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TITLE: THE BIAS IN MEASURING VERTICAL SPECIALIZATION

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ABSTRACT:

Most of China's exports are processing exports, which largely depend on imported intermediate inputs. Measuring-within an input-output framework-vertical specialization as the import content of the exports, one would expect to find strong vertical specialization for China. Using the ordinary input-output table, however, this is not the case. Because the production of processing exports is only a small part of total production, the average input structure in the input-output table hides the typical features of processing exports. Adapting the input-output table so as to single out the processing exports, indeed reveals the expected strong vertical specialization in China.