AMRO
ASEAN +3 MACROECONOMIC RESEARCH OFFICE

Analytical Note

Trade Wind Series

Has the US–China Trade Conflict Transformed China's Trading Patterns?[1]

January 11, 2024

I. Introduction

1. **The ongoing trade conflict between the United States and China, which erupted in 2018, is affecting China's trading patterns.** The imposition of tariffs by the US on Chinese exports has been particularly noteworthy, with rates rising from 3.1 percent in early 2018 to 19.3 percent by 2020. These tariffs have persisted, encompassing approximately 66.4 percent of China's total exports (Bown 2023). In response, China also imposed retaliatory tariff hikes on US exports, leading to an increase in average tariffs from 8.0 percent at the beginning of 2018 to over 21.1 percent by 2020. These tariffs cover about 58.3 percent of US exports. The existence of these barriers has raised widespread concerns regarding their impact on bilateral trade, tariff pass-through, and output (Fajgelbaum and others 2020; Fajgelbaum and Khandelwal 2022). Furthermore, they have prompted adjustments in China's trade structure, with Chinese firms strategically finding alternative trading avenues by realigning their trade partners and products to mitigate the negative effects.

2. **This note examines in some detail the impact of the US–China trade conflict on China's trade patterns.** Since 2018, not only have China's major trading partners evolved, but there have also been changes in the goods being traded. Empirical evidence highlights the significance of political distance in influencing China's trade performance, particularly in the realm of intermediate goods. In the wake of the US–China trade conflict, China has exhibited a tendency to export more "advantageous" goods to its politically close partners, while importing less from countries that are politically unaligned.[2] The observed impact carries significant implications for the global trade landscape, indicating a potential shift

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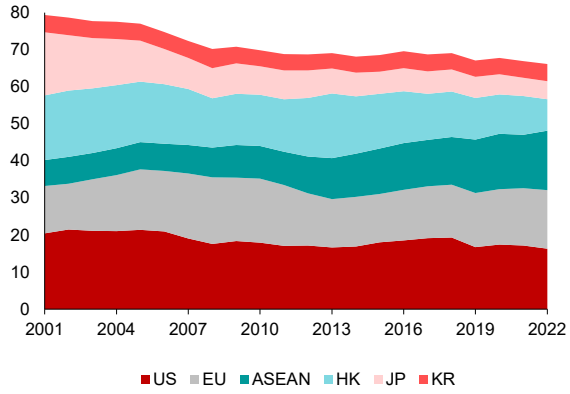
[2] Advantageous goods are defined as those for which the revealed comparative advantage (RCA) is greater than one. RCA is computed as the ratio of a product's exports in a country's total exports relative to the share of the same product's exports in the world total exports.

toward regional or bloc trade rather than global trade. The note concludes by discussing policy implications arising from this emerging trend.

II. China's Changing Trade Partners

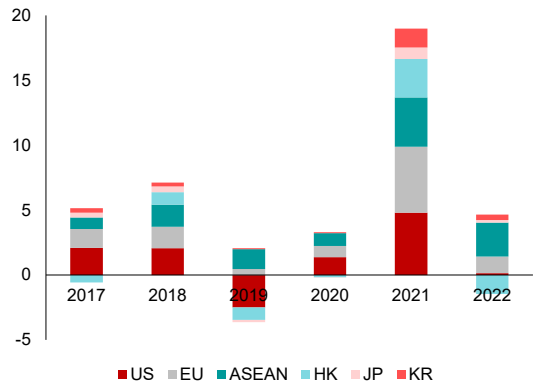
3. **The importance of the US market for China's exports has been declining.** Historically, the US has served as a key destination for Chinese goods; however, the situation has changed following the 2018–19 US–China trade conflict, which led to a substantial decline in China's exports to the US, both in export value and export share. In 2019, China's exports to the US fell by 12.9 percent, causing the US share in China's total exports to decrease to 16.7 percent from 19.3 in 2018 (Figure 1). While the pandemic initially triggered a temporary reversal in these declines—due to strong overall US demand—it has not been sustained. After the pandemic, US importance as a destination for China's exports continued to diminish, accounting for 16.2 percent of China's exports by 2022. Moreover, the US contribution to China's total export growth in 2022 was meager, adding a mere 0.1 percentage point to the overall growth rate of 7 percent—a stark contrast to the period prior to 2018 (Figure 2).

