

Making Room for China: a Global Value Chain Approach

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Emerging economies increasingly take part in global production chains, from textiles to chemicals, cars and in particular electrical equipment. This has pervasive consequences for the distribution of wages and profits within and across countries. So far, global value chain analysis has mainly been based on case-studies of products. While this provided deeper insight into the mechanisms at work, it misses out on the broader implications for redistribution of value added around the world, for example between low- and high-skilled workers. In this paper we rely on a new database that combines national input-output tables, international trade statistics and data on employment, wages, skill premia and profits at the industry-level to analyse global value chains at the industry level. This World Input-Output Database database (WIOD) contains 41 countries, 34 industries and 58 products. It allows one to track the direct and indirect contributions of labour and capital worldwide to final output of a particular industry. We provide new evidence on the changes in global value chains for various manufacturing industries since 1995. In particular, we will focus on the increasing part of global value added captures by China. A decomposition will be made providing novel insights into the contributions of changes in wages and employment of various types of workers, profit rates and productivity in each country to these global shifts.