

# THEORETICAL AND APPLIED ASPECTS OF ECONOMIC PROCESSES IN UKRAINE AND IN THE WORLD ECONOMY

UDC 339.09.008.832(560)

DOI <https://doi.org/10.26661/2414-0287-2023-1-57-09>

## THE STRATEGY DIRECTION FOR THE DEVELOPMENT OF UKRAINIAN-TURKISH RELATIONS IN CONTEXT OF UKRAINE'S PRIORITY TASKS

**Babmindra D.I., Florentsev R.S.***Zaporizhzhia National University**Ukraine, 69600, Zaporizhzhia, Zhukovsky str., 66*

ORCID 0000-0002-1872-3106, 0000-0003-0001-8860

**Key words:**

economy, Turkey, Ukraine, globalization, integration

Modern foreign economic relations play an important role in the process of globalization, which directly affects the development of the state and its subjects, which, in turn, shapes the organization, management and directions of foreign trade. The economy of Ukraine during the war is in a state of stagnation, which becomes a problem that will need to solve after the end of the hostilities. Ukraine and Turkey are close neighbours and remain strategic partners in many fields, including military and maritime. Turkey was at least one of the ten countries to which Ukraine exports. A free trade zone has created, which will expand the possibilities of Ukrainian export and import from the Republic of Turkey. Therefore, the study of Ukrainian-Turkish economic and political relations is relevant today. Now the Ukrainian economy is in a state of stagnation. In the post-war period, we will need to establish or restore economic relations with countries. Ukraine and Turkey are close neighbours and strategic partners in many areas of industry and trade. Cooperation with the Republic of Turkey (TR) is of particular importance for Ukraine's self-assertion at the regional and global levels. In recent years, Turkey has been one of the largest trading partners of Ukraine, and the turnover has had a stable tendency to increase. Turkey was the least among the top ten countries where Ukraine exports. A free trade zone has created, which will expand the possibilities of Ukrainian exports and imports from the Republic of Turkey. Therefore, the study of Ukrainian-Turkish economic and political relations is currently relevant. Bilateral relations between Ukraine and Turkey based on the principles of equality and distinguished by their flexibility. Both countries have no mutual claims, unlike other countries neighbouring Ukraine. Regional cooperation is especially important, because these countries are regional leaders in the Black Sea-Caspian region. Cooperation in the defence industry plays an important role: there is a tendency to form new agreements. The object of the study is the foreign economic activity of the countries. The subject of the study is the strategic directions of the development of Ukrainian-Turkish foreign economic relations. The purpose of the article is to investigate and summarize the strategic directions of Ukraine's development from the Republic of Turkey. The practical significance of the obtained results of the diploma research consists in the development of scientific and practical recommendations for improving the foreign economic relations of Ukraine and Turkey in the conditions of the expansion of the Middle Eastern market.

## СТРАТЕГІЧНІ НАПРЯМКИ РОЗВИТКУ УКРАЇНСЬКО-ТУРЕЦЬКИХ ВІДНОСИН У КОНТЕКСТІ ПРІОРИТЕТНИХ ЗАВДАНЬ УКРАЇНИ

**Бабміндра Д.І., Флоренцев Р.С.***Запорізький національний університет**Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

економіка, Туреччина, Україна, глобалізація, інтеграція

Сучасні зовнішньоекономічні зв'язки мають важливу роль у процесі глобалізації, що безпосередньо впливає на розвиток держави та її суб'єктів, що в свою чергу, формує організацію, управління і напрями ЗЕД.

Економіка України у воєнний час знаходиться у стані стагнації, що постає проблемою, яку потрібно буде вирішувати після закінчення воєнних дій. Україна і Туреччина близькі сусіди та досі залишаються стратегічними партнерами у багатьох галузях, зокрема військової та морської. Туреччина була як мінімум однією з десяти країн, куди експортує Україна. Створено зону вільної торгівлі, що розширить можливості українського експорту та імпорту з Турецької Республіки. Тому дослідження українсько-турецьких економічних і політичних відносин сьогодні є актуальним.

### Formulation of the problem

The Middle East is a promising region, but it needs increased attention, which Ukraine has not paid to it. Therefore, the results of relations with these countries are far from optimistic. The absence of a unified foreign policy strategy of our country in this direction and a high level of competition, the absence of a coordinated order of activities of state authorities united by one idea, the definition of timely and non-specific tasks for responsible persons. As a result, Ukrainian diplomacy have inhibited and delayed, which reduces Ukraine's competitiveness in the region. Both political and economic interests of the country are affected.

