RIETI Discussion Paper Series 25-E-117

Responses of Australian Importers to the 2018-2019 US-China Trade War: Decoupling from China?

YAMASHITA, Nobuaki
Aoyama Gakuin University / Australian National University / Swinburne University of Technology

ARMSTRONG, Shiro
RIETI

The Research Institute of Economy, Trade and Industry
https://www.rieti.go.jp/en/

RIETI Discussion Paper Series 25-E-117

December 2025

Responses of Australian importers to the 2018-2019 US-China trade war: Decoupling from China?[1]

Nobuaki YAMASHITA
Aoyama Gakuin University
Australian National University
Swinburne University of Technology

Shiro ARMSTRONG
Australian National University
Research Institute of Economy, Trade and Industry

Abstract

Using comprehensive trade transaction and firm-level data from 2015-2023, we examine how Australian firms adjusted import patterns following the US-China trade war. Our method compares firms with high versus low exposure to products subject to Trump tariffs in 2018-2019, measured by their pre-war import patterns. We find that highly exposed Australian firms increased their import dependency on Chinese goods in subsequent years. This suggests the US-China trade war paradoxically reinforced rather than reduced Australia's reliance on Chinese imports, contrary to expectations of supply chain diversification amid deteriorating geopolitics. A trade war unleashed by the Trump administration, intended, in part, to diminish China's global trade position and encourage US allies to diversify their economic relationships away from China, may have had the paradoxical and unintentional effect of deepening Australia's reliance on Chinese imports.

Keywords: US-China trade war, Trump tariffs, Australia, Sourcing, Trade transaction data

JEL classification: F1, F60, F23, D22

[1] The draft of this paper was presented at the DP seminar of the Research Institute of Economy, Trade and Industry (RIETI). I would like to thank participants of the RIETI DP Seminar for their helpful comments. The authors are grateful to Jane Golley, Peter Drysdale, Jason Tabarias and seminar attendees at The Australian National University for their comments and suggestions. We also thank Alyssa Yuan for her outstanding research assistant. This research was supported by the Australian Research Council National Intelligence and Security Discovery Research Grant, Project NS220100052. The first author also acknowledges funding support by JSPS KAKENHI Grant Number JP24K00256 as well as Aoyama Gakuin University Research Institute.

1. Introduction

The rise of China as a dominant force in global trade has reshaped international production networks in the past two decades. China's integration into global value chains (GVCs) has been pivotal and dynamic, making China a key manufacturing hub for global scale assembly operations and associated trade in intermediate inputs. However, the US-China trade war, initiated in 2018, disrupted the course of trade flows and challenged the resilience of China-centred GVCs (Alfaro and Chor, 2023; Fajgelbaum et al., 2024). Australia, heavily reliant on trade with China, provides a compelling case study to examine the indirect effects of this trade war. Especially, Australian imports from China are concentrated in manufactured goods, which were also the primary target of the 2018-2019 US tariffs unleashed by the first Trump administration. This makes Australian importers susceptible to tariff-driven disruptions caused by these tariff escalations.

In this context, this paper investigates the flow-on impact of the 2018-2019 US-China tariff escalation on Australian importers' sourcing decisions. We use the universal transaction records of import from the fiscal year 2014/15 to 2022/23[2] (hereafter referred to as 2015 and 2023), combined with the proprietary firm-level data. The second Trump administration, starting in 2025, has already launched a series of disruptive protectionism measures against Canada, Mexico and China.[3] It is thus imperative and timely to assess whether and how the 2018-2019 US-China trade war has impacted Australian importers.

US tariffs on Chinese goods can impact Australian imports in the following ways. The most direct path is that Chinese goods under the threat of the Trump tariffs are deflected from the US market towards the Australian market, diverting the flows of Chinese exports. Evidence for such trade deflection is still unsettled: Australia was not a focus of studies, Jiang et al. (2022) have shown that trade diversion is confirmed with Chinese exporters finding alternative markets to compensate a loss in the US market. Jiao et al. (2024) in contrast, found that Chinese exports to markets other than the US as well as sales in the domestic market, were barely affected by the US tariffs. Conflicting findings warrant further investigations. Concerns over future geopolitical uncertainty may encourage Australian importers to diversify their import sources away from China. If this is the case, we may observe the depressed imports from China, with an expanded diversification in import sourcing other than China. Our empirical approach is designed to uncover these countervailing effects.

We employ a difference-in-differences (DiD) methodology to assess the indirect effects of the US-China tariff escalation on Australian firms' import patterns. This approach involves comparing changes in import behaviour between two groups of firms, defined based on the dependency on the tariffed items in the pre-war period. Specifically, the

[2] The Australian fiscal year starts on 1 July, and ends in 31 June of the following year.
[3] https://www.piie.com/blogs/realtime-economics/2025/trumps-trade-war-timeline-20-date-guide

treated group comprises firms that were heavily dependent on these tariffed items, while the control group consists of firms that were less dependent. This method allows us to analyse any divergence in import patterns between the two groups of firms before and after the US-China tariff hikes of 2018-2019.

Our main dataset is drawn from a universe of import records in Australian trade transaction data, coupled with firm-level data from the Business Longitudinal Analysis Data Environment (BLADE). We also use detailed tariff line data between the US and China to match the Australian trade data.

Our analysis reveals that Australian firms with greater exposure to Chinese products targeted by US tariffs have led to an increase in Australian imports of the same bundle of products from China by an average of 6.8%. This increase is more pronounced in 2022 and 2023 in the post-COVID period when import demand has become more normalised. It suggests that Australian importers' reliance on China, despite the mounting geopolitical tensions between the US and China and the political tensions that resulted in trade restrictions between Australia and China in some industries, has increased over time.

Investigating the ripple effects of the US-China trade war is a highly policy-relevant issue. China has been an important trading partner for Australian industries. This naturally makes Australia more vulnerable to any shocks, hit the Chinese economy. At the same time, there has been a growing concern over the reliance of Australia on China as a trading partner, with some calling for a more diversified strategy and decoupling from China.[4]

This paper extends the literature on the US-China trade war in the following ways. First, we offer a unique perspective on the spillover effects of the US-China trade war on import diversification by Australian firms. The existing studies examined the direct impacts of the trade war on the US or China; on the pass-through to consumer prices in the US (Amiti et al., 2019; Amiti et al., 2020; Fajgelbaum et al., 2020; Flaaen et al., 2020), the price effects on US retailers (Cavallo et al., 2021), the effects on the US exporters dependent on imported inputs from China (Handley et al., 2020), US manufacturing industry performance (Flaaen and Perce, 2024), the impact on the stock market in the US and China (Egger and Zhu, 2020), the effects on US election outcomes (Blanchard et al., 2024), and the impacts on Chinese exporters (Jiang et al., 2023; Jiao et al., 2025). Other studies have investigated the impacts on countries other than the US and China; on global export performance to fill up the gap made by depressed Chinese exports to the US (Fajgelbaum et al., 2024; Sheng et al., 2025),[5] and firm performance with trade relations with the US and China in 40 countries (Benquria, 2023). Comparatively speaking, the literature pays little attention to how import sourcing decisions in other third countries

[4]https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Joint_Standing_Committee_on_Trade_and_Investment_Growth/DiversifyingTrade

[5] The US-China trade war also created new export opportunities for other third countries to fill up the gap made by depressed Chinese exports to the US.

have been impacted by the US-China trade war. Given China's influence in global trade and GVC networks, examining the diversion of Chinese exports to third markets is important.

2. Context

US-China trade war

Starting in early 2018, the United States invoked Section 232 of the Trade Expansion Act of 1962, claiming certain imports were a national security threat, and Sections 201 and 301 of the Trade Act of 1974, claiming foreign practices and goods a threat to the US national interest. As a result, several waves of tariffs were initiated as safeguard measures targeting specific industries, solar panels, washing machines, steel and aluminum. While China was not officially announced as the target of the early stage in the tariff escalation, it was implicitly a target since China was the leading exporting country to the US of these goods (Egger and Zhu, 2020).[6]

In the next phase of protectionist measures, China was explicitly named. The first set of tariffs (known as List 1), impacting 818 products with $34 billion worth of imported products, went into effect in July 2018 (Bown, 2021). List 2 with 25 per cent of tariff on an additional 279 products ($16 billion of imports), including semiconductors, was imposed in August 2018. A substantial rise in product coverage was introduced in List 3, impacting over 5,000 products ($200 billion) with 10 % first, followed by 25%. Entering 2019, tariffs on List 4a were implemented in September with a 15% tariff on 4,626 products ($101 billion). Later in the same year, the imposition of tariffs on List 4b was announced but did not eventuate. In the end, the 2018-2019 tariff escalations resulted in the average tariff increasing to 20.8 per cent from 3.7 per cent before the US-China trade dispute. This magnitude amounts to $350 billion worth of Chinese exports, covering over 60% of Chinese exports to the US. China engaged in tit-for-tat tariff retaliation on US$100 billion of US exports to China (Fajgelbaum and Khandelwal, 2022).

