

Table 1: VAT export tax and firm's quality upgrading, characteristics of sensible sectors

	Dependent variable: Product quality (city/product/trade regime/year)				
	No rare-earth	No energy intensive	No high tech	No RD oriented	No high skilled oriented
	(1)	(2)	(3)	(4)	(5)
lag foreign export share $_{ckr}^R$	0.020** (0.009)	0.024* (0.012)	0.021** (0.009)	0.019** (0.009)	0.020** (0.009)
lag SOE export share $_{ckr}^R$	0.038*** (0.009)	0.041*** (0.012)	0.038*** (0.009)	0.038*** (0.009)	0.038*** (0.009)
Ln VAT export tax $_{k,t-1} \times \text{Eligible}^R$	-0.150* (0.086)	-0.172* (0.093)	-0.163* (0.085)	-0.148* (0.085)	-0.151* (0.085)
Ln VAT import tax $_{k,t-1} \times \text{Eligible}^R$	0.057 (0.105)	0.149 (0.106)	0.034 (0.105)	0.063 (0.105)	0.057 (0.105)
City-product-regime fixed effects	Yes	Yes	Yes	Yes	Yes
City-sector-regime-year fixed effects	Yes	Yes	Yes	Yes	Yes
product-year fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	5,827,366	4,162,528	5,780,615	5,693,323	5,832,345
R ²	0.321	0.324	0.321	0.318	0.321

This table estimates eq(3). 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 in parentheses. * Significance at the 10%, ** Significance at the 5%, *** Significance at the 1%.