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The report outlines the dynamics and structure of ties between Russia and Turkey in trade, economics, construction, energy and non-for-profit sector. The authors emphasize the overall progressive nature of the bilateral relations. However, the uncertain geopolitical situation largely linked to third countries affects several major joint economic projects, and could bring about negative consequences in the future. The political forces in both countries are also influenced by public demand, which softenes the worsening political differences, despite certain contradictory views and complicated regional problems.

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Introduction

Russia–Turkey relations were on an upward trajectory from the 2000s until the mid-2010s. Mutual trade turnover between the two countries showed strong growth in the first decade of the 21st century: starting at nearly $5 billion in 2000 and peaking at $38 billion in 2008.[1] The global financial crisis affected economic relations between the countries and the trade turnover dropped to $22.7 billion in 2009.[2] It then grew once more and stabilized within the range of $30–35 billion in 2010–2014. In 2015, however, trade turnover dropped to $24 billion due, as experts claim, to the economic crisis, falling energy prices and the weakening rouble.[3] When conditions were favourable, economic cooperation developed at a rapid pace. Despite the differences in terms of institutional development, the economic structures in Russia and Turkey largely complemented each other. Turkey relied primarily on the export of consumer goods into Russia, while Russia mostly exported energy commodities (70–75 per cent of exports and two-thirds of total bilateral trade), which now is the main reason for the negative trade balance of Turkey in trade with Russia.[4]

The crisis phenomena of the new decade in the 21st century posed serious challenges for both countries. The inability to jointly develop mechanisms for responding to the newly emerging challenges and threats undermined the foundations of the bilateral contacts. Ultimately, the incident with the Russian aircraft shot down on November 24, 2016 during an anti-terrorist operation in Syria resulted in a freezing of political relations between Moscow and Ankara, which could not but affect bilateral economic ties. Russia imposed significant economic sanctions on Turkey, prohibiting or severely limiting the work of Turkish organizations in Russia and banning certain goods and services. While the sanctions were in effect, Turkish goods were replaced in some sectors with products produced by their competitors.

Relations between the two states began to be normalized after lengthy and hard diplomatic work; it was motivated by the desire of both parties to find a way out of the situation. Serious changes took place in the Turkish government. Binali Yildirim replaced Ahmet Davutoglu as Prime Minister, and he channelled his efforts into improving Turkey's relations with several countries. He attempted (even though he did not always succeed) to normalize relations with neighbouring states, including Russia, Israel, Egypt and Iraq.

The attempted *coup d'état* on the night of July 15–16, 2016 was a serious shock to the domestic political situation in Turkey, with several states condemning it

1 Ziya Öniş and Şuhnaz Yılmaz. Turkey and Russia in a Shifting Global Order: Cooperation, Conflict and Asymmetric Interdependence in a Turbulent Region // Third World Quarterly. 2015. URL: http://www.suits.su.se/polopoly_fs/1.274180.1457443849!/menu/standard/file/Russia%20and%20Turkey%20Onis%20Yilmaz%20TWQ%20online%20Version%20December%202015-1.pdf. The paper cites data from the Turkish Statistical Institute.

2 Trade and Economic Cooperation between the Russian Federation and the Republic of Turkey // Integrated Foreign Economic Information Portal. URL: http://www.ved.gov.ru/exportcountries/tr/tr_ru_relations/tr_ru_trade/. The resource cites data from the Federal Customs Service of Russia.

3 Can Turkey–Russia Trade Reach the $100 Billion Target? // Al-Monitor. The Pulse of the Middle East. URL: http://www.al-monitor.com/pulse/originals/2016/08/turkey-russia-trade-reach-100-billion-target.html

4 Trade and Economic Cooperation between the Russian Federation and the Republic of Turkey // Integrated Foreign Economic Information Portal. URL: http://www.ved.gov.ru/exportcountries/tr/tr_ru_relations/tr_ru_trade/

immediately. The resultant atmosphere allowed the Turkish elite to carry out plans which would have been hard to implement previously; they pertained to regulating public life, but they also sped up the rapprochement between Ankara and Moscow. When Recep Tayyip Erdogan met with President Vladimir Putin in St. Petersburg on August 9, 2016, the two leaders indicated their intention to continue their dialogue on all the aspects of bilateral relations between the two countries, as well as on the international agenda.[5] The existence of previously developed contacts and (mostly energy-related) projects formed the foundation of restoring Russia–Turkey relations.

The present report outlines the dynamics and structure of ties between Russia and Turkey in trade, economics, construction, energy and non-for-profit sector. The authors emphasize the overall progressive nature of the bilateral relations. However, the uncertain geopolitical situation largely linked to third countries affects several major joint economic projects, and could bring about negative consequences in the future. Cooperation in the energy sector, particularly in gas trade, continues to remain the driving force behind the development of bilateral relations between Russia and Turkey. Experts believe that the development of trade relations could offer opportunities for shaping a positive agenda that could serve as a foundation for resolving political instability in the relations and for preventing the relations from deteriorating into major crises. The political forces in both countries are also influenced by public demand, which has softened the worsening political differences, despite certain contradictory views, complicated regional problems, and the situation in Syria.

Substantial progress in Russia–Turkey bilateral relations requires a revised strategic paradigm. There are still systemic barriers blocking the development of these relations. Institutional ties between Russia and Turkey must be created and enhanced in order to mitigate the impact that crises and changes in the global situation have on Russia–Turkey contacts. Relations between the two countries cannot develop without a risk assessment and without a comprehensive study of the issues of long-term economic cooperation, taking into account: geopolitical problems; the improvement of the legal and regulatory framework and the means of obtaining the latest information on the political and business climate; the development of related markets in various areas; the introduction of new technologies and training personnel for implementing joint projects and programmes; the enhancement of ties between public organizations; and the increase in the number of joint projects undertaken by the analytical centres of two countries.

[5] After his Meeting with Erdogan, Putin Made Remarks on Russia–Turkey relations // LENTA.RU. URL: https://lenta.ru/news/2016/08/09/putin_erdo/

1. The Current State of Trade and Economic Relations Between Russia and Turkey

Economic ties between Russia and Turkey were in the ascendant over the past two decades as trade grew, mutual investment increased, Russian tourists visited in droves, energy cooperation expanded and cultural ties strengthened. Then an incident on the Turkish-Syrian border caused substantial damage not only to political but also to economic relations.

Russia and Turkey's social and economic models experienced profound changes during the 20th and 21st centuries. In the early 1980s, Turkey started building a modern economic system and settled on a liberal path of development. Today Turkey is a regional leader both politically and economically and one of the most developed Islamic countries, while it is closely tied to the European market and is aspiring to become a full-fledged EU member one day. It was largely thanks to market reforms and an export-oriented development model that Turkey accomplished that. Positive GDP growth and qualitative shifts in the industry composition of its economy, as well as comprehensive development and encouragement of exports all helped boost foreign trade and change its structure and geographical coverage.

Russia, on the other hand, after the break-up of the Soviet Union settled on the path of radical market reforms aimed at replacing the socialist economic model with a market-oriented, or capitalist, one. The abrupt shift led to an economic disaster and a slump in many of the country's macroeconomic indicators from the 1990s until 2007. It was only in 2008 that Russia managed to claim back its erstwhile GDP, yet despite growth, its economy is still heavily dominated by commodity mining, wholesale and retail trade and real estate transactions, with a low share of hi-tech and R&D-intensive industries.[6]

It took Turkey a fairly short time to transform itself from an agrarian-industrial economy into a manufacturer of hi-tech products. The Soviet collapse facilitated closer cooperation between Russia and Turkey in various economic areas, elevating bilateral ties to a qualitatively different level of development. Russia has become one of the largest investors in Turkey's economy and one of Turkey's key trading and economic partners. Cooperation has been expanding in many areas of foreign economic activity (scientific & technical and cultural ties, international tourism, foreign investment, and trade), in line with the strategic interests of both Russia and Turkey.

Foreign trade. A high share of export quotas reflects the openness of an economy and the importance of exports on the national-economy scale. As a result of foreign trade liberalization and policies encouraging investment, Turkey's export quota increased thanks to manufacturing and Russia's thanks to commodities.

[6] Masumova N.R. Features of the socio-economic development of Turkey at the turn of XX–XXI centuries. Moscow, 2015. P. 256.

