



THE KREMLIN PLAYBOOK IN TÜRKİYE

GEOECONOMICS
UNFOLDED



CENTER FOR
THE STUDY OF
DEMOCRACY

The Kremlin Playbook in Türkiye

Geoeconomics Unfolded



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The Russian invasion of Ukraine has exposed the extent to which Moscow seeks to challenge the US - centered international order through alignment with China, militarized diplomacy, economic coercion and information warfare. In this context, Türkiye has emerged as a pivotal player, which is aligned with the West on defense and security, yet seeking to benefit from Moscow economically.

Through deepening ties in energy, trade, finance, and infrastructure, the Kremlin has embedded itself in Türkiye's economy, forging asymmetric dependencies that carry both regional and strategic consequences. Türkiye has become an indispensable partner in Russia's strategy to bypass Western sanctions, preserve access to global markets, and project economic power across multiple regions.

This report offers a comprehensive overview of Russia's expanding economic influence in Türkiye and assesses the risks it poses to NATO and European unity, sanctions enforcement, and the broader rules-based international system.

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ISBN: 978-954-477-531-5

2025, Center for the Study of Democracy

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LIST OF ABBREVIATIONS

AKP	Justice and Development Party (Adalet ve Kalkınma Partisi)
BCM	Billion Cubic Meters
BOTAŞ	Petroleum Pipeline Corporation of Türkiye (Boru Hatları ile Petrol Taşıma Anonim Şirketi)
BRICS	Intergovernmental organization comprising of 10 countries, with the acronym formed from the names of founding members – Brazil, Russia, India, China, and South Africa
CBAM	Carbon Border Adjustment Mechanism
CIP	Citizenship by Investment Programme
DG COMP	Directorate-General for Competition of the European Commission
EAEU	Eurasian Economic Union
EMRA	Energy Market Regulatory Authority (Türkiye)
EU	European Union
FDI	Foreign Direct Investment
FinCEN	Financial Crimes Enforcement Network (U.S. Treasury)
FSU	Former Soviet Union
GDP	Gross Domestic Product
G7+	Group of Seven industrialized nations plus allies enforcing Russia sanctions
HVA	High Value-Added
LNG	Liquefied Natural Gas
MMK	Magnitogorsk Iron and Steel Works
MoU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
NLMK	Novolipetsk Steel

NPP	Nuclear Power Plant
REPowerEU	EU plan to end dependence on Russian fossil fuels
Rosatom	Russian State Atomic Energy Corporation
SDS-Ugol	Siberian Business Union Coal Company
SOE	State-Owned Enterprise
STAR	SOCAR Türkiye Aegean Refinery
TANAP	Trans-Anatolian Natural Gas Pipeline
TİKA	Turkish Cooperation and Coordination Agency
Tupras	Türkiye Petrol Rafinerileri A.Ş.
VTB	Vneshtorgbank (Russian Foreign Trade Bank)
WMD	Weapons of Mass Destruction

EXECUTIVE SUMMARY

In the aftermath of Russia's full-scale invasion of Ukraine, Russia has sought safe havens for its extensive networks of Kremlin-owned or controlled companies and enablers, facing pressure from international sanctions. Moscow has reinforced its diplomatic and information offensive to the BRICS and the development economies of Asia, Africa and Latin America, where the Kremlin has cultivated its influence through state- and elite-centered grand economic bargains and military and security support.¹

The Kremlin has utilized **economic coercion, military ties, and information warfare** to extend its influence.² The Russian regime has successfully mobilized its state capture networks at home to engage with oligarchic and military elites in targeted countries and expand its economic footprint in strategic markets, most notably in energy. In this march for restoring its global dominance, Russia has relied on China's "unlimited friendship", and its key global diplomatic instrument, the BRICS alliance.

In this context, after the Russian invasion of Ukraine, Türkiye has emerged as one of Kremlin's most crucial economic partners. As Western countries have sought to isolate Russia through trade, financial, and energy sanctions, Türkiye has instead doubled down on its economic partnership with Moscow. A combination of geopolitical pragmatism and cooperation between **state capture networks** in both countries have transformed Türkiye into a critical gateway for Russian capital, goods, and influence, blunting the effects of sanctions and reinforcing the Kremlin's war economy.

Positioned at the intersection of Europe, Asia, and the Middle East, and with strong economic influence in the Black Sea, the Balkans, and North Africa, Türkiye, has capitalized on its unique geography to become an indispensable node in Russia's **sanctions evasion** networks. Ankara's refusal to join the sanctions coalition, combined with its adaptable energy and financial infrastructure, has made Türkiye a key hub for laundering Russian fossil fuels, re-routing dual-use goods, and absorbing capital from sanctioned elites. What began as tactical cooperation between Presidents Putin and Erdoğan has evolved into a structurally embedded economic alignment, touching nearly every strategic sector of the Turkish economy. In 2024, Türkiye applied for membership in BRICS.

Energy is the backbone of this relationship. Türkiye imports more than 40% of its gas and over 70% of its coal and oil from Russia. Russia-led projects like the *TurkStream* gas pipeline and the *Akkuyu Nuclear Power Plant* – built, owned,

¹ Vladimirov, M., Rueda, G., and Osipova, D., *Global Reach: The Kremlin Playbook in Latin America*, Sofia: Center for the Study of Democracy, 2024.

² Shentov, O., Stefanov, R., and Vladimirov, M., *The Kremlin Playbook in Europe*, Sofia: Center for the Study of Democracy, 2020; Shentov, O., Stefanov, R., and Vladimirov, M. (eds.), *The Russian Economic Grip on Central and Eastern Europe*, Routledge Contemporary Russia and Eastern Europe Series, Routledge, 2019.

and operated by Russia's Rosatom – have locked Türkiye into long-term dependencies. These assets give Moscow strategic leverage over Türkiye's economy, while helping Gazprom and Rosatom maintain their footprint in European energy markets.

This deepening interdependence has rendered Türkiye Moscow's major **oil laundering hub**.³ Turkish refineries, particularly STAR and Tüpraş, have become central to processing Russian crude and exporting the oil products to G7 countries, generating billions in war-bound tax revenue for the Kremlin. Ports such as Ceyhan and Mersin have become key transshipment zones, where Russian-origin oil products are blended, stored, and shipped to EU member states, undermining the effectiveness of Western sanctions.

Natural gas trade has followed a similar pattern. Gazprom remains Türkiye's dominant supplier through long-term contracts with state-owned BOTAŞ. The Russian export monopolist also maintains legacy ties with private Turkish importers, many of whom have opaque ownership structures linked to politically connected powerful economic elites. The proposed establishment of a *Turkish gas hub*, rebranding Russian gas as "Turkish blend" and re-exporting it to Europe, threatens to turn Ankara into a covert extension of Gazprom's European supply chain, particularly after Ukraine's transit agreement has expired at the start of 2025.

Russian steel giants such as MMK and NLMK operate through Turkish subsidiaries, supplying critical industries while enabling the **evasion of dual use goods export controls**. Russian banks and gold traders have exploited Türkiye's flexible regulatory system to continue and increase their lucrative cross-border trade, smuggle cash, and hide illicit wealth. The surge of Russian property purchases, especially in Istanbul and Antalya, have created asset bubbles, while the dominance of Russian tourists has given Moscow a potent instrument for espionage and sharp power leverage. In the past, Russia has suspended flights to Türkiye over diplomatic tensions; such pressure tools could now be more effective if Ankara does not reduce its economic exposure to Moscow.

Despite the economic benefits for Türkiye – cheap energy, increased trade revenues, and capital inflows – the costs are mounting, too. Russian economic entrenchment creates **systemic vulnerabilities**: susceptibility to supply shocks, exposure to secondary sanctions, loss of autonomy in energy policy, reputational damage within NATO and lower chances to join the EU or benefit from further customs union integration. As Ankara positions itself as an intermediary between East and West, its growing role as a sanctions evasion hub could jeopardize its strategic balancing act and long-term stability.

The Kremlin Playbook in Türkiye: Geoeconomics Unfolded provides a comprehensive analysis of the channels, sectors, and actors through which Russia has entrenched itself in the Turkish economy since 2022. It maps

³ Vladimirov, M., Levi, I., and Raghuvaran, V., *Kremlin Pitstop: The EU imported EUR 3 bn of oil products from Turkish ports that processed Russian crude*, Sofia: Center for the Study of Democracy, 2024.

the scale of this influence, and the risks it poses to Türkiye and its Western alliances.

The growing asymmetry in Russia–Türkiye economic ties calls for a **strategic response** from NATO and the EU that balances enforcement with engagement. Western democracies must recognize Türkiye’s unique geopolitical position, while taking steps to contain Russia’s ability to exploit the Turkish economy as a sanctions evasion platform. The EU and the U.S. must adopt a coordinated, strategic approach rooted in both **deterrence and engagement**. This dual-track strategy that combines firm enforcement with credible incentives remains the best way to reinvigorate the process of Türkiye’s integration into the Western economic and security architecture:

- Engage Türkiye through a strategy of **positive economic statecraft**. A key pillar in this process is the creation of a new pathway to the country’s **accession to the EU**. Energy diversification and new investment cooperation should be tied to tangible progress on transparency, sanctions alignment, and regulatory reforms. Conditional incentives, including privileged access to the Carbon Border Adjustment Mechanism (CBAM), and dedicated funding for Türkiye’s green transition, should be deployed to support Türkiye’s public and private sectors. A joint monitoring and enforcement framework between Türkiye and the EU could further help track compliance and build mutual trust.
- Prioritize the **weakening of Russia’s sanctions circumvention networks** operating out of Türkiye. This entails banning the import of oil and petroleum products refined in Turkish facilities handling Russian crude, and enforcing strict rules-of-origin verification, including chemical tracing of fuels entering European and U.S. markets.
- Lower **the G7 oil price cap**, and expand sanctions to target Russian traders and Turkish intermediaries facilitating relabeled exports.
- Sanction proactively financial institutions and firms involved in **illicit gold-for-cash schemes and shadow banking operations** linked to Russia, cutting off critical financial lifelines that sustain the Kremlin’s war economy.
- Help and build capacity to gradually align Türkiye’s export controls with EU standards for dual-use goods and end-user verification to curb the flow of sensitive technologies to Russia.
- Build resilience against **illicit financial flows**, including by stepping up cooperation with offshore jurisdictions to trace, freeze, and recover Russian-linked assets and shadow shipping operations. Increased support to Turkish civil society organizations engaged in exposing **high-risk investments and money laundering networks** will be critical to closing enforcement gaps.

CONTESTED ECONOMIC ALIGNMENT

The relationship between Russia and Türkiye has long oscillated between **strategic rivalry and tactical cooperation**. Historically shaped by imperial ambitions and conflicting interests across the Black Sea, the South Caucasus, and the Eastern Mediterranean, the two countries have found themselves repeatedly at odds whether on the battlefield, in proxy theatres like Syria and Libya, or over regional influence in the Balkans. Yet, beneath the surface of geopolitical competition, a pattern of transactional cooperation has taken root, one increasingly defined by economic pragmatism, mutual vulnerabilities, and political expediency.

Since Russia's full-scale invasion of Ukraine in February 2022, this dynamic has shifted profoundly. Amidst the most comprehensive sanctions regime in modern history, with more than 14,000 restrictive measures imposed against Russia as of August 2024, Türkiye has emerged as one of Moscow's principal commercial and financial lifelines to the West.

After coming to the brink of military escalation in late 2015, when Türkiye shot down a Russian Sukhoi Su-24 jet fighter, the two countries gradually built a **crisis-resistant partnership**. Following Türkiye's 2016 coup attempt, which was reportedly thwarted with Russian early warning intelligence,⁴ cooperation between the two countries increased on a range of geoeconomic issues including energy, reducing dependence on the US financial system, and expanding trade ties. In this context, Türkiye's most recent economic pivot to Russia is part of a broader effort to carve out an independent regional role, unbound by NATO or EU constraints.⁵

This **growing economic entanglement** is not merely a by-product of necessity; it is **the result of deliberate strategic choices** made by both governments. Under Presidents Vladimir Putin and Recep Tayyip Erdoğan, two leaders with shared preferences for state-driven capitalism and foreign power projection through economic means, Russia and Türkiye have forged a tactical partnership rooted in shared revisionist impulses, undermining the Western-based international order.

Syria, once a theatre of direct proxy confrontation, was gradually transformed into a space of negotiated coexistence, with joint military patrols and institutionalized deconfliction mechanisms. Despite disagreements over the war in Ukraine and support for opposing forces in the South Caucasus, the two governments have succeeded in insulating their geo-economics agenda from their diverging security priorities. In addition, the purchase of Russian S-400 air defense systems over Western objections marked a significant break from NATO **defense interoperability**.

⁴ The Moscow Times, "Russia Warned Turkish Government About Imminent Coup – Reports", *The Moscow Times*, July 21, 2016.

⁵ Mankoff, J., *Regional Competition and the Future of Russia-Turkey Relations: A World Safe for Empire?*, Center for Strategic and International Studies (CSIS), 2022.

Türkiye has condemned the Russian invasion of Ukraine, supported Ukrainian sovereignty, and even sold Bayraktar drones to Kyiv, which played a significant role early in the war.⁶ However, when Russia found itself economically isolated from most Western markets, Türkiye refused to join Western sanctions and quickly reoriented its regulatory, financial, and logistical infrastructure to benefit from the new commercial opportunities created by Russia's forced pivot away from Europe. This "middle path" reflects Ankara's **strategy of compartmentalizing relations** by cooperating with both Russia and the West where interests align, while preserving room for maneuver.

In this context, Türkiye became central to **a new global sanctions-evasion ecosystem**. Leveraging its geostrategic location, non-alignment with Western sanctions, and a highly adaptable private sector, Ankara has positioned itself as a gateway for Russia to the world economy: re-exporting sanctioned goods, relabeling energy imports, laundering financial flows, and providing dual-use items critical to Moscow's military-industrial complex.

Bilateral trade between Russia and Türkiye **more than doubled** from \$26.3 billion in 2019 to \$68.2 billion in 2022, with Russian energy dominating imports and Turkish machinery, vehicles, electronics, and consumer goods flowing northeast. Turkish exports of sensitive goods with potential military applications such as ball bearings, semiconductors, and machine tools have surged, often routed through intermediaries in the Gulf or Central Asia to obscure end-user identities.

Türkiye's fragmented enforcement architecture has facilitated the creation of thousands of new companies with links to Russian nationals. Many of these serve as intermediaries in **re-export schemes** or as fronts for **wealth transfers** from sanctioned oligarchs. At the same time, Russian capital has flooded into Türkiye's real estate market, banking system, and tourism sector, providing both a safe haven and a source of leverage.

While the current partnership is often labelled as "tactical" and not rooted in "mutual trust",⁷ its evolution suggests **a more systemic alignment**. Russia brings capital, energy resources, and political backing for Türkiye's regional ambitions. Türkiye, in turn, offers Russia access to global markets, a more informal business environment, and a buffer against international isolation.

This partnership is not without **frictions**. Türkiye's NATO membership, its aspirations for EU integration, and its complex web of alliances occasionally place it at odds with Moscow. Moreover, domestic sensitivities particularly regarding inflation, energy affordability, and geopolitical balancing impose limits on how far Ankara can deepen its ties with the Kremlin.

Understanding the full scope of Russia's economic presence in Türkiye is no longer a niche concern. It is a key worry for the West's security architecture.

⁶ Riboua, Z., "Understanding Turkey's Role in the Russia-Ukraine War", Hudson Institute, March 24, 2025.

⁷ Bechev, D., *Russia and Turkey – What Does Their Partnership Mean for the EU?*, Policy Brief, European Policy Centre, February 13, 2015.

As the EU and the U.S. seek to tighten sanctions enforcement and reduce Moscow's ability to wage war, Türkiye's unique role as a sanctions-safe corridor must be confronted with clarity and resolve.

This report seeks to map the **key channels of Russian economic influence** in Türkiye, from hydrocarbons to heavy industry, from banking to tourism, and to identify the **vulnerabilities and policy options** available to limit this influence. It recognizes that countering Russia's economic entrenchment in Türkiye requires both pressure and partnership: pressure to plug sanctions gaps, but also partnership to offer credible alternatives that align with Türkiye's own economic and geopolitical interests.

ASSESSING THE RUSSIAN ECONOMIC FOOTPRINT IN TÜRKİYE

Türkiye is over reliant on the imports of Russian oil, natural gas, coal and, most recently, nuclear fuel. At the same time, Russia benefits from the deep integration of the Turkish economy in the European market to use it as a **hub for reselling energy resources** to consumers in the West and to import sanctioned dual-use goods that sustain the Kremlin's war effort in Ukraine.

