

Vertical specialization of China's supply chains

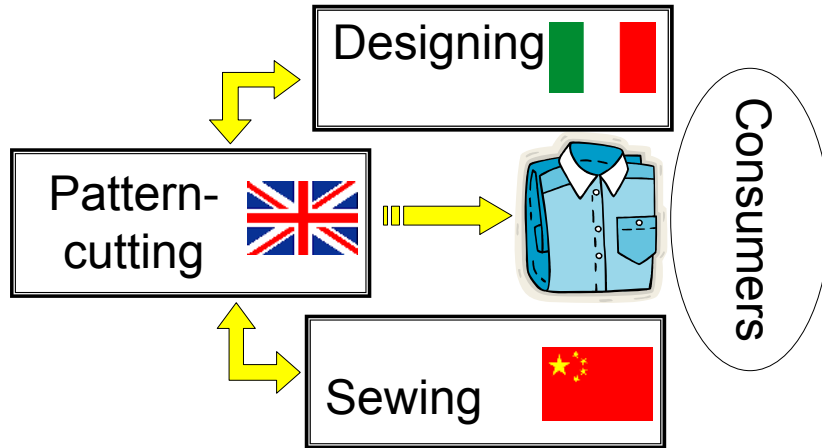
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Fragmentation: A definition

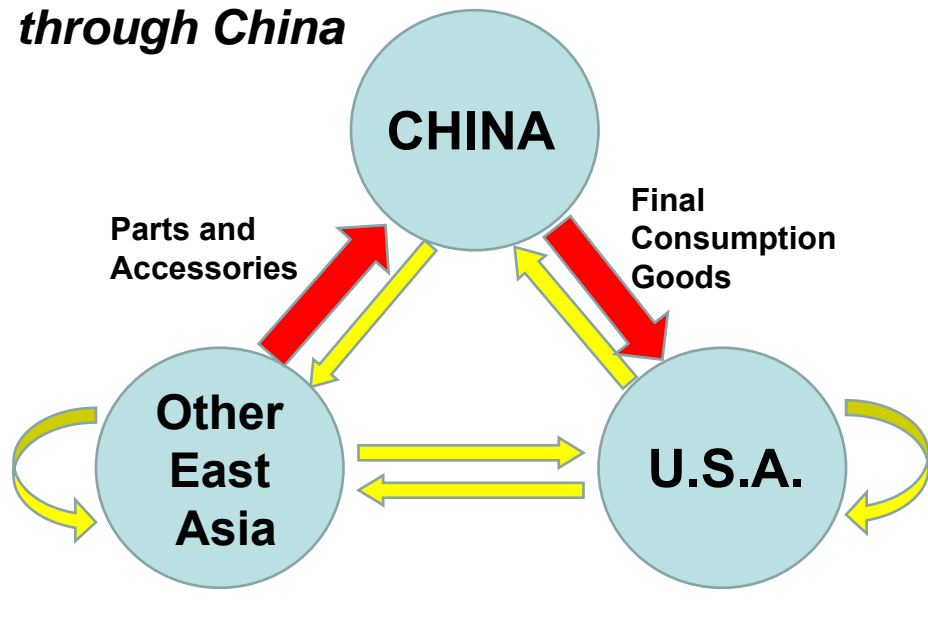
Deardorff (1998)

The splitting of a production process into two or more steps that can be undertaken in different locations but that lead to the same final product.

International fragmentation of tailoring process



Tri-polar Trade through China



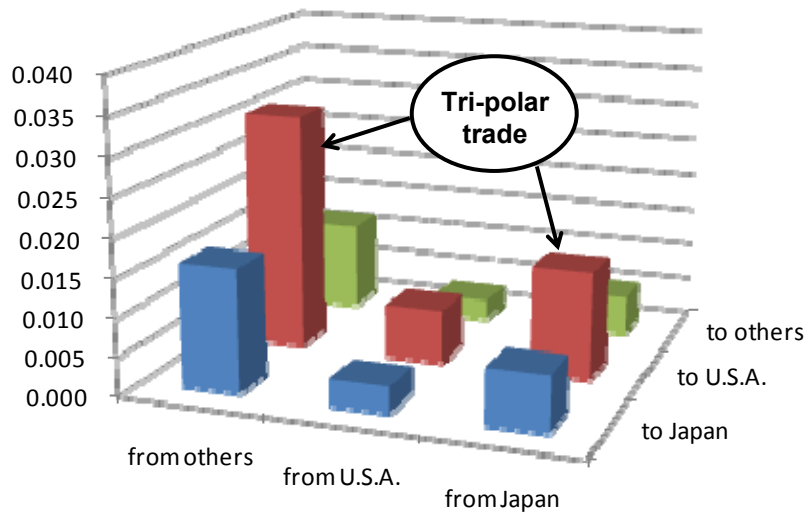
Vertical Specialization (VS)

