

Global Value Chains and Region Economy within China

Topic: Regional input-output modeling IV

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Opening up the market has played a very important role in the growth of China's economy. The accession to the WTO accelerated the integration of Chinese economy into the global economy and accelerated China's participation in global value chains (GVCs). However China has more than 30 provinces and autonomous regions and some provinces are even bigger than European countries. Most of foreign trade are concentrated the coastal areas due to geographical conditions and convenient infrastructure. However, the central and western provinces are rich in resources and serve the coastal regions with natural resource and raw materials, which will become intermediate input of export in coastal provinces. Provincial trade hierarchies and specialization enhance the inter-provincial economic linkage. In other words, inland provinces also participate global value chains via inter-provincial trade. It is important to understand how global value chains work within one China, how they affect regional economic performance within China. To answer these questions, this paper collects regional input-output tables within China. In addition, multiregional input-output model is linked with global input-output model. Based on this integrated input-output models, this paper will calculate how much regional value added is created from GVC trade. International studies shows a positive correlation between participation in GVCs and GDP per capita growth rates. This paper will explore whether this works within China. According to the empirical result, the paper will investigate how policy can help regions derive benefits from their participation in global value chains.