

# Change of National Content in China's Exports

Yuwan Duan<sup>1,2</sup>, Erik Dietzenbacher<sup>1</sup>, Bart Los<sup>1</sup>, Cuihong Yang<sup>2</sup>

1.University of Groningen

2.Chinese Academy of Sciences

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## Background

- China: the world factory
  - 10% in global trade in 2011
- Before exports, Import first
  - high share of processing exports.



- low VAS, but increase rapidly
- China is climbing the Global Value Chain
- Value added, boundary concept, not ownership.
- Value added  $\neq$  gains obtained by Chinese people

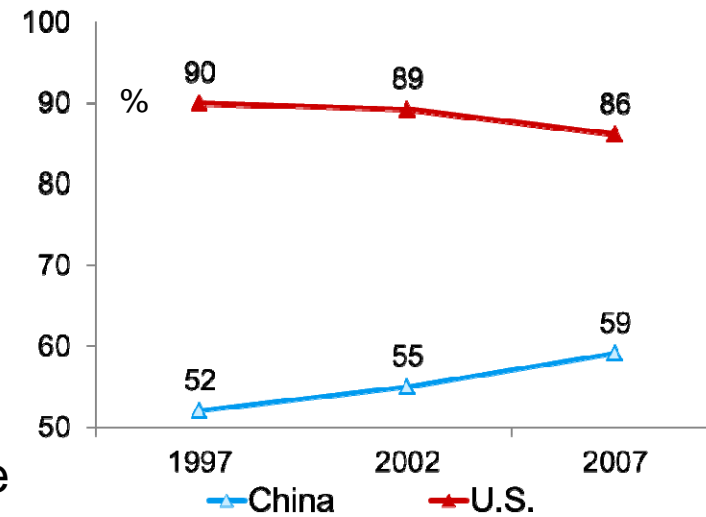


Fig 1 VAS in exports

Sources: Chen et al (2012), Dean et al (2013), BEA

- second largest FDI recipient since 1993
- high dependence of exports on FDI
  - 75 % is foreign capital in FIEs, 2007
  - more than half of China's exports by FIEs
- considerable value added belong to foreign areas
- how gains of Chinese people Change?

