The Heckscher-Ohlin Model of International Trade

The story so far ...

1. **The Gravity Model**

2. **The Ricardian Model**

   Driving force behind trade: comparative advantage; *i.e.* differences in technology (labor productivity).

   Focus: gains from trade; distributional problems ignored.

3. **The Specific Factors Model**

   Driving force behind trade: difference in technology and/or factor abundance.

   Focus: distributional issues, gains from trade.

4. **The Heckscher-Ohlin Model**

   Driving force behind trade: the only driving force behind trade is differences in resources. "Resources" can be defined as: labor, labor skills, physical capital, land or other factors of production. [*e.g.*, Canada exports forest products, Saudi Arabia oil, and the U.S. skill-intensive products such as software]

   Focus: income distribution still an issue even though both factors are used in both sectors, patterns of trade