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$^R_{ckr}$	0.020**	0.024*	0.021**	0.019**	0.020**
	(0.009)	(0.012)	(0.009)	(0.009)	(0.009)
lag SOE export share$^R_{ckr}$	0.038***	0.041***	0.038***	0.038***	0.038***
	(0.009)	(0.012)	(0.009)	(0.009)	(0.009)
Ln VAT export tax$_{k,t-1}$ × Eligible^R	−0.150*	−0.172*	−0.163*	−0.148*	−0.151*
	(0.086)	(0.093)	(0.085)	(0.085)	(0.085)
Ln VAT import tax$_{k,t-1}$ × Eligible^R	0.057	0.149	0.034	0.063	0.057
	(0.105)	(0.106)	(0.105)	(0.105)	(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 inparentheses. * Significance at the 10%, ** Significance at the 5%, *** Significance at the 1%.