Figure 1. China: Shares in Exports by Partners, 2001–22
(Percent)



Sources: CEIC; and AMRO staff calculations.
Note: EU = European Union; HK = Hong Kong; JP = Japan; KR = Korea; US = United States.

Figure 2. China: Contribution to Export Growth by Partners, 2017–22
(Percentage Points)



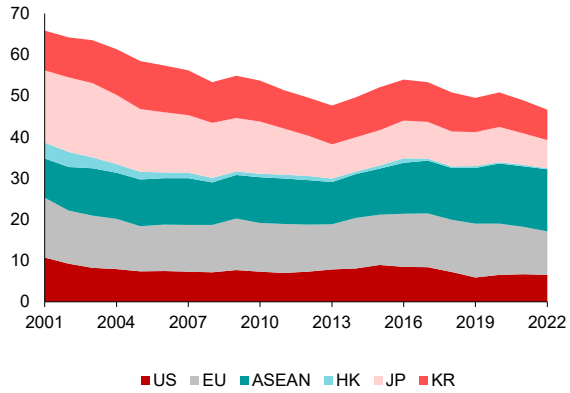
Sources: CEIC; and AMRO staff calculations.
Note: EU = European Union; HK = Hong Kong; JP = Japan; KR = Korea; US = United States.

4. **China's imports from the US have also experienced a decline.** The tariff hikes in 2019 prompted China to reduce its imports from the US by 21.3 percent. This reduction led to a decrease in the share of US imports in China's total imports, from 7.3 percent in 2018 to 5.9 percent in 2019 (Figure 3). Similar to the export situation, the pandemic temporarily reversed this decline in 2020 and 2021. However, China's imports from the US resumed their downward trend in 2022, dragging down its overall import growth rate by 0.8 percentage point (Figure 4).

5. **In the meantime, ASEAN has emerged as a crucial trade partner for China and increasingly so.** During the period when China's exports to the US declined, China's exports to ASEAN witnessed a steady rise, partially offsetting its export losses, even as ASEAN exports to the US grew to fill the gap created by the decrease in China's direct exports (Table 1). China has strengthened its trade ties with ASEAN by also increasing its imports from the region, making the latter its largest import source—further solidifying its

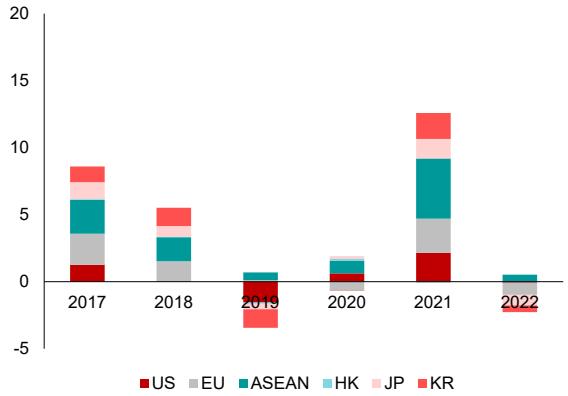
economic relationship with ASEAN. This trend is also evident in the rise of FDI inflow from China to ASEAN, particularly to Vietnam, in 2018-2019 (del Rosario and Zhao 2023).

Figure 3. China: Shares in Imports by Partners, 2001–22
(Percent)



Sources: CEIC; and AMRO staff calculations.
Note: EU = European Union; HK = Hong Kong; JP = Japan; KR = Korea; US = United States.

Figure 4. China: Contribution to Import Growth by Partners, 2017–22
(Percentage Points)



Sources: CEIC; and AMRO staff calculations.
Note: EU = European Union; HK = Hong Kong; JP = Japan; KR = Korea; US = United States.

Table 1. Trade across ASEAN+3, US, and EU: Change in Shares within an Economy between 2017 and 2022
(Percent)

Exporting \ Importing	CN	ASEAN	HK	US	EU	JP	KR	Other Asia	Others
CN		3.6	-6.2	-1.9	2.6	-1.2	0.1	1.0	2.0
ASEAN	2.5	-1.6	-0.8	4.1	-0.4	-2.0	0.2	0.3	-2.5
HK	2.2	0.7		-1.9	-0.5	-0.8	0.2	2.1	-2.0
US	-0.3	0.4	-1.2		2.5	-0.3	0.6	1.3	-3.0
EU	0.1	-0.3	-0.2	0.4	4.3	-0.1	0.0	0.1	-4.2
JP	1.9	0.6	-1.2	-1.6	0.7		0.2	1.5	-2.2
KR	-3.2	4.1	-1.7	2.8	2.2	-0.4		-2.5	-1.3
Other Asia	0.1	-0.7	-1.2	2.9	1.8	-0.2	0.3	7.8	-10.9
Others	2.5	0.7	-0.4	-2.3	0.5	-0.1	0.2	1.0	-2.0

Sources: IMF Direction of Trade via Haver; and AMRO staff calculations.
Note: CN = China; EU = European Union; HK = Hong Kong; JP = Japan; KR = Korea; US = United States.

