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Concepts, Sources and Methods

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Australian Statistician

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PREFACE

This publication describes the conceptual framework for Australia's international merchandise trade statistics and the data sources and methods used to compile them. Its purpose is to help users better understand these statistics.

This is the first issue of this publication. It reflects the international standards contained in *International Merchandise Trade Statistics: Concepts and Definitions* Series M, No. 52, Rev. 2 (IMTS, Rev.2) published in 1998 by the United Nations (UN). It also aligns, where possible, with the concepts reflected in the *Balance of Payments Manual, Fifth edition* (BPM5) and the *System of National Accounts, 1993* (SNA93).

The main Australian Bureau of Statistics (ABS) publications that present international merchandise trade statistics are the monthly *International Merchandise Imports, Australia* (Cat. no. 5439.0) and the quarterly *International Merchandise Trade, Australia* (Cat. no. 5422.0). The concepts, sources and methods described in this publication are consistent with Australia's international merchandise trade statistics released from 1 July 2000.

From time to time, particular concepts, sources or methods used in compiling Australia's international merchandise trade statistics are changed or modified in the light of reviews or other developments. Users are advised of these changes in the quarterly publication (Cat. no. 5422.0) as they occur.

The ABS invites comments on the usefulness of this publication as a guide to Australia's international merchandise trade statistics. Such feedback will help in planning the content of future issues of this publication and the descriptive material included in the regular statistical publications. Comments should be directed to the Director, International Trade, Australian Bureau of Statistics, PO Box 10, Belconnen ACT 2616.

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May 2001

LIST OF ABBREVIATIONS

ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
AHECC	Australian Harmonized Export Commodity Classification
ANZSIC	Australian and New Zealand Standard Industrial Classification
APEC	Asia-Pacific Economic Cooperation
AQIS	Australian Quarantine and Inspection Service
ASEAN	Association of Southeast Asian Nations
ATFCC	Australian Transport Freight Commodity Classification
BEC	(Classification by) Broad Economic Categories
BOP	Balance of Payments
BPM5	Balance of Payments Manual (Fifth Edition IMF, Washington D.C. 1993)
Cat. no.	Catalogue number of an ABS publication
c.i.f.	cost, insurance and freight
Customs	Australian Customs Service
DCs	Developing Countries
DFAT	Commonwealth Department of Foreign Affairs and Trade
DOTRS	Commonwealth Department of Transport and Regional Services
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
f.o.b.	free on board
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GST	Goods and Services Tax
HS	Harmonized Commodity Description and Coding System (or Harmonized System)
IMF	International Monetary Fund
IMTS, Rev.2	International Merchandise Trade Statistics; Concepts and Definitions, Series M, No. 52, Rev.2 (UN, 1998)
IOPC	Input-Output Product Classification
ISIC	International Standard Industrial Classification
n.i.e.	not included elsewhere
OECD	Organisation for Economic Cooperation and Development
PPI	Producer Price Indexes
RBA	Reserve Bank of Australia
SACC	Standard Australian Classification of Countries
SITC, Rev.3	Standard International Trade Classification, Revision 3
SNA93	A System of National Accounts (Revision 4, UN/IMF/OECD/EUROSTAT/ World Bank, New York, 1993)
UN	United Nations
UNSD	United Nations Statistics Division
WCO	World Customs Organization
WTO	World Trade Organization

CHAPTER 1

PURPOSE OF THIS PUBLICATION

INTRODUCTION

1.1 International merchandise trade statistics are used extensively to monitor Australia's export and import performance and they are a key input to Australia's balance of payments and national accounts statistics.

1.2 Australia's international merchandise trade statistics are compiled in broad agreement with United Nations' (UN) recommendations. However, the UN standards are not easily accessible, nor are they written from an Australian perspective. Accordingly, this publication aims to provide users of Australia's international merchandise trade statistics with a comprehensive explanation of the:

- underlying conceptual framework;
- definitions and treatments of special cases;
- classification of data items;
- data sources and methods;
- confidentiality practices applied;
- presentation and publication of statistics;
- data quality measures used;
- relationship to other economic statistics; and
- emerging issues likely to impact on future trade statistics.

1.3 As elements of this publication may become dated over time, reviews of its content will be conducted periodically. Electronic versions of the publication (found on the ABS Web site in the *Statistical Concepts Library* (Cat. no. 1361.0.30.001)) will be updated progressively as changes occur. The paper publication will only be revised and reissued after significant revisions. Users are informed about current trade-related issues and any changes to trade concepts and methods through inclusions in the latest issues of the quarterly publication *International Merchandise Trade, Australia* (Cat. no. 5422.0).

USERS AND USES OF STATISTICS

1.4 A wide variety of government and private sector clients use international merchandise trade statistics and require information on the concepts, sources and methods on which they are based. They range from users who require broad general information about the main aggregates to those with highly specialised needs relating to particular commodities of interest. The main categories of users and their requirements are set out in box 1.1.

1.1 USERS AND USES OF INTERNATIONAL MERCHANDISE TRADE STATISTICS

- balance of payments, national accounts and price index compilers in the ABS who use the data as input into the balance of payments, national accounts and various price indexes — a detailed understanding of the concepts, sources and methods used; current and historical practice regarding particular data items; and areas of possible future change;
- Commonwealth and State government agencies who use the data for regulatory and general economic policy purposes, for monitoring commodity trade flows, to assist in the development of trade policy including trade negotiations, monitoring trade agreements and settling trade disputes, and as input to infrastructure planning purposes e.g. development of seaports, airports etc. — these agencies require relevant details to support their interpretation of the data;
- private sector businesses and individuals who use the data to monitor import penetration and export performance, to analyse market shares and to assess import competition — the need is for a broad understanding of the conceptual framework, how the data are compiled, the main outputs and very detailed data;
- international agencies such as the United Nations Statistics Division (UNSD), the Organisation for Economic Cooperation and Development (OECD) and the Food and Agriculture Organization of the United Nations (FAO) — while uses vary by agency, generally these agencies need to have a reasonably detailed understanding of all aspects of the statistics, to compare the extent of adherence by Australia and other countries to international standards and practices and to determine whether comparisons are valid;
- international merchandise trade compilers in other countries — a reasonably detailed understanding of Australian concepts, sources and methods, with more detail on particular items, to compare with their own estimates and practices;
- financial sector economists, national and international commentators, and public sector agencies in other countries — a reasonably detailed understanding of the conceptual framework, the sources and how the data are compiled, to support their interpretation of the statistics and provide advice to their organisations and clients;
- financial journalists — the need is for a broad understanding of the conceptual framework, how the data are compiled and the main outputs, to support media comment on Australia's merchandise trade flows with the rest of the world;
- academic researchers — a reasonably detailed understanding of the conceptual framework, the sources and how the data are compiled;
- teachers/teaching academics — a good understanding of the conceptual framework, how the data are compiled and the main outputs, to support teaching about Australia's economy and its relationship with the rest of the world; and
- students at high school level or undergraduate level at university — the need is for a broad understanding of the conceptual framework, how the data are compiled and the main outputs, to gain an appreciation of Australia's merchandise trade flows with the rest of the world.

INTERNATIONAL STATISTICAL STANDARDS

1.5 The ABS has always attempted to follow, wherever possible, the international standards relating to international merchandise trade and other economic statistics. The reasons for this are:

- domestic and foreign analysts will be assured that Australia's official international merchandise trade statistics comply with objective, coherent international standards that reflect current analytic needs;
- Australia is a member of the international community and users need comparable data between countries;
- Australia, as a member of organisations such as the UN and OECD, needs to provide its economic statistics in conformity with the standards set by those organisations; and
- to validate the quality of Australian data, the ABS periodically compares and reconciles its data with those of other countries. Use of international standards facilitates bilateral reconciliations.

1.6 The conceptual framework followed for Australia's international merchandise trade statistics is consistent with the international statistical standards set out in the UN publication *International Merchandise Trade Statistics: Concepts and Definitions* Series M, No. 52, Rev.2 (IMTS, Rev.2), issued in late 1998. The purpose of IMTS, Rev.2 is to provide clear recommendations to national compilers on international trade concepts and definitions, which take into account the availability of relevant data and the collection procedures used in member countries.

1.7 The original version of these standards was issued by the UN in 1970 and previously revised in 1982. Changes between the 1982 revision and IMTS, Rev.2 were made in recognition of the need for closer harmonisation with the statistical concepts, definitions, classifications and terminology contained in the revised *System of National Accounts, 1993* (SNA93) and the *Balance of Payments Manual, Fifth edition* (BPM5). The changes made increase the comparability with other economic statistics compiled within the frameworks of SNA93 and BPM5. However, the standards are not fully harmonised.

1.8 Australia's international merchandise trade statistics essentially conform with the concepts and definitions contained in IMTS, Rev.2. In the few instances where Australian reporting practices differ from the standards, the differences do not seriously impact on recorded trade values and no adjustments are considered necessary. The changes introduced in IMTS, Rev.2 were implemented in Australian international merchandise trade statistics from July 1999.¹

1.9 *Chapter 2* outlines the conceptual framework used for the compilation of Australia's international merchandise trade statistics. International merchandise trade is defined and the treatment of special cases summarised. Australia's territory, the trade system used, the methods of valuation applied, the time of recording and the bases of the commodity and partner country classifications used, are explained.

1.10 *Chapter 3* provides more detailed definitions, including some data items collected and describes the treatment of some special cases.

1.11 *Chapter 4* explains the commodity, industry and country classifications used to collect, compile and disseminate trade statistics.

1.12 *Chapter 5* describes the data sources and methods used to compile trade statistics, including the statistical details obtained from Customs records and the processing, editing and aggregation of that information.

1 The ABS article, *Revisions to Standards for International Trade Statistics*, published in the June quarter 1999 issue of *International Merchandise Trade, Australia* (Cat. no. 5422.0), explains the changes in Australia's international merchandise trade statistics that occurred with the change to the IMTS, Rev.2 basis.

1.13 *Chapter 6* outlines how trade data are confidentialised prior to their release. It explains the legal basis for the passive approach to confidentiality used, the types of restrictions that are imposed, the procedures used to manage confidentiality and the effect of confidentiality on the statistics produced.

1.14 *Chapter 7* describes the dissemination of trade statistics. It details the release practices used, the revisions policy, what information is available, the publications produced and the various other forms of dissemination that are used.

1.15 *Chapter 8* examines the quality of Australia's international merchandise trade statistics. It analyses the accuracy and reliability of trade statistics and the factors influencing quality and data comparability between partner countries.

1.16 *Chapter 9* explains the relationships between Australia's trade statistics and its balance of payments, national accounts and import and export price indexes, which all use trade data.

1.17 *Chapter 10* discusses some emerging issues which are likely to affect these statistics in the future. These include developments in data sources and international standards.

1.18 The appendixes provide details of the units of quantity used and lists of countries and country groups for which detailed trade statistics are currently compiled and disseminated.

CHAPTER 2

INTERNATIONAL MERCHANDISE TRADE

CONCEPTUAL FRAMEWORK

2.1 Australia's international merchandise trade statistics record goods which add to or subtract from the stock of material resources of Australia by entering (imports) or leaving (exports) its territory. Goods simply *transported through* Australia (goods in transit), or *temporarily admitted or withdrawn*, do not add to or subtract from Australia's stock of material resources and are not included in Australia's international merchandise trade statistics.

2.2 In principle, the term 'merchandise' is not limited to goods which are the subject of a commercial transaction, e.g. a change of ownership, but is intended to cover all goods which meet the above definition. In practice, however, coverage is limited to those goods which pass the Customs frontier and for which Customs clearances are required.

2.3 In certain instances, the above definition is not sufficient to provide a clear answer on the issue of inclusion or exclusion of particular types of goods, due either to the peculiarity of such goods, or the complexity of the transaction. The IMTS, Rev.2 provides guidelines for the treatment of these cases.

2.4 Special cases of goods which are included in Australia's international merchandise trade statistics are recorded in box 2.1. Further explanation of some of these cases is provided in Chapter 3.

Inclusions

2.1 GOODS INCLUDED IN AUSTRALIA'S INTERNATIONAL MERCHANDISE TRADE STATISTICS

- *non-monetary gold*. Non-monetary gold refers to gold that is traded like any other commodity. It includes unrefined gold, gold powder, semi-processed, other unwrought or semi-manufactured gold, coins, bullion and bars. Such gold might be for industrial use, jewellery making, or use as a store of value. These articles are regarded as commodities, rather than as financial items, as they principally derive their worth from either their gold content or their value as collectors' pieces;
- *unissued banknotes and securities, and coins not in circulation*. These are regarded as commodities rather than financial items, and valued at their production cost not face value;
- *goods traded on government account*. This includes goods for both civilian and military use, which cross customs' borders as a result of, for instance, regular commercial transactions of Governments, goods supplied under foreign aid programs and war reparations and restitutions;
- *food and other humanitarian aid*. Articles of food, clothing, medicine and other goods entering or leaving a country under aid programs or as emergency assistance, whether provided by Governments, international organisations or non-government organisations;
- *goods for military use*. Australia includes military goods in its international merchandise trade statistics, provided the goods cross the Customs frontier, are not used by Australian forces serving abroad, or are excluded under an inter-governmental agreement;
- *goods acquired by all travellers, including non-resident workers*, where amounts or values of such goods exceed legal requirements as defined by Australian law for reporting to Customs;
- *goods on consignment*. This includes artwork that has a high probability of being purchased by Australian residents or sold to non-residents at auction after being imported or exported respectively;
- *goods used as carriers of information and software for general or commercial use (not to order)*. This is explained further in paragraphs 3.67 to 3.71;
- *goods for processing*. This term is defined in paragraph 3.11;
- *goods which cross borders as a result of transactions between parent corporations and their direct investment enterprises (affiliates/branches)*. These are capital equipment and other goods provided by foreign multinational companies to their Australian subsidiaries or Australian companies to their foreign subsidiaries;
- *returned goods*. If previously exported merchandise is subsequently returned to Australia, the inward transaction should be recorded as a merchandise import at the time the good is returned. Similarly, where merchandise previously treated as imported into Australia is subsequently returned overseas, the outward transaction should be recorded as a merchandise export. This treatment maintains the equilibrium between the incoming and outgoing transaction, albeit increasing the overall volume of both merchandise exports and imports;
- *electricity, gas and water*;
- *goods under financial lease*. Goods are considered to be under financial lease if the lessee assumes the rights, risks, rewards and responsibilities in relation to the goods, and from an economic point of view can be considered as the de facto owner;
- *ships, aircraft and other mobile equipment, except temporary imports*;
- *goods delivered to, or dispatched from, offshore installations located in Australia's economic territory* (from, or to, the economic territory of another country). For example, Australia's oil exports from the North West Shelf are generally exported directly from the offshore facility but documents are lodged at the nearest Customs office in Western Australia;
- *bunkers, stores, ballast and dunnage* that are supplied to foreign vessels or aircraft in Australia; and
- *waste and scrap*, such as metal or other materials to be recycled or otherwise disposed, provided it has a positive value and is not temporary trade.

2.5 Special cases of goods which are excluded from Australia's international merchandise trade statistics are recorded in box 2.2. Further explanation of some of these cases is provided in Chapter 3. Some of these goods are separately recorded for balance of payments and national accounts purposes.

Exclusions

2.2 GOODS EXCLUDED FROM AUSTRALIA'S INTERNATIONAL MERCHANDISE TRADE STATISTICS

- *monetary gold* is gold that is exchanged between national or international monetary authorities or authorised banks. These authorities include the Reserve Bank of Australia (RBA) and other central banks, which hold gold as part of an economy's official reserves (a financial asset). Exchanges of monetary gold between monetary authorities are treated as financial transactions. When the RBA sells or lends gold to non-monetary authorities, which may then be exported, it is said to *demonetise* the gold, turning it into non-monetary gold. Any export of non-monetary gold is recorded in international merchandise trade statistics. Likewise, when the RBA receives gold from abroad (e.g. the repayment of a gold loan) it is said to *monetise* the gold, turning it into monetary gold. Any import of the gold prior to monetisation is recorded in international merchandise trade statistics;
- *issued banknotes and securities and coins flowing into and out of the Australian economy as a result of payments and receipts involved with international transactions*. These are treated as financial items as they represent a financial claim;
- *goods temporarily admitted or dispatched*. Goods are sometimes brought into a country, or dispatched from it, with a reasonable expectation of subsequent withdrawal or return within a limited time without any change (except normal depreciation). These include art exhibitions, specialised equipment employed in particular projects, vehicles, horses and other belongings of competitors who participate in sporting events, and animals for breeding;
- *goods for repair*. This comprises goods temporarily crossing international borders so they can be repaired i.e. activity that reinstates the quality of impaired goods and does not result in the creation of a new product. It includes goods that must be fixed abroad as Australian resources are unsuitable, or goods brought to Australia for repair. Customs entries for goods for repair are collected and recorded separately for balance of payments and national accounts purposes. Construction repairs, computer repairs, and maintenance performed in seaports and airports on transportation equipment, are treated as services in balance of payments statistics;
- *goods in transit (entrepôt or transshipment trade)*. Goods entering or leaving a country with the sole purpose of reaching a third country are excluded, since they do not add to or subtract from the stock of material resources of the country through which they pass. Goods leaving a country, to return after crossing another country, are excluded from both countries' imports and exports. International transportation routes are such that goods may be transported via one or more countries on their way to or from Australia. Alternatively, goods may transit Australia on their way elsewhere;
- *goods consigned to and from territorial enclaves*. The economic territory of Australia includes Australian embassies, military bases and other installations that are physically located within the geographic boundaries of other countries, and excludes the enclaves of other nations and international organisations located within Australia's geographic boundaries. The movement of goods between Australia and Australian enclaves abroad is considered an internal flow, and therefore excluded from international merchandise trade statistics;
- *illegal and smuggled goods*, such as drugs. Those that are detected by authorities are usually destroyed;
- *non-financial assets, ownership of which has been transferred from residents to non-residents, without crossing borders*. These assets include land, structures, equipment and inventories. Such a transfer of ownership of non-financial assets is considered to be a financial operation. Transactions include the sale of Australian embassies by the Commonwealth Government;
- *goods under operational lease*. This category comprises goods shipped under operational, that is non-financial, leasing arrangements. It may include particular ships or aircraft depending on individual circumstances;
- *goods lost or destroyed after leaving the economic territory of the exporting country, but before entering the economic territory of the intended importing country, are excluded from imports of the intended importing country* (although they are included as exports of the exporting country). Loss or destruction during transit may be sustained as a result of misadventure, inclement weather, rough handling, or theft. Products with a limited shelf life may simply perish;
- *fish caught on the high seas by Australian registered vessels and landed in Australian ports*. These goods are not recorded in Australia's international merchandise trade statistics as they are considered to be of Australian origin. Measurement is also made difficult as Customs entries are not required;
- *fish catch, minerals from the seabed and salvage landed by Australian vessels in foreign ports or acquired by foreign vessels on the high seas from Australian vessels*. These goods are not recorded in Australia's international merchandise trade statistics as there are no data sources available. An example is fish caught in Australian waters and shipped directly to Japan; and
- *bunkers, stores, ballast and dunnage* that are acquired by Australian vessels or aircraft, outside Australia.

2.6 Despite the conceptual differences between goods and services, the boundary is sometimes blurred. Items classified as goods may include some service element, and vice versa. For example, personal goods acquired by travellers are included in travel services in the balance of payments, while the value of transportation services to the border of the exporting country is included in the value of goods exported. Movable goods treated as services, in accordance with the international statistical standards, are shown in box 2.3. Some of these goods are separately recorded for balance of payments and national accounts purposes.

2.3 MOVABLE GOODS INCLUDED IN SERVICES RATHER THAN INTERNATIONAL MERCHANDISE TRADE

- *diskettes or CD-ROMs with stored computer software and/or data developed to order; and audio and video tapes containing original recordings and customised blueprints and the like.* These goods are included in computer and information services in the balance of payments because their value is in the creative content, not the physical good used as the storage medium;
- *goods acquired by non-residents for their own use while travelling, working or studying in Australia and by residents while travelling, working or studying abroad not exceeding amounts established by Australian law.* These goods are included in travel services in the balance of payments;
- *goods purchased in Australia by foreign governments for their own use in Australia and equivalent expenditure abroad by Australian governments.* These goods are included in government services in the balance of payments;
- *goods purchased in Australia by foreign government employees and their dependants while stationed in Australia and goods purchased abroad by Australian government employees and their dependants while stationed abroad.* These goods are included in government services in the balance of payments;
- *newspapers and periodicals sent under direct subscription.* These goods, which come through the post or via couriers, are included in computer and information services in the balance of payments;
- *goods that do not cross frontiers and are acquired and relinquished within the same recording period.* These goods are included in other business services in the balance of payments;
- *goods acquired abroad by an Australian construction enterprise for the purpose of providing on site construction services, or acquired from abroad or in Australia by a foreign construction enterprise for the purpose of providing on site construction services in Australia.* These goods are included in other business services in the balance of payments; and
- *a service transaction which includes goods incidental to the main transaction.* For example, a business consultancy which includes the consultant providing low value items such as pens, coffee mugs or computer mouse mats advertising their services — these goods are included in other business services in the balance of payments.

2.7 UN recommendations for the compilation of international merchandise trade statistics recognise that customs records, the basic data source used by most countries, will not be able to capture all transactions. Some goods normally falling within the scope of international merchandise trade statistics are nevertheless excluded from Australia's statistics because customs entries are not required. These exclusions are listed below and are additional to those listed in boxes 2.2 and 2.3.

Exclusions *continued*

2.8 For exports:

- personal or household effects of migrants, other passengers and crew of an aircraft or ship;
- parcel post exports for values not exceeding \$2,000;
- sales of aircraft (and parts and components) which were previously imported into Australia prior to 1 July 1987 for use on overseas routes; and
- from 1 July 1986, individual transaction lines (within an export consignment) where the value is less than \$500.

2.9 For imports:

- personal or household effects of migrants, other passengers and crew of an aircraft or ship;
- parcel post imports for values not exceeding \$1,000;
- bunkers, aviation fuel and stores supplied abroad to Australian ships and aircraft;
- prior to July 1987, the arrival of certain ships and aircraft (and parts and components) intended for use on overseas routes; and
- consignments screened free or entered on informal clearance documents (ICDs) where the value is less than \$250. Since 1 July 1998, individual import transaction lines (within a formally entered import consignment) where the value of the goods is less than \$250 have also been excluded from import statistics.

AUSTRALIA'S TERRITORY

2.10 In international merchandise trade statistics, the objective is to record goods entering and leaving the economic territory of a country. In practice, what is recorded are goods that enter or leave the statistical territory, which is the territory with respect to which data are collected. According to the UN guidelines, the statistical territory of each country, as defined by the country itself, should constitute the basis upon which the trading partners of each country compile their statistics of trade by countries.

Economic Territory

2.11 'The economic territory of a country consists of the geographic territory administered by a government within which persons, goods and capital circulate freely' (SNA93, paragraph 14.9).

2.12 Australia's economic territory is defined to include the territories lying within its political frontiers and territorial seas, and in the international waters over which it has exclusive jurisdiction (including the continental shelf). It also includes its territorial enclaves abroad holding embassies, consulates, military bases, scientific stations, information or immigration offices, aid agencies etc., whether owned or rented by Australian governments, with the formal agreement of the countries where they are located. Similar foreign enclaves located in Australia are excluded from Australia's economic territory.

Economic Territory *continued* 2.13 In Australia's economic statistics, the territories of Christmas Island, Cocos (Keeling) Islands and the Australian Antarctic Territory, are considered to be part of the Australian economy, but Norfolk Island is not.

Statistical Territory 2.14 The statistical territory of a country consists of the geographic territory about which international merchandise trade data are actually collected. The statistical territory and the economic territory should ideally be the same, in order to obtain a complete record of the inward and outward flow of goods. The statistical territory may coincide with the economic territory or with some part of it.

2.15 In the majority of countries international merchandise trade data are based on customs procedures and records. Many countries, including Australia, accept the customs boundary as the definition of their statistical territory, because customs records comprise the primary documents for imports and exports, and customs procedures define how they are collected and validated.

2.16 The jurisdiction of the Australian Customs Service (Customs) does not extend to goods exported and imported by Christmas Island, Cocos (Keeling) Islands, the Australian Antarctic Territory¹ and territorial enclaves abroad. Australia's international merchandise trade statistics are therefore deficient in this respect. See box 2.4.

2.4 WHAT IS AUSTRALIA?

Included in Australia's statistical territory:

- the six states (New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania), the mainland territories (Northern Territory, Australian Capital Territory, Jervis Bay Territory), and the associated coastal islands;
- Lord Howe Island (New South Wales), Macquarie Island (Tasmania), the Ashmore and Cartier Islands (Northern Territory), and the Coral Sea Island Territory (Queensland);
- Customs' warehouses (note that Australia does not have industrial free or commercial free zones);
- Australia's territorial waters (to 12 nautical miles offshore); and
- the Exclusive Economic Zone: the continental shelf lying in international waters over which the country enjoys exclusive rights, or over which it has, or claims to have, jurisdiction in respect of the right to fish or to exploit fuels or minerals below the seabed. Australia's exclusive economic zone extends to a distance of roughly 200 nautical miles offshore, but excludes the area in the Timor Sea known as 'Zone A of the *Timor Gap Zone of Cooperation*'.

Excluded from Australia's statistical territory:

- Norfolk Island, Heard Island, The McDonald Islands, Christmas Island, The Cocos (Keeling) Islands and the Australian Antarctic Territory. While all are Australian territories, they are effectively treated as foreign countries in Australia's international merchandise trade statistics. While the ABS can provide information on Australia's exports to, and imports from, each of these territories, we have no information on their trade with other countries. Norfolk Island, Christmas Island and The Cocos (Keeling) Islands are administered by the Commonwealth Department of Transport and Regional Services (DOTRS). Each has an administrator appointed by the Governor-General. The Australian Antarctic Territory and the sub-antarctic territories of Heard Island and The McDonald Islands are managed by the Australian Antarctic Division of the Commonwealth Department of the Environment and Heritage. Territorial enclaves abroad are also excluded.

1 Section 6 *Customs Act 1901 (Cth)*. Consolidated to 1 June 2000.

TRADE SYSTEMS

2.17 There are two recognised systems for compiling international merchandise trade statistics: the general trade system and the special trade system. The difference between them lies mainly in the way goods passing through customs-bonded warehouses are treated. The alternative systems give rise to differences in the timing of recording trade flows. Australia uses the general trade system.

The General Trade System

2.18 The general trade system records the movement of goods as they enter or leave the country. Under this system, imports comprise goods entered directly for home consumption, together with goods imported into bonded warehouses. Exports include all goods moving out of Australia's territory and comprise both domestic produce and re-exports of foreign goods.

The Special Trade System

2.19 The special trade system records the clearance of goods by Customs. Imports are recorded at the point when the goods are cleared for home consumption. Under this system, imports comprise goods entered directly for home consumption, together with goods cleared from bonded warehouses. Exports include all goods exported and comprise both domestic produce and re-exports of foreign goods.

2.20 The special trade system is used by the European Union and Indonesia. An Australian export to a warehouse in the European Union is not declared as an import until the imported goods are released for free circulation or consumption. Goods sent to Indonesia's Batam Island bonded processing zone are not recorded as Indonesian imports unless the goods are released for use in the rest of Indonesia. A number of other countries have established similar processing zones.

UN Standards and Australian Practice

2.21 The UN standards recommend that countries use the general trade system for the compilation of their international merchandise trade statistics and for international reporting. It considers that the general trade system provides a more comprehensive recording of international trade flows and the broader coverage provides a better approximation of the change of ownership criterion used in the compilation of balance of payments statistics.

2.22 Australia's international merchandise trade statistics are recorded on a general trade basis. Imports on a special trade basis are also available, if statistics are required on imports entering the domestic territory for home consumption. These are called import clearances.

VALUATION

2.23 The UN guidelines recommend the adoption of the World Trade Organization (WTO) Agreement on Valuation as the basis for valuing international merchandise trade for statistical purposes. The General Agreement on Tariffs and Trade (GATT) Agreement on Valuation, which was implemented by Australia in November 1981, is the basis (with minor changes) for the WTO Agreement on Valuation. The Uruguay Round of Multilateral Trade Negotiations, completed in 1994, provided for the establishment of the WTO as the successor to the GATT from July 1995.

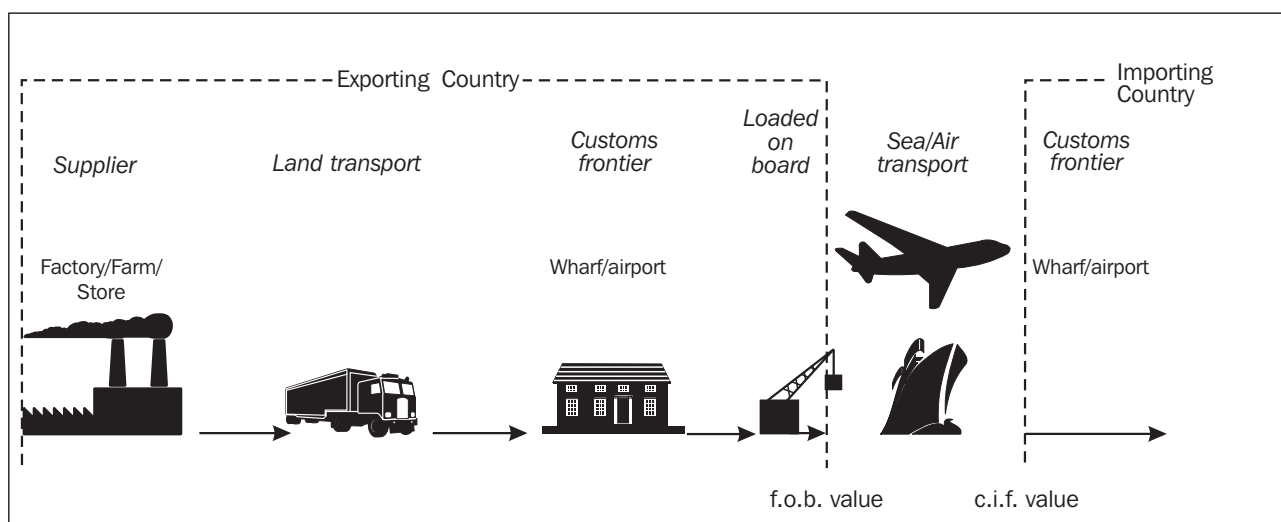
2.24 The WTO Agreement on Valuation adopts the transaction value as the customs value of imported goods. Transaction value is the price actually paid or payable for goods when sold for export to Australia. It is usually the *market price*, or a very close approximation to it, which is recorded in the accounts of the transactors or in the administrative records used as data sources. The *market price* is the amount of money that a willing buyer pays to acquire something from a willing seller, when such an exchange is between independent parties and involves only commercial considerations.

2.25 Delivery of goods by the exporter to the importer may occur at any time and place, from the point at which the goods are produced, to the point at which they are finally used. The UN guidelines recommend the use of a cost, insurance and freight (c.i.f. type) valuation for imports (i.e. the value at the border of the importing country) and a free on board (f.o.b. type) valuation for exports (i.e. the value at the border of the exporting country). The point of valuation is independent of the time payment is made or received, but may occur at the same time.

2.26 In Australia, export statistics are published on an f.o.b. basis, and the transaction values reported are assessed to be the most practical approximation to market price. Import statistics are published using the *Australian Customs Value* (described below), but imports on a c.i.f. basis are also available.

2.27 An f.o.b. price at the customs frontier includes the transaction value of the goods, the value of outside packaging (other than international containers used for containerised cargo), and related distributive services used, up to and including loading the goods onto the carrier at the customs frontier of the exporting country. The c.i.f. price is equal to the f.o.b. transaction value, plus the cost of freight and merchandise insurance involved in shipping the goods beyond the place of export up to the customs frontier of the importing country. The movement of goods across customs frontiers and the appropriate points of valuation are shown in box 2.5.

2.5 PHYSICAL MOVEMENT OF GOODS



Australian Customs Value

2.28 The Australian Customs Value is the value of an import as determined by Customs. The starting point for establishing the Australian Customs Value is the price actually paid or payable to the supplier (transaction value), provided a number of conditions are met. The most important of these is that the buyer and seller must be independent of each other (i.e. it is an arms length transaction).

2.29 If the conditions are not met, Customs applies the rules set out in the WTO Agreement on Valuation to determine a substitute price to be used in calculating an import's value. The substitute price is intended to be as close an approximation as possible of the transaction price that would have been struck, had the prescribed conditions been met. Customs legislation and a range of case law has defined the application in Australia.

2.30 The Australian Customs Value includes inland freight, insurance and other distributive services in the exporting country, up to the place of export and is usually the same as, or very close to, the f.o.b. value. In relation to Australia's import and import clearance statistics it is commonly referred to as Customs value.

