

World Agriculture & Trade

A Glossary of Trade Terms

Agreement on Agriculture. Part of the UR agreement covering issues related to agriculture—e.g., market access, export subsidies, and internal support.

Aggregate Measure of Support. An index that measures the monetary value of the extent of government support to a sector. The AMS, as defined in the Agreement on Agriculture, includes both budgetary outlays as well as revenue transfers from consumers to producers as a result of policies that distort market prices.

APEC (Asia-Pacific Economic Cooperation) region. Founded in 1989, APEC is a regional institutional arrangement among member countries linked by Pacific Ocean trade. APEC's long-term goal is free and open trade and investment in the Asia-Pacific region. APEC holds annual ministerial meetings to discuss strategies for reducing barriers to trade and investment and to promote the free flow of goods, services, and capital within the region. Member countries include Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, South Korea, Taiwan, Thailand, and the U.S.

Bound tariff rates. Tariff rates resulting from GATT negotiations or accessions that are incorporated as part of a country's schedule of concessions. Bound rates are enforceable under Article II of GATT. If a GATT contracting party raises a tariff above the bound rate, the affected countries have the right to retaliate against an equivalent value of the offending country's exports or receive compensation, usually in the form of reduced tariffs of other products they export to the offending country.

Blue box policies. A popular expression to represent the set of provisions in the Agreement on Agriculture that exempts from reduction commitments those program payments that limit production, such as diversion payments on set-aside land.

Cairns Group. A group of nations formed in 1986 at Cairns, Australia. The group seeks the removal of trade barriers and substantial reductions in subsidies affecting agricultural trade. These goals were in response to depressed commodity prices and reduced export earnings stemming from subsidy wars between the U.S. and the EU. The members account for a significant portion of the world's agricultural exports. The group includes major food exporters from both developed and developing countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand, and Uruguay. The Cairns Group was a strong coalition in the Uruguay Round of multilateral trade negotiations.

Country schedules. The official schedules of subsidy commitments and tariff bindings as agreed to under GATT for member countries.

Dispute Settlement Body (DSB). The General Council of the WTO, composed of representatives of all member countries, convenes as the Dispute Settlement Body to administer rules and procedures agreed to in various agreements. The DSB has authority to establish panels, adopt panel and Appellate Body

reports, maintain surveillance of implementation of rulings and recommendations, and authorize suspension of concessions or other obligations under the various agreements.

Due Restraint provision. The UR Agreement on Agriculture provision that sets a 9-year period during which green box policies are exempt from GATT challenges.

EU (European Union). Established by the Treaty of Rome in 1957 and known previously as the European Economic Community and the Common Market. Originally composed of six European nations, it has expanded to 15. The EU attempts to unify and integrate member economies by establishing a customs union and common economic policies, including CAP. Member nations include Austria, Belgium, Denmark, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Export subsidies. Special incentives, such as cash payments, extended by governments to encourage increased foreign sales; often used when a nation's domestic price for a good is artificially raised above world market prices.

Final Act. Formally called the "Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations," the Final Act is the legal document containing the texts of all provisions agreed upon during the UR. The signing and adoption of the Final Act initiated the transition from the GATT to the WTO.

Formula-based tariff reductions. A method of negotiating tariff reductions using an agreed-upon formula applied to tariff rates (with limited exceptions being granted for very sensitive items) by all contracting parties.

GATT (General Agreement on Tariffs and Trade). An agreement originally negotiated in Geneva, Switzerland in 1947 among 23 countries, including the U.S., to increase international trade by reducing tariffs and other trade barriers. The agreement provides a code of conduct for international commerce and a framework for periodic multilateral negotiations on trade liberalization and expansion.

Green box policies. A colloquial term that describes domestic support policies that are not subject to reduction commitments under the Agreement on Agriculture. These policies are assumed to affect trade minimally, and include support such as research, extension, food security stocks, disaster payments, and structural adjustment programs.

Market access. The extent to which a country permits imports. A variety of tariff and nontariff trade barriers can be used to limit the entry of foreign products.

MERCOSUR (Common Market of the South). A customs union implemented in January 1995, and including Argentina, Brazil, Paraguay, and Uruguay. MERCOSUR represents the culmination of bilateral negotiations started by Argentina and Brazil in 1986.

