

# The Real Effects of Administrative Disclosure on Cross-Border Trade

Guoman She (National University of Singapore)

Ricky Xu Yao (The University of Hong Kong)

Le Zhao (Nankai University)

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# Motivation: Information & Trade

- **Information friction** represents a fundamental challenge to cross-border trade (Rauch 1999; Chaney 2018)



## Motivation: Information & Trade

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- **Information friction** represents a fundamental challenge to cross-border trade (Rauch 1999; Chaney 2018)
- Governments have established Export Promotion Agencies and Trade Fairs to address this (Lederman, Olarreaga, and Payton 2010)
  - **Face-to-face private interactions with limited reach**



## Motivation: The Role of Disclosure

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- Public disclosure offers a scalable approach to bridge information frictions (Stiglitz 1986)
- Limited effectiveness of financial disclosure
  - Many small businesses and entities (96% of our sample exporters) lack publicly accessible financial information
  - High costs to prepare and audit statements (Breuer 2021)
  - Disclosures often reveal proprietary information (Bernard, Kaya, and Wertz 2021; Glaeser and Omartian 2022)
- Potential alternative: [Government disclosure of administrative data](#)

## Research Question

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- Governments routinely collect vast administrative data
  - Tax filings, regulatory inspections, compliance audits
  - Originally for enforcement purposes
- What if this data were made public?
  - Provides publicly accessible information about firms' regulatory compliance, transactional reliability, and financial record-keeping quality
- Can government disclosure of administrative data alleviate information frictions in international trade?

## Institutional Background

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- We examine 2015 disclosure of taxpayer compliance ratings in China
- **Before 2014:** Fragmented, local systems
  - Each local tax authority operated its own “honor roll”
  - No uniform standards, limited visibility beyond local areas
- **2014:** State Taxation Administration creates unified national system
- **April 2015:** [Nationwide public disclosure](#) of top-rated (“A-type”) on STA’s centralized online platform
  - Notably, non-A-type ratings (e.g., types B, C, D) are not disclosed
  - Updated annually

# Institutional Background, Con't

- Our Question: Do A-type firms' exports change following the disclosure?

The screenshot shows the official website of the State Taxation Administration (国家税务总局). The page is titled 'Class A taxpayers List' (纳税信用A级纳税人名单公布栏) and 'Public List of A-Level Tax Credit Taxpayers' (纳税信用A级纳税人名单公布栏). The page includes a search bar, navigation tabs for English and Trad, and a list of tax services. The 'Class A taxpayers List' is highlighted with a red box. Below the navigation, there is a search form with fields for '纳税人识别号' (Taxpayer ID), '纳税人名称' (Taxpayer Name), '评价年度' (Evaluation Year), and '请输入验证码' (Please enter the verification code). The search results are displayed in a table with columns for '纳税人识别号(统一社会信用代码)' (Taxpayer ID (Unified Social Credit Code)), '纳税人名称' (Taxpayer Name), '评价年度' (Evaluation Year), and '主管税务机关' (Main Tax Authority).

纳税人识别号(统一社会信用代码)	纳税人名称	评价年度	主管税务机关
91310104133732133Q	上海航天动力科技工程有限公司	2014	国家税务总局上海市徐汇区税务局
913100007405515675	上海市电力(集团)有限公司	2014	国家税务总局上海市闵行区税务局
91310114662491742G	上海康程建设工程材料有限公司	2014	国家税务总局上海市嘉定区税务局
91310115607413696X	上海拜上百福贸易有限公司	2014	国家税务总局上海市浦东新区税务局
91310105132902364G	上海康量体育发展中心	2014	国家税务总局上海市虹口区税务局
913101096887176748	上海梦福物流有限公司	2014	国家税务总局上海市虹口区税务局
91310115577499176J	上海有心企业发展有限公司	2014	国家税务总局上海市浦东新区税务局
	上海锡福天有限公司	2014	国家税务总局上海市浦东新区税务局
91310112832479931M	上海中业康善实业发展有限公司	2014	国家税务总局上海市闵行区税务局
913100007340827540	萨凡诺国际贸易(上海)有限公司	2014	国家税务总局上海市浦东新区税务局
91310112672680678U	上海欧创实业有限公司	2014	国家税务总局上海市闵行区税务局
91310109133140955G	上海家私销售有限公司	2014	国家税务总局上海市虹口区税务局
9131011063039506XC	上海明乐食品有限公司	2014	国家税务总局上海市浦东新区税务局
91310115580628629T	上海智发环保工程有限公司	2014	国家税务总局上海市浦东新区税务局
91310113133443035Y	上海丹月服装有限公司	2014	国家税务总局上海市金山区税务局

