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**Reconciliation of the 1992 Merchandise Trade Statistics
of the United States and the Republic of Korea**

The Bureau of the Census, Department of Commerce, announced today the completion of the reconciliation of 1992 merchandise trade data for the United States and the Republic of Korea. The 1992 study was the third reconciliation of annual trade data undertaken by the two countries as part of an ongoing study of their trade statistics.

The 1992 reconciliation study showed, as the previous studies had, that the largest sources of discrepancy between the two nation's trade statistics are differences in the statistical definitions used by the two countries, especially regarding insurance and freight charges, imports through intermediate nations, shipping containers, repairs and reexports.

In 1992, Korea recorded imports of \$18.0 billion while the United States recorded exports totaling \$14.6 billion. This difference, when coupled with a smaller \$1.2 billion discrepancy between published U.S. imports and Korean exports, results in a \$2.2 billion difference in the U.S. trade deficit as reported by the two countries. Based upon published values, each country claims a trade deficit with the other.

The study found that for westbound trade (trade bound for Korea) the major reason for discrepancy was \$1.2 billion of insurance and freight costs included in Korean imports that were excluded from counterpart U.S. export statistics. Other major reasons included transactions via third countries (\$0.6 billion), and repairs (\$0.5 billion).

Major sources of discrepancy for eastbound trade (trade bound for the United States) include differences in the treatment of shipping containers

(\$0.7 billion), transactions via third countries (\$0.6 billion), and repairs (\$0.5 billion).

The reconciliation study was conducted jointly by the Korean Customs Administration and the U.S. Bureau of the Census assisted by the U.S. Customs Service. This third reconciliation focused on resolution of differences in the detailed data for products with large discrepancies as well as definitional and conceptual differences affecting total trade. The agencies have agreed to continue the reconciliations with the goal of resolving additional differences. The agencies expect to analyze 1994 data and to release results next year.

The adjustments presented in the attached reconciliation table do not represent revisions to either country's official statistics. These adjustments estimate the effect of conceptual and definitional differences between each country's import statistics, and the counterpart's export statistics, and do not imply errors in either country's published statistics.

The technical notes accompanying the reconciliation table provide detailed explanations for each adjustment.

Reconciliation of 1992 Merchandise Trade Statistics of Korea and the United States

In millions of U.S. Dollars
Detail may not sum to totals due to rounding

	West bound Trade		East bound Trade	
	U.S. Exports	Korea Imports	U.S. Imports	Korea Exports
Published Totals	14,639	18,034	16,682	17,927
Adjustments:				
Puerto Rico and the U.S. Virgin Islands		32		63
Coverage				
Shipping containers Reexports	-410		654	-113
Definition of Country Repairs	167	-539	22	-523
Low-value shipments Valuation definition Miscellaneous	74	-14 -19		-31
Double account				-38
Timing difference				74
Insurance and freight		-1,210		
Via third country	621			583
Defense Industry goods		37		
Withdrawal of export declaration				-5
Other	1,230			-579
Reconciled Totals	16,321	16,321	17,358	17,358

Explanatory Notes:

Published totals: These are the official import and export totals for trade between Korea and the United States as published by each country.

U.S. exports are valued on an f.a.s. (free alongside ship) basis

Korea's imports are valued on a c.i.f. (cost, insurance and freight) basis

U.S. imports are valued on an f.a.s. basis

Korea's exports are valued on an f.o.b. (free on board) basis. The f.o.b. value by definition exceeds the f.a.s. value by the cost of loading the goods on the carrier. In practice, there is little difference between values reported on f.a.s. and f.o.b. bases.

Adjustments:

Puerto Rico and the U.S. Virgin Islands: These adjustments equal Korea's value of trade with these U.S. possessions. The United States includes these possessions in its customs territory while Korea shows them as separate countries.

Shipping Containers: This represents the value of shipping containers exported by Korea for use on board the exporting vessel. These containers are considered non-statistical instruments of international trade by the United States. This adjustment, representing the difference between Korean exports and U.S. imports of these containers, is added to U.S. imports.

Reexports: For westbound trade, the adjustment to U.S. exports represents the total value of U.S. reexports of foreign goods to Korea. For eastbound trade, the adjustment to Korea's exports represents the total value of Korea's reexports of foreign goods imported from third countries to the United States. In each of these adjustments, the importing nation will credit these shipments to the country of origin, not to the country of exportation. For this reason, we subtract reexports from total exports for comparison purposes.

Definition of Country: This adjustment is for U.S. reexports of integrated circuits. These are difficult to identify a country of origin and will be credited to the country of shipment, the United States by Korea.

Repairs: These adjustments mainly reflect turbojets and other machinery that are exported from Korea to the United States for repairs and then reimported into Korea. Korea includes the value of the product to be repaired in both its import and export statistics. The United States excludes items imported temporarily for the purpose of repair from its import statistics and records only the value added by the repair in its export statistics. The adjustment to U.S. imports reflects the repair of U.S. ships in Korea.

Low-value shipments: This adjustment is the difference between the U.S. export low-value estimate and the reported Korean imports of low-value shipments. Korea collects data on all low-value shipments, while the United

States estimates the total value of shipments below its exemption levels based upon estimation factors.

Valuation definition: This adjustment to Korean imports and exports is the value of the service component of developed movie film.

This value is included in Korean export and imports statistics but excluded from U.S. import and export statistics.

Miscellaneous: This adjustment is for U.S. government donated goods and goods related to the U.S. army. These goods are included in Korea's import statistics but excluded from U.S. export statistics.

Double Account: This adjustment is for goods that were sent to replace merchandise returned by the importer.

Timing Difference: This adjustment reflects shipments imported in the year after they were exported. This represents the difference in the value of the goods that were exported from Korea to the United States in 1991 and imported into the United States in 1992, and that were exported from Korea to the United States in 1992 and imported into the United States in 1993.

Insurance and Freight: This is an estimate of the insurance and freight costs included in Korea's import value but excluded from the U.S. export value. The estimates are based upon the insurance and freight costs reported for U.S. imports from Korea.

Via Third Country: These adjustments reflect goods that are not shipped directly from the country of origin to the current country of importation, resulting in bilateral trade differences.

Defense industry goods: These adjustments to Korean imports reflect defense industry goods that are omitted in Korean import statistics.

Withdrawal of export declaration: This adjustment to Korean exports involves goods for which the export declaration was withdrawn in early 1993, after an export license was obtained at the end of 1992.

Other: Once all of the above adjustments are applied to the published totals, the adjustment to exports for both directions of trade is calculated by subtracting the adjusted export value from the adjusted import value.

For westbound trade, this difference is relatively large. Some of this difference may result from the limitations of the two largest adjustments (Insurance and freight and Via third country). The value of these adjustments dropped significantly in 1992 compared with other years. Lower estimates in either of these adjustments would cause an increase in the "Other" adjustment.

The differences may include additional third country transactions, valuation differences, differences in the timing of exports and the corresponding imports, rebates, adjustments after exportation and non-filing of export documents.