



Glossary of Trade Terms

133 Committee: The Committee of Member State appointees who oversee the Commission's actions with regard to external trade. (See Briefing Paper 1)

AA: Association Agreement. These are cooperation agreements that cover trade. They are mostly signed with European countries associated with the EU such as members of EFTA or Accession Countries and with Euromed countries.

ACP: The group of African, Caribbean and Pacific countries that have special cooperation arrangements in trade, development and political dialogue. Most of the countries are ex-colonies of EU Member States.

Ad Valorem: Means that a tariff is applied to the value of the good as opposed to the unit of the good, which is a specific tariff.

AoA: Agreement on Agriculture. An agreement that formed part of the Uruguay round of negotiations that set up the WTO. Deals with trade related issues in agriculture such as tariffs and subsidies.

ASEAN: Association of South-East Asian Nations.

CAFTA: Central American Free Trade Agreement/Area. An agreement that is being negotiated between the US and the countries of Central America. Seen as a precursor to the FTAA.

CAP: The Common Agricultural Policy. The system by which the European Union subsidises its farmers. (See Briefing Paper 2)

CBD: The Convention on Biodiversity. This is a Multilateral Environmental Agreement (MEA) that is considered to be related to some of the areas of work of the WTO. The relationship between the CBD and other MEAs and the WTO rules are a controversial area of international law. Controversy exists because of their apparent incompatibility.

CCP: Common Commercial Policy. This is the area of EU competence that covers external trade. It is a fully communitised area of EU law. This means that the EU has exclusive competence.

Comparative Advantage: The theoretical concept developed in free market economics that because of the particular resources in different countries, such as human and physical resources, a particular country will be more efficient and therefore more competitive in the particular sector that uses that combination of resources or factors of production.

CITES: Convention on the Trade in Endangered Species.

DC: Developing Country. Usually defined roughly as low and middle income countries (as defined by the World Bank), although there is no universally recognised definition.



DDA: Doha Development Agenda. The Doha ministerial declaration signed in Doha Qatar in November 2001 launched a new round of negotiations at the WTO. It has been labelled the Development round initially by the EU, although many question whether the round is actually beneficial to development or is just rhetoric.

Decoupling: Refers to the process whereby payments or subsidies to a particular enterprise such as a farm are made in such a way as to not be dependent on increased production. Coupled payments are amber box under the WTO and so are subject to reduction commitments whereas decoupled payments are not. However some trade experts contend that decoupled payments can still have an influence over production. (See Briefing paper 3)

De Minimis₁: Is the minimum level for which a countervailing duty can be used to counteract the effect of dumped products. It was increased to 2% at the Tokyo round of negotiations. ie a countervailing duty cannot be imposed on a dumped product if it would take less than 2% to increase it to international market price.

De Minimis₂: With regard to reduction commitments on domestic subsidies, where the subsidy for a particular product is less than 5% of the total value of production of that product or where the subsidy is not for a particular product per se but is less than 5% of the total value of agricultural production, the subsidies concerned are exempt from reduction commitments. The values are 10% for developing countries.

DG Trade: The Directorate Generale that deals with external trade within the European Commission.

DSB: Dispute Settlement Body. It is the body within the WTO that deals with disputes between members. It is made up of all members of the WTO.

DSM: Dispute Settlement Mechanism. This is the mechanism through which disputes about another member's actions can be brought to the WTO for resolution. WTO rules allow for retaliatory trade sanctions to be imposed in certain cases.

Dumping: where a product is sold in a foreign market at below the cost of production. (This is mostly due to subsidies.)

EBA: Everything But Arms Agreement. This is the agreement whereby the EU allows LDC exports to enter the EU market at zero tariffs. Does not include bananas, sugar and rice or arms.

EC: European Communities. The EU Commissioner for External Trade represents the European Communities at the WTO and not the EU. This is a legal anomaly.

EEA: European Economic Area is the group of countries made up of the EU and the Members of EFTA.

EEC: European Economic Community was a customs union formed in 1958. No longer exists.

EFTA: European Free Trade Area is a free trade area amongst European countries that are not members of the EU. Includes Iceland, Liechtenstein, Norway and Switzerland. Also forms a part of the EEA.



EPA: Economic Partnership Agreements. The Cotonou Agreement sets out a new WTO compatible way for the relationship between the ACP and the EU to be managed. It anticipates EPAs between regions of ACP countries that integrate and the EU.