2.31 A change in Customs valuation in July 1989, likely to have marginally raised Customs valuations, means that data prior to this date are not fully comparable with data for more recent periods. Investigations of imports valuations, for years before and after the change have shown no measurable effect that can be attributed to this change. This change is explained in the note 'Change in the Valuation of Imports' at the beginning of the Explanatory notes of the 1989-90 issue of *Foreign Trade, Australia: Comparative and Summary Tables* (Cat. no. 5410.0).

2.32 The compilation of international merchandise trade statistics can be complicated by the fact that transaction values may initially be expressed in a variety of currencies. The conversion of these values into a single currency is a prerequisite for the construction of consistent and meaningful statistics. Where currency conversion is necessary, the UN recommends, in accordance with the WTO Agreement on Valuation, the use of market rates of exchange which are in effect at the time of importation or exportation. These are published by the national authorities of the reporting country. In Australia's case, the data are presented in terms of Australian dollars, though for international comparisons it is customary to convert to US dollars. For countries where the exchange rate is volatile it may be more meaningful to present the time series data in US dollars.

2.33 In Australia, import values are reported to Customs in the invoice currency of the transaction. Customs' computerised processing system automatically converts the values to Australian dollars, using exchange rates applicable on the date of export. The rates used are the daily average selling rates of currencies against the Australian dollar, as advised by the RBA. The ABS receives details of the reported invoice currency, together with the value of the import transaction in Australian dollars.

2.34 Currently, for export transactions, the f.o.b. value may only be reported to Customs in one of seven currencies: US dollars, Japanese yen, pounds sterling, New Zealand dollars, Deutsche marks, Euros or Australian dollars. Goods invoiced in all other currencies need to be converted to Australian dollars, or one of the six major foreign currencies, by the exporter, before the f.o.b. value is reported on the Customs entry. Customs is reviewing their requirements regarding the manner of reporting f.o.b. values, with a view to increasing the number of allowable currencies.

2.35 The ABS receives export data as reported to Customs and converts any values reported in one of the six major foreign currencies to Australian dollars, using a representative mid-point of the buy and sell rates on the date of departure of the goods from Australia. The invoice currency in which the transaction was negotiated is also reported to Customs.

2.36 Australia's international merchandise trade statistics may depart from strict adherence to international standards due to any inappropriate currency conversion practices applied. Exporters may undertake currency conversions using a different exchange rate, or one applying on a different day to that at the time of exportation. This includes practices such as hedging which are designed to offset adverse currency movements. However, as the majority of exports are negotiated in one of the seven reportable currencies, any inappropriate conversion practices in the remaining exports will have limited impact on the statistics.

TIME OF RECORDING

2.37 UN standards recommend that goods be included in international merchandise trade statistics at the time when they enter or leave the country. The change of ownership from non-residents to residents, or vice versa, is largely approximated by the cross-border movement of goods, as most traded commodities are part of normal buying and selling operations between importers and exporters. For customs-based data collection systems, the UN recommends that the time of recording be the date of lodgement of the customs entry, since that provides the best approximation to the time of crossing the border of the country.

2.38 Australia's exported goods are generally recorded at the time of shipment. Imports are recorded when processing of related entries by Customs has been completed. These times are the most practical approximation of the change of ownership that can be achieved. The time of recording of exports and imports is explained more fully in box 2.6.

2.6 TIME OF RECORDING FOR AUSTRALIA'S INTERNATIONAL MERCHANDISE TRADE STATISTICS

Exports

- exports are measured on a *date of shipment* basis, which reflects the time of the physical movement of the goods out of Australia. The date of shipment is generally not affected by delays in processing entries by Customs;
- all exporters (or their agents) are required to lodge documentation with Customs prior to the departure of the goods, and then shipping companies and airlines are required to confirm the actual departure with manifests; and
- export statistics have been compiled on this basis since the early 1990s, and have been backcast on this basis to July 1981. Prior to that time, exports were recorded in the month during which export entries were processed by Customs. Further details can be found in the article 'Changed Timing Basis for the Compilation of Merchandise Export Statistics' in the June quarter 1992 issue of Cat. no. 5422.0.

Imports

- imports are recorded in *the calendar month in which the import entries are finalised by Customs*. Normally this is within a few days of discharge of cargo, although, on occasion, import entries may be delayed before being passed to the ABS. For this reason, recorded imports for a particular month may not necessarily represent either entries lodged, or commodities actually imported, during that month; and
- analysis of recorded imports data has shown that, in aggregate, between 85% and 90% of imports by value recorded for a particular month actually arrive during that month; of the balance, the majority have actually arrived during earlier months, with the remainder yet to arrive. For individual commodities, the percentage by value representing actual arrivals in a month can vary considerably. An extreme occurrence was in May 2000 when \$315 million worth of recorded petroleum imports had actually arrived in April 2000.

COMMODITY
CLASSIFICATIONS

2.39 The UN standards recommend that the *Harmonized Commodity Description and Coding System (HS)* be used for the collection, compilation and dissemination of international merchandise trade statistics. While Australia collects and disseminates these statistics on the basis of the HS classification, data are also published according to two other international commodity classifications, the *Standard International Trade Classification, Revision 3 (SITC, Rev.3)* and the *Classification by Broad Economic Categories (BEC)*. Statistics are also published classified by industry of origin in accordance with the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*. Each of these classifications is described in more detail in Chapter 4.

PARTNER COUNTRY

2.40 International merchandise trade statistics classified by partner countries are of significant value. They are used to analyse trade patterns, trade shares and product markets. The information gained is used for business decisions and for government trade policy and negotiations. The statistics are also used for checking the accuracy and reliability of each country's trade data.

2.41 The UN recommends that countries follow the relevant provisions of the Kyoto Convention² for determining a good's country of origin. For attribution of partner country they recommend country of origin for imports, and country of last known destination for exports. Additionally for imports, it is recommended that the country of consignment be collected.

2.42 In accordance with the UN recommendations, Australia classifies exports by country of final destination, to the extent that the exporter knows at the time of export where the goods will finally be delivered, and imports according to the country of origin of the goods. In the case of exports, where the country of final destination is not known at the time of lodgement of the export entry, the exporter declares the country as unknown until a final destination is determined.

2 In May 1973 the International Convention on the simplification and harmonisation of customs procedures (Kyoto Convention) was signed at Kyoto. The Kyoto Convention attempted to achieve universal harmonisation of customs procedures, other than classification and valuation.

2.43 The country of origin of a good (for imports) is determined by Rules of Origin (ROO) established by each country. Generally these rules may be divided into three categories:

- goods wholly the produce of the country (known as 'unmanufactured raw products')
- goods wholly manufactured in the country from one or more of the following:
 - unmanufactured raw products;
 - materials wholly manufactured in the country;
 - materials determined to be raw materials of the country; and
- goods partly manufactured in the country.

2.44 In Australia, the legislative basis for determining the country of origin is the *Customs Act 1901* and *Customs Regulations 1926 — Statutory Rules 1926 No. 203*. Customs apply two criteria when goods are not wholly produced or manufactured in one country:

- the last process of manufacture must be performed in the country claiming origin; and
- the defined total factory costs (materials, labour and overhead) are not less than a specified percentage.

2.45 The recording of imports by country of origin has the advantage of showing the direct relationship between the producing country (the country in which the goods originate) and the importing country. This information is regarded as indispensable for matters of trade policy and negotiations, for administering import quotas or tariffs, and for related economic analyses.

2.46 There are, however, limitations to the use of data compiled on a country of origin basis. In principle, export and import statistics will only match between two countries when exports are shipped directly from the country of origin to the country of final destination. Discrepancies occur when third countries are involved, for example re-exports of merchandise traded through intermediate countries.

2.47 An example is if goods were produced in the United States, sold and shipped to Australia, and afterwards resold and dispatched to New Zealand. The United States statistics would most probably show these as exports to Australia, if at the time of export any destination after Australia is unknown or it is considered that goods will remain in Australia. Australia may then export the goods and record them as a direct transaction between Australia and New Zealand. New Zealand statistics would most likely not attribute the imports to Australia, but indicate that goods were imported from the United States (the country of origin). This complicates data comparability with partner countries.

- Country of Origin *continued* 2.48 The application of rules of origin may also differ between countries. This leads to discrepancies in country attribution when imports recorded by one country are reconciled with corresponding exports of a trading partner. This issue is discussed in more detail under bilateral reconciliation studies in Chapter 8.
- Country of Final Destination 2.49 The country of final destination, is the last country — as far as it is known at the time of exportation — to which goods are to be delivered, irrespective of where they have been initially dispatched to, and whether or not, on their way to that last country, they are subject to any commercial transactions or other operations which change their legal status.

CHAPTER 3

DATA DEFINITIONS AND SPECIAL TREATMENTS

INTRODUCTION

3.1 The broad conceptual framework for Australia's international merchandise trade statistics was outlined in the previous chapter. This chapter provides some more detailed definitions, describes some additional data items on Customs records, and outlines the treatment of a number of special cases in Australia's international merchandise trade statistics.

DEFINITIONS

3.2 *International merchandise trade* refers to goods which cross the customs frontier, and which add to, or subtract from, the stock of a country's material resources.

3.3 *Goods* are the 'physical objects for which a demand exists, over which ownership rights can be established, and where ownership can be transferred from one institutional unit to another by engaging in transactions on markets.' (SNA93).

3.4 *International non-merchandise trade* refers to goods which cross the customs frontier, but which do not change the country's stock of material resources. These are:

- goods traded on a temporary basis (e.g. artwork and other exhibitions);
- goods which cross the customs frontier to enable their repair, alteration or renovation, and that are subsequently re-imported or re-exported (e.g. aircraft engines and parts in some circumstances); and
- passengers' personal effects.

3.5 Non-merchandise trade has been excluded from ABS import and export statistics since July 1985.

3.6 *Exports* are goods which subtract from the stock of material resources in Australia, as a result of their movement out of the country. These goods have been produced or manufactured in Australia. Goods exported with the reasonable expectation of re-import within a limited time, are excluded from merchandise trade results.

3.7 *Re-exports* (included in merchandise exports statistics) are goods originally imported, which are exported in either the same condition in which they were imported, or after undergoing repair or minor alterations which leave them essentially unchanged. This is not considered to be Australian production or manufacture. Minor operations include blending, packaging, bottling, cleaning and sorting. The major destinations for Australian re-exports are New Zealand and the United States.

3.8 *Imports* are goods which add to the stock of material resources in Australia, as a result of their movement into the country. They include:

- goods brought into the country directly for home consumption following the payment of duty, if applicable; and
- goods which enter the country, but are not immediately cleared for home consumption. These goods are stored in Customs' bonded warehouses, and no duty is payable at this stage.

They exclude goods imported with the reasonable expectation of re-export within a limited time.

3.9 *Import clearances* are goods that are cleared into the Australian market for home consumption. They include:

- goods brought into Australia directly for home consumption following the payment of duty, if applicable; and
- goods cleared from a bonded warehouse following payment of any duty.

3.10 *Re-imports* (included in merchandise imports statistics) are goods originally exported, which are subsequently imported in either the same condition in which they were exported, or after undergoing repair or minor operations which leave them essentially unchanged. Minor operations include blending, packaging, bottling, cleaning and sorting.

3.11 *Goods for processing* (included in merchandise exports and imports statistics) are goods entering or leaving Australia for processing and returning to the country from which they were consigned for processing. As processing is more than minor operations and repairs, the gross value of the exports and imports is recorded. The fee earned for processing is included in the gross value of the goods.

3.12 Goods exported from Australia for industrial processing which are expected to subsequently be re-imported or goods re-exported after processing in Australia, are separately identified by an eight-digit Australian Harmonized Export Commodity Classification (AHECC) code. The aggregate value of these goods may, however, be understated if individual items are instead classified elsewhere in the AHECC, according to the material of which the goods are composed.

3.13 Goods re-imported after processing are not separately identified in Australia's import statistics, but included under the Harmonized Tariff Item Statistical Code (HTISC) applicable to the particular commodity imported. The recommended treatment of these goods recognises that the original good essentially loses its identity during processing, and is classified to a different commodity after processing.

DEFINITIONS *continued*

3.14 *Repairs on goods* (included in merchandise exports and imports statistics) are repairs performed by residents on movable goods owned by non-residents, or vice versa. Examples of such goods are ships, aircraft and other transportation equipment. The value of the repair, not the gross value of the goods, is included. Paragraphs 3.54 to 3.56 of this chapter deal with some transactions where repairs may significantly alter the goods, to the extent that they are classified to a different statistical code.

DATA ITEMS

3.15 *Gross weight* refers to the shipping weight of goods (measured in kilograms) in the packaged state, excluding the weight of containers. For exports, details of gross weight are available for each commodity. For imports, details of gross weight are not available for individual commodities because only the total gross weight is reported for each Customs entry, regardless of how many separate lines/commodities that entry may contain. Gross weight is assigned to the first line/commodity in the entry to enable commodity estimates to be produced. Gross weight data for imports, therefore, should only be disseminated on a *regional* (i.e. port, state, country) or *type of transport* (i.e. sea, air, parcel post) basis.

3.16 A *quantity* measurement is available for most commodities. Generally it is the normal unit of quantity used for that commodity by the associated industry. The unit of quantity applies at the most detailed level of the commodity code (eight-digit AHECC for exports, ten-digit HTISC for imports).

3.17 Where the unit of quantity is a weight measurement, net weight is recorded (in grams, kilograms or tonnes). Any outside packaging, inner containers or wrappings, or any carrying medium (e.g. liquid) surrounding the goods should be excluded. However, for goods in solution or emulsion, or similar forms, the quantity should be the total weight of the contents, including the liquid.

3.18 Liquids (such as petroleum and wine) are quantified in litres, while carpets and fabrics are normally quantified in square metres. Some commodity codes do not have a unit of quantity, due to the diversity, or variation in size, of items covered by the commodity code e.g. 'parts'. No quantity details are reported for these items. Units of quantity used in Australia's statistics are shown in Appendix 1.

3.19 *Other fields* are available which provide extra detail relating to the payment of import duties. These fields are only relevant to import clearances statistics.

- *nature of tariff* code is used to indicate whether reductions in the amount of duty payable have been applied because of special circumstances surrounding their importation, e.g. by-law clearances;

- *treatment code* is used to indicate special treatment of the transaction by Customs (usually involving a concessional rate of duty), generally in accordance with Schedule 4 of the Australian Customs Tariff and Nominal Reference Numbers;
- *preference code* is used to indicate whether a preferential rate of duty applies to the import of certain goods from a particular country;
- *statistical rate code* is derived by the ABS from a number of fields provided by Customs. This code is a four character field that indicates the type and rate of duty applied to the goods imported; and
- *duty* is the total amount of duty paid (in Australian dollars) in respect of imported goods. It reflects the rate of duty appropriate to those goods (as outlined in the Australian Customs Tariff), plus any dumping duty applicable. Duty may be calculated at an ad valorem or fixed rate, or a combination of both. It excludes payment of any GST or excise applicable.

3.20 *Overseas country* is defined as a geographical entity which trades, or has the potential to trade, with Australia in accordance with Customs provisions. Australian territories such as Cocos (Keeling) and Christmas Islands are treated as separate geographical entities for the purposes of Australia's international merchandise trade statistics, due to the Customs provisions that apply to them. Self-governing territories and dependant territories under the administration of countries other than Australia may be treated as individual countries in Australian trade statistics.

3.21 For exports, overseas country refers to the *country of final destination* of the goods at the time of export. In those cases where it is found to be impossible to determine the final destination, the country of final destination is recorded as 'destination unknown'.

3.22 For imports and import clearances, overseas country refers to the *country of origin* of the goods. Where it is found to be impossible to determine the country of origin, goods are recorded as 'origin unknown'.

3.23 All land masses are divided into geographic territories which trade, or have the potential to trade, with Australia. These territories are shown in Appendix 2. For completeness, the category 'International Waters' has been added to represent areas of the seas and oceans which have no recognised ownership.

3.24 *Overseas port* is the foreign sea or air port where the goods are loaded onto the international carrier (port of loading), prior to its uninterrupted voyage to Australia for imports and imports clearances, or the final foreign sea or air port at which the goods are unloaded from the international carrier (port of discharge), after it has left Australia, for exports. However, the port from where the goods are discharged may not necessarily be the ultimate destination of the goods.

3.25 The following data items are provided in respect of State:

For exports:

- *State of loading* is the Australian State in which the goods are loaded onto an international carrier for export. Subject to any confidentiality restrictions, this can be further disaggregated to provide information about particular air or sea ports in the relevant State (i.e. *Port of loading*).
- *State of origin* is analogous to country of origin i.e. the Australian State in which the final stage of production or manufacture occurs.

For imports:

- *State of discharge* is the Australian State in which imported goods are unloaded from the international carrier. Subject to any confidentiality restrictions, this can also be further disaggregated to provide information about particular air or sea ports in the relevant State (i.e. *Port of discharge*).
- *State of final destination* is the Australian State in which goods are released from Customs' control.

3.26 The State of loading and State of origin may be different, e.g. goods produced or manufactured in Tasmania are loaded onto an international carrier for export in Victoria. There are also situations where the State of discharge and State of final destination are not the same. However, an ABS investigation in respect of imports for 1996–97 indicated that the State of discharge and State of final destination were identical for the majority of imports.

SPECIAL CASES AND THEIR TREATMENT

3.27 The majority of international merchandise trade transactions are straightforward and follow simple and clear industry procedures designed to maximise efficiency. However natural or artificial factors may create conceptual or statistical problems not previously encountered. While clarification and advice on unusual or difficult cases is sometimes sought internationally, solutions often have to be determined based on what information is available at the time.

Cargo lost during a voyage

3.28 The loss of cargo during a voyage creates a disparity between what was physically loaded onto a vessel prior to departure and what is finally discharged. As imports are recorded after arrival at the wharf, any loss of cargo occurring during a voyage is not included in import documentation. Merchandise export statistics, however, are recorded prior to departure, and reflect the original volume of the consignment.

3.29 According to IMTS, Rev.2 'Goods lost or destroyed after leaving the economic territory of the exporting country, but before entering the economic territory of the intended importing country, are to be excluded from imports of the intended importing country (although they are included as exports of the exporting country).'

Cargo lost during a voyage
continued

3.30 IMTS, Rev.2 does not clarify the treatment of cargo that is lost between Australian ports, prior to leaving Australia's economic territory for another country. However, as the goods have departed the port of loading, they have effectively passed through the Customs frontier and have, for all intents and purposes, been exported. Neither Customs, nor the Australian Quarantine and Inspection Service (AQIS), require amendments to be lodged should goods be lost or damaged once a vessel has left port.

Goods on exhibition

3.31 Goods which are exported or imported with a reasonable expectation of subsequent re-import or re-export within a limited time are excluded from international merchandise trade statistics. Most artwork exhibitions fall into this category, often comprising a collection of paintings or artefacts, packaged singly or grouped. Customs entries are required for exhibitions with the goods classified to international non-merchandise trade.

3.32 Problems arise where owners or their agents, unfamiliar with the concept of temporary trade, classify these goods to international merchandise trade categories on Customs records. The identification and tracking of such classification errors is made more difficult if articles are re-packaged in different configurations for the return journey (making one-to-one reconciliation of transactions impossible). Tracking the movements can also be hindered by differences in the valuation of the goods: sometimes insurance costs, inflation or exchange rate conversion inconsistencies effectively mask a corresponding transaction.

3.33 Occasionally, one or more goods temporarily exported or imported for exhibition may be sold. If this occurs, the change of the status of the goods from a temporary to a permanent export or import should be reflected by an amendment to the original export or import entry. Temporary goods may be lodged as an ordinary Customs entry or under a carnet.

3.34 A carnet is an international Customs document which permits the temporary duty-free admission of goods into a member country. Australia is a signatory to the international Customs conventions which govern the issue of carnets. If the goods are covered under a carnet, then an amendment should be reflected, if the status of the goods changes from temporary to permanent. Customs will also recover any duty or other taxes payable.

3.35 The ABS attempts to identify and classify goods on exhibition, particularly those of large value, with the use of tailored edits and information gathered from the relevant customs agent, exporter or importer. Some exhibition goods are relatively easy to identify due to their high public profile.

Goods on consignment

3.36 Goods exported or imported 'on consignment' are not treated in the same manner as goods on exhibition, even though they may also be 'on show'. Goods on consignment are goods sent for sale overseas by an agent. Title for the goods is held by the consignor until the goods are actually sold. It is expected that consigned goods will be sold, rather than returned after export or import.

3.37 Customs entries are required for goods on consignment and both exports and imports should be classified to their substantive commodity codes. Where applicable, import records are notated with a treatment code to indicate that the goods are being re-imported, after previously being exported on a permanent basis.

3.38 As with goods on exhibition, there are problems associated with the recording of trade in goods on consignment. The transaction may be classified as international merchandise trade or international non-merchandise trade depending on the lodger's understanding of these concepts and their confidence of a sale occurring.

3.39 These goods are identified in the course of editing large value entries, as a result of background material available, or other features that cause statistical editors to investigate them more closely. The ABS works with Customs, and the exporter, importer or agent, in order to determine the most accurate classification (merchandise or non-merchandise) for these goods.

Undersea cables and carrier systems

3.40 From time to time, Australian-based businesses are involved in large value contracts for the supply and laying of submarine cable systems. Components of these systems may be produced within Australia, brought into Australia as a staging point, or sourced and supplied completely offshore. Cables and systems may or may not be physically laid from a connection point inside Australia's territory.

3.41 From an international merchandise trade perspective, the movement of these goods can be very complex due to:

- imports of foreign-made components for such systems may or may not be initially identified as temporary trade;
- the distinction between Australian-produced goods and foreign-made goods may not be clearly understood or appropriately recorded by lodgers of export documentation;
- goods may be described in very broad terms e.g. 'submarine cable system' or 'electrical apparatus', with a subsequent loss of commodity and origin detail; and
- shipments for a project may be spread across many months. It may take some time to identify the new project if initial imports are of relatively small value. Similarly, exports may be drawn out over a period of time, with components leaving from a number of ports and/or states and carried on different vessels.

Undersea cables and carrier systems *continued*

3.42 The ABS identifies the goods involved in submarine cable projects in the course of editing large value entries and other entries lodged with Customs. Additional information is obtained from the agents and companies involved. Both the import and subsequent re-export of foreign made components are recorded as merchandise trade. This acknowledges that components will be incorporated into the submarine cable system, even though the system may not be completely physically assembled and installed until after departure from Australia.

3.43 Due to the difficulties involved, no attempts are made to determine the time elapsed between the foreign made components' arrival in Australia and its subsequent departure from Australia, or to classify relevant items (those in Australia for a short period) to temporary trade. Australian produced goods used in these projects are treated as exports, as they subtract from the stock of Australia's material resources.

3.44 For practical reasons, exports of submarine cable laid en route between two countries are attributed to the 'country' receiving the predominant share of the cable, unless the share is nearly equal. For example, a submarine cable laid between Australia and the USA would be assigned to 'International Waters', as the majority of the cable would be laid outside the territories of all countries along the route. No re-allocation is made for the small portion of the cable laid in either Australia's or the USA's territory.

3.45 While not relevant for international merchandise trade statistics, the proportion of resident/non-resident ownership of large projects such as submarine cable systems is required for the balance of payments, as they usually involve multinational companies and a services component. This enables appropriate adjustments to be made before incorporation in the balance of payments statistics.

Banknotes and coins

3.46 As indicated earlier, issued banknotes and coins in circulation are considered financial items and are excluded from international merchandise trade statistics. Unissued banknotes, and coins not in circulation, are classified as imports or exports of printed products (HS Chapter 49) and coin (HS Chapter 71). This treatment reflects Australia's experience that the great majority of coins traded internationally are not for use as a medium of exchange, but rather for their value as collectors' pieces or for the value of their precious metal content.

3.47 The HS Explanatory notes direct the classification of plastics printed with motifs, characters or pictorial representations, which are not merely incidental to the primary use of the goods, to Chapter 49. Heading No. 49.07 specifically refers to banknotes, where, on being officially issued, they have a fiduciary value in excess of their intrinsic value. Unissued banknotes, and coins not in circulation (e.g. when these are manufactured in Australia for use in other countries), are valued at the transaction value of the printed paper (or polymer) or stamped metal, rather than at their face value.

Banknotes and coins
continued

3.48 Coins, both legal tender and those that are no longer legal tender (including such coins put up for general sale in presentation cases), are classified to Heading No. 71.18 unless they are separate pieces of significant value clearly intended for a particular collection. In these circumstances coins are recorded under Heading No. 97.05 which includes collections and collectors' pieces of numismatic interest.

3.49 ABS investigates significant export and import entries to determine whether the transactions involving coins are of a financial or mercantile nature. Transactions of a financial nature are removed and additional work is undertaken on mercantile transactions to separate ordinary coins from collectors items. Ordinary coins are recorded in international merchandise trade statistics at the value of their metal content, while collectors items are listed at the value paid for or at which items were sold.

Aircraft engines and parts

3.50 There are difficulties in consistently treating exports and imports of aircraft engines and parts, due to the sometimes limited information supplied about these transactions and the different circumstances under which they cross the Customs frontier. These include:

- short-term loan of aircraft engines and parts for aircraft emergencies, where the engines and parts are expected to be returned or replaced. Both transactions should be recorded as international non-merchandise trade;
- swaps of engines and parts at required maintenance intervals or at the end of their shelf life. Both transactions should be recorded as international non-merchandise trade;
- obtaining (through purchase or financial lease) new parts and spares, or shedding (through sale or disposal) of excess engines and parts by Australian-owned airline companies. These transactions should be recorded as international merchandise trade. When these items are imported by foreign airline companies for their aircraft in Australia, or are at the end of an operational lease to Australian-owned airline companies, they should be recorded as international non-merchandise trade;
- faulty engines and parts returned for repair or replacement. Both transactions should be recorded as international non-merchandise trade; and
- spare or damaged engines may be flown into or out of Australia attached to another aircraft's wing. These movements are unlikely to be reported to Customs, making it difficult to match any subsequent cargo entry for the same engine.

3.51 Customs does not require any documentation to be lodged where Australian-owned aircraft return from being repaired overseas. Any parts shipped from Australia to assist with these repairs should be recorded as international non-merchandise trade.

Aircraft engines and parts
continued

3.52 Customs entries relating to aircraft engines and parts are identified by ABS with tailored edits. Some of these automatically reclassify exports and imports to international merchandise trade or international non-merchandise trade depending on the identity of the exporter or importer. Customs agents and airline staff are also contacted to confirm entry details and obtain additional information useful for correctly classifying the goods.

3.53 Values vary substantially depending on the nature of the parts and the aircraft in which they are used. Shipments occur reasonably frequently and sometimes contribute significantly to international merchandise trade statistics. The ABS, therefore, attempts to consistently treat individual large value shipments and overall exports and imports of aircraft engines and parts.

Vessel repairs and upgrades

3.54 When a vessel crosses the Customs frontier for repair purposes, the movements into and out of the country should be recorded as international non-merchandise trade. Any parts exported from the country of the vessel's owner to assist with the repair are also recorded as international non-merchandise trade. However, if substantial improvements are made to the vessel, resulting in a significant increase in its value, the type and value of the improvements should be recorded as international merchandise trade.

3.55 Where a substantial transformation occurs, with the effect that the vessel will move from one statistical code to another, both the import and export transactions should be recorded as international merchandise trade. Although the nature of the vessel has changed, the transformation is not considered to be merely repairs or 'goods for processing'.

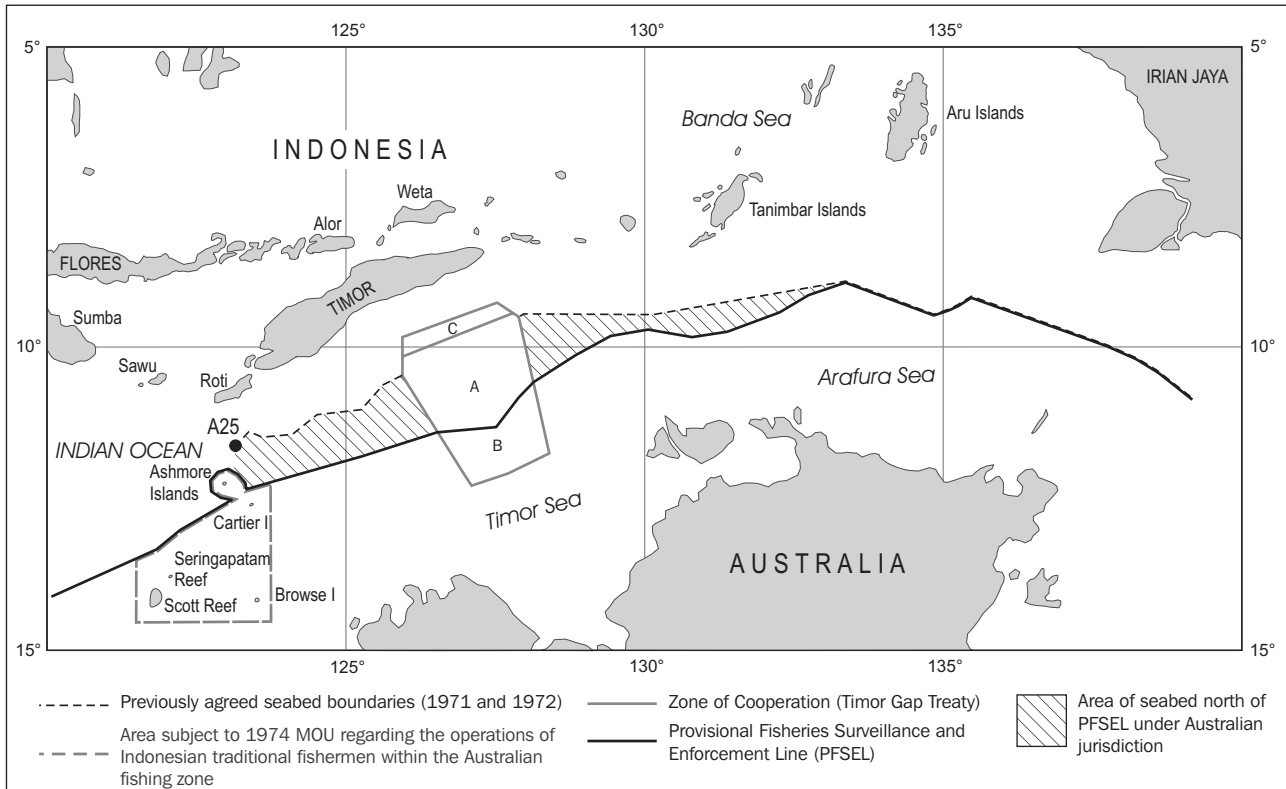
3.56 Australian components exported for incorporation into a new vessel, to be subsequently imported to Australia, should be recorded as international merchandise trade. Their value upon return to Australia will be included in the overall value of the vessel.

Timor Gap Zone of
Cooperation

3.57 The Timor Gap covers an area of approximately 68,000 square kilometres located in the Timor Sea, between northern Australia and East Timor, between longitudes 126E and 128E. It is of considerable interest for oil and gas exploration and development.

3.58 The Indonesian and Australian governments negotiated a treaty in 1989 (*Treaty between Australia and the Republic of Indonesia on the Zone of Cooperation in an Area between the Indonesian province of East Timor and northern Australia — 'The Treaty'*) which split the area into three zones (A, B & C) (See map 3.1). The Treaty took effect from 9 February 1991. The *Petroleum (Australia-Indonesia Zone of Cooperation) Act 1990* allows Australia to fulfil its obligations under the Treaty.

3.1 EXISTING MARITIME BOUNDARY ARRANGEMENTS BETWEEN AUSTRALIA AND INDONESIA



Source: Australian Surveying & Land Information Group (AUSLIG) Commonwealth Department of Industry Science and Resources. MAP 96/523.21.1.

Existing maritime boundary arrangements between Australia and Indonesia. The Treaty between the Government of Australia and the Government of the Republic of Indonesia establishing an Exclusive Economic Zone Boundary and Certain Seabed Boundaries (Australia — Indonesia Maritime Delimitation Treaty) Perth 14 March 1997 was signed but not ratified by each country. It is to be amended to take into account that Indonesia no longer exercises sovereignty over East Timor.

Timor Gap Zone of Cooperation continued

3.59 The *Timor Gap Treaty (Transitional Arrangements) Bill 2000* assented to on 3 April 2000 amended the *Petroleum (Australia-Indonesia Zone of Cooperation) Act 1990* and other Commonwealth legislation, including the *Customs Act 1901*. This reflected the fact that, on 25 October 1999, the United Nations Transitional Administration in East Timor (UNTAET) replaced Indonesia as Australia's partner in implementing the terms of the Treaty. From that date, Indonesia ceased to have sovereign rights in the area covered by the Treaty.

3.60 The agreement between the UNTAET (acting on behalf of East Timor) and Australia, provides practical arrangements for continuity of the terms of the Treaty, until a new treaty is negotiated and implemented when East Timor achieves full independence.

3.61 At the time of writing, the changed administrative arrangements in East Timor resulted in minor changes to Customs procedures for dealing with activity in the Timor Gap Zone of Cooperation. ABS international merchandise trade statistics will continue to treat East Timor as if it were part of Indonesia until the province achieves full independence.

