkish economy, including the optimization of its balance of payments. In 2021, after the lifting of pandemic restrictions, Russian tourism to Turkey began to recover at a rapid pace—the number of tourist arrivals increased by 124% compared to 2020 and amounted to 4.7 million people. In 2022, the number of Russian tourists increased to 5.2 million and according to the Ministry of Culture and Tourism of Turkey, in the first quarter of 2023, more than 6 million foreign tourists visited Turkey, of which 772 thousand people arrived from Russia, which amounted to a maximum share of 13% of the total number of tourists arriving in Turkey from different countries [Roscongress, 2023]. Considering that the European destination, which attracted a large number of Russian tourists until 2022 (2.4 million people in 2021 [Federal State Statistics Service, 2021]), has become inaccessible (in 2022, the tourist flow from Russia to Europe decreased by 90–95%) [TASS, 2022], and that Asian and Latin American destinations are inferior to the Turkish ones in terms of price category, distance, and flight complexity, it should be expected that Turkey, along with the development of domestic tourism, will be a promising destination for Russian tourists in the short and medium term.

Energy

Given that the EU accounted for about 60% of Russian energy exports, the sanctions, on the one hand, had a serious negative impact on the energy security of the European Union, and on the other hand, they set Russia to the task of diversifying energy supplies. Energy cooperation between Russia and Turkey is carried out in the following formats: Russian natural gas supplies to Turkey, oil transit through the Turkish Bosphorus and Dardanelles straits, and foreign direct investment in Russia's energy sector in Turkey (especially in nuclear energy). Turkey's energy balance is quite diversified, with 30% from hydropower, 24.1% from natural gas, 20.7% from coal, 11% from wind energy, 9.9% from solar energy, 1.6% from geothermal energy, and 2.6% from other sources [Republic of Turkey, n.d.b]. Given that the demand for energy is increasing significantly due to the economic development of the country, as well as the fact that the issue of reducing the use of hydrocarbons is now becoming more acute, there is a need for new renewable energy sources, for example, nuclear energy. Nuclear power is a good alternative, as nuclear power plants are considered capital-intensive, and the cost of producing nuclear power is less volatile compared to the volatility of coal and gas prices. In this regard, cooperation between Russia and Turkey in the field of nuclear energy is of particular importance. In 2010, a Russian-Turkish intergovernmental agreement was signed on cooperation in the construction and operation of a nuclear power plant at the Akkuyu site [Agreement between the Government of the Russian Federation and the Government of the Republic of Turkey, 2010]. The Akkuyu NPP will be Turkey's first nuclear power plant and is expected to provide Turkey with 4,800 MW of electricity. Within the framework of this project, there are plans to build four power units, the construction of which will be carried out by the Russian state corporation Rosatom. On 27 April 2023, nuclear fuel was delivered to the plant. At the same time, the launch of the first power unit of the nuclear power plant may take place in 2024. Recep Tayyip Erdogan and Vladimir Putin held a virtual ceremony on the occasion of the delivery of Russian nuclear fuel to nuclear power plants [TASS 2023b]. The Akkuyu NPP project is an important flagship joint project within the framework of Russian-Turkish cooperation. In addition, at a meeting in Sochi, the head of Turkey announced the possibility of building a second nuclear power plant in the city of Sinop [Ibid]. Cooperation in the field of nuclear energy is becoming an important aspect of cooperation in the energy sector.