The escalation of the US-China trade tension saw a temporary truce in January 2020 when both countries signed a Phase One Trade Agreement, where China agreed to purchase an additional US$200 billion worth of US goods and services, mostly agricultural and energy goods, over 2020 and 2021. However, the Phase One commitments eventually failed to be fulfilled because a larger disruption hit the entire Chinese economy soon after when Wuhan, one of the Chinese manufacturing hubs, went into lockdown because of the COVID-19 virus (Bown, 2021).

[6] The tariff rate was a 30 per cent tariff rate on imports in solar panels in Feb 2018. A tariff rate of 20 per cent was also placed on washing machines for the first 1.2 million units imported to the US during the same year (Flaaen et al., 2020), followed by tariffs of 25 per cent on steel and 10 per cent on aluminium, adding to the rate in the pre-war period.

Australia-China trade links

China has been a critical import source country for Australian industries. Even before the China–Australia Free Trade Agreement (ChAFTA), which took effect on December 20, 2015, China accounted for 18 per cent of Australia's merchandise imports, making it the largest import source country.[7] This expansion of China's presence in Australia's imports has been remarkable, given the fact that China only accounted for a minuscule share of 4.8 per cent in Australian imports in 1993-94.

This dependency on China was not only lopsided in the imports. China also stood as the largest destination for Australian exports, a significant export market for natural resources. Recognising this limited diversification, the Australian government has been calling for the need for trade diversification. However, replacing a deeply integrated, cost-effective, and large-scale supplier like China presents a formidable challenge for Australian businesses, especially in the context of global value chains. In a parallel to the rise of China in Australian imports, the importance of the US has diminished over time. In fact, the US was the largest source country in Australia's imports, accounting for 22 per cent of the share in 1993-94.

Another key feature of Australian trade policy is that, unlike other economies that imposed tit-for-tat tariffs during the trade war, Australia did not introduce retaliatory tariffs against either the US or China. This policy stance is consistent with Australia's commitment to open trade, aimed at maintaining stable trade relations and avoiding escalating tensions (Laurenceson and Armstrong, 2023). While Australia was not directly targeted by the US-China tariff war in the 2018-2019 period, this principle has been tested several times. For instance, China's imposition of anti-dumping and countervailing duties on Australian products, barley, wine, beef, lobster and coal, totalling A$20 billion of Australian exports (challenged by Australia at the WTO in 2021), following a deterioration of political relations (Laurenceson and Armstrong, 2023). The political tensions between China and Australia began to cool down with the lapse of these adverse measures against Australian exports in 2023 and 2024. In 2025, Australian steel exports to the US were directly targeted by the Trump tariffs.

Combined, this limited trade integration, other than China, insulated Australian importers from direct disruptions in US-centric manufacturing supply chains but increased their exposure to China-focused trade diversion. Our empirical strategy examines such complex elements affecting Australian import sourcing strategies, using the firm-level data.

3. Data

[7] We use statistics introduced in this section from DFAT;https://www.dfat.gov.au/trade/trade-and-investment-data-information-and-publications/trade-statistics/trade-statistical-pivot-tables

We combine two proprietary micro-level datasets in this study. The first is the Business Longitudinal Analysis Data Environment (BLADE), a comprehensive database that integrates financial and business characteristics data for over 2 million active businesses in Australia.[8] BLADE consolidates information from several linked sources, including Business Expenditure on Research and Development (BERD), Financial data of the Australian Taxation Office's Business Activity Statements (BAS), Business Income Tax (BIT) statements, and Intellectual property records by IP Australia's Intellectual Property Longitudinal Research Data (IPLORD).[9]

The second dataset comprises the universe of trade transaction records administered by the Australian Bureau of Statistics (ABS) for the period of 2015-2023. This unit record covers the monthly import and export transactions at the 10-digit commodity level, including the value, quantity, export destination countries, import source countries, the type of tariff duty and Australian Business Number (ABN).

The data processing is as follows: First, we link trade transaction records from the Custom data to firm-level information from BLADE. Australian importers are mandated to declare their ABNs to the Australian Border Force.[10] Connecting two datasets presents challenges by using ABN as a key. An importing entity can maintain multiple ABNs, making it difficult to match on one-on-one basis. When we observe the multiple entries of ABNs, we apportion the import value according to the share of turnover values. We also note that ABNs can only be linked to a corporate head office rather than an importing establishment.

Finally, we obtained information on tariff rates between the US and China from Jan 2018 to Dec 2019 from Fajgelbaum et al. (2024). The extracted tariff rates are organised according to the origin-specific (including China) in the US trading partners. We then

[8] BLADE is a large, confidential database maintained by the Australian Bureau of Statistics (ABS) that combines financial and business information for Australian businesses. This data comes from various sources, including government surveys, taxation records (from the Australian Taxation Office), and intellectual property registries from IP Australia. Access to BLADE is strictly limited to approved researchers and any released results undergo a rigorous review to ensure the anonymity of individual businesses.

[9] The ABS uses the Australian Business Register (ABSBR) to maintain a register of businesses, employing a two-population model: (i) Non-profiled population: The majority of businesses with simple structures, where one ABN equates to one business for statistical purposes. (ii) Profiled population: A smaller number of large and complex businesses where the ABS creates its own unit structure called a Type of Activity Unit (TAU) by aggregating or disaggregating ABNs based on industry. For structuring business activity, the ABS uses the Economic Units Model. This model identifies Enterprise Groups (EG) for complex businesses, representing all operations of a business within Australia under common control. For non-profiled businesses, the ABN serves as the unit of analysis. Where possible, financial data is aggregated to the enterprise group level.

[10] Australian businesses without an ABN must create a Customs Client Identifier (CCID) when submitting import documentations. Import transactions submitted under CCIDs cannot be matched to the BLADE dataset.

matched them into our main dataset using the 6-digit HS level commodity code. After computing relevant tariff rates, we then aggregate all trade variables to the annual level for each importer to conduct econometric analysis. The firm-year is the unit of the analysis.

4. Empirical Method

In the empirical analysis, we investigate whether the US tariff hikes against Chinese goods have exerted a significant spillover impact on Australian importers, in particular, importing the same set of products. We implement a difference-in-differences (DiD) approach by tracing the evolution of import patterns by Australian firms for the period 2015-2023, distinguishing firms between those heavily importing tariffed items (by the US government against Chinese goods) compared to those importing non-tariffed items in the pre-war period.

More specifically, treated groups are a set of importing firms with any fraction of US tariffed items in their total import basket in a year before the US-China tariff war in 2017. The comparison group consists of those firms that import a bundle of products outside the scope of the tariffed impacted items. We then reflect the product-level tariff changes by calculating the import weights of each product before taking the average, as shown in Equation (1).

$$UST_i = \frac{\sum_{jp} M_{ijp}^{Y=2017} * \Delta t\_max_p^{US}}{Total\ M_i^{Y=2017}} \quad (1)$$

where $\Delta t\_max_p^{US}$ is the maximum tariff change imposed by the US government on imports from China between Jan 2018 and Dec 2019 at product p and $M_{ijp}^{Y=2017}$ is the import value of the same tariff product p sourced by firm i with importing from a country j in year 2017, a year before the imposition of tariffs. While several waves of tariff changes were enacted during the 2018-19 period, we take the maximum in the change of tariff for a given product, p, during the period.

In the end, identifying the tariff-induced treatment effects relies on a comparison between the treated firms with a high intensity of tariffed items and the control firms importing non-tariff items before and after trade policy shocks.[11] Our identification strategy relies on such cross-firm variation of the indirect tariff exposure.

Table 1 displays exposure variables based on Equation (1).

Table 1

[11] Other studies also employ a similar strategy with the continuous treatment effects with a focus on export opportunities created by the US-China trade conflicts (Utar et al., 2023; Iyoha et al., 2024).

We formulate the following specification to estimate the causal effects of the indirect tariff policy by the US government against China on a set of outcomes of Australian imports (*M*) over the period 2015-2023,

$$\log M_{it} = \sum_{t=2015}^{T=2023} \beta_t 1[Y = t] * UST_i + Z_{it} + FE_i + FE_t + \epsilon_{it} \quad (2)$$

Where a subscript *i* denotes the importing firm and *t* is (fiscal) year. The firm-level tariff exposure variable, *UST*, as illustrated in Equation (1) is interacted with fully expanded time dummy indicators from the year 2015 to 2023 to track yearly impacts of the trade policy spillovers relative to the base year in 2018. This strategy also caters for the time-specific impacts, including the year dummies and firm-specific impacts by incorporating fixed effect components. Our coefficient of interest (the interaction term) thus captures the differential effect on exposed firms after controlling for these general shocks. A variable in Z_{it} includes the size of importers by turnover in 2017 and its interaction with fully year-fixed effects.

It is useful to divide the period as follows: the pre-treatment period of 1995-1997, the tariff shock period of 2018-2019, a period with COVID-19 disruption of 2020-2021, followed by the normalisation period of 2022-2023.