Following the invasion of Ukraine, Russian businesses have relocated to Türkiye to avoid sanctions, strengthening the Turkish economy while reinforcing Russian-Turkish economic interdependence. The **surge in trade ties** provides Türkiye with economic incentives to maintain a neutral stance in the conflict between Russia and the West, while at the same time allows Moscow to preserve its market share in strategic markets.

Energy trade is a cornerstone of this deepening relationship, with Türkiye importing half of its natural gas from Russia via two Gazprom-led pipelines – TurkStream and Blue Stream. Türkiye also depends on Moscow for more than $\frac{3}{4}$ of its oil and coal demand. The construction of the Akkuyu Nuclear Power Plant, led by the Russian state-owned company Rosatom, is about to become one of the most important elements of Turkish energy security, providing electricity to over 12 million consumers within Türkiye, and another technological foothold for the Kremlin in the local economy.⁸ This project will lock in Türkiye in an **asymmetrical long-term energy dependence**, which can be used by Moscow as a tool for political influence in future geopolitical conflicts.

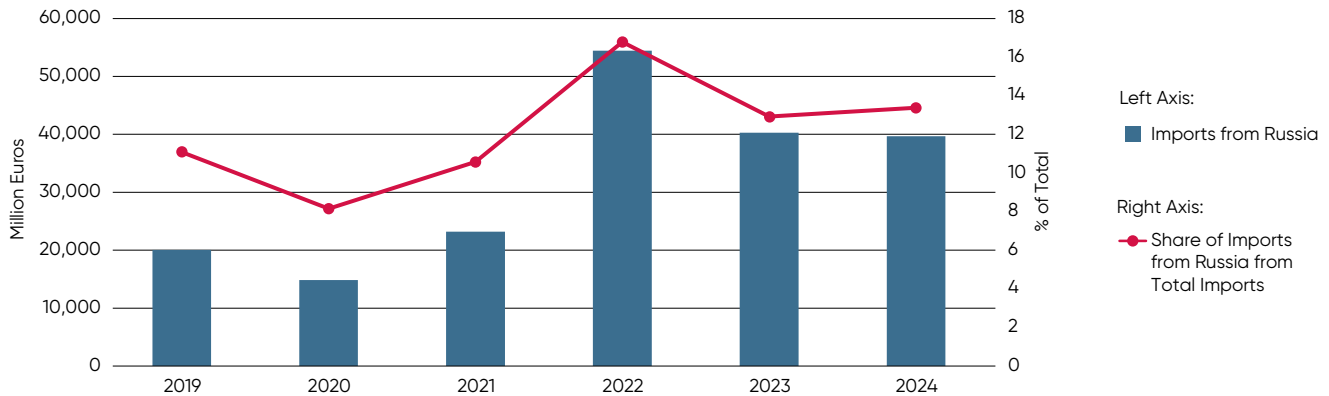
Structural Trade Vulnerabilities

After the start of Russia's invasion of Ukraine, total **trade turnover** between the two countries more than doubled to \$61 billion in 2022 before falling to around \$46 billion at the end of 2024 as fossil fuel prices declined. Türkiye's exports to Russia increased from \$4.4 billion in 2021 to \$7.2 billion in 2022, and imports from Russia expanded from \$23 billion to \$44 billion during this time period.⁹ The growth of the country's import dependence on Russia grew faster than the overall economic expansion and stood at close to 14% in 2024. Even as the Turkish GDP almost doubled between 2019 and 2024, the bilateral trade deficit with Russia inched upward from around 2% of GDP to closer to 3%.

Fossil fuels made up the largest portion of Russian total imports. Their value increased from \$14.3 billion in 2021 to \$41.8 billion in 2022 before declining somewhat until 2024. The surge can be attributed to the massive increase in crude oil and oil products imports from Russia, which have been sold at a 5-20% discount after the Russian invasion of Ukraine. In addition, both coal and natural gas imports jumped as Russia began replacing the lost European

⁸ Akkuyu Nükleer A.Ş., [About the Project](#), Akkuyu Nükleer A.Ş., 2024.

⁹ CSD based on the analysis of Eurostat data.

Figure 1. Türkiye's Deepening Import Dependence on Russia

Source: CSD based on the COMEXT Database.

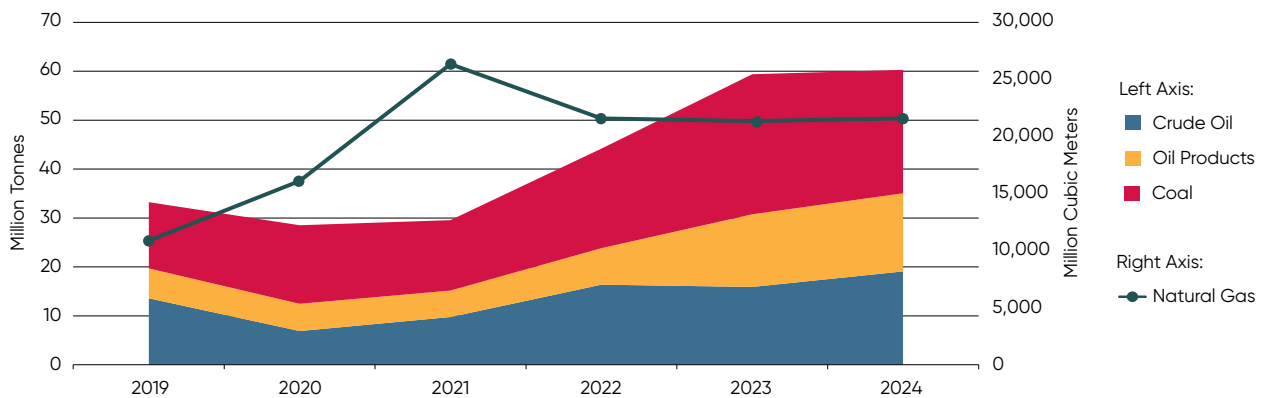
market after the ban on coal imports, and the termination of some of the long-term gas supply contracts with EU customers.

As Europe has recently learned the hard way, high dependence on Russia for the supply of energy poses **severe geopolitical risks** to the security of supply. Türkiye has risen from being the 14th largest buyer of Russian crude oil before the Kremlin's full-scale invasion of Ukraine, to the third largest buyer by the end of 2024. Türkiye's imports of seaborne Russian crude have risen by 10% in 2024 year-on-year, but 84% higher than pre-invasion levels. A staggering 70% of Türkiye's seaborne crude imports came from Russia, up from 40% before the war.

In 2023 and 2024, **Türkiye became the world's biggest buyer of Russian oil products** and imported 21% of Russia's total exports of petroleum derivatives. In effect, Türkiye has been one of the biggest hubs for reexporting Russian fuels to the EU. Since the start of the EU/G7 ban on 5 February 2023 until the end of February 2025, Türkiye has imported EUR 34.6 billion of Russian oil products, which have generated EUR 11.3 billion (\$12.85 billion) in tax revenues for the Kremlin war chest (around 5% of the Kremlin's annual oil and gas revenues), prolonging and enabling Moscow's full-scale invasion of Ukraine.

The boom in Türkiye's imports of Russian oil in 2023 followed an emergent global trend in non-sanctioning countries like India and China increasing their imports by capitalizing on the availability of cheaper Russian oil. In Türkiye, a crucial difference was the increase in the type of commodity, refined oil products rather than Russian crude.

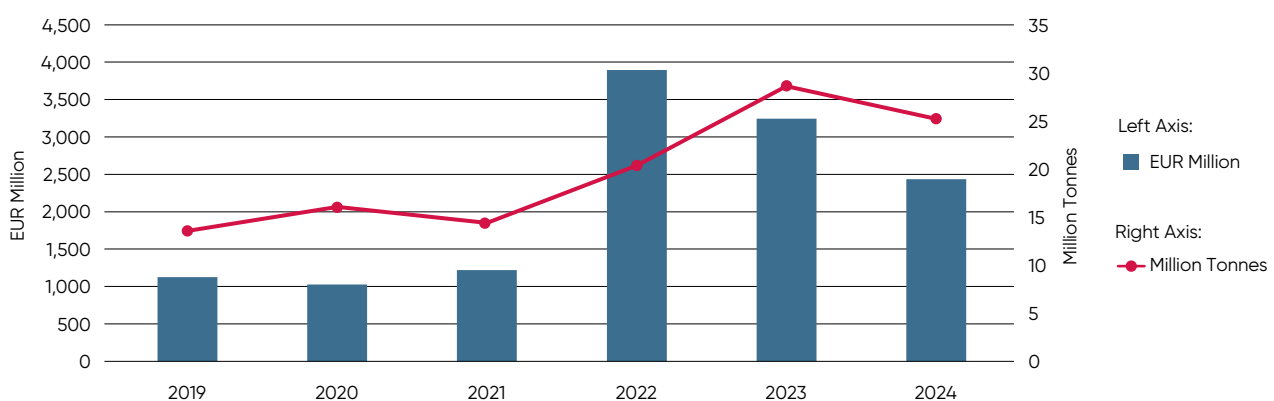
Russia has played a similar disproportionate role in Türkiye's **natural gas sector**. The Russian share in the total Turkish gas imports jumped from 24% in 2019 to almost 42% in 2024, and the total volume of gas purchases doubled to 21 billion cubic meters per year (bcm/yr) although that is a slight decline from the 26 bcm/yr peak of 2021. Over the past two decades, Gazprom has been Ankara's largest gas supplier exporting via two major pipeline routes under the Black Sea – the Blue Stream, commissioned in 2003 and TurkStream, which replaced the previous Trans Balkan pipeline crossing Ukraine, Romania and

Figure 2. Explosion of Russian Fossil Fuel Imports

Source: CSD based on the COMEXT Database.

Bulgaria before delivering gas to Türkiye. Blue Stream and TurkStream have combined capacity of around 48 bcm/yr, with roughly 32 bcm/yr that could be imported in Türkiye, and the rest shipped further northwest to the EU. TurkStream, which has been operating since January 2020, has allowed Türkiye to import natural gas directly from Russia while bypassing transit countries.

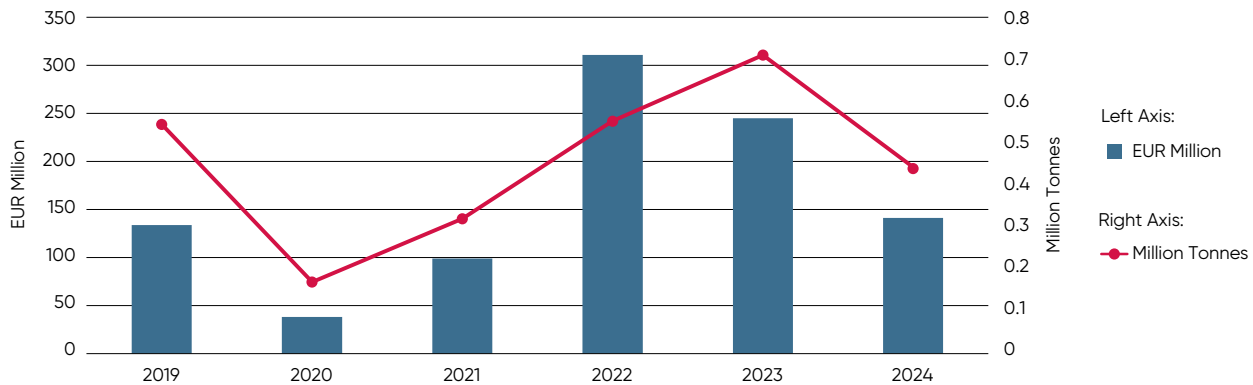
Prior to 2022, Türkiye had made efforts to diversify its gas import mix by decreasing purchases from Russia and increasing the share of renewables. However, following the invasion of Ukraine, Türkiye's imports of Russian gas increased drastically, indicating that Ankara not only benefits from discounted Russian gas (similar to the oil sales) but has positioned itself as a **key Russian gas hub** that aims to reexport large volumes to European markets.

Figure 3. Türkiye's Imports of Coal from Russia

Source: CSD based on COMEXT Database.

The dependence on **Russian coal** has also been rising from around half of total demand in 2019 to more than 70% of the total by the end of 2024. Imports of Russian coal boomed throughout the Ukraine war, with Russia surpassing Colombia as Türkiye's main supplier in 2022 and eventually supplying more coal to it than the world combined one year later. Türkiye profited from the EU sanctions on Russian coal, whose imports have been banned by the

Figure 4. Türkiye's Fertilizer Imports from Russia in Value and Volume



Source: CSD based on COMEXT Database.

European Commission's post-invasion fifth package of sanctions, which went into full effect in August 2022.

Türkiye's **imports of fertilizers** also increased following 2021. In 2022, Russian fertilizer sales to Türkiye tripled to around EUR 300 million before gradually decreasing to around the pre-Covid level of EUR 140-150 million. While G7+ countries imposed wide-reaching economic sanctions on Russia in response to its invasion of Ukraine, fertilizers were largely exempt due to their essential role in global food production. However, financial and logistical restrictions still made it harder for Russia to export fertilizers, which has prompted sellers to offer a steep discount to large importers such as Brazil.

The rising purchases of discounted commodities from Russia has had **significant economic benefits for the Turkish economy**. With rising global prices and inflationary pressures, access to discounted Russian energy and essential goods has helped stabilize Türkiye's economy, which has struggled with high inflation and currency depreciation. Increased trade has also bolstered Türkiye's export sector, as Turkish businesses have taken advantage of reduced competition in the Russian market due to Western sanctions.

Türkiye's exports to Russia prior to 2022 made up a small portion of Russia's total foreign purchases. However, after many Western countries sharply reduced their trade with Russia, Moscow became more dependent on its smaller number of partners. The share of the Turkish exports to Russia out of the total foreign sales rose from 2.25% to more than 4% at the end of 2024.

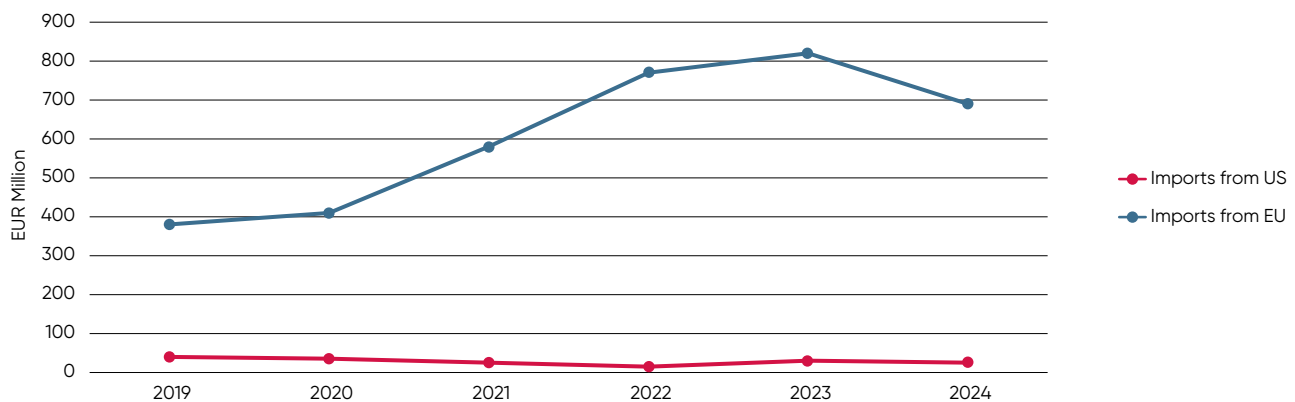
In addition, **Türkiye's supply of key manufactured goods to Russia** that the West banned, helped the Kremlin circumvent sanctions and sustain key sectors of its economy that support the war effort. Additionally, sectors such as logistics, finance, and tourism have benefited from strengthened economic ties, reinforcing Türkiye's strategic role as a key transit hub between Russia and global markets. The strengthening of sanctions enforcement on the back of a surge in U.S. and EU designations of Turkish firms in 2024 led to a decline in the sale of sanctioned products but glaring loopholes continued facilitating trade helping the Kremlin's war effort.

Dual Use Goods

Türkiye has played a **disproportionally large role in helping Russia** evade sanctions by importing and then reexporting dual use goods that become key inputs to Russia's military industrial production. There has been a sharp increase in Türkiye's sale of aircraft parts, machine tools, and electronic circuits after the Kremlin's invasion of Ukraine. Between March 2022 and February 2024, Türkiye exported a total of \$242 million worth of dual use goods to Russia, second only to Kazakhstan, a large increase from previous years. The expansion of sales to Russia coincided with a surge in imports of the same type of products from the EU highlighting Türkiye's role as a transit hub.

