



Business Roundtable

The Language of Trade



2007



Business Roundtable

Business Roundtable (www.businessroundtable.org) is an association of chief executive officers of leading U.S. companies with \$4.5 trillion in annual revenues and more than 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock market and represent over 40 percent of all corporate income taxes paid to the federal government. Collectively, they returned more than \$112 billion in dividends to shareholders and the economy in 2005.

Roundtable companies give more than \$7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with \$90 billion in annual research and development spending – nearly half of the total private R&D spending in the U.S.

For more information, please contact:

Brigitte Schmidt Gwyn
Director - International Trade & Fiscal Policy
1717 Rhode Island Avenue
Suite 800
Washington, DC 20036
P - 202.496.3263
F - 202.466.3509
bgwyn@businessroundtable.org

THE LANGUAGE OF TRADE

January 2007

With more than 25 percent of U.S. GDP represented by international trade and investment, and nearly one-in-five U.S. jobs supported by trade, the international marketplace is more important to our nation's economy than ever before.

But the language of trade is often complex and sometimes misleading. To foster understanding, Business Roundtable has developed *The Language of Trade*, a handy reference guide designed to facilitate the work that must be done to achieve the following critical goals:

- Maximize the benefits of the WTO for U.S. business, farmers, workers and consumers;
- Craft U.S. trade agreements that work best for America;
- Reduce burdensome foreign regulatory barriers to U.S. exports;
- Close gaps in investment protection and international tax treatment; and
- Help bring the benefits of liberalized trade and investment to the world's poor.

If you need additional copies or want to know more about trade and other Business Roundtable resources, visit: trade.businessroundtable.org.

Sincerely,

Jim Owens

Chairman & CEO, Caterpillar Inc.

Chairman, Business Roundtable International

Trade & Investment Task Force

2007



TABLE OF CONTENTS

Trade Liberalization Timeline

To help put the recent history of global trade policy in context and illustrate the enormous impact trade liberalization has had on worldwide economic growth.

Commonly Used Acronyms

Even the experts can get confused with the plethora of organizations and acronyms that come up in day-to-day discussion of international trade and investment policy.

Glossary of Terms

A handy reference guide that makes even the most complex document or discussion understandable.

TRADE LIBERALIZATION TIMELINE



Trade Liberalization Timeline

At the close of World War II, countries committed themselves to trade liberalization as a means to improve economic growth and preserve peace. The process commenced in 1944 in Bretton Woods, New Hampshire and resulted in the General Agreement on Tariffs and Trade, a comprehensive agreement establishing rules for trade and committing countries to open their markets to foreign goods. Liberalization continued throughout the latter half of the 20th Century and is credited not only with rapid economic growth during that era, but also with the lack of armed conflict among the trading nations. The 20th Century negotiations culminated in the 1994 Uruguay Round Agreement which included 123 countries and created the World Trade Organization.

In the 21st Century, the world trade agenda is no less ambitious. The Doha Development Agenda, (Doha Round), launched in 2001, has several far reaching goals impacting agriculture, industrial goods and services as well as development.

1944 - Bretton Woods Conference. The United Nations Monetary and Financial Conference was held in Bretton Woods, New Hampshire on July 1-22, 1944. The conference resulted in proposals for the International Monetary Fund (IMF), the International Bank for Reconstruction and Development

(IBRD) and the International Trade Organization (ITO). Treaties creating the first two institutions were ratified by the required number of nations and the institutions began operations in 1946. The ITO was intended to provide international discipline in the uses of trade policies but the treaty was not ratified and the proposal died. (The IBRD eventually grew to become what we today know as the World Bank.)

- 1947** - General Agreement on Tariffs and Trade (GATT). In 1947, 23 nations signed a comprehensive free-trade agreement to implement many of the rules and negotiated tariff reductions that would have been overseen by the ITO. GATT requires signatory countries to treat all other signatory countries equally in the application of tariffs, consult with each other about trade matters, and attempt to resolve differences through a dispute resolution process.
- 1948** - GATT entered into force and first round of tariff reductions completed. While the ITO charter was still being drafted and debated, the first round of negotiations was conducted among 23 countries between 1946 and 1948. That first round resulted in 45,000 tariff concessions affecting \$10 billion in trade (about one-fifth of the world's total trade at that time). The 23 countries also agreed to accept some of



the trade rules of the draft ITO Charter. In order to accomplish this swiftly, the countries agreed to a Protocol of Provisional Application of the General Agreement on Tariffs and Trade. The Provisional Protocol remained in effect until the 1994 Marrakesh Agreement established the WTO and incorporated the original GATT provisions into the GATT 1994 Agreement.

- 1949** - Annecy Round completed. 13 countries agreed to additional tariff reductions.
- 1951** - Torquay Round completed. 38 countries agreed to additional tariff reductions.
- 1956** - Fourth Round completed. 26 countries agreed to additional tariff reductions and set strategy for future GATT policy toward developing countries and improving developing country positions as treaty participants.
- 1962** - Dillon Round completed. 26 countries negotiated additional tariff reductions.
- 1967** - Kennedy Round completed. 62 countries agreed to comprehensive across-the-board tariff reductions rather than product-by-product specification as in previous rounds.

- 1979** - Tokyo Round completed. 102 countries agreed to reduce non-tariff trade barriers and further reduce tariffs on manufactured goods. GATT system improved and extended.
- 1985** - US-Israel Free Trade Agreement implemented.
- 1989** - US-Canada Free Trade Agreement implemented.
- 1994** - Uruguay Round completed. 123 countries agreed to create the World Trade Organization (WTO) and replace the GATT Treaty. The Round resulted in reduced tariffs on manufactured goods and began extending GATT provisions to agriculture products. It also resulted in reductions in export subsidies, import limits and quotas, an agreement to enforce intellectual property rights (TRIPS), an agreement to open foreign investment, and an agreement extending international trade law to the service sector (GATS).
- North American Free Trade Agreement (NAFTA) implemented.
- 1995** - The WTO comes into existence.
- 1996** - The first WTO Ministerial Conference is held in Singapore. Disagreements between developed and developing economies emerged during this conference over investment,



competition policy, government transparency, and government procurement (collectively called the “Singapore Issues”).

- 1998** - Second Ministerial Conference is held in Geneva.
- 1999** - Third Ministerial Conference is held in Seattle. The conference ended in failure, with massive demonstrations and riots drawing worldwide attention.
- 2001** - Fourth Ministerial Conference in Doha, Qatar begins the Doha Round of negotiations.
 - People’s Republic of China joins the WTO after 15 years of negotiations (the longest in GATT history). Taiwan joins the WTO under the name “Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.”
 - US-Jordan Free Trade Agreement implemented.
- 2003** - Fifth Ministerial Conference in Cancun, Mexico. The G20 (a group of developing countries led by India, China and Brazil), called for an end to agricultural subsidies and resisted demands on the Singapore Issues. The talks broke down without progress.
 - US-Southern African Free Trade Agreement negotiations begin.

2004 - US-Chile and US-Singapore Free Trade Agreements implemented.

- Geneva talks achieve a framework agreement on the Doha Round. Developed countries will lower agricultural subsidies, and in exchange the developing countries will lower tariff barriers to manufactured goods.

2005 - US-Australia Free Trade Agreement implemented.

- US-Dominican Republic-Central American Free Trade Agreement approved by US Congress.
- Sixth Ministerial Conference in Hong Kong.
- US-Peru Trade Promotion Agreement signed.

2006 - US-Morocco Free Trade Agreement implemented.

- US Bahrain Free Trade Agreement approved by US Congress.
- US-Oman Free Trade Agreement approved by US Congress.
- US-Colombia Free Trade Agreement signed.
- US-Panama Free Trade Agreement negotiations completed.
- US-Malaysia Free Trade Agreement negotiations begin.
- US-Korean Free Trade Agreement negotiations begin.
- WTO approves membership for Vietnam.



