

# Change of National Content in China's Exports

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**Abstract:** Along with the deepening of global integration, production factors, especially capital, flow across borders more freely. Especially for China, the large flow of inward foreign investment is a typical characteristic of its economy. Accordingly, China's exports not only relies heavily on imports (as a large body of literature has already revealed), but also highly depends on the foreign-owned capital. In this way, value added generated by China's exports may include lots of gains from foreign-owned production factors, which are created in China but not owned by Chinese people. In contrast with the existed literature, which only emphasizes on value added, this paper will focus on the national income generated by China's exports and its change over time, by using China's national input-output tables which distinguish processing exports from other production. Besides, to provide more comprehensive insight on the change pattern of the benefits China gets from the global value chain, some decompositions will be further conducted. The paper finds that, the benefits foreign investors get from China's exports experienced a great increase over time. From 2002 to 2007, about 84% of total increment of China's value added in exports is ascribed to the increase of foreign investors' profits, while only 16% is due to the increase of China's national content in exports.