In addition, the expansion in bilateral trade with Russia has been facilitated by logistical adjustments, with Russian companies increasingly using **Turkish ports, free trade zones, and intermediaries** to maintain supply chains. Growth in Russian-controlled or affiliated shipping companies operating in Turkish waters has reinforced this economic interdependence. As a result, Türkiye has positioned itself as an indispensable trading partner for Russia and has helped the Kremlin maintain its war economy despite heavy sanctions from the West.

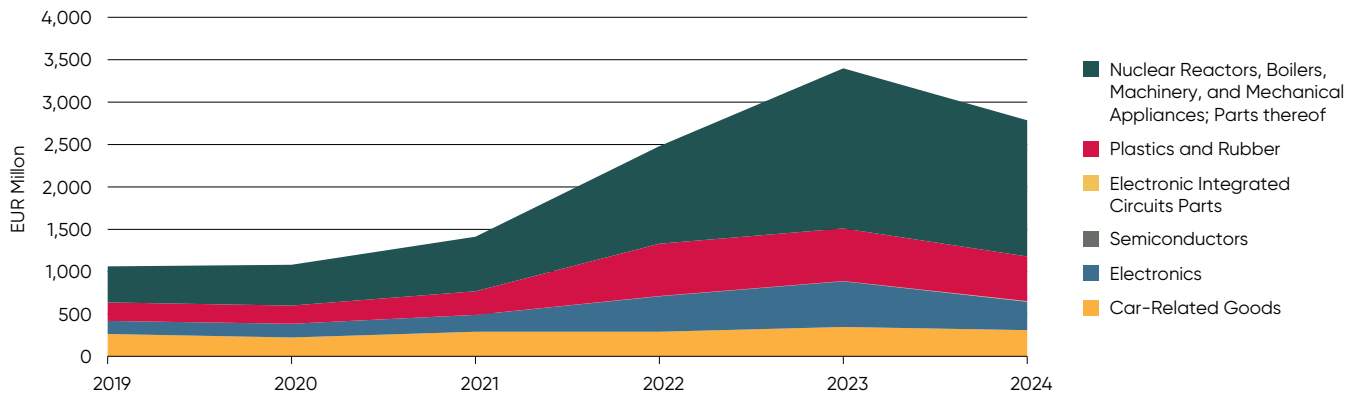
Figure 5. Türkiye's Imports of Electric Circuits



Source: CSD based on COMEXT Database.

Critical components such as semiconductors, industrial machinery, and advanced electronics were among the items increasingly exported to Russia via Türkiye:

- **Microelectronics and semiconductors:** Critical for Russia's defense and aerospace industries, these components are used in missile guidance systems, drones, and military communications.
- **Machine tools and industrial equipment:** These tools allow for the production of parts essential to the Russian military industrial complex.

Figure 6. Türkiye's Exports of Dual Use Goods to Russia

Source: CSD based on COMEXT Database.

- **Aerospace components and aircraft parts:** With Western aircraft manufacturers ceasing direct sales to Russia, Türkiye has become a major transit point for spare parts needed to keep Russian military aircraft operational.

The **exports of manufactured goods vulnerable to sanctions violation almost tripled** between 2019 and 2024 reaching over EUR 2.75 billion on the back of sales of machinery (including steel plates and structures-cutting equipment), rubber, plastic products and electronics, all critical for the production of ammunition, explosives and missile delivery systems. Although Russia is by far not the biggest importer of Turkish dual-use goods, the share of sales to Russia jumped from around 1% to more than 15% of the total for electronic integrated circuits, 7-10% for mechanical machinery and 4-5% for plastics and rubber.

Overall, Turkish companies have been mostly buying automotive parts, electronics, and chemical products, which are believed to have bolstered Russia's industrial, military and technological capabilities. In 2023, the Biden administration sanctioned the Turkish companies Dexias Industrial and Azu International for supplying Russia with US-made electronics, which were eventually used in the war effort.

The **U.S. has designated a total of 200 legal entities registered in Türkiye**, and another 72 individuals in the past two years. Most of the companies placed under sanctions have been accused of facilitating the export of dual-use goods to Russia either as manufacturers of sanctioned technologies, shippers or financial intermediaries. Among the sanctioned entities are also Turkish firms with Russian ultimate beneficial ownership including the metallurgical giant MMK, which plays a critical role in providing the steel inputs into the production of ammunitions and weapons delivery systems.

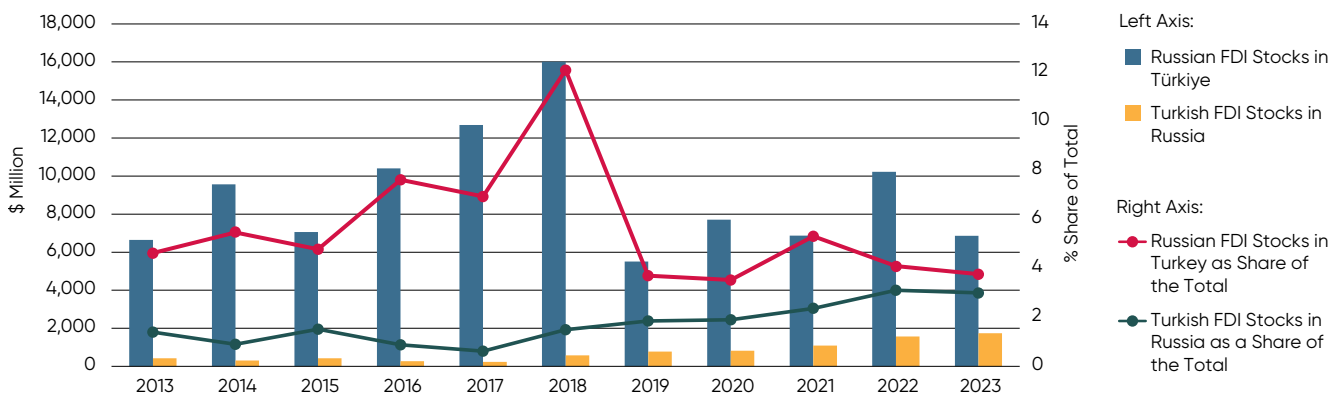
Structural Investment Ties

Russian foreign direct investments (FDI) in Türkiye have been **on an upward trajectory** since the outbreak of the Ukraine war, reflecting the strategic importance of Türkiye as a destination for Russian individuals and businesses seeking safe havens for their international assets, transferred from jurisdictions imposing Ukraine war-related sanctions. Russian stocks of foreign direct

investment in Türkiye tripled between 2013 and 2018 when they reached \$16 billion or 12% of the total investment in the country. Yet, since then Russian capital inflows have gone down back to the levels in 2013 even as between \$4 and \$6 billion in Russian investment entered Türkiye after the Kremlin's full-fledged war in Ukraine.

Meanwhile, the Turkish FDI stocks in Russia have surged over the past decade from \$419 million to over \$1.7 billion at the end of 2023. Most of the rise came after the start of the Russian invasion signaling the **deeper integration of bilateral supply chains** in the manufacturing sector. Of the 77 Turkish companies operating in Russia, only two have exited the market completely.

Figure 7. Russian FDI Stocks in Türkiye and Turkish Outward Investment in Russia



Source: CSD based on data from the Central Bank of Türkiye.

Box 1. Russian FDI Roundtripping

The official data of the Russian FDI stocks in Türkiye could underestimate its true size. Some of the Russia's largest companies, conducting business in Türkiye, such as Lukoil, channel their investments via subsidiaries in low-tax jurisdictions including the Netherlands, Cyprus, the British Virgin Islands and Switzerland. Netherlands alone controls 18% of the total FDI stocks in the country as it is often used by many local entities as a hub for roundtripping investment in attempt to optimize the corporate tax burden. However, the tax avoidance destinations are also great tools for obfuscating the ownership of the assets, and to siphon off profits outside of the destination of business operation. One example for how Russian FDI may be underreported is the 2023 deal between Lukoil and SOCAR, Azerbaijan's state-owned oil and gas producer. The Russian firm gave a \$1.5 billion loan to its Azeri counterpart in exchange for the latter's commitment to buy exclusively Russian crude for the STAR refinery in Türkiye.

Türkiye's **banking sector** has played a crucial role in facilitating Russian financial flows, as Turkish banks have allowed the processing of transactions that would be otherwise blocked by Western financial institutions. Some Turkish banks initially adopted Russia's Mir payment system to accommodate Russian tourists and businesses but this has been mostly suspended as of

the end of 2022. Even so, Russian firms and sanctioned individuals have increasingly relied on Turkish financial institutions to conduct cross-border transactions, using Türkiye as an intermediary for payments and transactions.

The deepening financial ties between the two countries highlight how Türkiye has become a destination for **Russian businesses willing to relocate** their operations from Russia. Russian businesses establish Turkish-registered entities that appear to be locally owned but are ultimately controlled by Russian beneficiaries. These companies operate in key sectors such as **construction, real estate, and manufacturing**, where regulatory scrutiny is lower and large financial transactions unrelated to the firm can blend in with legitimate business activities.

By **using Turkish intermediaries**, Russian businesses and individuals can access European banking services even while formally sanctioned. This method is particularly prevalent in the real estate sector, where Russian capital is funneled through Turkish-registered companies to purchase high-value properties in financial hubs such as London and Paris. These purchases allow Russian elites to preserve assets in stable European markets outside of Russia while avoiding direct ownership tracing and sanctions enforcement.

In 2022, Russian individuals established more than 13,000 new companies in Türkiye. A sizable share of the Russian FDI stocks in Türkiye are directed to the development of large-scale, **joint energy projects**. For instance, the Akkuyu nuclear power plant, constructed by the Russian state-owned company, Rosatom, represents one of the largest single foreign investments ever made by Moscow in Türkiye. As of the end of 2024, its costs have reached between \$20 and 25 billion. Russia bets on the Akkuyu nuclear plant to further increase Türkiye's energy sector reliance on Moscow. Akkuyu is expected to supply up to 10% of Türkiye's electricity needs and to further and deeply embed Russian technology and expertise into the country's energy infrastructure according to the build-own-operate model.¹⁰

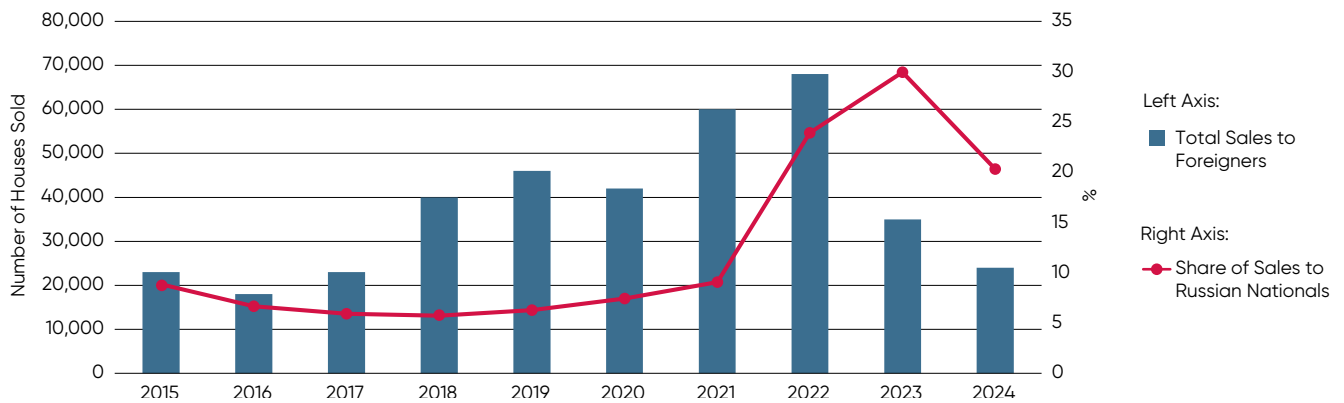
The nuclear power plant project has also served as an effective cover to help the Kremlin move billions of dollars through US banks and into Türkiye in attempt to evade Western sanctions. For example, JPMorgan and CitiGroup facilitated over \$5 billion in transfers linked to the nuclear power plant, \$2 billion of which was later frozen by the US.¹¹

Apart from Rosatom, Gazprom, the Russian state-owned gas monopoly, invested in the \$10 billion pipeline, **TurkStream**, which cemented its position as a key player in the Turkish and European energy market.¹² The gas pipeline is currently the single biggest source of Russian gas exports to the EU delivering more than 55 million cubic meters of gas per day to a number of Central and Eastern European countries including Greece, Bulgaria, Romania, Moldova, North Macedonia, Serbia, Bosnia and Herzegovina, Hungary and Slovakia.

¹⁰ Goncharova, O., "Russia used US banks to send billions to Turkey, dodging sanctions", *Yahoo News*, February 3, 2025.

¹¹ Ibid.

¹² O'Byrne, D., "Turkey nearing 'critical' phase in gas supply arrangements: minister", *S&P Global*, October 11, 2024.

Figure 8. Russian Real Estate Investment in Türkiye

Source: CSD based on data from Turkstat.

Energy aside, Russian firms and nationals have expanded their **investment in real estate** since the start of the war in Ukraine. The Russian share of total foreign purchases has jumped from around 9% before the invasion to over 20%. The surge has been the result of the desire among wealthier Russian citizens to protect their financial assets from the political and economic instability at home. The cities of Istanbul, Antalya, and Mersin have been the primary destinations for these investments, with high-end residential properties and vacation homes being particularly popular. This influx of Russian capital into the Turkish real estate market has had a noticeable impact, driving up property prices in these regions and contributing to a broader real estate boom.

Corporate Footprint

The Russian corporate presence in Türkiye is **relatively small in comparison to the size of the economy**. There is available official data for only 41 companies, registered in Türkiye, with Russian ultimate beneficial ownership. These do not include the 13,000 new companies founded by Russian nationals over the last three years. Among the biggest Russian firms operating on the Turkish market are the subsidiaries of the two biggest Russian private oil companies, Lukoil and Tatneft, the state-owned gas and nuclear monopolies, Gazprom and Rosatom, the largest Russian iron and steel company, Magnitogorsk Iron and Steel Works (MMK), and the cyber security firm, the Kaspersky Lab.

The Russian-owned companies have seen their **annual revenues jump 5-6-fold** over the past decade reaching around \$10 billion in 2023 on the back of the expansion of their domestic operations in the oil, gas and nuclear sectors.¹³ Although this translates in a marginal share of the country's total revenues (below 0.5%), the Russian corporate footprint is concentrated in some of Türkiye's most important industries contributing to an **outsized economic leverage**.

Gazprom is the number one supplier of **natural gas** to Türkiye, controlling on average between 40 and 45% of the market and owning its two most important pipelines in terms of capacity: the Blue Stream and the TurkStream. Gazprom also owns a gas storage facility and a gas trading company in Türkiye.

¹³ CSD based on data from public corporate databases.

In the **oil sector**, Lukoil, through its affiliate Lukoil Eurasia Petrol, runs the country's third-largest network of petrol stations (more than 600). Lukoil is also an active player on the downstream and storage market through its Akpet subsidiary. Tatneft bought the Turkish wholesale and retail refined products trader, Aytemiz, in April 2023. In the same month, the Russian company also bought a 50% stake in Akpet for \$ 160 mn.¹⁴

Aytemiz is the 50th biggest company in Türkiye, according to Forbes, generating revenues of \$ 1.5 bn in 2022.¹⁵ The firm is one of the biggest retailers in Türkiye operating 590 gas stations and serving 6 mn customers every month. It also owns 10 supply terminals, storage and filling terminals with a capacity of 250 thousand cubic meters in Mersin, İzmit, Kırıkkale, Trabzon, and Alanya. These are also some of the biggest ports exporting oil products to the EU.

Meanwhile, Akpet owns eight oil product terminals with sea access at the Samsun, Mersin, and Hatay ports (including facilities in the Dörtöl terminal). When Lukoil acquired Akpet for \$ 500 mn in 2008, the Russian company also received direct access to the Tüpraş refinery (processing large volumes of Russian crude), which is linked to the company's export facilities. This allowed Akpet to export large volumes of refined products to the Mediterranean European market. For years, Akpet was actually using the terminals to import refined products from Lukoil's refineries in Italy and Bulgaria. Lukoil has since had to rearrange its refined products supply chain strategy as its operations wind down due to negotiations for the sale of its facilities in Bulgaria¹⁶ and Italy¹⁷.

In the **financial sector**, Russian banks have cooperated with Turkish counterparts to help the Kremlin maintain links to the global payment systems. Two examples are Denizbank, which was formerly controlled by the Kremlin-owned Sberbank, now under formal UAE ownership and the Turkish Halkbank, which had opened new accounts for Russian corporate actors and settled transactions with sanctions-hit actors by using the Russian alternative to SWIFT, the MIR payment system, until the US threatened to target them with secondary sanctions in early 2024. Despite the U.S. warnings, after a temporary pause, the financial intermediation resumed.