From the point of view of Russian gas exports and mitigating the negative impact of sanctions on the Russian energy sector, Russia's interest in Turkey is based on two main prerequisites. On the one hand, Turkey is interested in gas supplies for the development of the national economy and the diversification of the fuel and energy balance; on the other hand, its border position between Europe

and Russia makes it a strategically important transit point for Russian gas exports to the EU. The construction of the Turkish Stream and Blue Stream gas pipelines by Russia and Turkey contributed to the implementation of these goals. The construction of the Blue Stream gas pipeline began after Russia and Turkey signed an intergovernmental agreement in 1997 to supply 365 billion cubic meters of gas to Turkey via the Blue Stream gas pipeline for 25 years. In order to diversify natural gas transit routes to ensure stable exports to the European market and to achieve energy security, it was decided to build a new Turkish Stream gas pipeline, through which gas supplies began to flow in 2020. Thanks to these projects, Turkey purchased a record 27 billion cubic meters of Russian gas in 2021, which corresponded to almost 45% of its annual demand. In the first nine months of 2023, Russia supplied over 10 billion cubic meters of gas pipelines to Turkey [Ibid]. As a result, Turkey has the opportunity to somewhat mitigate the problem of the EU's energy security by using the Turkish Stream gas pipeline. In other words, Turkey has strengthened its role in the global energy market. However, it is not possible to fully use Turkey's transit potential for the supply of Russian energy resources in the current situation. Already in May 2023, Russian gas exports to the EU reached a year-high of only 774.6 million cubic meters, or 25 million cubic meters per day [Milkin, 2023].

In October 2022, Russia and Turkey put forward an initiative to create an international gas hub in Turkey, which will be an alternative way to supply gas to Europe (it will allow European countries to sell Russian gas) bypassing Ukraine due to damage to the Nord Stream and Nord Stream 2 gas pipelines, as well as the sanctions against the latter. In December 2022, Moscow and Ankara began to work on the gas hub project: Gazprom handed over to Botas company a draft road map for the implementation of this project; it was stated that the hub would start operating during 2023. At the same time, the candidate for president of Turkey in the 2023 elections from the united opposition to the Erdogan government, Kemal Kilicdaroglu, said that if a gas hub is created, Turkey's dependence on Russia in the energy sector will increase to 70–80% [RBC, 2023].

Russian-Turkish relations in the energy sector are characterized by a high degree of interdependence. For Russia, first of all, Turkey's transit potential for the supply of Russian gas to the European market is important. It is also impossible not to take into account Turkey's own need for energy resources, including gas, and, therefore, there is an opportunity to send part of the gas produced in Russia to the Turkish market and thereby partially offset the decline in exports to the EU. Turkey's interest in mutual energy cooperation is also high in the nuclear industry. Turkey is not only completing the construction of the Akkuyu NPP, but also declares its readiness to continue cooperation in this direction. This comes at a time when Turkey's NATO allies are taking steps to isolate Russia. So far, Turkey has resisted pressure from western countries. However, there is a threat that, with increased pressure, the Turkish government may change its energy strategy, which could be an obstacle to the implementation of subsequent projects. Another threat is the possible victory in the next presidential election of an opposition political leader who is already criticizing energy cooperation with Russia and advocating reducing energy dependence on Russia from 50% to 30% (he is also against the launch of a gas hub).

Thus, joint Russian-Turkish cooperation in the energy sector is developing dynamically but will largely depend on the pressure of western countries on Turkey and the political situation in that country.

Economic and Political Problems of Realizing the Potential of Russian-Turkish Economic Cooperation

Despite the significant potential of Russian-Turkish economic cooperation, there are a number of economic and political problems. The imposed sanctions have restricted Russia's access to international financial markets and technology transfers, affecting its trade and investment opportunities. This has indirectly affected trade with Turkey, as Russian companies have faced difficulties paying for supplies, first, and a reduction in the export of high-tech goods to Turkey related

to limited access to modern technologies, second.

In addition, the reorientation of Russian energy exports toward Turkey increases Turkey's dependence on Russian natural gas imports, which is regarded by many Turkish politicians as a threat to Turkish energy security. In this regard, the Turkish market cannot be regarded as an alternative to the European one. Probably, the trend of increasing Russian gas imports is temporary and unstable.