We limit our analysis to the flown-on effects of US tariffs against Chinese goods, leaving aside examining the spillover effect of Chinese retaliation measures against US goods for the following two reasons. First, China remains Australia's largest import sourcing country, especially for manufactured goods, accounting for 32% in total imports in 2023. Combined with product coverage by the Trump tariff concentrated on industrial products (plastics, semiconductors, home appliances, chemical products and textiles), the tariff-driven spillover effects on Australian imports are likely to be non-negligible. Second, the US, as a share of Australia's imports, stood at a smaller fraction (11.5% in 2023). This comparatively makes the tariff-driven effects of the retaliation by China on US goods less important to consider.

5. Results

Table 2 displays the basic statistics of some key variables from year 2017. On average, an Australian firm imports from around 3.4 countries. The average firm imports around 11 items measured by HS 6-digit product categories, among which imports from China are about 4.5 products. At the same time, the number of products subject to the Trump tariff stood at 10 products. These statistics illustrate that Australian importers, on average, experience a greater likelihood of impacts from the US-China trade war.

Table 2

Checking pre-treatment trends.

We first present visual inspections of the estimated coefficient of β in Equation (1) yearly (Figure 1a). It should trace out any trend in the pre-treatment period between the high-exposed and low-exposed firms. By the visual inspection of the pre-trend estimates, we can immediately reject the assertion that 'high exposed firm were already increasing their sourcing from China at a faster rate than those with low exposure'. Rather, we note that there was a declining trend, especially from 2015 to 2016. Then, entering the COVID disruption period between 2019 and 2021, the estimates suggest that there is no statistically significant difference between high and low-exposed firms. We also conducted a check on general import sourcing behaviour, replacing the dependent variable with firm imports from other countries (Figure 1b) and the imports from worldwide (Figure 1c). We can observe a clear break before and after the implementation of the US tariffs on Chinese goods. In the pre-treatment period, there is a declining trend of Australian firms importing from countries other than China. But, as soon as the period enters the tariff implementation in 2019, there is no longer observed divergence. This exercise renders itself some degree of assurance in our confidence in the credibility of our causal setup.

Figure 1a

Figure 1b

Figure 1c

Main findings

Table 3 documents the main results of the spillover impacts of US tariffs against China on Australian imports. In column (1), the dependent variable is imports from China (column 1), imports from countries other than China (column 2) and imports worldwide (column 3).

Looking at column 1, Australian firms with high exposure of US tariffs, on average, have increased their imports from China in the post-tariff period compared with low-exposure control firms. We observe statistically significant positive effects of high tariff-exposed firms on imports from China in 2022 and 2023, a few years after the implementation of the Trump tariffs on China. This period is also characterised by the time when the Australian economy and its demand entered the normalisation period after the disruption caused by the pandemic in 2020-2021.

To quantify positive effects, we use the estimated coefficient of *UST*y23* in column (1), which stood at 0.681. We also use a measure that reflects the shift from the 10th percentile (p10) to the 90th percentile (p90) of a firm's pre-existing exposure to US tariff escalation,

as formulated in Equation (1). The importing firm moving from the 10th to the 90th percentile of exposure measure saw an 8.5 per cent increase in importing from China.[12]

The observed delayed import responses in 2022 and 2023 following tariff shocks in 2018 and 2019 are also consistent with other estimates on the elasticity of substitution in a similar time horizon. In general, the elasticity of substitution following tariff shocks is larger in the long run than in the short run. For instance, Fitzgerald and Haller (2018) demonstrated that export responsiveness to tariff changes varies over time: within a 5-year period, the elasticity ranges from 1.5 to 3.5. Similarly, a study by Boehm et al. (2023) found that trade elasticity with most-favoured-nation (MFN) tariffs is approximately 0.7 in the short term (1 year) and rises to between 1.57 and 2 in the long run. Given the gradual adjustment in trade elasticities of substitution across partner countries found in the literature, increased dependency on Chinese goods by Australian importers over time offers reasonable estimates of import adjustment.

In a sharp contrast, imports from other source countries rather than China show no statistically significant impact of the tariff escalation (column 2). This finding reinforces the view that Australian firms highly exposed to US tariff hikes have adjusted their sourcing strategies by increasing import dependencies from China, despite the geopolitical tensions.

In the subsequent analysis, we replace the dependent variable with the count of products as a measure of product diversification: Column (4) of Table 3 shows the number of products in imports from China in log, the number of products from other countries (column 5), and the number of products in imports from worldwide (column 6). This measure of product diversification is aligned with the increased dependency of Australian importers on China. The results again vividly show that Australian importers with high exposure to the US-China trade war have expanded the breadth of import product lines from China in the post-trade war period (column 4). We also note that such expansion in product coverage emerged quickly than the import value in the year 2020, immediately following the tariff imposition. As a comparison, there is no clear evidence to indicate an increase in imported product variety from other countries (column 5).

Table 3

Product-level evidence

We now shift our focus to the product level, distinguishing imports of products affected by the US tariffs compared with non-tariffed items. To this end, we have constructed the data to fit the following event study regressions,

[12] From Table 1, the 10th percentile of tariff change is 0.13 and the 90th percentile is 0.25. It follows that exp(0.12*0.68)-1=0.0851.

$$\log M_{pt}^{China} = \sum_{t=2015}^{T=2023} \alpha_t 1[Y = t] * Treat_p + FE_p + FE_t + \epsilon_{pt}. \quad (3)$$

The dependent variable imports (*M*) from China, with a subscript *p* denotes the product level and *t* is the (fiscal) year. In this exercise, we use three different outcome variables: import value from China and its breakdown to import quantity (Q) and the unit price (P).

$Treat_p$ is the treatment variable denoting products that were subject to the Trump tariff. We assign the treatment variable at the product level by merging information on a list provided by Fajgelbaum et al. (2024). While it is possible to arrange the data according to the monthly frequency, to preserve consistency with the main firm-year analysis, we present evidence for the product-year level. However, to reflect on the difference in the treatment timing at the product-level, we assign the timing of the treated product groups either in 2018 or 2019, depending on which month of the Trump tariff was imposed within a year. We then apply the staggered event-study approach by relating the Australian imports related to the treated year as 0. We provide the graphical presentation of this event study approach, with the three separate Value (PQ) in Figure 2a, Quantity (Q) in Figure 2b and Unit Price (P) in Figure 2c as the alternate outcome variable.

Figure 2a

Figure 2b

Figure 2c

We make the following two observations from the visual inspections of the results. First, in the pre-treatment period, there is no statistical difference between treated and untreated product groups for the value and the quantity, validating no pre-trend pattern. Both show the gradual increase relative to control product groups relative to the treatment year. This also corroborates the main findings of the firm-year analysis.

Second, a plot of the unit price of Australian imports indicates the declining trend relative to control products in the post-treatment period. However, we acknowledge that there are large confidence interval bands for estimated coefficients of the unit-price regressions. In other words, the unit price of treated products in imports from China largely remains unchanged compared with non-tariffed product groups. This lack of price response is also commonly found in studies of Chinese exporters in response to the Trump tariffs. Studies by Jiang et al. (2023) and Jiao et al. (2024) found that while Chinese exporters decreased their export values to the US in response to tariffs, they were mainly driven by the quantity decline rather than a decline in prices. These results are taken as evidence for the pass-

through of the tariff incidence was fully passed on to the US consumers. This is also confirmed by the studies using the US import side data: Native and significant effects of tariff on US import values and the quantity, but no effects on the relative import price (Amiti et al., 2019; Fajgelbaum et al., 2019; Cavallo et al., 2021).[13]

What is another explanation for increasing import dependencies on China over time?

One consideration is roundabout trade, whereby Chinese goods are rerouted through third countries (such as Australia) to counteract US tariffs. For instance, Alfaro and Chor (2023) documented that, while depressing US imports from China, the Trump tariffs have led to an increase in exports from Vietnam and Mexico to the US market. Partly, this is explained by two countries having simultaneously increased imports and received more FDI from China. Fruend et al. (2024) also found a similar back-door trade pattern, flowing indirectly from China to Vietnam and Mexico and eventually to the US. This roundabout trade could theoretically increase reported imports from China by Australia, which are ultimately bound for the U.S. However, the primary motivation for such tariff evasion is usually cost reduction. Routing goods from China to Australia and then to the United States incurs significant additional shipping costs, especially given Australia's geographical distance from the US and China. This makes Australia unattractive for such reroute activities. Ito (2024) confirmed this intuition, reporting that roundtable rerouting only was observed through Mexico and Vietnam, not any other countries.

Heterogeneity

We report some heterogeneity effects on the positive spillover effects observed in the main analysis. First, we divide the group of firms according to the size of firms, which is measured by turnover: The group of large firms is defined as those with turnover above the median value in 2017 (Table 5). Small firms is those below the median value in turnover in 2007 (Table 6). In Table 7, the sample is restricted to firms with import dependency (measured by the ratio of import value to turnover) above its median value in 2017, high import dependency. Likewise, the sample in Table 8 has been restricted to the group of firms with below the median value of import dependency in 2017. We then apply the same regression analysis as in Table 3.