ESM: Emergency Safeguard Measures. A mechanism that allows safety measures to be put in place to protect sectors of the economy that are suffering in the face of the international competition as a result of the liberalisation of tariffs. Only available to those countries, mostly developed, that changed non-tariff measures to tariff measures during the tariffication process of the GATT.

FAO: Food and Agriculture Organisation, A Specialised Agency of the United Nations.

FDI: Foreign Direct Investment: Acquisition or construction of physical capital by a firm from one (**source**) country in another (**host**) country. Can include portfolio investment i.e. the type of investment that provides the investor with a return but not control of a company. One of the Singapore or New Issues.

FTA: Free Trade Agreement. An agreement between one or more countries that aims to remove or reduce tariffs and trade barriers. Under WTO rules they should be aimed at reducing all barriers to zero. Are an exception to the MFN rule.

G8: The group of the seven largest economies (France, Germany, Japan, UK, US, Canada and Italy) and China. Seen by many as the group that sets the economic policies in private before pursuing them elsewhere.

G22/G21: The group of countries that came together before the Cancún ministerial to push for greater reduction of agricultural subsidies in the EU and the US, includes the "heavyweights" of Brazil, China and India.

G77: A coalition of developing countries originally formed within the United Nations at an UNCTAD conference. Now has 133 members.

GATS: The General Agreement on Trade in Services. An agreement that forms part of the Uruguay agreement of the WTO. For the liberalisation of the trade in services. Works on a positive list approach. Seen by many critics as encroaching on the areas that are traditionally organised by governments not companies eg education, water.

GATT: The General Agreement on Trade and Tariffs, founded in 1948 was a plurilateral organisation that preceded the WTO. It agreed schedules for the reduction of tariffs in order to avoid the tariff wars that led to the economic crisis of the 1930s.

Graduation: Where a tariff is higher for a finished product than for a primary commodity eg coffee beans receive a lower tariff than roasted coffee or instant coffee.

GSP: The Generalised System of Preferences. Allowed under WTO rules, it grants non-reciprocal preferences to developing countries.



ILO: International Labour Organisation. The oldest organisation of the UN, works to protect core labour standards. After recent controversy about the relationship between the WTO and labour standards, the ILO set up the Special Working Group on the Social Aspects of Globalisation. Many believe that the ILO should have permanent observer status at the WTO.

ITO: The International Trade Organisation. When the Bretton Woods Institutions [International Monetary Fund and the World Bank] were set up it was originally envisaged to have a third, the ITO, however US opposition led to the establishment of the GATT, which would have been similar to the ITO's founding charter except that it did not establish a permanent secretariat.

LDC: Least Developed Countries. A group of 49 countries considered to be the world's poorest as designated by the UN General Assembly. Criteria are: a low income, as measured by the gross domestic product (GDP) per capita; weak human resources, as measured by a composite index (Augmented Physical Quality of Life Index) based on indicators of life expectancy at birth, per capita calorie intake, combined primary and secondary school enrolment, and adult literacy; a low level of economic diversification, as measured by a composite index (Economic Diversification Index) based on the share of manufacturing in GDP, the share of the labour force in industry, annual per capita commercial energy consumption, and UNCTAD's merchandise export concentration index.

LLDC: Landlocked Least Developed Countries, which receive special attention in the UN system i.e. those LDCs which do not have a coast, or can be an alternative abbreviation for LDC.

MEAs: Multilateral Environmental Agreement. Have received attention because of their perceived incompatibility with WTO rules eg CITES, CBD.

MFN: Most Favoured Nation Status. The principle, fundamental to the WTO, of treating imports from a country on the same basis as that given to the most favored other nation. This means(with some exceptions), every country receives the lowest tariff that any country receives, and reductions in tariffs to one country are extended also to others. There are exceptions to this rule such as that provided for by Free Trade Areas under WTO law.

Ministerial: A biannual conference of the WTO where the trade ministers [the EU is represented by a Commissioner although trade ministers often attend as well] of the member states meet to make major decisions. These are high profile intense meetings where major progress is often made.

Multifunctionality: The characteristic of agriculture apart from food production, it is involved in preserving the countryside, environmental protection, food safety and quality, animal welfare etc. Used as a justification for continuing high agricultural subsidies.

NAFTA: North American Free Trade Area, a free trade agreement that exists between the US, Canada and Mexico.

New Issues: Alternative name for the Singapore Issues.

