

FEATURE ARTICLE

AUSTRALIA'S MERCHANDISE TRADE WITH THE REPUBLIC OF KOREA

INTRODUCTION

This article examines the growth in merchandise trade between Australia and the Republic of Korea (subsequently referred to as Korea) over the period July 1989 to June 1999. It analyses the trade flows between Australia and Korea and the importance of this trade for Australia in terms of the various commodities exported and imported. An update on performance in the September quarter 1999 is also included.

The statistics are presented on an international trade basis (rather than a balance of payments basis) and are classified according to the Standard International Trade Classification Rev. 3 (SITC).

TOTAL TRADE FLOWS BETWEEN AUSTRALIA AND KOREA

Tables A (exports) and B (imports) show the value of Australia's trade flows with Korea by broad commodity for the 10 years to June 1999. Table C shows the proportion of Australia's world wide exports and imports that are traded with Korea, and the excess of exports over imports (the balance of merchandise trade) for each of the 10 years. Data are shown on a financial year basis.

TABLE A: AUSTRALIA'S MERCHANDISE EXPORTS TO THE REPUBLIC OF KOREA

SITC code & commodity	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m	1996-97 \$m	1997-98 \$m	1998-99 \$m
0 Food and live animals (a)	289	391	357	262	224	278	243	483	252	324
1 Beverages and tobacco (a)	0	1	0	3	5	3	2	2	1	1
2 Crude materials, inedible, except fuels (a)	789	878	1 015	1 096	1037	1 145	1 077	1 029	1 146	1 417
3 Mineral fuels, lubricants and related materials (a)	526	608	722	946	998	1 005	1 101	1 196	1 420	1 333
4 Animal and vegetable oils, fats and waxes (a)	3	3	2	8	14	3	6	16	15	7
5 Chemical and related products, n.e.s. (a)	54	47	53	66	90	100	99	110	105	106
6 Manufactured goods classified chiefly by material (a)	467	585	540	539	704	730	746	727	606	747
7 Machinery and transport equipment (a)	41	106	111	163	254	383	406	408	412	259
8 Miscellaneous manufactured articles (a)	45	54	65	78	85	85	102	111	102	79
9 Commodities and transactions not classified elsewhere in the SITC (b)	486	564	499	810	1 295	1 517	2 832	3 052	2 340	2 047
Of which :										
97 Gold, non-monetary	186	295	265	383	662	964	2 187	2 502	1 449	1 097
98 Combined confidential items of trade and commodities n.e.s.(b)	299	268	233	424	632	553	638	547	888	885
Total Australian exports to the Republic of Korea	2 700	3 237	3 365	3 970	4 706	5 250	6 615	7 134	6 397	6 320

(a) Excludes export commodities subject to a 'No Commodity Details' or a 'No Country Details' or a 'Selected Country Details –Rep. of Korea' restriction.

(b) Includes export commodities subject to a confidentiality restriction

TABLE B: AUSTRALIA'S MERCHANDISE IMPORTS FROM THE REPUBLIC OF KOREA

<i>SITC code & commodity</i>	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
0 Food and live animals (a)	22	18	21	21	19	21	18	18	23	30
1 Beverages and tobacco	3	4	0	0	0	0	0	1	0	0
2 Crude materials, inedible, except fuels (a)	9	7	8	7	8	12	13	7	8	10
3 Mineral fuels, lubricants and related materials (a)	6	3	7	20	10	14	14	13	20	23
4 Animal and vegetable oils, fats and waxes (a)	0	0	0	0	0	0	0	0	1	0
5 Chemical and related products, n.e.s. (a)	66	52	64	105	125	142	170	159	160	163
6 Manufactured goods classified chiefly by material (a)	434	397	429	462	504	568	539	542	658	729
7 Machinery and transport equipment (a)	360	457	402	813	960	1 014	1 322	1 543	1 973	1 838
8 Miscellaneous manufactured articles (a)	257	252	230	219	177	160	154	134	148	153
9 Commodities and transactions not classified elsewhere in the SITC (b)	96	65	51	49	78	98	62	132	776	948
Of which :										
97 Gold, non-monetary	0	0	0	0	0	1	0	31	678	859
98 Combined confidential items of trade and commodities n.e.s. (b)	95	65	51	49	78	96	62	101	98	89
Total Australian imports from the Republic of Korea	1 254	1 254	1 213	1 696	1 882	2 028	2 293	2 550	3 767	3 894

(a) Excludes import commodities subject to a 'No Commodity Details' or a 'No Country Details' or a 'Selected Country Details -Rep. of Korea' restriction.

(b) Includes import commodities subject to a confidentiality restriction.

TABLE C: AUSTRALIA'S MERCHANDISE TRADE AND TRADE SHARE WITH THE REPUBLIC OF KOREA

	<i>Exports to Rep. of Korea</i>	<i>Share of Australia's total exports</i>	<i>Imports from Rep. of Korea</i>	<i>Share of Australia's total imports</i>	<i>Balance of trade with Rep. of Korea(a)</i>
	\$m	%	\$m	%	\$m
1989-90	2 700	6	1 254	2	1 446
1990-91	3 237	6	1 254	3	1 983
1991-92	3 365	6	1 213	2	2 152
1992-93	3 970	7	1 696	3	2 274
1993-94	4 706	7	1 882	3	2 824
1994-95	5 250	8	2 028	3	3 222
1995-96	6 615	9	2 293	3	4 322
1996-97	7 134	9	2 550	3	4 584
1997-98	6 397	7	3 767	4	2 631
1998-99	6 320	7	3 894	4	2 426