Hummels, Ishii & Yi (2001)

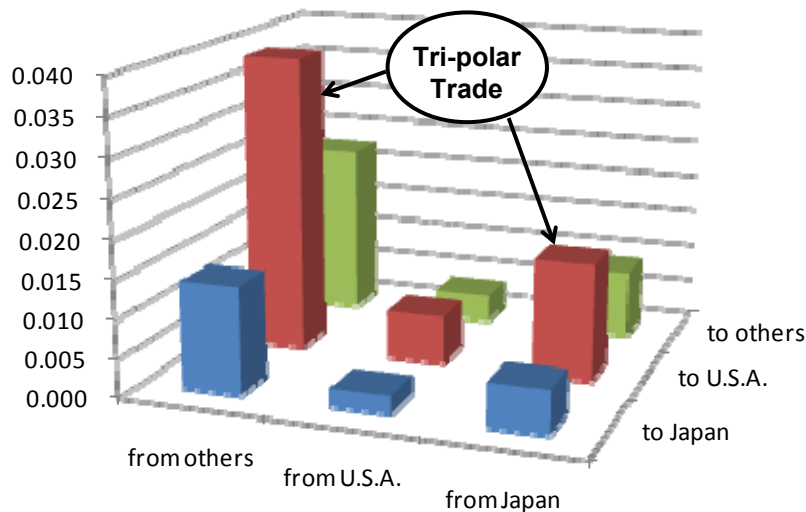
$$VS_i = (\text{Imported input coefficients}) \times (\text{Export value of good } i)$$