## Why Disclosure May Help A-type Firms' Export?

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- Cross-border transaction advisors (CJO Global; GWBMA) recommend A-type rating as a **screening tool**
  - Especially valuable when credible financial statement is unavailable
  - Use it to “triangulate credibility” of potential suppliers



### Financial Statement in China: Why It's Missing from Company Verification Reports – A Comprehensive Guide



## Why Disclosure May Help A-type Firms' Export? Con't

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- Under China's VAT system, tax compliance  $\neq$  just paying taxes
  - Creates a **verifiable paper trail** of all business transactions
  - Incentivizes meticulous record-keeping to claim VAT credits
- The A-type assessment is **comprehensive (90+ indicators)**:
  - Tax filings timely and accurate?
  - Books properly maintained?
  - Reports consistent with third-party data?
  - Cooperative with audits? No fraudulent behavior?
- A rating signals **low contractual risk** assured by the government
  - **Financially sound** and well-managed
  - Operating **legitimately** with **trustworthy records**
  - Analogous to financial statements providing auditor-assured information

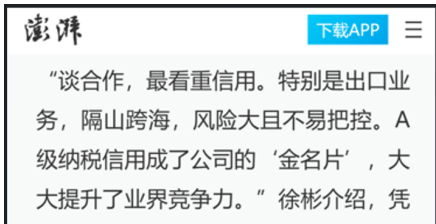
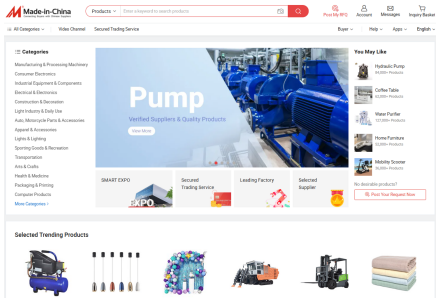
## Why Disclosure May Help A-type Firms' Export? Con't

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# Anecdotal Evidence

- Chinese exporters prominently display A-type status on B2B platforms
- **Yuanhe Fine Chemicals** (chemical manufacturer):
  - Regards A-type designation as a “golden business card”
  - Helping it expand into **21 countries** & Nearly **doubled export contracts**
- **Quectel** (telecom firm):
  - Notes designation **boosts credibility** in winning large bids
  - Helps secure business with foreign firms



## Why Disclosure May Not Help?

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- Government signal heavy government oversight
  - Could increase compliance costs and production costs
- Information **too aggregated to be useful**
  - Just a binary indicator
- Therefore, it is an empirical question of whether A-type firms' export benefit from the disclosure of tax compliance rating

## Overview of The Paper

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- China's 2015 disclosure of A-type taxpayers led to:
  - 7.43% increase in exports for recognized firms
- Supporting the information channel, stronger effects for
  - Lack of private communication channel
  - Lack of public financial statement
  - Low (perceived) financial statement credibility
- More stable trade relationship and improved trade efficiency for foreign buyers

## Empirical Design

- **Data sources:**
  - Transaction-level export records from Chinese customs filings
  - Proprietary administrative data with financial information
- **Panel structure:** Firm-destination-year over 2012-2017
- **Research design:** Difference-in-differences (DID)
- **Identification challenges:**
  - Pre-reform rating information unavailable
  - Cannot perfectly identify pre-reform A-type firms
- **Treated firms:** Those classified as A-type in 2015
  - Assumption: These firms likely would have been top-rated pre-reform
  - We use various approaches to address this assumption

## Design (difference-in-differences)

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- Firm ( $i$ ) - Export Destination Country ( $d$ ) - Year ( $t$ ) Panel over 2012-2018

$$Export_{i,d,t} = \beta_0 + \beta_1 Treat_i \times Post_t + Controls_{i,t} + v_{i,d} + \tau_t + e_{i,d,t}$$

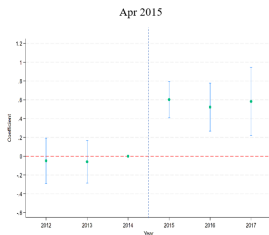
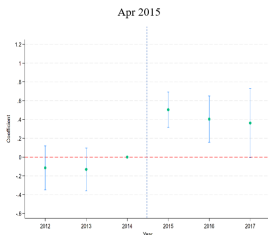
- $DV$ : Export from firm  $i$  to destination  $d$  in year  $t$ , divided by firm sales
- $Treat$ : An indicator for firms receiving A-type rating in April 2015
- $Post$ : An indicator for period from 2015 onward
- $Controls$ : Size, Leverage, Cash, ROS
- Firm-Jurisdiction + Year FE, Std. Err. clustered by firm

