

## RESEARCH PROJECTS 2013

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### **Project Title**

Relatedness between Industries and Industrial Relocation: Evidence from Chinese Firms

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### **Abstract**

We aim to investigate how the network of relatedness between industries has affected the process of industrial upgrading and relocation in China during the period of 1998-2009. While factor prices have surely played an important role in this process, it is expected that the structure of the network of relatedness between industries is also important in determining the magnitude and order of industrial relocation and upgrading, which has not been studied in the previous literature. Using firm-level manufacturing data, we construct several measures of industry relatedness based on the coagglomeration pattern of industries across different regions in China. We expect to find that regions are more likely to gain (and less likely to lose) comparative advantage in industries that are closely related to those that they already have comparative advantage in.

