

Abstract

This study investigates application of H-O theorem on Pakistan's trade data. It also investigates the sector, which is likely to become more competitive, and the sector that would have less comparative advantage in future. This study includes foreign trade statistics over a period of 1993-94 to 2002 -03. Regression analysis is a statistical technique used in forecasting export trends .On the basis of statistical results, we conclude that Pakistan's comparative advantage lie in Pakistan's largest export sector-textile. Textile sector group exports earning grew at 12.89%. To find factor intensity, we use data from CMI (1995-96) and employed Leontief and Kruger's methodologies.

We calculate capital-labor ratio separately for export and import industries .On the assumption that higher the total value added per employee, the higher is the capital intensity; Pakistan's comparative advantage should lie in those sectors where value added per employee is low. As capital-labor ratio is higher in import substitute industries, the comparative advantage for Pakistan lies in export sector.

On the basis of statistical result, we find that Pakistan exports are more labor intensive than imports. Although labor intensity has decreased over the years .On the basis of statistical results, we conclude that Pakistan's export are consistent with H-O and there is no "Leontief Paradox."