6. **On the other hand, China's evolving trade with other economies has shown diverse patterns.** For example, China's exports to Hong Kong declined, along with those to the US, due to Hong Kong's role as a re-export hub for goods destined for the US. Meanwhile, China's imports from Korea have exhibited similarities to its trade with the US—there was a decline in 2019, followed by temporary growth in 2020 and 2021, and another drop in 2022. At the same time, Korea has increased its exports to the US (Table 1). These patterns may be influenced by the close supply chain linkages between the US and Korea. In contrast, China's exports to the EU have increased, indicating a shift toward alternative markets that share similarities with the US in terms of income levels and consumer preferences (Morales, Sheu, and Zahler 2019). Overall, China's interactions with various trade partners are shaped by economy- or region-specific factors and dynamics, resulting in

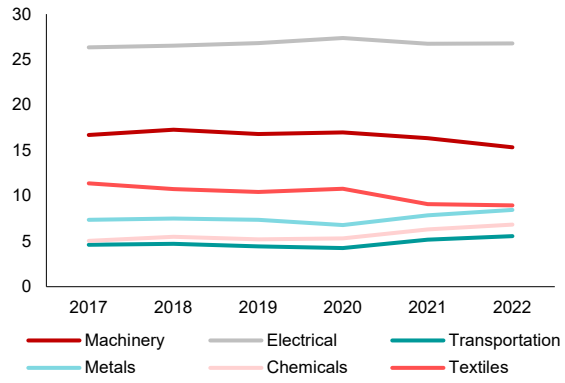
trade patterns that reflect the complex interplay of global supply chains and market preferences.

III. China's Changing Major Traded Goods

7. **China's export composition has undergone significant change, with an increase in the export shares of metals, chemicals, and transportation products, accompanied by a decline in textiles and machinery within its overall export basket.** China continues to expand its global market shares across most industries (Zhao and Ho 2023). However, a closer look at China's total export basket in more detail reveals notable shifts. The shares of metals, chemicals, and transportation have increased from 5.0, 7.4, and 4.6 percent in 2017 to 6.8, 8.5, and 5.6 percent in 2022, respectively (Figure 5).[3] In contrast, shares of textiles and machinery goods have fallen from 16.7 and 11.4 percent in 2017 to 15.3 and 8.9 percent in 2022, respectively. Exports of electricals have remained relatively stable during this period.

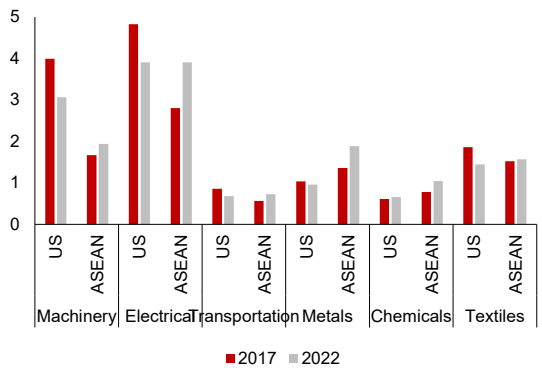
8. **China's export partners exhibit varying performance.** In sectors where China's export shares have declined, such as machinery and textiles, the decrease in shares of China's exports to the US has been more pronounced. Conversely, in the metals and chemicals sectors, China's export shares to the US have remained relatively stable. Meanwhile, China's export shares to ASEAN have increased across all sectors despite a slight increase in textiles (Figure 6).

Figure 5. China: Export Shares by Sectors, 2017–22
(Percent)



Sources: IHS Markit Global Trade Atlas; and AMRO staff calculations.

Figure 6. China: Export Shares by Partners and Sectors, 2017–22
(Percent)



Sources: IHS Markit Global Trade Atlas; and AMRO staff calculations.
Note: US = United States.