→ **Degree of participation in vertical production networks**

Geographical decomposition of China's VS index: 2000

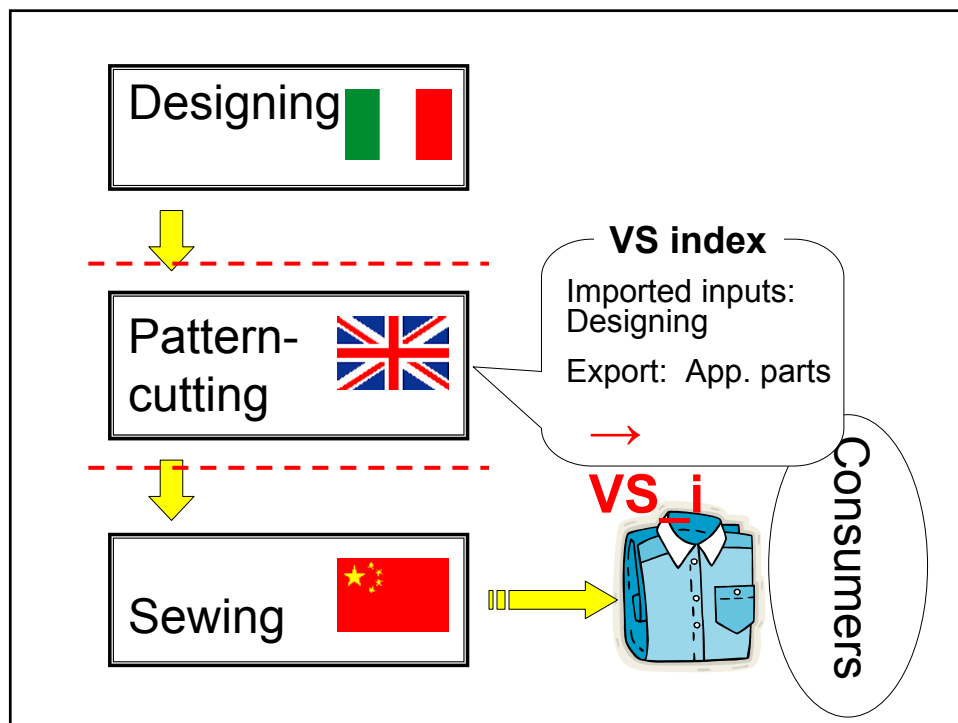


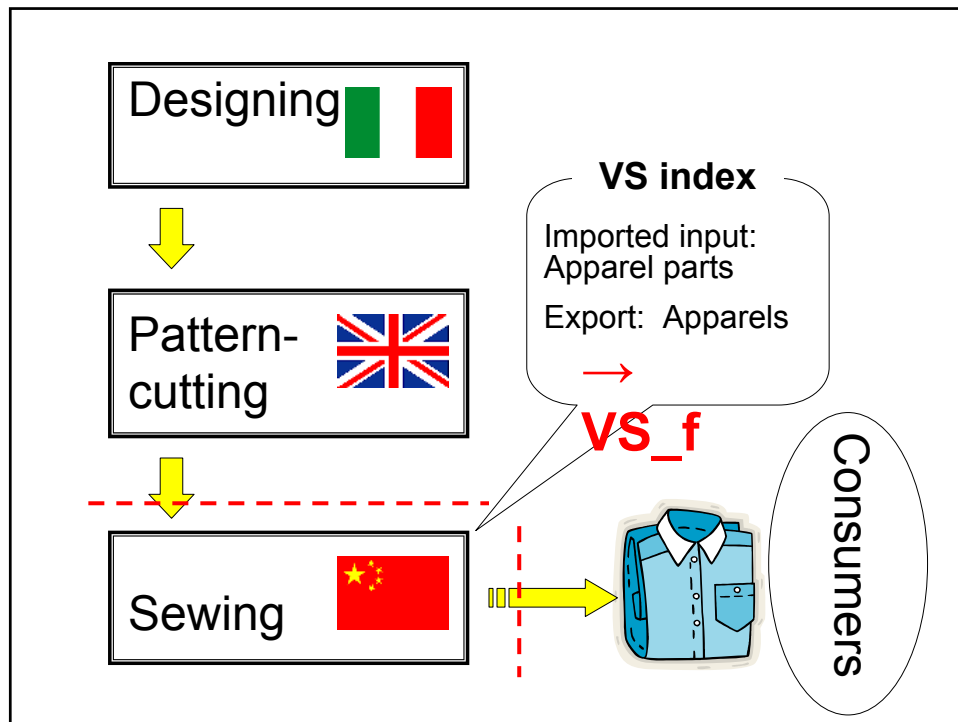
Geographical decomposition of China's VS index: 2008



VS_i : the VS index of exports for **intermediate usage in foreign countries**, which shows the level of participation in the production of parts and components.

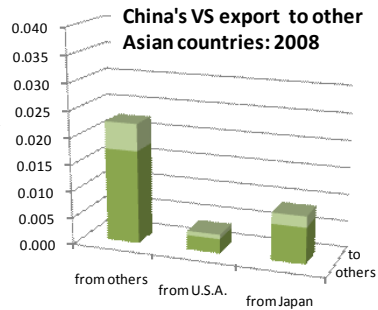
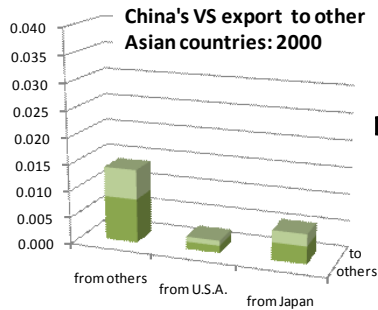
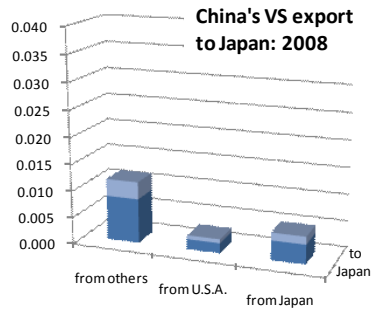
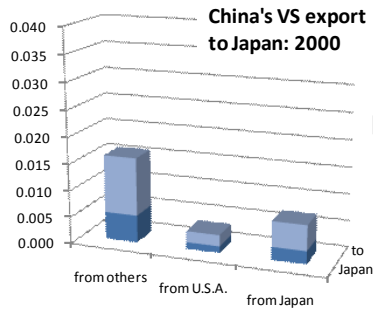
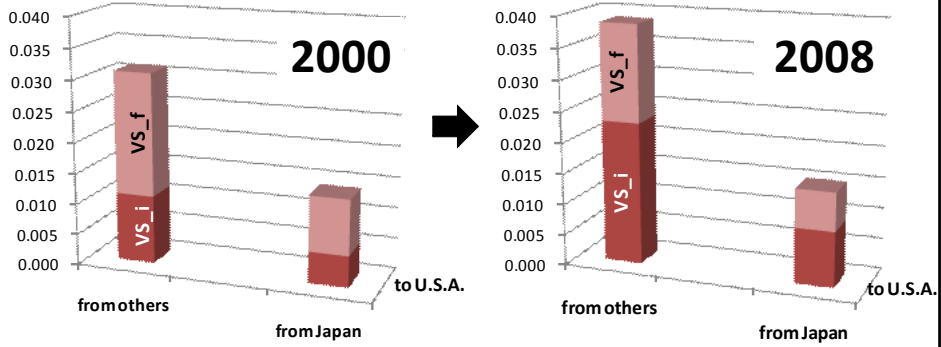
VS_f : the VS index of exports for **overseas final consumption**, which indicates the degree of engagement in the final assembly process.