To start with, large firms and firms with high import dependency have expanded importing from China in the years 2022 and 2023. This expansion seems to be driven by importing firms expanding the number of products imported from China, through extensive margins. On the other hand, there is no statistical change in the sourcing behaviours of small firms in the post-treatment period. Especially, entering the

[13] For example, a study by Cavallo et al. (2021), suggests that a 20 per cent tariff, for example, would be associated with a 1.1 per cent decline in the post-tariff price and an 18.9 per cent increase in the total price paid by the US importer after controlling for sectoral inflation rates.

normalisation period after the COVID disruptions in 2022 and 2023, small firms have not changed their import portfolio as compared with low-exposed firms. Likewise, high import-dependent firms have expanded importing more from China in 2022 and 2023 in terms of the import value and the number of imported products.[14]

Table 5

Table 6

Table 7

Table 8

We provide some checks on a slightly different form of regression. In **Table A1**, we performed a flexible dynamic regression specification with year 2018 as the base year, with the same outcome variable as in Table 3, without including the year dummies interacted with a variable with tariff exposure. These regressions should capture any conspicuous structural breaks within the firm-level import sourcing dynamics relative to the year 2018. Interestingly, we do not find any significant structure break in the post-treatment period except for the year 2020, which shows a negative coefficient. But more importantly, the estimated coefficients in 2022 and 2023 show no statistical difference in importing from China relative to 2018. In column 4, we also check the dynamic pattern of import product diversification by counting the number of non-tariffed items in the firm-level import portfolio. The estimated coefficient shows a negative sign with statistical significance. This indicates a narrowing scope of import product diversification outside of tariffed items since the onset of the US-China trade war. These auxiliary regressions show the importance of allowing for high versus low exposure to the US tariff against China.

Implications

A crucial question is whether the Australian case can be generalised to other economies. The US-China trade war created significant trade diversion, presenting both opportunities and risks for "bystander" countries that are not directly involved in the trade dispute.

Much of the existing research has focused on the export-side benefits for bystander countries. Mexico and Vietnam, for example, have been identified as primary beneficiaries of the trade war precisely because their firms were well-positioned to compensate US market share 'lost' by Chinese exporters. Extensive firm-level analysis shows that the US tariffs on China significantly boosted Mexican firms' exports to the United States, driven by the relocation of global value chains and nearshoring activities

[14] Another interesting exercise could be to separate the types of importing firms by wholesalers or retailers from ordinary importers. However, unlike the US custom data, the Australian equivalent custom data does not make a distinction between wholesale and direct import demands (Bernard et al., 2010).

(Utar et al., 2023), and similarly created the export opportunity for Vietnamese exporters (Rotunno et al., 2023). More generally, Fajgelbaum et al. (2024) have confirmed this export benefit by bystander countries globally. These cases are aligned with the conventional understanding of trade diversion, where third countries gain by becoming alternative suppliers to the tariff-imposing nation.

In contrast, our paper uncovers a less commonly discussed outcome of trade diversion: gains for third countries on the import side. Our main results indicate that Australian firms have absorbed more Chinese products that were possibly diverted away from the US market despite the geopolitical tensions. Partly, our results reflect that economic benefits outweigh strategic policy preferences at the firm level. This also demonstrates the difficulty of the policy-driven diversification in the import side due to the complexity of sourcing decisions and integrated GVCs. Our finding also adds critical depth to the trade war literature, demonstrating that third countries can benefit not only by expanding exports but also by gaining more access to the established import sourcing.

6. Conclusion

Rising geopolitical tension between the US and China has been one of the pivotal moments for global trade policy, leading many policymakers and businesses to reassess their approaches towards globalisation. In this context, we examined whether and how the Australian importers have adjusted their sourcing patterns in response to the tariff escalation by the US government against Chinese goods in 2018-2019. We conducted a difference-in-differences analysis by tracing import patterns of firms with highly exposed to the US tariffs versus less exposed for the period 2015-2023, using the comprehensive transaction trade data merged with firm-level information.

The key finding is that Australian firms that had imported a higher proportion of tariffed goods in the pre-trade war period have increased import dependencies on China as compared with those less exposed. Such positive spillover effects emerged several years following the tariff shocks, especially in 2022 and 2023 when import demand had been normalised. We also found that this positive effect was driven by an expansion in product lines, along with increased value and the volume of products that were subject to the Trump tariff. Paradoxically, this increase was not aligned with the relative declining import price, which warrants further research.

Our empirical findings present a significant paradox for Australian trade policy. A key implication of our finding is the distinction between product diversification and source diversification. Our findings have shown that Australian importers may be sourcing a wider variety of goods in response to the US-China trade war, yet these are increasingly consolidated from a single country, China. This suggests that integration with China's supply chain remains a viable option for Australian firms despite the uncertainty brought forward by the geopolitical tensions.

For policymakers, this highlights a critical challenge of separating a national strategy of source diversification from firm-level incentives to minimise costs and maintain competitiveness. [15] This divergence between policy ambition and empirical reality warrants a more nuanced discussion of the challenges and implications for policymakers. Our findings highlight that import-side diversification presents a distinct and arguably more complex challenge. Diversifying supply chains is not cost-free. It involves significant search costs, establishing new logistical routes, and often accepting higher input prices or lower quality in the short to medium term. Our findings implicitly show that firms are either unable or unwilling to bear these costs alone. Our results reflect that economic benefits outweigh strategic policy preferences at the firm level. Faced with this challenge, the goal of Australian trade policy may need to be reframed: Instead of aiming for a complete "decoupling" from China, an effective approach would be to focus on deepening Australia's commitment to promoting the multilateral trade policy framework (Armstrong and Drysdale, 2022).[16] In any rate, while decoupling from China remains a strategic option, our findings serve as a reminder that overcoming the powerful market gravity of a major trading partner like China requires a sophisticated, targeted, and well-resourced policy framework.

[15] https://www.industry.gov.au/trade/office-supply-chain-resilience

[16] https://www.afr.com/policy/foreign-affairs/australia-must-find-common-purpose-with-china-20220623-p5aw03

Reference

Alfaro, Laura, and Davin Chor. (2023) "Global Supply Chains: The Looming 'Great Reallocation'." Harvard Business School Working Paper, No. 24-012.

Alfaro-Urena, A., I. Manelici, and J. Vasquez (2019), 'The Effects of Joining Multinational Supply Chains: New Evidence from Firm-to-Firm Linkages', Working paper.

Amiti, Mary, Stephen J. Redding, and David E. Weinstein, 2019, The Impact of the 2018 Tariffs on Prices and Welfare, Journal of Economic Perspectives, 33(4): 187-210.

Amiti, Mary, Stephen J. Redding, and David E. Weinstein, 2020, Who's Paying for the US Tariffs? A Longer-Term Perspective, AEA Papers and Proceedings, 110: 541-46.

Angrist, J.D. & J-S. Pischke (2009), Mostly Harmless Econometrics: An Empiricist's Companion, Princeton: Princeton University Press.

Antràs, P. (2020), 'Conceptual Aspects of Global Value Chains', World Bank Economic Review 34(3), pp.551-74.

Athukorala, P. and N. Yamashita (2006) "Production Fragmentation and Trade Integration: East Asia in Global Context" North American Journal of Economics and Finance, Vol. 17, No.3, pp. 233-256.

Bernard, Andrew B., J. Bradford Jensen, Stephen J. Redding, and Peter K. Schott. 2010. "Wholesalers and Retailers in US Trade." *American Economic Review* 100 (2): 408–13**.**

Benguria, F. (2023). The global impact of the US-China trade war: Firm-level evidence. Review of World Economics, 159(4), 827-851. https://doi.org/10.1007/s10290-022-00490-1

Blanchard, Emily J., Chad P. Bown, and Davin Chor, 2019, Did Trump's Trade War Impact the 2018 Election?, NBER Working Papers 26434, National Bureau of Economic Research.

Bown, C. P. (2021). The US-China trade war and Phase One agreement. The World Economy After Covid-19, 43(4), 805-843.

Bown, Chad P, 2021, The US-China Trade War and Phase One Agreement, Journal of Policy Modelling, 43(4): 805-843.

Cavallo, Alberto, Gita Gopinath, Brent Neiman, and Jenny Tang. 2021. "Tariff Pass-Through at the Border and at the Store: Evidence from US Trade Policy." *American Economic Review: Insights* 3 (1): 19–34**.**

Chor, Davin and Bingjing Li, 2021, Illuminating the Effects of the US-China Tariff War on China's Economy, NBER Working Papers 29349, National Bureau of Economic Research.

Cigna, Simone, Philipp Meinen, Patrick Schulte, and Nils Steinhoff, 2021, The Impact of US Tariffs against China on US Imports: Evidence for Trade Diversion?, Economic Inquiry, forthcoming

Cui, Chuantao and Leona Shao-Zhi Li, 2021, The Effects of the US-China Trade War on Chinese New Firm Entry, Economics Letters, 203: 109846.