Baseline Effects

## Baseline Effects on Export Growth

- Nationwide disclosure of A-type status leads to **7.43% increase in exports** for firms with A-type recognition

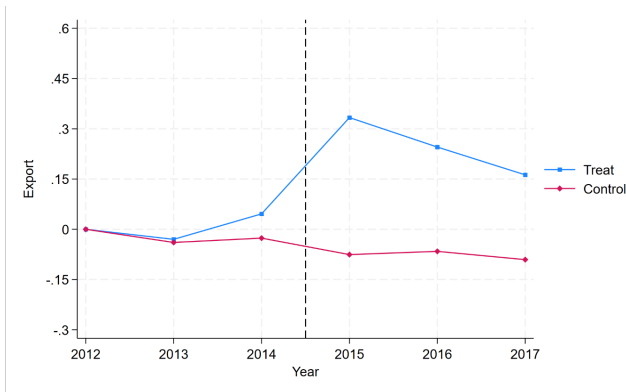
Dependent Variable	Export	Export
Treat $\times$ Post	0.501*** (5.33)	0.527*** (6.34)
Control	No	Yes
Firm-Jurisdiction, Year FE	Yes	Yes
Observations	2,471,341	2,471,341
Adjusted R2	0.746	0.758



## Identification Assumption 1: SUTVA / Spillover

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- **SUTVA:** Risk of overestimation if non-A firms experience substantial order declines
- Results are mainly driven by export expansion of A-type firms



## Identification Assumption 2: Fundamental Changes?

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- **Change in firm fundamentals:** Firms experience abrupt performance improvement tend to obtain A rating
- We consider three alternative treatment definitions:
  - A-type firms predicted to received A rating based on 2013 data
  - Remove firms with large growth in assets, liabilities, and tax payments
  - Matching Approach

Dependent Variable	(1) Export	(2) Export	(3) Export
Treat×Post	0.725*** (8.35)	0.502*** (2.95)	0.401*** (4.86)
Controls	Yes	Yes	Yes
Firm-Jurisdiction FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	2,107,779	1,526,543	1,714,359
Adjusted R2	0.759	0.756	0.775

## Identification Assumption 3: Confounding Events?

- Inclusion of extensive fixed effects:
  - Jurisdiction-year FE: new trade agreement with China
  - Industry-year FE: productivity shock, e.g., EV industry
  - Province-year FE: export credit
- Remove countries affected by China's 2015 Belt and Road Initiative

Dependent Variable	(1) Export	(2) Export	(3) Export	(4) Export	(5) Export
Treat × Post	0.510*** (5.85)	0.463*** (5.83)	0.466*** (5.62)	0.393*** (4.73)	0.609*** (7.02)
Controls	Yes	Yes	Yes	Yes	Yes
Firm-Jurisdiction FE	Yes	Yes	Yes	Yes	Yes
Province-Year FE	Yes	No	No	Yes	No
Industry-Year FE	No	Yes	No	Yes	No
Jurisdiction-Year FE	No	No	Yes	Yes	No
Year FE	No	No	No	No	Yes
Observations	2,471,341	2,471,317	2,471,341	2,471,317	1,599,629
Adjusted R2	0.759	0.759	0.759	0.760	0.776

## The Informtional Channel

## Cross-Sectional Tests: The Informtional Role

1. Lack reputational capital for **credible private communication**
  - o Small, Young Firms
2. Lack public **financial statements**
  - o Private Firms
3. Low (perceived) **financial reporting credibility**
  - o Regions with high prevalence of accounting frauds

<i>Dep. Var. =</i>	%Automation Disclosure	
	Low	High
<b>A: Reputation Capital</b>		
<i>Treat</i> × <i>Post</i> × <i>Small</i>	0.399** (2.42)	
<i>Treat</i> × <i>Post</i> × <i>Young</i>		0.347** (2.06)
<b>B: Availability of Credible Financial Disclosure</b>		
<i>Treat</i> × <i>Post</i> × <i>Private</i>	0.956** (2.13)	
<i>Treat</i> × <i>Post</i> × <i>High Restate</i>		0.636*** (3.72)

