How does Chinese provinces participate in the global production networks?

Topic:
Author: Yibing ZHANG
Co-Authors: Chen Pan, Shantong LI, Jianwu HE

China has a large territory and provinces with different resource endowments and development foundations. When exploring the economic characteristics of China, it is essential not only to conduct a nationwide analysis but also to delve into a provincial-level examination. This paper, adopting the most up-to-date inter-country input-output table embedded with Chinese provinces of the year 2017, breaks down the participation of Chinese provinces in the global production networks into four components following the value-added decomposition method: the non-trade value-added, value-added in the traditional trade, value-added in the simple value chains, and those in the complex value chains. Based on the decomposition, the primary modes of the provincesâ€™ participation and pathways in the global production networks are investigated.
The results show that Chinese regions are highly involved in value chain activities, with smaller shares of non-trade value-added compared to other economies, especially the provinces with stronger industrial base and more developed productive service sectors, showing a more pronounced role in value chain activities. The complex value chain activities tend to be more domestically and regionally, with domestic activities having greater impacts on provincial economies than the foreign ones. The European Union, the United States, and the ASEAN are the key â€œorganizersâ€• for Chinese provincesâ€™ participation in the global value chains, while Guangdong and provinces at the Yangtze River Delta play crucial roles in â€œorganizingâ€• provincesâ€™ participation in the domestic value chains. In addition, the construction sector drives the regional economies mainly via the non-trade pathways. The labor-intensive and technology-intensive sectors are dominant in the traditional trade, while the capital-intensive sectors are the key drivers in both the simple and complex value chains.