Table 1: VAT export tax and product's quality upgrading, baseline regression - covariates

	Dependent variable: Product quality (city/product/trade regime/year)			
	Eligible	Non-Eligible	All	All benchmark
	(1)	(2)	(3)	(4)
Ln VAT export $\text{tax}_{k,t-1}$	-0.269^{***}	-0.087	-0.118^{*}	
	(0.048)	(0.064)	(0.061)	
Ln VAT import $\text{tax}_{k,t-1}$	0.011	-0.112	-0.074	
	(0.043)	(0.092)	(0.082)	
lag foreign export share^{R}_{ckr}	0.023^{**}	0.027	0.025^{**}	0.020^{**}
	(0.011)	(0.020)	(0.010)	(0.009)
lag SOE export share^{R}_{ckr}	0.056^{***}	-0.024	0.041^{***}	0.038^{***}
	(0.010)	(0.022)	(0.009)	(0.009)
Ln VAT export $\text{tax}_{k,t-1} \times \text{Eligible}^{R}$			-0.153^{**}	-0.151^{*}
			(0.072)	(0.085)
Ln VAT import $\text{tax}_{k,t-1} \times \text{Eligible}^{R}$			0.085	0.057
			(0.087)	(0.105)
City-product fixed effects	Yes	Yes	No	No
City-sector-year fixed effects	Yes	Yes	No	No
Product-destination fixed effect	Yes	Yes	Yes	No
City-product-regime fixed effects	No	No	Yes	Yes
City-sector-regime-year fixed effects	No	No	Yes	Yes
product-year fixed effects	No	No	No	Yes
Observations	4,921,987	910,958	5,832,945	5,832,945
R^2	0.441	0.639	0.453	0.321

This table estimates eq(3). 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 industryclassification and regroup several products.Heteroskedasticity-robust standard errorsclustered at the product level appear inparentheses.* Significance at the 10%, ** Significance at the 5%, *** Significance at the 1%.