Export quotas of Russia and Turkey

Years	Russia			Turkey		
	GDP in current prices, USD million	Exports		GDP in current prices, USD million	Exports	
		USD million	As % of GDP		USD million	As % of GDP
1995	395.5	115.8	29.3	169.5	33.7	19.9
2000	259.7	114.4	44.1	266.6	53.6	20.1
2005	764.0	269.0	35.2	483.0	105.6	21.9
2010	1524.9	445.5	29.2	731.2	155.1	21.2
2015	1326.0	391.6	29.5	718.2	200.8	28.0

Calculated based on: World databank. The World Bank. URL: http://databank.worldbank.org/.

An analysis of trade between Russia and Turkey shows a steady increase in volumes, which recovered after a certain decrease during the period of the 2008–2009 crisis (see the table below). Turkey runs a trade deficit, i.e. its imports from Russia exceed its exports there, mainly due to Turkey's purchases of Russian energy. In 2015, Russia accounted for 2.5% for Turkey's exports and for almost 10% of its total imports, in other words, for almost 7% of Turkey's trade, i.e. 24 USD billion. Turkey, meanwhile, accounted for 6% of Russia's exports and for 3% of its imports in 2015, i.e. for almost 4% of its trade turnover.[7]

Trade between Russia and Turkey

Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
USD billion	21.0	28.2	37.9	22.6	26.2	30.0	33.3	32.0	31.2	24.0

Calculated based on: TÜİK http://www.turkstat.gov.tr/

In terms of the product breakdown, Russia's exports to Turkey are dominated by oil, oil products, natural gas, coal, various metals and metal products, which between them account for more than 70% of total exports. At the same time, Russia's imports from Turkey include textiles (around 20%), food (around 22%), machinery and equipment (23%) and household appliances.[8] Yet after the introduction in November 2015 of temporary restrictions on Turkish imports, which mostly affected agricultural products, 15% of Turkish exports to Russia ended up under sanctions according to preliminary estimates.[9] Clearly the trade restrictions touched upon some very sensitive Turkish exports, yet it's worth noting that in manetary terms the damage was minimal.

7 Turkish Statistical Institute. TÜİK. URL: http://www.turkstat.gov.tr/

8 Russia's Federal State Statistics Service. URL: http:// www.gks.ru

9 Masumova N.R. Turkey's Foreign Trade as a Driver of Economic Development // Vestnik MGIMO-University. 2016. №2 (47).

While the temporary deterioration of relations between Russia and Turkey had a negative effect on bilateral trade, the factor of an unfavorable situation in the Russian economy added to the negativity. Still, there is an urgent need to restore economic ties to where they were before, especially as the current global market situation is only exacerbating the effect on the cooled relations. Thanks to the resolve of the leaders of both nations, it can be confidently said that a positive trend has started to emerge after the Turkish leader apologized. It is quite possible for Russia to lift its food product sanctions as the next step.

Energy cooperation between Russia and Turkey stands on a solid basis: tankers carry oil from Russian Black Sea ports to international markets through the Bosphorus and the Dardanelles, and the Akkuyu nuclear power plant project is under construction. In its turn, Turkey is a large consumer of Russian natural gas that is delivered there by two pipelines, the Blue Stream and the Trans-Balkan[10]. Even as relations soured briefly, an intergovernmental agreement on the construction of the Turkish Stream gas pipeline was signed at the World Energy Congress in October 2016. This has become one of the first steps towards normalization of relations between the two countries. Russia, like Turkey, needs to diversify its natural gas transit routes – the former to ensure stable exports to European markets and the latter to achieve energy security.

Investments. As Russia's economy grew rapidly from the early 2000s, Turkey was one of the places Russian capital sought to tap. A breakthrough in investment cooperation took place over the past ten years. Foreign direct investment went both into manufacturing (metals, energy, etc.) and in services (tourism, banking, etc.). According to Turkey's 2015 balance of payments data, Russia accounted for 6.2% of its total foreign direct investment and for around 1% of outbound external investment.[11] Examples of projects that have already been completed include the acquisition by Magnitogorsk Metals, the world's largest steelmaker, of a Turkish steel mill in Iskenderun and Russia's Sberbank's purchase of Turkey's Denizbank; Credit Europe, an effectively Turkish bank, operates in Russia's banking market, while developers ENKA and Renaissance Construction are carrying out a number of investment projects in Russia's territory.

Tourism. Turkey is a favorite destination for the Russians, who accounted for 10% of all visitors there in 2015. Yet even before the ban on charter flights, the flow of tourists from Russia shrank to 3.6 million according to 2015 data[12]. That said, an analysis of data from January–August of 2015 and from the same period of 2016 shows a dramatic drop in the numbers of tourists from Russia, from 2.6 million to 0.3 million.[13] Revenues from tourism (accounting for almost 20% of total exports)[14] are crucial for successful development of Turkey's economy, including the optimization of its balance of payments. That's why the drop in tourist flows from Russia has affected this industry, and apparently no quick turnaround is to be expected.

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[10] Masumova N.R. Turkey's Foreign Trade as a Driver of Economic Development // Vestnik MGIMO-University. 2016. №2 (47).

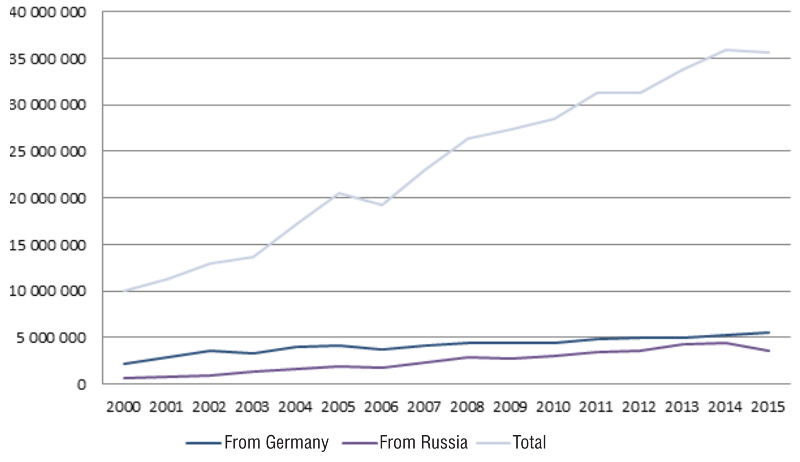
[11] Balance of Payments 1975–2015. Turkey. URL: http://www.tcmb.gov.tr

[12] Masumova N.R. Disbalansy v Turcii [Disbalances in Turkey] Mirovoe i nacional'noe hozjajstvo [International and national economy]. 2015. no. 1(32). (in Russian). URL: http://www.mirec.ru/2015-01/disbalansy-v-turcii

[13] Masumova N.R. Disbalansy v Turcii [Disbalances in Turkey] Mirovoe i nacional'noe hozjajstvo [International and national economy]. 2015. no. 1(32). (in Russian). URL: http://www.mirec.ru/2015-01/disbalansy-v-turcii

[14] Turkish Statistical Institute. TÜİK. URL: http://www.turkstat.gov.tr/

Number of tourists visiting Turkey



Source: Balance of Payments, 2016. URL: http://www.tcmb.gov.tr

In the aftermath of the 2008–2009 global financial crisis, economic ties between Russia and Turkey only started recovering gradually in 2013. However, they never rebounded to the pre-crisis level, mostly due to a global economic slowdown[15].

The incident involving the downing of a Russian jet on the Syrian-Turkish border and the resulting sanctions imposed by Russia almost a year ago that affected almost all sectors of Turkey's economy served as a serious test of resilience for the relations between Russia and Turkey. The latest meeting between the leaders of the two countries has demonstrated the intentions of both parties to rebuild relations to their former level. Without a doubt, this is a positive signal, as given an adverse global economic situation, any restrictions are having an adverse effect of their national economies.

Besides, in our opinion, the signed agreement on the Turkish Stream is unlikely to be carried out any time soon. Russia will be using the project as a tool to put pressure on its Western partners in the "war of sanctions", while Turkey, in its turn, depending on the state of relations with its European counterparts, will be bargaining with Russia for better terms for natural gas supplies. But on the other hand, energy cooperation, in the form of construction of the new pipeline and the nuclear power plant, is highly likely to become a new driver pushing for normalization of political and economic ties between the two neighboring nations. Also, let's not forget about the restrictions on agricultural products from Turkey, which is interested in regaining its lost positions in Russia's domestic market. As to the tourism industry, which is an important sector of the Turkish economy, the flow of Russian tourists is unlikely to recover within the next few years for a number of reasons, mainly due to an economic slump in Russia, but also because of a jittery domestic political situation in Turkey itself. On top of all that, both sides urgently need to rebuild confidence of the business community,

[15] Masumova N.R. Disbalansy v Turcii [Disbalances in Turkey] Mirovoe i nacional'noe hozjajstvo [International and national economy]. 2015. No. 1(32). (in Russian). URL: http://www.mirec.ru/2015-01/disbalansy-v-turcii

as the lingering uncertainty could lead to a long pause in investment cooperation, which Russia badly needs amid Western sanctions.