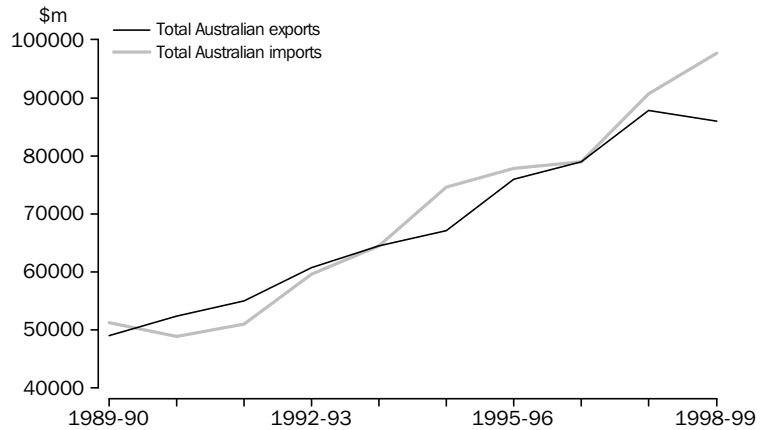
(a) exports less imports

TOTAL TRADE FLOWS BETWEEN AUSTRALIA AND KOREA *continued*

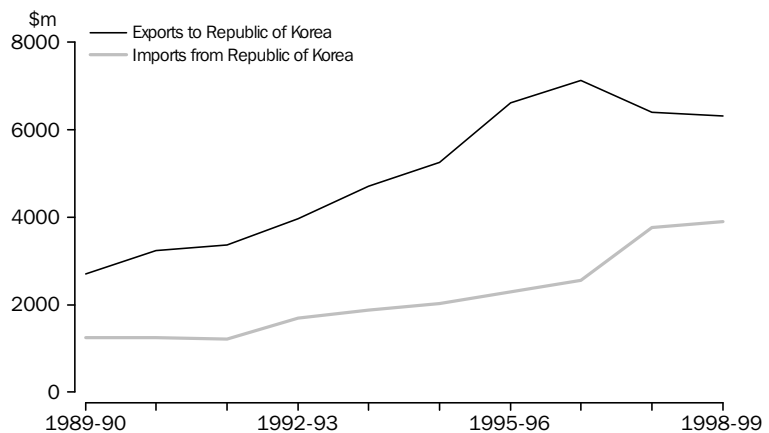
Over the past 10 years Korea's importance to Australia as an export destination has increased marginally from 6% to 7% of Australia's global merchandise exports, although the share has fallen off in the past two years. Over the same period its share of Australia's imports doubled from 2% to 4% (see Table C).

Between 1989–90 and 1998–99 the value of Australia's total trade (exports plus imports) with Korea increased by 158% from \$3,954 million to \$10,214 million, and Korea's share of Australia's total trade rose from 4% to 6%. Australia's total exports increased by 75% over the period while our exports to Korea increased by 134%. Similarly, while total Australian imports increased by 90%, imports from Korea increased by 211% (see Graphs 1 and 2).

GRAPH 1: AUSTRALIA'S TOTAL MERCHANDISE TRADE



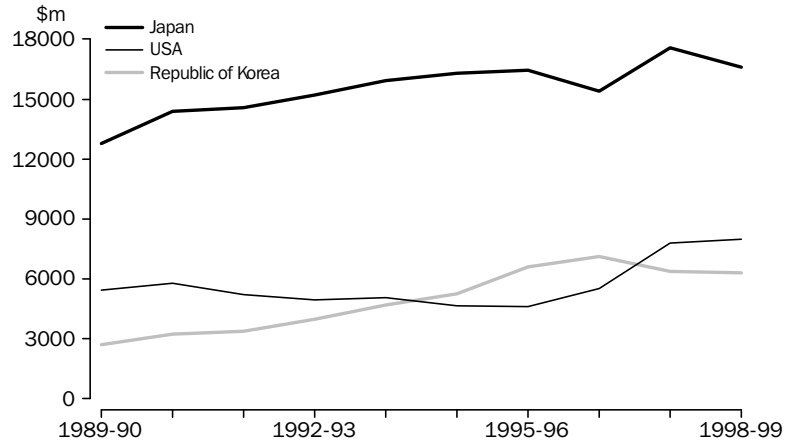
GRAPH 2: AUSTRALIA'S MERCHANDISE TRADE WITH THE REPUBLIC OF KOREA



TOTAL TRADE FLOWS BETWEEN AUSTRALIA AND KOREA continued

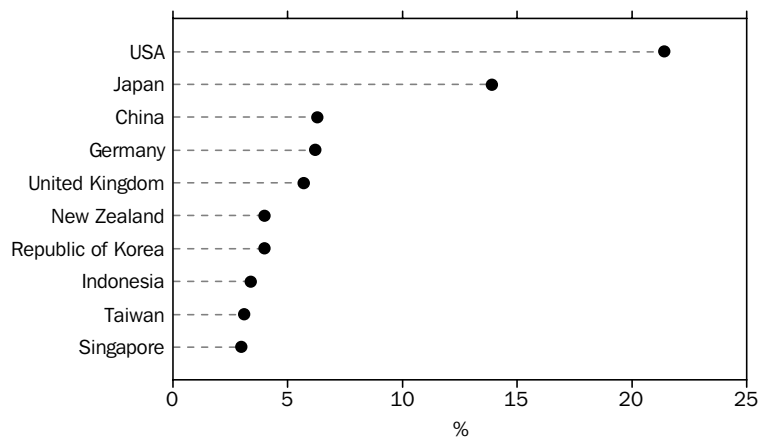
Korea was Australia's third most important export destination behind Japan and the United States for most of the ten year period, except during the period 1994–95 to 1996–97 when exports to Korea exceeded exports to the United States (see Graph 3).

