

The Heckscher-Ohlin theorem and the open Mexican economy: a structural analysis

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According to the Heckscher-Ohlin (H-O) Theorem, free market in international trade is said to optimize production and consumption of a country by partially specializing its economy in the areas of production where it has comparative advantages derived from its relative factor endowment and obtaining in exchange those goods it produces with comparative disadvantages.

The H-O Theorem has been tested by various methodologies in different countries' cases. Still, the most cited has been the one conducted by Wassily Leontief for the U.S. economy using its 1947 Input-Output table. However, his results contradicted the Theorem predictions, which gave rise to the so called "Leontief Paradox".

Using an Input-Output model, in this paper we test the Heckscher-Ohlin Theorem in the case of Mexico for the period in which free international trade has prevailed, to find out whether the Export-led strategy with free trade, followed since 1983, has succeeded in revealing Mexico's comparative advantages, based on its relative factor endowments as the Theorem dictates. For this research we used a 700 entries Input-Output Tables of the Mexican Economy of 2003 and 2008 recently published and the capital and labor vectors of the same size for the same years, provided by the National Institute for Statistics and Geography (INEGI) in Mexico. Nobody has had these data before in Mexico for any particular year, so this is something very original.