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THE EFFECTS OF OIL PRICES ON TURKEY'S FOREIGN TRADE RELATIONS TO AZERBAIJAN*

Mehmet Dikkaya

*Prof. Dr., Kirikkale University, Faculty of Economics and Administrative Sciences,
Kirikkale, Turkey
mdikkaya@kku.edu.tr*

B. Veli Doyar

*PhD Student, Suleyman Demirel University, Institute of Social Sciences, Isparta, Turkey
bvdoyar@gmail.com*

Ozgur Kanbir

*Lecturer, Giresun University, Görele School of Applied Sciences
Giresun, Turkey
ozgurkanbir@yahoo.com.tr*

Abstract

Turkey is one of the most important trade partners of Azerbaijan. Also, Azerbaijan's national income is highly depended on oil revenues. Hence, this study aims to investigate the effects of oil prices on Azerbaijan's imports from Turkey. For this purpose, a vector autoregression (VAR) model is estimated using quarterly data on imports, GDP, exchange rate and oil prices covering 2001-2016. Among other results, we find that a shock to oil prices positively affects Azerbaijan's imports from Turkey. Furthermore, changes in Azerbaijan's imports from Turkey are explained by oil prices about 11%.

Keywords: Oil prices, foreign trade, Azerbaijan, VAR model

JEL Classification: C22, F10, Q43

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