Russia and Turkey have divergent geopolitical interests in the Middle East and the South Caucasus. Disagreements over issues such as incorporation of Crimea into Russia, the Syrian conflict, and the Nagorno-Karabakh conflict could complicate their bilateral relations and hinder trade cooperation.

Finally, it is necessary to take into account the existence of a customs union between Turkey and the EU, Turkey's desire to join the EU as a full member, participation in NATO, and military assistance to Ukraine. Turkey's position in the current geopolitical context is very ambivalent. Moreover, western pressure on the country is increasing due to the rhetoric about the need to block the circumvention of sanctions. Turkey is trying to balance between close ties with Russia and cooperation with the collective West. Such a balancing policy could lead to a deterioration in Russian-Turkish relations if the balance shifts toward the West or if the West puts forward tougher conditions on Turkey, to which it will be forced to agree. Such ambivalence in the political and economic strategy of the Turkish government poses the most serious threat to the realization of the potential of Russian-Turkish cooperation.

China's Role as a Sanctions Damper for the Russian Economy

China, like Turkey, is among the countries that have shown neutrality in the Russian-Ukrainian conflict, at least in terms of sanctions pressure. Given China's economic weight in the global economy and international trade, Russia views it as an important partner whose cooperation could offset the negative effects of western sanctions on the Russian economy. At present, Russian-Chinese ties continue to actively develop in many areas on an upward trajectory.

Trade has always been one of the most important vectors of the Russian-Chinese dialogue. China ranks first among Russia's major trading partners. Over the past 10 years, it can be noted that the dynamics of Russian-Chinese trade relations have been positive. In 2022, Russian-Chinese trade, having reached a record level, increased by 29% to \$190 billion. At the same time, exports from Russia amounted to \$114 billion, and imports amounted to \$76 billion [Romanova, 2023]. For comparison, in 2021, the trade turnover was \$140.7 billion, while exports to China were \$72.7 billion and imports were \$68 billion), In January–August 2023, the Russian-Chinese trade turnover amounted to \$155.101 billion, with Russian exports in the amount of \$83 billion, and imports of \$71 billion [General Administration of Customs People's Republic of China. Statistics, 2023], which is 32% more than in the corresponding period in 2022 (\$117.205 billion, with Russian exports of \$73 billion and imports of \$44 billion) [General Administration of Customs People's Republic of China. Statistics, 2022]. As a result of this dynamic, China has become Russia's main trading partner, ranking first in terms of trade turnover, which cannot be said about Russia, which still ranks 10th in the list of China's trading partners. Such a rapid increase in trade in 2022–23 is associated with the western sanctions policy.

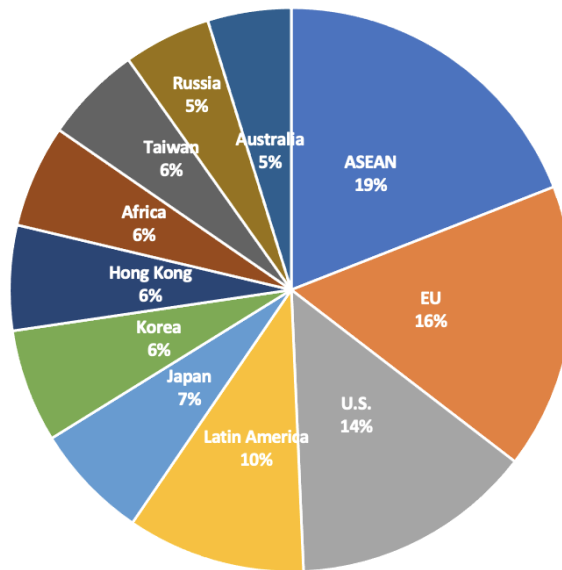


Figure 11. China's Main Trade Partners, January–August 2023

Source: Compiled by the authors based on data from the General Administration of Customs People's Republic of China. Statistics [2023]