3.62 Customs requires that appropriate entries be lodged for all goods crossing the Customs frontier between Australia and Zone A of the Timor Gap Zone of Cooperation. These transactions are included in Australia's international merchandise trade statistics e.g. petroleum shipped from Zone A to Australia is recorded as an import, while movements of provisions from Australia for use in Zone A exploration and production activities are treated as exports.

3.63 Zone B of the Zone of Cooperation lies to the south of Zone A and is controlled by Australian authorities. Zone B is divided into two areas, with Western Australia (WA) and the Northern Territory (NT) having state control over one area each. The ABS classifies offshore oil and gas activity to the state or territory that administers the tenements. Exports from the western component of Zone B to foreign countries should be recorded as originating from WA in Australia's international merchandise trade statistics, while exports from the eastern component of Zone B should be recorded as originating from NT.

3.64 Zone C lies to the north of Zone A and is controlled by the UNTAET on East Timor's behalf. Any movement of goods from Australia to Zone C should be recorded as exports, while any receipt of goods from Zone C should be recorded as imports.

3.65 Current oil and gas exploration and development activity within the Timor Gap is mostly centred on Zone A. In recent years production has commenced from significant new oil fields located in Australian territorial waters in the Timor Sea, adjacent to, but not included within, the Timor Gap Zone of Cooperation. This has led to a substantial increase in the volume (and value) of Australia's exports of crude oil.

3.66 The recording of international merchandise exports and imports of computer software for statistical purposes is complicated by the fact that computer software often consists of a good (to be included) and a service component (to be excluded) that are difficult to quantify separately. Accordingly, in the IMTS, Rev.2, the UN makes two recommendations with respect to the treatment of computer software in international merchandise trade statistics.

3.67 Packaged sets containing diskettes or CD-ROMs with computer software developed for general use (not to order), with or without a users' manual, and audio and video tapes recorded for general or commercial purposes, are to be included in international merchandise trade statistics at their full transaction value (the value of both carrier medium and software), rather than just the value of the empty diskettes or CD-ROMs, paper or other materials.

Computer software *continued*

3.68 Diskettes or CD-ROMs with stored computer software developed to order (customised computer software), audio and video tapes containing original recordings, and customised blueprints etc are excluded from international merchandise trade statistics. The value of such 'originals' is included as part of trade in services. This is also consistent with the recommended treatment in *Balance of Payments Manual, Fifth edition (BPM5)*, whereby software implementation (including the design, development and programming of customised systems) is recorded under computer and information services.

3.69 Although the value of customised software includes the cost of the software medium (i.e. the diskette, CD-ROM, cassette or paper), the predominant portion of value is usually a service component (design, modification, development and programming services; maintenance and repair services; licence fees, distribution fees, copyright, patent fees and trademarks).

3.70 The ABS investigates Australia's international computer software transactions and attempts to separate general use (not to order) from customised (non-standard) software, as this distinction is not made by Customs. While both exports and imports are investigated, greater activity occurs with imports due to their greater relative volume. Tailored edits, contact with the customs agent, exporter or importer, and other stored information are used. The nature of business undertaken, the per unit value of software, and other goods involved in the transaction, provide further information about the type of software.

Sydney 2000 Olympic and Paralympic Games

3.71 Significant import and subsequent export of goods used in staging these events generated a need for separate identification of the goods by Customs. Customs legislation and procedures were amended and some new Customs Tariff and AHECC codes were created. These goods included large items such as motor vehicles and broadcast equipment, athletes' sporting equipment, and small items such as give-aways, hospitality samples and consumables. The value of some items was significant.

3.72 Of concern to the ABS was the need to accurately measure international merchandise trade and international non-merchandise trade related to these events. Consistent treatment of goods, in particular valuable items, is important. Reconciliation of imports and exports was facilitated by their separate identification, ensuring that most goods could be tracked to determine whether those temporarily imported were actually exported afterwards.

3.73 At the time of writing, construction of two separate international gas pipelines involving Australia has been proposed. These are:

- a natural gas pipeline from petroleum fields in Kutubu, Papua New Guinea to Gladstone, Queensland; and
- a natural gas pipeline from the Timor Gap Zone of Cooperation to near Darwin, Northern Territory.

3.74 Australia's international merchandise trade statistics are likely to be affected, if either project proceeds, as a result of construction activity, ongoing maintenance and actual gas flows. Specialised materials and equipment not available in Australia may be imported to allow project work and maintenance to be undertaken. Required Australian goods are also likely to increase exports. Exports and imports would most likely include both temporary and permanent items, impacting on both international merchandise trade and international non-merchandise trade statistics.

3.75 If the pipelines become operational, the flow of natural gas into Australia will cross the Customs' frontier and will therefore be within the scope of international merchandise trade statistics. Customs entries would be expected for gas piped from Zones A and C to Australia, as these zones are not part of Australia's economic or statistical territory. Information about these flows would be included if the details are provided to Customs.

CHAPTER 4

CLASSIFICATIONS

INTRODUCTION

4.1 ABS international merchandise trade statistics are compiled and disseminated according to several different, but linked, commodity classifications. These classifications are those used to describe internationally traded goods for customs administration purposes, the level of manufacturing or processing, or the main end-use of the goods.

4.2 The statistics can also be presented according to the industry most likely to have produced the goods. They can also be classified by country or country groups, mode of transportation and state of origin or destination, to enable detailed analyses of Australia's international trade. The purpose of this chapter is to briefly describe the main classifications used for these purposes.

Concordances

4.3 Each of the commodity and industry classifications used can be concorded or 'linked' to other commodity or industry classifications, at varying levels of detail. The ABS maintains a series of concordances that facilitate the analysis of Australia's international merchandise trade statistics from different viewpoints.

4.4 Depending on which classifications are involved, and how specific the area of interest is, the nature of the links between classifications can vary substantially. The relationships between items in the classifications may be 'one to one', 'one to many', 'many to one' or 'many to many'. The example of 'fresh apples' has been used throughout this chapter to illustrate how international merchandise trade data may be classified and presented in a number of ways, to suit the preferences of the user.

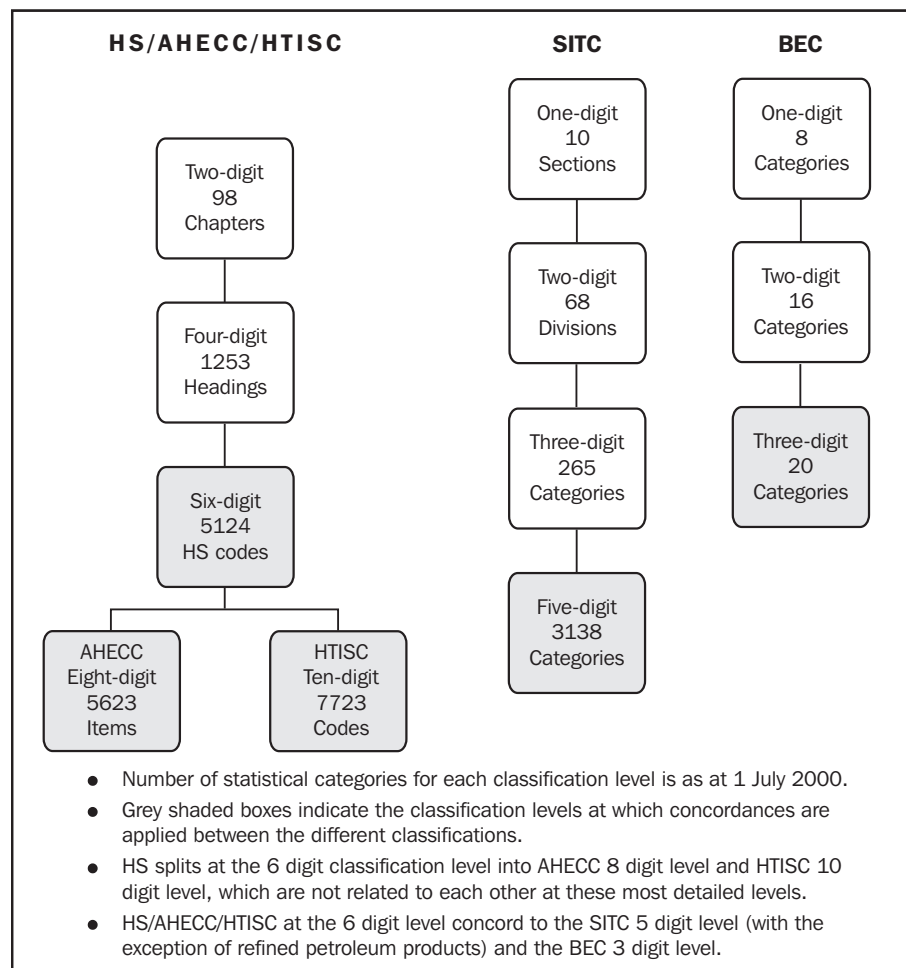
4.5 ABS concordances are regularly reviewed and updated to permit comparison of data over classification changes and between different classifications. They are available for purchase or subscription from ABS Information Consultancy.

COMMODITY CLASSIFICATIONS

4.6 The ABS uses the following commodity classification systems to present its international merchandise trade data:

- the Harmonized Commodity Description and Coding System, or Harmonized System (HS) 1996;
- the Standard International Trade Classification (SITC, Rev.3);
- the Classification by Broad Economic Categories (BEC); and
- the Australian Transport Freight Commodity Classification (ATFCC).

4.1 MAJOR COMMODITY CLASSIFICATIONS USED IN AUSTRALIA'S INTERNATIONAL MERCHANDISE TRADE STATISTICS



4.7 Diagram 4.1 shows the number of statistical items at each level of the major commodity classifications used for ABS international merchandise trade statistics. The HS, AHECC and HTISC counts are identical at the six-digit level. Statistics at the most detailed level of one classification can be concorded to the most detailed level of the other classifications in this table (e.g. ten-digit HTISC to three-digit BEC).

Harmonized System (HS)

4.8 On 1 January 1988, Australia adopted the HS for describing internationally traded goods. The HS is a hierarchical classification developed by the World Customs Organization (WCO), and is arranged in a logical structure and supported by well-defined rules and explanatory notes. The HS groups commodities according to the material of which the goods are composed and by similar generic description.

Harmonized System (HS)
continued

4.9 The HS is used by over 170 countries as the basis for their customs tariffs and for their international merchandise trade statistics. Approximately 98% of world merchandise trade is classified to the HS.

4.10 The classification was last revised by the WCO in January 1996, with Australia implementing the resulting changes in its trade statistics from July 1996. This delay occurred due to the need to coordinate WCO changes with concurrent domestic amendments to the Customs Tariff. A further revision of the HS has recently been finalised, with the changes to be implemented by Australia on 1 January 2002 (see Chapter 10 for further information).

4.11 Australia has expanded the HS to create the Australian Harmonized Export Commodity Classification (AHECC) and Harmonized Tariff Item Statistical Code (HTISC) to provide further commodity detail for its exports and imports.

*Australian Harmonized Export
Commodity Classification
(AHECC)*

4.12 All goods exported from Australia since 1 January 1988 have been classified according to the eight-digit AHECC. The first six digits of the AHECC code are taken from the International Harmonized System, with the seventh and eighth digits (statistical codes) added by the ABS to satisfy Australian statistical requirements.

4.13 AHECC codes provide the most detailed breakdown of exported goods and are used to analyse exports of particular commodities. The ABS has responsibility for maintaining the AHECC documentation. Due to the smaller number of statistical codes, the absence of tariff considerations, and the comparatively less diverse export trade, amendments to the AHECC are made less frequently than to the HTISC.

4.14 The ABS distributes replacement pages for the AHECC every six months. The detailed classification can be found in the *Australian Harmonized Export Commodity Classification (AHECC) 1999 Edition* (Cat. no. 1233.0). An example of the hierarchical structure of the AHECC is included below.

<i>Level</i>	<i>Code</i>	<i>Description</i>
Chapter:	08	Edible fruit and nuts; peel of citrus fruit or melons
Heading:	0808	Apples, pears and quinces, fresh
HS code:	0808.10	Fresh Apples
Export statistical item:	0808.10.01	Fresh Delicious (red, ordinary, golden, earlidel)
	0808.10.02	Fresh Democrat
	0808.10.03	Fresh Fuji
	0808.10.04	Fresh Granny Smith
	0808.10.05	Other, fresh

4.15 All goods imported into Australia since 1 January 1988 have been classified according to the ten-digit HTISC. The first six digits of the code are taken from the Harmonized System (HS), with the seventh and eighth digits added by Customs to allow for different rates of duty applied to particular goods. The ninth and tenth digits (statistical codes) are added by the ABS to satisfy Australian statistical requirements, and, in some instances, the information needs of regulatory or supervisory agencies which are able to access the records from Customs.

4.16 HTISCs provide the most detailed breakdown of imported goods and are used to analyse imports of particular commodities. Customs has responsibility for maintaining the HTISC documentation, and distributes replacement pages containing any recent classification amendments to users every six months.

4.17 The detailed classification can be found in the *Combined Australian Customs Tariff Nomenclature and Statistical Classification (1996)* (Customs Tariff). An example of the hierarchical structure of the HTISC is included below.

Level	Code	Description
Chapter:	08	Edible fruit and nuts; peel of citrus fruit or melons
Heading:	0808	Apples, pears and quinces, fresh
HS code:	0808.10	Fresh Apples
HS Subheading:	0808.10.00	Fresh Apples
Statistical code:	0808.10.00.03	Fresh Apples

4.18 The ABS has responsibility for the maintenance of all aspects of the statistical code components of the AHECC and HTISC. This includes updating the classifications by evaluating requests from users for changes to the level of commodity information made available. However, the ABS cannot make any changes to the six-digit HS codes for exports or to the eight-digit Customs Tariff codes for imports.

4.19 In attempting to satisfy the statistical needs of a wide range of users, the ABS strives to keep these classifications comprehensive, detailed and current. At the same time, it is necessary to limit the size and complexity of the classifications in order to minimise reporting problems and compliance costs for importers, exporters and their agents. Account must also be taken of the ongoing costs to the ABS associated with editing and processing the data and in maintaining the classifications.

4.20 To balance these requirements, criteria have been developed to assess requests for changes to the classifications.

4.21 The ABS receives many requests for the creation of new statistical codes. These requests are only considered where they are deemed to be in the interests of the industry concerned, as well as in the public interest. Requests of a purely market research nature are not considered.

4.22 Each request must, therefore, have the written support of a relevant government department/authority or industry association. Statements of support should include the reasons for that support and, in the latter case, a list of the current members of the association. Higher priority is given to requests which enable government policy to be better formulated, administered or monitored, or from an industry experiencing or threatened with disruption from imports, where the statistics required would be significant in submissions to, for instance, the Productivity Commission.

4.23 Requests to change classifications do not require government or industry support where the request is aimed at:

- clarifying a classification structure where it is possible to classify a commodity to more than one statistical code;
- correcting a classification structure where a commodity can not be allocated to any statistical code;
- correcting a classification structure to remove incorrectly allocated statistical codes; or
- updating a classification structure to reflect current terminology.

4.24 When a request is received, an initial feasibility study is undertaken to determine the likelihood of the proposed changes being implemented. Based on its findings, the ABS advises the person or organisation making the request, in writing, whether the ABS is willing to undertake a more detailed Classification Feasibility Study (CFS). Charges apply for both the initial investigation and the detailed CFS (where one is undertaken).

4.25 The conduct of the detailed CFS involves consultation with a representative selection of customs brokers, exporters or importers trading in the commodities proposed for separate identification. Once sufficient responses have been received, the proposal is evaluated in terms of the above criteria and a recommendation, based entirely on the results of the CFS, is made. ABS agreement to undertake a CFS does not mean that the proposed classification changes will necessarily be implemented.

4.26 Statistical code changes are made twice each year, in January and July. In order for a proposal to be considered for January implementation, it must be received by the ABS by early September; and for July implementation, it must be received by early March. This allows sufficient time to survey the brokers, importers or exporters, and to incorporate any new codes into the AHECC or Customs Tariff, for printing and distribution before the implementation date.

4.27 An ABS booklet *International Trade Classification Feasibility Studies* contains more information about the CFS process. Requests for copies of the booklet, and other enquires about a Classification Feasibility Study should be directed to The Classifications Manager, International Trade Section, Australian Bureau of Statistics, PO Box 10, BELCONNEN, ACT 2616. Contact can also be made by telephone: 02 6252 5409, facsimile: 02 6252 7438, or email: international.trade@abs.gov.au.

Standard International Trade Classification (SITC)

4.28 The Standard International Trade Classification (SITC) is the UN recommended classification for the publication of international merchandise trade statistics. While the HS classification groups commodities by the material the goods are composed of, the SITC groups goods according to their level of manufacturing or processing. The ABS uses the SITC as its primary classification for the publication and dissemination of broad level commodity information in its trade statistics. The HS based classifications are typically used for the dissemination of detailed commodity information.

4.29 The third revision of the SITC, which is currently in use, was developed to better align the SITC with the HS. It was implemented by the ABS at the same time as the HS based classifications, on 1 January 1988. The SITC, Rev.3 incorporated significant changes to the numbering system, and overall structure, to align it more closely with the HS. However, the relevant SITC, Rev.2 headings for refined petroleum products were retained in the third revision of the classification due to the importance of these products in international trade.

4.30 The changes between the second and third revision of SITC, and the adoption of the HS, resulted in a complete break in the international merchandise trade series published by the ABS. To overcome the break in series, and to assist users in the interpretation of the data, export and import statistics were compiled and published on both the SITC, Rev.2 and the SITC, Rev.3 basis for the period January 1988 to June 1988.

4.31 SITC based commodity information is available at the five-digit level (the most detailed level), the three-digit level, the two-digit level, or at a broad one-digit level. It is possible to link data (with the exception of refined petroleum products) at the five-digit SITC level to the six-digit level of the HS classification. Refined petroleum products can only be linked from the five-digit SITC to codes at the most detailed HS levels i.e. eight-digit AHECC and ten-digit HTISC. An example of the hierarchical structure of the SITC is included below.

Level	Code	Description
Section:	0	Food and Live Animals
Division:	05	Vegetables and Fruit
	057	Fruit and nuts (not including oil nuts), fresh or dried
	057.40	Apples, fresh

Classification by Broad Economic Categories (BEC)

4.32 The Classification by Broad Economic Categories (BEC) was introduced by the UN in the early 1970s. It is a three-digit classification that groups commodities according to their main end use, namely capital goods, intermediate goods and consumption goods. BEC was designed as a means for converting data compiled in terms of SITC, into end-use categories.

4.33 These categories are aligned as far as practicable with the *System of National Accounts (SNA)* framework. The BEC classification is suitable for the general economic analysis of international merchandise trade statistics, and facilitates the use of this data in conjunction with other national and international economic statistics.

Classification by Broad
Economic Categories (BEC)
continued

4.34 The BEC classification groups goods into nineteen basic economic categories. Sixteen of these basic categories make up the broad end-use categories: consumption goods, capital goods and intermediate goods. A fourth category (other goods) includes the three remaining basic economic categories, which have proven difficult to assign. The ABS has combined, for presentation purposes, this category with the intermediate goods category.

4.35 There is a link available between the BEC three-digit level and the Harmonized codes at the most detailed level i.e. eight-digit AHECC and ten-digit HTISC. Concordances are also available for the BEC three-digit level to the SITC five-digit level. An example of the hierarchical structure of the BEC classification is included below.

<i>Level</i>	<i>Code</i>	<i>Description</i>
	1	Food and beverages
	11	Primary
	112	Mainly for household consumption

Australian Transport Freight
Commodity Classification
(ATFCC)

4.36 The Australian Transport Freight Commodity Classification (ATFCC) is a four-digit classification system that was developed in 1980 as a co-operative project between the then Commonwealth Department of Transport and the ABS. The ATFCC provides a systematic arrangement of goods which are judged to be important in terms of their impact on Australia's transport network. It includes transportation by sea, rail, road, air and pipeline. It was devised to facilitate the standardised classification of goods carried by these modes of transport to and from Australia and within Australia.

4.37 The first two digits of the ATFCC code are the same as the first two digits of the SITC code. Subcategories are based on the particular kinds of transport handling facilities required, the type of packaging used, and the level of diversity in the physical characteristics of the goods. There is a link available between this classification and the HS statistical codes. The level of the concordance is from four-digit ATFCC to eight-digit AHECC and ten-digit HTISC.

4.38 While the ATFCC is not generally used for the dissemination of trade statistics, it is a key classification used in a special data service provided to transport sector clients with an interest in cargo movements through Australian ports. An example of the hierarchical structure of the ATFCC is included below.

<i>Level</i>	<i>Code</i>	<i>Description</i>
Section:	0	Food and Live Animals
Division:	05	Vegetables and fruit
Group:	051	Fruit, fresh or chilled
Item:	0511	Apples, pears and quinces

4.39 Most analyses of Australian trade focus on trade in particular commodities and/or on trade with particular trading partners. There is also interest in the trade undertaken by individual businesses and industries, but neither of these aspects are well supported by the use of Customs information at the present time. In the past, it has not been possible to bring together from the Customs systems all the import or export transactions relating to a single business, or to classify the data according to the main economic activity of the businesses undertaking the transactions i.e. on a *standard industry basis*.

4.40 Information on the trade, particularly exports, of individual businesses and industries has therefore been an area of substantial unmet demand. While some information has been available from other sources, there have been a range of methodological and coverage problems with the data. It has not been possible to reliably compare international merchandise trade data with other statistical information produced on a standard industry basis. The introduction of *The New Tax System* from 1 July 2000 is expected to ultimately lead to major improvements in this area (see Chapter 10 for further information).

4.41 Trade statistics are currently published on an *industry of origin basis*. The statistics are compiled by allocating statistical codes from the AHECC and the HTISC to industry of origin based upon the primary activities of the industries with which they are most commonly associated i.e. commodity codes are assigned to industry classes by matching the commodities to the defined primary activities of classes in the industry classification used.

4.42 These are the industries most likely to have produced the traded items. All trade in a commodity is assigned to one industry class, which is the one that the commodity is most likely to have been produced by, or to have 'originated' from, its 'industry of origin'.

4.43 *Industry of origin* is a different concept from the *standard industry basis* on which most economic statistics are compiled and published. Individual businesses usually undertake a number of activities and are classified to an industry based on their main economic activity i.e. they are assigned to the industry class for which their main economic activity is defined as a primary activity. However, businesses classified to a particular industry will often undertake activities which are primary to other industries. Statistics produced on the two bases are therefore fundamentally different.

Australian and New Zealand
Standard Industrial
Classification (ANZSIC)

4.44 The Australian and New Zealand Standard Industrial Classification (ANZSIC) is the standard industrial classification used in Australia and New Zealand for the collection, compilation and publication of statistics on an industry basis. While it is designed for compilation of statistics on a standard industry basis, it, and any other industry classification, can also be used to produce statistics on an *industry of origin basis*.

Australian and New Zealand
Standard Industrial
Classification (ANZSIC)
continued

4.45 The classification was developed jointly by the ABS and Statistics New Zealand (SNZ). One of the guiding principles in the development of the ANZSIC was to align it as closely as possible to the International Standard Industrial Classification Of All Economic Activities (ISIC). However, as ISIC is essentially an activity classification rather than an industrial classification, and the structure of Australian and New Zealand industry sometimes varies from that implied by ISIC, the degree of alignment achieved is not as great as that for the national and international commodity classifications referred to earlier.

4.46 ANZSIC replaced the Australian Standard Industrial Classification (ASIC) and the New Zealand Standard Industrial Classification (NZSIC), which had been in use in Australia and New Zealand respectively for many years previously. International merchandise trade data was first presented, on an industry of origin basis, according to the ANZSIC, in July 1993. Data for periods back to January 1988 were recompiled according to the ANZSIC to provide a consistent series from that date. For periods earlier than 1988, the statistics are presented according to the ASIC.

4.47 There are links available from ANZSIC to the HS and the SITC codes (and vice versa), at the most detailed level of the classifications. An example of the hierarchical structure of the ANZSIC is included below.

<i>Level</i>	<i>Code</i>	<i>Description</i>
Division:	A	Agriculture, Forestry and Fishing
Subdivision:	01	Agriculture
Group:	011	Horticulture and Fruit Growing
Class:	0115	Apple and Pear Growing

COUNTRY CLASSIFICATIONS

Country definition and
classification

4.48 International merchandise trade occurs between trading partners. Australia's trading partners are geographic entities with which Australia has the potential to trade in accordance with Customs provisions. IMTS, Rev.2 recommends that the statistical territory of a country, as defined by that country, constitute the basis upon which the trading partners of each country compile their statistics by country.

4.49 As explained in Chapter 2, Australia's statistical territory aligns with its Customs boundary, within which Australian Customs laws apply in full. Most other countries apply the same criteria to define their 'country'.

4.50 The ABS refers to the list of countries recognised by Customs and the Department of Foreign Affairs and Trade (DFAT) to classify and disseminate international merchandise trade statistics by country. Where necessary, each country is more clearly defined by using inclusions and exclusions e.g. 'Portugal' includes the Azores and Madeira Islands, while 'China' excludes Special Administration Regions (SARs) and Taiwan.

Country definition and classification *continued*

4.51 Self-governing territories and dependent territories under the administration of other countries may be treated as individual countries in international merchandise trade statistics. In some cases, more than one sovereign state may be grouped together e.g. Australian statistics on its trade with France include trade with Monaco and Andorra.

4.52 ABS international merchandise trade statistics incorporate changes to the political boundaries of countries and changes to official country names once they are recognised by the Australian Government. A list of all countries used for the dissemination of trade statistics at any given time can be obtained from ABS Information Consultancy. A complete list of countries about which statistics may be available, at the time of writing, can be found in Appendix 2.

Standard Australian Classification of Countries (SACC)

4.53 The *Standard Australian Classification of Countries (SACC) 1998* (Cat. no. 1269.0), available within the Statistical Concepts Library on the ABS Web site, is the Australian statistical standard for statistics classified by country. The SACC is a four-digit hierarchical classification, essentially based on the concept of geographic proximity. In its main structure, it groups neighbouring countries into progressively broader geographic areas on the basis of their similarity in terms of social, cultural, economic and political characteristics.

4.54 The SACC can be directly concorded to International Organization for Standardization (ISO) country codes. The classification is intended for use whenever social, demographic and labour statistics are classified by country. The SACC, and Customs' list of recognised countries, have been aligned at the most detailed level of disaggregation. While Australia's international merchandise trade statistics are not classified to SACC codes, consistent trade statistics classified by country can be easily produced.

4.55 An example of the hierarchical structure of the SACC is included below.

<i>Level</i>	<i>Code</i>	<i>Description</i>
Major group:	1	Oceania and Antarctica
Minor group:	11	Australia (includes External Territories)
Country:	1101	Australia

Country groups

4.56 A country group can be described as 'a conventional, internationally recognised association or organisation of member countries or economies which serves economic and political purposes'.

4.57 At present, the country groups regularly used for the dissemination of ABS trade statistics include:

- Asia-Pacific Economic Cooperation (APEC);
- Association of Southeast Asian Nations (ASEAN);
- European Union (EU); and
- Developing Countries (DCs).

4.58 The list of countries included in each of these country groups at any given time is included in the latest issue of *International Merchandise Trade, Australia* (Cat. no. 5422.0) and can be obtained from ABS Information Consultancy. The country groups at the time of writing can be found in Appendix 3 of this publication. Country groups may not be mutually exclusive, e.g. Indonesia is included in the APEC, ASEAN and DCs country groups.

4.59 In ABS publications, country groups reflect the country composition on the last day of the reference period of that publication for all time periods shown in the publication, whenever possible. For example, when the Russian Federation, Viet Nam and Peru were admitted to APEC in November 1998, publications produced from that time onwards included these countries in APEC for all periods before and after they were admitted to APEC. Printed publications produced prior to November 1998 do not include the Russian Federation, Viet Nam and Peru in APEC statistics. Caution should therefore be used when analysing historical country group international merchandise trade data produced at different times.

4.60 In output provided electronically since 1988, country groups reflect the composition of those groups at the time the electronic service is provided, irrespective of individual countries' dates of entry to the group.

CHAPTER 5

DATA SOURCES AND METHODS

INTRODUCTION

5.1 Before Federation in 1901, each Australian colony recorded its trade independently, and trade with other colonies was recorded under trade with the rest of the British Empire. In the years before 1901, aggregation of colonial records provides an indication of Australia's total trade. However, those results are subject to error as uniform records were not kept and consistent treatments were not applied. Commodity data are not available in a useable form for this period.

5.2 The *Customs Act 1901* required traders to report details of export and import cargoes to the then Department of Trade and Customs. Much of the information collected under the Act has statistical value. After Federation, the data were regularly accessed by state government statisticians to compile their own merchandise trade tables. The first official national merchandise trade tables *Trade and Customs & Excise Revenue of the Commonwealth of Australia* were produced by the NSW Government Statistician for the calendar years 1903, 1904 and 1905.

5.3 When the new federal parliament passed the *Census and Statistics Act 1905*, the Commonwealth Statistician was empowered to collect statistical information including statistics in relation to exports and imports. The first publication of trade statistics by the Commonwealth Statistician occurred in 1906, from documents acquired under the Customs Act and supplied to the Commonwealth Bureau of Census and Statistics by the Department of Trade and Customs.

5.4 International merchandise trade statistics for Australia were first presented on a financial year basis in respect of 1914–15. Monthly international merchandise trade statistics were first presented in August 1917 and have been compiled on this basis ever since.

5.5 Disclosure of information by Customs to the ABS is currently provided for under the *Customs Administration Act 1985*. Data supplied to the ABS under the *Census and Statistics Act* are deemed to have been 'furnished in pursuance of the Act' (Sections 10 and 11) and are thereby protected by the secrecy provisions of Section 19 of the Act. Chapter 6 of this publication discusses the confidentiality of trade data in more detail.

5.6 The *Review of the Australian Customs Service, December 1993: the turning point (Conroy Report)* proposed an expanded role for Customs in data collection, assessment and analysis (Recommendation 61, paragraph 13.19). The ABS argued that this could result in a duplication of, or a reduction in, the role of the ABS as the central statistical authority. The Commonwealth Government subsequently rejected this recommendation, recognising the ABS' legal authority to compile and disseminate trade data.

INTRODUCTION *continued*

5.7 To do this effectively, the ABS must ensure the appropriate use of international and national standards and classifications, undertake various steps to ensure the quality of the data collected and disseminated, develop and use effective processing tools and systems, apply confidentiality restrictions where required, and establish reliable and timely dissemination methods for users of the data.

DATA SOURCE

5.8 Customs is the federal authority responsible for the collection and management of export and import documentation. This information is used by Customs to assess and collect duty and other revenue payable on imported goods, and to monitor and control the physical movement of goods into and out of Australia.

5.9 For exports, consignment information must be lodged with Customs in advance of the departure of the goods, by exporters or their agents. In addition, international shipping and airline companies are required to submit cargo manifests to Customs for each voyage or flight. Separate files are maintained by Customs for export entries and cargo manifests. Export entries submitted electronically account for 97% of all pre-shipment lodgements. However, only 80% of all export manifests are lodged electronically.

5.10 For imports, information must be lodged and cleared before access to the goods can be obtained. Import entries may be lodged well in advance of the expected arrival of the goods. Currently over 98% of import entries are reported electronically to Customs.

Statistical details

5.11 Statistical details currently collected by Customs include:

For both exports and imports

- **HS commodity code;**
- **Country** of origin (imports) or final destination (exports);
- **Overseas port** of loading (imports) or discharge (exports);
- **Australian State** of origin and loading (for exports). State of discharge and final destination are identified via port data (for imports);
- **Australian port** of lodgement, discharge and final destination (imports) or loading (exports);
- **Mode of transport;**
- **Date** of arrival in Australia (imports) or departure from Australia (exports). This may be an expected date;
- **Unit of quantity;**
- **Quantity;**
- **Gross weight** — not available on an individual commodity basis for imports;
- **Valuation** — for imports, Customs, f.o.b. and c.i.f. values
— for exports, f.o.b. value only;
- **Currency** as shown on the invoice;

*For both exports and imports
continued*

- **Vessel name & Identification.** Ship name and Lloyds number, or Airline name and flight number;
- **Australian Business Number (ABN)** of the owner of the goods on an entry, where the owner has an ABN; and
- **Client Activity Centre (CAC)** of the owner of the goods on an entry, where the owner has an ABN.

For imports only

- **Nature of entry** of imports, according to whether they are entered directly for home consumption (Nature 10), diverted into a bonded warehouse (Nature 20) or released from a bonded warehouse into the marketplace (Nature 30);
- **Nature of tariff.** Certain clearances of goods are eligible for a reduction in the amount of duty payable because of special circumstances surrounding their importation, e.g. by-law clearances. The nature of tariff code indicates where such variations have been applied;
- **Rate of duty.** Either an ad valorem or fixed rate or a combination of both, as outlined in the Australian Customs Tariff;
- **Import duty paid.** The total amount of duty paid (in Australian dollars) in respect of imported goods. It reflects the rate of duty appropriate to those goods, plus any dumping duty applicable;
- **GST.** The amount of GST liability for the goods on the entry line;
- **GST deferred.** The amount of GST liability that was deferred;
- **GST exempted.** The amount of GST liability forgone, as a result of the goods being GST exempt; and
- **GST exemption code** identifies the section in the legislation, under which a GST exemption is claimed.