Egger, P. H., & Zhu, J. (2020). The US-Chinese trade war: An event study of stock-market responses. Economic Policy, 35(103), 519-559. https://doi.org/10.1093/epolic/eiaa016

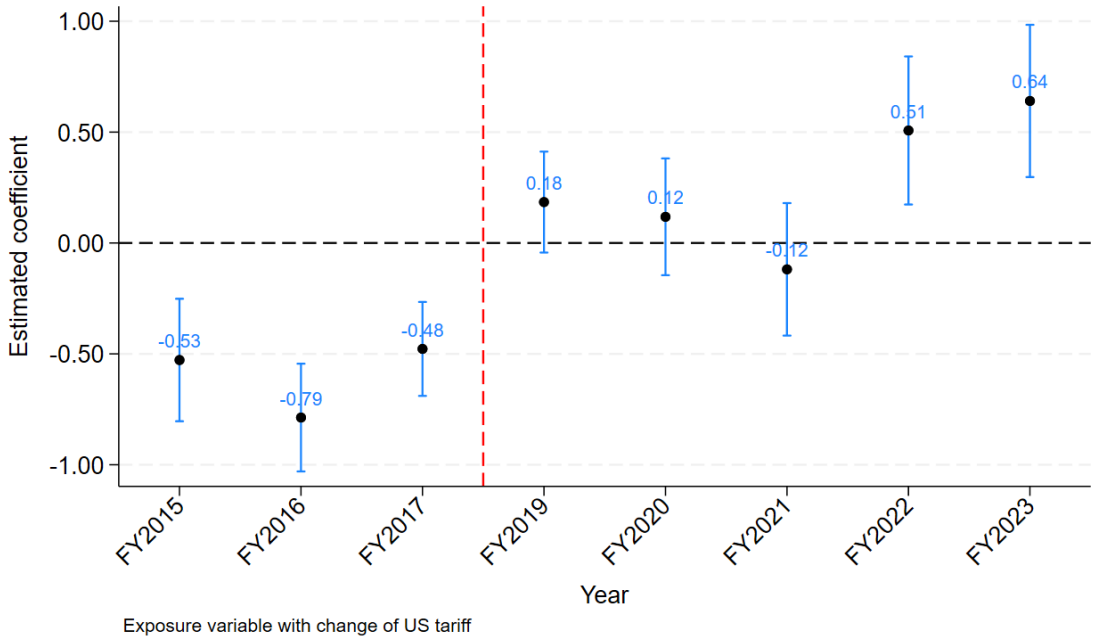
Egger, Peter H and Jiaqing Zhu, 2020, The US-China 'Trade War': An Event Study of Stock-market Responses, Economic Policy, 35(103): 519-559.

Fajgelbaum, Pablo D, Pinelopi K Goldberg, Patrick J Kennedy, Amit K Khandelwal, 2020, The Return to Protectionism, Quarterly Journal of Economics, 135(1): 1-55.
Fajgelbaum, Pablo D and Amit K Khandelwal, 2022, The Economic Impacts of the US-China Trade War, Annual Review of Economics, forthcoming.
Fajgelbaum, Pablo, Pinelopi Goldberg, Patrick Kennedy, Amit Khandelwal, and Daria Taglioni. 2024. "The US-China Trade War and Global Reallocations." American Economic Review: Insights 6 (2): 295-312.
Fernandes, A.M., H.L. Kee, D.E. Winkler (2021), Determinants of Global Value Chain Participation: Cross-Country Evidence. World Bank Economic Review.
Fitzgerald, D., & Haller, S. (2018). Exporters and shocks. Journal of International Economics, 113, 154-171. https://doi.org/10.1016/j.jinteco.2018.04.005
Flaaen, A., & Pierce, J. (2024). Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector. The Review of Economics and Statistics, 1-45. https://doi.org/10.1162/rest_a_01498
Flaaen, Aaron, Ali Hortasu, and Felix Tintelnot, 2020, The Production Relocation and Price Effects of US Trade Policy: The Case of Washing Machines, American Economic Review, 110(7): 2103-27.
Freund, C., Mattoo, A., Mulabdic, A., & Ruta, M. (2024). Is US trade policy reshaping global supply chains? Journal of International Economics, 152, 104011. https://doi.org/10.1016/j.jinteco.2024.104011
Hayakawa, K., Pyu, J.H., Yamashita, N., and Yang, C. (2024) "Ripple effects of regional value chains: Evidence from the episode of US-China Tariff War", The World Economy, 47(3): 880-897.
Hayakawa, K., Toshiyuki Matsuura, and Fumihiro Okubo, 2015, Firm-level Impacts of Natural Disasters on Production Networks: Evidence from a Flood in Thailand, Journal of the Japanese and International Economies, 38: 244-259.
Iyoha, Ebehi, Edmund Malesky, Jaya Wen, and Sung-Ju Wu. "Exports in Disguise? Trade Rerouting During the U.S.-China Trade War." Harvard Business School Working Paper, No. 24-072, May 2024.
Jiang, L., Lu, Y., Song, H., & Zhang, G. (2023). Responses of exporters to trade protectionism: Inferences from the US-China trade war. Journal of International Economics, 140, 103687. https://doi.org/10.1016/j.jinteco.2022.103687
Jiao, Y., Liu, Z., Tian, Z., & Wang, X. (2024). The Impacts of the U.S. Trade War on Chinese Exporters. The Review of Economics and Statistics, 106(6), 1576-1587. https://doi.org/10.1162/rest_a_01229
Khandelwal, Amit K. (2023). "The US-China Trade War and India's Export Response," India Policy Forum, National Council of Applied Economic Research, vol. 19(1), pages 181-222.
Laurenceson, J., and Armstrong, S. (2023). Learning the right policy lessons from Beijing's campaign of trade disruption against Australia. Australian Journal of International Affairs, 77(3), 258-275. https://doi.org/10.1080/10357718.2023.2212612
Mao, Haiou and Holger Gorg, 2020, Friends like This: The Impact of the US-China Trade War on Global Value Chains, The World Economy, 43(7): 1776-1791.
Sheng, L., Song, H., Zheng, X., 2025. How did Chinese exporters manage the trade war? J. Int. Money Finance 153, 103300. https://doi.org/10.1016/j.jimonfin.2025.103300
Utar, H, A C Zurita and L B Torres-Ruiz (2023), "The US-China Trade War and the Relocation of Global Value Chains to Mexico", CESifo Working Paper No. 10638.

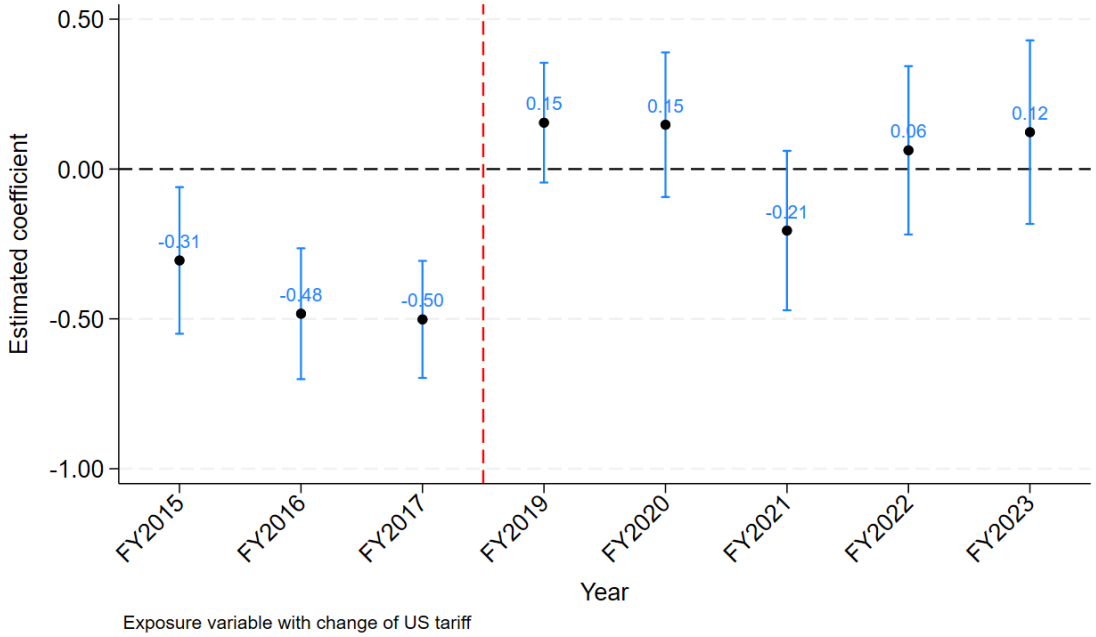
World Bank (2020), World Development Report 2020: Trading for Development in the Age of Global Value Chains, Washington, DC: World Bank.