COMMONLY USED ACRONYMS

Commonly Used Acronyms

ACP	African, Caribbean and Pacific Group of States
ACTPN	Advisory Committee On Trade Policy and Negotiation
AD	Antidumping Duties
ADA	Antidumping Agreement
AGOA	African Growth and Opportunity Act
AMS	Aggregate Measurement of Support
AOA	Agreement on Agriculture
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
ATPA	Andean Trade Preference Act
ATPDEA	Andean Trade Promotion and Drug Eradication Act
BIT	Bilateral Investment Treaty
CAFTA	Central American Free Trade Agreement, frequently used to refer to the Dominican Republic, Central American Free Trade Agreement (DR-CAFTA)

CAP	Common Agricultural Policy (of the European Union)
CBERA	Caribbean Basin Economic Recovery Act
CBI	Caribbean Basin Initiative
CBTPA	US - Caribbean Basin Trade Partnership Act of 2000
CET or CXT	Common External Tariff
CIT	Court of International Trade
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CVD	Countervailing Duties
DDA	Doha Development Agenda
DSB	Dispute Settlement Body (of the WTO)
EC	European Community
EEA	European Economic Area
EEP	Export Enhancement Program
EFTA	European Free Trade Association
EU	European Union
FIPS	Five Interested Parties



FNC	Friendship/Freedom Navigation and Commerce Treaty
FTAA	Free Trade Agreement of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System Of Preferences
HS	Harmonized System
HTSUS	Harmonized Tariff Schedule of the United States
IMF	International Monetary Fund
ISACs	Industry Sectoral Advisory Committees
ITA	International Trade Administration and WTO Information Technology Agreement
KORUS	Korea-US Free Trade Agreement
LDCs	Least Developed Countries
MEFTA	Middle East Free Trade Area Initiative
MFA	Multi-Fibre Arrangement
MFN	Most Favored Nation Treatment
MRA	Mutual Recognition Agreement

NAFTA	North American Free Trade Agreement
NAMA	Non-Agricultural Market Access
NICs	Newly Industrializing Countries
NME	Non-Market Economy
NTB	Non-Tariff Barrier
NTE	National Trade Estimate Report
NTR	Normal Trade Relations
OECD	Organization for Economic Cooperation and Development
PNTR	Permanent Normal Trade Relations
PTPA	Peru Trade Promotion Agreement
QIZ	Qualified Industrial Zone
RTA	Reciprocal Trade Agreement
SACU	Southern African Customs Union
SCM	Subsidies and Countervailing Measures Agreement
SDT or S&D	Special and Differential Treatment
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barrier to Trade



TIFA	Trade and Investment Framework Agreement
TPA	Trade Promotion Authority/Trade Promotion Agreement
TPCC	Trade Promotion Coordination Committee
TRIPS	Trade-Related Aspects of Intellectual Property Rights Agreement
TRQ	Tariff Rate Quota
UNCTAD	United Nations Conference on Trade and Development
USITC or ITC	United States International Trade Commission
USTR	United States Trade Representative
VAT	Value Added Tax
VER	Voluntary Export Restraint
WCO	World Customs Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

GLOSSARY OF TERMS



Glossary of Terms

Accession - The process by which a country becomes a member of an international agreement (usually an agreement that has already been accepted by other countries).

ACP Countries - A term that refers to African, Caribbean and Pacific countries. This group of countries enjoys preferential trade relations with the EU under the Cotonou Agreement (formerly known as the Lomé Treaty).

Actionable Subsidy - A subsidy that is not prohibited by the WTO subsidies agreement but one against which WTO member countries are permitted to levy countervailing duties. *See "Countervailable Subsidy" and "Non-Actionable Subsidy."*

Ad Valorem Duty - Duty calculated on the basis of the value of the imported goods (usually a percentage of the value).

Ad Valorem Equivalent - The ad valorem tariff comparable to a non-tariff barrier, such as a quota, in terms of its effects on trade and/or price. *See "Tariff Rate Equivalent."*

Advisory Committee on Trade Policy and Negotiation (ACTPN) - An advisory group appointed by the US President to provide advice on matters of trade policy, including trade agreements. The 1974 Trade

Act requires that membership represent key economic sectors affected by trade.

African Growth and Opportunity Act (AGOA) - A US program enabled in 2000 that grants preferential, duty-free entry to imports from eligible sub-Saharan African countries.

Aggregate Measurement of Support (AMS) - The measurement of a country's agriculture subsidies used by the WTO as a basis for commitments to reduce agricultural subsidies. It includes the value of price supports and direct subsidies to specific products, as well as payments that are not product-specific.

Agreement on Agriculture (AOA) - The WTO agreement requiring improved market access and reduction of trade distorting subsidies on agricultural products. The AOA groups subsidies into three "boxes" based on the level of trade distortion caused by the subsidy. See "Box"

Agreement on Textiles and Clothing (ATC) - A WTO agreement governing textile and clothing trade that permitted derogation from WTO rules on those products in the form of quotas. The agreement required the progressive expansion of quotas until phase-out on January 1, 2005 when WTO disciplines began to apply to textile and clothing trade. The agreement contains a safeguard mechanism to deal with import surges occurring after the 2005 phase-out. ATC

replaced the 1974 Multi-Fibre Arrangement. See "*Multi-Fibre Arrangement*" and "*Safeguards*."

Agriculture Negotiations - Generally refers to negotiations among WTO members to liberalize trade in agricultural goods. WTO members reached agreement in 2004 on a framework for negotiating agricultural trade liberalization in the Doha Development Agenda (DDA or Doha Round). The framework sets the stage for negotiations to determine specific targets or formulas ("modalities") for curbing trade-distorting domestic support, reducing trade barriers, and eliminating export subsidies. See "*Box*."

Amber Box Subsidy - Agricultural support that is considered to distort trade and therefore is subject to reduction commitments under the WTO agreements.

Andean Community - A community of four Andean nations, including Peru, Ecuador, Colombia, and Bolivia. Chile and Venezuela were once members; Venezuela announced its withdrawal from the Andean Community in 2006 and Chile withdrew in 1976, but has since become an associate member. Formed in 1969 to promote social and economic integration and trade liberalization throughout the Andean region, the Community was formerly called the Andean Pact. Notable achievements include creation of a Free Trade Area in 1993 and a common external tariff in 1995.

Andean Trade Preferences Act (ATPA) - A US program enacted in 1991 to help combat drug trafficking in Bolivia, Colombia Ecuador and Peru by developing and strengthening legitimate industries through duty-free access to the US market. ATPA expired in 2001 and was retroactively renewed in 2002 by the Andean Trade and Drug Eradication Act (ATPDEA) - The ATPDEA requires that the countries meet certain eligibility requirements that are generally related to fair and transparent treatment of US investors and citizens.

Andean Trade Promotion and Drug Eradication Act (ATPDEA) -
See "Andean Trade Preferences Act."

Antidumping Agreement (ADA) - A WTO agreement formally called the Agreement on Implementation of Article VI. Article VI of the GATT provides for the right of members to apply antidumping duties, if dumped imports cause injury to a domestic industry. Detailed rules governing the application of such measures were provided in an Antidumping Agreement negotiated in the Tokyo Round. Negotiations in the Uruguay Round resulted in a revision of this agreement.
See "Antidumping Duty," "Fair Value" and "Injury."

Antidumping Duty - Duties that are assessed on imported goods, in addition to regular duties, when those goods are found to be sold to the importing country at dumped prices that are injurious to domestic producers. *See "Dumping" and "Injury."*

Appellate Body - An independent, seven-person tribunal that considers appeals in WTO disputes. The Appellate Body reviews the findings in panel reports following an appeal by one or more parties to a dispute.

Applied Tariff Rate - The actual tariff rate in effect at a country's border.

Article I - The GATT article that requires that tariff treatment granted to one member country be granted to all member countries – referred to as most favored nation treatment.

Article III - The GATT article that requires that domestic laws and regulations treat imports and domestic products equally – referred to as national treatment.