In **telecommunications**, there is one major Russian-Turkish joint venture between the LetterOne holding (former Alpha Group), the largest private holding in Russia, and the Swedish telecom, Telia, in the Turkish mobile operator Turkcell.¹⁸ LetterOne acquired its stake in Turkcell through a complex and disputed transaction involving Turkish company Cukurova, which sparked legal and financial controversies. Despite this, Turkcell has grown into the biggest player in the Turkish telecommunications sector.

¹⁴ MarketScreener, "Tatneft-Arkhangelsk AO entered into an agreement to acquire a 50% stake in Akpet Fuel Distribution Inc. from Doğan Şirketler Grubu Holding A.Ş. for \$160 million", April 5, 2025.

¹⁵ Aytemiz, "Aytemiz ranks among the top 50 companies in the Fortune 500 Turkey list", July 12, 2023.

¹⁶ Okov, S., and Dudik, A., "Russian Oil Giant Lukoil Gets Tangled in Bulgaria's Election", *Bloomberg*, April 12, 2024.

¹⁷ Fonte, G., "Italy conditionally approves Lukoil refinery sale, sources say", *Reuters*, April 11, 2023.

¹⁸ Wieland, K., "Telia wants out of Turkcell", *Light Reading*, June 17, 2020.

Türkiye's **corporate footprint** in Russia is not as significant but has also grown over the last five years. There are 77 Turkish companies operating in Russia and only 2 entities have decided to leave the Russian market after the Kremlin's invasion of Ukraine. In fact, Turkish businesses have expanded their footprint in the Russian economy as they play an increasingly larger role in facilitating the wholesale trade of manufactured goods such as car parts, steel works, precise electrical equipment and agricultural products.

Dominant Energy Partner

Russia has entrenched itself as Türkiye's dominant energy supplier, leveraging decades of **pipeline diplomacy** and **large-scale infrastructure investments**. Despite periodic diversification efforts, Türkiye's energy system remains structurally dependent on Russian fossil fuels and nuclear technology. Key milestones in this deepening relationship include the Blue Stream pipeline (operational since 2003), the Akkuyu Nuclear Power Plant (set for full operation by 2026), and the TurkStream pipeline, which has turned Türkiye into both a major importer of Russian gas and a key transit hub for supplies to Europe.¹⁹

These projects have not only ensured long-term Russian market access but have also enabled Moscow to use energy ties as leverage over Ankara and Brussels alike. As a result, energy interdependence has become both **a critical vulnerability** and **a geopolitical instrument** that binds Türkiye to Russia's economic orbit.

The Oil Laundromat

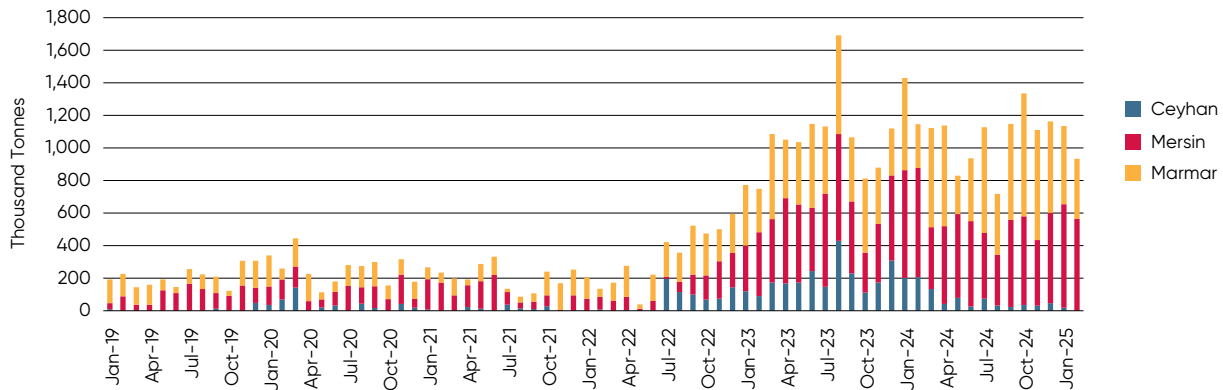
In the wake of Russia's full-scale invasion of Ukraine and the introduction of EU/G7 sanctions on Russian crude and oil products, Türkiye has emerged as a critical enabler of Kremlin oil revenues. It has done so by transforming itself into a re-export and refining hub for Russian oil, exploiting legal loopholes in Western sanctions and enabling Russian firms to retain access to their most profitable markets.

Between early 2023 and the end of 2024, Türkiye became the **world's largest importer of Russian oil products** and the third-largest importer of Russian crude, with around 70% of its seaborne crude imports in 2024 sourced from Russia, up from 40% in 2021. This steep increase was driven by the availability of discounted Russian Urals crude (\$ 5–20 per barrel cheaper), creating significant cost advantages for Turkish refiners and traders.²⁰

Three Turkish refineries, STAR (SOCAR-owned), Tupras Izmit, and Tupras Aliaga, have served as key intermediaries in this new export architecture. These facilities processed an estimated EUR 7.3 billion worth of Russian crude in 2024, processing it in refined products subsequently exported to G7+ countries. The STAR refinery stands out for its near-total reliance on Russian crude (91% of feedstock in 2024), with Lukoil supplying 83% of the crude

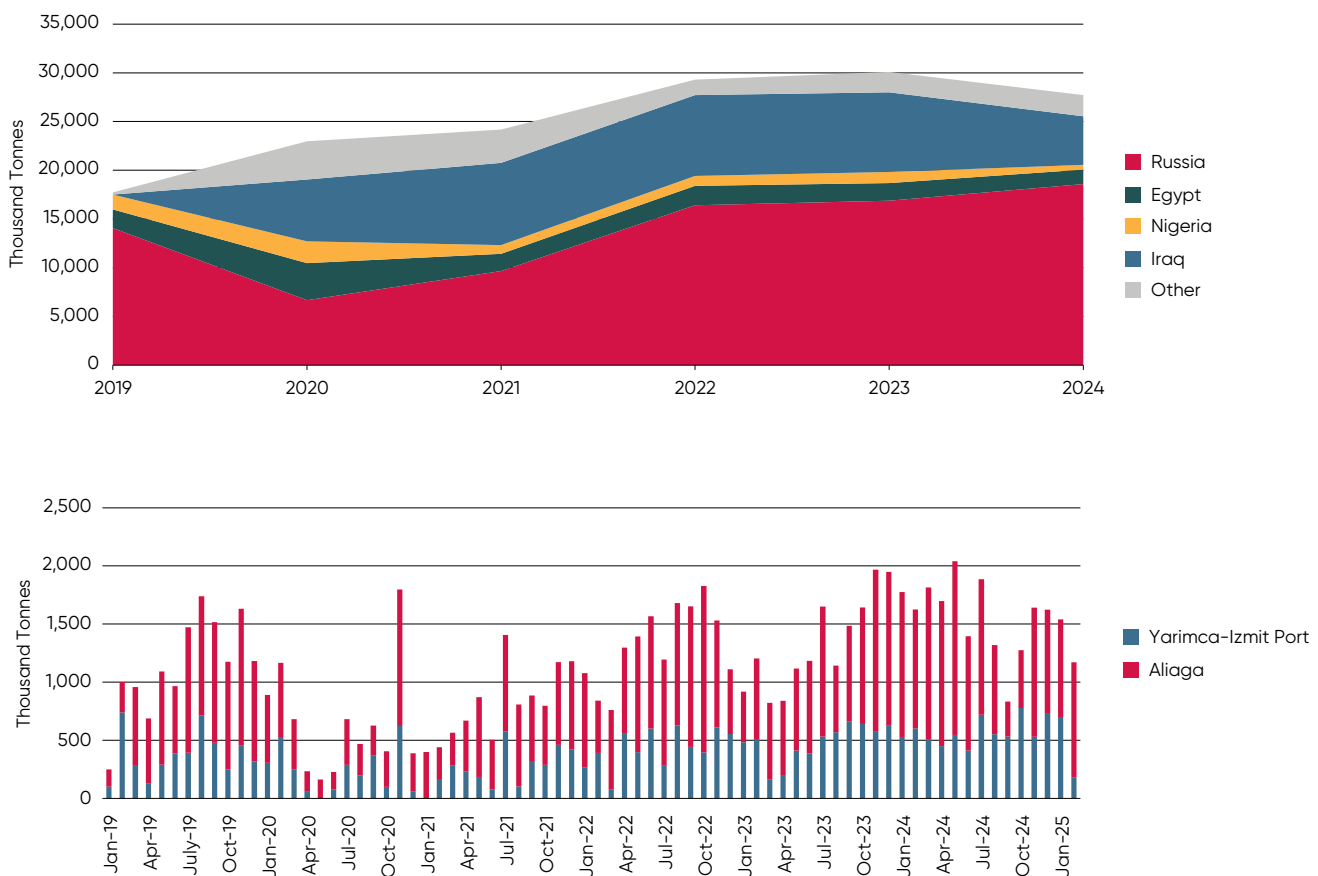
¹⁹ NS Energy, *Blue Stream Natural Gas Pipeline, Russia*, NS Energy, March 17, 2022.

²⁰ Vladimirov, M., Levi, I., and Raghunandan, V., *Sanctions hypocrisy: G7+ imports EUR 1.8 bn of Turkish oil products made from Russian crude*, Sofia: Center for the Study of Democracy, 2024.

Figure 9. Russian Oil Products Imports in Türkiye by Port (Thousand Tonnes)

Source: CREA analysis based on Kpler data.

used, despite being sanctioned by the United States. Refined products from STAR were exported overwhelmingly to the EU and US. In total, the EU imported over EUR 8.4 billion of oil products from Turkish ports known to handle Russian crude oil between February 2023 and February 2025.

Figure 10. Russian Crude Oil Imports in Türkiye Total and by Importing Refinery (Thousand Tonnes)

Source: CREA analysis based on Kpler data.

Ports such as Ceyhan, Mersin, and Marmara Ereğlisi, have become **nodes in a transshipment network facilitating the laundering of Russian oil** into Western markets.²¹ In 2024, 81% (13 mn tonnes) of their imports of oil products were from Russia. In some cases, storage terminals at these ports received direct shipments from Russia and exported similar volumes to EU refineries shortly thereafter, raising serious suspicions of sanctions circumvention. Shortly after the sanctions against Russian oil came into effect, exports of Russian oil products surged, particularly through Marmara and Mersin. While Ceyhan's Russian imports halved in 2024, possibly due to increased scrutiny and threats of sanctions enforcement, Marmara Ereğlisi and Mersin more than compensated, increasing their Russian oil imports by 21% and 14% respectively year-on-year.

Box 2. Oil Sanctions Evasion

Individuals with close ties to the Turkish top political establishment may have facilitated Russian oil sanctions evasion. One of the central vehicles in this scheme was Mostrade, a small financial consultancy established in Istanbul in 2019 by Zal Suleymanov, a Russian national.²² While Suleymanov was listed as the founder, sources suggest that the real owner was Fuad Huseynli, a British-Azeri dual national.

Mostrade operated as an intermediary for Russian oil sales, using credit lines provided by the Credit Bank of Moscow, both directly and via Akida Trading Limited, a Hong Kong-based shell company with ties to the operation. Russian oil was sold to overseas buyers, and Mostrade reportedly handled payments worth up to 20 billion rubles (\$239 million), effectively laundering the proceeds through the Turkish banking system.

To access that system, Mostrade needed a Turkish citizen. The company's ownership was transferred to Mustafa Yigit Zeren, a financial advisor. Zeren's holding company rapidly rose to prominence as one of Türkiye's wealthiest businessmen, acquiring government contracts and licenses across the energy, mining, and construction sectors.²³

In 2024, the ports' exports of oil products to sanctioning countries grew 6% to 5.9 mn tonnes. Their sales are almost twice their imports of non-Russian oil products in 2024. In 2024, they exported 3.3 mn tonnes of products to sanctioning countries. 88% of their imports are Russian in origin and there is no refinery or oil product pipeline connection at the port. This indicates that the port is functioning as **a transit zone, not a processing center**, which raises serious questions about the effectiveness of current enforcement and the integrity of certification systems.

²¹ Vladimirov, Levi, and Raghunandan, *Kremlin Pitstop*, Sofia: CSD, 2024.

²² Bozkurt, A., "Erdogan's family plundered Russian oil money in a massive fraud, inviting Putin's wrath", *Nordic Monitor*, September 4, 2024.

²³ Ersoy, E., "Little-known Turkish firm builds gas station bet as majors quit", *BNN Bloomberg*, November 21, 2024.

Box 3. Shadow Russian Oil Trade through the Port of Ceyhan

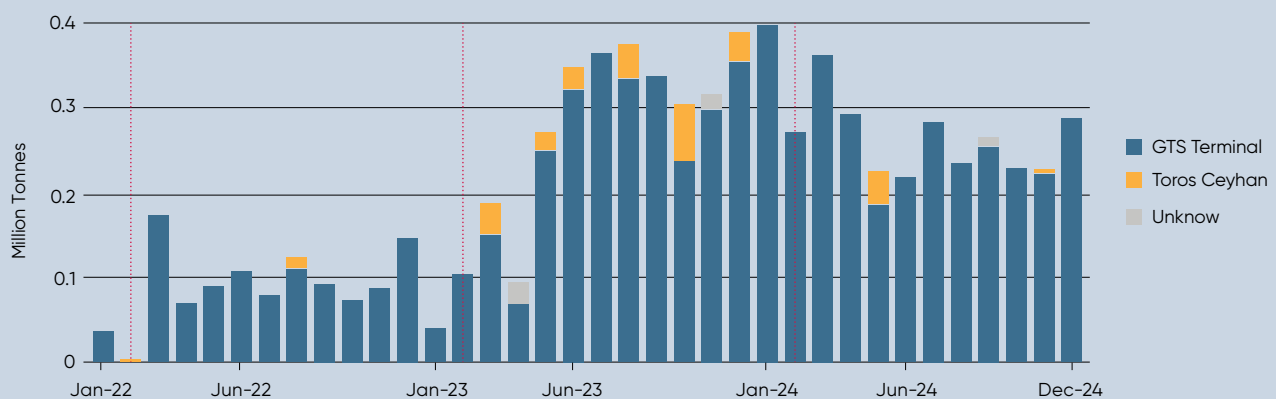
In 2024, Ceyhan imported 1.2 mn tonnes of oil products, 88% of which were of Russian origin. There are two export installations at the port – GTS Terminal and Toros Ceyhan. 77% of the GTS Terminal's total imports (0.27 mn tonnes) in 2024 were of Russian origin. Their last shipment of Russian oil products arrived in March 2024 following the [threat of US sanctions](#). Meanwhile, 73% (0.055 mn tonnes) of Toros Ceyhan's total imports (0.04 mn tonnes) are of Russian origin. In 2024, GTS has exported 4.2 mn tonnes of oil products even though the installation has no refining capability. A majority of these exports of oil products have been to the EU, mostly to Greece.²⁴ There is a possibility that products are arriving by road, but this seems unlikely as the volumes are too high to be transported solely by trucks. There is no pipeline or railway listed as being used at the port either.

Ceyhan's activities were the subject of intense scrutiny by various media and advocacy groups. The investigations led to the threat of a United States Office of Foreign Assets Control (OFAC) sanctions designation and a reactionary declaration by Global Terminal Services (GTS), the operators of the GTS terminal, that imports from Russia would be suspended.²⁵ The terminal instructed all clients to stop importing Russian oil, despite, in their opinion, there being, 'no breach of any laws, regulations or sanctions'.

While the terminal's operators may not have breached sanctions when importing the oil, the investigation into shipping data out of the port suggests that traders in the EU may have violated sanctions when importing oil products from the port that were mixed with or majorly consisted of oil products from Russian oil.²⁶ EU enforcement authorities should undertake due diligence checks to determine the origin of oil products when imported from terminals also importing oil from Russia.

According to EU legislation, blending refined products of Russian origin with those of non-Russian origin could still be subject to sanctions since it does not change the code of the product itself. While the legislation accounts for the fact that some mixing of oil may occur, it also clearly states that *"such mixing should not increase or facilitate the production and or marketing of Russian-origin oil, nor generate any avoidable financial flows or indirect benefits"*.

Figure 11. Ceyhan Exports of Oil Products by Exporting Installation



Note: Dotted lines represent: Russia's invasion of Ukraine, crude oil ban and price cap, ban on oil products & OFAC sanctions threat on GTS Terminal.

Source: CREA analysis using Kpler.

This transshipment model highlights the **central loophole in the current sanctions enforcement**, which is that oil products can legally re-enter Western markets as long as they are processed or relabeled in third countries. This fuels both Russian revenues and Western energy security gaps.