## Extensive vs. Intensive Margin

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- Analysis at Chinese Supplier - U.S. Customer - Year Panel
  - Based on U.S. customs data, with identifiable supplies and buyers
- Slightly stronger effect at extensive margin
  - 7.8% increase in likelihood of forming new partnerships
  - 5.2% increase in likelihood of trade expansion

Dependent Variable Sample	(1) Container Full	(2) I(New Supplier) Full	(3) I(Increase Purchase) Existing Supplier
Treat×Post	0.075*** (2.64)	0.075** (2.48)	0.051* (1.73)
Firm-Customer & Year FE	Yes	Yes	Yes
Observations	477,210	352,942	310,671
Pseudo R2	0.631	0.012	0.107

Alternative Channel: Government Privileges?

## Alternative Channel: Government Privileges

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- Alternative: Improvement in firm fundamentals due to administrative privileges (e.g., tax refund, government credit)
  - But, high-compliant firms enjoy local privileges both before and after the disclosure
- Additional analyses:
  - Heterogeneity in [government connection](#)
  - Within firm-year variation based on [customers' information access](#)

## Test 1: Government Connections

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- Using state ownership as proxy for government connections
- If privileges mechanism:
  - Effects should be weaker for SOEs (already have government access)
- No evidence that effects weakened by government connections

Dependent Variable	(1) Export
Treat×Post	0.526*** (6.56)
Treat×Post×SOE	-0.153 (-0.18)
Firm-Jurisdiction FE	Yes
Year FE	Yes
Observations	2,471,341
Adjusted R2	0.758

## Test 2: Destination Market Characteristics

- Include **exporter-year fixed effects** to absorb firm-level changes
  - Examine within-firm-year variation across destination markets
- Stronger export growth to destinations:
  - **Without free trade agreement** with China: lack government-maintained information exchange platforms
  - With **smaller ethnic Chinese population**: higher information frictions
- Results reinforces information asymmetry interpretation

Dependent Variable	(1) Export	(2) Export
Treat×Post×No FTA	0.147** (2.23)	
Treat×Post×Weak Ethnic Network		0.147** (2.29)
Post×Partition Var.	Yes	Yes
Firm-Jurisdiction FE	Yes	Yes
Firm-Year FE	Yes	Yes
Observations	2,471,341	2,471,341
Adjusted R2	0.878	0.878

## Trade Efficiency Effects

## Does Disclosure Improve Trade Efficiency?

- Focus on U.S. firms relying on Chinese exporters
- DID with a continuous treatment

$$Outcome_{i,t} = \beta China\ Exposure_i \times Post_t + \Gamma X_{i,t-1} + v_i + \tau_t + e_{i,t}$$

- *China Exposure*: the fraction of imports from China in pre-period
- **Post-disclosure outcomes:**
  - Fewer relationship terminations, Lower SG&A expenses, and Higher inventory turnover

Dependent Variable	(1) Termination Risk	(2) SG&A	(3) Inventory Turnover
China Exposure × Post	-0.009*** (-5.54)	-0.006*** (-2.75)	0.666*** (3.00)
Customer Controls	No	Yes	Yes
Customer FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	1,910,410	27,360	27,360
Adjusted R2	0.304	0.934	0.952

## Conclusion

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- Government disclosure of administrative data can alleviate information frictions in international trade
- China's 2015 disclosure of A-type taxpayers led to:
  - 7.43% increase in exports for recognized firms
  - Stronger effects for small, young firms
  - Stronger for private firms and in regions with high financial irregularities
- Results cannot be attributable to confounding events or government favoritism
- Improved trade efficiency for foreign buyers

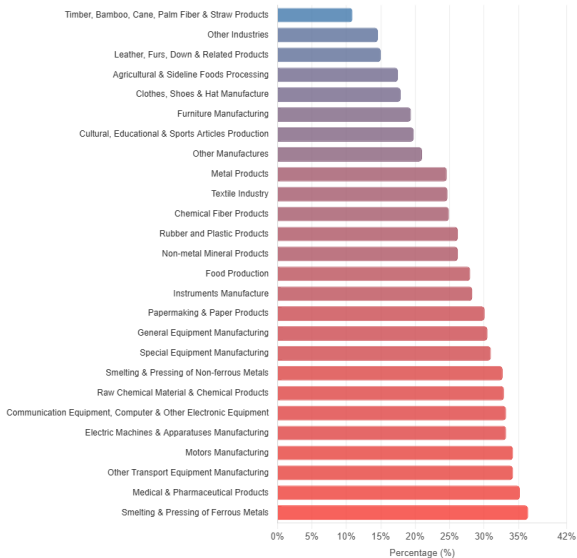
- Real effects of information disclosure
  - **Traditional approach:** Mandatory financial disclosure (Leuz and Wysocki 2016)
  - **This Paper:** Government-administered disclosure as complement to financial reporting without revealing sensitive information
  - Particularly relevant for SMEs lacking resources for extensive financial disclosures
- Tax-related disclosure
  - Respond to calls for research in the real effects of tax-related disclosure (Jacob 2021; Hoopes, Robinson, and Slemrod 2024; Lester and Olbert 2025)
  - Hanlon, Hoopes, and Shackelford (2025) find limited evidence on consumer response to tax shaming disclosure
  - We find a strong positive supply chain response to tax honoring disclosure