Figure 1: Difference-in-differences estimates on Australian firm import responses to the US-China trade war

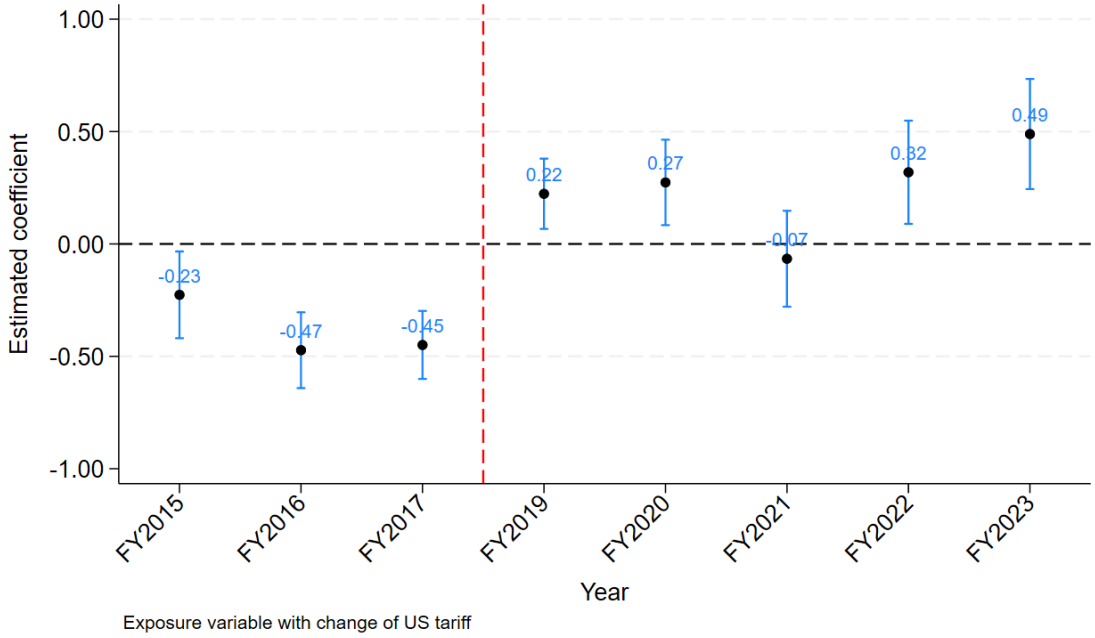
Panel 1a. Dependent var.=log (firm imports from China)



Panel 1b. Dependent var.=log (firm imports from other countries)



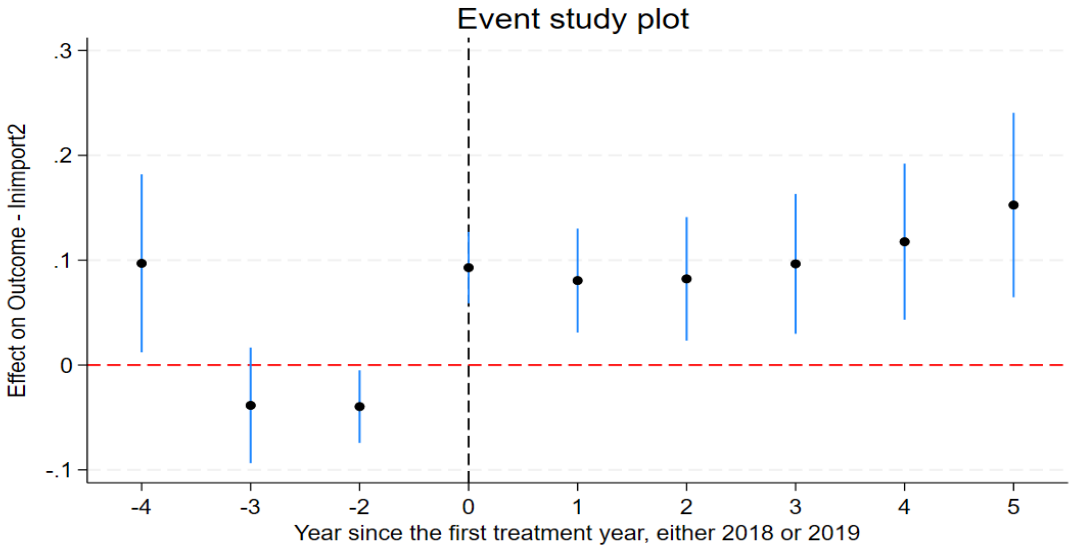
Panel 1c. Dependent var.=log (firm imports from worldwide)



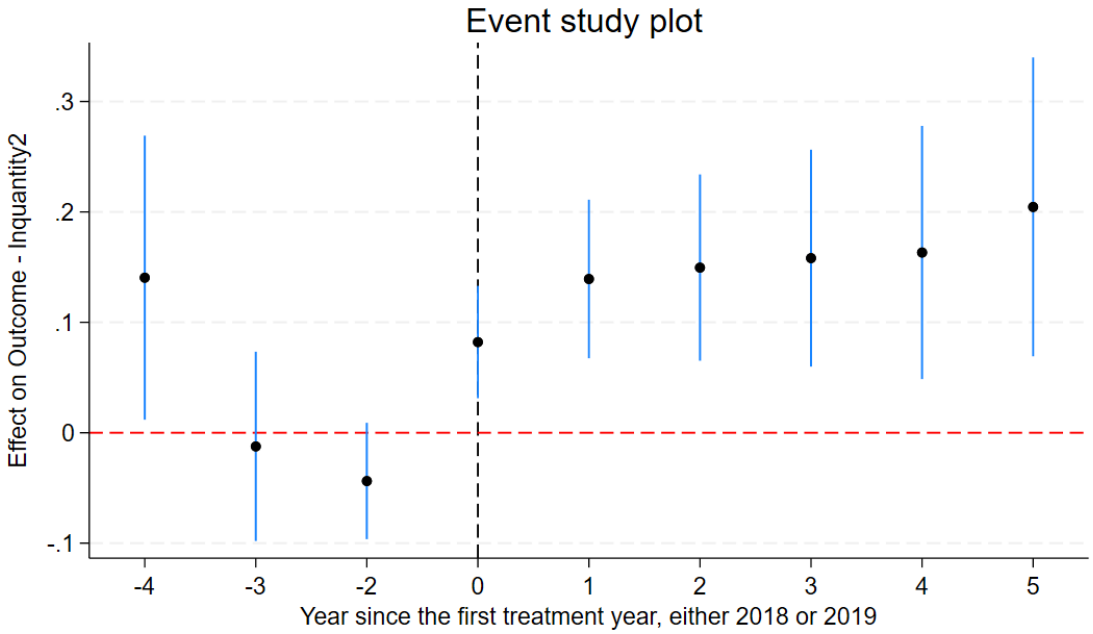
Notes: This is a plot of the estimated coefficient in β in Equation (3) with the alternative dependent variable, log of imports from China (Panel 1a), log of imports from other countries (Panel 1b) and log of imports from worldwide, including China, in Panel 1c. Error bars show 95% confidence intervals.

Figure 2: Event study plot of Australian imports from China at the product-year level

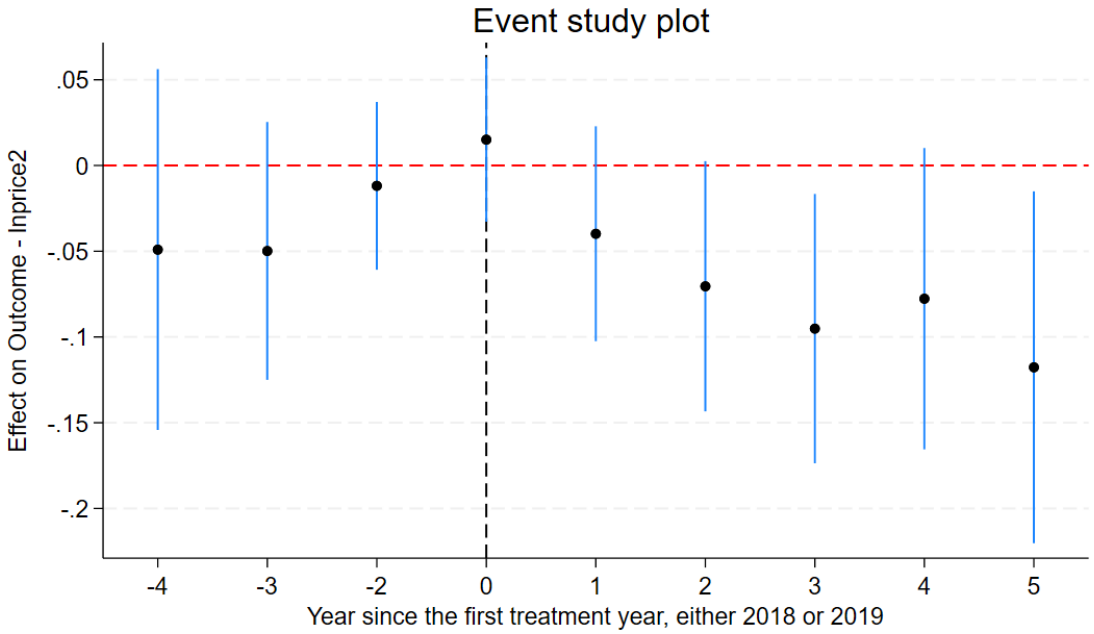
Panel 2a: Dependent var.=log (Aust import values from China)



Panel 2b: Dependent var.=log (import quantity of Australian imports from China)



Panel 2c: Dependent var.=log (unit price of Australian imports from China)



Notes: This figure plots event-time dummies for affected products relative to unaffected products in Australian imports from China. Error bars show 95% confidence intervals. Regressions include HS-6-digit-product fixed effect and year fixed effect.