GRAPH 3: MAJOR AUSTRALIAN EXPORT DESTINATIONS



Over the last ten financial years, Korea increased in importance as an import supplier to Australia. It peaked as Australia's sixth largest import supplier in 1997–98 before declining to seventh position in 1998–99 (see Graph 4).

GRAPH 4: MAJOR AUSTRALIAN IMPORT SOURCES, Share of total Australian merchandise imports – 1998–99



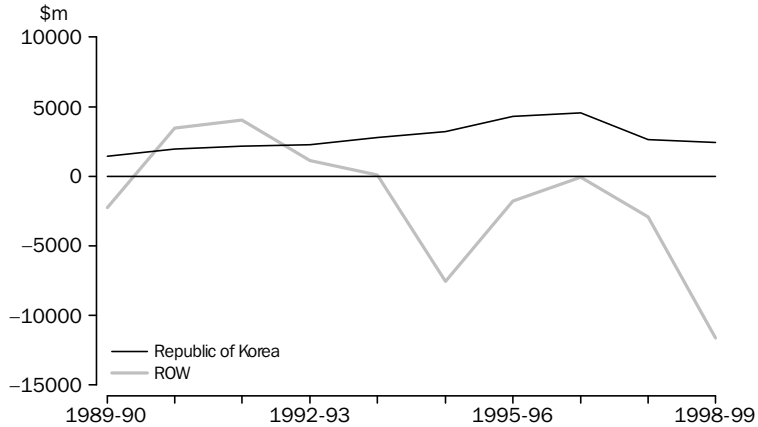
From Korea's perspective, Australia is more important as an import source than an export destination. In 1998–99, Australia was the destination for only 2% of Korea's exports and the source of 5% of Korea's imports - a small increase over the corresponding percentages for 1989–90 of 1% and 4% respectively. ¹



AUSTRALIA'S BALANCE OF TRADE WITH KOREA

Australia has recorded merchandise trade surpluses with Korea in each of the last 10 financial years. The surplus grew progressively from \$1,446 million in 1989–90 to \$4,584 million in 1996–97 before declining to \$2,426 million in 1998–99, due largely to reduced exports of non-monetary gold from Australia (see Graph 5).

GRAPH 5: AUSTRALIA'S BALANCE OF TRADE WITH THE REPUBLIC OF KOREA AND THE REST OF THE WORLD



As a proportion of the value of total merchandise trade (exports plus imports) between Australia and Korea, the trade surplus with Korea increased from 37% in 1989–90 to 47% in 1991–92, before declining to 40% in 1992–93. The surplus subsequently peaked at 49% in 1995–96, but then declined to 24% in 1998–99 (see Graph 6).

GRAPH 6: AUSTRALIA'S TRADE SURPLUS WITH THE REP. OF KOREA AS A PERCENTAGE OF AUSTRALIA'S TOTAL TRADE WITH THE REP. OF KOREA

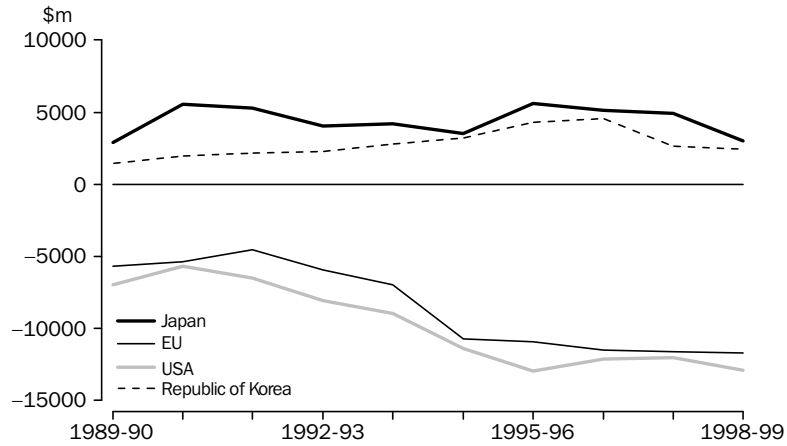


The continuing trade surplus with Korea contrasts with Australia's persistent trade deficit with the rest of the world since 1994–95 (see Graph 5). Expanding trade deficits with the United States of America and the European Union have been only partially offset by surpluses with Korea and Japan (see Graph 7).