Article XX - The GATT article that lays out specific instances when WTO members' laws and regulations may be exempt from established trade rules. For example, measures to protect human, animal or plant health may not be required to conform to Article I and Article III requirements.

Asia-Pacific Economic Cooperation (APEC) - A forum established as a vehicle for multilateral cooperation among the market-oriented economies of the Asia-Pacific region to help manage their growing interdependence and sustain economic growth.

Association of Southeast Asian Nations (ASEAN) - An association established in 1967 with the Bangkok Declaration. ASEAN member nations are working toward “political and security cooperation, economic cooperation and socio-cultural cooperation.” Eight ASEAN members are members of the WTO – Brunei, Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, and Thailand. The other ASEAN members – Laos and Vietnam – are negotiating membership in the WTO.

Autonomous Liberalization - Trade liberalization measures unilaterally adopted by WTO members since the previous round of multilateral negotiations.

Balance of Payments - An accounting statement of the money value of international transactions between one nation and the rest of the world over a specific period of time. The statement shows the sum of transactions of individuals, businesses, and government agencies located in one nation, against those of all other nations.

Balance of Trade - The difference between a country's total imports and exports. If exports exceed imports, a favorable balance of trade exists; if imports exceed exports, a trade deficit is said to exist.

Benchmarking - The effort to evaluate the extent and quality of a country's offer to liberalize services, particularly by ensuring that current levels of liberalization are not reversed.

Bilateral Investment Treaty (BIT) - Treaties negotiated with countries that do not have other treaties such as FTAs, to ensure protection of US investors' interests. BITs are similar to the investment chapters of free trade agreements and are often negotiated prior to full FTAs.

Blue Box Subsidies - Agricultural supports that are linked to production limits, and therefore viewed as minimally trade-distorting and generally permitted under the WTO agreements.

Bound Rate - See "*Tariff Binding.*"

Box - A term that refers to various categories of domestic agriculture subsidies. **Green box:** Supports considered not to distort trade and therefore permitted without any limitations in the WTO agreements. **Blue box:** Permitted supports that are linked to production limits, and therefore viewed as minimally trade-distorting. **Amber box:** Supports considered to distort trade and that therefore are subject to reduction commitments. See "*Agreement on Agriculture.*"

Cairns Group - Group of agriculture exporting nations lobbying for ambitious agricultural trade liberalization. It was formed in 1986 in Cairns, Australia just before the beginning of the Uruguay Round. Current membership includes: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

Cancun Ministerial - The WTO's Fifth Ministerial Conference held in September 2003, in Cancun, Mexico, to evaluate progress made in the Doha Round negotiations and to plan further work. The Cancun Ministerial concluded with the Doha negotiations at an impasse. The negotiations stalled due to disagreement between the US/EU and the G-20 over agriculture liberalization and how to deal with the so-called Singapore Issues.

Caribbean Basin Economic Recovery Act (CBERA) - 1983 legislation authorizing the US President to proclaim unilateral duty-free access to the US market for many goods from 24 Caribbean Basin countries. CBERA was renewed and amended in 1990 by the Caribbean Basin Economic Recovery Expansion Act, which provides a permanent extension of duty-free status. It was significantly expanded in 2000 by the Caribbean Basin Trade Partnership Act (CBTPA).

Caribbean Basin Initiative (CBI) - A broad program designed to promote economic development in Central America and the Caribbean. Under CBERA and CBTPA, CBI provides permanent duty-free access to US markets for a wide range of products from eligible countries.

Caribbean Basin Trade Partnership Act (CBTPA) - Legislation passed in 2000 to expand the benefits granted to Caribbean Basin countries. The CBTPA provides additional benefits beyond those provided under CEBRA by granting beneficiary countries certain trade benefits similar to Mexico's under the North American Free Trade Agreement (NAFTA). CBTPA entered into force on October 1, 2000 and will continue in effect until September 30, 2008 or the date, if sooner, on which a free trade agreement enters into force between the United States and a CBTPA beneficiary country. As CAFTA is implemented, CAFTA countries lose eligibility under CBTPA.

Central American Free Trade Agreement (CAFTA) - A free trade agreement negotiated in 2003 and ratified in 2005 between the United States and a number of countries in Central America and the Dominican Republic (also called DR-CAFTA).

Circumvention - A term used to refer to evading a country's duties, quotas or other import restrictions. It includes avoiding quotas and

other restrictions by altering a product's country-of-origin and evading anti-dumping or countervailing duties through various measures.

Civil Aircraft Agreement - WTO Agreement on Trade in Civil Aircraft. A WTO plurilateral agreement that entered into force on January 1, 1980, that now has 30 signatories. It eliminates import duties on all aircraft, other than military aircraft, as well as on other products including civil aircraft engines and their parts and components, all components and sub-assemblies of civil aircraft, and flight simulators and their parts and components. *See "Plurilateral Agreement."*

Common Agricultural Policy (CAP) - The European Union's comprehensive system of production targets and marketing mechanisms designed to manage agricultural trade within the EU and with the rest of the world.

Common External Tariff (CET or CXT) - A tariff rate uniformly applied by a common market or customs union to imports from countries outside the union.

Comparative Advantage - A central concept in international trade theory, which posits that a country or a region should specialize in the production and export of those goods and services that it can produce relatively more efficiently than other goods and services.



Conversely, a country or region should import those goods and services in which it has a comparative disadvantage. The theory teaches that comparative or relative efficiency, not absolute efficiency, determines in which goods/services a country should specialize. David Ricardo first propounded this theory in 1817 as a basis for increasing economic welfare through international trade.

Consumer Goods - Any goods produced for use by individuals rather than for the production or manufacture of other goods.

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) - A 1975 agreement designed to prevent trade in wild and endangered animals and plants. Regulates trade in this area by requiring licensing for import of endangered species.

Countervailable Subsidy - Subsidy against which countervailing duties may be imposed. A subsidy that is specific to a firm or industry is countervailable (see "*Specific Subsidy*") as is a subsidy that is contingent on export performance (see "*Export Subsidy*"). See "*Actionable Subsidy*."

Countervailing Duty (CVD) - Duty that is assessed, in addition to regular duties, to offset the effects of countervailable foreign subsidies granted to merchandise imported into the United States that is

injurious to a domestic industry. See "*Countervailable Subsidy*" and "*Injury*."

Court of International Trade (CIT) - The US federal court with jurisdiction over trade matters, including legal challenges to customs decisions and US agency determinations on antidumping and countervailing duties.

Customs - The government agency responsible for the administration of customs law and the collection of duties, and that has responsibility for the application of other laws and regulations related to the importation, transit, and exportation of goods.

Customs Valuation - The method by which a customs officer determines the value of an imported good for the purpose of levying an *ad valorem* tariff.

Developed Countries - A term often used to describe the industrialized nations or those countries with high per capita income.

Developing Countries - A term often used to describe countries with lower per capita GDP that lack substantial amounts of industrialization, infrastructure, or sophisticated technology, but are beginning to build these capabilities.

Discrimination - In the context of trade, this refers to treatment of imports differently than domestic production (see "*National Treatment*") or different treatment of imports from two countries (see "*Most Favored Nation Treatment*"). It can also refer to differential treatment of foreign service providers or foreign owned companies.

Dispute Settlement - The procedures for consultation, conciliation, and possible referral to a panel of a dispute between parties to a trade agreement. GATT Articles XXII and XXIII contain provisions for consultations and for WTO members to make recommendations and rulings regarding particular disputes. Dispute settlement rules are developed further in Annex 2 to the Marrakesh Agreement establishing the WTO.

Dispute Settlement Body (DSB) - The Dispute Settlement Body is the forum where the WTO General Council meets to settle trade disputes.

Doha Development Agenda (DDA) - A reference to the mandate provided by the November 2001 declaration of the Fourth Ministerial Conference in Doha, Qatar, for negotiations that address the concerns of developed and developing countries alike on a range of subjects, including agriculture, non-agricultural market access, services, and trade facilitation. See "*Doha Round*."