Now the Ukrainian economy is in a state of stagnation. In the post-war period, we will need to establish or restore economic relations with countries. Ukraine and Turkey are close neighbors and strategic partners in many areas of industry and trade. Cooperation with the Republic of Turkey (TR) is of particular importance for Ukraine's self-assertion at the regional and global levels. In recent years, Turkey has been one of the largest trading partners of Ukraine, and the turnover has had a stable tendency to increase. Turkey was the least among the top ten countries where Ukraine exports. A free trade zone has been create, which will expand the possibilities of Ukrainian exports and imports from the Republic of Turkey. Therefore, the study of Ukrainian-Turkish economic and political relations is currently relevant.

Bilateral relations between Ukraine and Turkey based on the principles of equality and distinguished by their flexibility. Both countries have no mutual claims, unlike other countries neighboring Ukraine. Regional cooperation is especially important, because these countries are regional leaders in the Black Sea-Caspian region. Cooperation in the defense industry plays an important role: there is a tendency to form new agreements.

Among the countries of the Middle East, Ukraine considered only Turkey as a key economic partner and strategic ally.

Turkey and Ukraine carried out active trade and economic cooperation in many areas. At the same time, Turkey itself acts as a "hub" for the development of Ukraine with the countries of the Middle East, Africa

and cooperation with international organizations. Turkey actively participates in tenders for the construction of infrastructure facilities in Ukraine, took an active part in "big construction".

Highlighting previously unresolved parts of the overall problem. At the current stage, it is important to find out more deeply the specifics of the development of relations between the Republic of Turkey and Ukraine, and to define priority industries.

### Formulation of the goals of the article (statement of the task)

The purpose of the article is to research and generalize the strategic directions of the development of Ukraine from the side of the Republic of Turkey.

### Presentation of the main research material

According to the state statistics of Ukraine [2], the amount of FDI in the economy of Ukraine for the last year amounted to 64 million dollars USA. Turkey ranks 15<sup>th</sup> among foreign investors (Table 1).

Against the background of the negative trend of investment inflows from Ukraine in 2016–2018, the volume of Turkish capital increased. According to official data, Turkey's credit ranks 14<sup>th</sup> among foreign investors with an indicator of almost 0.5 billion dollars. USA. According to experts, the total volume of Turkish investments in Ukraine, taking into account the resources attracted through a third country, amounts to about 3 million hryvnias, throughout the entire territory of the United States. The importance of Turkey as an investor have confirmed and included in the National Investment Board of the main executive company "Turkcell Iletisim Hizmetleri A.S.". The neighborhood with Ukraine (with available labor resources and raw materials), its territorial and trade proximity to the EU, the combination of Turkish technical and technological, managerial and marketing experience attract Turkish corporations to the Ukrainian "greenfield investment" sector. Although they have a more positive impact on the development of the recipient's economy compared to "brownfield", the largest part of which is accumulated in professional, scientific and technical activities and trade.

Table 1 – Volumes of Turkish FDI in the economy of Ukraine

Investments/ Years	2015	2016	2017	2018	2019	2020	2021
FDI	317.5	326.6	263.2	333.3	454.7	561.5	615.2
Equity instruments	173.6	211.4	190.2	240.8	282.8	255.6	296.2
Debt instruments	143.9	151.1	73.1	92.5	172	305.9	320.1

Source: compiled from data [1]

Ukraine is more interested in the participation of Turkish investors in infrastructure projects (roads, road infrastructure, energy infrastructure, communal facilities, airports, hotels, destroyed buildings in Luhansk and Donetsk regions), especially since Turkish investments are concentrated in the construction sector.

Before the beginning of the full-scale invasion of the Russian Federation, 700 people of Turkish companies worked in Ukraine. Turkish construction companies have already built more than 200 in the region. The total cost of the project is more than 8 billion dollars. USA, including roads, trams, cars, hotels and shopping centers. Onur Road Company – the most famous Turkish construction company in Ukraine – the second place in terms of turnover among all road construction companies in the country, worked on large sections of Kyiv-Odesa roads. Lifecell, the third largest telephone network operator in Ukraine, which companies belong to the telecommunications giant Turkcell, also the largest Turkish business in Ukraine [2].