²⁴ Vladimirov, Levi, and Raghunandan, *Kremlin Pitstop*, Sofia: CSD, 2024.

²⁵ IntelliNews, "Turkish terminal freezes Russian oil business", *bne IntelliNews*, March 5, 2024.

²⁶ Vladimirov, Levi, and Raghunandan, *Kremlin Pitstop*, Sofia: CSD, 2024.

This Turkish-Russian oil corridor has created a multi-layered economic entanglement. As mentioned above, Russian oil giants are directly embedded in the Turkish downstream market via joint ventures and acquisitions. These entities are central to the vertically integrated trade model that moves Russian crude to Turkish refineries, then exports the refined products to Western markets at a premium.

Yet, Turkish traders and refiners, paradoxically, are not benefiting significantly from this trade. The average price paid for Russian oil products in 2023 was higher than for oil from other sources, suggesting the profit motive may lie more with the Russian firms controlling both import and export chains. Indeed, **this trade is structured around transfer pricing strategies** that shift profits offshore and minimize tax liabilities for Russian entities, while still fueling the Kremlin's war economy.

The Russian oil and gas sector is a crucial revenue stream for the Kremlin, contributing around 30% to the federal budget in 2024. While the oil price cap and embargo did lower Russia's oil export earnings, the **loopholes have allowed Russia to continue sourcing revenues from Western markets** and make up for the losses elsewhere by selling larger volumes to third countries, who then sell oil products on to Western markets. The latter would not be possible if G7+ countries did not accept final products from the third country refineries and oil export terminals. By buying oil products from refineries that rely on Russian crude oil, G7+ countries are maintaining and even increasing demand and therefore boosting the price of Russia's oil exports.

In 2024, G7+ countries imported approximately 4.1 million tons of refined oil products from the three Turkish refineries, largely dependent on Russian crude oil imports, a 62% increase from the previous year. Of these, 2.6 million tons (EUR 1.8 billion) are estimated to have been refined from Russian crude.

The key buyers include Greece, Romania, United States, Netherlands, Italy, Spain and the UK. This trade has generated around **EUR 3 billion in Russian tax revenue in 2024 alone**, directly supporting the Kremlin's war budget, which allocates a third of all federal spending to defense.

The change in the landscape of the oil trade within sanctioning countries is also an indicator of how many EU buyers have capitalized on the relatively cheaper prices offered by refineries in third countries using Russian crude. Despite the relatively small market share of imports coming from Russia, as long as the oil products are cheap, sanctioning countries are more than happy to look the other way and avoid plugging the refining loophole.²⁷

²⁷ Vladimirov, Levi, and Raghunandan, *Sanctions hypocrisy*, Sofia: CSD, 2024.

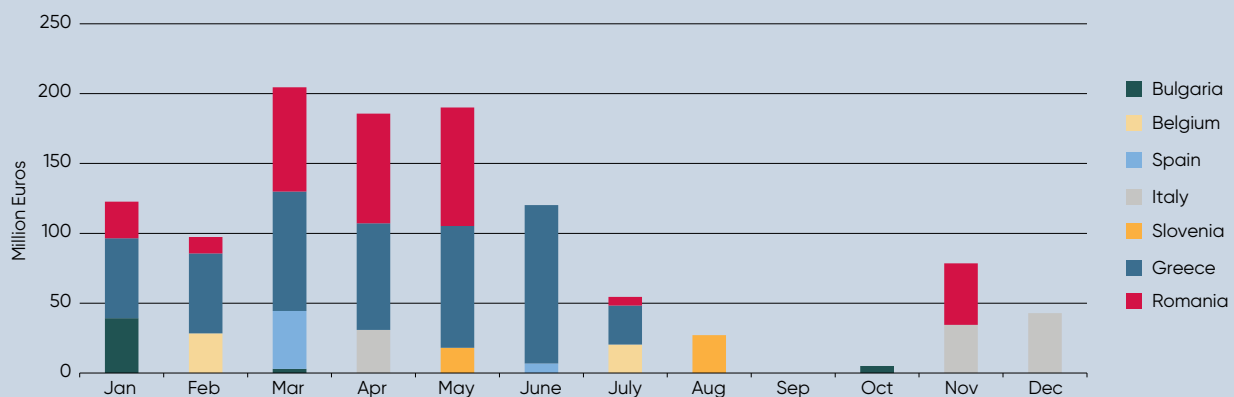
Box 4. Lukoil's Influence on Oil Markets in Türkiye and the Region

One of Türkiye's largest oil refineries, STAR in Aliaga, is owned by the State Oil Company of Azerbaijan Republic (SOCAR). In early 2023, only around 25% of STAR's crude throughput came from Russia. This changed drastically in October 2023, when SOCAR secured a \$1.5 billion loan from Lukoil, giving Russia's second-largest oil company bigger role in supplying the refinery.²⁸ Although the deal envisioned Lukoil covering half the refinery's needs, it has in practice nearly monopolized crude deliveries. Lukoil's crude shipments to STAR surged by 400% year-on-year in 2024.

Lukoil's shock supply increase to Türkiye coincided with the early termination of Bulgaria's derogation from the EU seaborne crude oil import ban. Before the derogation expired on 1 March 2024, Lukoil exported 2.92 mn tons of crude to Bulgaria, but subsequently redirected this flow. In 2024, Lukoil supplied 6.32 mn tons of crude to the STAR refinery, accounting for 83% of STAR's imports, which effectively replaces its previous Bulgarian sales.

This shift, although technically legal, illustrates how Russian firms adapt to tap sanctions loopholes. Despite being sanctioned by the U.S. Treasury's Office of Foreign Assets Control (OFAC), with Lukoil's CEO Vadim Vorobyov personally designated in January 2025, Lukoil indirectly benefited from U.S. oil product imports from STAR in 2024, generating €42 million in revenue for the sanctioned Russian entity.²⁹

Figure 12. Countries with Companies Linked to Lukoil Importing Refined Oil Products from Türkiye



Source: CSD based on Kpler data.

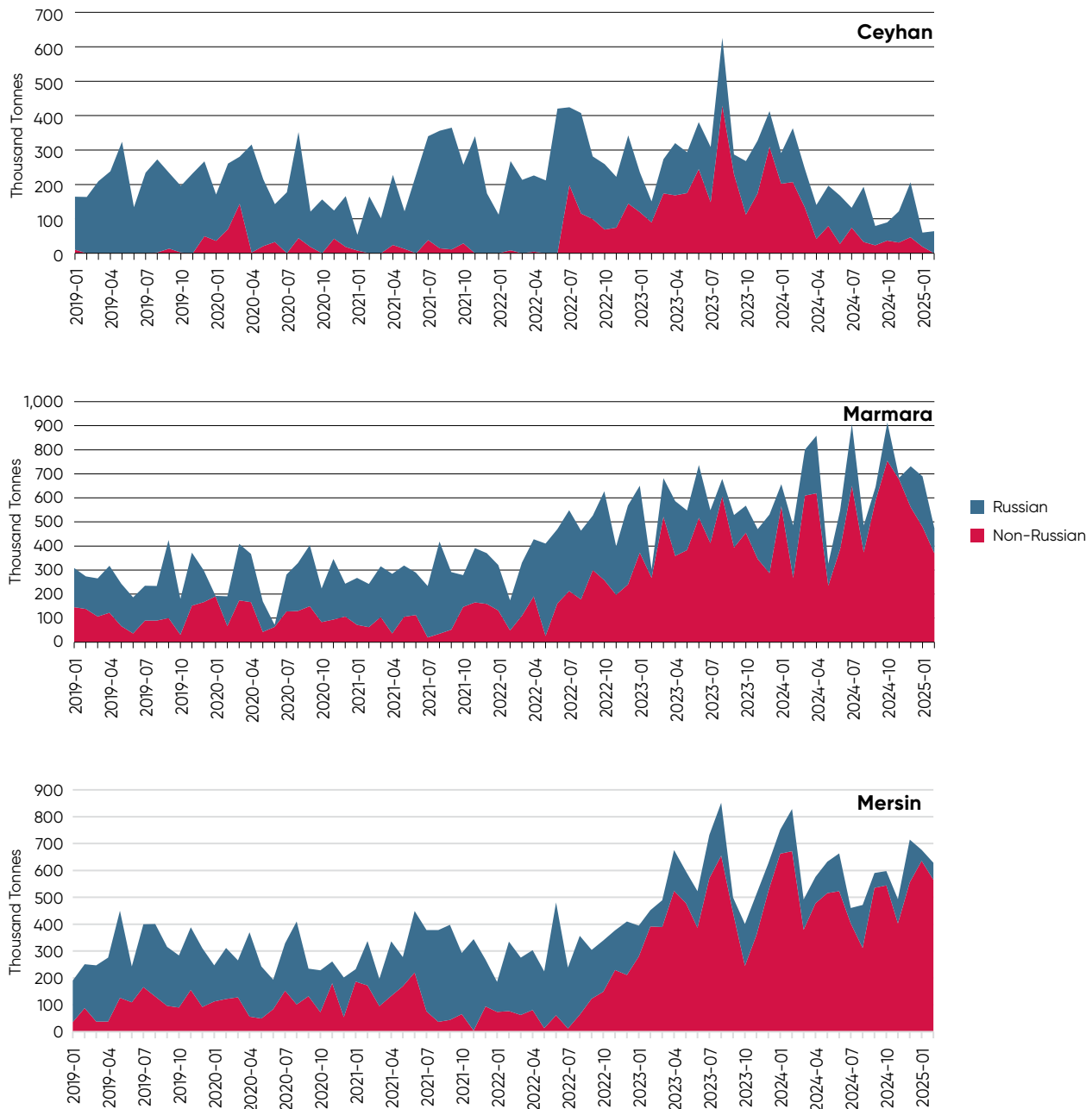
Lukoil's role extends beyond STAR. In 2024, it bought 26 cargoes of Turkish-refined oil products, worth €1.1 billion, destined for EU markets. The company's long-term investment in Türkiye, provided it with privileged access to Tüpras refineries, which in 2024 processed 44% Russian crude on average. Through Akpet, Lukoil controls ten major storage and supply terminals in key Turkish ports such as Mersin, Izmit, Trabzon, and Samsun – all crucial nodes for EU-bound oil exports.

Previously, Lukoil had imported refined products from its ISAB refinery in Sicily and its Bulgarian refinery, but following the sale of ISAB and the halt of Russian crude imports to Bulgaria, Lukoil pivoted to using Türkiye as a critical alternative route. STAR's imports now allow Lukoil to maintain and expand its footprint in the EU fuel distribution market despite sanctions.

²⁸ Zhdannikov, D., "Russia's Lukoil lends Socar \$1.5 bln in deal to supply its Turkish STAR refinery", *Reuters*, October 5, 2023.

²⁹ U.S. Department of the Treasury, *LUKOIL OAO, Office of Foreign Assets Control*, accessed April 23, 2025; Interfax, "Lukoil replacing CEO after U.S. sanctions", *Interfax*, January 14, 2025.

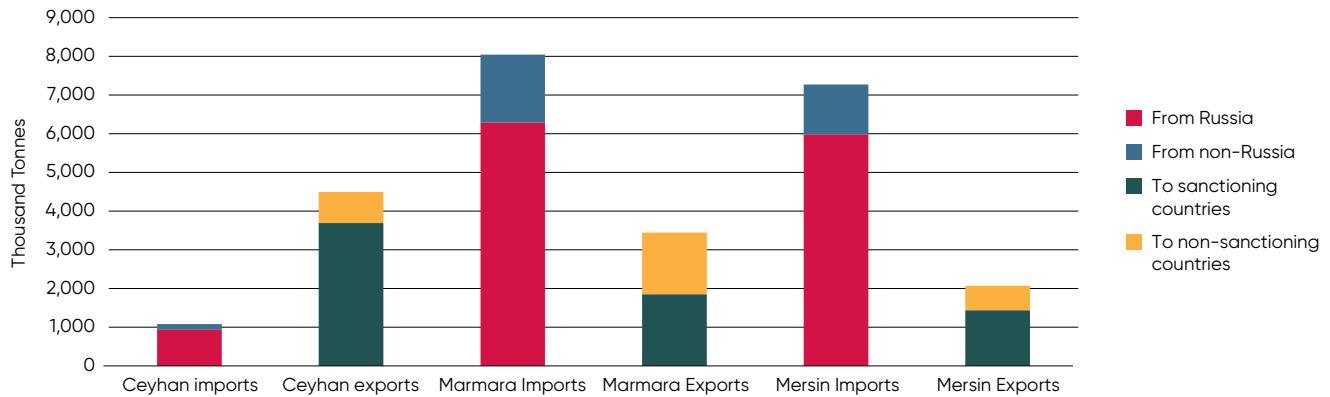
Figure 13. Russian versus Non-Russian Petroleum Product Imports in the Ports of Ceyhan, Marmara and Mersin



Source: CSD and CREA analysis based on Kpler data.

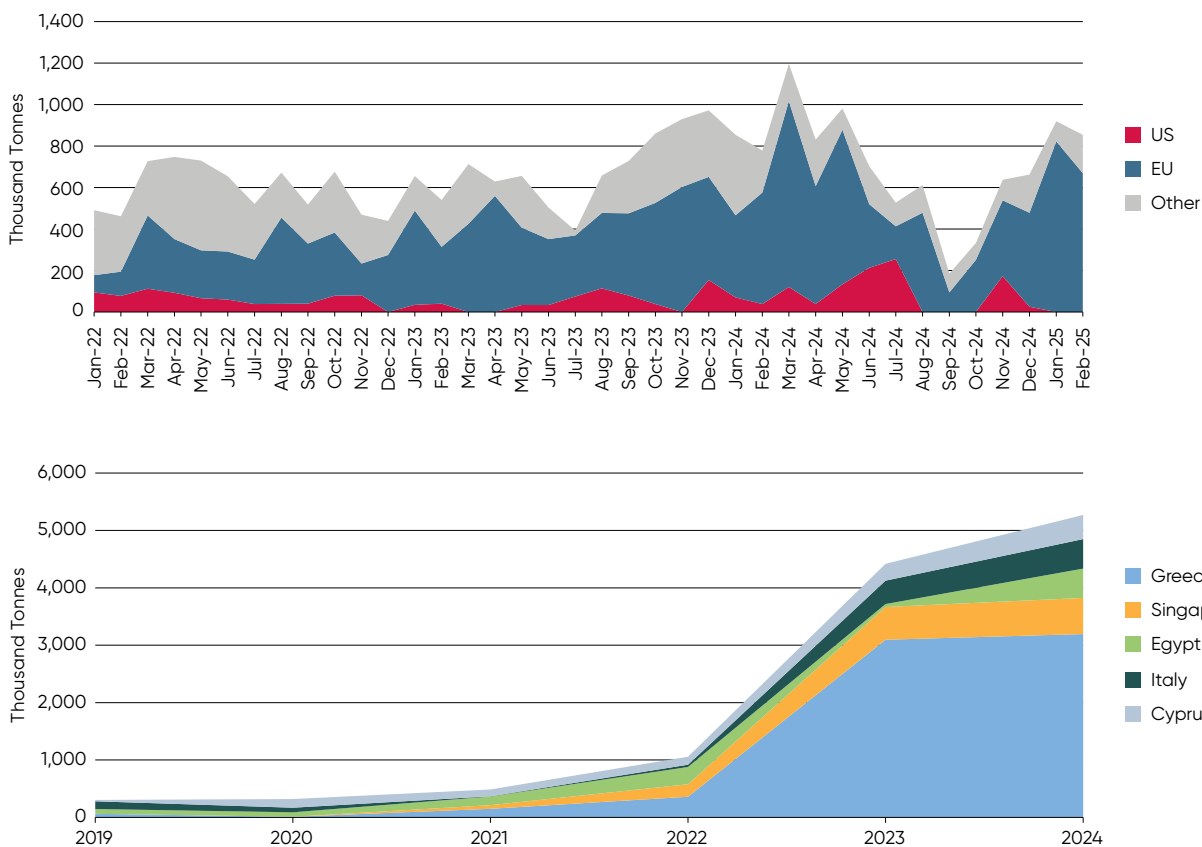
In 2024, the average price for gasoline imported from Türkiye by EU Member States was EUR 0.63 per kg. The average price of gasoline from Saudi Arabia was EUR 0.70 per kg. This 10% price difference benefits companies purchasing the oil products without necessarily translating in lower retail prices on the European market. A similar trend can be seen in the average price of diesel from Türkiye (EUR 0.7 per kg), which is 7% cheaper than diesel from Saudi Arabia (EUR 0.76 per kg). As a result, EU's imports from Türkiye have increased 44%, making them the third highest exporter of oil products to the EU in comparison, they were in seventh place in H1 2023.

