Factor Proportions and Trade in Iran

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Author: Fatemeh Bazzazan

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Bazzazan F.
Alzahra University

In Wassily Leontief's study of the structure of U.S. foreign trade, he came to conclusion that the United States specializes in labor-intensive lines of production. This is a surprising conclusion for the US developed economy that an average million dollars' worth of exports embodies considerably less capital and somewhat more labor than would be required to replace from domestic production. This subject then became famous as Leontief Paradox in the foreign trade literature. Since Iran is known to have a far higher labor/capital ratio than its trading partners. The question is whether or not the Leontief Paradox is satisfied in foreign trade in Iran? The result may contradict the basic Ohlin model which explains international trade in terms of relative factor endowments. The main data source is a sector input-output table and import table for 2006, at the national level. There are four factors: capital and four categories of labor (illiterate, literate, high school graduate, university graduate and more).

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