Selected social and economic indicators of Russia and Turkey, 2015

INDICATORS	**Russia**	**Turkey**
Population (million)	144.1	78.7
GDP (USD billion)	1326.0	718.2
GDP in terms of PPP (USD billion)	3579.8	3579.8
GDP per capita (USD)	9 057.1	9130.0
GDP in terms of PPP per capita (USD)	24 451.4	19 618.2
Agriculture (% of GDP)	4.2	8.0
Industry (% of GDP)	32.1	27.1
Services (% of GDP)	63.7	64.9
Gini coefficient (%)	41.6	40.2
Exports (USD billion)	393.2	198.7
Imports (USD billion)	281.6	222.7
Trade (USD billion)	687.4	399.8
Competitiveness index (place)	45	51
HDI	0.798	0.761

Source: World Bank Data, 2016. URL: http://www.worldbank.org; UNDP, 2016. URL: http://hdr.undp.org/en; World Economic Forum, 2016. URL: http://www.weforum.org

2. State and Prospects of Russia–Turkey Energy Relations

To assess the current state and development prospects of Russia–Turkey energy relations, it is necessary to take a closer look at the changes that have taken place on Turkey's domestic energy market, the key features of its energy policy, and the possibilities of using the country's transit potential. It is also important to evaluate the risks associated with pursuing Russian interests in the country and the surrounding region.

State of Turkey's Domestic Energy Market

Turkey's energy consumption has been increasing steadily in the recent years. In 2005–2015, Turkey's energy use increased by 46 per cent, from 45 million tonnes of oil equivalent to 131 million tonnes. The country has still a long way to go before its energy consumption peaks: in 2015 alone, Turkey's domestic demand for energy resources rose by 7 per cent.[16] This is in stark contrast to EU countries, where the general demand for energy resources has gone down. Up until 2014, the country saw a steady rise in the consumption of coal, natural gas and petroleum products; however, that trend was broken in 2015: coal and natural gas consumption decreased, while the demand for liquid hydrocarbon fuels continued to grow. In addition, energy consumption has continued to expand, although growth slowed down considerably in 2015 compared to the previous year (3 per cent in 2015 against more than 10 per cent in 2014), while still remaining among the highest rates in Europe.[17] The 2016 figures will show how stable the new trends are.

Turkey's energy balance is fairly diversified, oil, gas and coal account for about 30 per cent each, while the remaining 10 per cent is distributed equally among renewable sources: hydropower, biofuels and waste, and newer renewable energy sources (solar, wind and geothermal power). In the recent years, the shares of hydroelectric power and renewable energy sources in the country's energy balance have been growing at impressive rates, outpacing the rest of Europe (in 2015, the consumption of energy from these renewable sources increase by 65 per cent and 35 per cent, respectively, compared to 2014).[18]

The main priority of Turkey's energy policy is to ensure the country's energy security through the use of local energy sources, and at minimal cost. Furthermore, Turkey is seeking to diversify the network of energy suppliers, transportation channels and industry technologies involved. The increase in the share of renewable energy sources, as well as the addition of new sources to the "energy basket" (including nuclear energy) and the intensification of its efforts to explore and develop hydrocarbon resources both inside the country and abroad, are also viewed by experts as priorities in terms of Turkey's energy security.

[16] BP Statistical Review of World Energy. London, UK. June, 2016.

[17] Ibid.

[18] Ibid.

Major Areas of Russia–Turkey Energy Cooperation

Russia is interested in the stable export of hydrocarbons, the diversification of oil and gas transport routes linking it to external markets, and the export of nuclear technologies. As such, it has always regarded Turkey as one of its key energy partners in Europe.

Energy cooperation between the two nations can be split into several major areas:

- Trade in energy products, primarily the flow of Russian natural gas to Turkey, is the fastest developing area.
- Russia's oil and petroleum products are shipped through the Turkish Straits, with a similar transit route for natural gas being a possibility.
- Russia's foreign direct investment in the country's energy industry, including the power generation sector, has been increasing, specifically in nuclear energy, energy equipment supplies and maintenance services.
- Joint projects are being carried out to in the exploration and production of hydrocarbon resources in Russia and third countries.

Oil Industry

Russia–Turkey cooperation in the oil sector is fairly diverse. The Turkish company TPAO carries out joint oil production projects with Russian companies, specifically, the development of the Baituganskoye field in the Volga-Ural region. It is also a member of the consortium that is currently developing the Shah Deniz field in Azerbaijan, along with Russia's LUKOIL.

LUKOIL holds a share of the Turkish retail market for petroleum products via a subsidiary company.

Up to 150 million tonnes of mostly Russian crude oil pass through Turkey's Bosphorus and Dardanelles Straits every year, which makes the country one of Russia's key strategic partners on the global oil market.

At the same time, the negative experience with the Samsun – Ceyhan pipeline project, which was discarded in 2013 because of its poor economic value, should not be ignored.[19]

Gas Industry

The gas sector is the unquestionable priority of Russia–Turkey economic cooperation. It is also one of its most sensitive areas. Up until 2015, Russia's gas exports to Turkey had been increasing gradually. The gas is pumped to the country via the Trans-Balkan and the Blue Stream pipelines (each boasting a capacity of 16 billion cubic metres).[20] Turkey has become the second largest European buyer of Russian gas.

After Russia backed out of the South Stream gas pipeline project, Turkish Stream became the most promising project for the two nations. The route is planned

[19] Gulmira Rzaeva. Natural Gas in the Turkish Domestic Energy Market: Policies and Challenges. Oxford Energy Institute. NG 82, 79 p., February 2014.

[20] Gareth Minrow. Realization of Turkey's Energy Aspirations: Pipe Dreams or Real Projects? Center on the US and Europe at Brookings. 26 p. April 2014.

to link the Russkaya compressor station with the western part of Turkey along the bottom of the Black Sea, and then running further on to the Greek border overland to the location of a future gas hub. The project originally involved the construction of four separate lines with a total capacity of 63 billion cubic metres of gas, but other downsized options were also considered, including two lines with a total capacity of 32 billion cubic metres. The current plan is to build a single line with a capacity of 15.75 billion cubic metres of gas during stage one of the project to carry gas to consumers in Turkey.[21]

Whether or not the second, and possibly even the third and fourth lines carrying gas to consumers in Europe, will be implemented is conditional on the stance of the European Union.

On October 10, 2016, the project was given a green light in an intergovernmental agreement signed by the Joint Intergovernmental Commission on Trade and Economic Cooperation. The agreement provides for the construction of two lines. The two lines are expected to be completed before December 2019, with the first shipments intended for Turkish consumers.

It should be noted, however, that at the recent RIAC roundtable meeting on Russia–EU relations during the Slovak Presidency of the Council of the European Union held on November 2, 2016,[22] European energy experts decisively rejected Russia's proposal to supply natural gas via the Turkish Stream project, which challenges the success of Gazprom's plans to stop gas transit via Ukraine after the current contract expires in 2019, as well as the very creation of a gas hub.

Electric Power Industry

Another key area of Russia–Turkey bilateral cooperation is the electric power sector, primarily nuclear energy.

Over the past 15 years, the Turkish power industry has developed primarily through the construction of thermal power plants and hydroelectric power plants. However, these extensive measures will not be enough to meet the demand for electric power if demand is set to rise within the range of 5–9% per year over the next few years.[23] The low energy efficiency of Turkey's manufacturing and housing and utilities sectors is another contributing factor here. For instance, the level of technical and non-technical electric power loss is almost three times as high as in western countries.[24] A shortage of reserve generating capacity is expected to hit the country after 2018.

The Turkish government sees nuclear power as one of the most important elements of its energy policy, aimed at meeting the increasing energy demand on the one hand, and balancing out the country's relative dependence on the imports of hydrocarbon resources, primarily gas, on the other.

[21] Gareth Minrow. Realization of Turkey's Energy Aspirations: Pipe Dreams or Real Projects? Center on the US and Europe at Brookings. 26 p. April 2014.