Table 1: Change in US tariff rates weighted by the share of imports in total Australian imports

Industry	Num of HS 6 lines	mean	SD	p50	p10	p90
Agriculture	759	0.17	0.06	0.21	0.09	0.21
Apparel	1,113	0.20	0.06	0.23	0.15	0.25
Chemicals	777	0.17	0.06	0.18	0.13	0.24
Machinery	788	0.20	0.01	0.21	0.18	0.21
Materials	409	0.21	0.04	0.23	0.12	0.25
Metals	536	0.27	0.06	0.26	0.19	0.35
Minerals	128	0.17	0.08	0.20	0.01	0.23
Transport	133	0.18	0.04	0.18	0.08	0.24
Miscellaneous	352	0.16	0.04	0.17	0.10	0.24
Total	4,995	0.19	0.06	0.21	0.13	0.25

Notes: Industry is defined by two-digit HS chapter; Agriculture (1-24), Minerals (24-26), Chemicals (28-38), Materials (39-40, 68-71), Apparel (41-67), Metals (72-83), Machinery (84-85), Transport (86-89), Miscellaneous (90-97). The industry organisation follows the one presented in Khandelwal (2023).

Table 2: Australian import profiles based on firm-year observations in 2017, pre-treatment period

	N	Mean	SD	P10	P50	P90
log imports	54727.	11.81	2.40	8.67	11.74	14.95
log imports from China	33362.	11.28	2.30	8.23	11.22	14.33
log imports from Rest	39935.	11.47	2.44	8.27	11.38	14.67
Number of countries	54727.	3.44	4.31	1.00	2.00	8.00
Number of products (HS6 digit)	54727.	11.04	21.87	1.00	4.00	25.00
Number of products from China	54727.	4.49	11.93	0.00	1.00	11.00
Number of products from Rest	54727.	6.24	15.24	0.00	2.00	15.00
Number of US tariff products (HS6 digit)	54727.	10.28	20.43	1.00	4.00	24.00
Number of non-US products (HS6 digit)	54727.	0.76	2.19	0.00	0.00	2.00
Change in the US tariff import weighted	54727.	0.20	0.07	0.13	0.24	0.25
log turnover	52621.	14.38	2.08	11.94	14.28	16.96

Notes: Based on Business Longitudinal Analysis Data Environment (BLADE) and custom trade data

Table 3: Import sourcing response of Australian importers to the US tariffs on Chinese goods: Difference-in-differences estimates

	(1)	(2)	(3)	(4)	(5)	(6)
	log imports from China	log imports from other countries	log total imports	log number of products in imports from China	log number of products in imports from other countries	log number of products in total imports
UST*y15	-0.528***	-0.305**	-0.226**	-0.288***	-0.221***	-0.169***
	[0.141]	[0.125]	[0.098]	[0.072]	[0.057]	[0.050]
UST*y16	-0.787***	-0.483***	-0.473***	-0.275***	-0.172***	-0.170***
	[0.124]	[0.111]	[0.086]	[0.064]	[0.053]	[0.045]
UST*y17	-0.478***	-0.502***	-0.449***	-0.214***	-0.189***	-0.128***
	[0.108]	[0.100]	[0.077]	[0.058]	[0.048]	[0.041]
UST*y19	0.185	0.155	0.223***	0.04	-0.009	0.047
	[0.116]	[0.102]	[0.080]	[0.060]	[0.048]	[0.042]
UST*y20	0.118	0.148	0.274***	0.150**	0.092	0.168***
	[0.134]	[0.123]	[0.097]	[0.068]	[0.056]	[0.049]
UST*y21	-0.119	-0.205	-0.066	0.207***	-0.022	0.076
	[0.152]	[0.136]	[0.109]	[0.074]	[0.061]	[0.054]
UST*y22	0.508***	0.063	0.319***	0.355***	0.063	0.179***
	[0.170]	[0.143]	[0.117]	[0.080]	[0.065]	[0.059]
UST*y23	0.641***	0.123	0.489***	0.432***	0.063	0.191***
	[0.175]	[0.156]	[0.125]	[0.083]	[0.069]	[0.062]
R-sq	0.84	0.85	0.86	0.81	0.85	0.84
F statistics	11.859	7.017	14.232	10.056	4.707	6.815
N. of firm	38,025	42,928	52,621	38,025	42,928	52,621
Obs.	247,871	294,844	397,806	247,871	294,844	397,806

Notes: The estimated coefficients of yearly dummies interacted with firm-level exposure variable to the US tariff changes (*UST*) for the period, 2015-2023. Y15 stands for fiscal year of 2014-2015. The base year is Y18, the fiscal year of 2017-2018, covering the initiation of the Trump tariff. All regressions in this table include all firm-year observations with firm and year fixed effects. The dependent variable is indicated in the column head.

Table 4: Import sourcing response of Australian importers to the US tariffs on Chinese goods: Difference-in-differences estimates with the sample of Large Firms

	(1)	(2)	(3)	(4)	(5)	(6)
	log imports from China	log imports from other countries	log total imports	Log number of products in imports from China	Log number of products in imports from other countries	Log number of products in total imports
UST*y15	-0.644***	-0.02	-0.112	-0.254***	-0.245***	-0.203***
	[0.199]	[0.173]	[0.142]	[0.097]	[0.076]	[0.069]
UST*y16	-1.034***	-0.492***	-0.572***	-0.346***	-0.236***	-0.228***
	[0.175]	[0.152]	[0.122]	[0.086]	[0.071]	[0.062]
UST*y17	-0.551***	-0.430***	-0.390***	-0.321***	-0.180***	-0.139**
	[0.150]	[0.134]	[0.110]	[0.077]	[0.062]	[0.056]
UST*y19	0.237	0.357***	0.286**	0.082	0.022	0.073
	[0.161]	[0.135]	[0.112]	[0.079]	[0.063]	[0.057]
UST*y20	0.091	0.3	0.325**	0.178**	0.091	0.186***
	[0.184]	[0.166]	[0.138]	[0.090]	[0.072]	[0.066]
UST*y21	-0.191	-0.098	0.009	0.248***	0.035	0.146**
	[0.209]	[0.182]	[0.152]	[0.096]	[0.079]	[0.073]
UST*y22	0.590**	0.218	0.384**	0.372***	0.155	0.233***
	[0.233]	[0.191]	[0.164]	[0.104]	[0.084]	[0.079]
UST*y23	0.681***	0.297	0.654***	0.524***	0.15	0.316***
	[0.237]	[0.209]	[0.176]	[0.108]	[0.089]	[0.083]
R-sq	0.84	0.85	0.85	0.83	0.86	0.85
F statistics	9.539	5.915	9.557	8.657	3.598	5.862
N. of firm	22173	24625	27363	22173	24625	27363
Obs.	153991	181496	221017	153991	181496	221017

Notes: The sample is restricted to firm with turnovers (measured by A$) more than the median value in 2017. The estimated coefficients of yearly dummies interacted with firm-level exposure variable to the US tariff changes (*UST*) for the period, 2015-2023. Y15 stands for fiscal year of 2014-2015. The base year is Y18, the fiscal year of 2017-2018, covering the initiation of the Trump tariff. All regressions in this table include all firm-year observations with firm and year fixed effects. The dependent variable is indicated in the column head.