AUSTRALIA'S BALANCE OF TRADE WITH KOREA *continued*

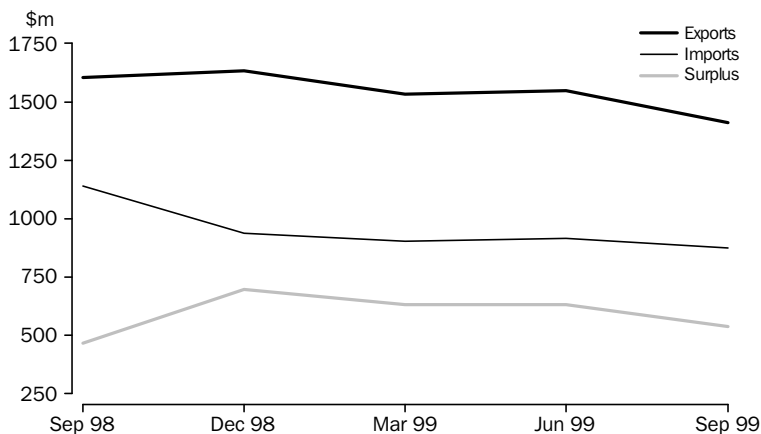
GRAPH 7: AUSTRALIA'S BALANCE OF TRADE BY MAJOR TRADING PARTNERS



SEPTEMBER QUARTER 1999 UPDATE

In the September quarter 1999, Australia's merchandise trade surplus with Korea was \$537 million, a decrease on the surplus of \$633 million recorded in the June quarter 1999 and an increase on the surplus of \$465 million recorded for the corresponding quarter in 1998. The fall in the surplus since the June quarter 1999 is the result of a decline in Australia's total merchandise exports to Korea (mainly non-monetary gold, coal and metal ores). Between the September quarter 1998 and September quarter 1999, exports to Korea declined by 12% - from \$1,606 million to \$1,412 million, while imports from Korea decreased by 23% - from \$1,141 million to \$875 million (see Graph 8).

GRAPH 8: AUSTRALIA'S MERCHANDISE TRADE WITH THE REP. OF KOREA, September 1998-September 1999



COMMODITY ANALYSIS OF TRADE WITH KOREA

Tables D and E show Australia's trade flows with Korea for the two financial years 1989-90 and 1998-99 for selected major commodities, the share of total trade with Korea represented by each commodity in 1989-90 and 1998-99, and the proportion of Australia's world wide trade in each of the major commodities traded with Korea.



TABLE D: REPUBLIC OF KOREA'S IMPORTANCE TO AUSTRALIA AS A DESTINATION FOR SELECTED MERCHANDISE EXPORTS

Selected SITC code & commodity	1989-90.....			1998-99.....		
	\$m	Commodity share of exports to Rep. of Korea %	Rep. of Korea's share of total Australian exports of the commodity %	\$m	Commodity share of exports to Rep. of Korea %	Rep. of Korea's share of total Australian exports of the commodity %
0 Food and live animals (a)	289	11	3	324	5	2
2 Crude materials, inedible, except fuels (a)	789	29	6	1 417	22	8
Of which :						
28 Metalliferous ores and metal scrap (a)	343	13	5	1 061	17	10
Of which :						
281 Iron ore and concentrates (a)	147	5	7	561	9	15
283 Copper ores and concentrates	0	0	0	126	2	13
287 Ores and concentrates of base metal (a)	190	7	14	293	5	19
3 Mineral fuels, lubricants and related materials (a)	526	19	6	1 333	21	9
Of which :						
32 Coal, coke and briquettes (a)	489	18	8	1 048	17	11
Of which :						
321 Coal, not agglomerated (a)	489	18	8	1 048	17	11
33 Petroleum, petroleum products and related materials	34	1	2	259	4	8
Of which :						
333 Crude petroleum oil	23	1	2	246	4	15
6 Manufactured goods classified chiefly by material (a)	467	17	8	747	12	7
Of which :						
67 Iron and steel (a)	91	3	12	120	2	8
68 Non-ferrous metals (a)	352	13	9	591	9	11
Of which :						
684 Aluminium	306	11	13	511	8	16
7 Machinery and transport equipment (a)	41	2	1	259	4	3
Of which :						
71 Power generating machinery and equipment	5	0	1	133	2	19
Of which :						
713 Internal combustion piston engines and parts	4	0	1	129	2	28
9 Commodities and transactions not classified elsewhere (b)	486	18	11	2 047	32	20
Of which :						
97 Gold, non-monetary	186	7	6	1 097	17	17
98 Combined confidential items of trade and commodities n.e.s. (b)	299	11	..	885	14	..
Other SITC sections	102	4	..	193	3	..
Total Australian exports to Republic of Korea	2 700	100	..	6 320	100	..

(a) Excludes export commodities subject to a 'No Commodity Details' or a 'No Country Details' or a 'Selected Country Details -Rep. of Korea' restriction.

(b) Includes export commodities subject to a confidentiality restriction.

TABLE E: REPUBLIC OF KOREA'S IMPORTANCE TO AUSTRALIA AS A SOURCE OF SELECTED MERCHANDISE IMPORTS

Selected SITC code & commodity	1989-90.....			1998-99.....		
	\$m	Commodity share of imports from Rep. of Korea %	Rep. of Korea's share of total Australian imports of the commodity %	\$m	Commodity share of imports from Rep. of Korea %	Rep. of Korea's share of total Australian imports of the commodity %
6 Manufactured goods classified chiefly by material (a)	434	35	5	729	19	6
Of which :						
62 Rubber manufactures, n.e.s. (a)	58	5	8	100	3	8
65 Textile yarn, fabrics, made-up articles, n.e.s., and related products (a)	203	16	10	212	5	8
67 Iron and steel (a)	58	5	6	163	4	11
7 Machinery and transport equipment (a)	360	29	2	1 838	47	4
Of which:						
74 General industrial machinery and equipment, n.e.s. and machine parts, n.e.s. (a)	17	1	1	169	4	3
Of which :						
741 Heating and cooling equipment (a)	5	0	1	93	2	8
76 Telecommunications and sound recording and reproducing apparatus and equipment (a)	130	10	7	482	12	10
Of which :						
764 Telecommunications equipment, n.e.s.; parts, and accessories of radio, television, video & similar apparatus, n.e.s.	25	2	3	375	10	10
78 Road vehicles (incl. air-cushion vehicles)	69	6	1	672	17	6
Of which :						
781 Motor vehicles principally designed for transport of persons (excl. public transport type, incl. racing cars)	51	4	2	641	16	10
79 Transport equipment (excluding road vehicles)	1	0	0	133	3	5
Of which :						
793 Ships, boats (incl. hovercraft) and floating structures	1	0	0	132	3	42
9 Commodities and transactions not classified elsewhere (b)	96	8	9	948	24	37
Of which :						
97 Gold, non-monetary	0	0	0	859	22	37
98 Combined confidential items of trade and commodities n.e.s. (b)	95	8	..	89	2	..
Other SITC sections	363	29	..	379	10	..
Total Australian imports from Republic of Korea	1 254	100	..	3 894	100	..