[22] RIAC Seminar. "Russia–EU Relations in the Period of the Slovak Presidency in the Council of the European Union" // Russian International Affairs Council. URL: http://russiancouncil.ru/inner/?id_4=8316#top-content

[23] Gareth Minrow. Realization of Turkey's Energy Aspirations: Pipe Dreams or Real Projects? // Center on the US and Europe at Brookings. 26 p. April 2014.

[24] Jörn Richert. Is Turkey's Energy Leadership Over Before it Began? // IPC-Mercator Policy Brief. 16 p. January 2015.

The country's goal is for nuclear power to meet at least 5 per cent of the total demand for primary energy resources in the period until 2020, and at least 10 per cent by 2030. Furthermore, the government also sees as its separate task the creation of a national nuclear industry which would at the very least enable Turkish companies to take part in new nuclear power plant construction projects.

The need to develop nuclear power in Turkey first came into focus in the early 1970s. But it had very little to show for its efforts over the next three decades. Finally, in 2007, the country adopted a law regulating the construction and operation of nuclear power plants. In March 2010, Turkey and South Korea signed a preliminary agreement on the construction of the Sinop Nuclear Power Plant. But the project stalled, and the only thing that came of it was a joint report.

In May 2010, Russia and Turkey reached an agreement on the construction of the Akkuyu Nuclear Power Plant in Mersin Province on the Mediterranean coast. The project includes four nuclear power units with a capacity of 1.2 gigawatts each along the lines of the Russian NPP-2006 project of pressurized water reactors. The total construction cost of Turkey's first nuclear power plant is estimated at $20 billion.

However, the timeframes for the project have been revised several times. According to the latest data, the first nuclear power unit at the Akkuyu Nuclear Power Plant will be operational by 2020, with the remaining three units to be put into service in each successive year until 2023.[25]

It should be mentioned that during the political crisis of 2015, both Russia and Turkey made reserved or even moderately optimistic statements regarding the project.

Turkey's second nuclear power plant, to be built at Sinop, is currently in the design stages. Russia has repeatedly shown interest in the project. However, according to the current agreement, the construction project will be carried out by the France–Japan ATMEA consortium. On the whole, we can say that, as far as its nuclear power industry is concerned, Turkey tends to hold drawn-out negotiations, vehemently protect its interests and switch between different partners. For instance, before it finally picked the ATMEA consortium, it had already made deals with South Kore,a and later Japan (including the change of the counterparty), France, Canada and China regarding the Sinop Nuclear Power Plant.

Russian companies have shown strong interest in gas-fired electricity generation projects in Turkey. To consider business development opportunities in Turkey, Inter RAO set up Inter Rao Turkey Enerji Holding. In late 2012, the company bought a 90 per cent stake in the Trakya CCGT Power Plan, which has an installed capacity of 478 megawatts. It purchased the remaining 10 per cent in May 2013[26]. The power plant is responsible for less than 1 per cent of Turkey's power generation. Russia's Power Machines supplies equipment for new hydroelectric and thermal power plants[27]. In addition, LUKOIL has shown an interest in the

[25] Mehmet Bulut. A Perspective of Turkey Nuclear Power Plant Projects. Workshop on Energy Assessments and Pre-Feasibility/Feasibility Studies for a NPP Programs. Korea Nuclear Agency, Seoul, Korea 17-21 March 2014. Presentation.

[26] «Inter RAO» owns 100% of Trakya Powerplant in Turkey // Agency of Economic Information «Prime». 28.05.2013. URL: http://1prime.ru/Energy/20130528/763678240.html

[27] Power Machines annual reports // Site of OJSC «Power Machines». URL: http://www.power-m.ru/investors/reports/.

construction of a gas-fuelled power plant in Turkey. Gazprom has also looked at a number of projects in the Turkish gas-fired power generation sector.

Despite the wide range of cooperation areas, it would be naïve to believe that Russia–Turkey energy cooperation has been trouble free. Warning signs have surfaced from time to time, revealing the risks both inside and outside the energy sector. The troublesome start of gas supply via the Blue Stream pipeline, where commitments were not fulfilled and BOTAȘ put a halt to gas imports demanding more favourable terms, is a case in point. During negotiations on the South Stream project, Turkey withheld the license to lay the pipeline in its economic zones, demanding preferential terms for its own gas supplies in return. There were also certain difficulties with the Turkish Stream project while it was being finalized and approved.

Prospects for Russia–Turkey Cooperation in Supplying Russian Energy Resources to Turkey's Domestic Market

The Energy Research Institute of the Russian Academy of Sciences estimates that Turkey's demand for primary energy resources will continue to grow at a relatively high pace in the long term, and it will carry on along the track of diversifying the country's energy balance. In the period 2016–2040, the nation's energy consumption will expand at an average annual rate of 2.2 per cent, reaching 212 million tonnes of oil equivalent by 2040. The electric power industry will act as one of the main factors driving the consumption of other energy resources. However, it is also this sector that is highly likely to be restructured.

When analysing prospective changes in domestic demand for energy resources in Turkey, two factors that are particularly worrying for Russia and which are wholly underestimated right now, need special attention:

1. The rapid development of alternative and renewable energy sources in Turkey, as well as the imminent incorporation of nuclear energy in the country's energy balance, are two factors that will have significant effect on the fuel structure of Turkish electric power plants, slowing down the growth of, or even cutting down, natural gas consumption for the purposes of electric power generation;

2. The prospective increase in energy efficiency of the Turkish economy will also result in a reduction in gas consumption or in a slowdown in its growth, which has already been witnessed (in 2015, see above).

Therefore, Turkey's electric power and gas markets may prove fairly limited and increasingly competitive in the future. This could prompt Turkish companies buying Russian gas to demand new price discounts from Gazprom, which we have already seen in the recent past. That said, power generating companies operating gas-fired thermal plants will seek similar abatements in terms.

Keeping a possible increase in gas supplies from Azerbaijan and, in the longer term, from Iraq, Iran and Israel in mind, it would appear that a single line of the Turkish Stream pipeline with a capacity of 15.75 billion cubic metres of gas would be more than enough to meet Turkey's domestic demand for natural gas in view of the EU's reluctance to use the Turkish Stream for additional supplies (via lines 2, 3 and 4).

Russian experts tend to agree that the greatest uncertainty and highest risks for Russian companies are associated with projects carried out in Turkey itself, specifically, with electric power and pipeline assets. As far as gas transit is concerned, it is quite possible that Russia may well replace Ukraine with another transit link that has high associated risks. In this case, projects costing billions in investment may fail to pay off.

A number of Russian experts believe that in the current situation joining projects as members of consortiums with western companies would be one of the best methods to protect Russian business assets in Turkey. The move will simultaneously allow project risks to be split. It will also have a sobering effect on those willing to use Russia's interest in the assets as a political tool.

On top of everything else, Russia–Turkey cooperation may also feel the ripple effect of complicated relations with third parties. Both Russia and Turkey are now clearly in the middle of several geopolitical conflicts and confrontations, most of them with third countries. However, energy cooperation between the two countries can hardly be considered in isolation from other factors defining these relations.

It can be concluded that, despite the generally positive cooperation dynamics seen for the past two decades in the energy sphere, there are many uncertainties which are likely to have a negative impact on the relations between the two countries in the future. Particular focus should be placed on analysing the stability of existing trends on Turkey's national gas market and assessing the risks associated with the EU's negative stance on Russian gas transit via Turkey.

In such a situation, it would be wise to organize a comprehensive examination of long-term energy cooperation between Russia and Turkey in the light of existing geopolitical and economic problems, the development of adjacent energy sectors and technologies, the impact of climate change, and the training of staff for joint programmes and projects.

3. Features and Prospects of Russia–Turkey Cooperation in Construction

Introduction

Since the 1990s, Russia–Turkey bilateral relations have, despite a number of contradictions, been of a generally progressive nature.