Experts believe that Ukraine's bet on Turkey as a strategic ally made correctly, because only through TR Ukraine has a chance to create a certain geopolitical balance in the Middle Eastern region.

The countries of the Middle East are interested in Ukrainian raw materials and food products (mainly metallurgical and agricultural). Arab countries are also interested in cooperation with us in the field of military-technical cooperation and aircraft construction. In addition, we also have a solid scientific base, technology, fertile land and skilled personnel. The Middle East region, which has great economic potential, was not defined as a priority area of Ukraine's foreign policy, with the exception of Turkey. Interest in him on the part of the Ukrainian authorities is episodic. In most of the strategic documents defining Ukraine's foreign policy, the Middle East is still not mentioned, which indicates the absence of a strategic dimension in relations with these countries. This, in turn, affects the work of Ukrainian diplomats in the Middle East region, leads to the untimeliness of their rotations, underfunding of embassies and the setting of non-specific tasks.

The Middle Eastern region is interesting for Ukraine not only as a market for metal and agricultural products. This opens up opportunities to diversify the supply of Arab energy resources, as well as interesting and significant investment potential. In countries such as Egypt, Iraq, Iran, Qatar, Kuwait, the United Arab Emirates, Saudi Arabia, the main industries are oil, petrochemical and gas production. In the conditions of the Ukrainian crisis, this region could become an invaluable partner for us.

For Ukraine, taking into account the rapid change in the world situation and the emergence of new regional and global interests, as well as the establishment of new priorities in the foreign policy course of TR, the activation and development of relations with TR:

- Development of existing relations and their transfer to the strategic level, revival of a priority collaborate in the Black Sea region;
- Cooperation using experience and support on the way to European structures and cooperation with Euro-Atlantic structures;

- Creation of prerequisites for cooperation and standardization of sources and methods of energy supply, determination of Ukraine's active role in the formation of a new system of transport communications in the European space and the transit of energy carriers from the Middle East and the Caspian Sea to Europe.;

- Investments in Ukraine, significant investments on favorable terms and investments in Turkey, opening sales for many types of the possible market of Ukrainian offers, including military-technical, agricultural and other types of products;

- Creation of a new security system in the waters of the Black, Caspian and Mediterranean seas, cooperation in resolving regional conflicts;

- The use of the Crimean Tatar factor as a motive for strengthening cooperation in the field of development of the Crimean peninsula, solving the situation of the Crimean Tatars and developing civil dialogue;

- Promotion of Ukrainian economic projects with the cooperation or support of TR in the countries of Asia, the Balkans, the Middle and the Middle Boom;

- Cooperation with the aim of entering the markets of third countries, such as Iraq, Ukraine and Turkey, cooperation in the following directions is possible:

- a) Construction and supply works (cooperation with a Ukrainian company can resolve the situation in Ukrainian projects and similar ones against offers in tenders);

- b) Reconstruction of old cement plants;

- c) For production, rental of enterprise products (petrochemicals, fertilizers, etc.);

- d) Partnerships for joint participation as general contractors or subcontractors in international tenders;

- e) Research of compensatory loan funds of Ekimbank and other international credit organizations with the aim of using them for export to Iraq or for economic enterprises;

- f) Creation of a joint database for the exchange of information on the reconstruction of Iraq and tenders and companies;

- g) Contribution to the reconstruction of power plants, oil pipelines and gas pipelines;

- g) Deliveries from Ukraine of basic goods, gas pipelines, oil pipelines, fittings and metal structures, cement, wood, glass, etc.;

- h) Use of Ukrainian transport aviation;

- i) Deliveries of Ukrainian-made tankers for the transportation of gray oil. In addition, the possibility of leasing Ukrainian railway rolling stock to Turkish companies was excluded.

A promising direction of further development is possible, given the significant experience of the Turkish side in this area.

It is in Ukraine's interest to continue cooperation with Turkey in the humanitarian sphere. It should be noted that as of February 24, 420,000 people are producers of Ukraine in Turkey, and about 40,000–50,000 in their territory [1]. Due to the large number of migrants from Syria, Turkey was unable to organize serious financial assistance to Ukrainian refugees.

The following steps considered appropriate for the development of the strategic partnership between Ukraine and Turkey:

1. Obtaining the OKT program to create the possibility of providing Turkey with autonomous trade preferences for Ukraine.