Figure 14. Russian vs. Non-Russian Crude Imports and Exports of Products to Sanctioning vs. Non-Sanctioning Countries in 2024



Source: CSD and CREA analysis based on Kpler data.

Figure 15. Exports of Refined Petroleum Products from Türkiye by Destination



Source: CSD and CREA analysis based on Kpler data.

The lower prices of Turkish oil products and the associated cost benefits have no doubt played a significant role in this expansion. A second reason for this sharp increase also lies in the fact that they may be re-exporting oil products from Russia to the EU without these products being refined.

In fact, an increased reliance on **cheaper Russian crude has not benefited Turkish consumers either**. The average price of market gasoline in Aliaga (home to two of the three refineries this analysis focuses on) in June 2024 (TRY 42.2/liter) was 11% higher than that in January (TRY 37.9/liter) and 80% higher than June 2023 (TRY 23.4/liter) when they were in fact less reliant on Russian crude. There has been a massive 97% rise in the average price of gasoline in the first half of 2024 compared to the same period last year. Turkish consumers are receiving no benefits of the continued imports of Russian crude by these refineries, and instead may well be locked into energy dependence that can lead to more market volatility if the supply from Russia suddenly stops.

Gas Enabler

Türkiye is the **second-largest importer of Russian natural gas** after China, purchasing between 20 and 26 billion cubic meters (bcm) per year via two key Black Sea pipelines: Blue Stream and TurkStream. These pipelines have a combined annual capacity of 31.5 bcm, with Blue Stream dedicated exclusively to Türkiye's domestic market, and TurkStream split into two lines – one serving Türkiye, the other continuing into Southeast Europe. Ankara has repeatedly articulated long-term ambitions to diversify its gas supply sources through LNG imports, regional suppliers such as Azerbaijan and Iran, and prospective Black Sea production.³⁰ The reality is that Türkiye's dependence on Russian gas has increased, rather than declined. Between 2019 and 2023, Russia's share of Türkiye's total gas imports jumped from 24% to over 40%, reversing a decade of diversification gains and reinforcing Gazprom's position as Türkiye's primary supplier.

Gazprom's contractual relationship with the Turkish state-owned gas company BOTAŞ remains the cornerstone of this dependency. Under two major **long-term supply agreements**, Russia delivers 16 bcm/yr via Blue Stream (contracted through 2025)³¹ and 5.75 bcm/yr via TurkStream (contracted through 2026). BOTAŞ, as both importer and system operator, holds a monopolistic grip over Türkiye's national gas infrastructure, including storage, transmission, and balancing, giving the state outsized influence over market conditions and foreign gas deals.

However, the Russian-Turkish gas relationship is not confined to state-to-state deals. In fact, a significant portion of imports has historically been channeled through **private Turkish gas importers**, which also have long-term contracts with Gazprom Export.³² These include³³:

- Bosphorus Gaz (Gazprom-owned minority stake until 2016)

³⁰ Vladimirov, M., and Bengisu, Ö., *Towards a Stronger EU-Turkey Energy Dialogue: Energy Security Perspectives and Risks*, Center for the Study of Democracy and Economic Policy Research Foundation of Turkey, 2017.

³¹ Kanapiyanova, Z., *Turkey-Russia Energy Cooperation on Natural Gas*, Eurasian Research Institute, 2022.

³² O'Byrne, D., "Turkey nearing 'critical' phase in gas supply arrangements: minister", *S&P Global*, October 11, 2024.

³³ TRT World, "Russia's Gazprom closes deal with Turkish companies", *TRT World*, December 31, 2015.

- Enerco Enerji (majority-owned by the Turkish construction conglomerate Akfel)
- Bati Hatti
- Kibar Enerji
- Avrasya Gaz
- Shell Enerji Türkiye.

Box 5. Gas Intermediaries and Political Power in Türkiye

The attempted sale of one of Türkiye's most important private gas importing groups, Akfel Commodities Türkiye, to a Turkish-Russian partnership in 2022–2023 has shed light on the **shadowy networks** linking Gazprom, politically connected Turkish elites, and obscure offshore shell companies. The transaction, though ultimately annulled, reveals how strategic economic sectors such as natural gas remain vulnerable to state capture, opacity, and foreign influence, even under the watch of national regulators.

Akfel Commodities through its subsidiaries Akfel Gaz, Enerco Enerji, and Avrasya Gaz held import contracts with Gazprom totaling over 5.25 bcm/year, making it one of the largest private importers of Russian gas into Türkiye. Akfel Gaz's contract alone, at 2.25 bcm/year, remains active until 2043. These firms collectively once supplied over 10% of Türkiye's annual gas demand and were deemed critical for national energy security.

In 2022, the Turkish government's Savings Deposit Insurance Fund (TMSF), which had taken control of Akfel after its partial nationalization in 2016, announced the sale of the group to Eurogaz Enerji Insaat, a newly established joint venture between Swiss-registered Globen GmbH and Russia-based Gefest Corporation LLC.³⁴ However, Gefest Corporation LLC had been officially liquidated in Russia in December 2021, making its participation in the deal potentially illegal under Turkish law, which prohibits shareholding by defunct entities.

Adding further complexity, Globen GmbH, the majority shareholder in the joint venture, was owned by Dutch-registered Intener BV, a company associated with Halil Ibrahim Bacaci.³⁵ Bacaci is connected to the influential conglomerate Cengiz Holding. Although Cengiz Holding denied direct involvement in the Akfel transaction, documents showed Bacaci and Cengiz executives became joint signatories shortly before the restructuring. The use of Swiss and Dutch intermediaries suggests an intentional effort to obscure the ultimate beneficiaries and shield the transaction from regulatory scrutiny.

Despite these concerns, Türkiye's energy regulator EPDK was prepared to approve the sale. It was only under public pressure that the TMSF cancelled the deal without providing a detailed explanation.

³⁴ Sabadus, A., "Proposed sale of major gas importing group to Turkish-Russian venture raises legal concerns", ICIS, August 19, 2022.

³⁵ Ibid.

Until 2021, these six firms were collectively importing around 10 bcm/year of Russian gas, benefiting from a reported 10% discount on pricing compared to BOTAS, which allowed them to operate competitively in the Turkish downstream market.³⁶ Yet, the business model underpinning these private contracts has deteriorated since late 2021, and was further shaken by the war in Ukraine. In late 2021 and early 2022, Gazprom curtailed supplies to several of these firms, citing payment disputes and pricing disagreements, as global gas prices surged. Bosphorus Gaz, Bati Hatti, and Avrasya Gaz all faced significant shortfalls in contracted deliveries, forcing them to rely on BOTAS for back-up supplies, or exit the market altogether.

This de facto re-centralization of import rights under BOTAS, combined with rising political and economic uncertainty, has made the **Turkish gas market increasingly opaque and politicized**. While Gazprom maintains contracts with select private importers, the reliability of these deals has weakened, and many private players have effectively lost their import functions. Some have pivoted to gas marketing or downstream services, but their role as strategic interlocutors between Russia and Türkiye has been diminished.

Still, these private firms have served as useful intermediaries for Gazprom to leverage the commercial gas ties to achieve political leverage with the Turkish government. Several of the firms have ties to influential Turkish conglomerates, and this setup has enabled Russia to embed itself not only in Türkiye's state energy apparatus but also in politically connected corporate networks, which can be leveraged for informal influence or circumventing more visible state-level agreements.

As Türkiye expands its ambitions to become a **regional gas trading hub**, the role of private importers may evolve again – either as aggregators of mixed-source gas for re-export, or as front companies in swap and barter schemes with European and Central Asian partners. While international attention has focused on oil-related sanctions evasion, Türkiye's role in sustaining Russian natural gas flows to Europe has received far less scrutiny, despite being equally consequential. Through the Gazprom-led TurkStream pipeline, Türkiye has positioned itself not only as a major consumer of Russian gas, but also as an important gateway for Gazprom's continued access to European markets. This could have been the price BOTAS had to pay for Gazprom postponing approximately \$20 billion in natural gas debt incurred by the state-owned company until after 2023.³⁷

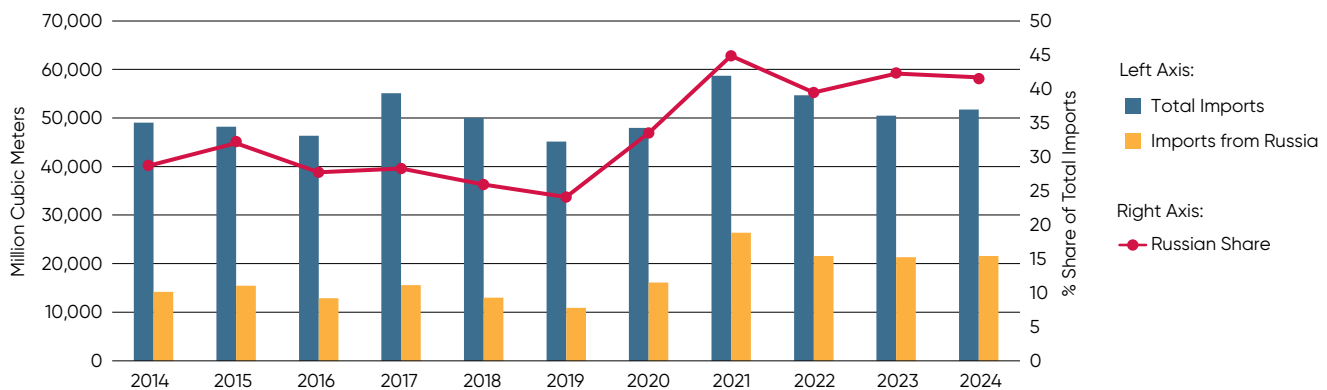
The entrenchment of Russian gas has morphed into a trilateral entanglement as Türkiye becomes an intermediary for Russian gas flows into the EU.³⁸ The establishment of a so-called **Russian gas hub** in Türkiye, in planning since early 2023, is now taking concrete form through Ankara's newly branded

³⁶ Charisi, E., "Gazprom cuts supply to some Turkish private importers", *Argus Media*, July 16, 2021.

³⁷ Kenez, L., *Turkey Wealth Fund led by Erdogan restricts audit to hide corruption*, *Nordic Monitor*, February 13, 2024.

³⁸ Vladimirov, M., "Closing the backdoor: The new TurkStream is here. Can the West stop it?", *POLITICO*, August 30, 2024.

Figure 16. Imports of Russian Gas in Türkiye are Surging



Source: CSD based on Eurostat Data.

Turkish blend exports, announced in August, 2024.³⁹ State-owned BOTAŞ will export 7–8 billion cubic meters (bcm) of gas per year through Bulgaria to Central Europe under a new label mixing supplies from diverse sources. According to Turkish law, all natural gas entering Türkiye is automatically owned by Botas, meaning the Turkish company could resell surplus Russian gas to the EU market as nominally Turkish gas. The rebranding conceals the fact that at least 40%, and likely more, of this gas will originate from Russia.

As the Ukraine gas transit route ended on 31 December 2024, Gazprom's ability to reroute flows via Türkiye becomes critical. TurkStream's European extension thus emerges as **Russia's last remaining strategic gas corridor into the EU**, providing a backdoor to maintain market share and revenue. One option is to increase the technical capacity of the second string of the TurkStream pipeline going to Europe. This will be expensive and will take some time. Another option, however, which is already available, is to take advantage of the agreement signed between Bulgartransgaz and BOTAS in January 2023.

The deal gives BOTAS **preferential access** to booking 1.9 bcm/yr of entry capacity at the Strandzha-1 interconnection point between Türkiye and Bulgaria. In addition, it allows Bulgaria's state-owned gas supplier, Bulgargaz, to use the Turkish gas transmission network for the transportation of around 1.5 bcm/yr of gas delivered in the form of LNG at one of Türkiye's import terminals and storage facilities. BOTAS exported 1.93 bcm in 2014 using the agreement with Bulgaria, and in 2025 there has already been a 20% increase in shipped volumes year-on-year in January and February. Just as Russian oil reaches Europe relabeled through Türkiye, India, and Egypt, Gazprom now appears set to exploit the same sanctions loophole in the gas sector.

Gazprom's sales via Türkiye now constitute **around 5% of total EU gas demand** – volumes that could be **replaced with LNG or reverse flows** from oversupplied hubs in Northwestern Europe. Halting these flows is more a political than technical challenge. TurkStream is embedded in politically

³⁹ Novinite, "Turkey to Export Gas to Bulgaria Under New "Turkish Blend" Brand", Novinite, August 22, 2024.

sensitive regional energy arrangements bulwarked by Hungary and Slovakia's strong objection to any sanctions against Russian gas.

Türkiye's role in sustaining Russian gas exports **undermines EU diversification efforts** and risks distorting European gas markets. The availability of cheap, rerouted Russian gas has depressed prices and disincentivized investment in Black Sea production (e.g., offshore Romania and Türkiye), **delayed infrastructure development**, such as LNG terminal expansions in Greece, Croatia, and Poland, risking the creation of stranded assets. TurkStream has enabled Gazprom to **bypass Ukraine** entirely, completing Russia's strategic goal of removing a key leverage point for Kyiv.

Coal Surge

The coal trade has become one of the least scrutinized yet most strategically entrenched pillars of Russo-Turkish energy relations. While oil and gas dominate headlines, coal has quietly cemented Türkiye's structural dependence on Russian supply, both in scale and in strategic function. As of 2024, **coal accounted for 36% of Türkiye's electricity generation** (the biggest coal user in Europe), with a significant share supporting its export-oriented manufacturing industry.⁴⁰ Türkiye's energy-intensive sectors including steel, aluminum, cement, and chemicals require large volumes of cheap baseload power to remain globally competitive. Russian coal, offered at discounted prices and of high calorific quality, has filled this demand gap, reinforcing a price-driven dependency. Unlike its Western partners, Türkiye has not committed to net-zero climate targets and continues to prioritize fossil fuels in its growth strategy. This divergence is starkly visible in coal usage trends: in 2013, both the EU and Türkiye generated 20% of their electricity from coal.

Russia supplied between 70–73% of Türkiye's total coal imports in 2023, making it the country's dominant supplier by a wide margin. Following the EU's ban on Russian coal imports Türkiye has capitalized on the resulting market surplus. Russian exports surged, with Russia overtaking Colombia as Türkiye's top supplier in 2022. Just one year later, Russia exported more coal to Türkiye than the rest of the world combined, reinforcing the bilateral energy alliance.

Importantly, **some of this coal originates from Russian-occupied Eastern Ukraine**. Around 80% of Ukraine's coal reserves lie in the Donbas, now largely under Russian control. In the first nine months of 2023, Türkiye reportedly imported 160,500 tonnes of Donbas coal, valued at \$14.3 million, raising serious questions over the indirect financing of Russian occupation efforts through Turkish trade.

The exponential rise in Russian coal exports to Türkiye has created **windfall gains** for major Russian producers such as SUEK, Kuzbassrazrezugol, Mechel, and SDS-Ugol, all of which maintain close ties to the Russian state. These companies, facing market exclusion in Europe, have found a lifeline

⁴⁰ Ember, *Solar and wind near a fifth of Türkiye's power in 2024*, Ember, March 19, 2025.

in Türkiye, using the Turkish banking and logistics system to circumvent sanctions and sustain cash flow critical to the Russian war economy.

On the Turkish side, the **metallurgical sector** has emerged as a primary beneficiary. Türkiye's **steel, cement and aluminum industries**, among the largest in Europe and the Middle East, depend heavily on low-cost coal to maintain global competitiveness. With Russian coal offering both price stability and volume reliability, Turkish producers have gained a distinct advantage over European rivals contending with decarbonization mandates and rising energy costs.

Türkiye's dependence on Russian coal is now deeply embedded both economically and politically. The EU sanctions regime, while aiming to isolate Russia, has inadvertently redirected flows to countries like Türkiye, where regulatory enforcement is weaker and energy demand is soaring. Unless credible, cost-competitive alternatives to Russian coal are introduced, and Türkiye accelerates its green transition, the current arrangement risks evolving into a long-term coal-based partnership that entrenches Russian influence well beyond the war in Ukraine.

Nuclear Tie Down

Türkiye's nuclear energy sector has become one of **the most consequential vectors of Russian economic and political influence**, driven by the unprecedented depth and scope of the Akkuyu Nuclear Power Plant (NPP) project.

Initiated by a bilateral agreement in 2010 and officially launched in 2015, the Akkuyu project follows the Build–Own–Operate (BOO) model. Under this framework, Russia's state nuclear corporation Rosatom exercises full control over all aspects of the plant's lifecycle: construction, operation, fuel supply, waste management, and eventual decommissioning. The four planned VVER-1200 reactors, each with 1,114 MW capacity, will provide up to 10% of Türkiye's total electricity demand upon completion, now scheduled between 2024 and 2026.