Cooperation between the two countries reached a qualitatively new level in 2002, when the Justice and Development Party (JDP) led by Recep Tayyip Erdogan was elected into power. President of the Russian Federation Vladimir Putin noted the intensive development of bilateral relations during Erdogan's first visit to Moscow as leader of Turkey on December 23–24, 2002.[28]

The first visit of a Russian head of state (as a successor to the USSR) to Ankara took place on December 5–6, 2004, and was described in the Russian and Turkish media as "historic".[29]

The first decade of the 21st century was marked by dynamic growth in bilateral trade: $5.1 billion in 2002; $15.3 billion in 2005; and a record $37.8 billion in 2008. Once the negative effects of the global financial crisis had been overcome, trade between Russia and Turkey resumed its positive growth trend: $29.9 billion in 2011 and $31.2 billion in 2014 (*Turkish Statistical Institute http://www.tuik.gov.tr/*). Shortly before his official visit to Ankara on November 28, 2014, the President of the Russian Federation talked about a potential threefold increase in trade turnover between Russia and Turkey, to $100 billion.[30]

The crisis in bilateral relations that arose as a result of the unprecedented "stab in the back" that took place on November 24, 2015 led to a freezing of political ties between the two countries. Trade and economic cooperation was also affected, with the Government of the Russian Federation introducing a series of bans and restrictions on the import of Turkish products and services. It was partly due to these bans and restrictions, and partly due to the drop in energy prices on the global markets that trade turnover between the two countries fell to $24 billion in 2015.

Russia and Turkey were only able to resume contacts after President Erdogan sent a message to President Putin on June 26, 2016 officially apologizing for the downing of the Russian plane.[31]

[28] Opening Remarks at the Meeting with the Leader of the Justice and Development Party Recep Tayyip Erdogan. December 24, 2002. Moscow. URL: http://kremlin.ru/events/president/transcripts/21825

[29] Putin Arrives in Ankara // Izvestia. December 6, 2004. URL: http://izvestia.ru/news/297274

[30] Vladimir Putin: Russia is Effectively Creating a New Industry in Turkey // Russia Today. November 24, 2014. URL: https://russian.rt.com/article/61769

[31] Erdogan Apologizes to Putin for the Downing of the Su-24 // TASS. June 27, 2016. URL: http://tass.ru/politika/3407975

1. Bilateral Relations in the Construction Industry before November 24, 2015 and Changes in 2016

a) Turkish Construction Companies in Russia

A total of 8755 projects worth some $325.4 billion have been carried out in since Turkish contractors entered the global market in 1972 (up to and including the first three months of 2016). This includes 1939 projects worth $64.8 billion in the Russian Federation, or 19.9 per cent of the overall volume of construction activity carried out abroad (*Turkish Contractors Association, TCA, http://tmb.org.tr/*).

It should be noted that the unit cost of Turkish contractors in Russia had been trending upwards during the pre-crisis period: $47 million in 2011 and $207.2 million in 2015. Despite the nonlinear process, we can still conclude that Turkish positions on the Russian construction market had been strengthening all the way up to the crisis that broke out on November 24, 2015 (see Table 1). Not a single contract has been signed in 2016.

Table 1. Projects Implemented by Turkish Construction Contractors in 2011–2016 (September)

Year	Total number of projects	Total value of contracts, USD
2011	107	5,027,290,459
2012	76	6,483,464,494
2013	67	4,803,111,951
2014	47	3,851,852,079
2015	26	5,387,168,757
2016 – September	0	0

The total amount of contracts currently being implemented by Turkish contractors – airport terminals, roads, various businesses, shopping centres, hospitals, residential complexes and business centres – is worth $9.9 billion. Notable players on the Russian market which have major contracts include such companies as RÖNESENS, ENKA, AE ARMA – ELEKTROPANÇ, ANT YAPI, İÇTAŞ, LİMAK (data provided by TCA). According to various estimates, the share of Turkish construction companies on the Russian market before the crisis was between 20 per cent and one third.

b) Russian Construction Companies in Turkey

The following major construction projects carried out during the Soviet period should be taken into account when discussing the early period of bilateral relations between Russia and Turkey:[32]

- Seydişehir Eti Aluminium Plant. Built in accordance with the Inter-Governmental Agreement signed on March 25, 1967. Commissioned between 1973 and 1979.

[32] Koptevsky V.N. Russia–Turkey: The Stages of Trade and Economic Cooperation. The Institute of Oriental Studies of the Russian Academy of Sciences. Moscow, 2003.

- The metallurgical plant in Iskenderun. Built in accordance with Inter-Governmental Agreements signed on March 25, 1967 and December 24, 1972. The first phase was put into operation in 1979. The plant has been working at full capacity since 1987.
- Izmir Refinery. Built in accordance with the Inter-Governmental Agreement signed on March 25, 1967. The first phase was put into operation in 1972. Expansion was completed in 1987.
- Orhaneli Coal Power Plant. Built in accordance with Inter-Governmental Agreements signed on July 9, 1975 and June 5, 1979. The plant's equipment was commissioned in 1993.
- Construction and operation of the Blue Stream gas pipeline under the Black Sea. It is being carried out in accordance with the Inter-Governmental Agreement signed on December 15, 1997 and the commercial contract on the supply of natural gas signed between Gazprom and the Turkish company BOTAȘ in 2003.

Turning to the later period of bilateral relations, the list of major projects carried out by Russian companies in Turkey in partnership with Turkish contractors currently looks like this:

- Construction of the Torgul Hydroelectric Plant. The plant was put into operation in 2008.
- Laying a tunnel under the Bosphorus as part of the Melen project to supply Istanbul with fresh water. Construction was completed in 2009.
- Construction and operation of the MMK Metalurji metallurgical plant in Iskenderun. Construction began in 2008 and production commenced in March 2011.
- Construction of the Deriner Dam and Hydroelectric Plant. The project was approved as part of the Russia–Turkey Inter-Governmental Protocol signed in 1994. The plant was put into operation in 2013.

Among the projects currently being implemented with the participation of Russian companies, the construction of the Kigi Hydroelectric Station in particular stands out. The contract signed in November 2013, and construction is set for completion in late 2017.

The most important project for the Russian side in Turkey is the construction of the country's first nuclear power station, the Akkuyu Nuclear Power Plant. Construction is being carried out as part of the "Agreement Between the Government of the Republic of Turkey and the Government of the Russian Federation on Cooperation in Relation to the Construction and Operation of a Nuclear Power Plant at the Akkuyu Site in the Republic of Turkey" signed in May 2010. The project is part of the "Build – Operate – Own" (BOO) model, and its preliminary cost will be around $20 billion.

c) Changes in 2016

Following the tragic downing of the Russian fighter jet, Presidential Decree No. 583 dated November 29, 2015, Decree of the Government of the Russian Federation No. 1296 dated November 30, 2015 and Decree of the Government of the Russian Federation No. 1458 dated December 29, 2015 introduced a series of restrictive measures aimed at Turkish businesses which primarily affected construction companies. The measures came into effect on January 1, 2016:

- The visa-free regime with Turkey was cancelled.
- A ban was introduced for employers and customers (of works or services) on the use of Turkish workers, with the exception of a separate list of approved companies (initially containing 53 organizations).
- A list banning companies operating under Turkish jurisdiction or controlled by the Republic of Turkey in certain fields of professional activity (goods and services) was drawn up. Such activities include the construction of buildings and other structures and architectural and engineering and technical design work.

Despite the fact that the Government of Turkey did not introduce counter measures with regard to Russian companies, it should be noted that work on the Akkuyu Nuclear Power Plant, a key project for the Russian Federation, was frozen.

2. Key Issues and Constraints in the Implementation of Construction Projects with the Participation of Russia and Turkey

In addition to the sanctions imposed by Russia against Turkey that we have already listed, the following factors also complicate matters when it comes to establishing partner relations between Russian and Turkish companies in the construction of industrial and civilian buildings.

The potential of the Turkish construction industry is significantly higher than that of Russian businesses. Suffice it to note that 40 Turkish companies are included in *Engineering News-Record's* list of the top 250 international construction contractors. According to these rankings, Turkey has the second highest number of firms in the list, behind China (with 65) and ahead of the United States (with 38). There is not a single Russian company (!) in the list (*http://www.enr.com/*).

- Turkish companies have considerable experience, as well as stellar reputations, in Russia. This often eliminates the need to engage a Russian partner when carrying out projects in the country. In addition to this, there are a number of powerful trade unions defending the interests of Turkish business abroad, including the Turkish Contractors Association.
- The high level of competition on the Turkish construction contractors market. Supply is greater than demand. Switching to major construction projects on the basis of public-private partnerships is considered a high-risk investment for foreign businesses, including Russian enterprises.
- Against the background of international sanctions imposed against Russia by the United States and Europe, Russian organizations, including construction companies, are experiencing obvious difficulties attracting "long money" to finance their projects. This is in stark contrast to the financial leverage enjoyed by Turkish companies, including export finance, commercial loans and their own funds.

In practice, and this is borne out by the details of the deals listed above, Russia–Turkey consortiums are set up either as part of projects that were ***initially implemented on a bilateral basis*** or in cases that require ***specific equipment or knowhow*** that Turkey simply does not possess, but which Russian suppliers can provide by beating out stiff competition from other countries. At the same time, the Turkish side makes every effort to ensure that the participation of local contractors is kept to a minimum.