5.12 Customs undertakes a range of automated checks on the data it receives, to ensure that the codes used (for commodity, country, port etc.) are valid, and fall within acceptable parameters. At the same time, import transactions reported in currencies other than Australian dollars are converted by Customs to Australian dollars, based on the exchange rates applying the day the goods were exported from the overseas country. Customs further audits the data through its community protection profile system, to detect records that may be of interest to quarantine and health authorities. Refer to paragraphs 2.34 and 2.35 for export currency conversion practices.

5.13 Customs data are provided daily to the ABS on magnetic cartridge for imports, and by direct line transfer for both exports and manifest files. In 1999–00, there were, on average, 441,700 export entry messages and 783,300 import entry messages passed to the ABS each month. This corresponds to 5.3 million export messages and 9.4 million import messages over the year. Table 5.1 shows the breakdown of these messages according to ABS treatment, and identifies the number of merchandise trade transactions that contributed to ABS statistical output for the period.

5.1 CUSTOMS RECORDS AND TRADE TRANSACTIONS, 1999–2000

EXPORTS		<i>million records</i>
Total number of Customs records received		5.3
made up of:		
■ ECN ¹ advices		2.3
■ manifest information		3.0
ECN advices:		2.3
- less replacements, confirmations and deletions		0.6
- less low value records		0.2
- less non-merchandise records		0.1
Total number of merchandise export transactions		1.5
¹ Export Clearance Number		
IMPORTS		<i>million records</i>
Total number of Customs records received		9.4
(includes imports, import clearances and amendments)		
- less post shipment amendments (replacements and deletions)		0.4
- less low value records		3.1
- less non-merchandise records		1.0
- less clearances (Nature 30)		0.4
Total number of merchandise import transactions		5.6

Thresholds

5.14 There would be high costs incurred by industry and government if full documentation was required for every single international merchandise trade transaction. It would also be costly for Customs and the ABS to process and store a record of every transaction, many of which are insignificant for statistical purposes. Consequently minimum value thresholds, below which export or import entries are not required, have been imposed.

5.15 Applying minimum value thresholds has reduced traders' compliance costs and resulted in savings in Customs and ABS processing and storage costs. However, some entries with values below the current thresholds continue to be submitted to Customs. Box 5.2 lists the current thresholds for export and import entries.

5.2 THRESHOLDS FOR EXPORTS AND IMPORTS

Exports

- **Parcel post exports:** excludes all transactions consigned through Australia Post with values less than \$2,000; and
- **Other exports:** excludes all transaction lines (within an export consignment) where the value of the goods is less than \$500.

From July 1986, exporters have not been required to submit entries for exports below \$500. Many exporters do, however, continue to submit the entries, but they are not processed by the ABS. The threshold change was initiated by the ABS.

Prior to July 1986, the threshold was \$250. This was introduced by Customs in July 1977. Although the limit was \$250, a significant number of export entries of lesser value were still received and processed by the ABS. In 1982 the ABS ceased processing entries valued below \$250.

Imports

- **Parcel post imports:** excludes all transactions consigned through Australia Post with values less than \$1,000; and
- **Other imports:** excludes all consignments screened free or entered on Informal Clearance Documents (ICDs) for values less than \$250. Additionally, from July 1998, individual import transaction lines (within a formally entered import consignment), where the value of the goods is less than \$250, are not processed by the ABS and are excluded from import statistics.

Import entries lodged on ICDs, for values not exceeding \$250, are not passed to the ABS. However, importers continue to submit many entries valued at under \$250, often in conjunction with an import item valued at \$250 or more. These are passed to the ABS, but they are not processed or included in output.

The ICD system was introduced by Customs in 1970, for imports valued at under \$100 that met certain other criteria. ICDs request less statistical detail than normal entries. The ICD threshold was raised from \$100 to \$250 in February 1975.

Impact on ABS output

5.16 Analysis of entry data shows that there is a great number of small value records. Even when added together, they are statistically insignificant in national and state aggregates (and normally in commodity aggregates also). It takes many small value shipments to produce the same impact as one large value record. The thresholds currently applied do not unduly affect the broad level results required for balance of payments and national accounts purposes.

5.17 As an illustration, during July 1994, just over 11% of export input records were valued below \$500, representing 0.04% of the total value of exports. In the same period, 34.4% of import input records were valued below \$250, representing 0.25% of the total value of imports. A similar analysis of export and import transactions with respect to July 2000 found little change in the results: just over 8% of export input records were valued below \$500, representing 0.02% of the total value of exports. For imports, nearly 34% of entries were below \$250 in July 2000, representing 0.19% of the total value of imports.

Overseas thresholds

5.18 Most of Australia's major trading partners also apply minimum value thresholds to their trade data. For comparative purposes, the following table 5.3 shows the thresholds used by a selection of other countries (and their \$A equivalent), as at June 1998.

5.3 OVERSEAS THRESHOLDS FOR EXPORTS AND IMPORTS

Country	Exports	Imports
USA	\$US 2,500 (approx. \$A 3,800)	\$US 1,250 (approx. \$A 1,900)
Canada	\$C 2,000 (approx. \$A 2,100)	All trade included
NZ	\$NZ 1,000 (approx. \$A 850)	\$NZ 1,000 (approx. \$A 850)
Japan	¥200,000 (approx. \$A 2,300)	¥200,000 (approx. \$A 2,300)
Korea	All trade included	All trade included

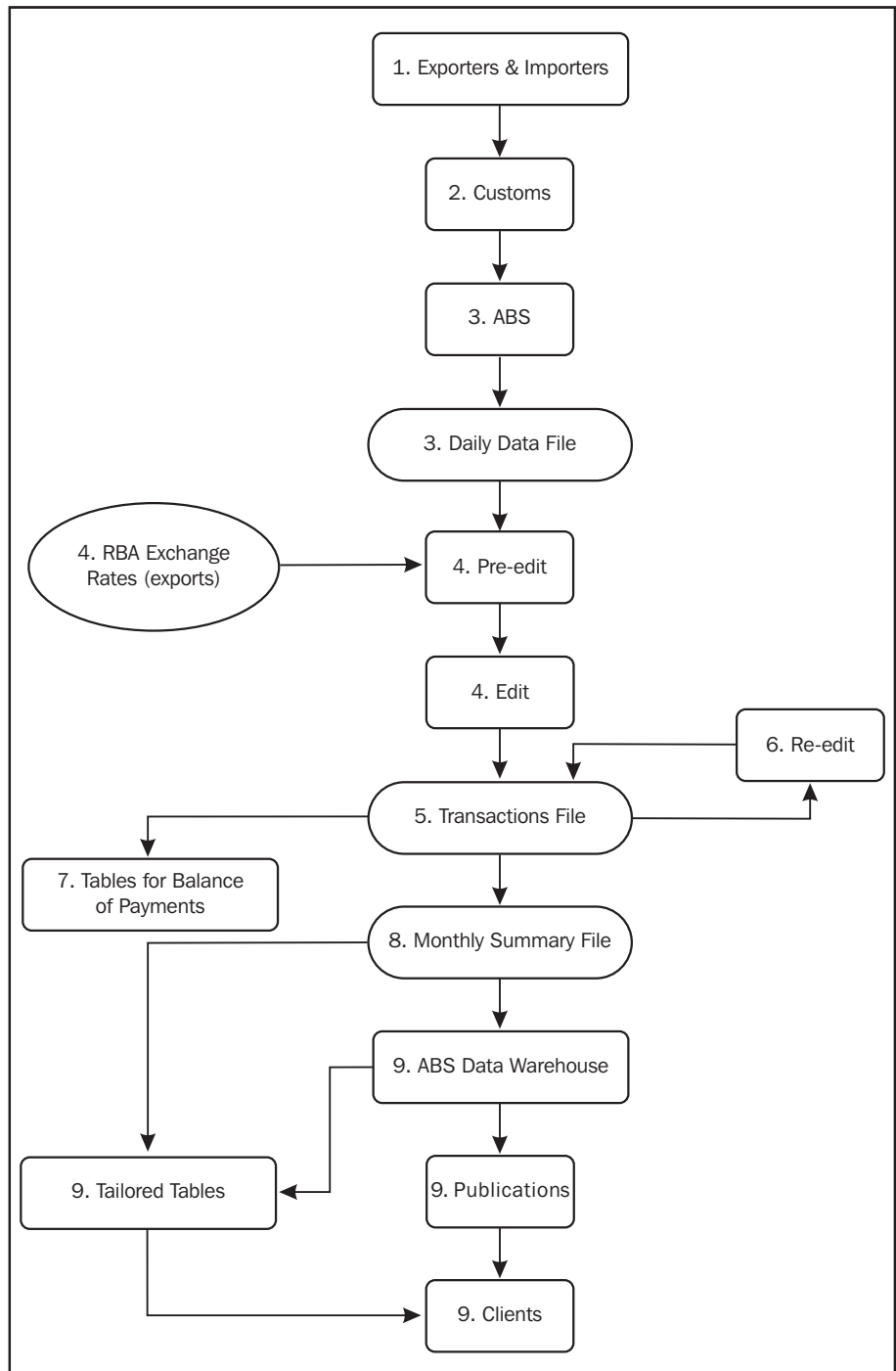
(converted to \$A using exchange rates applicable at June 1998.)

COMPILATION METHODS

5.19 ABS compilation methods are broadly summarised in Diagram 5.4 *International Merchandise Trade — Process Flowchart*.

1. Exporters, importers or their agents report cargo to Customs.
2. Statistical information is provided to the ABS by Customs.
3. ABS receives the data which are reformatted and loaded to a daily ABS Data File.
4. Pre-Edit and Edit processing are undertaken. (Exports pre-edit processing involves the use of exchange rates provided by the RBA).
5. Edited data are stored on the Transactions File (6 months for exports and 3 months for imports).
6. Data on the Transactions File are subject to Re-edit processing if amendments have been made.
7. Output editing investigations, and the production of tables for Balance of Payments, are sourced from the Transactions File each month.
8. Information on the Transactions File is aggregated monthly (the Monthly Summary File), and the results confidentialised.
9. Confidentialised data are loaded to ABS Data Warehouse (for the preparation of trade publications, access by Information Consultancy to produce tailored output for established clients, and the servicing of ad hoc requests).

5.4 INTERNATIONAL MERCHANDISE TRADE — PROCESS FLOWCHART



5.20 The ABS uses a multi-stage computer editing system to help ensure the data are of sufficient quality before they are released to users. This system comprises pre-edit, edit and re-edit programs. These programs are run frequently throughout each month, as new data are received from Customs.

Pre-edit

5.21 For imports, the pre-edit is undertaken after the daily imports data from Customs are transferred from magnetic tape to an ABS input dataset. During the pre-edit process, import data are separated into new import entries and post shipment amendments to previously recorded import entries. Also, the total number and value of records is validated against the summary information provided by Customs with the tape.

5.22 The pre-edit program is also used to create additional records if required to assist in the dissemination of data at the required level of detail. For example, clients are interested in obtaining imports of beer by litres of alcohol and also by litres of beer. To allow the processing and dissemination of data for this commodity at this level of detail, some additional records are created to store the data.

5.23 For exports, two separate pieces of information are normally required before an ABS export record can be created. Exporters must lodge an *Intention to Export* form with Customs, providing details of the goods they wish to export, to obtain an Export Clearance Number (ECN) before the goods leave Australia. However, these goods are not counted as exports by the ABS until they are acquitted (i.e. they are listed on a ship's or airline's *cargo manifest*).

5.24 Intentions to export, and manifest details, are received from Customs on a daily basis. These are stored until both ECN and manifest details are matched for the same cargo, whereupon the ABS creates a unique export record. At this time, any export records with errors that prevent further processing, such as invalid currency or departure dates, are amended.

5.25 There are two exceptions, which are automatically processed without matching with a manifest:

- articles sent overseas through the post; and
- exports by sea or air with values less than \$2,000, that have not been manifested 14 days after the expected date of departure on the ECN.

Edit

5.26 The first part of the edit program excludes small value records below the value threshold limits.

5.27 The ABS does not have the resources to comprehensively assure the quality of all import and export data. The large bulk of transactions included in international merchandise trade statistics are 'as reported to Customs'. ABS editing procedures are designed to ensure that sufficient editing is undertaken to guarantee the quality and integrity of trade data to at least the six digit HS level. Most effort is directed at ensuring that large value transactions are correct.

*Edit
continued*

5.28 Similar checks are performed for export and import data, including:

- identification of all transactions with a value of \$2 million or more, plus transactions valued between \$1 million and \$2 million, for selected chapters of the Australian Harmonized Export Commodity Classification (AHECC) for exports, and all chapters of the Harmonized Tariff Item Statistical Code (HTISC) for imports. These transactions are subject to detailed checks including confirmation with the exporter, importer or their agent if necessary;
- legality checks to ensure that valid and up-to-date codes are reported and that all mandatory fields are completed;
- internal consistency checks e.g. if the mode of transport is reported as sea, the Australian and overseas ports should not be airports;
- unit value (value divided by quantity) checks on export records with f.o.b. values of \$250,000 or more, and on import records with customs values of \$1 million or more. The system stores unit value ranges, calculated from previously edited transactions, for every commodity code for which a quantity is required. New export and import transactions over these limits, with unit values outside the specified range for the commodity, are examined by an editor;
- automatic adjustment of import records with customs values less than \$1 million, where the unit values fall well outside the normal edit tolerances for the relevant HS classification. These are adjusted to the median value within the classification's calculated unit value range, with the quantity recalculated based on the reported value and the median unit value i.e. quantity is assumed to be in error; and
- tailored edits for specific commodities and/or countries and/or States. Examples include checks of minerals which are only mined in certain states; prohibited or illegal imports; and exports of commodities not manufactured in Australia.

5.29 An error message, with a status of fatal, warning or informative, is generated for each record which does not satisfy all of the edit conditions. The status is determined according to the severity of the error. The records which fail the fatal and warning edits are then examined by editors who resolve the problem. This may require contact with the exporter, importer or agent. Informative edits usually indicate an automated system adjustment has been applied. These are only displayed to an editor if the record also fails a fatal or warning edit.

5.30 A post shipment amendment is an alteration made by Customs, exporters, importers or agents to a finalised entry. It can be in the form of an insert, an amendment to an existing record, or a deletion. ABS processing procedures are identical to those applied to the initial version of a entry. The only requirement is that the amendment must always be processed after the initial entry, so that the most up to date version of any entry is on the transactions file.

Re-edit 5.31 Those records that have been amended after failing the initial edit process are resubmitted to a reduced set of edits ('re-edit') to ensure that the amendments have not introduced further errors.

Output procedures

Output editing of aggregate data 5.32 Towards the end of the monthly processing, aggregate tables are produced and the output compared with the previous month's results. Any significant or unusual results, movements or features are identified, investigated and verified, and all large value records (value of \$5 million or more) are separately listed and rechecked. Validation tables showing that all data received from Customs, and all editing changes, have been accounted for, are compiled.

5.33 For exports, not all manifest details are received by the time output editing commences. Each month the ABS follows up all unacquitted ECNs with values of \$500,000 or more, to establish whether the export has occurred. Details of confirmed exports are added to the transactions file before tables are generated. An estimate representing the value of unacquitted ECNs with values less than \$500,000 that were expected to have departed in the current month, but have not been confirmed, is added to the aggregate result.

5.34 Apart from the value and month of departure, this estimate is not disaggregated further. The commodity is set to 'not elsewhere classified' while state details are 'not available' and country details are deemed 'unidentified'. New information regarding the unacquitted records is received from Customs during the following few months. At subsequent end-of-month processing, the initial estimate is revised downwards (to avoid double counting), until all expected information has been accounted for.

5.35 A selection of international merchandise trade tables for each month are produced and delivered to Balance of Payments by the fifth working day of the following month for imports, and by the thirteenth working day of the following month for exports. These tables are produced earlier than, and separately from, other trade output, to meet the strict deadlines required for the production of *International Trade in Goods and Services, Australia* (Cat. no. 5368.0).

Output files 5.36 At the completion of monthly processing and output editing, a Monthly Summary File (MSF) and tabulation files are generated, containing aggregate confidentialised data. Once the output has been validated, selected fields are loaded to the ABS Data Warehouse to enable the production of regular publications and other output. The files are made available to ABS Information Consultancy staff for the production of client-specified output, for dissemination after the embargoed release time (the 12th working day of the following month for imports, and the 21st working day of the following month for exports).

CHAPTER 6

DATA CONFIDENTIALITY

INTRODUCTION

6.1 International merchandise trade statistics are confidentialised to prevent the identification of the activities of individual exporters and importers, where this is requested by the individual or organisation concerned and it is determined that their data would otherwise be identifiable.

6.2 The purpose of this chapter is to outline the legislative basis for the confidentiality procedures applied, the types of restrictions used, the effect of confidentiality restrictions on the statistics released, how individuals or organisations can request restrictions for data they consider confidential, and how the ABS handles these requests.

6.3 Aggregate international merchandise trade statistics are potentially available in a great deal of detail, but not all possible cross-classifications are released. Restrictions are placed on the release of statistics where the data for an individual or an organisation is identifiable, and that entity has requested that the data be suppressed. In practice, the way that a restriction is achieved is to combine the sensitive information with data in other cells.

6.4 There are many reasons why an individual or an organisation may request suppression of data. These include:

- the individual/organisation may not want the total value and/or unit value of its imports or exports to be known, as such information may be commercially sensitive;
- the individual/organisation may want to protect details of the quantity of certain goods it trades, or the countries from which it imports or to which it exports;
- an imported commodity may be the subject of an anti-dumping enquiry; or
- exports to, or imports from, certain countries may be politically sensitive and the individual/organisation may be concerned that the disclosure of the country of origin/destination may provoke protests or boycotting from other countries or some sections of the local community.

LEGISLATION

6.5 Regardless of the reason for requesting a confidentiality restriction, if an individual or organisation has shown that release of certain statistics would be likely to enable the identification of the trade by that individual or organisation, then the ABS is legally required not to further disclose the information.

6.6 In relation to international merchandise trade statistics, the relevant ABS legislation which makes provision for the protection of confidential data is:

- the *Census and Statistics Act 1905*, section 19 in conjunction with subsection 12(2), and subsection 13(1); and
- the Statistics Determination under section 13 of the *Census and Statistics Act 1905*.

6.7 The *Census and Statistics Act 1905* sets out the rules governing the collection and dissemination of statistics undertaken by the ABS. Clause 2 of the Statistics Determination provides that:

"information in the form of statistics relating to foreign trade, being statistics derived wholly or in part from Customs documents" (Clause 2(2)(b))

".....may, with the approval in writing of the Australian Statistician, be disclosed except where —

(a) in the case of information relating to a person, being an individual — that person;

(b) in the case of information relating to an official body — the responsible Minister in relation to that official body; or

(c) in the case of information relating to an organisation other than an official body — a responsible officer of that organisation,

has shown that such disclosure would be likely to enable the identification of that particular person or organisation." (Clause 2(1))

6.8 This means that international merchandise trade statistics, unlike most other statistics released by the ABS, are subject to a passive confidentiality policy i.e. statistics are able to be released without explicit regard to confidentiality, unless and until an individual or organisation demonstrates that such disclosure would be likely to enable the identification of that person or organisation.

6.9 Application of a passive confidentiality policy is restricted, under Clause 2(2), to a limited range of ABS statistics. Most ABS statistics are subject to an active confidentiality policy (i.e. data are examined and confidentialised prior to their release).

TYPES OF RESTRICTIONS

6.10 The ABS recognises that detailed commodity statistics about exported and imported goods play an important part in the analysis of Australia's trade with the rest of the world. However, this need for information has to be balanced with an individual's or organisation's entitlement to data confidentiality. Where restriction of statistics is necessary to preserve confidentiality, the ABS negotiates with the individual or organisation concerned on a form of restriction which protects their interests, while still allowing as much useful statistical information as possible to be released.

6.11 A variety of restrictions, or embargoes, are available to protect the confidentiality of an individual's or organisation's data. Each type of restriction is designed to protect a particular aspect of the data. Restrictions are placed at the commodity level, and the information is restricted for all trade in that commodity, not just that relating to the particular individual or organisation which requested the restriction.

TYPES OF RESTRICTIONS
continued

6.12 These confidentiality restrictions relate to specific commodities. They do not affect total Australian trade, nor do they affect total trade by country and by state, with the exception of exports of alumina. As the value of Australia's total exports to some countries are dominated by the trade in alumina, even this total is considered to be confidential and is therefore not released separately. For some countries, data for alumina would account for nearly all of the confidential item.

6.13 The alumina component has therefore been removed from the confidential items for these countries and combined and released separately as a single aggregated *Country Confidential Alumina* category. The countries currently affected are Bahrain, Egypt and Iceland. The consequence of this is that Australia's published total exports to those countries excludes exports of alumina. This restriction also suppresses the state, Australian port and overseas port for alumina exports to these countries.

6.14 The various confidentiality restrictions, and their impact on international merchandise trade statistics, are set out in table 6.1.

ANALYSING STATISTICS
SUBJECT TO RESTRICTIONS

6.15 Where data are presented on an annual or year-to-date basis, analysts should take special care when interpreting the data if there has been a change in confidentiality restrictions during the year. The data presented for a particular item will be the sum of data released each month, and will not necessarily be the same as the total for the year-to-date for that item.

6.16 For example, if a *No Country Details* restriction is applied to a commodity for the first half of the year, and lifted for the second half of the year, country classified data for that commodity for the full year will only reflect trade in the second half of the year. Data for the first half of the year will be included in the item *combined confidential items of trade* in statistics for that country. Although complete data will not be presented for trade in the particular item with any individual country, complete data will be available at the total country and commodity levels.

6.17 Analysts need to be aware that more highly aggregated statistics may also be affected by confidentiality restrictions. Using the example in the previous paragraph, not only will annual country classified statistics for the commodity involved be incomplete, but statistics for groupings of commodities, which include the confidential item, will also be incomplete.

6.1 ABS CONFIDENTIALITY RESTRICTIONS AND THEIR EFFECT ON INTERNATIONAL MERCHANDISE TRADE STATISTICS

Type of restriction	How the restriction affects statistics
No Commodity Details	Under the most comprehensive restriction able to be applied, no data relating to a particular commodity are released. Instead, in statistics classified by commodity, the data are included in a dummy commodity code (titled <i>combined confidential items of trade and commodities n.e.s.</i>) together with data for all other commodities that are similarly restricted. A dummy code of this nature is often referred to a dump item.
Broad Commodity Details	Like the <i>No Commodity Details</i> restriction, the <i>Broad Commodity Details</i> restriction also prevents the release of commodity detail, but allows data to be released at the broad commodity level, without that level being impacted by the restriction. Under this restriction, data for a group of confidentiality commodities in the same area of the classification are combined and presented in a dump item within the relevant area (chapter) of the classification. This restriction is only being used in two cases: exports of <i>metalliferous ores</i> HS chapter 26, from July 1990 onwards, and imports of <i>organic chemicals</i> HS chapter 29, from July 1991 onwards.
No Country Details	Under this restriction, no details of the country of origin (for imports) or the country of final destination (for exports) are made available for a particular commodity. Where information relating to a country is suppressed, information relating to ports in that country is also suppressed.
Selected Country Details	This restriction suppresses details of trade in a commodity with specific countries. Instead of combining the details with data for all other countries having a similar restriction (as the <i>No Country Details</i> restriction does) this restriction suppresses details for a group of countries, but presents full details for other countries.
No State Details	Under this restriction, commodity statistics classified by Australian state are not made available. Information relating to Australian ports is also not available.
Selected State Details	This restriction suppresses commodity details that are confidential for one Australian state, by combining details for that state with details for one or more other states. Details for the remaining states are made available in the normal way.
Selected States and Selected Countries	This restriction suppresses details of trade in a commodity with specific countries as well as commodity details that are confidential for Australian states. It can be used to cover a specified group of states and a specified group of countries.
No Quantity Details	Under this restriction the value of trade in the commodity is available, but quantity and gross weight are suppressed.
No Value Details	For commodities subject to this restriction, the quantity and gross weight of the commodity are shown in statistics, but value is suppressed.
No Value Details by Country	This restriction suppresses value details by country for the particular commodity to which it applies. Quantity details by country are available, but value is allocated to the category <i>No Country Details</i> .
No Duty Details	This restriction is only relevant to import clearances and can only be used in conjunction with a country restriction. The <i>No Duty Details</i> restriction results in the suppression of all duty details (rate of duty, nature of tariff, treatment code, preference code and duty paid) on records where country has been suppressed.
Port Restriction	The above restrictions are applied at the commodity level. There is one confidentiality restriction which is not commodity based. This relates to imports into, and exports from, the Northern Territory ports of Gove and Groote Eylandt. There is not sufficient diversity of trade to allow release of data for these ports, so details of all exports and imports are suppressed and shown against a <i>confidential ports — NT</i> code. This permits release of totals by state.

REQUESTS FOR RESTRICTIONS

6.18 If an individual or organisation considers that any international merchandise trade data may identify their activities and this is of concern to them, they may lodge a request for the data to be suppressed. Anyone considering a request should first obtain a copy of an ABS booklet *International Trade Requests to Confidentialise Data*.

6.19 The request should include the following information:

- the reason the restriction is being requested;
- the commodity, including its HS classification code;
- the classifications likely to reveal the trader's activities e.g. the claimant may be the predominant importer into a particular state, or the sole exporter to a particular country;
- the type of restriction requested e.g. suppression of the unit value for an item, the details of trade with a particular country, or all details relating to the commodity; and
- the name of the organisation lodging export data with Customs (for exports) or the owner code (for imports). This helps identify the transactions.

6.20 A claim may be based on trade that is about to start, where the trader expects that their activities will be revealed in particular aggregates. In these cases the trader needs to provide details of their expected volumes of trade, in addition to the other details.

6.21 Requests for copies of the booklet, suppression of data, or special aggregate data releases should be directed to The Confidentiality Manager, International Trade Section, Australian Bureau of Statistics, PO Box 10, BELCONNEN, ACT 2616. Contact can also be made by telephone: 02 6252 5409, facsimile: 02 6252 7438, or email: international.trade@abs.gov.au.

How the ABS handles requests

6.22 Every request for a restriction is investigated in terms of the number of traders involved and the significance of the trade. If the investigation confirms that the business activities of the trader are being, or could be, disclosed, an appropriate restriction is implemented.

6.23 The ABS applies the following procedures in undertaking a confidentiality investigation. The procedures are described using the example of an individual or organisation that claims its imports of commodity X are identifiable in ABS international merchandise trade statistics.

- Step 1 — All import transactions for the previous 12 months for commodity X are extracted and tables produced, which show:
 - the value of imports in the previous 12 months by each importer and their contribution to the total;
 - by month, the value of imports by country of origin by importer, and each importer's contribution to the country total; and
 - the value of imports by month by state of final destination by importer, and each importer's contribution to the state total.
- Step 2 — These tables are used to establish whether the individual's or organisation's concerns are justified. The assumption is made that future trade will be similar in significance and distribution to that for the previous 12 month period.
- Step 3 — If some of the organisation's trade is identifiable in the aggregates, the next step is to determine, in consultation with the trader, what type of restriction will satisfy their concern. In doing so, in addition to suppressing a particular aggregate directly, care is taken to make sure that the aggregate is not derivable from other cross classifications. Various restrictions are simulated using the data for the past 12 months. The aim is to use the restriction which maximises data availability, but which still preserves confidentiality.

6.24 When the appropriate restriction has been chosen, it is generally implemented from the beginning of the next available reference month. Only in exceptional circumstances are restrictions applied to data already processed. Restrictions are generally put in place for a minimum of 24 months.

6.25 Table 6.2 compares the impact of the different types of restriction on detailed statistical output. It identifies what data are available and what data are not available for each type of restriction.

6.26 If the pattern of trade is infrequent, it may be possible to only restrict the data for those months in which the individual or organisation trades. The trader's concerns can be met for the periods during which it trades, while still releasing useful data for other periods. If this option is used, the trader will be requested to provide notice of the timing of future trade, so that appropriate restrictions can be put in place.

Examples of appropriate restrictions

6.27 The restriction that is appropriate to a given situation depends on the extent to which the trader's activities are identifiable. The following examples illustrate the appropriate restrictions for particular situations.

- If the trader is identifiable as an importer of commodity X at the Australian level, it would be necessary to suppress all details of imports of commodity X. If several other commodities in the particular HS chapter also needed to be restricted, a *Broad Commodity Details* restriction could be considered. Otherwise, a *No Commodity Details* restriction would be applied.
- If the trader is identifiable as an importer of commodity X from country Y, it would be necessary to suppress details of the country of origin of imports of commodity X. If it protected the trader's confidentiality satisfactorily, a *Selected Country Details* restriction (where the group of countries selected included country Y) would be used. If not, a *No Country Details* restriction would be applied.
- If the trader is identifiable as an importer of commodity X into state Z, a *No State Details* restriction (or possibly a *Selected State Details* restriction) would be applied.
- If the trader is identifiable as an importer of commodity X from country Y into state Z, there are several options which would be tested. It may be sufficient to place a *No State by Country Details* restriction (where the group of countries selected included country Y and the group of states included state Z). Alternatively, it may be necessary to apply a *Selected State Details*, *No State Details*, *Selected Country Details* or *No Country Details* restriction, or some combination of these.

6.2 IMPACT OF DIFFERENT TYPES OF CONFIDENTIALITY RESTRICTION

Type of Restriction	1		2		3		4		5	
	No Commodity Details		Broad Commodity Details		No Country Details		Selected Country Details (MLAY, TAIW)		No State Details	
	Quantity (kg)	\$'000	Quantity (kg)	\$'000	Quantity (kg)	\$'000	Quantity (kg)	\$'000	Quantity (kg)	\$'000
<i>Example Commodity</i>										
Total this item										
Total States	—	—	—	—	✓	✓	✓	✓	✓	✓
Victoria	—	—	—	—	✓	✓	✓	✓	—	—
Queensland	—	—	—	—	✓	✓	✓	✓	—	—
Western Australia	—	—	—	—	✓	✓	✓	✓	—	—
No State Details	—	—	—	—	—	—	—	—	✓	✓
Malaysia										
Total States	—	—	—	—	—	—	—	—	✓	✓
Queensland	—	—	—	—	—	—	—	—	—	—
Western Australia	—	—	—	—	—	—	—	—	—	—
No State Details	—	—	—	—	—	—	—	—	✓	✓
Singapore										
Total States	—	—	—	—	—	—	✓	✓	✓	✓
Victoria	—	—	—	—	—	—	✓	✓	—	—
Queensland	—	—	—	—	—	—	✓	✓	—	—
No State Details	—	—	—	—	—	—	—	—	✓	✓
Taiwan										
Total States	—	—	—	—	—	—	—	—	✓	✓
Victoria	—	—	—	—	—	—	—	—	—	—
Queensland	—	—	—	—	—	—	—	—	—	—
No State Details	—	—	—	—	—	—	—	—	✓	✓
No country details										
Total States	—	—	—	—	✓	✓	✓	✓	—	—
Victoria	—	—	—	—	✓	✓	✓	✓	—	—
Queensland	—	—	—	—	✓	✓	✓	✓	—	—
Western Australia	—	—	—	—	✓	✓	✓	✓	—	—
No State Details	—	—	—	—	—	—	—	—	—	—

Note: — Data not available — Confidentiality restriction has been applied
 ✓ Data available — Confidentiality restriction not applicable

6.2 IMPACT OF DIFFERENT TYPES OF CONFIDENTIALITY RESTRICTION — *continued*

Type of Restriction	6		7		8		9		10	
	Selected State Details (Qld, WA)		Selected States (Qld, WA) Selected Countries (MLAY, TAIW)		No Quantity Details		No Value Details		No Value Details by Country	
Example Commodity	Quantity (kg)	\$'000	Quantity (kg)	\$'000	Quantity (kg)	\$'000	Quantity (kg)	\$'000	Quantity (kg)	\$'000
Total this item										
Total States	✓	✓	✓	✓	—	✓	✓	—	✓	✓
Victoria	✓	✓	✓	✓	—	✓	✓	—	✓	✓
Queensland	—	—	—	—	—	✓	✓	—	✓	✓
Western Australia	—	—	—	—	—	✓	✓	—	✓	✓
No State Details	✓	✓	✓	✓	—	—	—	—	—	—
Malaysia										
Total States	✓	✓	—	—	—	✓	✓	—	✓	—
Queensland	—	—	—	—	—	✓	✓	—	✓	—
Western Australia	—	—	—	—	—	✓	✓	—	✓	—
No State Details	✓	✓	—	—	—	—	—	—	—	—
Singapore										
Total States	✓	✓	✓	✓	—	✓	✓	—	✓	—
Victoria	✓	✓	✓	✓	—	✓	✓	—	✓	—
Queensland	—	—	—	—	—	✓	✓	—	✓	—
No State Details	✓	✓	✓	✓	—	—	—	—	—	—
Taiwan										
Total States	✓	✓	—	—	—	✓	✓	—	✓	—
Victoria	✓	✓	—	—	—	✓	✓	—	✓	—
Queensland	—	—	—	—	—	✓	✓	—	✓	—
No State Details	✓	✓	—	—	—	—	—	—	—	—
No country details										
Total States	—	—	✓	✓	—	—	—	—	—	✓
Victoria	—	—	✓	✓	—	—	—	—	—	✓
Queensland	—	—	—	—	—	—	—	—	—	✓
Western Australia	—	—	—	—	—	—	—	—	—	✓
No State Details	—	—	✓	✓	—	—	—	—	—	—

Note: — Data not available — Confidentiality restriction has been applied
 ✓ Data available — Confidentiality restriction not applicable

6.28 The application of a restriction for a particular commodity does not mean that it will be applied to all future statistics for that commodity. Once a restriction is put in place, the data remains restricted in all statistics until the restriction is lifted or changed. Restrictions are reviewed periodically to see if they are still warranted in their current form. With changes in the pattern of trade, a restriction may be dropped completely, amended to restrict less data, or tightened to restrict more data.