Importantly, **Rosatom retains at least a 51% ownership stake**, while efforts to attract Turkish investors for the remaining shares have failed, leaving the project almost entirely under Russian control, in which shareholders include also the Russian state-owned power monopoly, Inter RAO.⁴¹

Apart from fully financing the project, Rosatom has also sent thousands of Russian engineers and technical staff on-site, with Russian subsidiaries serving as primary contractors and suppliers. Akkuyu is not merely an energy but could also become a **security asset**. Its location, near NATO's İncirlik airbase and the Kürecik radar station, raises critical questions about the Kremlin's behavior in the event of a crisis. Moscow's reckless attacks and take-over of Ukrainian nuclear assets is a serious warning. Russian personnel, equipment,

⁴¹ Bozkurt, A., "Turkey weighs forcible takeover of Russian-built nuclear power plant if needed", *Nordic Monitor*, March 9, 2025.

or even military forces could be deployed under the pretext of protecting a strategic Russian piece of infrastructure.

In addition, the **long-term power purchase agreement** guarantees fixed revenues to the Russian operator of the plant, effectively binding Türkiye's energy policy to Rosatom's operational decisions until the end of the century. It offers leverage over Türkiye's future energy decisions and enables the Kremlin to use the project to extract strategic concessions from one of the strongest NATO allies.

The project has also become a **vehicle for circumventing financial sanctions** against Russia. In 2022–2024, investigations by U.S. Treasury Department authorities revealed that Gazprombank transferred over \$5 billion through American banks to Türkiye, ostensibly for the Akkuyu project.⁴² However, the U.S. Department of Justice identified this operation as part of a Kremlin effort to create an “offshore dollar reserve”, circumventing Western sanctions and funding Russian state priorities, including the war effort.

Despite Rosatom's exemption from direct Western sanctions, the Akkuyu project has been plagued by **secondary sanctions risks**. German export authorities, for instance, blocked the shipment of Siemens components to the site, triggering delays in its implementation. In response, Rosatom turned to Chinese suppliers to secure alternative equipment.⁴³ Meanwhile, Russian banks – most notably Sberbank, which issued \$800 million in loans in 2021 and renewed financing in 2024 – remain central to keeping the project afloat.⁴⁴ Russia has also proposed a swap deal, in which Türkiye pays part of the \$20 billion costs for the power plant itself, while Rosatom will repay the funds by transferring funds to Gazprom, which will correspondingly reduce the gas bill it charges BOTAS for the gas supply (around \$300-800 per month).⁴⁵

Such financial creativity, however, underscores the project's fragility: every layer of supply, financing, and legal protection hinges on maneuvering **regulatory ambiguity and sanctions risks**. That the Kremlin continues to fund the \$24–25 billion project almost entirely through the Russian federal budget demonstrates its strategic importance.

President Erdoğan has repeatedly described Akkuyu as the “crown jewel” of Turkish-Russian cooperation, and has signaled that the state could take over the project if needed. He has also advocated for the development of a second Russian-built nuclear power plant in Sinop, on the Black Sea coast.⁴⁶ Rosatom has already confirmed it would be ready to proceed with the idea.

⁴² Meduza, „WSJ: Россия пыталась создать в Турции «долларовый резерв» для обхода американских санкций”, *The Wall Street Journal*, February 2, 2025.

⁴³ Atomic Energy 2.0, „Россия и Турция обсуждают использование газа для оплаты АЭС «Аккую»”, *Atomic Energy 2.0*, February 13, 2025.

⁴⁴ Петкова, Д., „Руският Сбербанк отпусна още 800 млн. долара заем за АЕЦ «Акую»”, *Investor.bg*, November 17, 2021.

⁴⁵ Newsroom, “Russia, Türkiye reportedly discuss gas swap to fund Akkuyu nuclear power plant construction”, *Türkiye Today*, February 12, 2025.

⁴⁶ Юнверен, Бурак, „Атомная энергетика Турции: зависимость от Москвы растет”, *Deutsche Welle*, October 17, 2023.

Türkiye's decision to develop a Russia-controlled nuclear industry is not only about **strategic autonomy** but also about technological sovereignty. Türkiye has no domestic uranium resources, no enrichment capabilities, and no nuclear waste infrastructure. All fuel, spare parts, and technical services are sourced from Russia, creating a total technological dependency. Akkuyu's implications extend beyond the energy market. It has given Russia **unprecedented informational and institutional** access to Türkiye's regulatory bodies, infrastructure planning, and industrial procurement processes.

Finally, the soft power significance of the project should not be overlooked. Akkuyu allows Russia to present itself as a provider of low-carbon energy solutions, countering the widespread narratives that it is preventing countries from phasing out the use of fossil fuels, even as its nuclear power projects are often used for achieving Kremlin's geostrategic objectives. As Türkiye seeks to meet growing electricity demand, Russia remains the only player willing to provide end-to-end nuclear solutions at scale and on credit that will help the country decarbonize its electricity mix.

Forging Ties in Metallurgy

The metallurgy sector has also emerged as a critical frontier in Russo-Turkish economic cooperation, deepening in scope and scale since the onset of the Russian invasion of Ukraine. Russian metal producers have turned increasingly to Türkiye not only as a vital export destination, but also as a **platform for industrial integration and capital preservation**.

At the center of this burgeoning partnership stands Magnitogorsk Iron & Steel Works (MMK), one of Russia's largest steel producers.⁴⁷ MMK operates a major downstream facility in Türkiye (MMK Metalurji) which spans two production sites in İskenderun and Istanbul. The complex produces galvanized and polymer-coated rolled steel products and serves both Turkish domestic demand and regional export markets. Following a strategic diversification push in 2020, MMK significantly expanded sales after COVID-related restrictions were lifted.

In 2021, MMK signed a cooperation agreement with Coskunoz Holding, Türkiye's largest automotive components manufacturer. The agreement enables bilateral production of hot-stamped steel and prototype automotive components, while also expanding joint engineering efforts. The companies operate a joint venture (MMK-Coskunoz-Alabuga LLC) in Tatarstan's Alabuga Special Economic Zone, which illustrates the vertically integrated nature of this **Russo-Turkish industrial alliance**.

Coskunoz's strategic positioning in the Russian automotive market is built on this partnership, while MMK uses its Turkish assets to hedge against Western sanctions and diversify its income streams.

Similarly, the Novolipetsk Steel Group (NLMK), another Russian steel giant, has established NLMK Türkiye, a fully owned commercial subsidiary, which coordinates marketing and direct sales operations in Türkiye. NLMK has significantly ramped up exports of high value-added (HVA) steel products

⁴⁷ PJSC Magnitogorsk Iron and Steel Works, [About the Company](#), accessed April 24, 2025.

to Türkiye, particularly flat and semi-finished steel used in oil, gas, and construction industries.

Russia's steel pivot to Türkiye is driven largely by necessity. Sanctions imposed on Russian steel producers, combined with falling demand in European and Chinese construction sectors, have led to a 15% drop in black metal exports through Russian seaports and rail networks in 2023 alone. Major Russian producers such as Severstal, TMK, and Mechel have faced steep export declines of up to 58% depending on the plant and product line.

These market contractions have led to a sharp decline in steel output. Russian steel production has declined by over 10% in 2024. Pig iron and rolled steel production also fell by 8.5% and 18% respectively. In this context, Türkiye has offered Russian metallurgical firms **a stable outlet for surplus production**. In 2023, Türkiye imported \$3.1 billion worth of Russian steel, making it one of Moscow's top clients outside the G7. However, this trade is not without friction. In October 2024, the Turkish government introduced **anti-dumping tariffs** of 6–9% on Russian-origin steel products, citing unfair competition and injury to domestic producers.⁴⁸ The new tariffs, valid for five years, are part of a broader package that includes similar measures targeting Indian, Japanese, and Chinese steel.

Nonetheless, Russian firms retain a competitive edge due to lower input costs, longstanding bilateral ties, and the operational presence of Russian-owned or joint venture facilities within Türkiye itself. MMK's domestic production footprint in Türkiye allows it to partially circumvent such import penalties by supplying from local plants rather than across borders.

On the Turkish side, the benefits of Russian cooperation are manifold. Russian steel imports, typically cheaper than Western alternatives, allow Turkish industries, particularly automotive, construction, and shipbuilding, to reduce raw material costs. In sectors such as automotive stamping, joint ventures like MMK-Coskunoz provide **access to Russian technology and supply chains**, enhancing Türkiye's production capacity and technological base.

This industrial interdependence is particularly crucial in a period of sluggish domestic demand and high interest rates, which have depressed the Turkish construction sector. With external financing drying up and inflation remaining high, access to affordable steel becomes a lifeline for export-oriented manufacturers.

Furthermore, Türkiye's refusal to align with EU sanctions provides **a regulatory safe haven for Russian firms**. In effect, the Turkish metallurgy market acts as a financial and logistical conduit for sanctioned Russian producers, allowing them to continue operations, preserve revenues, and retain global market relevance.

However, the growing interdependence carries risks. Rising pressure from Western allies, could further sour Türkiye's economic integration with the EU

⁴⁸ Ромашенко, С., „Турция ограничит закупки российской стали“, *Deutsche Welle*, October 12, 2024.

and reduce access to advanced US technology. Moreover, if the EU or the U.S. moves to target third-country facilitation of sanctioned metal exports, Turkish companies and joint ventures with Russian ownership could become **exposed to secondary sanctions**.

Banking on Evasion: Russia's Use of Türkiye's Financial Sector

In the face of expanding Western financial sanctions, Russia has turned to Türkiye as a critical node for maintaining liquidity, facilitating trade, and circumventing global restrictions. While the **formal presence of Russian banks in Türkiye has shrunk** in recent years, informal financial networks, proxies, and partner financial institutions continue to provide vital conduits for Russian capital, oligarch wealth, and dual-use trade flows.

One of the key factors enabling this financial movement is Türkiye's **weak anti-money laundering enforcement**. The Financial Action Task Force (FATF) placed Türkiye on its "grey list" in 2021 (later removed it in 2024), due to vulnerabilities in its financial oversight, particularly in high-risk transactions. Despite international pressure, enforcement remains lax. Turkish banks, which have maintained correspondent banking relationships with European and Middle Eastern banks, serve as a bridge for financial transactions involving Russian entities. While many global financial institutions severed ties with Russian banks due to sanctions, Turkish banks have continued offering alternative channels for fund transfers. The Mir payment system, Russia's domestic alternative to Visa and Mastercard, initially facilitated ruble-based transactions in Türkiye, and although some Turkish banks suspended its use following U.S. pressure, other bilateral trade and financial mechanisms continue to provide Russian entities with access to global capital markets.

A significant portion of the funds moved through Türkiye into Europe is suspected to originate from **illicit or sanctioned sources**, including proceeds from sanctioned Russian oligarchs and businesses, money laundering operations tied to organized crime, and profits from the smuggling of sanctioned and dual use goods. Some of these funds are routed through cash-intensive businesses, cryptocurrency exchanges, and luxury asset purchases before being reinvested in European financial systems.

Before the Russian invasion of Ukraine, the Kremlin's banks had actually begun to diversify away from the Turkish market. The largest visible withdrawal came in 2019, when Sberbank, Russia's state-owned banking giant, was forced to sell its subsidiary DenizBank to the UAE's NBD for \$2.7 billion.⁴⁹ This move was directly prompted by the bank's inability to manage the entity under Western sanctions: Sberbank was barred from receiving dividends, providing liquidity, or attracting international financing for its Turkish operations.

⁴⁹ Trunina, A., and Chernyshova, E., „Сбербанк продал свою турецкую «дочку» за \$5 млрд из-за санкций“, РБК, July 31, 2019.

Box 6. The Gold for Cash Scheme

Russian banks and trading companies have systematically used Türkiye as a hub for swapping Russian-mined gold for foreign currency, primarily Turkish lira and US dollars in cash.⁵⁰ These transactions are often settled **outside of formal banking systems**, making them difficult to track and ideal for evading sanctions.

Between March 2022 and June 2023, **the volume of Russian gold exports to Türkiye increased more than tenfold**, with over \$3.5 billion worth of gold shipped from Russia to Turkish buyers. Much of this trade was routed through Russian companies with direct or indirect ties to sanctioned banks and state-owned entities, including Promsvyazbank and VTB. On the Turkish side, a constellation of little-known gold refiners and commodity brokers, often headquartered in Istanbul's Grand Bazaar district or free trade zones, handled the physical delivery and resale of the gold – frequently in exchange for **bulk cash payments**.

Several Turkish entities with questionable beneficial ownership structures received Russian gold shortly after the imposition of EU and G7 sanctions on Russian bullion.⁵¹ Many of these firms appear to be newly incorporated, have no previous history in the precious metals sector, and are suspected of acting as cutouts for politically connected intermediaries or grey-market financiers.

The mechanics of the scheme are straightforward but effective: gold is exported from Russia to Türkiye, where it is quickly melted down or resold, often under a different certification of origin. In return, cash typically in Turkish lira or physical U.S. dollars withdrawn from the domestic financial system is handed over to the Russian exporters, either in Türkiye or via offshore channels in Dubai or Central Asia. This system provides Russia with **access to convertible currency**, helping it fund wartime expenditures and foreign operations, while allowing Turkish intermediaries to profit from spreads and arbitrage opportunities.

This trade is particularly concerning because it **bypasses SWIFT and standard anti-money laundering protocols**, exploiting Türkiye's fragmented regulatory architecture and cash-intensive economy. Despite being a FATF member, Türkiye has not implemented consistent beneficial ownership transparency or export oversight in the gold and precious metals trade, making it an ideal jurisdiction for covert financial operations.

Moreover, the scale and secrecy of the operation raise serious questions about institutional complicity. Turkish banks that supply the cash – whether knowingly or unknowingly – enable this form of sanctions circumvention. In many cases, these institutions may not be directly violating sanctions, but they are facilitating a trade that directly supports Russian state revenue and undermines the Western financial sanctions regime.

⁵⁰ Fenbert, A., "Report: Russian banks evade sanctions by trading cash for gold", *The Kyiv Independent*, February 8, 2024.

⁵¹ Sayari Analyst Team, "Russian Banks May Be Engaging in Cash-For-Gold Scheme to Obtain Foreign Currency", *Sayari*, January 30, 2024.

Despite the formal sale, Russian financial influence in Türkiye has not receded. Instead, it has mutated, shifting toward indirect channels. **Russian-linked wealth continues to flow into Türkiye**, particularly through real estate, high-value assets, and shell companies registered in special economic zones. Russian oligarchs and their families have made Türkiye one of the main destinations for shielding assets, including residential properties and luxury goods, often through obscure ownership chains.

As Western banks tightened compliance, Türkiye became a safe haven for Russian elites seeking to park capital offshore without full transparency. Russian nationals after 2022 intensified their use of Turkish companies and **free economic zones** to conduct commercial activities, open accounts, and funnel payments.⁵² These zones offer tax incentives, lighter regulation, and looser due diligence requirements, allowing Russian businesses to operate with local partners under the radar.

A number of suspicious transactions highlighted in FinCEN's 2023 Financial Trend Analysis point to Türkiye as a top location for indirect facilitation of Russian export control evasion. These include shell companies used to acquire U.S.-origin goods, payments for high-value property acquisitions, and a rising volume of transfers involving electronics and industrial machinery with potential military applications.

However, the window for Russian financial operations in Türkiye is beginning to narrow under U.S. and EU pressure. In 2024, **a wave of de-risking** swept through the Turkish banking sector. Most Turkish banks have stopped handling Russia-related transactions, instead shifting such operations to a single institution: Emlak Katilim Bank, a smaller state-owned lender with no Western exposure.⁵³

Emlak now handles up to 80% of all Russia-linked transactions, but even it has started imposing additional fees and scrutinizing clients more closely. Meanwhile, major banks like Ziraat Bank and DenizBank have ceased opening accounts in roubles, and many have outright blocked companies involved in transit trade with Russia, including those formally registered in Türkiye.⁵⁴

This **enforcement tightening** has had tangible effects:

- Traders report delays, refusals, and account closures when processing transactions with Russian ties.
- Middlemen have been forced to relocate company registrations from offshore havens (like Hong Kong and Dubai) to Türkiye in hopes of evading scrutiny only to find Turkish banks applying the same compliance checks.
- Russian importers are increasingly being squeezed out of the Turkish system, even in the absence of formal sanctions.

⁵² Website of the Urvista Consultancy providing details on how Russian citizens and business can open up accounts in Turkish banks.

⁵³ TASS, "Turkish banks want to stop transactions with Russia, transfer them to one bank — source", TASS, September 19, 2023.

