Table 1: VAT export tax and firm's quality upgrading, characteristics of the destination countries, products, and cities

	Dependent variable: Product quality (city/product/trade regime/year)					
	LDC	DC	Homogeneous	Heterogeneous	Small	Large
	(1)	(2)	(3)	(4)	(5)	(6)
Ln VAT rebate$_{k,t-1}$ × Regime^R	−0.288	0.299***	−0.096	0.286***	0.249**	0.313**
	(0.235)	(0.094)	(0.401)	(0.099)	(0.104)	(0.143)
Ln VAT import tax,$_{k,t-1}$ × Regime^R	−0.185	−0.125***	0.013	−0.126**	0.063	−0.153***
	(0.113)	(0.048)	(0.138)	(0.050)	(0.099)	(0.051)
lag foreign export share$^R_{ck,t-1}$	0.044*	0.038***	0.085***	0.037***	0.046***	0.032***
	(0.023)	(0.009)	(0.026)	(0.009)	(0.012)	(0.013)
lag SOE export share$^R_{ck,t-1}$	0.096***	0.126***	0.147***	0.124***	0.132***	0.099***
	(0.025)	(0.009)	(0.031)	(0.009)	(0.009)	(0.014)
City-product-regime	Yes	Yes	Yes	Yes	Yes	Yes
Product-year	Yes	Yes	Yes	Yes	Yes	Yes
Destination-year	Yes	Yes	Yes	Yes	Yes	Yes
Observations	510,872	5,233,172	257,349	5,486,695	2,916,095	2,827,949
R^2	0.504	0.271	0.309	0.268	0.307	0.243

This table estimates eq(3). LDC and DC are defined according to the World Bank country classification. Homogeneous and heterogeneous goods are defined according to the official list of goods's classification, Rauch (1999). Small and large are computed based on the total quantity exported by city-HS4. When oto total export by city-HS4 above the city average, then the pair city-industry is considered as large. Note that 'Eligible' refers to the regime entitle to VAT refund, our treatment group. Our control group is processing trade with supplied input, 'Non-Eligible' to VAT refund. Sectors are defined following the Chinese 4-digit GB/T industry classification and regroup several products. Heteroskedasticity-robust standard errors clustered at the product level appear inparentheses. * Significance at the 10%, ** Significance at the 5%, *** Significance at the 1%.