Doha Ministerial - The WTO's Fourth Ministerial Conference held in November 2001, in Doha, Qatar, where the WTO launched a new round of multilateral trade negotiations. See "*Doha Round*" and "*Doha Development Agenda*."

Doha Round - The round of multilateral trade negotiations begun January 2002 as a result of the consensus developed at the Doha Ministerial. Also referred to as the Doha Development Agenda.

Domestic Support - In agriculture, any domestic subsidy or other measure that acts to maintain prices at levels above those prevailing in international trade; direct payments to producers, including deficiency payments, and input and marketing cost reduction measures available only for agricultural production. Also referred to as internal support.

Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) - See "*Central American Free Trade Agreement.*"

Dumping - The practice of selling goods in a foreign country at less than fair value (e.g., prices lower than that at which goods are sold within the exporter's own country, or in third countries, or selling below the cost of production), and which may result in material injury, or threaten material injury, to an industry in that foreign country. See "*Fair Value.*"

Duty - A tax levied by a government on the import or export of goods. (Note: The US Constitution forbids the levying of taxes by the US government on exports. However, most foreign governments do not have this restriction.)

Erosion of Preferences - Refers to the fear that multilateral trade liberalization will eliminate market access preferences already given to the least developed countries (LDCs). LDCs already enjoy duty-free access to key markets — such as the EU and US — through preference schemes, such as the Generalized System of Preferences (GSP). Because LDCs already have preferential market access, additional liberalization at the global level might not provide additional market access but may erode the price advantages that trade preferences confer and expose LDCs to competition from other suppliers. See *"Generalized System of Preferences."*

Escape Clause - See *"Safeguards."*

European Commission - European body that proposes legislation, is responsible for administration, and ensures that provisions of the EU's treaties and the decisions of the EU's institutions are properly implemented. Essentially the executive branch of the EU. The Commission has a member from each of the EU member countries. Members are selected by the President of the Commission and confirmed by the European Parliament.

European Community (EC) - Regional organization of European countries, originally called the European Economic Community (EEC), that came into being in 1958, with the entry into force of the Treaty

of Rome, now known as the EC Treaty. The principal objective of the treaty was to establish a customs union among member states and facilitate increased economic integration and political cooperation. With the advent of the Single European Act (SEA) in 1987, the EC further deepened European economic integration by removing remaining barriers to free movement and completing the internal market. See "*European Union.*"

European Economic Area (EEA) - The EEA Agreement went into force in 1994. It allows Norway, Iceland and Liechtenstein, who are not members of the EU but who are members of the European Free Trade Area, to participate in the internal European market without assuming the full responsibilities of EU membership. The EEA gives them the right to be consulted by the European Commission during the formulation of Community legislation, but not the right to a voice in decisionmaking. All new EC legislation in areas covered by the EEA is integrated into the EEA Agreement through an EEA Joint Committee decision and subsequently becomes part of the national legislation of the EFTA countries that signed the EEA. The EEA Agreement is concerned with the four fundamental pillars of the internal European market, i.e., freedom of movement of goods, persons, services and capital. See "*European Free Trade Association*" and "*European Union.*"

European Free Trade Association (EFTA) - A regional association of European countries, established in 1960 by the Stockholm Convention. Today EFTA includes only Iceland, Liechtenstein, Norway, and Switzerland. A number of EU nations were once members but withdrew after they gained entrance to the EU. EFTA countries have eliminated tariffs on manufactured goods originating and traded within EFTA and between EFTA and the EU. The EU and EFTA have expanded economic integration through the creation of the European Economic Area (EEA).

European Union (EU) - A group of European countries that have chosen to integrate many of their economic activities, including forming a customs union and harmonizing many of their rules and regulations. See "*European Community*."

Exchange Rate - The price of one currency expressed in terms of another.

Export Competition - Export competition is the term generally applied to programs and policies that subsidize the sale of a country's agricultural commodities in the world market. The three broad components of export competition are: (1) policies that directly support an exported commodity, such as export subsidies and government supplied export credits; (2) interventions to support state trading

enterprises; and (3) food aid, particularly that component of food aid used to facilitate the disposal of a country's surplus production.

Export Enhancement Program (EEP) - US agriculture subsidy program that subsidizes sale of US-produced agricultural products in the world market.

Exporter - An individual or company that ships goods from one country to another in the course of trade.

Export Quotas - Specified maximums that a nation places on the value or volume of certain of its exports.

Export Restraints - Restrictions, such as taxes and quotas, that a nation places upon its exports, often to avoid more burdensome restrictions being applied by an importing nation.

Export Subsidy - Government payment to induce or support exportation by domestic producers.

Fair Value - In antidumping investigations, it is the price at which items exported should have been sold so as to be considered offered for export sale at fair market value. Generally determined by comparison to sales price of the same goods in the domestic market or a third country market. Goods sold at fair value are not dumped.

Fast Track - Shorthand name for legislative procedure that requires US Congress to vote, without amendment and within a fixed time period, on legislation submitted by the President to approve and implement US international trade agreements. *See "Trade Promotion Authority."*

Five Interested Parties (FIPS) - United States, European Union, Brazil, India and Australia. Five WTO members who came to agreement on the essential elements of the Doha Round Agricultural Framework Agreement in July 2004.

Free Trade Agreement of the Americas (FTAA) - A proposed trade agreement being negotiated among the democratic countries (i.e., all but Cuba) of the western hemisphere. The hemispheric agreement was first conceived in the early 1990s but negotiations have often stalled.

Friend, Commerce, and Navigation Treaty (FNC) - A bilateral agreement that defines the rights of citizens and companies of each country under the laws of the other. Sometimes called "Freedom Commerce and Navigation" treaties.

Friends Group - A group of countries sharing a common interest in tightening WTO rules governing antidumping investigations and measures. Also called Friends of Antidumping Negotiations.



G4 - Also referred to as the New Quad, this group is made up of the United States, European Union, Brazil and India.

G6 - An *ad hoc* group of WTO members, consisting of the United States, Australia, the EU, India, Japan and Brazil, which emerged as an inner negotiating forum in the Doha Round.

G7 - Group of seven leading industrial countries: Canada, France, Germany, Italy, Japan, United Kingdom, and United States (plus the EU).

G8 - G7 plus Russia.

G20 - A group of developing countries that joined together during the Cancun Ministerial in order to negotiate collectively with the US and EU, especially in seeking the elimination of developed-country agricultural subsidies.

G33 - A group of developing countries, established on the eve of the WTO ministerial in Cancun in 2003. The G33 is concerned with trade in products crucial to rural development, food security and livelihood security – generally know as “Special Products.” The group was formed to ensure that mechanisms to deal with Special Products and Special Safeguard Mechanisms (SSMs) for developing countries are included in all agricultural negotiations. See “*Special Products*” and “*Special Safeguard Mechanisms*.”

General Agreement on Tariffs and Trade (GATT) - A free-trade agreement signed in 1947 by 23 nations. GATT member countries are required to treat all other member countries equally in the application of trade rules, consult with each other about trade matters and attempt to resolve differences through a dispute resolution process. Implementation of the agreement, including original tariff concessions, was accomplished through a Protocol of Provisional Application of the General Agreement on Tariffs that remained in place until the Uruguay Round created the World Trade Organization. The provisions of the original GATT were incorporated into GATT 1994 in the Uruguay Round.

General Agreement on Trade in Services (GATS) - Multilateral agreement on services trade, negotiated in the Uruguay Round. GATS is the first multilateral agreement to provide rules governing services trade. GATS requires countries to provide national treatment to foreign service providers in those service industries that they have agreed to liberalize under GATS. Countries can agree to liberalize certain modes of services trade and not others. See "*Modes of Delivery.*"

Generalized System Of Preferences (GSP) - A program providing for zero or preferred tariff rates for developing countries under which developed countries allow the import of certain products at lower tariffs than those applied to the same products from more developed countries.

General Tariff - A tariff that applies to countries that do not enjoy either preferential or most favored nation tariff treatment.

