

Measuring the Level of Participation and Position of Chinese Regions in Global Value Chains

Topic: Why Do Regions Matter? Recent Developments in Interregional I-O Analyses I

Author: Bo MENG

Co-Authors: Robert B Koopman, Zhi Wang

Global Value Chains (GVCs) are supported not only directly by domestic regions that export goods and services to the world market, but also indirectly by other domestic regions that provide parts, components, and intermediate services to final exporting regions. In order to better understand the nature and significance of a country in GVCs, we need to fully examine the role of individual domestic regions. Understanding the domestic components of GVCs is especially important for large developing countries like China, where there are large variations in economic scale and development stage between domestic regions. This paper aims to provide better understanding on the level of participation and position of Chinese regions in GVCs. To this end, we apply the KWW's decomposition method to a newly developed transnational and interregional framework in which China's 2007 interregional input-output table is endogenously embedded in the World Input-Output Table. The empirical results show that Chinese domestic regions take part in GVCs by different routes. China Coast has relatively high presence in GVCs through value added export, but this value added export is mainly achieved through the domestic segment of GVCs. China's inland regions, however, export value added mainly through the international segment of GVCs. This finding indicates that although separate domestic regions may be at different development stages, they can still join GVCs by employing their comparative advantages and specializing in different fragmented production processes.