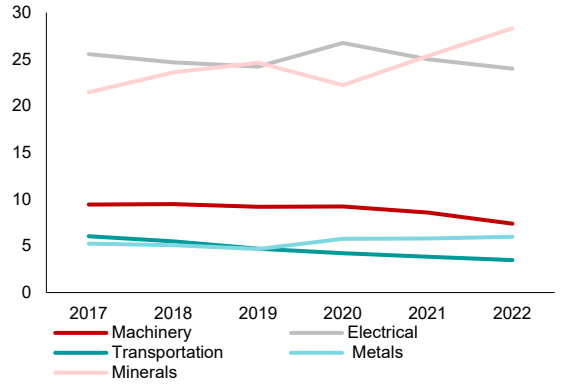
9. **China has experienced a shift in its import patterns, characterized by increases in imports of minerals and reductions in transportation, machinery, and electricals.** The share of mineral products in China's total imports has risen from 21.5 percent in 2017 to 28.3 percent in 2022 (Figure 7). Additionally, imports of metals have increased slightly. However, there has been a decline in the imports of electrical goods, machinery, and

[3] The surge in electric vehicle exports contributed significantly to the rapid growth in the transportation sector, particularly in 2021 and 2022. Metal exports (notably iron, steel, and aluminium products), and chemical exports (dominated by inorganic, organic, and chemical products), were driven by the expansion in global investment demand as economic activity recovered from the pandemic.

transportation, decreasing from 25.5, 9.4, and 6.0 percent, respectively, in 2017 to 24.0, 7.4, and 3.5 percent in 2022.

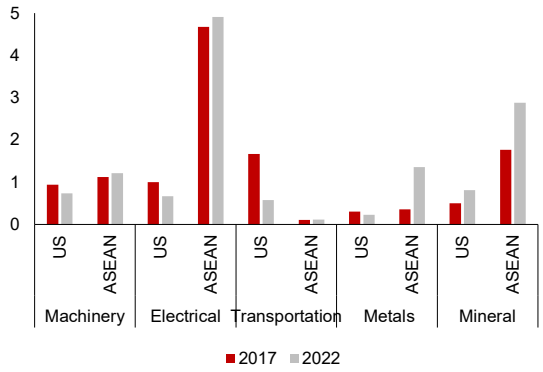
10. **Imports from ASEAN have witnessed growth across nearly all sectors.** In a trend reminiscent of the shifts in exports, Chinese imports from ASEAN have consistently increased in sectors where China has either expanded or contracted its total imports, except for the transportation sector. This trend is particularly noticeable in the metals and minerals sectors. Although imports from the US have seen a reduced influence in the machinery, electrical, and metals sectors, China's imports from the US have slightly increased their market share in the minerals sector (Figure 8).

Figure 7. China: Import Shares by Sectors, 2017–22
(Percent)



Sources: IHS Markit Global Trade Atlas; and AMRO staff calculations.

Figure 8. China: Import Shares by Partners and Sectors, 2017–22
(Percent)



Sources: IHS Markit Global Trade Atlas; and AMRO staff calculations.
Note: US = United States.

IV. Political Distance Matters

11. **Political closeness matters in shaping China's trade partnerships in an increasingly fragmented world.** Following the US–China trade conflict, China has displayed a tendency to reduce trade with the US and Korea, while strengthening trade ties with ASEAN. To assess the role of political closeness, we employ the concept of "bilateral political distance," which measures the divergence in political orientation between countries based on their voting patterns in the United Nations General Assembly (Bailey, Strezhnev, and Voeten 2017).

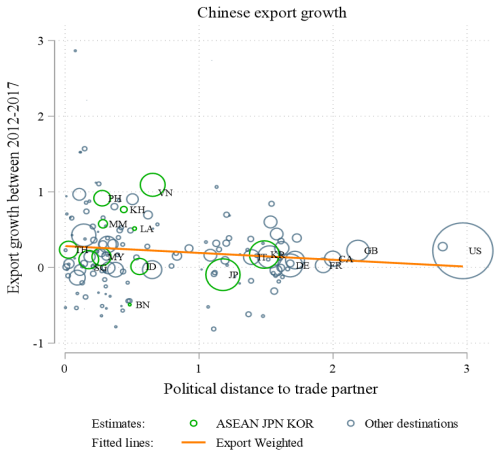
12. **Our empirical analysis indicates a negative relationship between China's export growth and the political distance of the destination after 2018.**[4] Prior to the trade conflict in 2018, there was no significant association between China's trade patterns and political distance (Figure 9 and Figure 10). However, a more apparent relationship between trade growth and political distance was observed post-2018 (Figure 11 and Figure 12). Specifically, it appears that China gives priority to trading with more politically-aligned nations to mitigate potential disruptions. If the political distance between China and a trade partner increases by one unit,[5] Chinese **exports** to that destination are estimated to

[4] The regression results are consistent with either trade value or volume as the dependent variable. The results using the former are presented in the appendix.