Geographical Indications - Place names (or words associated with a place) used to identify products that have a particular quality, reputation or other characteristic because they come from that place.

Global Quota - A quota set by a nation on the total imports of a product from all countries.

Government Procurement Agreement - WTO plurilateral agreement that provides competition rules for purchases by government entities in the signatory members. The agreement is not binding on all WTO members. See "*Plurilateral Agreement.*"

Green Box Subsidy - Agricultural support considered not to distort trade and therefore permitted without any limitations in the WTO agreements.

Green Room Group - A group of leading WTO member countries that have met during negotiations (originally in a green room at WTO Geneva headquarters) to agree among themselves, before taking decisions to the full membership for the required consensus. The Green Room Group includes the larger WTO members and selected smaller and less developed nations.

Harmonized System (HS) - A uniform international system used to classify goods moving across borders for tariff and statistical purposes. Developed under the auspices of the Customs Cooperation Council, now known as the World Customs Organization.

Harmonized Tariff Schedule of the United States (HTSUS) - The US listing of goods and their duty rates that is used as the basis for classifying imported products and identifying the rates of duty to be charged on them.

Hong Kong Ministerial - The WTO's Sixth Ministerial Conference in Hong Kong where the trade ministers of WTO members convened in December 2005.

Import - The act of bringing or causing any goods to be brought into a customs territory.

Import Administration - The branch of the International Trade Administration at the US Department of Commerce that is responsible for, among other things, administering the antidumping and countervailing duty laws of the US.

Import Duty - Customs duty that is collected in connection with the importation of goods.

Importer - The individual, firm or legal entity that brings goods or causes goods to be brought from a foreign country into a customs territory.

Import License - An authorization by a government authority for the importation of goods that are subject to restriction. Also called an import permit.

Import Quota - A device establishing limits on the quantity of a particular product that may be imported into a country. *See "Tariff Rate Quotas (TRQs)."*

Import Quota Auctioning - The process of auctioning the right to import specified quantities of quota-restricted goods.



Import Relief - Measures imposed to temporarily restrict imports to protect domestic producers from competition. Also, measures to strengthen domestic producers such as subsidies, worker assistance, low interest loans, or tax relief. See "*Trade Remedies.*"

Import Restrictions - Tariff and non-tariff barriers imposed by an importing nation to control goods coming into the country from other countries.

Import Sensitive Producers - Domestic producers whose economic viability is threatened by competition from imported products.

Import Substitution - A national economic strategy to build up a domestic economy by emphasizing the replacement of imports by domestically produced goods.

Industry Sectoral Advisory Committees (ISACs) - Advisory committees that provide direct US industry input to USTR on international trade policy matters. There are 17 ISACs and 3 Industry Functional Committees on Trade Policy Matters (IFACs), with over 500 members total.

Initial Commitments - Trade liberalizing commitments that WTO members made early on in services liberalization negotiations.

Injury - A finding by a competent national authority that imports are

causing harm or threatening imminent harm to a domestic industry. Material injury or threat of material injury must be found before duties can be imposed to remedy dumping or countervailable subsidies. A finding of serious injury is necessary before safeguard measures can be imposed.

Intellectual Property Rights - The right to control and derive benefit from something one has invented or created. Inventions are protected by patents. Literary and artistic works are protected by copyrights. Logos and brand identifiers are protected by trademarks.

International Monetary Fund (IMF) - An international financial institution proposed at the 1944 Bretton Woods Conference and established in 1946. Originally formed to help countries stabilize exchange rates, today the IMF pursues a broader agenda of financial stability and assistance. The IMF monitors exchange rate policies of member countries and lends money to aid countries with balance of payments problems. In 2005, the IMF had 184 member countries. See "*Balance of Payments*" and "*Exchange Rate*."

International Trade Administration (ITA) - An agency within the US Department of Commerce with a number of functions that fall within the broad arena of international trade, including export promotion and administration of antidumping and countervailing duty investigations. See "*Import Administration*."



Jackson-Vanik Amendment - A provision of Title IV of the 1974 Trade Act, aimed at the Soviet Union and other non-market economies that restrict emigration. Jackson-Vanik denies Normal Trade Relations (NTR) to any country that forbids, restricts or overly burdens the right of its citizens to emigrate. In practice, the duty rate applied to goods from countries not receiving NTR status are set at much higher levels. The Amendment gives the President authority to determine that a country is not in violation of the emigration criteria or to grant yearly waivers that allow Normal Trade Relations. Congress may disapprove such waivers or findings of no violation, but has never done so. Congress must remove the Jackson-Vanik requirement from a covered country before the President can grant that country Permanent Normal Trade Relations (PNTR). Jackson Vanik originally applied to all countries that were not receiving Most Favored Nation treatment when the law was enacted in 1975. Currently, all countries originally subject to Jackson-Vanik, except Cuba and North Korea, have either been granted waivers or had the Jackson-Vanik requirements removed. Jackson-Vanik was first waived for China in 1979 and removed in 2001 when China joined the WTO. It was waived for Vietnam in 1998 and removed in 2006, shortly after the WTO approved Vietnam's membership. See "*Most Favor Nation*," "*Normal Trade Relations*," and "*Permanent Normal Trade Relations*."

Joint Venture - An undertaking by two or more legal entities for a specific purpose and duration for mutual gain or mutual sharing of profits and losses.

Jones Act - US law prohibiting foreign ships from transporting goods or people between US ports.

Kennedy Round - The popular name for the sixth round of trade negotiations under the aegis of the GATT. It lasted from 1963 to 1967 and reduced tariffs levels maintained by developed countries on industrial products by about one-third. It was also the first trade round to move beyond negotiating only tariff reductions into such trade rules as antidumping.

Korea-US Free Trade Agreement (KORUS) - A bilateral free trade agreement being negotiated between the United States and the Republic of Korea. When completed, the agreement will be the largest US FTA since the North American Free Trade Agreement (NAFTA).

Laissez-faire - A policy of minimal governmental involvement in an economy. Generally equated with free and unrestricted trade.

Least Developed Countries (LDCs) - The world's poorest countries considered by the UN to be the least developed of the less developed countries in terms of per capita income, life expectancy and level of economic diversification.

Less Developed Countries - Also known as *developing countries*. Any country with a per capita income that is low by world standards.

Liberalization - Unilateral or multilateral reductions in tariffs and other measures that restrict trade. Trade liberalization has been the objective of all rounds of the GATT trade negotiations.

Lisbon Agreement - Agreement, administered by the World Intellectual Property Organization (WIPO), for the protection of geographical indications and their international registration.

Madrid Agreement - Treaty, administered by the World Intellectual Property Organization (WIPO), for the repression of false or deceptive indications of source on goods.

Market Access - The openness of a national market to foreign products and services. Generally refers to the level of tariff and quota barriers on goods.

Marrakesh Agreement - Agreement signed in Marrakesh, Morocco in 1994 establishing the World Trade Organization. The various agreements which make up the Marrakesh Agreement are indivisible; no entity can be party to any one agreement without being party to them all. The Marrakesh Agreement was the culmination of the Uruguay Round of trade negotiations. *See "Uruguay Round" and "World Trade Organization."*

MERCOSUR - The "common market of the south." A free trade area formed in 1991 by Brazil, Argentina, Paraguay and Uruguay. Venezuela announced its intention to join in 2006.

Middle East Free Trade Area Initiative (MEFTA) - A US trade initiative aimed at increasing openness, economic development and trade integration in the Middle East region. The initiative envisions support for WTO membership, expansion of current preference programs and negotiation of additional TIFAs and FTAs with countries in the region.



Ministerial Conference - The WTO's top level decision making body that meets at least once every two years. Ministerial conferences have been held in Singapore (1996), Geneva (1998), Seattle (1999), Doha (2001), Cancun (2003), and Hong Kong (2005).

Modality - A way to proceed. In WTO negotiations, modalities set broad outlines, such as formulas or approaches for tariff reductions, for final commitments.