(a) Excludes import commodities subject to a 'No Commodity Details' or a 'No Country Details' or a 'Selected Country Details -Rep. of Korea' restriction.

(b) Includes import commodities subject to a confidentiality restriction.

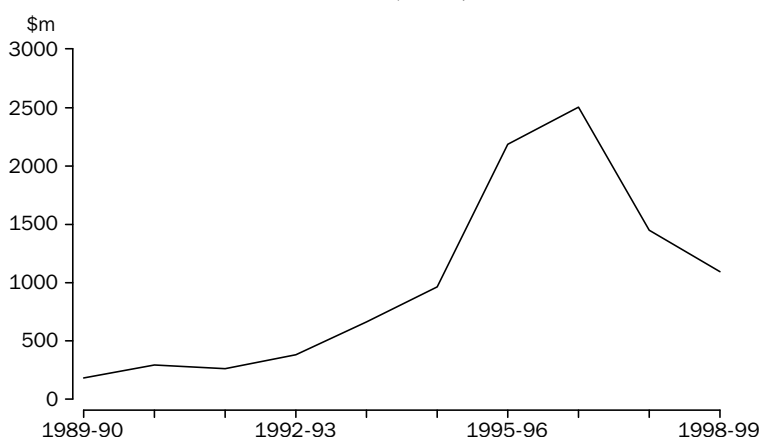
COMMODITY ANALYSIS OF TRADE WITH KOREA *continued*

Some of the data in Tables D and E are affected by confidentiality restrictions. In making comparisons at the commodity level it should be noted that, in Australia's international trade statistics, confidential commodity data are not reported against the commodity, but rather are classified to *combined confidential items of trade* (SITC 98). While confidentiality restrictions do not affect total import and export statistics, they do affect data comparability at the commodity level. In particular it should be noted that Australia's export commodity statistics with Korea are affected by confidentiality restrictions.

EXPORTS

In 1998–99 *non-monetary gold* (SITC 97) was the largest commodity by value exported to Korea. Australia's exports of non-monetary gold to Korea grew steadily for most of the period from 1989–90, so that by 1996–97 the value of exports had reached \$2,502 million (see Graph 9), at which time Korea became our most important destination for this commodity. Much of the growth occurred "in response to restrictions on foreign exchange trading laws in South Korea which have encouraged arbitragers to re-export gold to profit from the difference between South Korean interest rates and international borrowing costs"¹². This continued at a reduced level into 1997–98 (see imports commodity analysis for more details) but by 1998–99 "moves in South Korea to disallow such schemes, and the heightened risk of foreign exchange losses (with the large depreciation of the won)"¹³ had significantly affected demand for gold with Australian exports declining to \$1,097 million.

GRAPH 9: AUSTRALIA'S NON-MONETARY GOLD (SITC 97) EXPORTS TO THE REPUBLIC OF KOREA



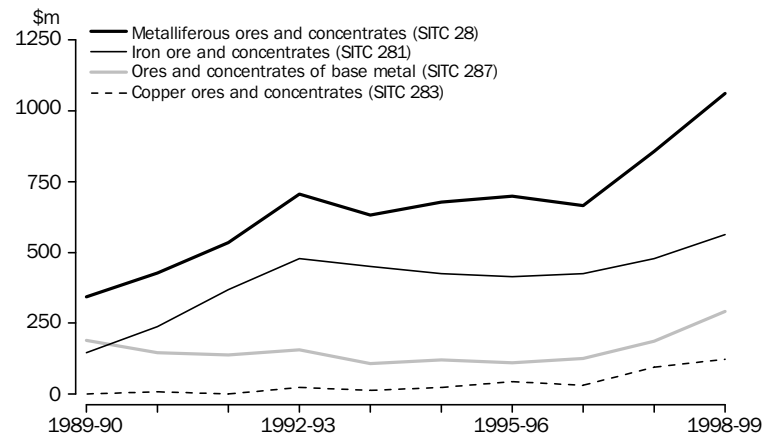
In 1989–90 and 1998–99 *crude materials* (SITC 2) was the largest group of commodities by value exported from Australia to Korea. In 1998–99 exports of crude materials accounted for \$1.4 billion (22%) of Australia's exports to Korea - up 79% on the \$789 million (29%) in 1989–90, but down on the approximately 30% share achieved in the early 1990's.