Most-favored-nation (MFN) status. An agreement between countries to extend the same trading privileges to each other that they extend to any other country. Under a most-favored-nation agreement, for example, a country will extend to another country the lowest tariff rates it applies to any third country. A country is under no obligation to extend MFN treatment to another country, unless they are both members of the WTO, or unless MFN is specified in an agreement between them.

NAFTA (North American Free Trade Agreement). A trade agreement involving Canada, Mexico, and the U.S., implemented on January 1, 1994, with a 15-year transition period. The major agricultural provisions of NAFTA include: 1) the elimination of nontariff barriers—immediately upon implementation, generally through their conversion to tariff-rate quotas or ordinary quotas; 2) elimination of tariffs—many immediately, most within 10 years, and some sensitive products gradually over 15 years; 3) special safeguard provisions; and 4) country-of-origin rules to ensure that Mexico does not serve as a platform for exports from third countries to the U.S.

Nontariff trade barriers. Regulations used by governments to restrict imports from, and exports to, other countries, including embargoes, import quotas, and technical barriers to trade.

Notification process. The annual process by which member countries report to the WTO information on commitments, changes in policies, and other related matters as required by the various agreements.

OECD (Organization for Economic Cooperation and Development). An organization founded in 1961 to promote economic growth, employment, a rising standard of living, and financial stability; to assist the economic expansion of member and nonmember developing countries; and to expand world trade. The member countries are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the U.S.

Peace Clause. See *Due Restraint provision*.

Production control. Any government program or policy intended to limit production. These have included acreage allotments, acreage reduction, set-asides, and diverted acreage.

Sanitary and phytosanitary (SPS) measures. Technical barriers designed for the protection of human health or the control of animal and plant pests and diseases.

Special Safeguard provisions. Provisions within the UR Agreement on Agriculture designed to protect products which were subject to tariffication from surges in imports or large price declines.

Special Treatment Clause. A clause in the UR Agreement on Agriculture that gives countries the option of foregoing tariffication on some commodities and instead requires minimum imports above the minimum access commitments of 3-5 percent of consumption. This clause was added to temporarily placate Japan and South Korea by providing protection for their rice sectors. In the case of Japan, for instance, the minimum import requirements for rice are at 4 percent of consumption in 1995, rising to 8 percent in 2000.

Swiss formula. A tariff-cutting formula adopted in the Tokyo Round where high levels of tariffs were reduced at a faster pace than lower ones.

Tariff. A tax imposed on commodity imports by a government. A tariff may be either a fixed charge per unit of product imported (specific tariff) or a fixed percentage of value (ad valorem tariff).

Tariff-rate quota. Quantitative limit (quota) on imported goods, above which a higher tariff rate is applied. A lower tariff rate applies to any imports below the quota amount.

Tariffication. The process of converting nontariff trade barriers to bound tariffs. This is done under the UR agreement in order to improve the transparency of existing agricultural trade barriers and facilitate their proposed reduction.

Tokyo Round. The GATT negotiations formally initiated by the Tokyo Declaration in 1973 and completed in 1979. More countries were involved in the Tokyo Round than previous rounds (including many developing countries and several East European countries), and discussions were expanded to include nontariff trade barriers.

Trade liberalization. A term which describes the complete or partial elimination of government policies or subsidies that adversely affect trade. The removal of trade-distorting policies may be done by one country (unilaterally) or by many (multilaterally).

UR (Uruguay Round) agreement. The Uruguay Round of multilateral trade negotiations, conducted under the auspices of the GATT, is a trade agreement designed to open world markets. The Agreement on Agriculture is one of the 29 individual legal texts included in the Final Act under an umbrella agreement establishing the WTO. The negotiation began at Punta del Este, Uruguay in September 1986 and concluded in Marrakesh, Morocco in April 1994.

World Trade Organization (WTO). Established on January 1, 1995 as a result of the Uruguay Round, the WTO replaces GATT as the legal and institutional foundation of the multilateral trading system of member countries. It provides the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations. And it is the platform on which trade relations among countries evolve through collective debate, negotiation, and adjudication. **AO**