3. The Prospects for Turkey's Participation in Construction Projects in Russia

The Turkish side, particularly the Turkish Contractors Association, estimates a possible annual contraction in the total value of projects implemented based on the statistics presented in Table 1 (see above). The estimates for the short- and medium term, taking into account the removal of restrictive measures on the part of Russia, are around $4–6 billion.

Turkey's hopes rest primarily on the upcoming 2018 FIFA World Cup and the attendant infrastructure (sports facilities, tourist areas and transport) that will need to be built in the 13 host cities: Moscow, St. Petersburg, Kaliningrad, Yaroslavl, Nizhny Novgorod, Saransk, Kazan, Yekaterinburg, Samara, Volgograd, Krasnodar, Sochi and Rostov. The Turkish side estimates the amount of investment needed just to bring the stadiums up to FIFA standards at $3.8 billion.

On September 29, 2016, Ambassador Extraordinary and Plenipotentiary of the Russian Federation to the Republic of Turkey Andrey Karlov noted in a speech to the Turkish Contractors Association that 80–85 per cent of the activity of Turkish contractors is concentrated in four or five Russian regions, including Moscow, Moscow Region, Saint Petersburg, Leningrad Region and Tatarstan. Karlov recommended that Turkey expand its geographic presence in the country and turn its attention to the Russian Far East and Crimea.

4. The Prospects for Russia's Participation in Construction Projects in Turkey

The prospects for Russia participating in projects in Turkey in the short and medium term depend primarily on the construction of the Akkuyu Nuclear Power Plant, as well as on the Turkish Stream gas pipeline project, which was the subject of an Inter-Governmental Agreement signed on October 10, 2016 in Istanbul during the World Energy Congress.

Russia should concentrate its efforts on the Kanal Istanbul project to build a unique hydraulic structure that will bisect the European side of Turkey, running parallel with the Bosphorus. It should also focus on projects to lay subway lines in various Turkish cities, including Istanbul and Ankara, where Russian know-how could be useful. Kanal Istanbul will be about 50 kilometres in length and will cost an estimated $13 billion.

5. Recommendations for Overcoming Problems in the Development of Bilateral Relations in the Construction Industry

Given the need to ***maximally protect the interests of Russian businesses*** in the post-crisis period, the following can be offered upon the return of Turkish contractors to Russia:

- Projects implemented ***on Russian territory*** should be done so in a maximally competitive environment in order to ensure the optimal ration of price to quality and delivery time. The conditions of competition should protect Russian businesses to the fullest extent, create jobs for local construction workers, and ensure that locally produced materials and components are used. The competences of workers should also be improved. Encouraging Turkish companies to enter into partnerships with Russian firms would help to do this. Special measures should be taken to attract Turkish companies to work in the Russian regions, as well as on projects where their expertise is particularly in demand.

- The potential of Russian contractors should be increased, primarily in terms of their accumulated know-how and experience, as well as in terms of references. The best way to do this is to stimulate their participation in projects overseas, including ***in the Republic of Turkey***. To this end, Russia should take advantage of opportunities that arise to participate in such landmark projects as the Akkuyu Nuclear Power Plant and Turkish Stream, where Russia would be more than suitable contractor, as well as Kanal Istanbul.
- The Joint Investment Fund is an important tool that can be used for increasing the potential of the Russian construction industry through joint projects with the ***Republic of Turkey and third countries***. Plans to create the $1-million fund were announced during the World Energy Congress in Istanbui.

4. The Republic of Turkey's Non-Profit Sector and its Potential for Boosting the Russia-Turkey Dialogue

Non-profit (or non-government) organizations (NGO) greatly contribute to Turkey's political life and also influence it in many aspects. The multi-faceted nature of this influence manifests itself in some NGOs being used by the state to advance its ideology (primarily religious), while other NGOs, on the contrary, act as checks and balances for the government in accordance with the basic principles of civil society; such NGOs actively criticize the government for its various actions and monitor critical events in the life of the country, primarily the elections.

It is of great importance for Russia to establish ties with Turkey's NGOs in order to simplify contacts with individual social, economic and political groups in Turkey.

If Russia succeeds in establishing a dense network of contacts with various NGOs and in using them as a springboard for setting up further contacts with various population groups, then a more effective assessment of the processes taking place within Turkey would be possible. It would also mean that a sharp deterioration in relations between the two countries – the kind that we saw following the downing of the Russian fighter jet in November 2015 – could be avoided.

Nevertheless, given the great variety of NGOs in Turkey, it is important to be highly selective in establishing such contacts. NGOs working in each particular area have their own specific features, and many of them will be unsuitable for partnership, even if they agree to cooperate.

Turkish Legislation on NGOs. NGO Types and Financing

In Turkey, it is generally believed that the first legislation on NGOs was passed on August 16, 1909, when the law "On Jamiyahs" entered into force. This law granted the subjects of the Ottoman Empire the unrestricted right to form non-profit organizations. Five days later, the 1876 Constitution of the Ottoman Empire was amended with Article 120, which enshrined in the constitution the right to establish NGOs. This is why 1909 is considered the year in which Turkish civil society was born.[33]

Turkey's current legislation stipulates two principal forms of non-profit organizations: non-profit partnerships (derneks, also called associations) and foundations or charitable endowments (waqfs).

The legal framework of non-profit partnerships and foundations in Turkey today is set out in the Law "On the Civil State" (referred to hereinafter as the Civil Code) of 2001, the Law "On Associations" of 1983 (the law regulates non-profit partnerships), the law "On Foundations" of 1936 and the Law "On Relations between Associations, Foundations and Public Entities" of 2004.

Under Article 56 of the Civil Code, a non-profit partnership (a dernek) is an association of people that make up a legal entity and which is formed by a unity of

[33] Zafer Toprak, "1909 Cemiyetler Kanunu", Tanzimat'tan Cumhuriyet'e Türkiye Ansiklopedisi, cilt 1 (1985), pp. 205–208

at least seven persons, and whose mission is to use the pool of their knowledge and efforts to achieve joint goals other than deriving and distributing profits between the partners.

Article 101 of the same law defines foundations (*waqfs*) as pooling together property and rights of persons and legal entities in order to achieve certain goals.[34]

Below, we describe the principal differences between non-profit partnerships and foundations.

1. The basic difference lies in the essence of each of these legal statuses: non-profit partnerships are associations of individuals, that is, those individuals are liable for the debts incurred by the organization to the full extent of their entire property. A foundation is the pooling of capital, that is, a foundation members are liable only to the extent of the capital they transferred to the organization to make it operational.

2. There are major differences in setting up a non-profit partnership and a foundation. Setting up the former requires submitting an application to the local authorities, while setting up the latter requires notarizing property titles and submitting an application to a principal civil court. Thus, registering a foundation is significantly more complicated than registering a non-profit partnership.

3. Setting up a non-profit partnership requires at least seven persons, while setting up a foundation requires only one person.

4. Since a non-profit partnership is an association of individuals, it does not require registered capital. Foundations require a minimal registered capital of 60,000 Turkish lira (1,320,000 roubles).

5. Non-profit partnerships, being associations of individuals, can use all the property of their members. Foundations have to provide for their expenses by being engaged in certain activities.

6. Non-profit partnerships have a classical membership set-up which is absent in foundations.

7. The charter of a non-profit partnership may be amended by a minimum of two thirds of the executive board votes. In foundations, the minimum requirement is 60 per cent.

8. Another feature of non-profit partnerships is their limited choice of names. In particular, such words as Turkish, Turkey, National (it should be kept in mind that the word “national” is often used in the names of governmental bodies, such as the Ministry of National Education, the Ministry of National Defence), the Republic, Ataturk, Mustafa Kemal may be used only after obtaining consent from the Ministry of the Interior (Article 28 of the Law “On Associations”).

9. Foundations may pay reduced taxes (and may even be entirely tax-exempt), which is a great advantage of this form of enterprise.

[34] Law 8049 “On the Civil State” of November 22. 2001 URL: http://www.mevzuat.gov.tr/MevzuatMetin/1.5.4721.pdf

10. There is a great number of non-profit partnership types, including children's non-profit partnerships and sport clubs.

It should be specially emphasized that the laws allow non-profit organizations to carry ***out international activities***.