The largest component of SITC 2 is *iron ore and concentrates* (SITC 281). The value of Australia's iron ore exports to Korea rose from 1989–90 to 1992–93 but fell between 2% and 6% over the following three years due to lower global iron ore prices. While exports of iron ore to Korea increased slightly in 1996–97, these exports rose 13% to \$480 million in 1997–98 and a further 17% to \$561 million in 1998–99 (see Graph 10). For most of the period Korea was the third most important destination for Australia's iron ore exports, behind Japan and China. While export statistics for iron ore are affected by confidentiality restrictions during the years 1989–90 and 1990–91, the data for the years from 1991–92 include the value of iron ore exports to Korea.



EXPORTS continued

GRAPH 10: AUSTRALIAN EXPORTS OF METALLIFEROUS ORES & CONCENTRATES (SITC 28)
TO THE REPUBLIC OF KOREA



Ores and concentrates of base metal (SITC 287) were the next largest export to Korea in the crude materials group, having increased from \$190 million in 1989–90 to \$293 million in 1998–99. While the value of exports of base metal ores dropped below \$190 million for all years until 1998–99, some ores (principally manganese, rutile, ilmenite, leucoxene and zirconium) which would otherwise be classified to SITC 287 are included in *combined confidential items of trade* (SITC 98) for some or all of the period.

The next largest export to Korea within the SITC 28 group is *copper ores and concentrates* (SITC 283) with exports rising from \$0.4 million in 1989–90 to \$126 million in 1998–99. Korea increased its market share of Australia's exports of copper ores from 0.2% in 1989–90 to 13% in 1998–99 at which time it ranked fourth behind Japan, India and China as an export destination for these goods.

The second major category of Australian exports to Korea is *mineral fuels and lubricants* (SITC 3) which increased in value in each successive year from \$526 million in 1989–90 to \$1,420 million in 1996–97 but declined to \$1,333 million in 1998–99. In 1989–90 these exports made up 19% of total Australian exports to Korea, while by 1998–99 they had grown to 21% of Australia's exports to Korea. Korea's importance as a market for exports of Australian *mineral fuels and lubricants* (SITC 3) grew over the ten year period. In 1989–90, 6% of total Australian exports of this commodity were to Korea and in 1998–99 the percentage share had increased to 9%.

Coal, not agglomerated (SITC 321) has been the main export under *mineral fuels and lubricants* (SITC 3) throughout the ten year period. The value of coal exports to Korea climbed steadily from \$489 million in 1989–90 to \$930 million in 1993–94. In subsequent years the value fluctuated due to variations in \$US contract prices while the quantity increased progressively until 1998–99. In 1998–99 the value and volume of coal exported to Korea fell due to reduced demand for Australian coal, as a result of the Asian economic crisis (see Graph 11). However it should be noted that since July 1995 exports of semi-soft coking metallurgical coal to Korea have been subject to confidentiality restrictions and are now included in *combined confidential items of trade* (SITC 98). In 1994–95 metallurgical coal exports to Korea were valued at \$176 million.

Throughout the ten years Korea has been the second largest market behind Japan for Australian coal. Australian exports of coal to Korea accounted for 11% of our world wide exports of these goods in 1998–99, up from 8% in 1989–90.

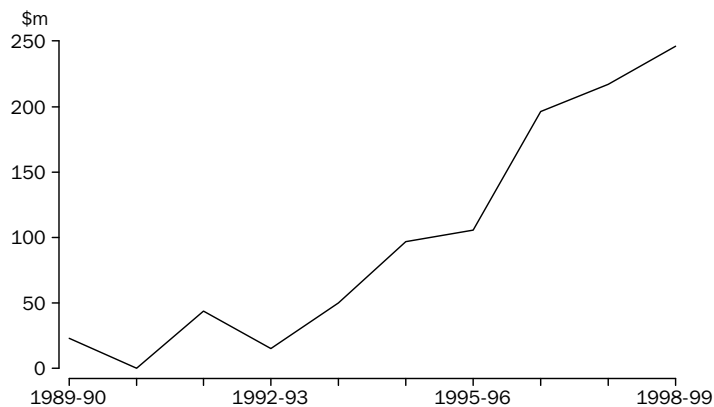
EXPORTS continued

GRAPH 11: AUSTRALIAN COAL (SITC 321) EXPORTS TO THE REPUBLIC OF KOREA



Another important export to Korea within SITC 3 is *crude petroleum oil* (SITC 333) with exports rising strongly from \$23 million in 1989–90 to \$246 million in 1998–99 (see Graph 12). This represents 4% of Australia's exports to Korea and 15% of Australia's worldwide exports of crude petroleum. By the end of the decade Korea was the fourth most important export destination for this commodity behind United States, Taiwan and Japan.

