

On the Factor Content of Bilateral Trade

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In this paper we derive testable restrictions relating the factor content of bilateral trade to bilateral differences in technology and endowments. As an extension over previous research which is surveyed in the paper we allow for trade in intermediates, and in particular allow for differing intermediate input requirements across countries, which may arise due to aggregation. These restrictions are tested using the recently compiled WIOD dataset that allows us to track the supply and use of intermediate goods across countries and industries over time.