[5] China's political distance to all ASEAN countries is within 1; to Japan and Korea is between 1 and 2, while that to the US is close to 3.

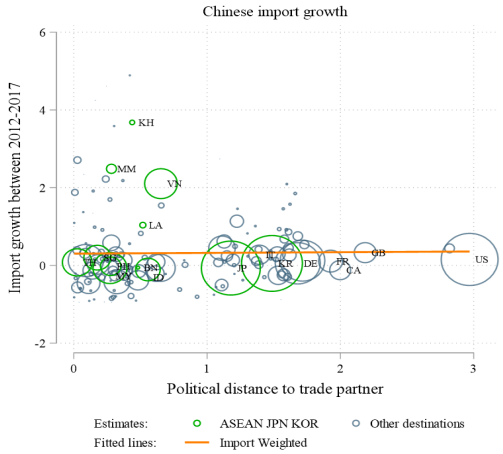
decrease by approximately 2.6 percent after 2018 (Appendix Table 1). In contrast, Chinese **imports** are not significantly affected by political distance (Appendix Table 2).[6]

Figure 9. China: Export Growth and Political Distance to Trade Partners, 2012–17



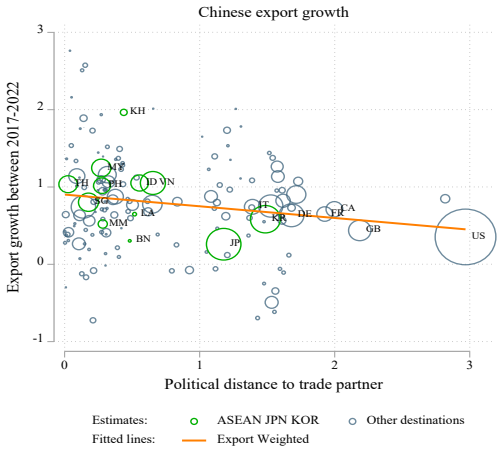
Sources: UNComtrade; Bailey, Strezhnev, and Voeten 2017; and AMRO staff estimations.
Note: The size of the circle represents the total amount of Chinese exports to destinations.

Figure 10. China: Import Growth and Political Distance to Trade Partners, 2012–17



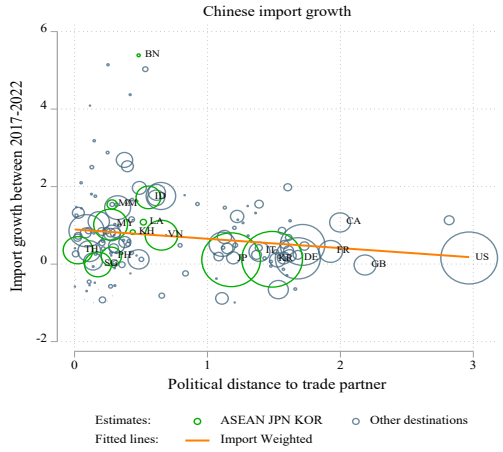
Sources: UNComtrade; Bailey, Strezhnev, and Voeten 2017; and AMRO staff estimations.
Note: The size of the circle represents the total amount of Chinese imports from sources.

Figure 11. China: Export Growth and Political Distance to Trade Partners, 2017–22



Sources: UNComtrade; Bailey, Strezhnev, and Voeten 2017; and AMRO staff estimations.
Note: The size of the circle represents the total amount of Chinese exports to destinations.

Figure 12. China: Import Growth and Political Distance to Trade Partners, 2017–22



Sources: UNComtrade; Bailey, Strezhnev, and Voeten 2017; and AMRO staff estimations.
Note: The size of the circle represents the total amount of Chinese imports from sources.

[6] All the regression results in the appendix hold when we limit the trade partners to the top 100 economies.