6.29 The ABS reviews each confidentiality restriction at least biennially. Where the risk of disclosure is marginal, or a restriction has been imposed on the basis of expected trade, a review may be undertaken after a shorter interval, to check whether trading patterns have changed or the expected volumes of trade have occurred. After a periodic review, the trader who initiated the restriction is contacted by letter to advise them of the outcome. If the data no longer needs to be confidentialised, the restriction is lifted from the month following the review.

6.30 Where a user of statistics considers that data for a particular commodity should no longer be restricted they may request an early review. The user is required to pay for the cost of the investigation, regardless of whether it results in the restriction being lifted or not. If the restriction is found to be no longer justified, it will be lifted or changed, and the trader who requested the original restriction will be advised. Variation or lifting of a restriction will usually only affect statistics from that time forward.

6.31 The type of restriction imposed is based on an analysis of trading patterns for the 12 months preceding the request. As further analysis will not normally be undertaken for two years, it is important that interested parties monitor the statistics to ensure the restrictions continue to meet their requirements.

CONFIDENTIAL
COMMODITIES LIST

6.32 The Confidential Commodities List (CCL) contains information on all commodity based restrictions. The CCL is updated monthly and shows for each commodity subject to restriction:

- the classification codes (HS, SITC and ANZSIC);
- a description of the commodity;
- the restrictions that are applied;
- the date of effect; and
- for those items subject to a *Selected Country Details*, a *Selected State Details* or a *No State by Country Details* restriction, the countries or states which are restricted.

6.33 The most up to date CCL is available on the ABS Web site (www.abs.gov.au).

6.34 During output processing, four different types of output record are created to protect confidential trade data and to ensure the maximum release of data. The four types of record are:

- records providing information on trade not subject to confidentiality restrictions (type i);
- records enabling the release of the greatest possible level of information on commodities subject to confidentiality restrictions (type ii);
- records enabling the release of the greatest possible level of information on trade with countries, relating to Australian states, or passing through overseas or Australian ports, where confidentiality restrictions apply to these items (type iii); and
- records derived from record types ii and iii above, which serve as balancing items, so that totals can be easily and accurately calculated for items which are subject to confidentiality restrictions (type iv). These records have negative values.

6.35 For records involving commodities not subject to confidentiality restrictions, only one output record is created (type i). This record is identical to the record received in input.

6.36 For records involving commodities which are subject to confidentiality restrictions, two different output records (types ii and iii) are created, to replace a single input record. In this way only the confidential data are suppressed.

6.37 Replacing a single input record with two output records means that, if no further action were taken, there would be some double counting in reports which list trade in all commodities with all countries. The type iv record overcomes this problem by offsetting the double counting that would otherwise occur.

6.38 To illustrate by an example, with a *No Country Details* restriction, only the country (and port) data should be concealed. By creating a type ii record, the value and quantity of the confidential commodity is included with the commodity, in output that does not include country or port data. However, in output with a country or port dimension, the type iii record effectively suppresses the value and quantity of the confidential commodity, by including it with other confidential items in the dump item *combined confidential items of trade*. The type iv record is created to avoid double counting in totals.

SPECIAL AGGREGATE DATA RELEASES

6.39 It is sometimes possible to release temporal aggregates of confidential monthly data without infringing trader's rights to confidentiality. This is achieved by aggregating monthly data to a quarterly, six monthly or annual basis. Statistics on exports of mineral sands and uncut diamonds are currently released on this basis. Some statistics may be able to be released after an agreed period has elapsed. Quarterly details of exports of raw sugar cane in bulk are currently released after a six month period has elapsed.

6.40 Users of international merchandise trade statistics, who are interested in pursuing the availability of special aggregate data releases for other confidential commodities, are required to pay for the cost of investigation, regardless of the outcome.

OTHER SOURCES

6.41 Traders and users of trade statistics should be aware that, where ABS confidentiality procedures result in a loss of detailed information, there is the possibility that the suppressed data may still be available from another source. If the data relate to trade with a particular country, the information may well be published in that partner country's statistics. The ABS can only confidentialise its own data.

6.42 In cases where commodity detail is suppressed, information that may allow users to estimate the suppressed data may be available from other organisations, such as marketing bodies, trade associations or other government agencies. International organisations, such as the United Nations, the International Monetary Fund and the Organisation for Economic Cooperation and Development, publish a great deal of information on trade classified by country and commodity. However, any data that ABS supplies to these international organisations conforms with the ABS confidentiality procedures.

FURTHER INFORMATION

6.43 For more information on the application of confidentiality procedures and restrictions, refer to the *Information Paper: International Merchandise Trade Statistics, Australia: Data Confidentiality 1999* (Cat. no. 5487.0). A feature article on data confidentiality, in particular its impact on publication tables, was also included in the December quarter 1999 issue of *International Merchandise Trade, Australia* (Cat. no. 5422.0). Both these documents are available on the ABS Web site (www.abs.gov.au).

CHAPTER 7

INTRODUCTION

DATA DISSEMINATION

7.1 International merchandise trade statistics are used for a wide variety of purposes by a large number of clients.

7.2 Some of the purposes for which the statistics are used are:

- formulation of trade and budgetary policies by Australian governments;
- international trade negotiations with overseas governments;
- evaluating trends in Australia's imports and exports;
- monitoring price and volume changes for import and export commodities;
- monitoring import penetration and assessing competition facing Australian industries;
- monitoring Australian industry export performance, including assessing existing markets and developing new ones;
- analysing Australia's share of overseas markets for particular commodities; and
- analysing the significance of particular countries as sources of Australian imports.

7.3 Trade statistics are important inputs for other ABS statistical collections, such as the Balance of Payments, Australian National Accounts and Producer Price Indexes. They are extensively used by a range of Commonwealth and State Government Departments and Authorities e.g. Commonwealth Department of Foreign Affairs and Trade (DFAT), Australian Bureau of Agricultural and Resource Economics (ABARE).

7.4 A large number of private sector clients, including industry groups and individual businesses, regularly subscribe to releases of trade statistics, with several acting as secondary providers of the data. Data are also supplied to international organisations, such as the United Nations Statistics Division (UNSD), the Organisation for Economic Cooperation and Development (OECD), the Food and Agriculture Organization of the United Nations (FAO) and the International Monetary Fund (IMF).

DISSEMINATION POLICIES AND PRACTICES

7.5 In providing a national statistical service, the ABS operates with due regard to the public benefit generated from access to statistics, and to government policies such as user pays and access and equity. ABS objectives in dissemination are to achieve widespread dissemination of information, while partially recovering the costs involved in providing products and services. The balancing of public good obligations and user pays principles underpins the ABS dissemination and pricing policy.

7.6 To meet its public good obligations, the main findings of statistical collections and statistical reports on matters of public interest are made available free of charge to the community via the media, by access to copies of publications provided to libraries located throughout Australia, and through access to selected statistics available free on the Internet.

7.7 Users of ABS services wanting their own copies of publications, or information more detailed than that published, are charged under the user pays policy. The price charged covers the cost of data storage, extraction, confidentialisation, distribution and marketing beyond the cost of production of the basic statistics distributed as public goods.

Release practices

7.8 International merchandise trade statistics are produced by the ABS according to strict timetables. The release dates for publications are publicly announced in advance in prior issues of the publications, on the ABS Web site and in *Release Advice* (Cat. no. 1105.0) issued twice weekly. The statistics are embargoed until 11.30 a.m. on the day of their release.

7.9 The ABS releases monthly and quarterly publications which include international merchandise trade statistics:

- monthly import statistics are released on the 12th working day of the following month, in *International Merchandise Imports, Australia* (Cat. no. 5439.0);
- monthly export statistics are released on the 21st working day of the following month, in *International Trade in Goods and Services, Australia* (Cat. no. 5368.0); and
- quarterly trade statistics are released on the 35th working day of the following quarter, in *International Merchandise Trade, Australia* (Cat. no. 5422.0).

7.10 Only broad summary data are included in the monthly publications. However, once the monthly publications are issued, the full range of statistics available for release are disseminated to clients using a variety of mechanisms. Selected export statistics may also be accessed electronically, at any time after their release, via *International Merchandise Exports, Australia — on AusStats* (Cat. no. 5432.0.65.001), a web service containing all ABS statistics, available on subscription.

7.11 For the quarterly publication, the most up to date monthly statistics are aggregated. The quarterly publication includes analyses of the data and feature articles on different aspects of trade statistics. Once released, data at the most detailed levels are at all times available through ABS Information Consultancy.

7.12 International merchandise trade statistics are subject to revision after they are initially published, although the revisions made are typically quite small as a proportion of the monthly trade results. Revisions may arise because:

- an amending entry has been supplied to Customs;
- errors have been identified and corrected by the ABS after initial processing; or
- errors have been identified through queries by clients about the published data.

7.13 Prior to July 2000, export and import records were stored on transactions files for eighteen months and six months respectively. This was to ensure that there was sufficient opportunity to apply all amendments received by Customs or arising from ABS investigations. The low rate of amendment to previous figures, and improvements to the timeliness of receipt of amendments, has reduced the need for access to previous transactions.

7.14 As the ABS now only holds six months prior data for exports, and three months prior data for imports, on its transaction files, future revisions will normally be restricted to these periods. Revisions outside these periods, on account of errors in the data, will only be made if the value of the amendment is quite substantial.

7.15 The need to backcast series, i.e. revise previously published data to put it on a new basis, due to classification changes, is considered on a case by case basis. In the case of the replacement of the ASIC by the ANZSIC in 1993, international merchandise trade statistics were presented on an ANZSIC basis from December quarter 1993, with data backcast on that basis to January 1988.

7.16 The Harmonized System was introduced by Australia in January 1988. No backcasting of data was undertaken, but statistics were compiled on both the old and the new bases from January to June 1988. The subsequent revision to the Harmonized System implemented in July 1996 affected data published from that time, but data released in respect of previous periods retained the previous classifications. The changes made were not major ones. As indicated in Chapter 4, the ABS maintains a range of concordances to allow the comparison of data across classification changes.

7.17 International merchandise trade statistics are compiled by the ABS on a monthly basis and data can be extracted for any combination or aggregation of months e.g. quarters, six monthly periods, calendar or financial years. Data back to July 1981 is available electronically. Earlier data can be obtained from publications or microfiche. Data for periods prior to 1988 may not be comparable with current data, due to changes in concepts and coverage over time.

7.18 Statistics are available for exports, imports and import clearances:

Exports reflect goods that leave Australia. They include:

- goods that have been produced or manufactured in Australia; and
- in separately identifiable form, re-exports of foreign goods.

Imports reflect goods that arrive in Australia. They include:

- goods brought into Australia directly for home consumption following the payment of duty (Customs' Nature 10 entries); and
- goods which are entered into Customs (bonded) warehouses (Customs' Nature 20 entries).

Import clearances reflect goods that are cleared into the Australian market for home consumption (following the payment of duty). They include:

- goods brought into Australia directly for home consumption (Customs' Nature 10 entries); and
- goods cleared from a bonded warehouse (Customs' Nature 30 entries).

7.19 Users have a choice of several commodity classifications when specifying their data requirements. The classification that best suits their needs depends on several factors, including:

- whether data are required for exports and/or imports;
- the level of detail required i.e. data may be required for the total trade in alcohol, or something more specific, such as imports of vodka;
- whether only value of trade, or both value and quantity data, are required. SITC and broad level HS items do not include quantity information;
- whether the classification identifies the commodity of interest i.e. selected items may not be identifiable in data for a broader grouping; and
- where applicable, the extent and nature of the confidentiality restrictions to which the commodities are subject.

7.1 AVAILABLE INFORMATION

Information currently available includes:

commodity information at various levels of detail;

value of goods:

- Customs value (imports and import clearances);
- free on board value (exports and imports);
- cost, insurance and freight value (imports);

quantity of goods;

gross weight of goods:

- by all other data fields for exports;
- by Australian and/or overseas port, by mode of transport, and at total level for imports;

overseas countries:

- country of origin for imports and import clearances;
- country of final destination for exports;

overseas ports:

- port of loading for imports;
- port of discharge for exports;

Australian states and ports:

- state and/or port of discharge for imports, and state of final destination, for both imports and import clearances;
- state of origin and state and/or port of loading for exports;

country groups:

- Australia's trade with selected country groups such as ASEAN, OECD and the European Union, or other user-specified country groups;

commodity groups:

- Australia's trade in commodities grouped in response to specific client needs;

mode of transport;

nature of entry (imports and import clearances):

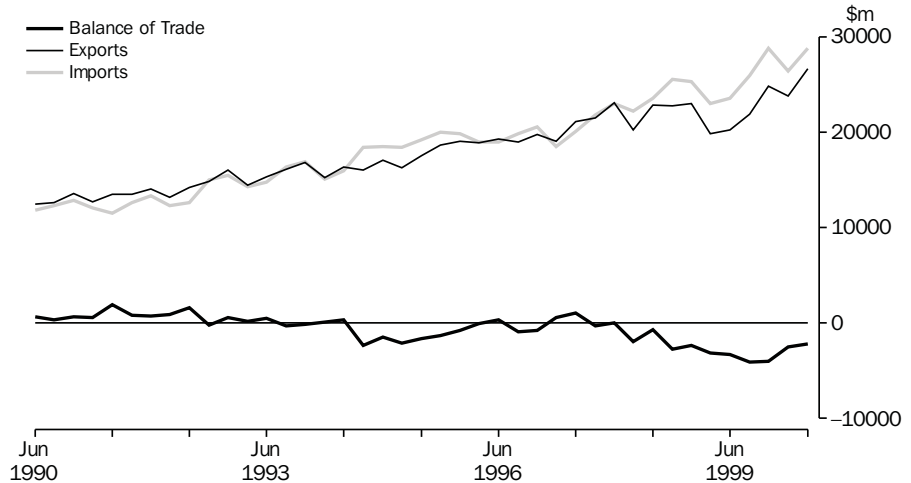
- field used to distinguish between goods brought directly into Australia and those which involve the use of a bonded warehouse; and

duty-related fields (import clearances):

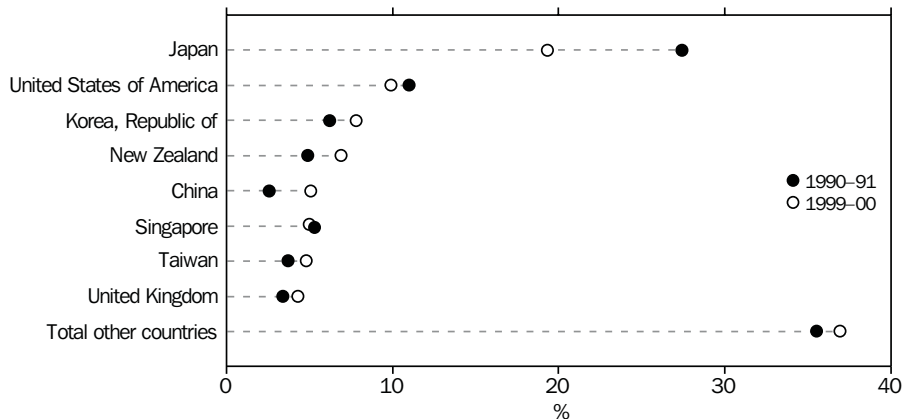
- includes duty rates, amount of duty paid, and various fields indicating whether special duty rates have been claimed.

7.20 Graph 7.2 shows Australia's merchandise exports, merchandise imports and balance of trade, on a quarterly basis (in original terms) for the last ten years. Graphs 7.3 and 7.4 show the proportions of Australia's merchandise exports and imports attributed to its major trading partners in 1990-91 and 1999-00. Graphs 7.5 and 7.6 show annual exports and imports of selected major commodities for the last ten years.

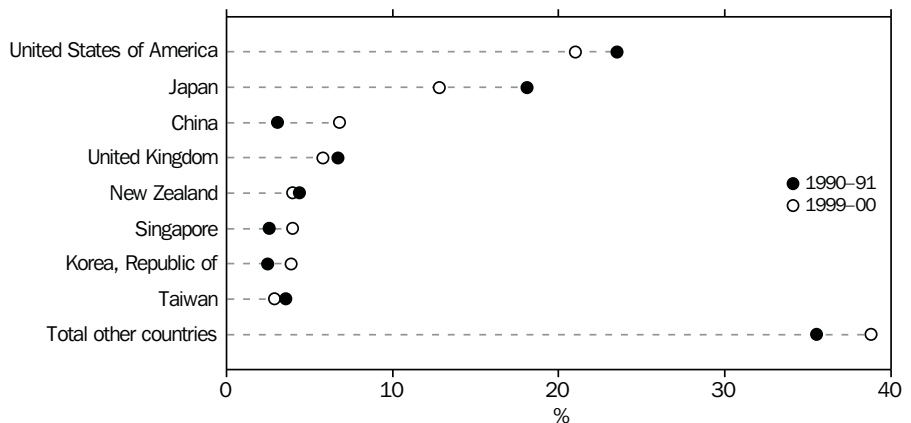
7.2 MERCHANDISE TRADE, QUARTERLY



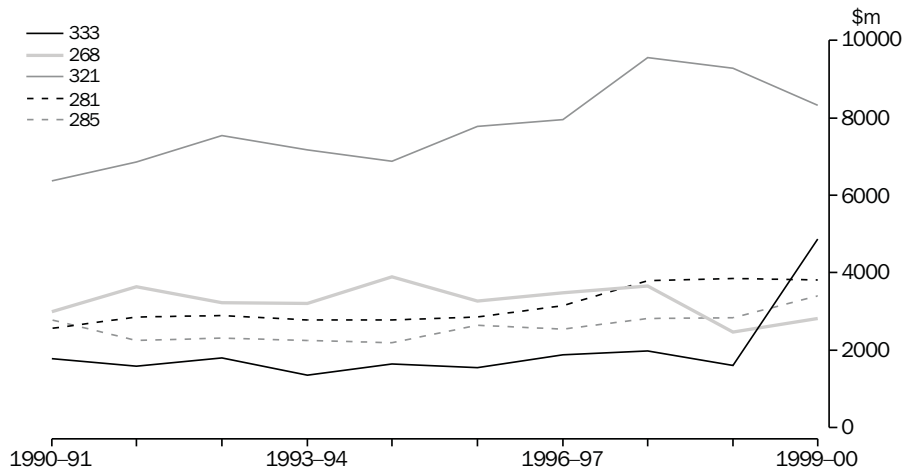
7.3 MERCHANDISE EXPORTS, PROPORTION OF AUSTRALIA'S EXPORTS BY SELECTED COUNTRIES



7.4 MERCHANDISE IMPORTS, PROPORTION OF AUSTRALIA'S IMPORTS BY SELECTED COUNTRIES



7.5 MERCHANDISE EXPORTS, SELECTED COMMODITIES



Note: SITC 333: Petroleum oils, crude
 SITC 268: Wool and other animal hair
 SITC 321: Coal, not agglomerated
 SITC 281: Iron ore and concentrates
 SITC 285: Aluminium ores and concentrates

7.6 MERCHANDISE IMPORTS, SELECTED COMMODITIES



Note: SITC 333: Petroleum oils, crude
 SITC 781: Passenger motor vehicles
 SITC 54: Medicinal and pharmaceutical products
 SITC 752: Automatic data processing machines and units
 SITC 764: Telecommunications equipment

7.21 The ABS releases two international merchandise trade publications:

- *International Merchandise Imports, Australia* (Cat. no. 5439.0) shows SITC one digit and total imports, for the reference month only. No analysis is provided. The main objective of this publication is to publicly advise the availability of the monthly imports data so that the detailed information can be disseminated to users. Users are advised to consult the following quarterly publication if they require information on the latest methods used, or to contact the ABS if more detailed data are required; and
- *International Merchandise Trade, Australia* (Cat. no. 5422.0) shows quarterly data on the value of exports and imports by country and country groups, commodity, country by commodity, state, industry of origin and broad economic category. Historical tables show data for each of the last 12 financial years. The publication includes analysis and comment on the quarterly results, with June quarter releases also including analysis and comment on the financial year results. Feature articles appear regularly and explanatory notes are included.

7.22 Monthly data for exports and imports on a balance of payments basis (including seasonally adjusted data) are included in *International Trade in Goods and Services, Australia* (Cat. no. 5368.0). Recorded trade data are adjusted for coverage, timing and valuation (imports only) differences to put them on a balance of payments basis. The release of this publication is the public advice that monthly exports data are available, permitting the release of more detailed exports data through other means.

Publications <i>continued</i>	<p>7.23 These publications are available via subscription, or by over-the-counter or mail-order from ABS Bookshops. All state and major tertiary libraries retain copies of these publications for a limited time after release, as part of the ABS' Library Extension Program (LEP). A list of these libraries and their holdings of ABS publications is provided in the 'Products & Services' section of the ABS Web site (www.abs.gov.au)</p>
Seasonal adjustment	<p>7.24 The ABS does not seasonally adjust the merchandise exports and imports data, though these series show seasonal characteristics. Rather, the ABS provides seasonally adjusted exports and imports data on a balance of payments basis in balance of payments publications and in AusStats. The ABS considers that shorter term trends in international trade (for which seasonally adjusted data are required) are best analysed in the context of the balance of payments, which includes trade in services. The seasonal factors used in the balance of payments are available from the ABS on subscription.</p>
Consultancy services	<p>7.25 International merchandise trade statistics are available through consultancy services provided by ABS offices in each State and Territory. These services are primarily designed to satisfy the needs of individual subscribers requiring statistics on a limited range of commodities on a regular or ad hoc basis. They take the form of regularly delivered reports, provided on a subscription basis, or one-off (ad hoc) statistical reports. Supporting information is provided.</p> <p>7.26 Information is available on a monthly, quarterly, six-monthly or annual basis and can be supplied on a range of media or via email. Subscriptions will include revised data unless their exclusion is specifically requested. Along with data for the current period, standard reports include:</p> <ul style="list-style-type: none"> ■ financial or calendar year-to-date figures; and/or ■ data for the two previous months (monthly reports), or for one previous period (quarterly and half yearly reports).
Other ABS products and services	<p><i>ABS Web site</i></p> <p>7.27 In 1995, the ABS implemented an Internet service with a homepage established on the World Wide Web offering general information about the ABS and its services, publication release advices, media releases and basic statistics. The ABS Web site address is www.abs.gov.au.</p> <p>7.28 The main features, analysis and comments, feature articles and explanatory notes from the international merchandise trade publications are loaded to the ABS Web site as they become available. This information is available for general access, with links to publication samples and other ABS services.</p>

Other ABS products and
services *continued*

AusStats 7.29 AusStats is a web service containing all ABS published statistics. It is available on subscription. Monthly international merchandise trade data are available for periods back to 1988 and can be aggregated to a quarterly, half yearly or an annual basis. The latest statistics are available almost immediately after their 11.30 am release. The data are provided in the context of the publication tables from which the data have been extracted. AusStats times series are fully and automatically updated whenever data are revised or corrected. Explanatory notes and commentary are also available.

7.30 AusStats subscribers access ABS tables of time series data, via their Internet browser. Subscribers are then able to download information to a spreadsheet for analysis and manipulation. AusStats also provides ABS publications in the 'Acrobat' format as well as 'data cubes' for certain statistics. Additional information about subscribing to AusStats can be obtained from the ABS Web site, or by contacting ABS offices in each State or Territory.

Year Book Australia 7.31 Broad level ABS international merchandise trade statistics, commentary and conceptual information is included in the *Year Book Australia* (Cat. no. 1301.0) and *Year Book Australia on CD-ROM* (Cat. no. 1301.0.30.001). This information is also available on the ABS Web site and is called *Australia Now: A Statistical Profile of Australia*.

CHAPTER 8

DATA QUALITY

INTRODUCTION

8.1 The quality of statistics should be judged by their ability to satisfy users' information needs. Statistics on a particular subject should provide a reasonable and timely measure of the real world economic events to which they relate. They need to be:

- relevant i.e. measure the concepts in which users are interested;
- accurate and reliable i.e. not be subject to large errors or revisions;
- timely;
- comprehensive in coverage;
- consistent with related statistics;
- comparable with other countries statistics;
- easily accessible; and
- cost effective.

8.2 The quality of Australia's international merchandise trade statistics is broadly affected by similar factors to those for most statistical series. This chapter describes the concepts underlying data quality and presents some analyses of data quality for Australia's trade statistics.

RELEVANCE

User requirements

8.3 International merchandise trade statistics are widely used in their own right and provide important inputs to the compilation of Australia's Balance of Payments and National Accounts. Interest ranges from analyses of detailed commodity flows and markets to more aggregated information and examination of Australia's trade in a macro-economic context. Aspects of the international trade program are regularly reviewed and users and providers are extensively consulted about changes that are proposed.

8.4 A major review of the international trade program was conducted in 1999–2000. The Review concluded that, to meet core national and international data requirements, the ABS needed to maintain and release international merchandise trade statistics to at least the six-digit level of the HS commodity classification. It also needed to undertake sufficient editing to ensure the quality requirements for macro-economic statistics, such as Balance of Payments and National Accounts.

8.5 The Review recognised the need to continue to produce detailed commodity estimates to meet the demonstrated needs of both private sector and government users. However, while there was a clear demand for detailed trade data beyond the six-digit HS level, its provision could not be considered ABS core business and, as such, there needed to be full recovery of direct costs associated with this service. The Review determined that there was not full recovery of the direct costs and proposed actions to bring costs and revenue into approximate balance, recognising that it was inappropriate to increase the charges appreciably.

8.6 ABS procedures are designed to ensure that sufficient editing is undertaken to guarantee the quality and integrity of trade statistics to at least the six-digit HS level. After the release of monthly trade statistics, the ABS may receive a number of client requests to investigate cases of possible misreporting. Most relate to potential errors at the more detailed levels of the commodity classification. The types of possible errors include:

- a reported unit value being too high, too low or too volatile;
- a possible error in the reported country of origin or final destination;
- not enough, too much or no trade showing; or
- a possible tariff misclassification.

8.7 Client requests for data investigations of this type will be undertaken free of charge if data at the six-digit level of the HS are affected. Otherwise investigations will only be considered if the value of the aggregate data queried exceeds \$250,000 in each month queried, and the cost of the investigation is met by the client. Clients who wish to request data queries, or better understand the process and charges involved, should obtain a copy of an ABS booklet entitled *International Trade: Ensuring Data Quality*. Copies can be obtained from the Exports and Imports Managers on telephone 02 6252 5401 (exports) or 02 6252 5108 (imports).

8.8 A measure of the relevance of international merchandise trade statistics is the extent of demand from external clients for the data and services provided. In 1999–2000, \$1.1 million of revenue was earned from the sale of international merchandise trade products and services to about one thousand regular subscribers and an unknown number of ad hoc purchasers. The statistics most commonly purchased included information on the quantity and value of trade in particular commodities by overseas country and Australian state. Most subscribers receive data each month. The revenue offsets the direct costs of the provision of the very detailed data, as explained in paragraph 8.5.

8.9 This level of demand is substantial, with the data important to the business needs of many users. Data are supplied in a timely manner and in the form most suitable to the individual client concerned. The main limitations are in the level of commodity detail sought (client requests for more detail have to be balanced against the ability of providers to supply the data and the extra costs involved), restrictions applied to protect business confidentiality, and the accuracy of some information that cannot be fully quality assured due to the sheer volume of data involved and practical resource constraints.

8.10 There are two identified areas of unmet demand — for export data classified by region of production within Australia, and by industry of producer. The ABS has investigated experimental methods of producing regional export estimates, concluding that any methodology is labour-intensive, limited by the level and quality of data available, and not particularly suitable for estimating exports of manufactured goods. Prospects for producing trade data on a standard industry basis are discussed in Chapter 10.

Classifications

8.11 As explained in Chapter 4, Australia's international merchandise trade statistics are classified according to the Harmonized System (HS). In order to meet the finer level data requirements of local users, the ABS maintains the statistical code component of the HTISC and the AHECC. This role includes the implementation of changes resulting from periodic reviews of the international six-digit HS classification, occasional systematic reviews of the statistical codes used, and the evaluation of client requests for changes to the detailed commodity information collected.

8.12 Implementation of changes flowing from the WCO 2000 review of the international six-digit HS classification is discussed in Chapter 10. During 1998–99, a comprehensive review of the HTISC and AHECC classifications was completed by the ABS. The purpose of this review was to assess the relevance and usefulness of the existing statistical codes, given that many had been in place since January 1988. It also considered the cost to industry of providing the detailed information and the cost to government of processing it.

8.13 The review identified many areas in both the HTISC and AHECC where the complexity of the structure hindered the accuracy of reporting and analysis. There were also many codes where the level of trade was low or declining or there was little client interest. As a result of the review, from 1 July 1999, the number of codes for exports and imports was reduced by 11% and 17% respectively. Further information can be found in the article *Review of Statistical Codes* published in the June quarter 1999 issue of *International Merchandise Trade, Australia* (Cat. no. 5422.0).

8.14 Requests for changes to the classifications are received regularly, with those considered justified normally implemented on 1 January or 1 July. During 1999–2000, 15 new export codes and 12 new import codes were implemented. It is through the processes outlined above, that the commodity classifications used are kept both internationally comparable and relevant to Australian clients. Revisions to other classifications used are implemented once the revised structures become available. Country classifications are updated as needed, to reflect the Australian Government's recognition of geopolitical changes.

Price measures

8.15 From detailed value and quantity information released by the ABS, it is often possible to calculate an average unit value (total value divided by total quantity) for exports or imports of a particular commodity. Users of international merchandise trade statistics are advised that there are often serious limitations with the use of derived average unit values as measures of price change over time.

Price measures *continued*

8.16 Average unit values should not be used in the analysis of price movements for commodities that are not homogeneous or likely to be affected by changes over time in compositional mix and quality. For items that are homogeneous, and where quality change is minimal, such as basic mining and agricultural commodities, the limitations are less severe and the data may be useful for this purpose. Users who are interested in price movements in export and import commodities should refer to *International Trade Price Indexes, Australia* (Cat. no. 6457.0) or the now discontinued separate publications: *Export Price Index, Australia* (Cat. no. 6405.0) or *Import Price Index, Australia* (Cat. no. 6414.0).

ACCURACY AND RELIABILITY

Concepts

8.17 *Accuracy* is concerned with the proximity of an estimate of a data component to the true value of that component. *Reliability* refers to the differences between the initial estimate for a particular period or point in time, any intermediate estimates for that period or point in time, and the final estimate for that period or point in time. The notion of a final estimate is not strictly appropriate, as statistics are, in principle, always subject to further revision.

8.18 In an extreme case, estimated data could be completely inaccurate, but not subject to revision. This can occur where accurate information is never available, so the estimates are never revised. Alternatively, early estimates may be poor and subject to considerable revision, while highly accurate estimates may only be produced after long time lags.

8.19 In practice, the true value of a component is rarely able to be determined. Independent sources are also likely to include errors and omissions. For this reason it is not possible to comprehensively assess, in a quantitative manner, the accuracy of international merchandise trade data. Nevertheless, the ABS considers the data published to be highly accurate, within the practical constraints governing the Customs source used. There is no evidence to suggest any substantial or persistent non-lodgement of records with Customs. As the statistics are not collected by sample survey, they are not subject to sampling errors.

8.20 In analysing the accuracy and reliability of Australia's international merchandise trade statistics, there are two aspects of interest that are not normally relevant or possible for other statistical series. Firstly, it is possible, and potentially more useful, to analyse the quality of information reported to Customs and passed to the ABS, rather than just focus on the differences between first and final estimates published by the ABS. Secondly, through the bilateral studies undertaken, it is possible to compare ABS trade data with that of the partner countries, providing an independent check on ABS data. The following analyses cover these aspects.