The structure of Chinese exports to Russia in 2022 was dominated by machinery and equipment (60.7%); electrical equipment and its parts, sound recorders, television sets (18%); vehicles and parts thereof, except for railway or tram transport (8%); plastics and articles thereof (5%); footwear (3%); iron and steel products (3%); optical, photographic, cinematographic, medical and surgical instruments and apparatus and parts thereof (3%); rubber and rubber products (2%); garments (2%); furniture (2%); and iron and steel (1%). In the context of sanctions, the increased supply of dual-use products—integrated circuits (microchips) and semiconductors—is important for the Russian market. In 2022, China supplied more than \$500 million worth of semiconductors to Russia, up from \$200 million in 2021 [Gilchrist, 2023].

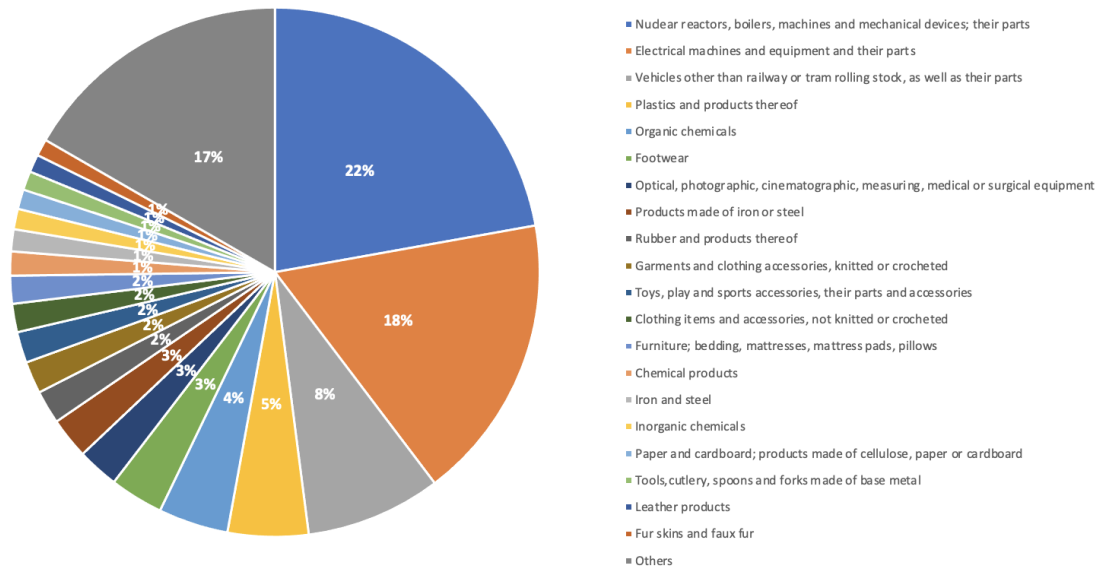


Figure 12. Commodity Structure of Chinese Exports to the Russian Federation, 2022

Source: Compiled by the authors based on ITC [n.d.b].

The commodity structure of Chinese imports from Russia in 2022 was as follows: about 75% of Russian exports are mineral fuels, mineral oils, and bituminous substances. Other goods in the structure of exports occupy 2–3% each. Among them are iron ore; copper; fish, crustaceans, mollusks; iron and steel; pearls, precious metals; aluminium and aluminium products; vegetable fats; nickel and nickel products; and fertilizers.

