Role in Global Value Chains and Firm Survival: Empirical Evidence from China

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Abstract: The fragmentation of production in the global value chain (GVC) has become an important trend of international trade, and trading firms have been involved in a competitive global market. We use matched firm-level manufacturing survey and customs data to examine how Chinese firm’s positioning in the GVC affects the probability of firm and trade survival. The results show that a more upstream positioning of both firm’s export and import in the GVC is beneficial to the firm’s survival in the market, with the impact being attenuated for firms with larger scales. The subsequent estimation on the effect of the GVC upstreamness on the probability of trade survival shows that firms with higher upstreamness in the GVC can more easily continue the current trade activity compared to firms located in less upstream positionings. These results show that not only the participation in the GVC is an important determinant of firm performance, but the positioning in the GVC also matters.

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