

## The Effects of Oil Prices on Turkey's Foreign Trade Relations to Azerbaijan and Kazakhstan: 1996-2016

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### Abstract

In post-Soviet era, Azerbaijan and Kazakhstan have emerged in world markets as independent and oil-rich countries in the world. With parallel to this development, new possibilities and opportunities also appeared for these countries. Following their independence, Azerbaijan and Kazakhstan, which place great importance to the oil industry, have also succeeded in attracting foreign investments and foreign trade relations. Over time, oil industry, which has become a key to the economy, has made the economy particularly vulnerable to oil prices as well as income levels. Turkey has tried to establish its relations with Azerbaijan and Kazakhstan on rationale and sustainable policies since 1990's. It has been a model country because having relatively industrialized and democratized profile. Turkey is still an important economic and political partner for these two countries. Current paper investigates the causal trade relationships between Turkey and Azerbaijan & Kazakhstan by referring oil prices. These countries have the biggest share in total trade of Turkey among former Soviet Republics excluding Russia. Despite total trade increases among the states, these figures are not enough to evaluate potentials. One of the reason of this insufficiency has been the fluctuations in world oil prices. In the first chapter of this study, it is looked over economic and political transformational process of Azerbaijan and Kazakhstan. Second chapter investigated the political economy of the relations between Turkey and these countries. In the last chapter, it is analyzed foreign trade relations between Turkey and Azerbaijan & Kazakhstan by an econometric model explaining foreign trade among them regarding oil prices.

**Key words:** Turkey, Azerbaijan, Kazakhstan, oil prices, foreign trade

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