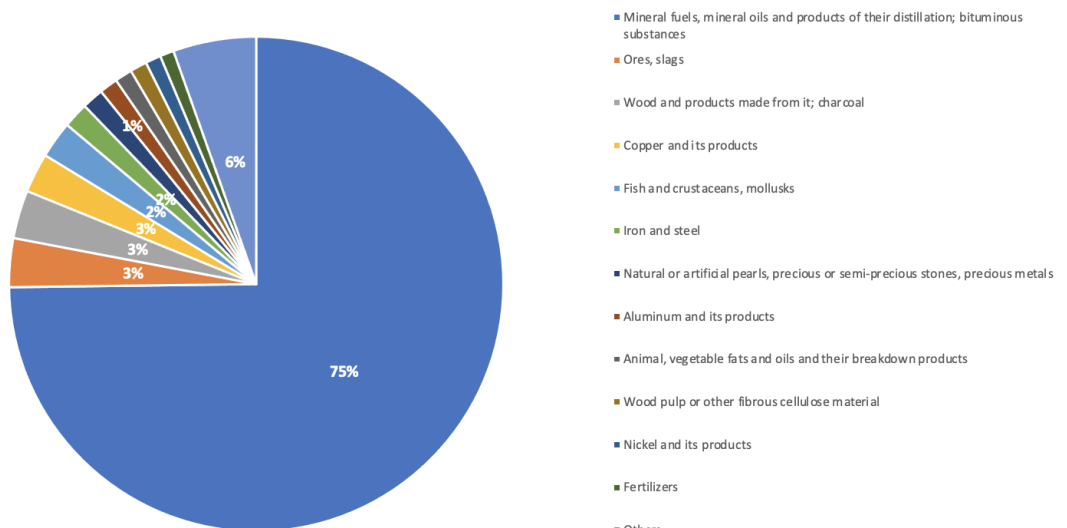


Figure 13. Commodity Structure of Chinese Imports From the Russian Federation, 2022

Source: Compiled by the authors based on ITC [n.d.b].

As can be seen from the diagramme, the main item of Russian exports to China is energy resources—mineral fuels, oil, and petroleum products. From February 2022 to September 2023, China imported about €104.613 billion worth of fossil fuels from Russia (of which about €82 billion came from oil imports) [Russia Fossil Tracker, n.d.]. In 2023, the volume of Russian oil exports to China was 3.3 million barrels per day. The Chinese market has partially absorbed the surplus of oil and petroleum products formed in Russia as a result of sanctions. However, by 2060, China aims to achieve carbon neutrality, which could become a threat to energy exports from Russia. At the same time, Europe expects to achieve this goal by 2050, and many developing countries have similar targets (2050–2060). Regardless of Russia's sanctions policy, it is necessary to take into account the development of a green, low-carbon economy as well as the implementation of the EU Green Deal and the goals of the Paris Climate Agreement, which will affect both the global economy and international trade, in its energy strategy.

In Russian-Chinese relations, there is already a noticeable trend toward cooperation in the field of renewable energy sources. In March 2023, the countries signed a record package of agreements on cooperation in nuclear energy: a protocol on strengthening cooperation in fundamental scientific research and a cooperation programme on nuclear "technologies of the future," a protocol between the Ministry of Education and Science of the Russian Federation, the Ministry of Science and Technology of the People's Republic of China, the Joint Institute for Nuclear Research, and the Chinese Academy of Sciences on strengthening cooperation in the field of basic scientific research [RIA Novosti, 2023].

However, along with certain progress in energy cooperation, there are also frozen projects. In 2019, the Power of Siberia gas pipeline was launched to supply Russian gas to the Chinese market. Taking into account the growing demand for blue fuel, by 2024 it was planned to build the Power of Siberia-2 gas pipeline, which, according to calculations, from 2030 was to supply an additional 50 billion cubic meters of Russian gas annually to China through the territory of Mongolia. These plans are especially relevant for Russia in the face of sanctions, but China is dragging out negotiations on the construction of the Power of Siberia-2 pipeline. One of the reasons is the reorientation of the Chinese government to the construction of a gas pipeline to supply gas from Turkmenistan. In addition, China's state-owned oil company, Sinopec, has suspended several major energy projects in Russia. Further, the Chinese government has demanded that Chinese companies exercise caution and restraint in investing in Russia due to western sanctions. Investments worth \$500 million were suspended. This jeopardized the implementation of several projects in Russia.