The same rules apply for both non-profit partnerships and foundations. If an activity complies with the goals and purposes of the organizations as stipulated in their charter, NGOs may engage in international activities, open branches and offices in other countries, and become founders and participants of NGOs opened in other countries.

Foreign non-profit partnerships may operate in Turkey, open branches and offices in the country, and, pursuant to being issued a license by the Ministry of Foreign Affairs (Article 5 of the Law "On Associations"), also become founders and participants of Turkish NGOs controlled by the Ministry of Foreign Affairs. Similar rules exist for foundations.

The law also treats ***the issue of revenues*** rather broadly. In particular, Article 99 of the law "On Associations" stipulates the following sources of revenues:

- Membership fees;
- Profit gained from the activities of the association;
- Profit gained from the assets of the association;
- Contributions and donations.[35]

Foundations are afforded even greater opportunities: Article 26 of the Law "On Foundations" stipulates that, in order to promote its goals, a foundation has the right to engage in economic activities, establish companies and become a participant of companies that are already operational on condition that Turkey's General Office for Foundations be notified. Nevertheless, revenues received may not be used for purposes which do not comply with the foundation's stated goals.[36]

In reality, foundations and non-profit partnerships also have recourse to other ways of earning money; in particular, they provide advertising and marketing services during their events.

Types of Non-Profit Partnerships in Turkey

NGOs in Turkey are very diverse. We will classify them in accordance with the areas of public life that the NGOs in question attempt to influence.

1. Human rights NGOs (protect the rights of certain groups of population). These NGOs may be subcategorized as follows:

- Women's rights NGOs
- NGOs supporting refugees
- NGOs that protect political rights (primarily suffrage)

[35] Law No. 5253 of the Republic of Turkey "On Associations" dated November 4, 2004. URL: https://www.dernekler.gov.tr/tr/mevzuat/kanun/5253-dernekler-kanunu.aspx

[36] Law No. 5737 "On Foundations" dated February 20, 2008. URL: http://www.mevzuat.gov.tr/MevzuatMetin/1.5.5737.pdf

- NGOs that protect the rights of entrepreneurs
- NGOs that protect the rights of agricultural workers

2. Religious NGOs

3. Analytical centres

4. Charitable NGOs

5. Environmental NGOs

Financing Non-Profit Organizations:

Non-profit organizations receive financing from three principal sources:

1) Government financing. The largest organizations in each area receive government financing. In return, they must participate in implementing governmental policies in various areas. Major recipients of such government financing are analytical centres that carry out research in domestic and foreign policy.

2) Foreign financing. The European Union and the United States are the principal sources of such financing. Since the process of Turkey's accession to the European Union was initiated, the European Union started to stimulate the development of civil initiatives through a fairly well-developed system of grants.

For instance, prior to May 30, 2016, Turkish NGOs could apply to participate in projects financed by the European Commission and the Education, Culture and Audiovisual Executive Agency; such projects were intended to advance freedom and fight discrimination in education. The grant totals 12 million euros. A single project can receive up to 500,000 euros.

3) Private donations. Islamic NGOs make particularly good use of this strategy; they appeal to people's religious feelings and raise large sums to pursue their goals.

Some types of Turkey's NGOs will be considered below.

Human Rights Organizations:

Human rights and freedoms organizations in Turkey are involved in diverse areas: environmental protection, gender equality, youth and children, disabled people, culture and arts.

The largest human rights organization in Turkey is **the Humanitarian Relief Foundation (IHH)**. It works in a variety of areas: human rights, healthcare, the spread of Islam, etc. The organization's activities now go well beyond Turkey into 100 countries.

The IHH publishes a fairly detailed account of its revenues and expenses. Officially, in 2015, the IHH received 423,702,638 lira, with expenses of 369,610,456 lira.

Thus, the IHH finished 2015 with a total profit of 36,033,309 lira, which is 7 per cent less than the previous year. This figure could be considered final since the Turkish government officially exempted the IHH from paying taxes.

Due to recent events, **organizations involved in providing refugee aid** have become particularly important. Such NGOs are set up as independent organizations under the auspices of Turkey's universities and ministries. They are located in several Turkish cities: Istanbul, Ankara, Şanliurfa, Kilis, Hatay, Mardin, etc. For instance, there is the "Aid for Life" non-profit partnership, the Immigration Center at Bahçeşehir University, and the International Refugee Rights Association.

It should be noted that the Turkish government provides active support for its own NGOs in this area and does not allow international NGOs in that sphere: the German Institute for International and Security Affairs reports that only 2 out of 10 international NGOs were licensed to work in Turkey in 2014.[37]

Some NGOs working in Turkey attempt to resolve various political issues. In order to achieve greater electoral transparency in Turkey, Sercan Celebi founded a non-profit organization named "Vote and Beyond" (Oy ve ötesi) intended to monitor elections in Turkey.

Volunteers have been working since the 2014 presidential elections. Over that period, 140,000 people have participated in the project. They prepared over 67,000 reports on vote rigging.

"Vote and Beyond" is fairly vocal in its criticism of the ruling Justice and Development Party for exerting administrative pressure at the elections. In return, the NGO is being attacked in pro-government media. In particular, the Sabah newspaper accused the human rights group of supporting the pro-Kurd Peoples' Democratic Party and of being financed by George Soros's Open Society Foundations, as well as by other foundations from Europe and the United States.[38]

Religious NGOs

Even though the Turkish Constitution states that Turkey is a secular state, religious NGOs develop very actively in the country. This process received an additional impetus when the moderate Islamic Justice and Development Party came to power. According to the *Hürriyet* newspaper, as of 2009, 14,744 out of 80,212 non-profit partnerships posited as their goals offering Quran study courses and building mosques.[39]

Among the NGOs particularly active in this area are the above-mentioned IHH, the "Is there no one else?" non-profit partnership, and also *Cansuyu* Association for Solidarity and the Deniz Feneri (the Lighthouse) non-profit partnership.

They are involved in active propaganda within Turkey and participate in implementing the country's foreign policy.

Turkey's Analytical Centres and their Classification

In January 2016, the Konya City Chamber of Commerce conducted its own research into Turkey's analytical centres; according to the research, as of that date, Turkey had 61 analytical centres with wildly different scopes and scales.

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[37] https://www.swp-berlin.org/fileadmin/contents/products/comments/2014C47_ahmadoun.pdf

[38] Oy ve Ötesi kimin için çalışıyor? URL: http://www.sabah.com.tr/gundem/2015/07/04/oy-ve-otesi-kimin-icin-calisiyor

[39] Istanbul Home to the Largest Number of NGOs URL: http://www.hurriyet.com.tr/istanbul-home-to-the-largest-number-of-ngos-10697678

Selahattin Esim, an expert with TASAM, one of Turkey's largest analytical centres, notes that even though the number of analytical centres is very high, only one sixth of them may be called active and actively developing. The Hürriyet explains this by the great disparity in government financing in Turkey.[40] The Ministry of the Interior singles out individual small groups of NGOs that receive maximum support from the government, while others are forced to rely exclusively on themselves.

Turkey's analytical centres may be classified according to such criteria as area of research, location, and life span.

Area of Research

1) Domestic policy issues (the 3H [the Movement for Freedom, Law and Tolerance], the Marmara Group Strategic and Social Research Foundation, the Foundation for Social and Strategic Research KÖK (KÖKSAV).

2) Foreign policy issues. Analytical centres of this type may be subdivided into two categories:

1. Conducting universal research (the International Strategic Research Organization, USAK)
2. Specializing in certain regions (The Caspian Region Strategic Research Center (HazarSAM), the Black Sea Research Center (KaraM), the Middle Eastern and African Research Center (ODAM)

Location

1) Most organizations are located in Turkey's largest cities, Istanbul and Ankara, which makes it easier to maintain contacts with the authorities and foreign diplomatic missions.

2) However, some NGOs are located in other cities: the Academic Research Institute (AAE) is in Eskișehir, the Ege University Strategic Research Center (ESAM2) is in Izmir, and the Global Policy Research Center (GLOPOL) is in Konya.

Lifespan

1) The analytical centres that emerged before the collapse of the USSR (this time bracket is important because U.S. influence was particularly strong at the time, and the South Caucasus and Central Asian regions were not important for Turkey's political agenda). Examples include the Center for Economic and Social Research (ESAM) established in 1969 and the Foreign Policy Institute (DPE) established in 1974.

2) The analytical centres that emerged in the 1990s. This is the time when the military and the Ministry of Foreign Affairs began actively supporting the development of analytical centres, such as the Center for Eurasian Strategic Studies (ASAM) established in 1999 and the Center for Strategic Research (SAM) established in 1995.