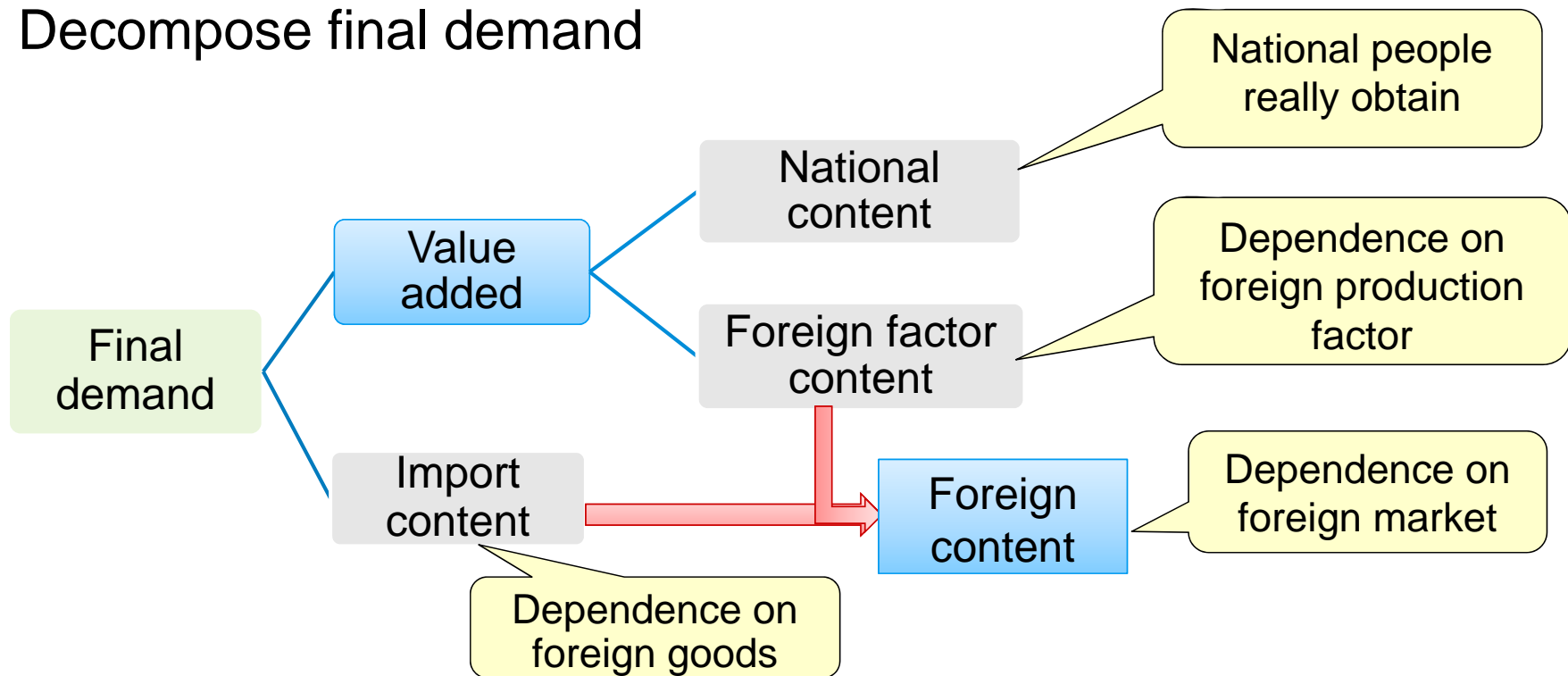
- Method: Input output model

		Intermediate use	Final use		Output
			DFD	EX	
Domestic intermediate input		$\mathbf{z}^D$	$\mathbf{y}$	$\mathbf{e}$	$\mathbf{x}$
Imports		$\mathbf{z}^M$			
Value added	NI	$\mathbf{v}^n$			
	FI	$\mathbf{v}^f$			
input		$\mathbf{x}'$			

Owned by Chinese people

Owned by foreign people

## Decompose final demand



- applicable to international IO model
- extend 'Global Value Chain' to 'Global Income Chain'

GVC: where the income located

GIC: which country own the income

## ➤ Results and implications

### Total exports

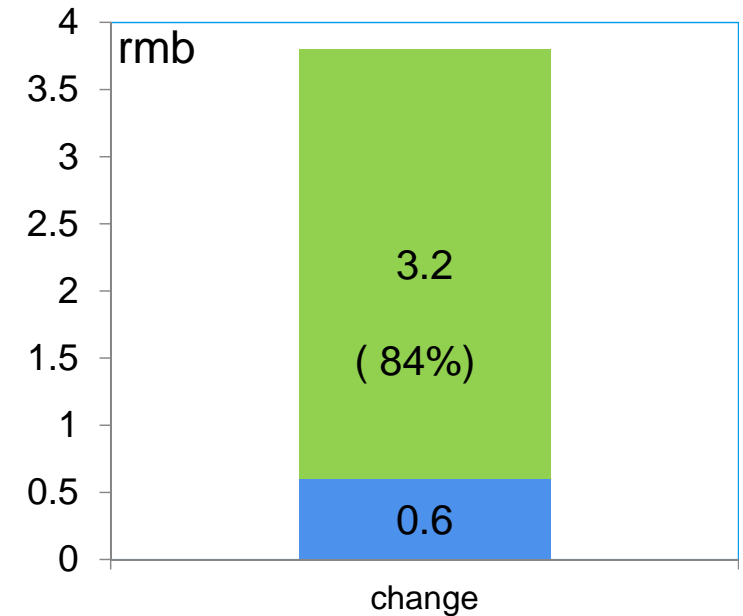
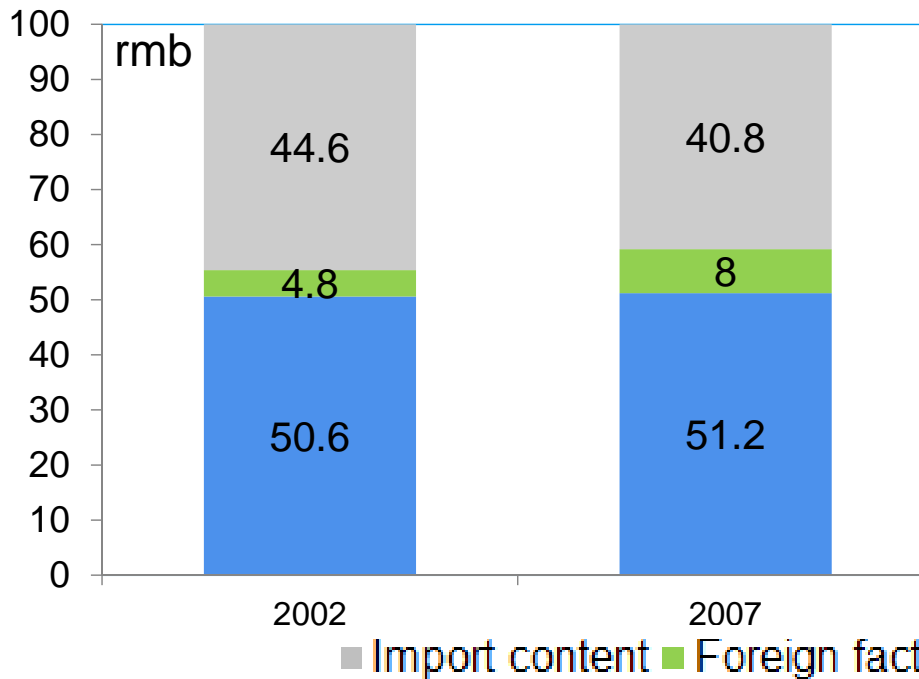


