

Domestic Content of China's Exports and its Contributing Factors: a Structural Decomposition Analysis

Topic: International Trade II

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Abstract: Processing trade account for a very large share of China's total exports. In production of processing exports, more imported intermediate inputs are used, which imply that measuring domestic content in China's exports is more complicated. Based on the extended non-competitive input-occupancy-output model that captures processing trade, which proposal by Chen etl (2012), we calculate domestic content of China's exports in 2002, 2007 and 2010, and the ratio of domestic content of exports to GDP in those years. The results show that domestic content of China's exports had risen significantly but the domestic content share of processing exports was much lower than normal exports. However, the domestic content share of processing exports rose rapidly than normal exports, because the proportion of domestic intermediate inputs in producing processing exports has been on the rise. The rise in domestic content in China's exports is mainly attributable to the expansion of total exports volume in 2002-2007. As the growth of China's exports dropped in 2007-2010, the contribution of domestic content share increased.

Keywords: Processing exports; Extended non-competitive input-occupancy-output model that captures processing trade; Domestic content in exports; Structural decomposition analysis