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TITLE: SOME FURTHER EVIDENCE ON THE FACTOR CONTENT OF INDIA'S FOREIGN TRADE

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ABSTRACT:

The changing production structure of the Indian economy and the march from a backward, primary sector dependent economy to a more vibrant industrial economy have a significant impact on the structure and commodity composition of its foreign trade. The paper attempts to measure the factor content of India's foreign trade during the reform period with the objective to find out whether the factor intensity of trade has been in tune with comparative advantage of the country as determined from its endowment of factors or there are some other factors which have also affected its foreign trade. As a labour abundant country, India enjoys natural comparative advantage in labour intensive commodities and the study confirms it by revealing India's exports to the rest of the world to be more labour intensive than its import replacements. However, India's exports to OECD, the largest trading partner, are found to be more capital intensive than imports during later years of the reform period, producing an instance of Leontief Paradox. The Paradox has also been witnessed in cases of India's trade with EU, North America and Japan.