

ABSTRACT

Abstract of thesis entitled Import Price Uncertainty, Production Decisions and Relative Factor Shares in Korea. Submitted by LI DA (M-A5-6812-1) for the degree of Master of Economics at the University of Macau in July 2007.

This study attempts to fill the gap in literatures in analyzing the uncertainty of import price and demand for imports in Korea. Based on seminal works on import price uncertainty by Appelbaum and Kohli (1997) and on import demand determination by Truett L. and Truett D. (1998), this study applied their theoretical model to analyze the effects of import price uncertainty and demand for imports.

The empirical study of Allen-Uzawa elasticities of substitution reveals the substitution relationship between capital, labor and imports which is consistent with the findings by Truett L. and Truett D. (1998). On the other hand, by using Translog production function, the empirical study also reveals that the import price uncertainty does not affect the demand for imports and subsequently the economic growth. We also find that capital and imports are weakly complementary while labor and imports are weakly substitutable. Thus, reduce of import restrictions will have negative effect on labor demand with (or without) import price uncertainty.