GRAPH 12: AUSTRALIAN EXPORTS OF CRUDE PETROLEUM OIL (SITC 333) TO THE REPUBLIC OF KOREA

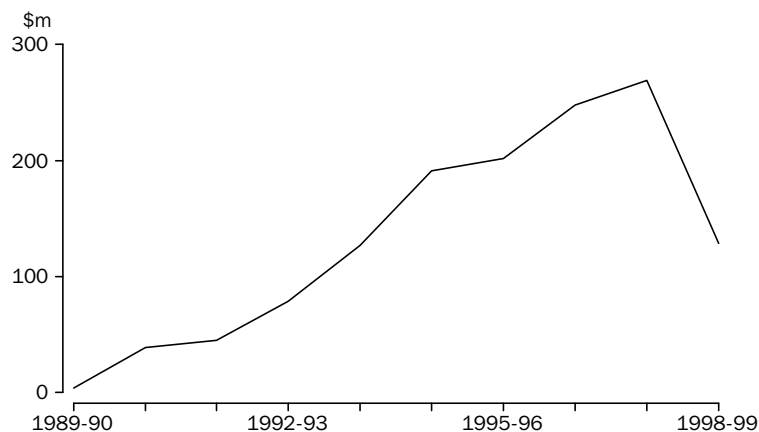


Exports of *machinery and transport equipment* (SITC 7) to Korea increased in each year to 1997–98 before declining in 1998–99. The major commodity in this group is *internal combustion piston engines* (SITC 713) with Korea being Australia's principal market. In 1989–90 exports of these engines were worth \$4 million, representing less than 1% of Australia's exports to Korea. By 1997–98 exports of internal combustion piston engines had risen to a high of \$269 million before declining to \$129 million in 1998–99, representing 4% and 2% respectively, of Australia's exports to Korea (see Graph 13). The decrease in exports of engines during 1998–99 was largely due to a decline in automotive production in Korea as a result of the Asian economic crisis.



EXPORTS continued

GRAPH 13: AUSTRALIA'S EXPORTS OF ENGINES (SITC 713) TO THE REPUBLIC OF KOREA



The value of exports of *food and live animals* (SITC 0) to Korea is affected by confidentiality restrictions over the ten years to 1998–99. Exports of sugar, wheat and lupins which would otherwise be classified to SITC 0, are included in *commodities and transactions not classified elsewhere* (SITC 9) for part of the ten year period. Wheat exports to Korea (which amounted to \$149 million in 1990–91) are excluded from SITC 0 from December 1991 onwards, and exports of lupins (which amounted to \$17 million in 1992–93) are excluded from July 1993 onwards. Sugar exports are excluded up until January 1996, and again from August 1997. The \$483 million recorded for SITC 0 for 1996–97 includes sugar exports of \$243 million.

IMPORTS

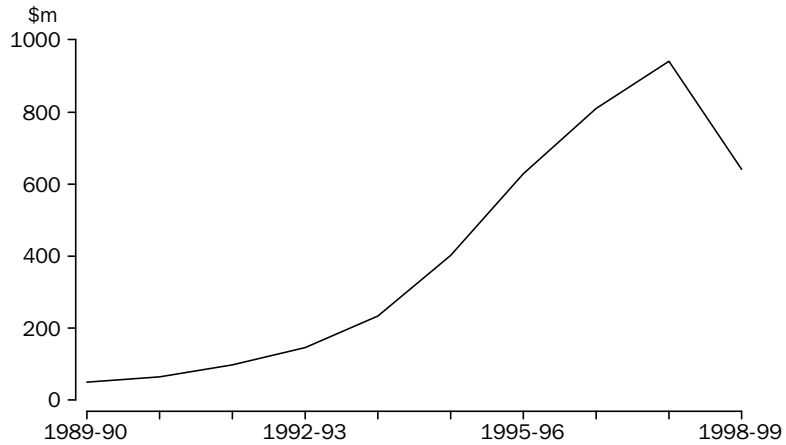
Since 1992–93 the largest group of commodities by value imported into Australia from Korea is *machinery and transport equipment* (SITC 7). Imports of these goods accounted for 47% of Australia's total imports from Korea in 1998–99, having grown from 29% in 1989–90. Korea was the sixth most important source of Australia's total imports of machinery and transport equipment in 1998–99. The largest single component of this group is *road vehicles* (SITC 78).

Between the years 1992–93 and 1997–98 there was a dramatic increase in the value of imports of road vehicles from Korea. In 1997–98 imports were \$977 million representing 26% of Australian imports from Korea, a thirteen fold increase on the 1989–90 level of \$69 million (or 6% of imports from Korea). As a source of Australia's worldwide imports of road vehicles, Korea's share increased from 1% in 1989–90 to 9% in 1997–98.

Within the road vehicle group, imports of *passenger motor vehicles* (SITC 781) are the most significant single component. Imports of passenger motor vehicles grew between 1992–93 and 1997–98, before declining to \$641 million the following year. The increase can be attributed to: imported passenger motor vehicles replacing locally manufactured vehicles (from 1990 the number of car models manufactured in Australia decreased from eight to five)⁴; growth in demand for smaller, cheaper cars such as those manufactured in Korea and Japan; and aggressive marketing by Korean companies which led to an increase in Korea's share of Australia's passenger motor vehicle market. The decline in 1998–99 can be attributed to both the economic crisis in Korea and an oversupply of Korean made passenger motor vehicles in Australia (see Graph 14).

IMPORTS continued

GRAPH 14: AUSTRALIAN PASSENGER MOTOR VEHICLE (SITC 781) IMPORTS FROM THE REPUBLIC OF KOREA



In 1998-99, passenger motor vehicles accounted for 16% of Australia's total imports from Korea (down from 32% and 25% in 1996-97 and 1997-98 respectively). Korea accounted for 10% of total Australian passenger motor vehicle imports in 1998-99 (down from 17% and 15% in the 2 previous financial years) (see Graph 15).

