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)	(5)	(6)	(7)	(8)
Ln VAT export tax$_{k,t-1}$	−0.265***	−0.088	−0.117*		−0.278***	−0.123	−0.117	
	(0.048)	(0.064)	(0.061)		(0.058)	(0.105)	(0.076)	
Ln VAT import tax$_{k,t-1}$	0.009	−0.109	−0.071		0.024	−0.045	−0.011	
	(0.043)	(0.092)	(0.082)		(0.048)	(0.073)	(0.072)	
lag foreign export share$_{ckjr}^{R}$	0.140***	0.051***	0.141***	0.392***	0.080***	0.037	0.055***	0.049***
	(0.012)	(0.016)	(0.011)	(0.031)	(0.011)	(0.024)	(0.009)	(0.008)
lag SOE export share$_{ckjr}^{R}$	0.433***	0.302***	0.440***	0.572***	0.257***	0.155***	0.285***	0.286***
	(0.019)	(0.016)	(0.018)	(0.022)	(0.013)	(0.013)	(0.013)	(0.013)
Ln VAT export tax$_{k,t-1}$ × Eligible^{R}			−0.149**	−0.151*			−0.167*	−0.184*
			(0.072)	(0.084)			(0.090)	(0.103)
Ln VAT import tax$_{k,t-1}$ × Eligible^{R}			0.079	0.058			0.038	−0.025
			(0.087)	(0.104)			(0.076)	(0.086)
City-product fixed effects	Yes	Yes	No	No	Yes	Yes	No	No
City-sector-year fixed effects	Yes	Yes	No	No	Yes	Yes	No	No
Product-destination fixed effect	Yes	Yes	Yes	No	Yes	Yes	Yes	No
City-product-regime fixed effects	No	No	Yes	Yes	No	No	Yes	Yes
City-sector-regime-year fixed effects	No	No	Yes	Yes	No	No	Yes	Yes
Product-year fixed effects	No	No	No	Yes	No	No	No	Yes
City-product-destination fixed effects	No	No	No	No	Yes	Yes	Yes	Yes
Observations	4,921,349	910,944	5,832,293	5,832,293	4,921,349	910,944	5,832,293	5,832,293
R²	0.442	0.640	0.454	0.324	0.770	0.885	0.752	0.757

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%.