8.21 Measures of bias and dispersion are used in this chapter to analyse ABS adjustments to the data reported to Customs (source data) prior to the initial publication of trade estimates, and the revisions subsequently made by the ABS to those initially published estimates.

8.22 Analyses of amendments or revisions are normally summarised using the mean (or average) difference observed. However, for ABS adjustments to source data, the mean differences are significantly affected by a relatively small number of very large errors in individual records. It is considered more appropriate to summarise these amendments using the median difference observed.

8.23 Mean differences are used for the analysis of revisions to initial published estimates, as the mean and median differences are similar due to the more typical pattern of revisions observed. The following definitions of bias and dispersion are expressed in terms of the use of mean differences, but broadly similar definitions apply for median differences.

8.24 *Bias* is a measure of the extent to which initial estimates are lower or higher than the final estimate and thus gives an indication of the direction of revisions. *Unscaled bias* is calculated as the average of the differences, over the observation period, between the initial estimate of a category for each month and the latest available estimate for the same month, with positive and negative revisions being netted against each other. This measure can be described as the average of the values of all revisions taking account of sign. *Scaled bias* is calculated by expressing the revision for each category as a percentage of the initial value of that category for the month, and then calculating the average of these percentage revisions.

8.25 *Dispersion* is a measure of the 'spread' between the initial and final estimates and indicates the magnitude of revisions. *Unscaled dispersion* is calculated as the average of the differences, over the observation period, between the initial estimate for each month and the latest available estimate for the same month, however positive and negative revisions are not netted against each other. This measure can be described as the average of the absolute values of all revisions, without regard to sign. *Scaled dispersion* is calculated as the average of the absolute value of the percentage revisions.

8.26 As measurements of dispersion are based on absolute values, the value of dispersion measures is generally larger than the equivalent measure of bias. Only if all revisions were in the same direction, would the results be the same for both measures. The larger the difference between the absolute values of the two measures for a particular series, the greater the variability in the direction of revisions.

Source data

8.27 ABS amendments to individual source records fall into two broad categories. Firstly, some source records are excluded from the scope of international merchandise trade statistics for the reasons outlined in Chapter 2. Secondly, ABS quality assurance procedures detect and correct errors, and sometimes omissions, in the records lodged with Customs. It is not possible to separate these two aspects in this analysis.

8.28 Different strategies and emphases are adopted by Customs and the ABS in addressing data quality issues. For the ABS, it is critical that large value errors are detected and corrected in time for publications and other releases for a given month. Not to do so would potentially mislead financial markets and other users of the data.

8.29 For Customs, matters relating to community protection concerns and collection of import duties and taxes have more immediate priority. Customs has its own procedures for detecting and correcting errors in export and import transactions. Customs and ABS work closely together to address any serious or systemic data reporting problems that are identified.

8.30 The following analysis of ABS amendments to source data summarises the impact of ABS input-editing procedures on the data initially provided by exporters and importers, before output-editing and finalisation of monthly processing. Amendments supplied by exporters and importers during the processing period have been excluded from his analysis. The observation period is from July 1996 to June 2000. For exports, data for all 48 months was used. For imports, some monthly amendments were not retained, so the data refers to only 45 of the possible 48 months in the observation period.

8.1 ABS AMENDMENTS TO SOURCE DATA, MERCHANDISE EXPORTS — JULY 1996 TO JUNE 2000

Commodity group Section of SITC (Rev3)	Average source estimate (a) \$m	MEDIAN REVISIONS			
		Bias(b)		Dispersion(b)	
		Unscaled \$m	Scaled %	Unscaled \$m	Scaled %
0 Food and live animals	1 506.08	-37.40	-2.42	37.40	2.43
1 Beverages and tobacco	95.40	-0.06	-0.05	0.24	0.29
2 Crude materials, inedible, except fuels	3 033.90	-19.25	-1.32	24.07	1.65
3 Mineral fuels, lubricants and related materials	1 230.71	44.99	3.72	49.26	3.77
4 Animal and vegetable oils, fats and waxes	26.26	—	—	0.17	0.77
5 Chemical and related products, n.e.s.	379.33	-7.34	-2.04	7.34	2.04
6 Manufactured goods classified chiefly by material	1 647.90	-15.51	-1.57	16.51	1.75
7 Machinery and transport equipment	1 874.35	-118.59	-10.88	118.59	10.88
8 Miscellaneous manufactured articles	360.31	-54.84	-16.76	54.84	16.76
9 Commodities and transactions n.e.c. in the SITC	929.54	24.59	2.90	62.44	8.74
Total Exports	11 083.79	-487.64	-6.41	487.64	6.41

(a) The Average Source Estimate represents the average monthly value of merchandise exports reported by exporters or their agents to Customs. It includes both manifested shipments, and large value unmanifested shipments which have been confirmed by the ABS prior to processing finalisation.

(b) See paragraphs 8.24 and 8.25 for an explanation of bias and dispersion.

Source data *continued*

8.31 Amendments to monthly merchandise exports, as initially reported by exporters or their agents to Customs, shows a median negative bias of \$488 million or 6.4% of the average source estimate (Table 8.1). The negative bias indicates that source data generally overstates initial ABS estimates. Errors in source records can occur in both directions, but they more commonly and significantly overstate the true value. Overstated values are also more easily detected by the quality assurance procedures used by the ABS, than understated values.

8.32 Customs has recently made a number of changes to its procedures, which it expects will significantly reduce the incidence of data errors in source records. Further improvements are planned. These will particularly focus on managing compliance for exports which are GST free under The New Tax System (TNTS).

8.33 Most SITC sections recorded a negative bias, with the exception of Sections 3, 4 and 9. The negative amendments were mostly due to errors in the f.o.b. value reported to Customs, which were identified and corrected by the ABS during the editing of large value transactions. The largest negative bias, for Section 7 *Machinery and transport equipment*, reflects the amendment by the ABS of ship and aircraft transactions reported as merchandise exports, to non-merchandise. The positive bias for Section 3 *Mineral Fuels, lubricants and related materials* is due to the ABS inclusion of estimates for aircraft fuel consumed by foreign aircraft on international routes. Customs records for these goods are currently incomplete. The positive bias for Section 9 *Commodities and transactions n.e.c. in the SITC* reflects the effect of the coverage adjustment made by ABS to account for unconfirmed low-value shipments (as explained in paragraph 5.33), partially offset by reported f.o.b. value errors.

8.2 ABS AMENDMENTS TO SOURCE DATA, MERCHANDISE IMPORTS — JULY 1996 TO JUNE 2000

Commodity group	Section of SITC (Rev3)	Average source estimate (a)	MEDIAN REVISIONS			
			Bias(b)		Dispersion(b)	
			Unscaled	Scaled	Unscaled	Scaled
		\$m	%	\$m	%	
0	Food and live animals	330.51	-2.54	-0.69	2.73	0.75
1	Beverages and tobacco	51.20	—	—	—	—
2	Crude materials, inedible, except fuels	138.02	—	—	0.01	0.01
3	Mineral fuels, lubricants and related materials	558.26	-1.51	-0.35	3.31	0.63
4	Animal and vegetable oils, fats and waxes	22.86	—	—	—	—
5	Chemical and related products, n.e.s.	958.63	-0.51	-0.05	0.96	0.09
6	Manufactured goods classified chiefly by material	1 045.98	0.03	—	2.45	0.24
7	Machinery and transport equipment	3 833.22	-85.78	-2.38	88.27	2.38
8	Miscellaneous manufactured articles	1 224.45	-33.77	-2.91	33.77	2.91
9	Commodities and transactions n.e.c. in the SITC	176.41	—	—	0.05	0.02
Total Imports		8 339.55	-285.06	-3.20	285.06	3.20

(a) The Average Source Estimate represents the average monthly value of merchandise imports which have been processed by Customs during a month.

(b) See paragraphs 8.24 and 8.25 for an explanation of bias and dispersion.

Source data *continued*

8.34 Amendments to monthly merchandise imports, as initially reported by importers to Customs, shows a median negative bias of \$285 million, or 3.2% of the average source estimate (Table 8.2). The negative bias indicates that the source data generally overstated the initial ABS estimate. The size of the amendments for imports is much less than for exports, due largely to the better quality data received. Import records are subject to greater scrutiny by both Customs and importers due to duty and tax implications, and community protection concerns.

8.35 A negative bias was recorded for five commodity groups. While these are mostly attributable to errors in the values of records reported to Customs, Section 7 *Machinery and transport equipment* was also affected by the classification of temporary imports of aircraft and ships as non-merchandise trade by the ABS. In some cases those submitting import documentation do not apply the correct non-merchandise codes. Section 6 *Manufactured goods classified chiefly by material* recorded a small positive bias, while the remaining categories registered no bias.

8.36 The size of the amendments made by the ABS to export and import data received, during the period analysed, indicates the importance of ABS procedures to ensure the correct scope and adequate data quality for its international merchandise trade statistics. The amendments made are often significant in both absolute and percentage terms. As some key users focus attention on movements in the balance of trade, it is critical that all substantial errors in export and import source data are corrected before the data are published by the ABS.

Published trade statistics

Analysis of monthly output

8.37 The following analysis provides an assessment of the reliability of published international merchandise trade statistics. The observation period is from July 1995 to June 2000 (60 months). The analysis measures the mean bias and dispersion between the average initial monthly published result for the observation period, and the average final published result. Trade statistics are considered to be final once the ABS ceases to process amendments for the reference period. Similar analyses, covering earlier periods, can be found in *Quality of Australia's Foreign Trade Statistics* published in the March quarter 1993 edition of Cat. no. 5422.0, and *Quality of Australia's International Merchandise Trade Statistics* published in the September quarter 1995 edition of Cat. no. 5422.0.

8.3 AMENDMENTS TO INITIAL MONTHLY PUBLISHED ESTIMATES, MERCHANDISE EXPORTS —
JULY 1995 TO JUNE 2000

Commodity group Section of SITC (Rev3)	Average initial published estimate \$m	MEAN REVISIONS			
		Bias(a)		Dispersion(a)	
		Unscaled \$m	Scaled %	Unscaled \$m	Scaled %
0 Food and live animals	1 316.03	17.70	1.35	19.94	1.52
1 Beverages and tobacco	86.37	1.97	2.52	1.98	2.53
2 Crude materials, inedible, except fuels	1 386.68	9.97	0.75	12.63	0.94
3 Mineral fuels, lubricants and related materials	1 228.93	3.15	0.25	8.70	0.70
4 Animal and vegetable oils, fats and waxes	24.41	0.32	1.60	0.44	2.00
5 Chemical and related products, n.e.s.	279.34	6.31	2.31	6.31	2.31
6 Manufactured goods classified chiefly by material	857.13	11.92	1.45	13.46	1.62
7 Machinery and transport equipment	874.91	15.02	1.84	18.14	2.14
8 Miscellaneous manufactured articles	259.51	8.75	3.37	8.76	3.37
9 Commodities and transactions n.e.c. in the SITC	780.64	-69.37	-9.35	70.47	9.54
Total Exports	7 093.93	5.76	0.09	23.99	0.35

(a) See paragraphs 8.24 and 8.25 for an explanation of bias and dispersion.

8.38 Revisions to the initial published monthly export estimates were upwards, on average, as indicated by the positive bias, but averaged only \$6 million or less than 0.1% of the average monthly estimate for total exports over the period (Table 8.3). The dispersion measures were somewhat higher, indicating that the individual monthly revisions were both positive and negative. The average magnitude of revisions to total exports, without regard to sign, was \$24 million or 0.4% of the average monthly estimate.

8.39 All SITC sections, except Section 9 *Commodities and transactions n.e.c. in the SITC*, showed a positive bias. Downward revisions to Section 9 predominantly reflect the incorporation of a coverage adjustment (allocated to Section 9) in the initial monthly estimate, as explained in Chapter 5. The coverage adjustment is removed within 2 months of the initial release of export statistics. By this time, the vast majority of exports are finalised, with the goods correctly recorded under the relevant SITC category.

8.4 AMENDMENTS TO INITIAL MONTHLY PUBLISHED ESTIMATES, MERCHANDISE IMPORTS —
JULY 1995 TO JUNE 2000

Commodity group Section of SITC (Rev3)	Average initial published estimate \$m	MEAN REVISIONS			
		Bias(a)		Dispersion(a)	
		Unscaled \$m	Scaled %	Unscaled \$m	Scaled %
0 Food and live animals	284.47	-0.25	-0.09	0.27	0.10
1 Beverages and tobacco	48.57	-0.10	-0.21	0.14	0.30
2 Crude materials, inedible, except fuels	135.47	-0.03	-0.02	0.24	0.18
3 Mineral fuels, lubricants and related materials	435.08	1.38	0.25	5.70	1.21
4 Animal and vegetable oils, fats and waxes	22.78	-0.04	-0.16	0.06	0.28
5 Chemical and related products, n.e.s.	870.52	-1.58	-0.17	2.72	0.30
6 Manufactured goods classified chiefly by material	1 014.90	-1.52	-0.14	1.56	0.14
7 Machinery and transport equipment	3 535.56	-2.07	-0.06	11.00	0.30
8 Miscellaneous manufactured articles	1 098.28	-1.77	-0.16	1.87	0.17
9 Commodities and transactions n.e.c. in the SITC	146.05	0.46	1.83	2.27	2.96
Total Imports	7 591.67	-5.51	-0.07	16.11	0.21

(a) See paragraphs 8.24 and 8.25 for an explanation of bias and dispersion.

8.40 Revisions to the initial published monthly import estimates were downwards, on average, as indicated by the negative bias, but averaged only \$6 million or less than 0.1% of the average monthly estimate for total imports over the period. The dispersion measures were again somewhat higher, indicating that the individual monthly revisions were both positive and negative. The average magnitude of revisions to total imports, without regard to sign, was \$16 million or 0.2% of the mean monthly estimate.

8.41 All SITC sections, except Section 3 *Mineral fuels, lubricants and related materials* and Section 9 *Commodities and transactions n.e.c. in the SITC*, showed a negative bias. The main reason for the downward revisions was the re-classification of some imports from merchandise to non-merchandise trade, as the result of advice received in a later month indicating that the import was temporary rather than permanent.

Analysis of quarterly and annual output

8.42 The initial and latest published estimates of total merchandise exports and imports for the most recent 11 financial years and 17 quarters are shown in Table 8.5. The figures are as at the release of December quarter 2000 international merchandise trade results. Consequently, the initial and latest estimates for December quarter 2000 are identical and so are excluded.

8.5 ANALYSIS OF PUBLISHED MERCHANDISE ESTIMATES — 1989–90 TO 2000–01

	Exports			Imports		
	Initial estimate(a)	Latest estimate(b)	Revision	Initial estimate(a)	Latest estimate(b)	Revision
	\$m	\$m	%	\$m	\$m	%
Year						
1989–90	48 746	49 078	0.7	51 323	51 333	—
1990–91	52 454	52 399	–0.1	48 919	48 912	—
1991–92	55 021	55 027	—	51 000	50 984	—
1992–93	60 773	60 702	–0.1	59 586	59 575	—
1993–94	64 611	64 548	–0.1	64 469	64 470	—
1994–95	67 036	67 052	—	74 638	74 619	—
1995–96	75 951	76 005	0.1	77 834	77 792	–0.1
1996–97	78 885	78 932	0.1	78 977	78 998	—
1997–98	87 734	87 768	—	90 685	90 684	—
1998–99	86 000	85 991	—	97 623	97 611	—
1999–00	97 255	97 286	—	110 083	110 078	—
Quarter						
September 1996	19 088	18 983	–0.6	19 854	19 873	0.1
December 1996	19 816	19 767	–0.2	20 589	20 571	–0.1
March 1997	19 048	19 077	0.2	18 492	18 482	–0.1
June 1997	21 069	21 104	0.2	20 049	20 073	0.1
September 1997	21 452	21 523	0.3	21 811	21 821	—
December 1997	23 152	23 086	–0.3	23 065	23 042	–0.1
March 1998	20 291	20 287	—	22 261	22 252	—
June 1998	22 850	22 872	0.1	23 567	23 569	—
September 1998	22 827	22 830	—	25 633	25 594	–0.2
December 1998	22 994	22 996	—	25 432	25 357	–0.3
March 1999	19 870	19 873	—	23 056	23 041	–0.1
June 1999	20 316	20 293	–0.1	23 626	23 619	—
September 1999	21 895	21 895	—	26 076	26 017	–0.2
December 1999	24 856	24 832	–0.1	28 782	28 839	0.2
March 2000	23 835	23 876	0.4	26 383	26 411	0.1
June 2000	26 656	26 682	0.1	28 803	28 810	0.2
September 2000	28 500	28 537	0.1	30 406	30 324	–0.3

(a) Published in the first issue of *International Merchandise Trade, Australia* (Cat. no. 5422.0) relating to the reference period.
(b) Latest estimates sourced from the December quarter 2000 issue of Cat. no. 5422.0

8.43 The latest annual results closely align with the initial estimates published, with the exception of exports for 1989–90. The 0.7% upward revision to exports in this year was the result of a combination of factors, but was mainly due to the late receipt of some export documentation, which came in progressively over the following six months. This was partially offset by a reduction of approximately \$180 million which was applied in April 1992, as the result of moving exports to a shipping date basis.

8.44 Quarterly results are more volatile, for both imports and exports. The revision to September quarter 1996 exports was significantly larger than for other quarterly results, as a number of high value shipments had originally been classified as merchandise trade, rather than correctly to non-merchandise trade. For further information, see the Technical Note in *International Trade in Goods and Services, Australia June 1997* (Cat. no. 5368.0).

Conclusion

8.45 Initial published estimates of monthly, quarterly and annual merchandise exports and imports are very close to the final estimates. This indicates that the ABS does not detect many substantial errors in the data after its initial publication. Australia's international merchandise trade statistics can therefore be considered to be highly reliable. It is more difficult, however, to ascertain whether ABS statistics accurately represent the true value of Australia's exports and imports: an analysis of partner country comparisons gives an indication of how well ABS merchandise trade statistics align with those of overseas statistical agencies.

Partner country comparisons

8.46 Many countries compile international merchandise trade statistics on bases largely consistent with the UN recommendations adopted by the ABS. It is therefore possible to compare the export and import statistics of one such country against the reciprocal import and export statistics of another complying partner country. Any differences in concepts and methods, such as coverage, valuation and country classification, need to be allowed for. Analyses of this kind are usually referred to as bilateral reconciliation studies, and at the broad aggregate level, can provide a useful indication of the accuracy of the statistics.

8.47 If identical concepts and definitions are applied by each country to both imports and exports, and there is no time difference between the recording of the export by one country and the import by the other, Australian exports to other countries should be identical to those countries' imports from Australia and vice versa. However, there are many reasons why international merchandise trade statistics may not fully reconcile. The possible causes of differences, resulting in the need to apply adjustments to compensate for them, include:

- **Coverage:** some goods that fall within the scope of merchandise trade are omitted from statistics, as customs entries are not required e.g. the application of different minimum threshold limits by individual countries.
- **Valuation:** any differences in the point of valuation used by partner countries may have systematic, compounding effects on trade comparisons. The UN recommends that export transactions should be valued on a 'free on board' (f.o.b.) basis, and imports transactions on a 'cost, insurance and freight' (c.i.f.) basis. It also recommends that the value of insurance and freight for imported goods should be separately identified, where possible. If a partner country does not compile separate information on the freight and insurance component of the c.i.f. value, it will be necessary to estimate this for the purposes of any reconciliation study.

Partner country comparisons
continued

- **Country classification:** if UN recommendations regarding the recording of trade are followed, statistics on trade between two partner countries should be symmetrical when exports are shipped directly from the country of origin to the country of final destination. Discrepancies can occur when goods are moved through intermediate countries, or where the final destination of the goods is not known. In Australia, the *Customs Act 1901* and associated regulations specify the criteria (the *Rules of Origin*) to be met when determining the country of origin of a good. These are further explained in Chapter 2.
- **Timing:** to compensate for the time lag between a shipment departing from one country, and arriving in another, a shipping adjustment is needed to cover goods exported at the end of one time period, but imported at the beginning of the next time period. Any time lag between the arrival/departure of goods and their recording in a country's trade statistics will also impact on comparability. On most occasions there is a small difference year by year, but it can impact on comparisons for less frequently traded, high value, items.
- **Exchange rate:** as analysis of bilateral merchandise trade data is carried out in a common currency, the conversion of data using an average annual exchange rate can contribute to data discrepancies. These discrepancies cannot easily be quantified, except in relation to large value transactions.
- **Domestic territory:** as merchandise trade statistics are collected by the national customs agency, it is important to know the definition of each customs territory. Where domestic and foreign definitions of a country's territory differ, an adjustment is necessary to account for over or under coverage of trade with the identified region.
- **Commodity classification:** most countries classify their merchandise trade transactions according to the Harmonized System (HS), which provides an adequate base for the broad comparisons investigated in bilateral reconciliation studies. For those countries that have extended the HS to provide a classification system tailored to local needs, then classifications at the most detailed levels will not be harmonised.
- **Confidentiality:** Australia, amongst other countries, protects confidential data by reclassifying the data from Chapters 1 to 97 of the Harmonized System to a dump code. Confidentiality does not affect data comparability at the total trade level and therefore no adjustments are required. At more detailed levels of the HS, confidentiality may be a contributing factor to differences in comparability.
- **Data errors:** reporting errors, data entry errors, and mistakes made during editing and processing of data are likely to occur with any merchandise trade statistics. However their impact at the total trade level is believed to be relatively minor for the countries with which Australia records most trade.

Partner country comparisons
continued

- **Other differences:** after conceptual adjustments have been made, discrepancies between the partner countries' data may remain. Reasons for these discrepancies may include: goods that cross one country's customs frontier, but not the other's; differences in interpretation of the merchandise trade definitions; and omissions from one country's statistics.

8.48 Over the past 10 years, the ABS has completed bilateral reconciliation studies of international merchandise trade statistics with the relevant agencies in the United States of America (USA), Japan, the European Union (EU) and New Zealand. The results of these studies are summarised in Tables 8.6 and 8.7.

8.49 The 'initial difference' shown in the tables represents (i) the gap between Australia's recorded merchandise exports to the partner country, as published, and the partner country's recorded merchandise imports from Australia, as published (Table 8.6), and (ii) the difference between Australia's recorded merchandise imports from the partner country, as published, and the partner country's recorded merchandise exports to Australia, as published (Table 8.7).

8.50 The 'residual discrepancy' is the discrepancy remaining between the two sets of statistics after all the known conceptual and methodological adjustments (listed above) have been made. Possible reasons for the residual discrepancy include problems associated with correct country attribution; other valuation differences; additional timing differences; minor coverage differences; currency conversion practices and data errors.

8.6 SUMMARY OF BILATERAL RECONCILIATION STUDIES — AUSTRALIA'S MERCHANDISE EXPORTS

<i>Bilateral Reconciliation Studies</i>	<i>Australia's merchandise exports</i>	<i>Partner country's merchandise imports</i>	<i>Initial difference</i>	<i>Residual discrepancy</i>
	<i>\$m</i>	<i>\$m</i>	<i>%</i>	<i>%</i>
<i>Australia/USA</i>				
1991	5 369	5 242	-2.4	-4.2
1992	5 134	5 078	-1.1	-2.2
1993	5 071	4 876	-3.8	-3.9
1994	4 651	4 398	-5.4	-6.3
<i>Australia/New Zealand</i>				
1993	3 691	2 814	-23.8	-6.1
1994	4 390	3 244	-26.1	-7.7
1998	5 691	4 120	-27.6	-5.6
<i>Australia/Japan</i>				
1994	15 992	18 794	17.5	-0.1
<i>Australia/EU</i>				
1992	7 711	8 721	13.1	3.1
1993	7 476	7 159	-4.2	-4.1
1994	7 247	7 979	10.1	3.2
1995	8 007	8 813	10.1	2.4
1996	8 381	8 526	1.7	-3.2
1997	8 678	9 570	10.3	-0.4

8.51 In each year studied, Australia's exports to the USA exceeded the USA's imports from Australia, and the residual discrepancy was greater than the initial difference. A negative adjustment to take account of Australia's re-exports to the USA, of goods that were originally imported from third countries and the USA, was more than offset by positive adjustments to account for:

- Australian origin goods imported by the USA from third countries (USA indirect imports);
- USA re-imports. In the USA's statistics these are included as imports from Australia, but in Australia's statistics they are classified as re-exports; and
- differences in timing.

8.52 Australia's exports to New Zealand were higher than New Zealand's imports from Australia in 1993, 1994 and 1998. The reconciliation studies found that the most important difference between the statistics was the inclusion, in Australia's export statistics, of goods originally produced in third countries (re-exports). These are not included in New Zealand's imports of Australian origin goods. The 1998 study identified further Australian re-exports that were recorded as exports to New Zealand of Australian produce. To reduce the incidence of this error, an *Australian Customs Notice* was issued to the exporting community. New edit checks were added to ABS data quality procedures to capture and correct such errors prior to the release of statistics.

8.53 The main reason for the large initial difference between the value of Australia's exports to Japan, and Japan's imports from Australia, is the basis of valuation. Australia's exports are valued on an f.o.b. basis, but Japan's imports are valued on a c.i.f. basis. This difference in valuation was measured for the 1994 bilateral study. The adjustments that were applied resulted in a residual discrepancy of only -0.1%.

8.54 In all years studied, except 1993, Australia's recorded exports to the EU were lower than the EU imports from Australia. After adjusting for the known differences between Australia's exports and the EU's imports, the residual discrepancies were comparatively small. The largest adjustments were:

- the difference between the value of EU imports being recorded on a c.i.f. basis and Australia's exports being recorded on an f.o.b. basis;
- the value of EU indirect imports;
- the value of EU re-imports;
- the value of some non-monetary gold that was not included in EU imports; and
- the value of Australia's re-exports.

8.7 SUMMARY OF BILATERAL RECONCILIATION STUDIES — AUSTRALIA'S MERCHANDISE IMPORTS

<i>Bilateral Reconciliation Studies</i>	<i>Australia's merchandise imports</i>	<i>Partner country's merchandise exports</i>	<i>Initial difference</i>	<i>Residual discrepancy</i>
	<i>\$m</i>	<i>\$m</i>	<i>%</i>	<i>%</i>
Australia/USA				
1991	11 897	10 792	-9.3	-2.5
1992	12 379	12 221	-1.3	-0.7
1993	13 187	12 239	-7.2	-2.5
1994	14 839	13 435	-9.5	-4.8
Australia/New Zealand				
1993	3 035	3 116	2.7	-1.6
1994	3 382	3 564	5.4	-1.8
1998	3 823	4 018	5.1	-1.1
Australia/Japan				
1994	12 100	11 986	-0.9	0.6
Australia/EU				
1992	12 698	12 758	0.5	n.a. (a)
1993	13 818	13 649	-1.2	n.a. (a)
1994	16 026	15 671	-2.2	n.a. (a)
1995	19 436	18 610	-4.2	n.a. (a)
1996	19 482	18 761	-3.7	n.a. (a)
1997	20 291	20 039	-1.2	n.a. (a)

(a) The Australia/ EU bilateral study was limited to an examination of Australia's exports to the EU and the EU's imports from Australia. The stability and small magnitude of the initial difference between Australia's imports from the EU and the EU's exports to Australia suggests the data were likely to be relatively accurate, and not worth the resources that would be expended on a detailed reconciliation study.

Partner country comparisons *continued*

8.55 For each of the four years studied, Australia's recorded merchandise imports from the USA were higher than the USA's recorded exports to Australia. The most important reasons for this were the different treatment of low value records and the inclusion of indirect imports in Australia's statistics. The USA employs a higher minimum threshold for the reporting of trade. Indirect imports are Australia's imports of USA origin goods from third countries. These are included in Australia's imports of USA origin goods, but will not generally be included in the USA's exports to Australia. Table 8.7 shows that the two sets of statistics more closely align once these and other smaller value differences are taken into account.

8.56 The most significant difference between New Zealand's export statistics and Australia's import statistics is the inclusion of re-exports in New Zealand's statistics. As these goods originate in third countries, they are not normally included in Australia's imports from New Zealand.

8.57 The initial difference and the residual discrepancy between Australia's imports from Japan and Japan's exports to Australia, during 1994, although small, are in opposite directions. The main differences in the statistics were due to:

- the treatment of low value trade;
- the inclusion of indirect imports of Japanese origin goods in Australia's statistics; and

Partner country comparisons
continued

- the inclusion of re-exports of goods produced or manufactured in third countries in Japan's export statistics. These goods are not normally included in Australia's imports from Japan.

8.58 In each of the bilateral studies a timing adjustment was made, to take account of merchandise that was likely to have been recorded in different years in the statistics of the exporting and importing countries. Other reasons for differences in the statistics of each agency that were identified during the reconciliation studies included differences in:

- the treatment of aircraft and satellites;
- leased goods;
- currency conversion practices; and
- the definition of domestic territory.

Conclusion

8.59 The bilateral reconciliation studies have demonstrated that the main reasons for differences in the international merchandise trade statistics of Australia and its major trading partners are due to the conceptual and methodological factors underlying the compilation of the data. Actual data errors in the compilation process proved to be relatively insignificant in comparison. The adjustments do not represent revisions to the official published statistics of either country, nor do they imply in general, errors in either country's published statistics.

8.60 The magnitude of the residual discrepancies encourages a reasonable level of confidence in the accuracy of Australia's (and the partner country's) international merchandise trade statistics, at least at the aggregate level. At the detailed level it is more difficult to make comparisons. One of the reasons for this is due to Australia's treatment of confidential data, which can affect comparability at all levels of the commodity classification. More details on these bilateral reconciliation studies can be found in various issues of the quarterly publication *International Merchandise Trade, Australia* (Cat. no. 5422.0) or on the ABS Web site at www.abs.gov.au.

METHODOLOGICAL
CHANGES

8.61 Methodological changes affect the comparability of data before and after the changes are implemented. They are generally directed towards improving the overall quality of the statistics. Methodological changes can result in one-off revisions to statistical series that may be substantial. One change that had an appreciable impact on trade statistics was the change made, in April 1992, to the time of recording for merchandise exports, from one based primarily on the date of processing through Customs, to one based on the date of shipment from Australia.

8.62 Up until April 1992, the nature of document processing by Customs meant that, historically, only about half of any month's export shipments were recorded in the month of shipment. At the time of changeover to the new methodology, statistics for all months back to and including January 1988 were revised to the (new) shipping date basis, and broad aggregates back to July 1981 were recompiled. As a result, from January 1988, exports are recorded in the calendar month in which the goods departed from Australia. Prior to January 1988, exports are recorded in the month in which the entries were processed by Customs (other than for broad aggregates back to July 1981).

8.63 A less significant change was implemented on 1 July 1998, when there was a change made to the value threshold used in the processing of import entries. Analysis had shown that the costs incurred in editing, processing and storing small value records were not justified by the minimal impact these records had on aggregate import data. As a result, individual transaction lines (within an import consignment) where the value of the goods are less than \$250 are no longer processed, and are excluded from international merchandise import statistics. These omissions total about \$20 million per month.

8.64 Changes in methodology and/or major classifications are advised at least one quarter prior to publication. Significant changes have been notified up to twelve months in advance. Information on the impact of the change is provided. All subscription clients are also notified in writing of major changes prior to their implementation.

8.65 The value of exports is the free on board (f.o.b.) value of the goods expressed in Australian dollars. Exporters who do not know the actual value of the goods at shipment enter an approximate value. They are required to subsequently submit an entry either confirming or revising the estimated value, although this sometimes may not occur. By carefully checking all large value transactions, most cases of significant over-valuation error are detected and corrected by the ABS, prior to publication of the statistics. Significant under-valuation, and smaller value inaccuracies, however, may not be detected by Customs and ABS quality checking procedures and may therefore contribute to inaccuracies in the statistics.

8.66 Any currency conversion errors remaining in published statistics will be minor due to the proportion of exports and imports invoiced in Australian dollars. A study of invoice currencies in the March quarter 1998 issue of *International Merchandise Trade, Australia* (Cat. no. 5422.0), found that almost one third of Australia's exports and about one quarter of Australia's imports were invoiced in Australian dollars. The predominant invoice currency was the US dollar, accounting for just over two thirds of total Australian exports, and about one half of total Australian imports.

Valuation practices and
currency conversions
continued

8.67 The degree of inaccuracy in import data as a result of the incorrect invoice currency being reported to Customs was investigated in 1995. The value of imports for the calendar year 1995 would have been 0.7 percent higher had currency errors not been detected and amended for import entries with Customs values greater than \$A500,000 (i.e. the tendency is to overstate the value, due to errors made in reporting).

Revisions policy

8.68 ABS practice for trade statistics is to revise any records as soon as possible after an amendment advice has been received, or a significant error has been detected. Individual entries are retained on the transactions database for this purpose for a limited time. Exports data are retained for 6 months, while imports data are retained for 3 months. Revisions beyond these periods are only made in exceptional circumstances. Most potential revisions are detected within the first few months and this policy is likely to have minimal effect on the eventual quality of the statistics.

