

China's Regional Economies and Domestic Trade in Value Added: An Interregional Input-Output Analysis

Topic: Compilation and use of the BRICs International Input-Output Table

Author: Bo Meng

Co-Authors: Jiemin Guo, Yaxiong Zhang

The value chain describes the full range of activities by companies or firms to bring a product from its conception to its end use and beyond. In recent years, studies on the impact of value chains have been mostly focused on international transactions, namely Global Value Chains (GVCs), as we experience the rapid spread of globalization through increasing international trade, investment, and flow of resources over the past decades. For example, in an attempt to understand China's role in global value chains, the case study of Apple's i-pod production has been widely quoted. Namely, China's value added gain in i-pod's supply chain is no more than 2%. However, little attention was paid on the impact of domestic value chain (DVC) on economy, and its interaction with global value chain. Some studies show that when considering the Chinese economy as a whole in global value chains, the domestic value added embodied in China's exports is close to 80%. This fact attracts us to investigating how Chinese value added is created and distributed not only internationally but also domestically. Given the increasing complexity of China's domestic production networks, this paper focuses on the measure of domestic value chains across regions and its linkages with global market. Using China's 1997 and 2007 interregional Input-Output tables, the detailed structure change of domestic trade in value added, the position and participation degree of different regions in domestic value chains are measured and analyzed. It is expected that, based on our measurements, the regional economic performance and policy orientation are discussed at detailed industrial level provided by the input-output tables.