

An effective industrial policy tool in China: discrimination in VAT refunds to exporters

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Focus on research

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Our study shows that China's export value-added tax (VAT) rebate system is a major industrial policy that affects its exports. We use export data at the HS6-product level for a panel of 329 Chinese cities over the 2003-12 period to assess how changes in the export VAT tax have affected China's export performance. We consider different trade margins in terms of volumes, prices, and the number of countries served. To counter endogeneity, we exploit variations in the expected impact of the export VAT rebates by trade regime, which come from an eligibility rule disqualifying certain export flows from the rebates. Our results suggest that a 1% decline in the export VAT tax leads to a 7.2% relative increase in eligible export values at the city level. This effect is due to an adjustment of quantities and the number of foreign markets served while the average unit values of exports remain unchanged.

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Référence

J. Gourdon, L. Hering, S. Monjon, S. Poncet (2021) "[Estimating the Repercussions from China's Export VAT Rebate Policy](https://onlinelibrary.wiley.com/doi/abs/10.1111/sjoe.12453)(<https://onlinelibrary.wiley.com/doi/abs/10.1111/sjoe.12453>)", *Scandinavian Journal of Economics* - Première mise en ligne le 28 juin 2021

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