8.69 Revisions made to broad aggregates are not normally significant, but there may be significant changes made to individual commodity statistics. A brief summary of the revisions that have occurred between the current and previous quarterly release, and their impact on broad aggregates, is provided on the Notes page of *International Merchandise Trade, Australia* (Cat. no. 5422.0).

TIMELINESS

8.70 Timeliness refers to the time interval between the end of the reference period and the release of the initial estimates for that period. There is an important trade-off between the accuracy and reliability of the estimates and the timeliness of their release. As these data are important inputs to major economic indicators, and there is widespread use of the data for a variety of other purposes, there is a need to publish the statistics on as timely a basis as possible, consistent with achieving acceptable levels of accuracy and reliability.

8.71 To the extent that complete or accurate data may not be available within the desired time frame, there will be compromises in data quality. For example, details for a small proportion of exports for the latest month are not received in time to meet the monthly publication timetables. Estimates are therefore made to cover the value of these 'missing' exports. This leads to some sacrifice in quality in exchange for timeliness. The ABS continues to meet established release timetables, despite increases in the number of records being processed each year, through efficiency gains in processing.

8.72 The timeliness of public release of Australia's international merchandise trade statistics rates favourably against similar, detailed statistics produced by our major trading partners, as shown in the following table. The collection, compilation and dissemination practices vary between the major trading partners, so only broad comparisons are possible.

8.8 RELEASE OF INTERNATIONAL MERCHANDISE TRADE STATISTICS —
COMPARISON WITH MAJOR TRADING PARTNERS (a)

Country	Period	Public release of international merchandise trade statistics
Australia	Monthly	<ul style="list-style-type: none"> ■ Imports are released 12 working days after the end of the reference month. ■ Exports are released 21 working days after the end of the reference month.
Germany	Monthly	<ul style="list-style-type: none"> ■ 40 days after the end of the reference month.
Japan	Monthly	<ul style="list-style-type: none"> ■ No later than 3 weeks after the end of the reference month.
Korea, Republic of	Monthly	<ul style="list-style-type: none"> ■ Approximately 30 days after the end of the reference month.
New Zealand	Monthly	<ul style="list-style-type: none"> ■ Imports are released 18 working days after the end of the reference month. ■ Exports are released 28 working days after the end of the reference month.
United Kingdom	Monthly	<ul style="list-style-type: none"> ■ Within 4 weeks after the end of the reference month for data on non-European Union trade. ■ Within 8 weeks after the end of the reference month for data on European Union trade.
United States of America	Monthly	<ul style="list-style-type: none"> ■ Approximately 45 to 50 days, and no later than 52 days, after the end of the reference month.

(a) China and Taiwan are also both major trading partners of Australia but required details are not listed on the IMF web site.

Source: International Monetary Fund web site <<http://dsbb.imf.org>> and information provided by Statistics New Zealand.

COVERAGE

8.73 An explanation of the goods included and excluded from Australia's international merchandise trade statistics is given in Chapter 2. In principle, ABS treatments align with the current UN standards. However, as Customs entries are the source of the data, coverage is limited by the legislative and operational boundaries that Customs adheres to.

8.74 As such, there is a departure from the conceptually correct coverage, due to the exclusion of Christmas Island, Cocos (Keeling) Islands and the Australian Antarctic Territory from Customs jurisdiction. This departure does not have a substantial effect on Australia's trade statistics, due to the small size of the populations and economies of these territories. The territories are treated in ABS trade statistics as if they were other countries.

CONSISTENCY

8.75 An important aspect of quality is that the concepts, definitions and classifications used should be consistent with those of related statistics. Australia's international merchandise export and import statistics have been compiled in broad agreement with UN guidelines for many years. The relevant international standards are widely used throughout the world, ensuring a broad level of consistency between the trade statistics of participating countries. The international standards for international merchandise trade statistics are also closely harmonised with those for related data sets, i.e. BPM5 and SNA93 for Balance of Payments and National Accounts statistics, respectively.

CONSISTENCY *continued*

8.76 Changes to the concepts used to compile international merchandise trade statistics occasionally occur, and care should be taken to make allowances for such changes when comparing statistics before and after the changes. The effect of conceptual changes should not be seen as detracting from the quality of the statistics, as, if no changes at all were made, the statistics may progressively become less relevant and useful. In recent years, conceptual changes have not had any major effects on Australia's trade statistics.

8.77 In late 1998, the UN issued revised concepts and definitions for the compilation of international merchandise trade statistics designed to facilitate the production of 'nationally useful and internationally comparable' data (IMTS, Rev.2). Some of the changes made were to better harmonise with BPM5 and SNA93. Minor coverage changes resulted from the 1998 revisions and these were implemented by Australia on 1 July 1999. The UN recommended, amongst other things, changes in the treatment of two types of goods: those subject to lease; and those used as carriers of information and software. Their impact was detailed in *Revisions to Standards for International Trade Statistics in International Merchandise Trade, Australia June quarter 1999* (Cat. no. 5422.0).

COMPARABILITY

8.78 One method of assessing the accuracy of a statistic is to compare it with an estimate of the same thing (or a closely related statistic) from another source. As discussed earlier in this chapter, other countries compile international merchandise trade statistics on a basis that is largely consistent with Australia, making it possible to compare partner countries' estimates of their transactions with Australia's estimates of its transactions with those countries.

8.79 Bilateral reconciliation studies undertaken by statistical agencies alert those agencies to possible causes of discrepancies in published statistics and may suggest data deficiencies. However, there are many reasons why merchandise trade statistics may not reconcile. In spite of this, a bilateral comparison at the broad aggregate level can provide a useful indication of the relative accuracy of the statistics. Analysis of the bilateral reconciliation studies that the ABS has participated in is included in the earlier section of this chapter (under partner country comparisons).

ACCESSIBILITY

8.80 Australia's trade statistics are released monthly and quarterly in a variety of forms, from standard publications and electronic products to output tailored to individual client preferences. The releases are advised publicly in advance, with important or noteworthy aspects highlighted in the *Notes, Analysis and Comments, Feature Articles* or *Explanatory notes* sections of the publications. The results receive wide media coverage. Printed publications are stored for varying periods of time in all major Australian state and university libraries. Electronic copies of publications are loaded to the ABS web site under the AusStats electronic data source.

ACCESSIBILITY *continued*

8.81 Information Consultancy staff are located in ABS Central Office (Canberra) and all Regional Offices (state and territory capitals) to answer enquiries about international merchandise trade statistics and provide consultancy services. Each publication carries the contact details of a subject matter officer able to clarify aspects of the statistics presented in the publication. More detailed statistics can be obtained at any time, on request, for a charge.

COST EFFECTIVENESS

8.82 The cost effectiveness of a set of statistics can be measured by relating the cost of their production to the statistics' perceived usefulness. There are two aspects of cost-effectiveness:

- from the perspective of the client, who wants relevant, timely data at minimum cost; and
- from the perspective of the ABS, whose finite resources require careful assessment of program costs and competing priorities.

8.83 Broad level trade data are available for general access on the ABS web site and held in state and major university libraries as part of the ABS Library Extension Program (LEP). These statistics are free. Clients who must pay to obtain more detailed data may dispute the cost charged for the data provided. Often a client will seek a small range of very specific statistics, with the expectation that a small volume request will incur little cost. However, to fulfil such requests, the ABS has to maintain and update a database capable of extracting such specific data, across the whole range of tradable commodities, cross-classified by country, state and port.

8.84 For those clients who require detailed trade statistics, the ABS provides a comprehensive, reliable and timely service. Revenue raised from the sale of detailed trade statistics supports the cost of providing this service. The data required may be available from other sources, such as marketing bodies, trade associations, other Australian government agencies, foreign statistical agencies, or international organisations.

8.85 The ABS minimises the costs of the International Trade Program through a number of strategies:

- It obtains data from Customs, rather than by the more costly and burdensome process of direct collection. While most items are required for Customs purposes, a small number are collected on behalf of the ABS for statistical purposes. As a result, there is only a minimal additional impost on traders;
- It undertakes regular reviews of procedures to reduce costs, by increasing automated processing, editing, output assembly and dissemination activities;
- It applies significance editing, focussing editing resources where they can be most effective;

COST EFFECTIVENESS
continued

- It only investigates client queries on detailed data, where the value queried is in excess of \$250,000 per month and the costs are met by the client;
- It undertakes periodic reviews of statistical codes to eliminate unnecessary and insignificant categories; and
- It charges for detailed data to cover the costs of data storage, extraction, confidentialisation, distribution and marketing of data at this level. However the ABS bears all of the costs of producing the broad level statistics i.e. to the six digit level of the HS and equivalent classifications.

8.86 Changes made to the editing and investigation of small value records from 1 July 2000 have had virtually no impact on the broad aggregates released. They may have resulted in some reduction in the usefulness of very fine level data to clients who use it at that level. On the other hand, costs have been reduced by around \$250,000 per annum as a result of the changes. Further details can be found in the feature article *International Trade Review: Data Quality and Client Queries* in the June quarter 2000 issue of *International Merchandise Trade, Australia* (Cat. no. 5422.0).

CONCLUSION

8.87 The quality of Australia's international merchandise trade statistics is considered to be very high due to:

- the statistical framework underpinning ABS concepts and procedures aligns with recognised international standards;
- all items required for balance of payments purposes, and most items of interest to other users, are collected by Customs and provided to ABS as an administrative by-product, at little if any additional cost to traders;
- Customs and ABS work together to improve the accuracy and reliability of the data. Most significant errors are discovered and corrected before initial aggregates are released. Revisions are generally small, occurring in the month following the initial release. Broad level results compare reasonably well with statistics from partner countries. Results at the most detailed levels may be less accurate;
- extensive data sets are released in a very timely fashion. More records are processed each year, yet timeliness has been maintained, and costs have been significantly reduced over time; and
- electronic access to publications, and the provision of tailored datasets electronically, has increased the accessibility and usability of trade statistics.

CHAPTER 9

RELATIONSHIP TO OTHER STATISTICS

INTRODUCTION

9.1 International merchandise trade statistics are important statistics in their own right, as measures of the nature, volume and value of trade between Australia and the rest of the world. They are also an important data source for other statistics produced by the ABS, such as the balance of payments, the national accounts, and the producer price indexes. This chapter explains the relationship between international merchandise trade statistics and these key economic statistics.

BALANCE OF PAYMENTS

9.2 Australia's balance of payments measures transactions between Australian residents and the rest of the world. It consists of the current account, the capital account and the financial account. Quarterly and annual results are compiled and disseminated to a wide range of users.

9.3 Australia's balance of payments statistics are based on the *Balance of Payments Manual, Fifth edition (BPM5)*, which is the current international standard for balance of payments statistics. BPM5 is aligned with the third edition of the *System of National Accounts (SNA93)*, the current international standard for national accounts statistics. Further information regarding the concepts underlying Australia's balance of payments statistics can be found in the ABS publication *Balance of Payments and International Investment Position, Australia: Concepts, Sources and Methods 1998* (Cat. no. 5331.0).

9.4 International merchandise trade statistics are key inputs to the compilation of the balance on goods and services, an important component of the current account. Several adjustments are applied to present them on a balance of payments basis. The balance on goods and services is published in the monthly *International Trade in Goods and Services, Australia* (Cat. no. 5368.0). This publication presents the major aggregates for, and the balance on, international trade in goods and services (on a balance of payments basis) in original, seasonally adjusted and trend terms. In the balance of payments, exports of goods are called goods credits, and imports goods debits.

9.5 Each quarter, Australia's balance of payments is published in *Balance of Payments and International Investment Position, Australia* (Cat. no. 5302.0). Detailed tables on the balance of payments and international investment position (including foreign debt) for the latest six years are available in the annual *Balance of Payments and International Investment Position, Australia* (Cat. no. 5363.0).

Definition of goods

9.6 The balance of payments definition of goods is 'all movable goods (with a few exceptions) which change ownership between Australian residents and non-residents, whether or not they actually cross the customs frontier'. The standard components of these goods are general merchandise, goods for processing, repairs, goods procured in ports and non-monetary gold. International merchandise trade statistics supply the majority of data for this measure. Various adjustments (as described below) are made to international merchandise trade data to arrive at goods on a balance of payments basis.

Coverage adjustments

9.7 Where goods (meeting the balance of payments definition above) do not cross the customs frontier, they are not captured in international merchandise trade statistics. To redress this, these transactions are estimated, and added to the balance of payments calculations of international merchandise trade. These are mainly large value items of capital equipment (aircraft, ships and oil rigs) subject to a finance lease that change ownership between an Australian resident and non-resident, but do not cross the Customs frontier as a result of the transaction.

9.8 Certain goods which cross the customs frontier do not change ownership and are therefore excluded from the balance of payments' measure of goods trade. These include undersea cables connecting Australia to the rest of the world and which remain in Australian ownership.

9.9 Certain moveable goods are included as services in balance of payments statistics rather than as international merchandise trade. Information from export and import entries is used where available, and relevant material is collected about goods that are not lodged with Customs.

Timing adjustments

9.10 For balance of payments purposes, the time of recording of an international merchandise trade transaction should be the time of change of ownership. International merchandise trade statistics do not always coincide with this concept, and, for the most part, it is impractical to adjust the data to reflect the time when ownership changed. However, selected timing adjustments are made to particular goods recorded in international merchandise trade statistics which place them on a change of ownership basis, for the purpose of balance of payments statistics.

9.11 Timing adjustments are made to the following data:

- exports and imports of ships and aircraft are adjusted to the date on which the business in Australia sells (exports) or takes delivery (imports) of those ships and aircraft;
- exports and imports of major items of defence equipment;
- wool exports to take account of wool shipped on a consignment basis to depots abroad and sold in later periods; and
- any other major capital item for which ABS receives advice that the timing of ownership needs to be changed.

Work flow adjustments (imports only)

9.12 Adjustments are made to imports, from time to time, to take account of distortions arising from differences between the volume and value of import entries lodged with, and those finalised by, Customs in a particular period. Evidence of this variation is obtained by monitoring work flow measures available from the Customs processing system.

Valuation adjustment (imports only)	<p>9.13 Imports are recorded in balance of payments statistics on an f.o.b. basis, and so an adjustment to international merchandise imports (which are on a Customs value basis) is required. The difference is very small. Additionally, the difference between the aggregate f.o.b. and c.i.f. values for imports recorded on an international trade basis is used, in conjunction with other data, to derive the freight services debits (the value of non-resident freight services used by Australian residents) component of the balance of payments.</p>
Classification of goods	<p>9.14 For exports, general merchandise is broadly split into 'Rural' and 'Non-rural' commodities, while goods for processing, repairs, goods procured in ports, and non-monetary gold are included under 'Other goods'. 'Rural' and 'Non-rural' goods are further disaggregated into specific commodities. Goods for processing, repairs, goods procured in ports, and non-monetary gold, and the specific commodities listed under the 'Rural' and 'Non-rural' headings, are based on the SITC, Rev.3 classification.</p> <p>9.15 For imports, general merchandise is classified according to three major categories — 'Consumption goods', 'Capital goods' and 'Intermediate and other merchandise goods' — referred to as the balance of payments broad economic categories (BOPBEC). These categories are further split according to SITC, Rev.3 classifications. Goods for processing, repairs, goods procured in ports, and non-monetary gold are aggregated in balance of payments statistics as another group 'Other goods'.</p>
NATIONAL ACCOUNTS	<p>9.16 Conceptually, the balance of payments, including the international investment position, are part of the broader Australian System of National Accounts. International merchandise exports and imports are components of the balance of payments and so contribute to national accounts statistics through the balance of payments.</p> <p>9.17 The national accounts provide a comprehensive and systematic set of statistics for the Australian economy, with information on economic transactions, other changes in the levels of assets and liabilities, and the levels of assets and liabilities themselves. The Australian National Accounts have generally been compiled according to the System of National Accounts and have been aligned with SNA93 from the September quarter 1998 issue. For more details, see <i>Australian System of National Accounts: Concepts, Sources and Methods 2000</i> (Cat. no. 5216.0).</p> <p>9.18 Linkages between the balance of payments and the national accounts are reinforced by the fact that, as in many other countries, the balance of payments are compiled first and subsequently included directly without amendment in the national accounts.</p>

NATIONAL ACCOUNTS
continued

9.19 The national accounts tables reflect the basic aspects of economic life (production, income, consumption, accumulation and wealth). For many analysts, *Gross Domestic Product (GDP)* is the key economic aggregate, as it measures the 'total value added' for the Australian economy in any period.

9.20 Exports and imports are included in the expenditure based measure of GDP. This measure is derived as final consumption expenditure by government and households, plus investment in fixed capital formation and changes in inventories, plus exports minus imports (of both goods and services) plus or minus a statistical discrepancy.

Chain volume measures

9.21 Chain volume measures for exports and imports are calculated from international merchandise trade statistics, on a quarterly basis. Results are published, along with other measures of Australia's economy, in the quarterly *Australian National Accounts: National Income, Expenditure and Product* (Cat. no. 5206.0) and *Balance of Payments and International Investment Position, Australia* (Cat. no. 5302.0), and in the annual *Australian System of National Accounts* (Cat. no. 5204.0).

9.22 Chain volume measures provide estimates of value changes after the direct effect of price changes has been eliminated (i.e. they reflect volume changes). For more details, see *Information Paper: Introduction of Chain Volume Measures in the Australian National Accounts* (Cat. no. 5248.0).

Input Output

9.23 Annual input-output tables also use international merchandise trade statistics. These tables are a means of describing, for a particular period, the supply and disposition of the products (both goods and services) of an entire economic system.

9.24 International merchandise trade data are reclassified to Input Output Product Classifications (IOPCs), which are then aggregated to Input Output Product Groups (IOPGs), adjusted to a balance of payments basis, confidentialised and released. Further information may be found in the ABS publications *Australian National Accounts: Input-Output Tables* (Cat. no. 5209.0), and *Australian National Accounts: Input-Output Tables (Product Details)* (Cat. no. 5215.0).

9.25 This second publication shows the value of Australian production, imports and exports for over 1,000 commodities classified to the industry from which each originates, such as agriculture, manufacturing, business services and personal services.

PRODUCER PRICE INDEXES

9.26 Export and import price indexes measure price movements for Australian exports and imports. Selected international merchandise trade statistics are used to provide coverage checks for updating price samples with new commodities and contributors. The information is also used for annually reweighting both indexes each September quarter.

PRODUCER PRICE INDEXES
continued

9.27 In addition, price samples are supplemented with unit prices for selected homogeneous commodities, calculated directly from quarterly trade data. Export and import price indexes are released quarterly, categorised by commodity and industry, in the ABS publication *International Trade Price Indexes, Australia* (Cat. no. 6457.0) and previously in two ABS publications: *Export Price Index, Australia* (Cat. no. 6405.0), and *Import Price Index, Australia* (Cat. no. 6414.0).

9.28 International price pressures can have an important effect on domestic prices, directly through exchange rates and imports, and indirectly through exports. There is considerable policy interest in import prices as a potential source of inflation and in the impact of export prices on national income. In disaggregated form, the export and import price indexes are used extensively in Australia's system of national accounts and balance of payments to deflate merchandise export and import values to derive volume estimates.

CHAPTER 10

EMERGING ISSUES

INTRODUCTION

10.1 In previous chapters, the concepts, sources and methods which form the basis of Australia's current international merchandise trade statistics have been described. In this chapter several emerging issues are discussed, which are expected to influence these statistics in the future. As the changes involved are yet to be finalised, it is possible that the manner and timing of their implementation may vary from that anticipated at the time of writing this publication.

THE NEW TAX SYSTEM

10.2 The New Tax System (TNTS) was introduced in Australia on 1 July 2000. A number of aspects of TNTS are of interest in the context of future international merchandise trade statistics. These include the introduction of the:

- Australian Business Number (ABN);
- Goods and Services Tax (GST); and
- Business Activity Statement (BAS).

Australian Business Number (ABN)

10.3 Under TNTS, registered businesses receive an ABN and are included on the Australian Business Register (ABR). To register for an ABN, an applicant must be either a company or an entity carrying out an enterprise. Businesses with an annual turnover of \$50,000 or more, and non profit organisations with an annual turnover of \$100,000 or more, must register for the GST, while those with a lower turnover may choose to register. Businesses must be registered to participate in the GST system.

10.4 The ABN is a single unique public business identifier. Government policy is that the ABN should be used in all government dealings with business. The ABN will allow businesses to have a single business identifier for dealings with government at all levels. Customs introduced use of the ABN and the associated Client Activity Centre (CAC) in its COMPILE and EXIT systems on 1 July 2000.

10.5 Introduction of the ABN provides significant statistical opportunities for the ABS, including for its international merchandise trade statistics. In Chapter 4 some limitations with current trade statistics were noted. There is considerable interest in knowing the characteristics of businesses involved in the export or import of goods, including the industries to which they belong.

10.6 Information on the trade activity, particularly exports, of businesses and industries has therefore been an area of substantial unmet demand. While some information has been available from ABS surveys, its usefulness has been affected by a range of methodological and coverage problems. It has not been possible to reliably compare trade data with statistical information produced on a standard industry basis.

Australian Business Number
(ABN) *continued*

10.7 The introduction of the ABN provides a better basis for identifying registered exporters and importers. This is expected to be more efficient and to help improve the quality of data reported. Previous identifiers used are specific to Customs and do not always identify the actual trader. The ABS has commenced use of the ABN for these purposes and will progressively expand it.

10.8 Secondly, the ABN will allow all of the import or export transactions relating to an individual business to be brought together and summarised. The ABN provides a more certain and direct link to the business entities registered, enabling data to be presented on a business basis, as well as on the current transaction basis. Previous identifiers used do not permit this as their relationship to the business entities involved can be complex and vary over time. Trade data could not therefore be shown on a business basis and compared with, or used to supplement, information obtained from other sources.

10.9 Finally, the ABN can be used to enable matching, confrontation, supplementation and substitution of Customs data with data from other sources. This enables the ABS to enhance data sets, or create new data sets, without imposing any additional reporting load on businesses. Specifically, the ABS expects to be able to match the ABNs of the actual exporter or importer with other sources, to capture the standard industry codes of those businesses. It will then be able to publish trade statistics on a standard industry basis, consistent with other industry statistics produced by the ABS.

10.10 It is expected to be some time before publication of statistics on the new bases can commence. Arrangements under TNTS have to be established and operated in a stable fashion for some time. The ABS has to undertake various investigations and analyses to establish user requirements and to determine the most appropriate methodology for producing the new data series. Several reference periods are required before users would be able to consider the data in a times series context.

Goods and Services Tax
(GST)

10.11 Under TNTS, exports are not subject to the GST i.e. they are 'GST free'. Most imported goods are subject to the GST, with the same range of exceptions as for domestically produced goods. However, imports of goods will continue to be recorded in ABS international merchandise trade statistics on a Customs Value basis, which is before the imposition of Customs Duty and the GST.

10.12 Customs has administrative responsibility for maximising compliance associated with import and export transactions. It administers the calculation and collection of GST payable on the importation of goods, although most importers will be eligible for, and are expected to take advantage of, the Deferred GST Scheme.

Goods and Services Tax
(GST) *continued*

10.13 The Deferred GST Scheme is designed to put importers on an equal footing, in regard to the payment of GST, with businesses using goods obtained locally. Participating importers account for the deferred amount of GST on their next BAS lodged with the Australian Taxation Office (ATO). In the majority of cases, the amount of GST deferred is simply offset on the BAS as a full input tax credit.

10.14 As a result of Customs involvement in the GST arrangements, several new data items are available to the ABS. These are GST liability, GST deferred, GST exempted and GST exemption code for imported goods. These data will be stored and evaluated.

Business Activity Statement
(BAS)

10.15 The BAS must be completed by all businesses registered for the GST, including government entities. It constitutes the tax return in respect of various tax obligations. It is completed monthly by large businesses, and less frequently by other businesses, unless they opt to report monthly. In normal cycles, businesses reporting monthly must lodge their BAS with the ATO on or before the 21st day of the month following the end of their tax period. For other businesses, the deadline is the 28th day of the following month, with the exception of December quarter returns where the deadline is 28 February.

10.16 A number of data items included on the BAS are of interest for statistical purposes. As exports are GST free, for the purpose of risk management and the GST calculation exported goods are separately identified. The definition of exported goods on the BAS is consistent with that used by Customs. Inclusion of exports data on the BAS creates a potentially useful new data source for this information.

10.17 The ABS will compare exports data reported to the ATO on the BAS with exports data reported to Customs, in order to evaluate the differences between the two data sources. BAS data will be on a business basis, not a transactions basis, and some small businesses may not register for an ABN. It should be noted that, as the taxation treatment of imported and domestically produced goods is the same, imports are not separately identified on the BAS.

CARGO MANAGEMENT
RE-ENGINEERING

10.18 Customs commenced a program of consultation with industry and government agencies to identify their future cargo management business needs in March 1996. Initially this was known as the Cargo Management Strategy. In November 1997, following the outsourcing of Customs information technology, it was determined that a comprehensive re-engineering of cargo management processes was necessary.

10.19 This decision was based on several factors:

- the commitment of the Australian Government to online service delivery;
- globalisation of trade;
- the industry trend towards integrated supply chain management;

- rapid expansion in internet usage by business;
- the Government's aim to provide a single window to government;
- the need to avoid duplication of data;
- the opportunity presented by outsourcing Customs information technology (IT) facilities; and
- the need to integrate and modernise current Customs IT applications.

10.20 In addition, it was clear that without significantly changing the current cargo management systems, Customs would not be in a position to meet its future obligations to government, nor meet industry expectations.

10.21 Four main elements for the management of cargo were identified during the initial consultation period:

- identification of high risk cargo prior to arrival through the receipt of accurate timely information;
- government intervention of cargo to be the exception;
- flexible arrangements for dealing with clients; and
- periodic entry and deferred duty payment.

10.22 In March 2000, Customs released the Cargo Management Re-engineering (CMR) Business Model. The business process proposals outlined in this document represent one of the major outputs of the investigation phase of the project. They have been designed to allow for maximum flexibility through tailored arrangements. Legislation and procedures will provide minimum base standard procedures, and individually agreed variations, based on the level of risk presented by the entities concerned.

10.23 Agreements with industry which vary the minimum standard procedures will be developed individually in conjunction with the Australian Quarantine and Inspection Service (AQIS), the ABS and relevant Permit Issuing Authorities (PIAs). Legislation to give effect to the changes was introduced to Parliament in December 2000. At the time of writing, specifications for the CMR systems have reached an advanced stage, with implementation of the new systems and procedures expected to occur progressively from late 2001.

ABS involvement

10.24 The ABS has been closely involved in the CMR project from its inception. It has participated in various groups, forums and workshops established to guide and assist the development, and has provided extensive input to Customs on these and related matters. The objective of the ABS has been to ensure that key trade statistical requirements continue to be met from the new systems, and that, wherever possible, the quality of data reported is maintained or improved.

ABS involvement *continued* 10.25 With one exception, which is described below, the CMR project is unlikely to have a major impact on ABS international merchandise trade statistics. Key data items and classifications used for statistical purposes are expected to be largely the same as for the current system and there should be limited disruption when the changeover occurs. ABS systems and procedures will essentially be dependent on the Customs systems and procedures finally implemented.

Accredited clients 10.26 Development of what is now known as the Accredited Client Program commenced in advance of the CMR project, but is now closely linked to it. The Accredited Client Program provides much of the flexibility sought under CMR, and CMR systems will provide the functionality required for its operation. The Accredited Client Program is still being developed and is yet to be approved by Parliament. However, extensive consultation has occurred between the government agencies involved, and with industry, through a business partner group.

10.27 Some traders import and/or export more regularly than others, some are better at providing information and making revenue payments, and some can be assessed as posing a lesser risk to the Australian community. The Accredited Client Program is designed for exporters and/or importers who can demonstrate they satisfy these criteria.

10.28 Under the Accredited Client Program eligible exporters and importers will be able to report to Customs on a periodic rather than a transactional basis. Minimal information will be provided at the time of import, export or with other information provided in a periodic declaration. This will be a monthly statement lodged with Customs on the first day of the following month. Several different options are currently being considered for reporting on the periodic declaration.

10.29 To be eligible to become an accredited client, an applicant will need to:

- be able to communicate import and export information to Customs electronically;
- show a history of providing accurate and timely provision of import and export information to Customs;
- demonstrate that their systems will ensure their good compliance record will continue;
- show a record of compliance with import and export requirements of PIAs; and
- have access to electronic systems capable of creating and/or re-creating information relating to the importing or exporting of goods.

Accredited clients *continued*

10.30 To ensure that data reported by accredited clients continues to satisfy the minimum requirements for international merchandise trade statistics, the ABS has been closely involved in the development of the options, data items and business rules for periodic declarations.

10.31 Introduction of periodic declarations will pose a number of significant risks to trade statistics, which will need to be carefully managed by both Customs and the ABS. Accredited clients will provide data later than they do now, some data will be aggregated, and the provision of some data may be dependent on Customs satisfactorily linking multiple reports.

10.32 As accredited clients are likely to be large businesses, the consequences of the delayed receipt of data, and any undetected errors caused by the reduced time available and aggregation, are quite significant. The ABS is considering a number of methods for dealing with the additional risks to its international merchandise trade statistics caused by the expected introduction of periodic declarations.

HS 2002 REVIEW

10.33 As mentioned in Chapter 4, the Harmonized System (HS) provides the basis for the description and classification of goods for Customs purposes in Australia and many other countries. As a signatory to the HS Convention, Australia is required to collect and publish statistics classified to the HS. Australia is one of 151 signatory countries, with the HS used by more than 170 countries as a basis for their Customs tariffs and for the collection of international merchandise trade statistics. Over 98% of world trade is classified in terms of the HS.

10.34 As the international six-digit HS classification is reviewed periodically, these reviews have consequential impacts on the eight-digit import tariff items, and on the eight-digit export and ten-digit import statistical codes used in Australia. In early 2000, the World Customs Organization (WCO) finalised changes to the six-digit HS classification, which are to be implemented by Australia on 1 January 2002.

10.35 In the period leading up to this date, Customs and the ABS will review the existing tariff and statistical codes affected by the six-digit HS level changes. While the review will focus on those items identified as requiring change due to HS 2002, the opportunity may be taken to make other changes to simplify and improve usage of the classifications.

10.36 The ABS is conscious of the competing interests in keeping the classification comprehensive, detailed and relevant for users of trade statistics, while at the same time ensuring that exporters and importers (and their agents) are able to report accurately against the classification and not incur excessive reporting burden. In determining the effects on existing categories in the detailed classifications, factors that will be considered include user requirements, the significance of trade, the complexity of descriptions, any reporting difficulties, and any existing or anticipated confidentiality limitations.

10.37 Extensive consultation will be undertaken with government departments and agencies, exporters and importers (and their agents), and current users of trade statistics throughout the HS 2002 Review. In the most recent HS Review completed in January 1996, but implemented by Australia from July 1996, approximately 500 (or 10%) of the six-digit HS items were changed. The HS 2002 Review is not expected to impact on as many six-digit HS items.

APPENDIX 1

UNITS OF QUANTITY

The *unit of quantity* recorded for international merchandise trade statistics is generally the normal unit of quantity used for a particular commodity in the associated industry (e.g. kilograms, number, metres). The unit of quantity applies at the level of the most detailed commodity codes used in Australia (eight-digit HS level for exports, ten-digit HS level for imports).

Units of quantity in use from January 1988 include:

BC	Basic carton ¹	M	Metres
BL	Bales	MC	Metric carats
CC	Cubic centimetres	MM	Millimetres
CM	Centimetres	MU	Mega units
CT	Cartons ²	NB	Number of bundles
CU	Cubic metres	NO	Number
DP	Dozen pairs	NR	Not recorded
DR	Dozen rolls	NU	Number of drums
DZ	Dozens	PD	Dozen packs
G	Grams	PR	Pairs
GB	Gross boxes	RL	Number of rolls
GS	Gross	RM	Reams
IU	Inter units	SF	Super feet
KG	Kilograms	SM	Square metres
KL	Kilolitres	SR	Number of sets
KM	Kilometres	T	Tonnes
L	Litres	TH	Thousands
LA	Litres of alcohol	ZP	Dozen pieces

¹ A basic carton consists of 24 x 825g cans or equivalent. For industry purposes there are approximately 50 basic cartons to the tonne.

² A carton consists of 24 x 425g cans or equivalent. For industry purposes there are approximately 100 cartons to the tonne.

Customs does not require exporters, importers, or their agents to report units of quantity for some HS codes (unit of quantity is NR), therefore ABS cannot provide quantity details for these commodities.

Where the unit of quantity is a weight measurement, net weight is recorded.

Units of quantity may differ between related commodities at the most detailed level of the HS classification. For example, exports within *HS Chapter 44 Wood and articles of wood; wood charcoal*. Any examination of aggregate quantities for a number of commodities must take into account the units of quantity applicable to each commodity code being investigated.

