

Research on China's domestic and international markets from the regional perspectives

Topic: Regional Input-Output Economics - I

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Abstract: Since the reform and opening up, China's economy has developed rapidly by integrating into the international market characterized by the specialization of global value chain. The domestic market contributes significantly to its economic growth. However, as a result of the change of the international environment and the transformation of the domestic development stage, many new features, trends and challenges have emerged in the domestic and international markets. It is necessary to further stimulate the potentiality and vitality of the domestic market and strengthen the mutual promotion of the domestic and international markets. So it is important to systematically analyze the performances, changes and economic impact of domestic and international markets over long periods.

Based on the inter-regional input-output model the paper proposed a method to decompose the regional(provincial) output into four parts according to the different sources of demand. The first part is "intra-provincial", which is used to satisfy its own demand. The second part is "inter-provincial", which is to meet the demand from the other provinces in China. The third part is "direct-abroad", which is exported directly to meet the abroad demand. The last part is "indirect-abroad", which is provided for other provinces to product and finally export to satisfy the abroad demand indirectly. The domestic market demand includes intra-provincial and inter-provincial, and the latter two parts are international market demand. Subsequently, we analyzed and explained the performance of international and domestic markets from the regional perspectives. The study contributes to a better understanding the impact of dual markets and their interactions. The data we used was China inter-provincial input-output table for multiple years (1987-2017) compiled by the Development Research Center of the State Council. The database is based on the Provincial Input-Output Tables published every five years by China's National Bureau of Statistics. It is the latest, comprehensive, and in-depth China inter-provincial input-output database.

First, the analysis indicated that although the proportion of intra-provincial in national output continued to decline in general, from 63% in 1987 to 49% in 2017, it still had a significant impact on the economy. The provinces with high intra-provincial proportion are primarily found in areas with sizable population and complete economic structure. Second, thanks to the improvement of domestic infrastructure and deepening the specialization among the provincial production, the share of inter-provincial has increased from 25% in 1987 to 36% in 2017. Its role has become increasingly prominent. Additionally, the provinces with high inter-provincial proportion are spread out geographically, more provinces can get benefits from it. Third, the proportion of international market demand has gradually increased from 1987 to 2007. After the international financial crisis in 2008, the influence of the international market on the economy has waned. The overall proportion of international market demand decreased from 23% in 2007 to 18% in 2012 and 15% in 2017 respectively. But the international market is still an indispensable driving force of China's provincial economy. Particularly, the economic benefits of international markets are relatively concentrated in the south and eastern coastal areas. Fourth, the upward trend of indirect-abroad shows that the domestic market and the international market are increasingly inseparable. The share of processing trade is gradually decreasing, while cross-border production is rising. In order to increase economic potential and achieve high-quality development, regions should further specialize through their comparative advantages and strengthen the connection between domestic and international

markets.