2. Regarding the economic consequences of the war in Ukraine and the long process of post-war restoration of cooperation with the Turkish side:

– Vulnerable sectors of the economy;

– The possibility of compensation for the application of the customs tariff of Ukraine due to the extraordinary business situation in Ukraine and the need to restore export-oriented sectors of the Ukrainian economy.

3. Develop with the Turkish side a set of measures necessary to ensure stable and safe shipping in the Black Sea region (especially in the field of production of sea traps of Ukrainian products);

4. Promotion of the image of Ukraine in the Turkish media, reflection of real events taking place in Ukraine against the background of the collapse of Russia, total war against the Ukrainian people, aimed at Russian border propaganda and narrative;

5. Open a business representative office of Ukraine in Turkey to support Ukrainian business;

6. To propose a plan for the creation of joint enterprises of Ukrainian and Turkish companies in the field of agriculture, industry, tourism, etc.

In recent years, Ukrainian-Turkish cooperation in the field of the defense-industrial complex has come to the fore, which is noticeably developing with the same prospects for production and cooperation thanks to the common interest of the state, the possibility of financing, the exchange of experience and high technologies on mutually beneficial terms. Both countries need to calculate the current security situation in the region and balance their interests, because Turkey focused on strengthening its own defense capabilities by “taming” foreign technologies on the border of the West and the Russian Federation, and Ukraine is working to preserve its potential in the field of

the defense complex through a partnership with Turkey. Ukraine should also consider the risks of tensions between its strategic partner the US and Turkey.

Today, Ukrainian companies cooperate with Turkish companies in such directions as: supply of a wide range of spare parts and components for weapons and military equipment; overhaul of helicopters, training and professional development of specialists; equipping modules of Turkish-made combat aircraft with missile launchers with cover; production and procurement of turboprop engines; production of active protection complexes. Ukrainian industry actively cooperates with such Turkish companies as “Aselsan”, “Rocketsan”, “Havelsan”, “MKEK”, “Delta Defense”, “Baykar Makina” and many others. In 2019 and the first year of 2020, the total export of Ukrainian goods with military recognition to Turkey is 40 million dollars. USA [1]. Instead, in recent years, Ukraine has invested heavily in the purchase of Turkish drones (almost \$70 million) and military radio stations on credit from the Turkish side (several hundred million euros).

### Conclusions

Ukrainian-Turkish relations have been developing with a positive trend in recent years. There is a lot of promising cooperation in the defense sphere, which is currently helping Ukraine. Turkey is a promising partner for Ukraine, in 2018, it ranked third among trading partners of Ukraine in the export of goods and services. The Free Trade Agreement signed in 2022 was supposed to accelerate this dynamic even more.

Economic cooperation between the two countries has quite a significant potential, interest in Ukraine on the part of Turkey was positive, and it is possible that it will increase after the end of hostilities. Turkish government and business structures are ready to develop specific recovery projects and provide consulting and technical assistance.

### References

1. Derzhavna statystyka Ukrainy – [State statistics of Ukraine]. URL: <https://www.ukrstat.gov.ua/> (access date: 28.03.2023).
2. The Importance of Bilateral Investment Treaties (BITs) When Investing in Emerging Markets March 22, 2014. URL: [https://www.americanbar.org/groups/business\\_law/publications/blt/2014/03/01\\_sprenger](https://www.americanbar.org/groups/business_law/publications/blt/2014/03/01_sprenger) (access date: 28.03.2023).
3. Dohovory mizh Ukrainoiu na Turetskoiu Respublikoiu – [Agreements between Ukraine and the Republic of Turkey]. Consulate General of Ukraine in Istanbul. URL: <https://istanbul.mfa.gov.ua/spivrobotnictvo/2780-acts> (access date: 28.03.2023).
4. Turkey’s defense industry eyes export expansion as government navigates geopolitical stage. URL: <https://www.defensenews.com/top-100/2022/08/08/turkeys-defense-industry-eyes-export-expansion-asgovernment-navigates-geopolitical-stage/> (access date: 28.03.2023).
5. Turkey now Ukraine’s top foreign investor, with already booming free trade set to grow further. URL: <https://www.intellinews.com/turkey-now-ukraine-s-top-foreign-investor-with-already-booming-free-trade-setto-grow-further-225399/> (access date: 28.03.2023).