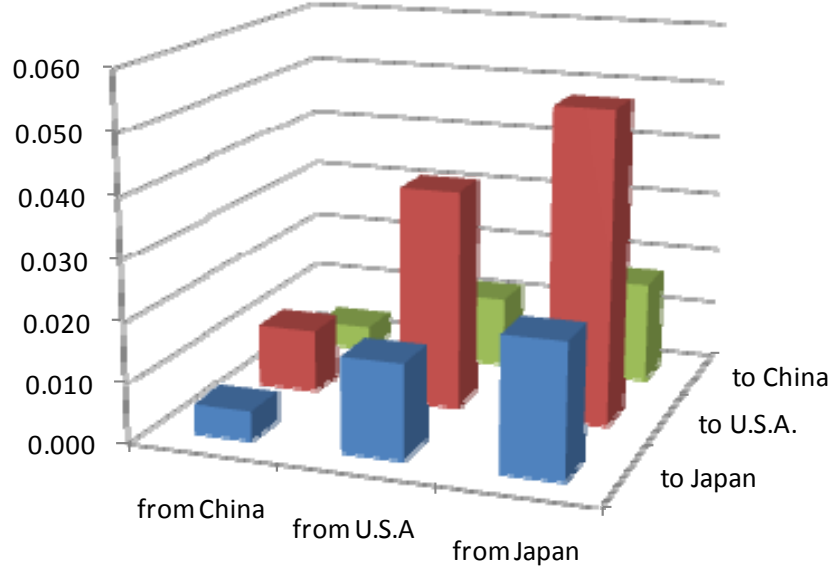


By comparing the values of VS_i and VS_f ,
the technological development
of the countries can be profiled.

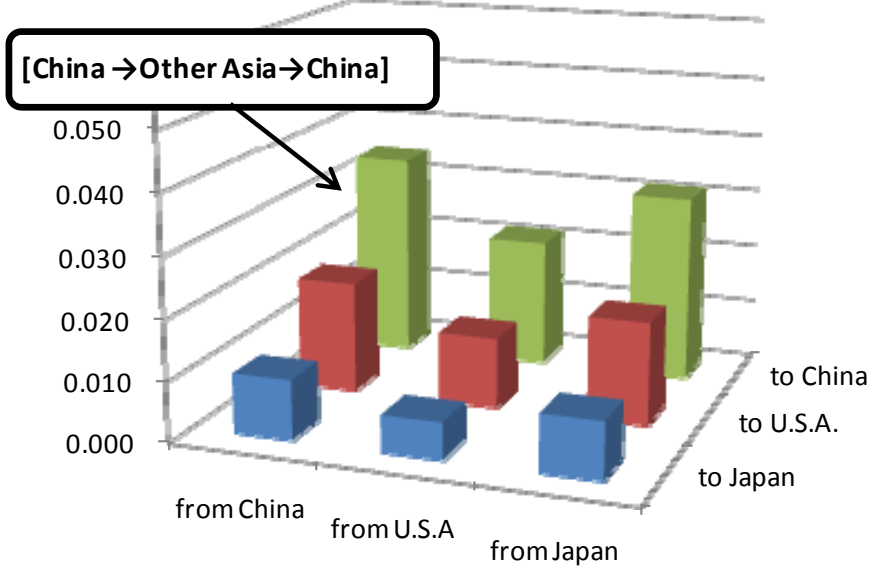
Tri-polar Trade through China

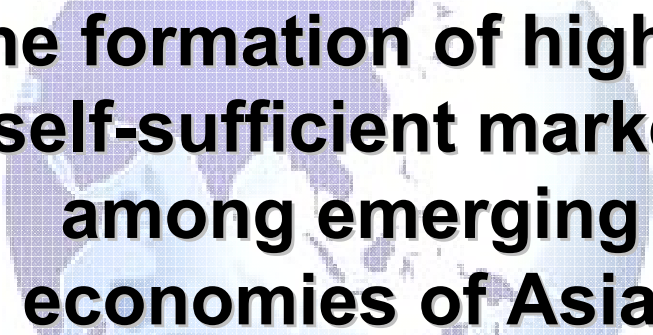


Geographical decomposition of Other Asian Countries' VS index: 2000



Geographical decomposition of Other Asian Countries' VS index: 2008





**The formation of highly
self-sufficient market
among emerging
economies of Asia.**



Thank you !!