

Some Further Evidences on the Factor Content of Indian Trade

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I. INTRODUCTION

Since the seminal contribution of Leontief (1953) related to the question of empirical verification of Hecksher-Ohlin theorem on the determinants of factor content of trade quite a few attempts have been made throughout the world to examine the factor content of trade of various countries and some of the outcomes of these attempts supported while others contradicted the so-called Hecksher-Ohlin theorem. In these empirical studies related to the pattern of trade between the rest of the world and Japan, U.S., West Germany and Canada the findings did not seem to agree with the theorem [(Leontief - 1953, 1956), Tatemoto and Ichimura (1959)], while those of East Germany and India (Stopler and Roskamp - 1961), Bharadwaj (1962) supported the theorem. These observations, some of which were unexpected, stimulated many more attempts to account for the pattern of trade of specific countries for specific years.

As already noted by Bharadwaj & Bhagawati (1968), there were basically two major types of efforts to explain the contradictions seen in some of these studies. First, Minhas in his outstanding exercise (1963) tried to show that the strong factor intensity assumption implicit in the Hecksher-Ohlin theorem does not hold if factor intensities are reversible empirically within the observable price ranges. The CES production function fitted by him to international data showed elasticities of substitution both significantly different from unity and zero and also from one another. This suggests that factor intensity reversals took place within observable range of factor price ratios. Subsequent researches of course questioned the acceptability of Minhas' observations on the issue of quality of data and some other point.

The other kind of approach to explain the contradiction of some of the empirical findings with the expected pattern of trade suggested by the Hecksher-Ohlin theorem originates from some later exercise of Leontief himself. It was argued that capital intensity