[40] Istanbul Home to the Largest Number of NGOs URL: http://www.hurriyet.com.tr/istanbul-home-to-the-largest-number-of-ngos-10697678

3) The analytical centres that emerged after the Justice and Development Party came to power in 2002, such as the Ankara Global Research Center founded in 2006 and the Association of Researchers of the Middle East and Africa founded in 2008. The most recent centre to be founded in Ankara in 2014 is the Ankara Policy Center (APM).

The Turkish political scientist Fatih Keskin proposes classifying Turkey's currently working analytical centres according to their affiliation and the features which are of the greatest importance for Turkish politics. He singles out four principal groups:

The first group includes civil and military analytical centres affiliated with governmental bodies (SAREM affiliated with the General Staff, Stratejik Merkezi, or the Center for Strategic Research at the Ministry of the Interior).

The second group includes university-affiliated analytical centres, such as the Yildiz University Strategic Research Center (Yıldız Üniversitesi Stratejik Araștırmalar Merkezi) or the Beykent University Strategic Research Center (Beykent Üniversitesi Stratejik Araștırmalar Merkezi).

The third group includes ideologically oriented advocacy think-tanks working both in Turkey and abroad, such as the Eurasian Strategic Research Center (ASAM – Avrasya Stratejik Araștırmalar Merkezi).

The fourth group includes foundations (waqfs) such as the Turkish Economic and Social Studies Foundation (TESEV).[41]

Turkey's Largest Analytical Centres

SAM

The Center for Strategic Research (Stratejik Araștırmalar Merkezi, SAM) has been working since 1995 at Turkey's Ministry of Foreign Affairs.

The SAM's principal goal is to provide decision-makers (primarily the heads of the Ministry of Foreign Affairs and other governmental agencies) with independent assessments in international relations, based exclusively on a strictly academic approach that incorporates a huge number of factors and an in-depth analysis of the information received. The SAM also serves as a link between Turkey's Ministry of Foreign Affairs and the academic community and other analytical centres.

TASAM

Today, TASAM (Tuürk Asya Stratejik Araștırmalar Merkezi) is one of the country's most influential analytical centres. It has grown significantly and claims the status of Turkey's largest strategic research centre.

TASAM's research areas correlate directly with Turkey's foreign policy areas: Africa, Asia, Europe, Latin America, the Caribbean, North America, the Balkans, the Middle East, the Mediterranean, the Black Sea region, Transcaucasia and the Turkic and Islamic worlds.

[41] Avatkov V.A. The Work of Turkey's Analytical Centers under the Justice and Development Party // V.A. Avatkov, A.S. Vidyaikin. // Vestnik MGIMO-Universiteta 2013 (3).

A clear indication of TASAM's influence is the fact that Strategic Vision 2023, the country's most extensive development programme supervised the President himself, was launched at its initiative.[42]

Possible Russia–Turkey NGO Cooperation

The principal problem for developing Russia–Turkey cooperation in the non-profit sector lies in the fact that the number of options for cooperation is rather limited due to the different visions that the two countries have of the tasks to be set to NGOs. As has already been mentioned, Turkey's priorities are aid for refugees, Turkic peoples and Muslims around the world.

Yet there are some areas where interaction between Russian and Turkish NGOs is possible and even necessary. Proposals on the issue should be divided into two parts: first we will cover the areas where both Russia and Turkey already have the resources, experience and infrastructure required for cooperation, and then we will cover the areas where cooperation is necessary, but has been so far somewhat neglected.

One of the major difficulties for Russia and Turkey is their differences in interpreting the basic concepts of bilateral relations, such as, for instance, "Eurasianism," which both countries define in radically different ways. Russia links Eurasianism to economic integration within the Eurasian Economic Union (EAEU), while Turkey views Eurasianism as uniting the Turkic and Muslim peoples of Central Asia, with Turkey playing the leading role.

Such differences in interpreting the basic notions in Eurasianism, and also in the Syrian and Armenian issues, create a danger of new conflicts erupting between Russia and Turkey and also impede constructive dialogue.

To neutralize the risk, both countries should have recourse to analytical centres, where cooperation and regular meetings would contribute to "fine-tuning" the positions of both countries.

Before the crisis, both countries had already done some work in this area. In particular, on October 15, 2015, the Russia and Turkey: Forging Multidimensional Partnership International Conference sponsored by the RIAC and SAM was held. Such work should be continued.

There are, however, many more areas where Russian NGOs should actively participate, but which have not been well-developed thus far; for instance, working with Russians living in Turkey. Even though they have moved to Turkey, they are still Russian citizens, but they lose all ties to their homeland and are quickly integrated into Turkish society.

At the same time, it is hard to imagine a more valuable political resource than Russian citizens in Turkey. They have every opportunity to explain Russia's stance to Turkish society on a daily basis, to explain to the Turkish people why Russia is concerned with specific issues. They can prevent the government and the media from demonizing Russia should new conflicts and differences arise.

NGOs working with Russian citizens abroad should maintain active ties between Russians abroad and their homeland. They should hold events conveying the Russian view of events in Turkey and in the Middle East.

[42] Turkey's Strategic Vision 2023 URL: http://www.tsv2023.org/index.php/en/

It would be reasonable to work with both Russian citizens and all the Russian-speaking residents of Turkey who come from the post-Soviet space. This would allow for a more comprehensive interaction with Turkish society and it would also improve Russia's image in the world, presenting Russia as a country whose concerns go beyond the rights of its own citizens (this is exactly the policy Turkey conducts when it protects the rights not only of Turks, but of Turkic peoples throughout the world. Turkey also attempts to create an image of the defender of all the oppressed Muslims in the world).

A question might arise as to the form the cooperation between Russian and Turkish NGOs could assume. One of requisite measures in this area could be stimulating Russian citizens living in Turkey to establish NGOs helping the Russian-speaking population of Turkey. These NGOs, in their turn, would establish relations with Russian NGOs, thereby setting up cooperation between Russia and Turkey in the non-profit sector.

Conclusions and Recommendations

Non-profit (non-government) organizations are an integral part of the political life of the Republic of Turkey. They are involved in the decision-making process on a whole range of social issues from politics to the environment.

Nonetheless, Turkish NGOs face a significant problem of unequal governmental financing: the government supports but a fraction of the pro-government organizations, and the state aid allows them to develop rapidly, while most others are forced to provide for themselves or to turn for support to foreign actors, primarily the United States and the European Union.

This factor could be of interest for Russia. However, it must be highly selective in this process. Russia must develop a certain ideology which would explain why Russia is so interested in supporting Turkish NGOs. The European Union did just that; it explains its support for Turkey's NGOs by its desire to promote democracy and integrating Turkey into the EU as quickly as possible.

We should also note the human rights organizations, which should be treated with caution since Turkey has shaped its own view of human rights with a special emphasis on protecting the rights of Muslims and Turkic peoples both in Turkey and abroad. Human rights NGOs that enjoy governmental support are often involved in international projects aimed at improving Turkey's image by helping Muslims and Turkic peoples throughout the world.

Turkish NGOs will step up their work in the coming years; Turkey's Strategic Vision 2023, the national development programme, assigns them a special place. Nevertheless, in the nearest future, Turkey's government will inevitably clash with NGOs that have foreign financing.

Analytical centres are the NGO subset that is of greatest interest for Russia; these centres have been actively developing since the Justice and Development Party came into power in 2002. The largest of these centres work in close cooperation with the authorities and thus take part in setting Turkey's foreign and domestic policies. Clearly, relations with such NGOs should be based on interaction, and not on support.

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Russian International Affairs Council

Russian International Affairs Council (RIAC) is a non-profit international relations think-tank on a mission to provide policy recommendations for all of the Russian organizations involved in external affairs.

RIAC engages experts, statesmen and entrepreneurs in public discussions with an end to increase the efficiency of Russian foreign policy.

Along with research and analysis, the Russian Council is involved in educational activities to create a solid network of young global affairs and diplomacy experts. RIAC is a player on the second-track and public diplomacy arena, contributing the Russian view to international debate on the pending issues of global development.

Members of RIAC are the thought leaders of Russia's foreign affairs community – among them diplomats, businessmen, scholars, public leaders and journalists.

President of RIAC Igor Ivanov, Corresponding Member of the Russian Academy of Sciences, served as Minister of Foreign Affairs of the Russian Federation from 1998 to 2004 and Secretary of the Security Council from 2004 to 2007.

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