Metals are an important item of bilateral trade. Russia exports precious metals, copper, and steel and China exports alumina [Devitt, Jadhav, Liu, 2023]. After the cessation of supplies from Ukraine and Australia, Russia replaced them with an increase in alumina imports from China. In 2022, there was a simple algorithm in mutual trade between Russia and China—Russia exported energy resources, China exported consumer goods—but in 2023 the situation changed. Today, the share of not only energy, but also steel, precious metals, crustaceans, and mollusks in Russia's exports has increased; imports are dominated by integrated circuits, vehicles, and machinery and equipment (all of the above goods are included in the list of goods prohibited for export/import to Russia from western countries).

Despite the anti-Russian sanctions, most large Chinese companies from various sectors continue their activities in Russia. Among them are banks (Agricultural Bank of China, China Construction Bank, Industrial Bank of China), technology companies (Xiaomi, Haier, Oppo), energy companies (China National Petroleum Corporation, Hengli Group, PowerChina, The China Coal Transportation and Distribution Association), industrial companies (Didi, Xibao Metallurgy Materials Group, SAIC Motor), and construction companies (China Railway Construction Corporation, China State Construction Engineering). Air China, Alibaba, Tencent, China Mobile, and China State Railway Group Company have remained in the Russian market. However, a number of companies have suspended, frozen, or partially limited their activities in Russia due to sanctions from western

countries, including Lenovo, Huawei, Sinopec, UnionPay, and the Bank of China [Yale School of Management, 2023]. It is possible that under pressure from the West and due to China's high interest in access to the capacious markets of the United States and the EU, as well as due to China's close ties with Australia and New Zealand within the framework of the Regional Comprehensive Economic Partnership (RCEP), the list of such firms will increase.

Despite the actively developing trade relations, the volume of mutual investment between Russia and China, as in the case of Turkey, is insignificant. The volume of China's direct investment in Russia does not exceed \$1 billion (less than 1% of China's foreign investment), while Russian direct investment in China amounts to \$10 million (less than 0.1% of foreign investment in China's economy) [Wen, 2022]. In mid-2022, the total volume of Chinese direct investment in 12 post-Soviet countries exceeded \$67.5 billion, of which only \$12.5 billion occurred in Russia (18.5%). Chinese investments are mainly directed to real estate, construction, oil refining, and agriculture, as well as information technology and transport infrastructure. China is also paying attention to the Russian regions bordering China, especially agriculture in the Far East, where the largest player is the agro-industrial group Legendagro, owned by the Chinese corporation Joyvio Beidahuang Agricultural Holdings (JBA). In addition, the Chinese oil and gas company CNPC owns a 20% stake in Yamal LNG, and Sinopec owns a 10% stake in the Russian petrochemical company Sibur [Spivak, Gabuev, 2021].

Thus, Russian-Chinese relations continue to develop. China did not join the western sanctions standoff, separating political issues and economic ties. However, it is unlikely that we should expect a further revival of cooperation due to China's high interest in the Asian, American and European markets.

Conclusion

At present, the application of sanctions as a tool for achieving foreign policy goals, used in the world economy and international relations, is increasing. The anti-Russian sanctions of the European Union, the United States, Canada, Australia, and Japan have been applied to Russia for 10 years, from 2014 to 2023. Anti-Russian sanctions are hybrid in nature and include targeted and sectoral restrictions, as well as the establishment of a price ceiling for Russian oil. In the period from 2022 to 2023, the European Union introduced 11 sanctions packages, which included individual sanctions and visa restrictions, financial and sectoral sanctions, restrictions on the banking sector and knowledge-intensive sectors, exports from Russia, and imports of goods and services into the country, as well as measures to combat the circumvention of sanctions.

Such a long and large-scale application of sanctions calls for retaliatory actions to overcome them. China and Turkey play the role of Russia's key partners in overcoming the negative effects of sanctions by reorienting trade flows to alternative markets.

