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Chemical Trade Data Study

Purpose

To undertake data gathering and analysis into the Australian trade of chemicals, both for import and export, to inform the appropriate Australian policy response and implementation strategy for the Globally Harmonised System of Classification and Labeling of Chemicals (GHS).

Background

The GHS includes the following elements:

- harmonized criteria for classifying substances and mixtures according to their health, environmental and physical hazards; and
- harmonised hazard communication elements, including requirements for labelling and safety data sheets.

The GHS official text cites the potential benefits and anticipates that when implemented the GHS will:

- enhance the protection of human health and the environment by providing an internationally comprehensible system for hazard communication;
- provide a recognized framework for those countries without an existing system;
- reduce the need for testing and evaluation of chemicals; and
- facilitate international trade in chemicals whose hazards have been properly assessed and identified on an international basis.

However as the United Kingdom Health and Safety Executive noted in their July 2007 initial Regulatory Impact Assessment:

> "5. The current EU classification and labelling system for supply and use of chemicals is mature, well developed, and widely understood. It is unlikely the EU (and therefore the UK) will experience significant benefits for human health or environmental protection from implementation of the United Nations Global Harmonised System of Classification and Labelling of Chemicals (GHS), compared with the current EU classification and labelling system. It is countries that as yet do not have a regime in place to control the supply and use of hazardous chemicals, that are expected to benefit the most from the UN GHS, and for them it will be a significant step forward in the safer management of chemicals.
>
> 6. The principal economic benefit of the GHS for the EU, and therefore the UK, is considered to be the facilitation of international trade, over the longer term, due to the lowering of technical barriers to trade….."

UK Initial Regulatory Impact Assessment on the Proposed European Regulation on the Classification, Labelling and Packaging of Substances and Mixtures (Based on the UN Globally Harmonised System. Consultative Document 213 - Annex B, July 2007
http://www.hse.gov.uk/consult/condocs/cd213ria.pdf

The successful global implementation of the GHS could see significant import and export trade efficiencies for Australia. It is a reality that as countries have begun to roll out their proposals for GHS, the practical implementation has been varied and as such could diminish trade efficiencies at the global level. It could be that greatest harmonisation will be achieved by closer alignment of approaches in trading blocks, at least in the short to medium term.

In developing an Australian policy response and GHS implementation strategy, there is critical need to identify Australia's major chemicals trading partners and to quantify the value of trade for imports and exports. As GHS implementation may entail significant transition periods (e.g. full implementation in Europe currently proposed for 2015) there is important need for policy to also be informed by trends in Australia's chemicals trade.

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Reference Group

The Department of Health and Ageing (Office of Chemical Safety) and the Department of Workplace Relations (DEWR) have jointly established a Roundtable forum with industry and other Commonwealth government agencies to provide for ongoing consultation in respect to the implementation of the GHS.

The purpose of the Round-Table is to broaden consultation with industry sectors on the GHS and to specifically:

- provide an update on the status of the GHS,
- exchange information on the GHS with industry stakeholders,
- identify and discuss possible implementation issues, and

agree actions on how best to address implementation issues of concern

The first meeting of the Roundtable took place in Canberra on 10 October 2007 and, in consideration of a workplan, identified a key activity to be:

> Arrange consultation with the Department of Foreign Affairs and Trade (DFAT) and Department of Industry Tourism and Resources (DITR) to determine the most appropriate data set defining Australia's trade position in relation to the import/export of chemicals.

Scope of work

The Reference Group, in consultation with DFAT and DITR, to agree on the scope and execution of a Chemical Trade Data Study, including:

- the appropriate classification system *(Attachment 1)*;
- the required level of data disaggregation;
- a base year and historical trend data;
- relevant global and domestic macro economic trend data (*Attachment 2);* and
- identification of the party or parties to undertake the study

Project Timeline

Date	**Action**
December 2007	Meeting of representatives of the Reference Group with DFAT/DITR
January 2008	Data analysis
February 2008	Report of findings to the Reference Group

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ATTACHMENT 1

Classification Codes

Chemical data in Australia is reported using two different classification systems:

- The Harmonised Commodity Description and Coding system; and
- The Australia New Zealand Standard Industrial Classification

On 1 January 1988 Australia adopted a new international classification system, the *Harmonised Commodity Description and Coding System* (HCDCS) for describing goods internationally traded. The HCDCS is more generally known as the Harmonised System (HS) and forms the basis for administering Australia's imports and exports and for the collection and dissemination of detailed international trade statistics. The HS was updated in 1996 and implemented in ABS International Trade statistics in July 1996.