Thank You!

## Appendix

# Distribution across Industries

Share of firms classified as Type A within each manufacturing/industry sector



## Distribution across Provinces

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Province	Full sample Unique Firms	Treat=1	
		Unique Firms	Percentage (%)
Anhui	2,140	370	17.3
Beijing	3,135	878	28.0
Chongqing	901	140	15.5
Fujian	5,134	1,023	19.9
Gansu	200	21	10.5
Guangdong	16,999	5,452	32.1
Guangxi	1,112	111	10.0
Guizhou	133	21	15.8
Hainan	166	5	3.0
Hebei	4,355	165	3.8
Heilongjiang	629	72	11.4
Henan	2,186	529	24.2
Hubei	1,415	213	15.1
Hunan	1,144	103	9.0
Inner Mongolia	362	16	4.4
Jiangsu	13,840	4,670	33.7
Jiangxi	1,183	178	15.0
Jilin	655	22	3.4
Liaoning	4,616	355	7.7
Ningxia	144	28	19.4
Qinghai	48	0	0.0
Shaanxi	705	171	24.3
Shandong	11,666	2,184	18.7
Shanghai	8,635	1,752	20.3
Shanxi	509	43	8.4
Sichuan	932	329	35.3
Tianjin	1,899	1,069	56.3
Tibet	9	1	11.1
Yunnan	503	37	7.4
Zhejiang	12,983	3,185	24.5

## Summary Statistics

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Variable	N	Mean	SD	P25	P50	P75
Export	2,471,341	7.089	20.193	0.134	0.704	3.448
Container	477,216	2.645	8.885	0	0	1
Treat	2,471,341	0.335	0.472	0	0	1
Post	2,471,341	0.406	0.491	0	0	1
Age	2,471,341	12.002	6.263	8	11	16
Private	2,471,341	0.960	0.195	1	1	1
No FTA	2,471,341	0.761	0.426	1	1	1
Weak Ethnic Network	2,471,341	0.760	0.427	1	1	1
Size	2,471,341	18.496	1.957	17.173	18.458	19.786
Leverage	2,471,341	0.618	0.292	0.406	0.640	0.838
Cash	2,471,341	0.150	0.152	0.042	0.099	0.205
ROS	2,471,341	0.151	0.116	0.069	0.128	0.203

## Who Got A Rating?

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- A-type Firms tend to be larger, more profitable, and have a high tax rate
- Stickiness: A-type firms are 64% more likely to receive A rating next year
- Low  $R^2$  (13.3%), & these financial data are not publicly available
  - Foreign buyers cannot readily predict A-type recognition

Dependent Variable	A-Type Firm	A-Type Firm
Size	0.041*** (5.62)	0.026*** (5.69)
Leverage	-0.032** (-2.45)	-0.015* (-1.85)
Cash	0.075*** (3.23)	0.060*** (5.55)
ROS	0.237*** (5.55)	0.143*** (6.74)
Tangibility	-0.062** (-2.57)	-0.041* (-2.04)
ETR	1.015*** (7.16)	0.486*** (5.93)
Employee	0.036*** (4.01)	0.022*** (3.39)
Lagged A-Type Firm		0.636*** (15.70)
Sample Period	2015	2015-2017
Adjusted R2	0.133	0.351

## Robustness Checks

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- Alternative fixed effects
  - Jurisdiction-Year, Industry-Year, Province-Year
- Alternative clustering
  - Exporter Province, Firm-Jurisdiction, Jurisdiction-Year
- Matching approach
  - Size, Leverage, Cash, ROS, Tangibility, ETR, Employee
- Alternative export measures
  - Log Export, Export/Asset
- Stacked DID approach
  - Treated: Firms newly added to the A-type list each year