NAMA: Non-Agricultural Market Access, The part of the WTO negotiations that deals with access to markets for non-agricultural goods. The market access for agricultural goods is dealt with in the Agreement on Agriculture.



Negative List Approach: An approach to liberalisation negotiations where members have to exclude from liberalisation any areas where they want to retain regulation. Contrasts with the positive list approach.

NTB: Non-tariff Trade Barriers: Regulations used by governments to restrict imports from, and exports to, other countries, including embargoes, import quotas, and technical barriers to trade.

OECD: Organisation for Economic Cooperation and Development. An inter-governmental organisation of the world's richest countries. Provides statistics and analysis on economic and social issues. Acts as something like a think-tank for national members.

Positive List Approach: The process where by a country adds sectors or tariffs to its schedule of commitments that it will liberalise. Based upon an offer-request process of negotiation whereby member states request bilaterally different market access commitments of other members, and then adjust their offers based upon what is offered them. The offers made are however available to all members. Used in the GATS negotiations.

PTA: Preferential Trade Agreement. Because FTAs can have the effect of reducing the preferences that non members enjoy, thereby actually reducing their access to the market, some trade analysts prefer to refer to FTAs as PTAs, arguing that FTAs aren't always freer.

Quota: A government-imposed restriction on quantity, or sometimes on total value. An import quota specifies the maximum amount of an import per year, typically administered with import licenses that may be sold or directly allocated, to individuals or firms, domestic or foreign. May be global, bilateral, or by country.

RTA : Regional Trade Agreement. A free trade agreement that is signed by a group of geographically close countries. eg NAFTA, Mercosur, or ASEAN.

S&D : Special And Differential Treatment. The GATT principle that developing countries be accorded special privileges, exempting them from some requirements of developed countries. It also permits tariff preferences among developing countries and by developed countries in favour of developing countries, as under the GSP

SDT: Special and Differential Treatment

Singapore Issues: [Also called the New Issues], the issues of Competition, Investment, Transparency in Government Procurement and Trade Facilitation.

Single Undertaking: The method employed in WTO negotiations for requiring participants to accept or reject the outcome of multiple negotiations in a single package, rather than selecting among them. Unique among international treaty making.

SP: Special products A concept that has been talked about in the negotiations on the AoA whereby developing countries could specify particular products which are crucial to food security and rural development as special products and exempt them from reduction commitments or have reduced reduction commitments.



SP: Strategic Products. See Special Products.

SSG: Special Safeguard Measure₁ This is a concept already incorporated into the AoA whereby countries that have tariffed agricultural products have recourse to temporary duties on imports of those products where they experience an import surge. As mainly developed countries tariffed non trade barriers the vast majority of developing countries have no recourse to this measure.

SSM: Special Safeguard Measure₂ A concept being debated in the ongoing negotiations on Agriculture under the AoA, whereby developing countries would be able to impose higher tariffs in situations where an import surge on that particular product was experienced to protect the domestic producers in the context of their large reductions of tariffs.

Swiss formula: A formula for calculating tariff reductions that targets higher tariffs. Uses a particular coefficient 'a' that is subject to negotiation. The final tariff is calculated using the following formula:

$$\text{Final tariff} = \frac{\text{Initial Tariff} \times a}{\text{Initial Tariff} + a}$$

Subsidy: A payment by government, perhaps implicit, to the private sector in return for some activity that it wants to reward, encourage, or assist.

Tariff: A tax on an import or an export, usually as a percentage of the value of the product (ad valorem), or a specified amount per unit of the product (specific tariff).

Tariffication: The conversion of Non-tariff trade barriers, such as embargoes, import quotas, and technical barriers to trade, to tariff barriers in order to increase their transparency. Completed as part of the Uruguay Round agreement.

TRIPS: Trade Related Aspects of Intellectual Property Rights. An agreement attached to the Uruguay Round of negotiations that places obligations on members to protect intellectual property rights.

UNCTAD: United Nations Convention on Trade And Development. A United Nations Specialised agency. Provides technical assistance to developing countries to enable them to participate in the WTO.

UNDP: United Nations Development Programme. A United Nations Specialised Agency.

WSSD: World Summit on Sustainable Development. A UN conference that meets to agree targets for sustainable development.

WTO: The World Trade Organisation: the permanent secretariat and organisation set up by the 1994 Marrakesh Agreement after the completion of the Uruguay Round of negotiations. Successor to the GATT. It is based in Geneva and has a secretariat of 400.