13. **The inverse association is evident in specific sectors, particularly in exports.** We categorize HS 6-digit goods into 15 sectors based on their 2-digit HS code. Eight out of the 15 export sectors, comprising vegetables, foodstuffs, chemicals, plastics and rubbers, wood, textiles, base metal, and transportation, have been significantly affected by political distance (Appendix Table 3). Conversely, only three out of 15 import sectors, namely, textiles, footwear, and base metals, exhibit comparable effects (Appendix Table 4).

14. **The effects from political distance differ across goods.** To identify the types of goods impacted by political distance, we assess the HS 6-digit goods based on their Revealed Comparative Advantage (RCA). We observe that the negative impact of political distance is more prominent for high-RCA goods and is not statistically significant for low-RCA export goods (Appendix Table 1). These relationships suggest a tendency for China to reduce exports of goods in which it has a comparative advantage to politically distant countries after 2018. Interestingly, there has also been a decrease in China's imports of goods in which it lacks a comparative advantage from more politically unaligned countries (Appendix Table 2).

15. **Intermediate goods in both exports and imports are negatively influenced by political distance.** We classify HS 6-digit goods into three categories based on their end-use: final consumption, intermediate use, and capital formation.[7] Chinese exports of capital goods appear unaffected by political distance. Similarly, Chinese imports of final goods are not affected by political distance. However, the relationship between political distance and both exports and imports of intermediate goods is consistently negative (Appendix Tables A5 and A6), suggesting a potentially heightened sensitivity of intermediates to political uncertainties arising from "political distance".

V. Conclusion

16. **China has increased its trade with ASEAN economies but reduced trade with the US in the wake of the US–China trade conflict.** Among its major exports, China has increased trade in metals and chemicals but reduced trade in machinery. At the product level, China tends to export more products in which it holds a comparative advantage to its political allies. Moreover, the trade in intermediate goods between China and its trading partners is notably influenced by political distance. That said, there could also be other factors influencing China's changing trade patterns, such as industrial upgrading (leading to shifting comparative and competitive advantage among products within the country) or changing growth dynamics in China and its trading partners.

17. **The observed relationships between China's trade growth and political distance with its trade partners following the 2018 US–China trade conflict have significant implications.** Unlike previous political shocks where the effects on trade typically dissipate within a few months (Du and others 2017), the US–China trade conflict has a long-lasting impact. Trade fragmentation between the US–China blocs is anticipated to result in permanent losses and have a particularly impactful effect on ASEAN+3, given the region's substantial role in global manufacturing and trade (IMF 2022).

[7] We follow the Broad Economic Categories (BEC, Rev.5) classification to categorize exports and imports goods by the end-use. Goods can be exported or imported for final use (consumption) or as inputs to other economic activities (intermediate use); they can also be used for fixed capital formation.

18. **Hence, policymakers must consider the growing impact of political factors on trade dynamics.** Diversifying trade partnerships, fostering cooperation, and addressing geopolitical tensions are essential for future growth. Emphasizing an open global trading system promotes economic interdependence, innovation, and mutual prosperity. Ensuring transparency and implementing rules-based frameworks can build trust and inclusivity, while constructive dialogue in multilateral fora can help resolve trade issues without resorting to protectionism or escalating tensions.

Appendix. Regression Results

We adopt the following econometric specification to examine the impact of political distance on exports and imports:

$$lntrade_{jnt}^{CN} = \alpha + \tau PD_{n,\ t-1}^{CN/US} + \beta PD_{n,\ t-1}^{CN/US} * 1(year \geq 2018)_t + \gamma lnrgdp_{nt} + \zeta_j + \eta_n + \varepsilon_t + \epsilon_{jnt}$$

where,
$lntrade_{jnt}^{CN}$ is the log of trade value of product *j (HS 6-digit)* that China exports (imports) to (from) country *n* in time *t*;
$PD_{n,\ t-1}^{CN/US}$ is the political distance of country *n* to China in *t-1* year;
$1(year \geq 2018)_t$ is a dummy indicator of trade war, which takes one if the observation is in or after 2018 and zero otherwise;
$lnrgdp_{nt}$ is the log of the real GDP of country *n* in time *t* to control country-year gravity differences.
ζ_j, η_n, and ε_t are product, country, and year fixed effects respectively; and
ϵ_{jnt} is the error term.

We use the product-country-year level trade data from World Integrated Trade Solution (WITS), covering 189 countries and spanning from 2010 to 2021. The concordance used is the H2 version, based on which we match the grouping variables. China's bilateral political distance to its trade partner is calculated as the gap between their ideal points which represent the country's political orientation, by using the votes in the United Nations General Assembly (UNGA) (Bailey, Strezhnev, and Voeten 2017). The real GDP data are obtained from the IMF.

