

How can PFTZs affect firms'GVC positions through supply chains?

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Pilot free trade zones (PFTZs) is a national strategy for China's high-quality opening up. This paper analyzes the spillover effect of PFTZs on GVC positions through supply chains in China using a panel of 839 A-share listed firms from 2008 to 2016. The results show that: (1) PFTZs positively affect both upstream and downstream firms in their production line positions; (2) PFTZs improve the positions of upstream and downstream firms in GVCs by boosting productivity and overseas market performance, while also positively influencing FDI inflows to the local market; (3) The spillovers of PFTZs on upstream and downstream differ with firms' ownership, market share and location. Based on these findings, this paper advocates for a stronger focus on supply chain spillovers, including the channels and varied effects across customers, suppliers, and regions.