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

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Abstract
The rising fragmentation of production in the global value chain (GVC) has been a key trend in international trade and the division of labor in the GVC has been gradually replacing the traditional form of division of labor. We use matched firm-level customs and manufacturing survey data for China to examine how Chinese firm’s positioning in the GVC affects their productivity and probability of survival over the firm lifecycle. The results show that a more upstream positioning of both firm’s export and import in the GVC is beneficial to the firm’s productivity, with the impact being attenuated for firms with larger scales. The subsequent estimation on the effect of the GVC upstreamness on the probability of survival shows that firms with higher upstreamness in the GVC will face a lower risk of bankruptcy compared to firms located in less upstream positionings. This positive impact on the probability of survival is even larger for more productive firms. These results show that not only the participation in the GVC is an important determinant of firm performance, the role in the GVC also matters.

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