Modes of Delivery - How international trade in services is supplied and consumed. Mode (1): Cross border supply, i.e., a foreign service provider may sell services into the country. Mode (2): Consumption abroad, i.e., a consumer in the country may procure services from abroad, such as call center or data entry outsourcing. Mode (3): Foreign commercial presence, i.e., a foreign service provider may establish a branch or other presence in the country. Mode (4): Movement of natural persons, i.e., foreign nationals may enter the country to provide services.

Most Favored Nation Treatment (MFN) - The principle of not discriminating between WTO member nations, i.e., tariff rules applied to one member should be applied to all. MFN treatment is found in GATT Article I, GATS Article II and TRIPS Article 4. See "*Jackson-Vanik*" and "*Normal Trade Relations.*"

Multi-Fibre Arrangement (MFA) - An internationally agreed derogation from GATT rules for textile products that was in effect from 1974 until the end of the Uruguay Round in 1994. The MFA allowed an importing signatory country to apply quantitative restrictions on textile imports when it considered such restrictions necessary to prevent market disruption. Because an importing country could impose such quotas unilaterally to restrict rapidly rising textiles imports, most textile-exporting countries entered into bilateral agreements with the principal textile-importing countries. On January 1, 1995 it was replaced by the WTO Agreement on Textiles and Clothing.

Multilateral Agreement - An agreement among more than two countries. Generally refers to agreements between all WTO members. See "*Plurilateral Agreement.*"

Mutual Recognition Agreement (MRA) - Agreements that allow testing, inspecting, and certifying of manufactured goods to be performed in the US to another country's standards and regulations, and vice versa.

National Trade Estimate Report (NTE) - An annual series prepared by USTR that surveys significant foreign barriers to US exports.

National Treatment - Requirement that domestic laws and regulations treat imports and domestic products equally. Codified in GATT Article III. In the context of services and investment, it refers to the treatment of foreign individuals and firms. National treatment affords foreign individuals and firms the same competitive opportunities, including market access, as are available to domestic parties.

Newly Acceded Members - Countries that have joined the WTO since the conclusion of the Uruguay Round, such as China, Armenia, Georgia, the Kyrgyz Republic and the Republic of Moldova. In the Doha Round, these members are seeking certain special and differential treatment similar to that given to developing countries to recognize that they recently made significant concessions upon joining the WTO and face difficult transition to their WTO commitments.

Newly Industrializing Countries (NICs) - Advanced developing countries that have enjoyed rapid economic growth in recent years and can be described as middle-income countries.

Non-Actionable Subsidy - Subsidies that are permitted under the WTO Subsidies Agreement and thus not subject to countervailing duties. Non-actionable subsidies include subsidies for industrial research, subsidies that are not specific to a particular industry and environmental subsidies. See "*Actionable Subsidy*."



Non-Agricultural Market Access (NAMA) - A term of art used to refer to Doha Round negotiations to cut tariffs and other barriers to trade in industrial goods, i.e., non-agricultural goods.

Non-Agricultural Market Access Negotiations - Ministers at Doha agreed to launch negotiations to cut tariffs and reduce non-tariff barriers on all non-agricultural products. The aim is to build upon the accomplishments of prior negotiating rounds and develop greater market access opportunities for industrial products.

Non-Market Economy (NME) - A term applied to countries with centrally planned economies. NME's are treated differently in antidumping investigations because it is presumed that their domestic prices do not reflect fair market value. In the US, NME's are not subject to countervailing duty investigations.

Non-Tariff Barrier (NTB) - A measure other than a tariff that restricts imports, such as quotas or discriminatory regulations.

Normal Trade Relations (NTR) - Term used in the United States since 1998 to describe Most Favored Nation (MFN) treatment. NTR reflects the same principle of nondiscriminatory treatment as required under WTO obligations. See "*Jackson Vanik*" and "*Most Favored Nation.*"

North American Free Trade Agreement (NAFTA) - The agreement to form a free trade area among the United States, Canada, and Mexico. The agreement expanded the US-Canada Free Trade Agreement and went into effect January 1, 1994.



Offer - In a negotiation, a country's proposal for its own further liberalization, usually an offer to improve access to its markets.

Offer/Request - A negotiating approach used in the services negotiations whereby requests are submitted by a country to a trading partner identifying the concessions it seeks. Compensating offers are similarly tabled and negotiated. Requests may include such things as the addition of sectors that are not included in the country's current GATS schedule or the removal of existing limitations or restrictions on sectors in its GATS schedule.

Organization for Economic Cooperation and Development

(OECD) - An international agency based in Paris through which 24 developed countries review international economic issues and coordinate their policies.

Panel - In the WTO dispute settlement procedure, a panel consisting of three experts is established by the Dispute Settlement Body to examine and make a ruling on a particular dispute in the light of WTO provisions.

Paris Convention - Treaty, administered by the World Intellectual Property Organization (WIPO), for the protection of industrial intellectual property, i.e. patents, utility models, industrial designs, etc.

Peace Clause - Article 13 of the Uruguay Round Agreement on Agriculture, which protected a WTO member country from the application of certain provisions of the WTO Subsidies Agreement as long as that member country was in conformity with its Agriculture Agreement subsidy reduction commitments and did not increase subsidies for a particular commodity above the 1992 level. The Peace clause expired at the end of 2003, making agricultural subsidies fully actionable under the Subsidies Agreement.

Permanent Normal Trade Relations (PNTR) - Permanent and unconditional Normal Trade Relations status as extended by the US to trading partners. PNTR may not be granted to non-market economies and Communist countries unless the US Congress approves the removal of Jackson-Vanik requirements from that country. See "*Jackson-Vanik*" and "*Normal Trade Relations*."

Peru Trade Promotion Agreement (PTPA) - The US-Peru Free Trade Agreement. Signed in December 2005.



Piracy - Unauthorized copying or use of materials protected by intellectual property rights (such as copyright, trademarks, patents, geographical indications, etc.).

Plurilateral Agreement - An agreement among more than two WTO members, but not all WTO members. Plurilateral agreements are signed by only those member countries that choose to do so. In contrast, all WTO members are party to the multilateral agreements. Currently there are two WTO plurilateral agreements, the Government Procurement Agreement and the Civil Aircraft Agreement. *See "Multilateral Agreement."*

Preferential Tariff - A tariff that imposes lower rates of duty on goods imported from some countries.

Preferential Trading Agreement - An agreement, such as a free trade agreement, that provides for lower tariffs on imports from member countries than from nations outside the agreement. The WTO rules allow an exception to the Most Favored Nation treatment requirements for certain preferential trading agreements. *See "Most Favored Nation."*

Preferred Country - A country that has lower rates of duty imposed on its goods or is given other preferential trade treatment by another country. *See "Generalized System of Preferences."*



Quad - Refers both to the Quadilateral Meetings and to the participants in those meetings (the US, Canada, EU, and Japan).

Qualified Industrial Zone (QIZ) - A designed area in Egypt or Jordan from which articles can be sent duty-free to the United States if the article contains inputs from Israel.

Quantitative Restriction - A restriction on trade, usually imports, that limits the quantity of the good or service that is traded. Quotas are the most common example. See "*Non-Tariff Barrier*," "*Quota*" and "*Tariff Rate Quotas*."

Quota - A government imposed restriction on quantity, or total value of trade in a good: usually imposed to limit imports. Quotas are typically administered with import licenses that may be auctioned, sold or directly allocated to individuals or firms. Quotas may be global or country specific. See "*Import Quota*," "*Import Quota Auctioning*," and "*Tariff Rate Quotas*."

Reciprocal Trade Agreement (RTA) - An international agreement between two or more countries to open their markets to each other's exports. Early GATT rounds consisted largely of reciprocal agreements, which were then extended to other members through the most favored nation treatment.

Reciprocity - The GATT/WTO principle that countries will exchange comparable concessions in negotiations.