All import and export transactions are reported to the Australian Customs Service (ACS) according to the following two classifications, which are extensions of the HS:

- Import statistics are collected according to the Combined Australian Customs Tariff and Statistical Nomenclature (commonly referred to as the Harmonised Tariff).
- Export statistics are collected according to the Australian Harmonised Export Commodity Classification (AHECC).

The *Australian and New Zealand Standard Industrial Classification* (ANZSIC) is the standard classification used in Australia and New Zealand for the collection, compilation and publication of statistics by industry.

In the ANZSIC an industry can be represented in any one of the four levels of the hierarchical structure within the classification (described below). These levels are divisions, subdivisions, groups, and classes. The ANZSIC class is defined in terms of a specified range of activities primary to that class. Similarly, each ANZSIC group is defined in terms of the activities primary to the classes within that group, and so on. Statistical units mainly engaged in activities which have been designated as primary to an ANZSIC class are classified to that class even if they are also engaged in other 'secondary' activities.

It is also worth noting the distinction between industrial classifications such as the ANZSIC and other classifications relating to commodities or occupations. In ANSZIC, activities are grouped together under a particular ANSZIC class on the basis of a known predominance of such activities at particular types of establishments, as opposed to simply grouping them on the basis of similarity of the activities themselves. On the other hand, commodity classifications group goods and services which are the outputs of economic activity, regardless of the industrial processes involved, while occupational classifications group the occupations of those actually performing the activities.

Data classified according to the ANSZIC can generally be converted to conform with the International Standard Industrial Classification of all Economic Activities (ISIC) Revision 3.

Source: Australian Bureau of Statistics (ABS)

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ATTACHMENT 2

Global Data

The IMF has released its latest World Economic Outlook, which forecasts continuing strong global growth, albeit with turbulent financial conditions. World output (GDP) is forecast to be 5.2% in 2007 and 4.8% in 2008. This is historically very high. The risks to the outlook are very much on the downside.

China is forecast to grow by 11.5% this year and 10.0% next year.

For Australia, the IMF says:

- Australia is forecast to grow faster than almost all developed countries - we are only beaten by Luxembourg. The forecast is for growth of 4.4% in 2007 and 3.8% in 2008.
- Inflation is forecast to be 2.3% in 2007 and 2.8% in 2008.
- Unemployment is forecast to be 4.4% in 2007 and 4.3% in 2008. The only developed countries with lower unemployment forecasts are: Netherlands, Switzerland, Denmark, Norway and Iceland.
- The Current Account Deficit is forecast to be 5.7% of GDP in 2007 and 5.6% in 2008. This is similar to that of the US and much higher than most other developed countries.

For Australia, the IMF says: "The Australian and New Zealand economies are expanding strongly, although the global financial market turmoil could act to modestly dampen growth in the near term. While the impact has been more limited than in some other countries, financial markets in Australia and New Zealand have been affected by recent developments, with interbank interest rates and credit spreads increasing, and reduced liquidity among nonbank institutions. Nevertheless, at this juncture, the main short-term policy challenge in both countries continues to be to keep firm control on inflation in the face of strong domestic demand and tight labor markets. To this end, both central banks have recently raised their policy rates—to 6½ percent in Australia and to 8¼ percent in New Zealand. Flexible exchange rates and prudent fiscal policies have played central roles in managing the domestic impact of strong capital inflows and the improving terms of trade. Against this background, it is important that both governments continue to exercise fiscal restraint in the period ahead."

The full report is available from: http://www.imf.org/external/pubs/ft/weo/2007/02/index.htm