During the period under review, Turkey's role as an alternative market grew faster than China's, which is confirmed by the following.

First, compared to 2021, in 2022 the increase in Russian-Turkish trade was 84%, which is significantly higher in percentage terms than the increase in Russian-Chinese trade, which amounted to 29%. Such dynamically developing Russian-Turkish trade relations underline the relative growth of Turkey's importance for Russia in the current sanctions environment.

Second, in addition to the high dynamics of trade, Russia and Turkey are actively building up cooperation in the energy sector, which is an additional driving force for the development of bilateral Russian-Turkish relations: the construction of the Akkuyu nuclear power plant, the planning of the construction of another nuclear power plant in the city of Sinop, the supply of Russian natural gas to Turkey, and the transit of gas to European markets through the jointly built Blue Stream and Turkish Stream gas pipelines. Both sides are determined to implement the project of an international gas hub,

which will be located in Turkey. At the same time, Russian-Chinese relations in the field of energy, despite their potential, have not developed sufficiently, and China has suspended a number of previously planned energy projects: it is delaying negotiations on the construction of the Power of Siberia-2 pipeline and suspending the implementation of major energy projects in Russia due to anti-Russian sanctions from the West.

Third, Turkey is significantly ahead of China in terms of attracting Russian tourists. Over 5 million Russian tourists visited Turkey in 2022, making it the priority tourist destination for Russians, with an increase of 11.5% compared to 2021. China did not even enter the top 20 most attractive destinations for Russians—in 2022, the tourist flow from Russia to China amounted to only 17 thousand people [Federal State Statistics Service, n.d.].

Fourth, Russian-Turkish investment cooperation is actively developing: the volume of Turkish investment in Russia is twice the volume of Chinese investment (\$2 billion and \$1 billion, respectively). Turkish investments are directed to the service sector (construction, financial services), wholesale and retail trade, textile and food industries, tourism, and the production of household appliances. Still, the volume of mutual investment between Russia and Turkey and Russia and China remains insignificant.

This provision confirms the relative fragility of the anti-sanctions structure, in which trade plays a much larger role than investment. As is known, trade can be curtailed very quickly, unlike investment, which is a longer-term foundation for economic cooperation. The absence of trade-like investment growth dynamics confirms the dual positions of both Turkey and China; each has significant economic ties and other obligations with western countries, which does not exclude the possibility of slowing down ties with Russia under pressure from western countries. Currently, Turkey is trying to balance its close ties with Russia and its cooperation with western partners, which could lead to a deterioration in Russian-Turkish relations if the balance shifts toward Europe, for example.

Despite the faster dynamics of the development of relations with Turkey in many of the above-mentioned areas, China continues to maintain absolute leadership in trade with Russia.

If we talk about the commodity structure of trade, both Turkey and China export and import goods that are included in the sanctions lists of the West: Russia exports energy, iron, steel, and precious metals to Turkey and imports electronic components and transport equipment from Turkey. Russia exports energy, steel, precious metals, crustaceans, and mollusks to China and imports integrated circuits, vehicles, and machinery. In this sense, the importance of both countries for Russia in overcoming the negative consequences of sanctions in many sectors can hardly be overestimated.

The sanctions confrontation has become a serious impetus for the development of dialogue between Russia and Turkey, which before the Ukrainian crisis cooperated in a bilateral format, and the quantitative indicators of interaction were very modest. As for Russian-Chinese relations, Russia and China have developed cooperation both bilaterally and within the framework of multilateral organizations such as the Shanghai Cooperation Organisation (SCO), BRICS, the Asia-Pacific Economic Cooperation (APEC), and the Belt and Road Initiative. As a result, by 2022, Turkey and China had established different levels of partnership with Russia. Different starting positions partly explain the higher pace of Russian-Turkish cooperation in the context of sanctions.

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