

The Bias in measuring the industrial linkage between China and the rest of World

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It is well known that China's export depended on the import intermediated input by processing trade. So the traditional measurement of industrial linkage will overestimate the role and influence of China in the world's production network. This paper aims to investigate the industrial linkage between China and the rest of world by using input-output analysis. Data of WIOT from the period 2001-2011 is used to analyze the change of international industrial linkage. Two different results of measurement are compared which shows that both the backward linkage and forward linkage between China and the rest of world are overestimated. Taking China as exogenous, this study further explores its economic effects on other countries, including production-inducing, supply-shortage, and price effects.