The change of Domestic Value-added in China's Exports: A Structural Decomposition Analysis Approach

Topic: The Value of Trade
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China's exports can be divided into three different kinds of trade: processing trade, normal trade of goods and normal trade of services. Based on China's non-competitive input-output table captures processing trade, we calculate domestic value-added in exports in 2002, 2007 and 2010. We then use the structural decomposition analysis to discuss six factors which could be the driving forces of the change of domestic value-added in exports under the three kinds of trade in period 2002-2007 and 2007-2010. The results show that six driving forces have different effects on the DVA of exports. Normal trade is the dominated contributor of the increasing the DVA in China's exports. The increase of DVA generated by exports is mainly due to the expansion of export volume. In the long run, the effective way to increase DVA of exports is to expand the fabrication effects.