Retaliation - Imposition of a trade barrier in response to another country increasing its trade barrier. May be either a method for mitigating the effects of the new barrier or a means of punishing it. A formal procedure permitted under the GATT/WTO whereby a country may raise tariffs against a member that has violated WTO rules and has not provided compensation. Also called retaliatory measures. Such measures are meant to impose new duties equivalent to the harm caused by the offending member's violation of the agreement.

Rules Negotiations - WTO members agreed at Doha to launch negotiations to clarify and improve disciplines under the Subsidies and Countervailing Measures Agreement (Subsidies Agreement); the Agreement on Implementation of Article VI of GATT 1994 (the Antidumping Agreement); WTO disciplines on fisheries subsidies; and WTO provisions applying to regional trade agreements.

Rules of Origin - Laws, regulations and administrative procedures that determine a product's country of origin. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty. These rules can vary from country to country.

Safeguards - Temporary measures (such as tariffs or quotas) explicitly designed to slow rapidly increasing imports in order to allow the domestic industry to adjust to the heightened competition. GATT's safeguard provision, Article XIX, recognizes a country's right to withdraw or modify concessions granted earlier or to impose new restrictions if a product is *"being imported in such increased quantities . . . as to cause or threaten serious injury to domestic producers"* and to maintain such restrictions *"for such time as may be necessary to prevent or remedy such injury."* The WTO Agreement on Safeguards establishes rules for the application of the safeguard measures contained in GATT Article XIX. Safeguard actions are known in the US as escape clause actions, and the authority to take such actions is provided for in various US laws, most prominently Section 201 of the Trade Act of 1974, as amended.

Safeguards Agreement - GATT Article XIX allows WTO members to temporarily restrict imports of a product if a domestic industry is seriously injured or threatened with injury caused by a surge in imports. The agreement, implemented following the Uruguay Round, is significant in that it prohibits voluntary export restraints (see *"Voluntary Export Restraint"*) and other measures using bilateral negotiations outside GATT's auspices. The agreement also sets time limits on the use of safeguard measures. The bilateral measures that were not modified to conform with the agreement were phased out at the end of 1998.

Sanitary and Phytosanitary Measures (SPS) - Laws or regulations implemented by governments to protect human, animal and plant life and health, and to ensure that food is safe for consumption.

Schedule of Commitments - In general, a WTO member's list of commitments on market access (bound tariff rates, access to services markets). Goods schedules can include commitments on agricultural subsidies and domestic support. Services commitments include bindings on national treatment in various service sectors and with regard to particular "*modes of delivery*."

Schedule of Concessions - The list of bound tariff rates that a country agrees to in trade negotiations.

Seattle Ministerial - WTO's Third Ministerial Conference held in Seattle in November 1999. It attracted a large group of protesters and ended without agreement among the participating countries.

Services - Refers to any economic activity that is not a tangible good, for example financial services, data entry, tourism, transportation, and legal services.

Services Negotiations - Written into the General Agreement on Trade in Services (GATS) is a commitment by WTO member governments to progressively liberalize trade in services.

Singapore Issues - Four issues were introduced to the WTO agenda at the December 1996 Ministerial Conference in Singapore: trade and

investment, trade and competition policy, transparency in government procurement, and trade facilitation.

Southern African Customs Union (SACU) - A Customs Union among South Africa, Botswana, Lesotho, Namibia, and Swaziland. SACU was formed on in 1969 and entered into force in 1970, replacing a 1910 Customs Union Agreement among the nations of southern Africa. It provides for a common external tariff and a common excise tariff. The United States began negotiating an FTA with the SACU nations in 2003.

Special Agricultural Safeguards (SSG) - Special safeguards provided for in Article 5 of the WTO Agreement on Agriculture (AOA). These safeguards are triggered automatically if imports rise or prices fall to pre-determined levels. SSGs may be implemented without an injury showing, but can only be used on products that were tariffed and only by countries that reserved the right to do so in their schedule of commitments on agriculture.

Special and Differential Treatment (S&D or SDT) - The GATT principle that developing countries be accorded special privileges exempting them from some requirements applied to developed countries. It also permits tariff preferences among developing countries and by developed countries in favor of developing countries, as under the "*Generalized System of Preferences.*"

Special Products (SP) - Products that are deemed “necessary” for food security, rural development and livelihood security. The July 2004 WTO Framework specifically provides for more flexible treatment for SPs from developing nations. Members of the G33 take the position that SPs should be exempt from tariff reductions and from tariff rate quota provisions in WTO negotiations. “See G33.”

Special Products Alliance - See “G33.”

Special Safeguard - As part of the Agreement on Agriculture of the WTO, a special provision for providing safeguard protection to specified agricultural products with non-tariff protections that were converted to tariffs (i.e., tariffication). See “Safeguards.”

Special Safeguard Mechanisms (SSMs) - A G33 proposal, for expanding the existing WTO Special Agricultural Safeguards (SSG) provision by allowing all developing countries to have recourse to this mechanism, regardless of whether they previously reserved this right. The SSM would allow developing nations to place tariffs that exceed bound rates on farm imports if overall import volumes rise or import prices fall below their average for a three-year period. See “Special Agricultural Safeguards” and “G33.”

Specific Subsidy - A subsidy provided to a particular firm or to a particular industry or sector. Specific subsidies are actionable or countervailable. See “Actionable Subsidy” and “Countervailable Subsidy.”

Specific Tariff - A tariff that applies a specific charge based on the quantity of goods imported rather than on the value of the good. See "*Ad Valorem Duty*."

Subsidies Agreement (SCM Agreement) - The WTO Agreement on Subsidies and Countervailing Measures disciplines the use of subsidies and regulates the actions countries can take to counter the effects of subsidies. Under the agreement, a country can use the WTO's dispute-settlement procedure to seek the withdrawal of the subsidy or the removal of its adverse effects. Alternatively, the country can launch its own investigation and charge an extra duty (countervailing duty) on subsidized imports that are found to be hurting domestic producers.

Subsidy - A government payment to the private sector to support an industry or encourage certain behavior. Some trade distorting subsidies are prohibited by the WTO (see "*Prohibited Subsidies*"), others are not prohibited but are actionable subsidies and may be countervailed (see "*Actionable Subsidy*" and "*Countervailing Duty*"). Finally, some subsidies are non-actionable such as those not directed to a specific industry.

Swiss Formula - A formula devised during the Tokyo Round for reducing tariffs in a manner that reduces high tariffs relatively more than lower tariffs. The formula is $t_{new} = (t_{old} * M) / (t_{old} + M)$, where the t 's are the new and old tariffs, in percent, and M is a parameter equal to the maximum new tariff.

Tariff - A tax on trade at the border, usually on imports, but sometimes applied to exports (exports taxes or tariffs are prohibited by the US Constitution, but most countries allow them). Tariffs may be ad valorem or specific.

Tariff Anomaly - When the tariff on raw materials or semi-manufactured goods is higher than the tariff on the finished product.

Tariff Binding - A commitment under GATT/WTO not to raise tariffs above a certain level. Referred to as the bound rate. The bound rate is often higher than the actual or applied rate.

Tariff Escalation - A situation in which duties on raw materials are nonexistent or very low; duties on semi-processed goods are moderate; and duties on manufactured goods are relatively high.

Tariffication - The process of converting quotas and other non-tariff barriers to tariffs. Tariffs can then be cut in future negotiations.

Tariff Rate Equivalent - The net effect on imports of a non-trade barrier (NTB), such as a quota, as expressed in terms of an *ad valorem* tariff.

Tariff Rate Quotas (TRQs) - Application of a higher duty rate to imported goods after a certain quantity of the item has entered the country without duty or at a lower rate.

Tariff Schedule - The comprehensive list of all a country's tariffs, organized by product/product type. See "*Harmonized Tariff Schedule of the United States.*"

Technical Barrier to Trade (TBT) - A regulation or other requirement (for testing, labeling, packaging, marketing, certification, etc.) applied in a way that hinders imports.