⁵⁴ RBC, "Турецкий банк Ziraat перестал открывать рублевые счета", РБК, August 29, 2024.

Box 7. VTB and the Ruble-Lira Corridor

Russian banks have not fully disengaged with the Turkish financial sector. In early 2025, the Russian state-owned VTB launched ruble-to-lira transfer services into Turkish banks, with limited guarantees.⁵⁵ The initiative allows clients to make payments into Türkiye using rubles converted automatically to lira. While technically compliant with local rules, the sustainability of this workaround is uncertain, as it depends entirely on the **willingness of Turkish banks to accept funds from sanctioned entities**. As of early 2025, the service is only available to clients not listed in U.S. or EU sanctions regimes, and even then, subject to transaction-level scrutiny.

Real Estate and Tourism Escapes

Real estate and tourism have evolved into additional enablers of Russian soft power and financial influence. While often perceived as benign sectors, both have emerged as strategic dependencies, with real risk implications for Türkiye's economic stability.

Since the imposition of Western financial sanctions in 2022, Russian elites and middle-class investors alike have increasingly turned to Türkiye's real estate sector. The Turkish Citizenship by Investment Program (CIP), which grants citizenship to foreigners investing at least \$400,000 in property, has become a crucial loophole. For many Russians seeking to protect assets and maintain global mobility, a Turkish passport and property in Istanbul or Antalya is a **strategic hedge against asset freezes and travel restrictions**.

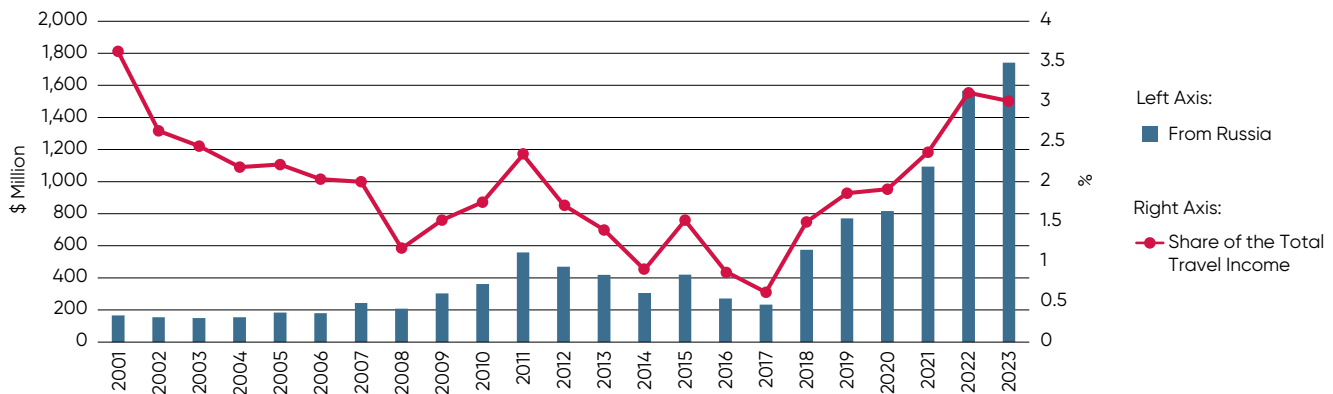
Between 2022 and 2024, real estate purchases by Russian nationals surged, contributing to price spikes in key urban markets. Russian buyers have focused on the upper segment of the market, often acquiring **luxury apartments and commercial real estate** not for residence, but for wealth preservation and asset relocation. In some cases, these purchases are made through intermediaries or shell companies, obscuring ultimate ownership and complicating oversight.

While the influx of Russian capital has short-term benefits for the construction and real estate services, it also creates structural distortions. Housing prices in Antalya, for instance, have risen well above average inflation, contributing to **affordability crises** for local residents. At the same time, the opaque nature of some transactions undermines efforts to strengthen financial transparency and prevent money laundering.

The **tourism sector** has become another channel for Russian economic leverage. Russia is consistently the **largest source of foreign tourists** to Türkiye, with the number of Russian visitors growing steadily over the past decade except for brief dips during COVID-19 and the 2015 diplomatic crisis. After falling to 2.1 million in 2020, the number of Russian tourists tripled to 6.2 million by 2023, and is expected to exceed 6.5 million in 2024.

⁵⁵ Загвоздкина, К., „ВТБ запустил переводы в лирах в турецкие банки”, *Forbes.ru*, January 23, 2025.

Figure 17. Russian Share of the Total Travel Services Income of Türkiye



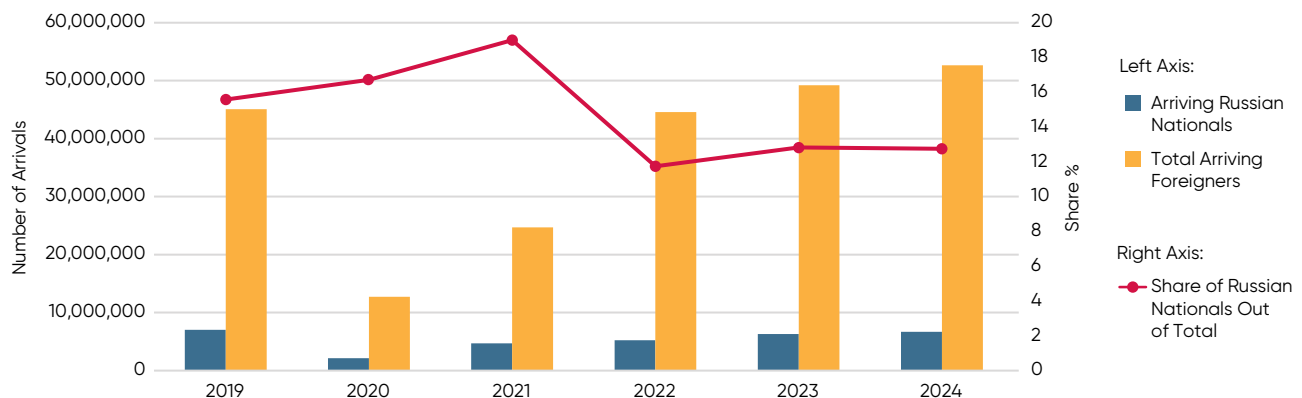
Source: CSD based on Data from the Turkish Central Bank.

This influx is not merely symbolic. In 2023, travel income from Russia generated around \$1.8 billion – double the average revenues for the Turkish economy. Russian tourism now accounts for **a significant share of Türkiye's service export earnings**. Key sectors, including hospitality, transport, and food services, are increasingly reliant on this inflow, particularly in **tourism-dependent regions** such as Antalya, Alanya, and parts of Istanbul.

The Kremlin has already weaponized this dependency previously. In 2021, following President Erdoğan's meeting with Ukrainian President Volodymyr Zelensky, Moscow abruptly suspended flights to Türkiye, citing pandemic concerns. The move dealt a significant blow to Türkiye's tourism industry, which is a sharp reminder that Russia can and will use tourist flows as a form of **economic coercion**.

A more striking example occurred in 2016, when diplomatic tensions following the downing of a Russian military jet led to a 76% drop in Russian tourist arrivals – from 3.6 million to just 866,000.⁵⁶ This historical precedent underscores the volatility of relying on politically conditioned tourist flows.

Figure 18. Number of Russian Tourists to Türkiye



Source: CSD based on data from TurkStat.

⁵⁶ Reuters, "Russia restricts flights to Turkey as political tensions rise", Reuters, 12 April 2021.

Tourism has become part of geoeconomics. Much like energy or telecommunications, it is susceptible to **geopolitical manipulation**. Both Russia and China have demonstrated an ability to deploy tourism bans as punitive tools – China against South Korea, Japan, and Taiwan; Russia against Türkiye and Georgia.

Türkiye's exposure to this tactic is especially pronounced:

- The economy is heavily reliant on services;
- Tourism constitutes 12–15% of GDP in some provinces;
- The visa-free regime and favorable exchange rate makes Türkiye one of the few viable mass-market destinations for Russian travelers.

The convergence of **Russian state-backed tour operators, airline routes, and soft propaganda** further institutionalizes this channel. Moscow continues to promote Türkiye as a “friendly” and “safe” destination, insulating Russian holidaymakers from wartime realities while reinforcing economic interdependence.

ECONOMIC ENTRENCHMENT AMPLIFIED BY POLITICAL ALIGNMENT

Kremlin's growing economic footprint in Türkiye cannot be understood in isolation from its broader toolkit of influence. **State capture lies at the heart of Russia's geopolitical and geoeconomics strategy** to expand its global influence, reflecting a systematic approach to infiltrating the governance and economic structures of targeted countries through coercion, corruption, and manipulation of local elites and political leaders.⁵⁷

What makes Russia's presence in Türkiye strategically potent is the convergence of economic interdependence with **political proximity and informational manipulation**. Through a blend of sharp power instruments – media disinformation, elite cultivation, and economic sweeteners – Russia has succeeded in reinforcing ties with Ankara, ensuring that the economic relationship is embedded in the political fabric of Türkiye's foreign policy and strategic posture. Thus, the Kremlin has been able to moderate its strategic rivalry with Ankara in the Black Sea, the Caucasus, the Middle East and Africa by providing opportunities for economic rent-seeking in defiance of the US, EU and NATO. In the wake of the war in Ukraine, Türkiye has refused to join Western economic sanctions and has actively become one of Russia's most critical partners, providing infrastructure, market access, financial channels, and public legitimacy at a time when Moscow faces unprecedented global isolation.

Russia has sought to portray this cooperation not merely as pragmatic but as an alternative to the West's dominance, seeking to rebalance global power and return Moscow and Ankara's rightful position among great powers. Russian state-backed media outlets, particularly Sputnik Türkiye and RT, have played a central role in cultivating such narratives. They routinely frame NATO as aggressive, the EU as hypocritical, and the United States as unreliable, while **casting Russia as a stable partner that respects Türkiye's sovereignty and interests**. Turkish domestic outlets with nationalist or anti-Western leanings often echo these themes, creating a powerful media environment in which criticism of Russian influence is marginalized or dismissed.

Beyond legacy media, Russia also invests in **cultural diplomacy and digital ecosystems**. Institutions like the Russian Science and Culture Center in Ankara promote language courses, film festivals, and historical dialogue, subtly reinforcing a narrative of **shared values and multipolar solidarity**. Scholarships for Turkish students in Russian universities, collaborative academic programs, and cultural co-productions in film and literature further deepen people-to-people ties, cultivating future influencers who view Russian partnership as a viable and respectable alternative to alignment with the US and the EU. On social platforms, pro-Russian Telegram channels and

⁵⁷ Shentov, Stefanov, and Vladimirov, *The Kremlin Playbook in Europe*, Sofia: CSD, 2020; Stoyanov, A, Gerganov, A, and Yalamov, T., *State Capture Assessment Diagnostics*, Sofia: Center for the Study of Democracy, 2019.

influencers **amplify Kremlin talking points**, often blending anti-Western sentiment with Turkish nationalist themes. Disinformation campaigns exaggerate the benefits of Russian economic ties while minimizing the risks, creating an artificial sense of security and legitimacy around Türkiye's pivot.

This **ecosystem of influence** supports and sustains Russia's economic capture strategy. It softens public and elite resistance to Russian investments in strategic sectors and cultivates a permissive environment for hybrid tactics, from gas diplomacy to illicit financial flows. The sectors most affected – energy, metallurgy, tourism, real estate, and finance – are not only economically vital but politically sensitive. The Kremlin's control over Akkuyu, its dominance of gas imports, and its ability to redirect tourists or withhold funding create **multiple vectors for leverage**.

At the same time, Türkiye's growing interdependence with Russia creates a paradox of power. On the one hand, Türkiye benefits economically from cheap Russian commodities, tourism, and investment. On the other, this relationship exposes Türkiye to **significant geoeconomics vulnerabilities**: price manipulation, coercive diplomacy, reputational risks, and eventual alienation from the NATO community. The costs of this dependency are already visible. Turkish banks and companies have increasingly appeared on U.S. sanctions watchlists. The EU is tightening scrutiny over gas flows and refined oil exports via Türkiye. And NATO allies are beginning to question Ankara's strategic alignment in an era of increasing bloc-to-bloc confrontation.

Looking forward, Türkiye will need to recalibrate its balancing act. The current tactical economic alliance with Russia may offer short-term gains, but it risks turning into a **long-term liability**, especially if geopolitical tensions escalate or if Russia leverages its position to extract political concessions. Moreover, excessive dependence on Russian-supplied energy, nuclear technology, and capital flows weakens Türkiye's ability to respond independently in moments of crisis and undermines its own **energy and national security**.

For the West, the challenge is not only to counter Russian influence in Türkiye through sanctions or pressure, but also to understand and pare the underlying incentives that have drawn Ankara closer to Moscow. A more calibrated strategy is required – one that offers Türkiye alternatives to Russian capital and energy, supports transparency and resilience in critical sectors, and acknowledges Ankara's legitimate interests.

WHAT'S NEXT FOR THE WEST

To effectively curb Russia's growing **economic and political influence in Türkiye and reinforce the West's economic security and defense**, the EU and the U.S. must adopt a coordinated strategy aimed at decoupling and derisking their alliance with Türkiye from China and Russia's encroachment:

- The first pillar of this strategy should be to **plug the G7 sanctions loopholes in the energy sector**, which currently allow Russian oil and gas to flow unimpeded through Türkiye. The EU and the U.S. must **ban the import of petroleum products from Turkish refineries and ports that process Russian crude oil**. Western countries should require verifiable proof that imported fuels do not originate from Russian crude, **enforcing strict rules-of-origin certification** and introducing random chemical tracing. The US should see this as a continuation of the economic and technological containment of China, which has continued to embolden Russia's moves to tilt the global economic field against US companies through non-market practices.
- Simultaneously, **sanctions must be expanded to target third-country intermediaries**, such as subsidiaries of Lukoil and Tatneft, which facilitate the laundering of Russian fuels into global markets. **Lowering the G7 oil price cap to \$30 per barrel for Russian crude**, with proportional adjustments for refined products, would further erode the Kremlin's capacity to sustain its aggression against Ukraine and will reflect the current oil market reality where the Russian oil blend trades well below the current \$60 cap. The US and the EU should provide viable alternatives for Turkish refineries and energy transition.
- The EU should **phase out Russian natural gas exports transiting through Türkiye** and replace it with US LNG re-directed from China and clean technology investments. Setting a legal deadline for ending all pipeline gas imports from Russia, including TurkStream, by the end of 2025 would align with the REPowerEU targets and prevent the **entrenchment of Russian gas flows** under new brands like Turkish blend. To safeguard energy security, Türkiye and its EU neighbors must develop **a joint regional roadmap** focused on scaling up LNG imports and maximizing the use of reverse-flow gas interconnectors in Central and South East Europe.
- Complementing this, the EU must introduce an **origin certification and traceability system for all gas imports** entering from Türkiye and Ukraine, treating these flows as Russian unless proven otherwise. Revenue raised through **windfall taxes on discounted Russian gas** could be directed toward Ukraine's reconstruction fund. Türkiye should also be encouraged to **liberalize regional gas trade**, expanding third-party access to its LNG terminals and pipelines, thus transforming itself into a transparent, competitive hub fully integrated with the European gas market.

- **In parallel, the EU and the U.S. must support Türkiye's foreign economic diversification to reduce its exposure to Russian influence.** Ankara needs a coherent medium-term plan to diversify its energy imports, particularly as several long-term gas contracts with Gazprom expire. The recent surge in discounted Russian oil imports has created a dangerous dependence that exposes Türkiye to future geopolitical risks without delivering significant benefits for domestic consumers.
- The EU and U.S. should help Türkiye **open its market to a wider range of global energy suppliers** and promote more transparent, rules-based frameworks for trade with Russia, particularly in energy and dual-use goods. The EU and the US should be able to compete on Türkiye's nuclear power market, including by supplying fuel and supporting technology for the Akkuyu NPP.
- The EU and the U.S. must extend sanctions to cover Russian-linked financial intermediaries operating from Türkiye, which increasingly serve as conduits for SWIFT circumvention and illicit financial flows. Turkish entities facilitating Russian capital inflows must be targeted under secondary sanctions regimes, while G7 countries should **work with offshore jurisdictions to block Russian-linked financial and shipping assets.**

A dual-track strategy that combines firm **enforcement measures with credible economic incentives** is essential for reducing Türkiye's vulnerability to Russian economic influence and reinforcing its integration into the Western economic and security architecture. A key priority in this process will be the creation of a **new strategic pathway to the country's accession to the EU**. The EU needs to build on its customs union with Türkiye and seek to re-engage with Ankara on geoeconomics, and common interests in the Black Sea and the Balkans.