Appendix Table 1. Political Distance and Exports by Revealed Comparative Advantage

Variable	(1)	(2)	(3)	(4)
	Base	RCA < 1	RCA >= 1	RCA >= 2.5
$PD_{n,\ t-1}^{CN}$	0.014*	–0.009	0.032***	0.052***
	(0.005)	(0.008)	(0.007)	(0.009)
$PD_{n,\ t-1}^{CN} * 1(year \geq 2018)$	–0.040***	–0.009	–0.064***	–0.105***
	(0.003)	(0.005)	(0.004)	(0.006)
$lnrgdp_{nt}$	1.105***	0.944***	1.248***	1.281***
	(0.013)	(0.021)	(0.016)	(0.023)
N	4,289,141	1,775,756	2,509,634	1,222,644
R-sq	0.564	0.501	0.599	0.612

Source: AMRO staff estimates.
Note: Column (1) is the baseline regression result. Columns (2)-(4) are heterogeneity tests of low- and high-revealed comparative advantage (RCA) products, which use a one-year lag calculated from WITS data. Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Appendix Table 2. Political Distance and Imports by Revealed Comparative Advantage

Variable	(1)	(2)	(3)	(4)
	Base	RCA < 1	RCA >= 1	RCA >= 2.5
$PD^{CN}_{n,\ t-1}$	0.056**	0.119***	0.003	0.002
	(0.017)	(0.026)	(0.023)	(0.033)
$PD^{CN}_{n,\ t-1} * 1(year \geq 2018)$	0.004	–0.059***	0.057***	0.103***
	(0.008)	(0.011)	(0.010)	(0.015)
$lnrgdp_{nt}$	0.486***	0.616***	0.378***	0.256**
	(0.044)	(0.064)	(0.059)	(0.084)
N	1,269,286	625,257	631,182	285,143
R-sq	0.411	0.391	0.422	0.401

Source: AMRO staff estimates.
Note: Column (1) is the baseline regression result. Columns (2)-(4) are heterogeneity tests of low- and high-revealed comparative advantage (RCA) products, which use a one-year lag calculated from WITS data. Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Appendix Table 3. China: Political Distance and Exports by Sector

Variable	(1) Animal & Animal Products	(2) Vegetable Products	(3) Foodstuffs	(4) Mineral Products	(5) Chemicals & Allied Industries	(6) Plastics and Rubbers	(7) Raw Hides/ Skins/ Leather/ Furs	(8) Wood & Wood Products	(9) Textiles	(10) Footwear and Headgear	(11) Stone and Glass	(12) Base Metals	(13) Machinery and Electrical	(14) Trans-portation	(15) Miscella-neous
$PD^{CN}_{n,\ t-1}$	–0.068	0.107*	0.026	0.033	0.015	0.011	0.089	0.120***	0.024	0.090*	–0.098***	0.031*	0.005	–0.202***	–0.007
	(0.094)	(0.048)	(0.042)	(0.064)	(0.017)	(0.019)	(0.055)	(0.026)	(0.014)	(0.037)	(0.024)	(0.013)	(0.010)	(0.031)	(0.015)
$PD^{CN}_{n,\ t-1} * 1(year \geq 2018)$	–0.059	–0.116***	–0.076***	0.103**	–0.065***	–0.059***	–0.095**	–0.110***	–0.074***	–0.054*	–0.001	–0.054***	0.007	0.099***	0.019*
	(0.047)	(0.024)	(0.023)	(0.036)	(0.009)	(0.012)	(0.032)	(0.016)	(0.008)	(0.023)	(0.015)	(0.008)	(0.006)	(0.020)	(0.009)
$lnrgdp_{nt}$	1.271***	0.675***	0.825***	0.906***	0.594***	1.213***	1.766***	1.294***	1.114***	1.435***	1.079***	1.284***	1.243***	0.840***	0.993***
	(0.250)	(0.120)	(0.107)	(0.160)	(0.042)	(0.045)	(0.137)	(0.063)	(0.034)	(0.091)	(0.058)	(0.033)	(0.024)	(0.078)	(0.036)
N	19,984	77,298	78,469	45,346	477,982	257,379	40,034	184,418	728,599	69,825	192,833	578,460	989,438	118,093	429,383
R-sq	0.457	0.444	0.443	0.439	0.483	0.639	0.651	0.537	0.508	0.667	0.586	0.591	0.641	0.538	0.680