Table 5: Import sourcing response of Australian importers to the US tariffs on Chinese goods: Difference-in-differences estimates with the sample of Small Firms

	(1)	(2)	(3)	(4)	(5)	(6)
	log imports from China	log imports from other countries	log total imports	Log number of products in imports from China	Log number of products in imports from other countries	Log number of products in total imports
UST*y15	-0.208	-0.517***	-0.191	-0.217**	-0.125	-0.055
	[0.196]	[0.178]	[0.137]	[0.107]	[0.086]	[0.073]
UST*y16	-0.395**	-0.362**	-0.282**	-0.13	-0.042	-0.062
	[0.173]	[0.162]	[0.121]	[0.096]	[0.081]	[0.067]
UST*y17	-0.350**	-0.584***	-0.499***	-0.057	-0.195***	-0.1
	[0.156]	[0.149]	[0.108]	[0.090]	[0.075]	[0.062]
UST*y19	0.063	-0.164	0.136	-0.03	-0.068	0.012
	[0.164]	[0.155]	[0.115]	[0.093]	[0.076]	[0.063]
UST*y20	0.132	-0.092	0.211	0.108	0.081	0.142
	[0.189]	[0.179]	[0.134]	[0.105]	[0.089]	[0.073]
UST*y21	-0.061	-0.398**	-0.178	0.124	-0.141	-0.032
	[0.216]	[0.201]	[0.155]	[0.117]	[0.095]	[0.082]
UST*y22	0.272	-0.222	0.187	0.273**	-0.131	0.069
	[0.241]	[0.214]	[0.166]	[0.127]	[0.103]	[0.088]
UST*y23	0.488	-0.192	0.228	0.227	-0.141	-0.023
	[0.253]	[0.228]	[0.175]	[0.132]	[0.111]	[0.092]
R-sq	0.75	0.74	0.74	0.7	0.73	0.72
F statistics	2.231	2.596	5.643	1.683	2.153	1.665
N. of firm	15852	18303	25258	15852	18303	25258
Obs.	93880	113348	176789	93880	113348	176789

Notes: The sample is restricted to firms with turnovers (measured by A$) less than the median value in 2017. The estimated coefficients of yearly dummies interacted with the firm-level exposure variable to the US tariff changes (*UST*) for the period, 2015-2023. Y15 stands for fiscal year of 2014-2015. The base year is Y18, the fiscal year of 2017-2018, covering the initiation of the Trump tariff. All regressions in this table include all firm-year observations with firm and year fixed effects. The dependent variable is indicated in the column head.

Table 6: Import sourcing response of Australian importers to the US tariffs on Chinese goods: Difference-in-differences estimates with the sample of high import-dependent firms

	(1)	(2)	(3)	(4)	(5)	(6)
	log imports from China	log imports from other countries	log total imports	Log number of products in imports from China	Log number of products in imports from other countries	Log number of products in total imports
UST*y15	-0.314	-0.278	-0.095	-0.271***	-0.253***	-0.107
	[0.171]	[0.152]	[0.120]	[0.090]	[0.073]	[0.065]
UST*y16	-0.752***	-0.421***	-0.377***	-0.302***	-0.11	-0.096
	[0.149]	[0.134]	[0.100]	[0.080]	[0.067]	[0.057]
UST*y17	-0.377***	-0.268**	-0.261***	-0.270***	-0.151**	-0.085
	[0.124]	[0.113]	[0.083]	[0.072]	[0.059]	[0.051]
UST*y19	0.18	0.042	0.158	0.018	-0.021	0.068
	[0.134]	[0.118]	[0.091]	[0.074]	[0.060]	[0.053]
UST*y20	0.107	0.07	0.174	0.089	0.083	0.12
	[0.158]	[0.150]	[0.117]	[0.085]	[0.071]	[0.062]
UST*y21	-0.146	-0.203	-0.111	0.14	0.031	0.107
	[0.180]	[0.170]	[0.133]	[0.092]	[0.077]	[0.069]
UST*y22	0.422**	0.076	0.267	0.276***	0.098	0.199***
	[0.205]	[0.180]	[0.145]	[0.102]	[0.084]	[0.077]
UST*y23	0.456**	0.093	0.254	0.314***	0.023	0.096
	[0.212]	[0.198]	[0.156]	[0.106]	[0.090]	[0.081]
R-sq	0.86	0.87	0.87	0.84	0.87	0.87
F statistics	6.966	2.303	5.717	5.191	2.804	2.189
N. of firm	20090	21736	26310	20090	21736	26310
Obs.	141341	158962	206307	141341	158962	206307

Notes: The sample is restricted to firms with import dependency (measured by the ratio of import value to turnovers) more than its median value in 2017. The estimated coefficients of yearly dummies interacted with the firm-level exposure variable to the US tariff changes (*UST*) for the period, 2015-2023. Y15 stands for fiscal year of 2014-2015. The base year is Y18, the fiscal year of 2017-2018, covering the initiation of the Trump tariff. All regressions in this table include all firm-year observations with firm and year fixed effects. The dependent variable is indicated in the column head.

Table 7: Import sourcing response of Australian importers to the US tariffs on Chinese goods: Difference-in-differences estimates with the sample of low import-dependent firms

	(1)	(2)	(3)	(4)	(5)	(6)
	log imports from China	log imports from other countries	log total imports	Log number of products in imports from China	Log number of products in imports from other countries	Log number of products in total imports
UST*y15	-0.859***	-0.395	-0.408***	-0.324***	-0.197**	-0.247***
	[0.237]	[0.203]	[0.157]	[0.118]	[0.089]	[0.077]
UST*y16	-0.848***	-0.574***	-0.586***	-0.242**	-0.246***	-0.252***
	[0.211]	[0.183]	[0.141]	[0.106]	[0.084]	[0.071]
UST*y17	-0.564***	-0.684***	-0.565***	-0.116	-0.204***	-0.148**
	[0.189]	[0.169]	[0.129]	[0.097]	[0.076]	[0.065]
UST*y19	0.151	0.259	0.259	0.047	-0.005	0.01
	[0.207]	[0.174]	[0.134]	[0.101]	[0.078]	[0.066]
UST*y20	0.031	0.184	0.318**	0.207	0.084	0.204***
	[0.238]	[0.202]	[0.159]	[0.113]	[0.088]	[0.077]
UST*y21	-0.142	-0.302	-0.094	0.277**	-0.114	0.014
	[0.269]	[0.219]	[0.177]	[0.122]	[0.097]	[0.085]
UST*y22	0.544	-0.063	0.284	0.450***	-0.019	0.13
	[0.295]	[0.229]	[0.188]	[0.130]	[0.101]	[0.090]
UST*y23	0.743**	0.013	0.616***	0.548***	0.05	0.253***
	[0.301]	[0.247]	[0.200]	[0.134]	[0.107]	[0.093]
R-sq	0.76	0.77	0.77	0.73	0.77	0.77
F statistics	5.318	4.563	8.036	5.135	2.455	5.42
N. of firm	17935	21192	26311	17935	21192	26311
Obs.	106530	135882	191499	106530	135882	191499

Notes: The sample is restricted to firms with import dependency (measured by the ratio of import value to turnover) less than its median value in 2017. The estimated coefficients of yearly dummies interacted with the firm-level exposure variable to the US tariff changes (*UST*) for the period, 2015-2023. Y15 stands for the fiscal year of 2014-2015. The base year is Y18, the fiscal year of 2017-2018, covering the initiation of the Trump tariff. All regressions in this table include all firm-year observations with firm and year fixed effects. The dependent variable is indicated in the column head.

Appendix:

Table A1: Alternative outcomes

	(1)	(2)	(3)	(4)	(5)	(6)
	Log import value from China	Log import value from other countries	Log import value from worldwide	Log num of non-treated products from China	Log num of non-treated products from Other countries	Log num of non-treated products from Worldwide
y15	1.044***	0.883***	1.069***	0.096	0.093**	0.031
	[0.079]	[0.067]	[0.055]	[0.057]	[0.036]	[0.037]
y16	0.816***	0.731***	0.892***	0.063	0.061	-0.024
	[0.072]	[0.061]	[0.049]	[0.053]	[0.034]	[0.034]
y17	0.220***	0.093	0.151***	-0.067	-0.003	-0.099***
	[0.061]	[0.054]	[0.044]	[0.047]	[0.032]	[0.032]
y18	0	0	0	0	0	0
	[.]	[.]	[.]	[.]	[.]	[.]
y19	-0.092	-0.025	0.006	-0.096**	0.03	-0.017
	[0.065]	[0.056]	[0.045]	[0.048]	[0.034]	[0.033]
y20	-0.308***	-0.109	-0.153***	-0.164***	0.018	-0.04
	[0.075]	[0.067]	[0.054]	[0.055]	[0.036]	[0.037]
y21	0.142	0.340***	0.326***	-0.012	0.133***	0.128***
	[0.086]	[0.073]	[0.060]	[0.059]	[0.039]	[0.039]
y22	0.055	0.230***	0.291***	-0.442***	-0.161***	-0.255***
	[0.093]	[0.080]	[0.067]	[0.071]	[0.045]	[0.047]
y23	0.024	0.318***	0.314***	-0.379***	-0.136***	-0.269***
	[0.101]	[0.085]	[0.071]	[0.070]	[0.047]	[0.049]
R-sq	0.85	0.85	0.86	0.77	0.79	0.78
F statistics	91.73	63.003	129.379	89.077	187.203	194.473
N. of firm	41951	46040	52621	19523	33511	31714
Obs.	251797	297956	397806	71917	147183	134894

Notes: This is the firm-year observation with the various alternative outcomes. This is a regression performed by OLS with the year time dummies with the base year is Y18, the fiscal year of 2017-2018, covering the initiation of the Trump tariff. All regressions in this table include all firm-year observations with firm fixed effects. The dependent variable is indicated in the column head.