Three Pillars - Refers to the three pillars of agricultural trade liberalization identified in the 2001 Doha Ministerial Declaration:

- (1) substantial reductions in trade-distorting domestic support;
- (2) phase-out, and possible elimination, of all export subsidies; and
- (3) substantial improvements in market access.

Trade and Investment Framework Agreement (TIFA) - A non-binding consultative mechanism for the United States to discuss issues affecting trade and investment with another country. Often signed with countries that are beginning liberalization.

Trade Deficit - A nation's excess of imports over exports over a period of time.

Trade Diversion - A shift in the pattern of trade, resulting from changes in trade policies and practices, which does not involve a change in the overall volume or composition of trade. Generally contrasted with trade creation, which occurs when economic activity or trade policy generates an overall increase in trade. Trade diversion may occur when a free trade agreement causes participating countries to import goods from other signatories to the agreement in place of traditional imports from countries outside the agreement.

Trade Facilitation Negotiations - Trade facilitation refers to negotiations in the WTO aimed at reducing red tape and other non-tariff transactions costs associated with moving goods across borders. The Doha Declaration calls on member countries to negotiate the removal of obstacles to the movement of goods across borders (e.g. simplification of customs procedures). WTO members are increasingly convinced that the key to developing their economies and combating corruption lies in strengthening the trade rules governing customs procedures to ensure the free flow of goods and services.

Trade Preference - Granting of a preferred status to some or all of the goods of a preferred country, such as lower rates of duty or admissibility of goods in quantities over and above those normally permitted.

Trade Promotion Agreement (TPA) - An alternative term for Free Trade Agreement (FTA). *See "Free Trade Agreement" and "Peru Trade Promotion Agreement."*

Trade Promotion Authority (TPA) - US legislation that gives the President the right to submit trade agreements to the Congress for approval by an up or down vote without amendments. Under this authority, the Executive branch is required to consult regularly with the Congress and solicit advice from advisory committees and the public as trade agreements are being negotiated. In return, the Congress agrees not to amend legislation implementing trade agreements, instead voting up or down on these agreements within a specified time frame. *See "Fast Track."*

Trade Promotion Coordination Committee (TPCC) - US government interagency group whose aim is to coordinate the programs and strategies of 19 federal agencies involved in trade promotion. Chaired by the Secretary of Commerce.

Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS) - The WTO agreement to protect intellectual property rights. TRIPS was negotiated in the Uruguay Round and introduced intellectual property rules into the multilateral trading system for the first time.

Trade Remedies - Mechanisms, such as countervailing duties, antidumping duties and safeguards, that protect domestic producers from unfair and/or injurious imports.

Trade Round - A set of multilateral negotiations, held under the auspices of the GATT, in which countries exchange commitments to reduce tariffs and agree to extensions of the GATT rules and rules under other WTO agreements such as GATS. Recent rounds include the Kennedy, Tokyo, and Uruguay Rounds. The Doha Round began in 2002 and is scheduled to be completed in 2006.

Trade Surplus - A nation's excess of exports over imports over a period of time.

Transparency - The extent to which laws, regulations, agreements, and practices affecting international trade are open, clear, measurable, and verifiable.

Unbound Tariffs - Items for which countries have not yet established an upper limit for tariffs. In trade negotiations, a country agrees to have the tariff on a product *bound* at a certain level, i.e., the country commits that the tariff cannot exceed that level in the future. The bound rate may be higher than the applied rate (i.e., the tariff that is currently applied to a product) so that it is legal to raise the applied tariff. In the Doha Round negotiations, there is disagreement about how to handle reductions of tariffs on items that are unbound. Some argue for reductions from applied rates, which would achieve real reductions in actual worldwide tariffs. Others argue for setting a bound rate somewhere above the applied rate and then cutting so countries that voluntarily reduced their applied tariffs are not punished.

Unfair Trade Practice - Government subsidies and anti-competitive practices by firms, such as dumping, boycotts or discriminatory shipping arrangements, that result in competitive advantages in international trade for the benefiting firms. See "*Dumping*," "*Countervailing Duty*" and "*Trade Remedies*."

United Nations Conference on Trade and Development (UNCTAD) - A part of the UN General Assembly that promotes international trade and seeks to increase trade between developing countries and countries with different social and economic systems.

United States-Canada Free Trade Agreement - The provisions of the US-Canada Free Trade Agreement were adopted by the US with the enactment of the FTA Implementation Act of 1988. The FTA reduced tariffs on imported merchandise between Canada and the US and opened new areas of trade in investment. It was followed by the North American Free Trade Agreement (NAFTA) between Canada, Mexico, and the United States. *See "North American Free Trade Agreement."*

United States International Trade Commission (USITC or ITC) - An independent fact-finding commission of the US government that studies the effects of tariffs and other restraints to trade on the US economy. The ITC is also tasked with analyzing and reporting on the impact of proposed US trade agreements. It is the US authority designated to make determinations of injury in antidumping, countervailing duty and safeguards cases. The six USITC Commissioners are appointed by the President and confirmed by the Senate for staggered non-renewable nine-year terms. No more than three of the Commissioners can be from the same political party.

United States Trade Representative (USTR) - A US cabinet-level official with the rank of Ambassador who is the principal adviser to the President on international trade policy and has responsibility for setting and administering overall trade policy.

Uruguay Round - The eighth round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). The Uruguay Round (so named because meetings began in Punta del Este, Uruguay in 1987) concluded in December 1993 after seven years of negotiations. These negotiations resulted in the Marrakesh Agreement that created the WTO.

Value Added Tax (VAT) - A tax that is levied only on the value added by the seller. A VAT is usually subject to refund or adjustment at the border.

Voluntary Export Restraint (VER) - A restriction on a country's imports that is achieved by negotiating with the foreign exporting country for it to restrict its exports. VERs were very common on automobiles, steel and many other products in the 1970s and 1980s. Such agreements are now prohibited by the Uruguay Round Safeguards Agreement. See "*Safeguards Agreement.*"

World Customs Organization (WCO) - An independent intergovernmental body with 168 member governments established as the Customs Cooperation Council in 1952. The WCO facilitates cooperation among customs officials and developed the Harmonized System of classification that is now used in tariff codes in the US and around the world.

World Intellectual Property Organization (WIPO) - The United Nations organization that establishes and coordinates standards for protection of intellectual property rights.

World Trade Organization (WTO) - The international organization that resulted from the Uruguay Round of GATT negotiations. It is intended to promote world trade and to settle disputes among member nations. The WTO, established in 1995, had grown to 149 members as of December 2005.

WTO Agreement on Basic Telecommunications - Negotiations on the Basic Telecommunication Agreement ended in 1997 and the agreement took effect in 1998. The agreement covers services related to voice telephone, data transmission, telex, telegraph, facsimile, private leased circuit services, fixed and mobile satellite systems, cellular telephone, mobile data services, paging, and personal communication services.

WTO Agreement on Financial Services - Negotiations on the Financial Services Agreement ended in 1997 and the agreement took effect in 1999. The agreement covers banking, insurance, securities, asset management, and financial information. In this agreement under the General Agreement on Trade in Services (GATS), countries made binding commitments to provide national treatment and market access in financial services, as specified in their country schedules, to firms from any WTO member country.

WTO Information Technology Agreement (ITA) - Negotiations on the Information Technology Agreement ended in 1996 and the agreement took effect in 1997. It is a pact among over 50 countries to eliminate customs duties (and other duties and charges) on information technology products. The commitments undertaken require participants to bind these commitments in their WTO tariff schedules. The agreement also provides for the review of non-tariff barriers. In general, the agreement covers computers, telecommunications, semiconductors, semiconductor manufacturing equipment, software, and scientific instruments. Unlike the plurilateral agreements, ITA requires that signatories extend the benefits to all WTO members on a MFN basis, regardless of whether the other member is a signatory of th ITA.



Business Roundtable

1717 Rhode Island Avenue
Suite 800
Washington, DC 20036

Telephone 202.872.1260
Facsimile 202.466.3509
Website trade.businessroundtable.org