

***The Effect of Economic Markets Efficiency on
the Bilateral Trade of Iran and the Selected
Countries of the Organization for Economic
Co-operation and Development***

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Abstract

Expansion of bilateral trade with developed countries increasing economic growth through access to larger markets and new entrants. On the one hand, increasing the efficiency of the economic markets by creating foreign savings and making more efficient use of existing resources contributes to the growth of total factor productivity, lowering the cost of domestic products and strengthening their competitiveness, and boosts bilateral trade with developed countries. In this regard, the present study uses panel data from 2011 to 2017 to examine the effect of economic markets efficiency, including goods market, labor market and financial market on bilateral trade between Iran and the 20 selected countries of the Organization for Economic Co-operation and Development. The research model is estimated using gravity model and generalized moment's method. The results showed that the goods market

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efficiency; labor market efficiency and financial market development on the bilateral trade between Iran and selected developed countries are positive and significant, while the estimated coefficient of goods market efficiency is larger than the other two markets. Also the effect of GDP variables and the real exchange rate of Iran and selected countries on their bilateral trade are positive and significant and the effects of geographical distance and difference in per capita income between Iran and selected countries on their bilateral trade are negative and significant.

Keywords: Bilateral Trade, Economic Market Efficiency, Panel Data.

JEL Classification: F14, D24, C33.

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