Fig 3, Factor content in 100 rmb exports

Fig 4, change in value added in 100 rmb exports

- 84% of increment ascribed to foreign factor content.

- foreign dependence, total exports

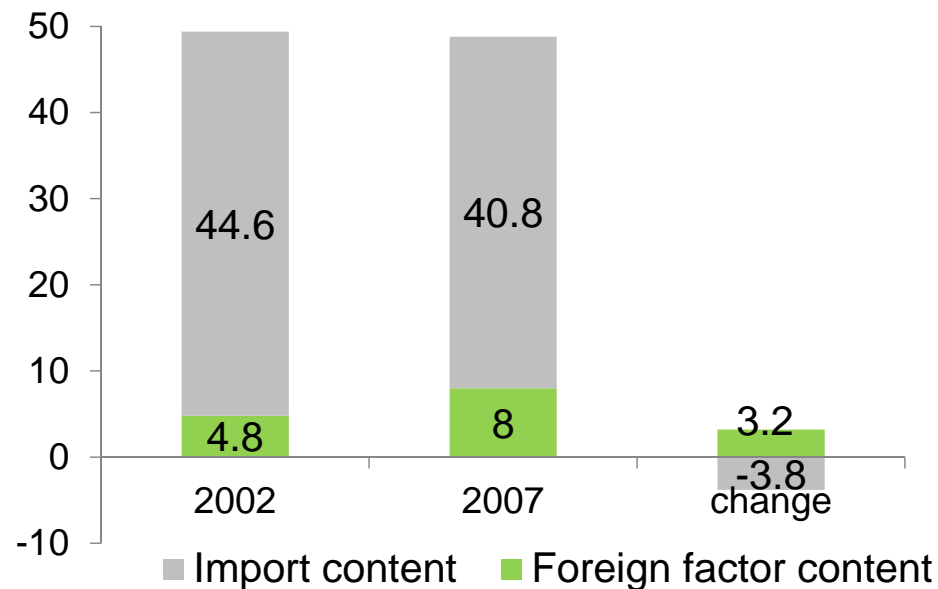


Fig 5, factor content in 100 rmb exports

- Increase of foreign factor contents offset decrease of import content
- China's exports still high depend on foreign markets, shift from foreign goods (imports) to foreign production factor (capital)



## ➤ Conclusions

- a new analysis framework: dividing value added by ownership.  
“value chain” to “income chain”
- value added in Chinese exports rose rapidly, national income increased little.
- increment of value added mainly ascribed to foreign income.
- exports still have high dependence on foreign markets, shifted from foreign goods to foreign capital

Thanks for your attention  
Questions and comments?

Email: [y.duan@rug.nl](mailto:y.duan@rug.nl)