GRAPH 15: REPUBLIC OF KOREA'S SHARE OF AUSTRALIAN PASSENGER MOTOR VEHICLE (SITC 781) IMPORTS



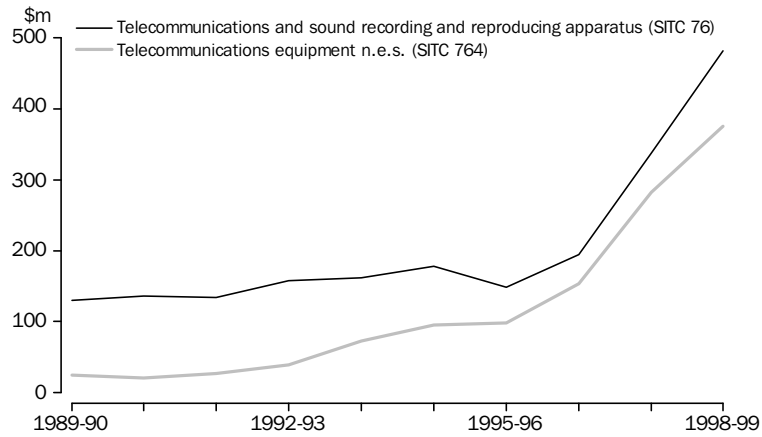
Imports of *telecommunications and sound apparatus* (SITC 76) from Korea rose by 271% over the ten year period, from \$130 million in 1989-90 to \$482 million in 1998-99. Imports of these goods from Korea increased from 10% of our total Korean imports in 1989-90 to 12% in 1998-99.

An increasingly important component of *telecommunications and sound apparatus* (SITC 76) over the ten year period was *telecommunications equipment not elsewhere specified* (SITC 764), mainly cellular mobile telephones. Since 1994-95 imports of this equipment have contributed more than half of the value to imports of *telecommunications and sound apparatus* (SITC 76). By 1998-99 imports of *telecommunications equipment not elsewhere specified* (SITC 764) had increased to \$375 million, a fourteen fold increase on the value in 1989-90. Korea is now the third most important import supplier of these products after Japan and the United States (see Graph 16).



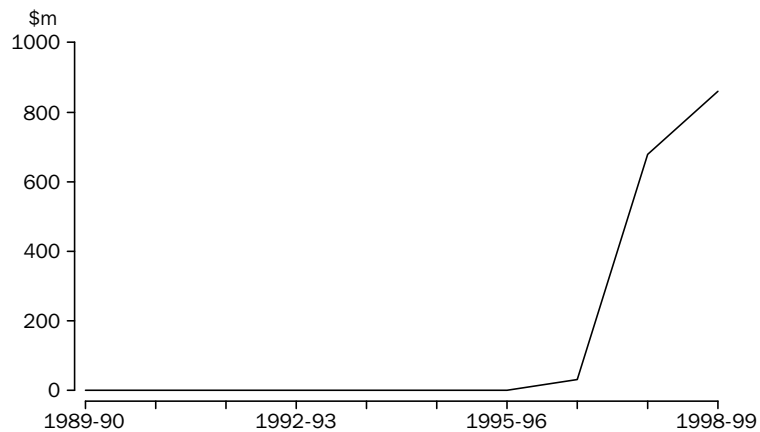
IMPORTS continued

GRAPH 16: AUSTRALIAN TELECOMMUNICATIONS & SOUND RECORDING AND REPRODUCING APPARATUS (SITC 76) FROM THE REPUBLIC OF KOREA



Australia's imports from Korea of goods in the category *commodities and transactions not classified elsewhere* (SITC 9) have shown the most dramatic increase over the ten year period. Most of the growth occurred in 1997-98 and 1998-99 and was largely driven by imports of *non-monetary gold* (SITC 97), which increased from only \$31 million in 1996-97, to \$678 million in 1997-98 and \$859 million in 1998-99 (see Graph 17).

GRAPH 17: AUSTRALIAN NON-MONETARY GOLD IMPORTS (SITC 97) FROM THE REPUBLIC OF KOREA



Much of the increase is due to gold that was initially exported from Australia to Korea, rolled into plate in Korea, and returned to Australia for processing into bullion and subsequent export. This situation arose out of attempts by Korean authorities to control arbitrage driven gold import-export schemes, previously undertaken by Korean trading houses, by requiring gold to be value added when shipped through Korea.⁵

Non-monetary gold (SITC 97) imports grew from a negligible share of total Australian imports from Korea and total gold imports in 1989-90, to 22% and 37% respectively in 1998-99. Korea was the major source of Australian non-monetary gold imports for 1997-98 and 1998-99.



CONCLUSION

Over the ten financial years to 1998–99, Korea became increasingly more important as a trading partner for Australia. Korea's share of Australian exports of non-monetary gold, coal, petroleum and internal combustion piston engines all increased over the period, with the largest percentage increase being in internal combustion piston engines. In terms of Australia's imports from Korea, the main increases were in passenger motor vehicles, telecommunications equipment and non-monetary gold, with non-monetary gold showing the largest percentage increase. While Australia has maintained a trade surplus with Korea for the entire period, the surplus fell from 1997–98 due largely to the impact of the Asian economic crisis on Australia's exports to Korea.

FURTHER INFORMATION

The statistics in this article have been sourced from ABS publications and other detailed data available at the ABS. Clients interested in obtaining more details about Australia's trade with Korea or about other aspects of Australia's international merchandise trade can contact ABS Client Services on (02) 6252 5400.

ENDNOTES

¹ *Monthly Statistics of Korea*, July 1999, National Statistical Office Republic of Korea, pp207-215

² *Australian Commodities Forecasts and Issues*, vol.5, no.1, March 1998, ABARE, Canberra, p54

³ *ibid*

⁴ *State of the Australian Automotive Industry 1997*, 1998, DISR, Canberra, pp117-119

⁵ *Australian Commodities Forecasts and Issues*, vol.5, no.3, September 1998, ABARE, Canberra, p354

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