

**Abstract:** In the Mexican textile/apparel exports to the US in 2000s, we found both exporters and importers concentrate more than 80% of product-level trade volume on transaction with a single partner firm. Motivated by this new finding, we develop a one-to-one matching model of exporters and importers where the complementarity/substitutability of firm capability (productivity/quality) within matches determines the sign of sorting in matching. Facing an exogenous increase in Chinese exporters to the US at the end of the multi-fiber arrangement in 2005, Mexican exporters and US importers changed their main partners in a systematic way supporting for complementarity driven positive assortative matching but not for negative assortative matching or random matching. Our finding provides the first evidence that trade liberalization causes within industry reallocation through additional channel, improving matching of firms along global supply chains. We also theoretically demonstrate a possibility of biases in a conventional productivity measure under positive and negative assortative matching.