AHECC Code	Description	Unit of Quantity
44	Wood and articles of wood; wood charcoal	
4401.21.20	Wood in chips or particles: coniferous	Tonnes (T)
4406.10.00	Railway or tramway sleepers (cross-ties) of wood: not impregnated	Cubic metres (CU)
4413.00.00	Densified wood, in blocks, plates, strips or profile shapes	Not recorded (NR)

APPENDIX 2**COUNTRIES OF ORIGIN/FINAL DESTINATION AND
ALPHABETIC CODES — as at July 2000**

	COUNTRY CODE	AREAS INCLUDED AND COMMENTS
Afghanistan	AFGH	
Albania	ALBA	
Algeria	ALGR	
Angola	ANGO	Includes Calindra, also known as Cabinda
Anguilla	ANGA	Part of St. Kitts-Nevis-Anguilla until 1980
Antigua and Barbuda	AGUA	Part of Leeward Islands group until 1967
Argentina	ARGE	
Armenia	ARMN	Formerly part of USSR
Australian Antarctic Territory	ANCA	Australian Antarctic Territory and Australian Territories of Heard Island and MacDonal Islands
Australia	AUST	
Austria	ASTA	Excluding Jungholz in Tirol and Mittelberg im Kleinen Walsertal in Vorarlberg, for which see Germany
Azerbaijan	AZBJ	Formerly part of USSR
Bahamas	BAHA	
Bahrain	BHRN	Excludes Turks and Caicos Islands
Bangladesh	BADE	
Barbados	BARB	
Belarus	BELA	Formerly part of USSR
Belgium-Luxembourg	BLGM	The Belgo-Luxembourg Economic Union comprising the Kingdom of Belgium and the Grand Duchy of Luxembourg
Belize	BELE	
Benin	BENR	
Bermuda	BMDA	
Bhutan	BHUT	
Bolivia	BOLI	
Bosnia and Herzegovina	BOHR	Formerly part of Yugoslavia
Botswana	BOTS	
Brazil	BRAZ	
British Indian Ocean Territory	BIOT	Chagos Archipelago (uninhabited)
Brunei Darussalam	BRUN	
Bulgaria	BULG	
Burkina Faso	BURK	Formerly Republic of the Upper Volta, pre 1984
Burundi	BRND	
Cambodia	CMBD	
Cameroon	FCAM	Includes the former Trust Territories of Cameroon and Southern Cameroons

Canada	CAN	
Cape Verde	CVER	Includes Boa Vista, Brava, Fogo, Maio, Sal, Santo Antao, Sao Nicolau, Sao Tiago and Sao Vicente
Cayman Islands	CAYM	British Colony
Central African Republic	CEAR	
Chad	CHAD	Also referred to as 'Tchad'
Chile	CHLE	Includes Arica, Easter Island and the islands off the Chilean Coast
China	CHIN	Excludes SAR's and Taiwan
Christmas Island	CHRI	Indian Ocean (Australian Territory)
Cocos (Keeling) Island	COCO	Cocos Islands, also known as Keeling Islands (Australian Territory)
Colombia	COMB	
Comoros	CMRO	Also known as Comoros Islands, includes Anjouan, Grand Comore, Moheli and other islands
Congo	COBR	
Congo, Democratic Republic of	ZAIR	Formerly Zaire
Cook Islands	COOK	Self-governing State in association with New Zealand comprising the Cook Islands and other Pacific Islands of the Lower and Northern Cook Groups
Costa Rica	COST	
Cote d'Ivoire	IVOR	
Croatia	CROA	Formerly part of Yugoslavia
Cuba	CUBA	
Cyprus	CYPR	
Czech Republic	CZEH	Formerly part of Czech and Slovak Republic
Denmark	DENM	Includes the Faeroe Islands and Greenland
Djibouti	DJIB	
Dominica	DMCA	
Dominican Republic	DOMI	
Ecuador	ECUA	Including Galapagos Islands
Egypt	EGYP	
El Salvador	SALV	Also known as Salvador
Equatorial Guinea	EGUI	Includes Macias Nguema Bioko, Rio Muni, Pigalu, Corisco, Elobey Chico and Grande Annabou
Eritrea	ERIT	Formerly part of Ethiopia
Estonia	ESTO	Formerly part of USSR
Ethiopia	ETHI	Excludes the trading station of Gambela which is leased to the Sudan. Also known as Socialist Ethiopia
Falkland Islands (Malvinas)	FALK	Includes South Georgia, South Sandwich Islands, West Falkland and East Falkland
Fiji	FIJI	Includes Vanua Levu, Viti Levu, Taveuni, Rabi, Yasawa Group, Kadavu, Rotuma, Lau Group and other small islands
Finland	FINL	Including Aaland Islands

Former Yugoslav Republic of Macedonia	FYRM	Formerly part of Yugoslavia
France	FRAN	Including Monaco, Andorra
French Antilles	FWIN	Guadeloupe and Dependencies, Martinique and St. Martin Island (northern part)
French Guiana	FRGU	Also known as Cayenne
French Polynesia	PLYN	French Overseas Territory comprising Society Islands (including Tahiti), Marquesas Islands, Tuamotu Group, Gambier Islands, Tubuai Islands (Austral Islands)
French Southern Antarctic Territory	FSAT	Terres Australes et Antarctiques Francaises — (St. Paul, Territories New Amsterdam, Crozet Islands and Kerguelan Islands, Adelie Land)
Gabon	GABO	Also referred to as Gaboon or Gabun
Gambia	GAMB	
Georgia	GERG	Formerly part of USSR
Germany	FGMY	Includes the Austrian enclaves of Jungholz in Tirol and Mittelberg im Kleinen Walsertal in Voralberg
Ghana	GHAN	
Gibraltar	GIBR	
Greece	GREE	Includes Aegean Islands, Ionian Islands, Dodecanese Islands, Crete and Mount Athos autonomous area
Grenada	GNDG	Includes South Grenadine Islands
Guam	GUAM	An organised, unincorporated territory of the United States
Guatemala	GMLA	
Guinea	GUIN	Also called 'Popular and Revolutionary Republic of Guinea'
Guinea-Bissau	BGUI	
Guyana	GUYA	
Haiti	HAIT	
Honduras	HDRS	
Hong Kong (SAR of China)	HONG	Also called Hisiangkang and Xianggang. Includes the island of Lantau, the Kowloon Peninsula and the New Territories
Hungary	HGRY	
Iceland	ICEL	
India	INIA	Includes the Amindivis, Laccadives, Andaman and Nicobar Islands and Sikkim
Indonesia	INDO	Includes Java, Madura, Sumatra, Riau Archipelago, Lingga Archipelago, Bangka, Biliton, Borneo (excluding Sarawak, Sabah and Brunei), Sulawesi, Malacca Islands, Bali, Lombok, Sumbawa, Flores, Timor, Irian Jaya and other territories
International waters	IWAS	Used for goods placed in the ocean outside any territorial waters or exclusive economic zone
Iran	PSIA	
Iraq	IRAQ	Excludes the Neutral Zone jointly administered by Saudi Arabia and Iraq
Ireland	IRE	
Israel	ISRA	
Italy	ITAL	Includes Sicily, Sardinia, Elba, Pantelleria, Lampedusa, Vatican City and the Republic of San Marino

Jamaica	JMCA	Includes Morant Cays and Pedro Cays
Japan	JAP	Includes Okinawa, the Bonin Islands and the islands of Amami Oshima
Johnston and Sand Islands	JSIS	United States Dependencies
Jordan	JORD	
Kazakhstan	KAZA	Formerly part of USSR
Kenya	KENY	
Kiribati	KIRI	A self governing British Territory including Phoenix Islands comprising Kanton and Enderbury under Anglo-American Condominium, Birnie, McKean, Rawaki (Phoenix), Orona (Hull), Manra (Sydney) and Nikumaroro (Gardner), Ocean Island, Gilbert Islands, Northern and Southern Line Islands (Fanning, Washington and Christmas)
Korea, Democratic People's Republic of (North)	KRDR	The Korean peninsula north of the 38 parallel
Korea, Republic of (South)	RKOR	The Korean peninsula south of the 38 parallel
Kuwait	KUWA	Includes the Neutral Zone jointly administered by Kuwait and Saudi Arabia
Kyrgyzstan	KYRG	Formerly part of USSR
Laos	LAOS	
Latvia	LATV	Formerly part of USSR
Lebanon	LEBA	
Lesotho	LESO	
Liberia	LIBE	
Libya	LBYA	
Lithuania	LITH	Formerly part of USSR
Macau (SAR of China)	MACA	Also known as Ao-men. Includes Macao, Taipa and Coloane (Portuguese Overseas Possession)
Madagascar	MASY	
Malawi	MLWI	
Malaysia	MLAY	Includes Peninsula Malaysia, Sabah and Sarawak
Maldives	MLDV	Also known as the Maldives Islands
Mali	MALI	
Malta	MLTA	Includes Gozo, Comino and islets Cominette and Filfla
Marianas, Northern	MRNS	A self-governing territory of the United States of America, with Commonwealth status
Marshall Islands	MARS	Self-governing Territory in free association with the United States of America
Mauritania	MRTN	
Mauritius	MAUS	Mauritius, Agalega, Cargados, Carajos (St. Brandon Group) and Rodrigues
Mexico	MEXI	
Micronesia	MICR	Includes the states of Yap, Truk, Pohnpei and Kosrae
Midway Islands	MIDW	United States Dependency
Moldova	MDOV	Formerly part of USSR
Mongolia	MNGL	Also known as Outer Mongolia. Does not include Inner Mongolia for which see China

Montserrat	MONT	Part of the Leeward Islands group until 1967
Morocco	MORO	Formerly French Morocco. Includes Tangier, Spanish Morocco and Ifni Territory and for statistical purposes the following places of Spanish sovereignty: Alhucemas, Chafarinas, Ceuta, Melilla and Penon de Velez
Mozambique	MOZA	
Myanmar	BURM	Formerly known as Burma
Namibia	NAMI	
Nauru	NAUR	
Nepal	NEPA	
Netherlands	NETH	
Netherlands Antilles	ANTI	Includes Curacao, Bonaire, Southern St. Martin, St Eustatius and Saba
New Caledonia	NCAL	Includes Huon Islands, Isle of Pines, Loyalty Islands, Belep Archipelago, Chesterfield Islands and Walpole
New Zealand	NZ	North and South Islands, Stewart Island, Chatham Islands, Kermadec Islands, Antipodes Islands, Auckland Islands, Bounty Island, Campbell Island and Snares Islands
Nicaragua	NICA	
Niger	NIGE	
Nigeria	NGRA	
Niue	NIUE	Self-governing territory of New Zealand
Norfolk Island	NORF	Australian territory
Norway	NWAY	Norway including Svalbard (Spitzberg, Bear Island and adjacent islands), Jan Mayen Island and Norwegian Antarctic Possessions
Oman	OMAN	
Pakistan	PAKI	
Palau	PALU	
Panama	PNMA	Includes the previous Panama Canal Zone
Papua New Guinea	PNG	Includes Bismark Archipelago, Louisiade Archipelago, Admiralty Islands, d'Entrecasteaux Islands, Northern Solomon Islands (Bougainville, Buka, etc.), Trobriand Islands, New Britain, New Ireland, Woodlark and associated islands
Paraguay	PRGY	
Peru	PERU	
Philippines	PHIL	
Pitcairn Island	PITC	British Colony. Includes Henderson, Ducie and Oeno
Poland	POLA	
Portugal	PORT	Includes the Azores and Madeira Islands
Puerto Rico	RICO	A self-governing Territory of the United States of America, with Commonwealth status
Qatar	QATA	
Reunion	REUN	Includes Ile Europa, Bassas da India, Juan de Nova, Iles Glorieuses and Ile Tromelin
Romania	ROUM	Also known as Rumania or Roumania
Ross Dependency	ROSS	New Zealand Antarctic Territory

Russian Federation	RUSS	Formerly part of USSR; includes North Sakhalin, Karafuto (South Sakhalin) and the Kurile Islands
Rwanda	RWAN	
St Helena	STHE	Includes Ascension, Tristan da Cunha, Gough Island, Inaccessible and Nightingale Islands
St Kitts and Nevis	STCN	Also called St. Christopher-Nevis
St Lucia	STLU	Formerly part of the Windward Islands Group
St Pierre and Miquelon	PIER	French Overseas Territory
St Vincent and the Grenadines	STVI	Includes Northern Grenadine Islands
Samoa	WSAM	An independent sovereign state comprising Upolu, Savai'i and other small islands
Samoa (American)	SAMO	An unincorporated Territory of the United States comprising Tutuila Island, Aunu'u Island, Manu'a Group and Swain's Island
Sao Tome and Principe	SAOT	Former Portuguese Overseas Possession
Saudi Arabia	SAUD	Includes the Neutral Zone jointly administered by Saudi Arabia and Iraq but excludes the Neutral zone jointly administered by Kuwait and Saudi Arabia
Senegal	SENE	
Seychelles	SEYC	Includes Alphonse, Bijoutier, St. Francois Islands, St. Pierre Islet, Cosmoledo Islands, Amirantes, Aldabra, Farquhar and Desroches
Sierra Leone	SLEO	
Singapore	SING	
Slovakia	SVAK	Formerly part of Czech and Slovak Republic
Slovenia	SLOV	Formerly part of Yugoslavia
Solomon Islands	SOLO	Includes Southern Solomon Islands, Guadalcanal, Malaita, Santa Isabel, Choiseul and San Christobel
Somalia	SOML	
South Africa	SAFR	Includes Walvis Bay, Marion Islands and Prince Edward Islands
Spain	SPAI	Includes the Balearic Islands and Canary Islands but excludes Alhucemas
Sri Lanka	SRIL	
Sudan	SUDA	Includes the trading station of Gambia which is leased from Ethiopia
Suriname	SRNM	
Swaziland	SWZI	
Sweden	SWED	
Switzerland	SWIT	Includes the Principality of Liechtenstein
Syria	SYRI	
Taiwan	TAIW	Includes the Pescadores Islands and the Matsu and Quemoy Groups
Tajikistan	TAJI	Formerly part of USSR
Tanzania	TANZ	
Territories Administered by the Palestinian Authority	PALA	Formerly shown as Palestine
Thailand	THAI	
Togo	TOGO	

Tokelau	TOKI	Within the territorial boundaries of New Zealand and administered by it
Tonga	TNGA	Vava'u, Ha'apai, Tongatapu and Nomuka Groups
Trinidad and Tobago	TRIN	
Tunisia	TUNI	
Turkey	TURK	
Turkmenistan	TURS	Formerly part of USSR
Turks and Caicos Islands	TRCA	British Colony
Tuvalu	TUVA	Includes Funafuti, Nurakita, Nuitao, Nukufetau, Nukulaelae and Vaitupu
Uganda	UGAN	
Ukraine	UKRA	Formerly part of USSR
United Arab Emirates	UAEM	Includes Tas Al Khaimah, Abu Dhabi, Dubai, Fujairah, Sharjah, Ajman and Umm Al Qaiwain
United Kingdom	UK	Includes England and Wales, Scotland, the six counties of Northern Ireland, the Isles of Wight and Man, Scilly Islands, the Hebrides, Orkney Islands, Shetland Islands and the Channel Islands
United States of America	USA	Includes Hawaii but excludes Puerto Rico
United States Miscellaneous	OAPI	Other United States administered Pacific Islands including Palmyra, Howland and Baker Islands, the Ryukyus (except Anami Oshima and Okinawa), the Volcano Islands, Rosario Island, Marcus Island, Jarvis Islands and Kingman Reef
Uruguay	URUG	
Uzbekistan	UZBK	Formerly part of USSR
Vanuatu	VANU	
Venezuela	VENZ	
Viet Nam	VIET	
Virgin Islands (British Virgin Islands)	BVIR	Includes Anegada, Jost van Dyke, Tortola and Virgin Gorda
Virgin Islands (United States)	VIRG	Includes St. Thomas, St. Croix, St. John and a number of small islands
Wake Island	WAKE	United States Dependency
Wallis and Futuna Islands	WALL	French Overseas Territory. Includes Iles de Horn, Ile Uvea and Ile Alofi
Western Sahara	SARA	Includes Rio De Oro and Sekia El Hamra
Yemen	YEMN	Includes the islands of Karaman, Perin and Socotra
Yugoslavia	YUGO	Does not include Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia or Slovenia
Zambia	ZMBA	
Zimbabwe	ZIMB	Formerly Southern Rhodesia, Rhodesia
Zone of Coop A-Timor Gap	ZONA	
SPECIAL CODES		
Origin/Destination Unknown	UNKN	Used where the Country of Final Destination (for exports) or Country of Origin (for imports) is unknown
Ship and aircraft stores	SHIP	Stores, including fuel, loaded onto foreign registered ships and aircraft

Source: *Australian Harmonized Export Commodity Classification (AHECC) (1999 Edition)* (Cat. no. 1233.0)

APPENDIX 3

MAJOR COUNTRY GROUPS — as at July 2000

Asia-Pacific Economic Cooperation (APEC)	European Union (EU) <i>continued</i>	Developing Countries (DCs)(d) <i>continued</i>
Australia	Ireland	Comoros, Republic of
Brunei Darussalam(a)	Italy	Congo
Canada	Netherlands	Cook Islands
Chile(a)	Portugal	Costa Rica
China(a)	Spain	Cote d'Ivoire
Hong Kong (SAR of China)(a)	Sweden	Croatia
Indonesia(a)(b)	United Kingdom	Cuba
Japan		Cyprus
Korea, Republic of(a)	Developing Countries (DCs)(d)	Czech Republic
Malaysia(a)	Afghanistan	Democratic Republic of Congo, Zaire
Mexico(a)	Albania	Djibouti
New Zealand	Algeria	Dominica
Papua New Guinea	American Samoa	Dominican Republic
Peru(a)	Angola	Ecuador(a)
Philippines(a)	Anguilla	Egypt
Russian Federation	Antigua and Barbuda	El Salvador
Singapore(a)	Argentina	Equatorial Guinea
Taiwan(a)	Bahamas	Eritrea
Thailand(a)	Bahrain	Ethiopia
United States of America	Bangladesh	Falkland Islands (Malvinas)
Viet Nam(a)	Barbados	Fiji
	Belize	French Polynesia
	Benin	Gabon
Association of Southeast Asian Nations (ASEAN)	Bermuda	Gambia
Brunei Darussalam(a)	Bhutan	Ghana
Cambodia(a)	Bolivia	Gibraltar
Indonesia(a)(b)	Bosnia and Herzegovina	Grenada
Laos(a)	Botswana	Guam
Malaysia(a)	Brazil	Guatemala
Myanmar(a)	British Indian Ocean Territory	Guinea
Philippines(a)	British Virgin Islands	Guinea-Bissau
Singapore(a)	Brunei Darussalam(a)	Guyana
Thailand(a)	Bulgaria	Haiti
Viet Nam(a)	Burkina Faso	Honduras
	Burundi	Hong Kong (SAR of China)(a)
	Cambodia(a)	Hungary
European Union (EU)	Cameroon	India
Austria	Cape Verde	Indonesia(a)(b)
Belgium-Luxembourg(d)	Cayman Islands	Iran
Denmark	Central African Republic	Iraq
Finland	Chad	Israel
France	Chile(a)	Jamaica
Germany	China(a)	Johnston Islands
Greece	Colombia	Jordan

Developing Countries (DCs)(d) <i>continued</i>	Developing Countries (DCs)(d) <i>continued</i>	Developing Countries (DCs)(d) <i>continued</i>
Kenya	Nepal	Slovenia
Kiribati	Netherlands Antilles	Solomon Islands
Korea, People's Democratic Republic of	New Caledonia	Somalia
Korea, Republic of(a)	Nicaragua	Sri Lanka
Kuwait	Niger	Sudan
Laos(a)	Nigeria	Suriname
Lebanon	Niue	Swaziland
Lesotho	Oman	Syria
Liberia	Pakistan	Taiwan(a)
Libya	Palau	Tanzania
Macau (SAR of China)	Panama	Thailand(a)
Former Yugoslav Republic of Macedonia	Paraguay	Togo
Madagascar	Peru(a)	Tokelau
Malawi	Philippines(a)	Tonga
Malaysia(a)	Pitcairn Island	Trinidad and Tobago
Maldives	Poland	Tunisia
Mali	Qatar	Turkey
Malta	Romania	Turks and Caicos Islands
Marianas, Northern	Rwanda	Tuvalu
Marshall Islands	St Christopher and Nevis	Uganda
Mauritania	St Helena	United Arab Emirates
Mauritius	St Lucia	Uruguay
Mexico(a)	St Pierre and Miquelon	Vanuatu
Micronesia, Fed States of	St Vincent and the Grenadines	Venezuela
Midway Islands	Samoa	Viet Nam(a)
Mongolia	Sao Tome and Principe	Virgin Islands of the United States
Montserrat	Saudi Arabia	Wake Island
Morocco	Senegal	Wallis and Futuna Islands
Mozambique	Seychelles	Yemen
Myanmar(a)	Sierra Leone	Zambia
Nauru	Singapore(a)	Zimbabwe
Namibia	Slovak Republic	

(a) Also included in other country groups.

(b) Indonesian totals include East Timor.

(c) Developing Countries as defined in Schedule 1 of the Harmonized Tariff (includes Forum Island Countries, Developing Countries and places treated as Developing Countries). Excludes Papua New Guinea.

(d) Combined total as unable to separate.

GLOSSARY

ABN	The ABN (Australian Business Number) is an 11 digit number that identifies a business, registered under the <i>A New Tax System (Australian Business Number) Act 1999</i> in its dealings with the Australian Taxation Office and other government departments and agencies.
ABS Data Warehouse	ABS database containing datasets and definitional and procedural metadata, together with facilities for loading, storing, accessing, manipulating, and disseminating these data.
Ad valorem	A rate of import duty calculated as a percentage of the Customs value of the goods. e.g. 2%.
Australian Customs Service (Customs)	A statutory body that derives its authority in the first instance from the Australian Constitution, which reserves to the Commonwealth, the power to regulate imports and exports, and authority for the levying of duties on Customs and excise. It is given specific expression in the <i>Customs Act 1901</i> , <i>Excise Act 1901</i> , <i>Customs Tariff Act 1995</i> , and associated legislation.
Australian Customs' value	The value for import duty purposes determined by Customs. The primary basis for its establishment is the price actually paid or payable, provided a number of conditions are met. The most important is that the buyer and seller must be independent. If these conditions are not met World Trade Organization (WTO) rules are used to determine the Customs value. It is the prime valuation method used by ABS for disseminating international merchandise import statistics.
Balance of payments basis	A basis for compiling international merchandise trade statistics, which records transactions between residents and non-residents at the time change of ownership occurs.
Ballast	Heavy material carried by a ship for ensuring proper stability, so as to avoid capsizing and to secure effective propulsion.
Bonded warehouses	A duty deferral facility whereby owners of imported goods, on which duty has not been paid, may store those goods 'underbond' in licensed warehouses until such time as they are ready to pay the duty and enter the goods into home consumption.
BOPBEC	Classification used for balance of payments purposes, which shows imports according to three major categories — <i>Consumption goods</i> , <i>Capital goods</i> , and <i>Intermediate and other merchandise goods</i> . It is based on the categories of BEC, with some minor variations which affect motor spirit, passenger motor cars, a range of military equipment, video recording or reproducing apparatus, and certain types of other imports which are not classified according to kind.

BPM5	International Monetary Fund (IMF)'s <i>Balance of Payments Manual, Fifth edition, 1993</i> . It is the current international standard followed by Australia for the compilation of balance of payment statistics.
Broad Economic Categories (BEC)	A three digit classification, which groups commodities according their main end use, introduced by the United Nations in 1970, suitable for the general economic analysis of international merchandise trade data.
Bunkers	This term includes all dutiable petroleum products loaded aboard a vessel for consumption by that vessel.
Carnet	An international Customs document for the temporary duty-free admission of goods under certain international conventions.
Client Activity Centre (CAC)	A three digit suffix added to an ABN that allows registered businesses to organise tax affairs in order to meet various Australian Taxation Office reporting obligations.
Commodity classifications	Export and import commodities are classified in accordance with: <ul style="list-style-type: none"> ■ the Harmonized Commodity Description and Coding System (HS); ■ the codes and descriptions of the third revision of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev.3); and ■ the 19 categories of the United Nations Classification by Broad Economic Categories (BEC).
Concessional rate of duty	A lower than normal rate of import duty levied by Customs as a result of the import's country of origin or an Australian industry assistance scheme.
Consignment	A parcel of goods sent for sale overseas. 'On consignment' - refers to goods shipped for sale overseas for sale by an agent, title being held by the consignor until the goods are sold.
Cost, insurance and freight (c.i.f.)	The cost, insurance and freight (c.i.f.) point of valuation for imports, is the point when the goods arrive at the border of the importing country. The value of the imports includes the cost of goods at the point of export as well as the associated international insurance and transport costs associated with the delivery of the goods from the border of the exporting country to the border of the importing country.
Country of origin	For imports and import clearances, the country of origin is the country of production or the country in which the final stage of production or manufacture occurs.
Country of final destination	For exports, this is the last country — as far as it is known at the time of exportation — to which goods are to be delivered.

Customs' clearances	All goods (above a set minimum value) exported from or imported into Australia, whether by air, sea or post must be cleared through Customs. Consignments with values below certain limits may be cleared on Informal Clearance Documents.
Customs entry	A communication of information manually or electronically to Customs about imports, or goods intended for export.
Customs frontier	The limit of Customs' jurisdiction.
Departure date	For exports, the date of departure of the ship or aircraft from an Australian port.
Dumping	A term used to describe the process whereby the products of one country are exported to another country at prices less than their normal value. The effect of dumping is offset by instituting anti-dumping measures.
Dumping duty	Dumping duty is an additional Customs' import duty imposed to offset the effect of dumping which has been found to materially injure an Australian industry. The duty may be the full margin between the normal import value and overseas export price, or may be a lesser amount which removes injury to the Australian industry.
Dunnage	Material laid beneath or wedged between cargo to prevent damage during transport.
Economic territory	The geographic territory administered by a government within which persons, goods and capital circulate freely.
Exports	Goods which subtract from the stock of material resources in Australia, as a result of their movement out of the country. These goods have been produced or manufactured in Australia. See also: Re-exports.
Export Clearance Number (ECN)	A number issued by Customs to identify an export entry for each individual consignment of goods intended for export.
Financial asset	Generally a financial claim on the rest of the world represented by a contractual obligation (such as a loan) or evidenced by a security (such as a share certificate). Monetary gold is treated as a financial asset because it is readily available for payment of international obligations.
Fixed rate of duty	A rate of import duty calculated as a monetary value applicable to each item. e.g. \$1.50 per item.
Free on board (f.o.b.)	The value of goods measured on a free on board (f.o.b.) basis includes all production and other costs incurred up until the goods are placed on board the international carrier for export. Free on board values exclude international insurance and transport costs. They include the value of the outside packaging in which the product is wrapped, but do not include the value of the international freight containers used for transporting the goods.

GST (imports only)	GST is a broad-based tax levied on most supplies of goods and services consumed in Australia. Customs is responsible for collecting GST from importers on goods when imported. Importers receive an input tax credit for goods imported for the purpose of their enterprise.
Import clearances	Import clearances are those goods which are brought into Australia directly for home consumption, plus goods cleared from a bonded warehouse (i.e. goods cleared into the Australian market for home consumption following payment of duty).
Import duty	Customs duties and all other duties, fees, or other charges which are collected on or in connection with the importation of goods, but not including fees and charges which are limited in amount to the approximate cost of services rendered. The main purpose for its imposition is domestic industry assistance.
Import quotas	Import quotas provide importers with an entitlement to import limited quantities of particular goods at concessional or normal rates of import duty during a specific quota period. This arrangement currently applies only to cheese and curd products. Imports in excess of the ceiling are subject to penalty rates of Customs duty.
Imports	Imports reflect goods that arrive in the country and include: <ul style="list-style-type: none"> ■ goods brought into Australia directly for home consumption following the payment of any duty; plus ■ goods which enter the country but are not cleared for home consumption; the goods instead go into Customs (bonded) warehouses and duty is not paid at that time.
IMTS, Rev.2	The UN's <i>International Merchandise Trade Statistics: Concepts and Definitions Series M, No. 52, Rev. 2 (IMTS, Rev.2)</i> . This is the current international framework followed by Australia for the compilation of international merchandise trade statistics.
Indirect trade	Goods exported to an intermediate country from where the goods are then re-exported to another country (unknown to the original exporter) for final consumption.
Informal Clearance Documents	When the value of goods imported by air or sea is below \$250 but duty and taxes exceed \$50, then an informal clearance document (ICD) must be lodged. If the value exceeds \$250 a formal entry declaration must be lodged. For postal articles the commercial (formal) entry threshold is set at \$1000.
International containers	Receptacles used in the international freight industry to transport various commodities. Individual items or packages may be loaded into a single larger unit.

Invoice currency	The currency in which an invoice for exported or imported goods is denominated. Conversion of a foreign invoice currency value to Australian dollars is undertaken by Customs (for imports), or by the ABS or the trader (for exports), using exchange rates applicable at the time of import or export. Australia's international merchandise statistics are presented in Australian dollars, unless specified otherwise.
Kyoto Convention	The International Convention on the simplification and harmonization of Customs procedures (Kyoto Convention) was signed at Kyoto in May 1973 and entered into force in 1974. The Convention discussed the universal harmonisation of customs procedures, other than classification and valuation. The World Customs Organization (WCO) adopted the revised Convention in June 1999 reflecting current and expected future demands of international trade.
Manifest	A document issued by a shipper, covering all cargo stated to be in a ship or aircraft for delivery at a particular seaport or airport.
Mode of transport	The mode of transport by which the goods were imported to, or exported from, Australia. Identified by one of three codes: <ul style="list-style-type: none"> ■ S — Sea ■ A — Air ■ P — Parcel post
Monetary gold	Gold held by monetary authorities, such as the Reserve Bank of Australia and other central banks, as part of an economy's official reserves.
National accounts	Systematic quantitative summary of the Australian economy as a whole.
Nature of entry	Customs record import transactions according to whether the goods cross the Customs frontier and are entered directly into the market for home consumption (Nature 10), are diverted into a bonded warehouse (Nature 20), or are released from a bonded warehouse into the marketplace (Nature 30).
Non-financial assets	Tangible and intangible assets that are not financial assets.
Non-merchandise trade	Goods which cross the Customs' frontier, but do not alter Australia's stock of material resources.
Non-monetary gold	Gold that is traded like any other commodity. Non-monetary gold is regarded as a commodity, rather than as a financial item, as its worth is principally derived from either its gold content or its value as a collector's piece.
Parcel post	Goods consigned through the postal system. This term excludes small items transported by private courier companies.

Partner country	<ul style="list-style-type: none"> ■ For exports, this is the country of last known destination, or country of final destination as far as it is known at the time of exportation. ■ For imports and import clearances, this is the country of origin of the goods.
Preference code	A code used to indicate whether a preferential rate of duty, applying to the import of certain goods from a particular country, has been claimed.
Preferential rate of duty	A reduced rate of duty applied to products that are produced or manufactured in a country which is party to a Trade Agreement with Australia.
Re-exports	Re-exports are defined as goods, materials or articles originally imported into Australia which are exported in either the same condition in which they were imported, or after undergoing some minor operations (e.g. blending, packaging, bottling, cleaning and sorting) which leave them essentially unchanged. Included in international merchandise export statistics.
Re-imports	Re-imports are goods, materials or articles originally exported which are imported in either the same condition in which they were exported or after undergoing repair or minor alterations (e.g. blending, packaging, bottling, cleaning and sorting) which leave them essentially unchanged. Included in international merchandise import statistics.
Screened free	Imports subject to examination by Customs that do not require an import entry as their value does not exceed the \$50 duty and tax free limit for imported goods, and the value of the goods is below the commercial entry threshold. A related term is Informal Clearance Documents (ICDs).
Ship and aircraft stores	Bunkers (fuel), food and other goods loaded onto foreign vessels and aircraft to be consumed during international journeys.
SNA93	<i>A System of National Accounts</i> (Revision 4, published in 1993). It is the current international standard followed by Australia for the compilation of national accounts statistics.
State of final destination	State of final destination is the Australian State in which the imported goods are released from Customs control. It does not necessarily equate to the State in which the goods were discharged or the State in which they were consumed.
State of origin	For exports, State of origin is the Australian State in which the final stage of production or manufacture occurs. It does not necessarily equate to the State in which the goods were loaded onto the international carrier.

Tariff	A tax imposed mainly on the importation of goods and rarely on the exportation of goods. The 'Australian Customs Tariff' or <i>Combined Australian Customs Tariff Nomenclature and Statistical Classification 1996</i> is the official list of imports subject to tariffs imposed by the Commonwealth government and collected by Customs.
Tariff quotas	see Import quotas.
Temporary trade	Temporary trade refers to goods that enter or leave Australia on a temporary basis, during which time the nature of the commodity remains unchanged.
Transhipments	The transfer of goods without payment of duty from the importing vessel or aircraft to another vessel or aircraft, for the purposes of conveyance overseas. Transhipment activity occurs where goods are not being re-traded by third countries but are simply moving through a third country en route between trading partners.

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