Do Chinaâ€™s state-owned enterprises promote their suppliersâ€™ participation in global value chains?

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Chinaâ€™s state-owned enterprises (SOEs), which maintain close ties with private business, play an important role in facilitating the effective connection between domestic and global value chains. However, how SOEs affect the participation of their suppliers in global value chains (GVCs) has not been sufficiently investigated. This study departs from previous work by investigating the impact of SOEs as customers on their suppliersâ€™ participation in GVCs utilizing an unbalanced panel data, which involves 6011 samples from 1341 A-share listed firms in China during the period of 2008 to 2016. The panel data is based on matched dataset sourced from China Stock Market & Accounting Research Database (CSMAR) and Chinese Customs Database, along with the data of top five customers disclosed in listed firmsâ€™ annual reports which are manually collected from enterprise credit websites. The results indicate that SOEs significantly contributes to their suppliersâ€™ participation in GVCs, of which the underlying causes are the stability and leadership of SOEs in supply chain partnerships. In addition, we find that both the degree of resource misallocation and the cost of supply-demand coordination have a negative moderating effect. Through suppliersâ€™ heterogeneity analysis, it is found that the promotion effect of SOEs is especially noticeable when their suppliers are in a competitive market or serve cross-industry enterprises, while less noticeable when their suppliers also serve micro and small-sized enterprises or innovative enterprises. Furthermore, deploying the GVC position index to examine the impact of SOEs on their suppliersâ€™ position in GVCs, we find that SOEs help enhance GVCs position which their suppliers locate in. The studyâ€™s findings highlight the leading and facilitating role of SOEs in promoting their suppliersâ€™ participation in GVCs, and offer insightful implications for policies to balance security and openness.