Source: AMRO staff estimates.
Note: Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Appendix Table 4. China: Political Distance and Imports by Sector

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Animal & Animal Products	Vegetable Products	Foodstuffs	Mineral Products	Chemicals & Allied Industries	Plastics and Rubbers	Raw Hides/ Skins/ Leather/ Furs	Wood & Wood Products	Textiles	Footwear and Headgear	Stone and Glass	Base Metals	Machinery and Electrical	Trans-portation	Miscella-neous
$PD^{CN}_{n,\ t-1}$	–0.129	0.299**	0.200*	0.057	–0.063	0.068	0.088	0.083	–0.031	0.342**	0.001	–0.038	0.115**	–0.322**	0.045
	(0.123)	(0.113)	(0.092)	(0.113)	(0.061)	(0.062)	(0.106)	(0.074)	(0.035)	(0.116)	(0.085)	(0.048)	(0.035)	(0.119)	(0.055)
$PD^{CN}_{n,\ t-1} * 1(year \geq 2018)$	–0.019	–0.057	–0.018	–0.117*	0.041	–0.019	0.033	0.012	0.140***	0.260***	0.016	–0.085***	–0.031*	–0.043	0.015
	(0.055)	(0.046)	(0.040)	(0.056)	(0.023)	(0.028)	(0.052)	(0.034)	(0.016)	(0.054)	(0.036)	(0.020)	(0.015)	(0.051)	(0.023)
$lnrgdp_{nt}$	0.153	0.440	–0.252	0.328	0.528***	0.964***	1.212***	–0.238	0.714***	0.238	0.106	1.007***	1.189***	2.212***	0.451***
	(0.322)	(0.292)	(0.234)	(0.307)	(0.146)	(0.156)	(0.267)	(0.190)	(0.088)	(0.302)	(0.209)	(0.118)	(0.087)	(0.306)	(0.134)
N	19,920	33,559	43,415	29,697	145,698	82,081	23,175	62,071	220,638	17,927	50,863	155,192	246,798	24,912	111,999
R-sq	0.393	0.304	0.345	0.443	0.382	0.527	0.459	0.453	0.428	0.473	0.412	0.490	0.560	0.555	0.514

Source: AMRO staff estimates.
Note: Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Appendix Table 5. China: Political Distance and Exports by End-Use

Variable	(1)	(2)	(3)
	Capital Formation	Final Consumption	Intermediate
$PD^{CN}_{n,\ t-1}$	–0.006	0.041***	0.022**
	(0.011)	(0.012)	(0.008)
$PD^{CN}_{n,\ t-1} * 1(year \geq 2018)$	0.054***	–0.051***	–0.064***
	(0.007)	(0.007)	(0.004)
$lnrgdp_{nt}$	1.170***	1.119***	1.078***
	(0.027)	(0.029)	(0.019)
N	744,252	861,051	2,227,734
R-sq	0.608	0.605	0.533

Source: AMRO staff estimates.
Note: This table is heterogeneity tests of products in different end-uses, namely capital formation, final consumption, and intermediate goods, which we determine by BEC rev.5 definitions published by UNSD. We first convert the BEC from HS H5 to H2 code instructed by UNSD and then match it to the trade specifics. Goods of multiple end-uses are not included in regressions.
Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Appendix Table 6. China: Political Distance and Imports by End-Use

Variable	(1)	(2)	(3)
	Capital Formation	Final Consumption	Intermediate
$PD^{CN}_{n,\ t-1}$	0.054	0.047	0.021
	(0.044)	(0.033)	(0.024)
$PD^{CN}_{n,\ t-1} * 1(year \geq 2018)$	–0.091***	0.180***	–0.035***
	(0.018)	(0.015)	(0.010)
$lnrgdp_{nt}$	1.071***	0.150	0.546***
	(0.107)	(0.085)	(0.060)
N	159,697	286,346	707,807
R-sq	0.545	0.386	0.391

Source: AMRO staff estimates.
Note: This table is heterogeneity tests of products in different end-uses, namely capital formation, final consumption, and intermediate goods, which we determine by BEC rev.5 definitions published by UNSD. We first convert the BEC from HS H5 to H2 code instructed by UNSD and then match it to the trade specifics. Goods of multiple end-uses are not included in regressions. Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

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