



## Glossary

### I. TERMS RELATED TO TRADE POLICY AND NEGOTIATIONS

**Accession.** The process by which countries join the *General Agreement on Tariffs and Trade*, or *GATT* (see Section III).<sup>1</sup> The length of the accession process varies, depending on the conformity of the applicant country's trade practices with GATT norms.

Individual GATT members and the applicant country also usually negotiate a "price of admission" --tariff concessions or other obligations including the reduction of quotas and other trade-distorting policies --to compensate for benefits that have accrued over the years through multilateral GATT negotiations in which the applicant country did not participate. Accession to GATT does not automatically mean that the new member is bound by the various *GATT Codes*; members join these arrangements separately. The basic requirement for accession is that the applicant country's trade policies must provide nondiscriminatory and predictable treatment for all other GATT members; in return, the country becomes part of the organization that makes world trade rules, and also enjoys by right of international obligation the benefits of these rules for its exports. An outline of the GATT accession process is provided in Appendix B.

**ACP (African, Caribbean, and Pacific) Countries.** Refers to 69 countries --most of them former colonies of member states of the *European Community* (Sec. III) --receiving preferential tariff treatment as well as EC financial and technical assistance under the *Lome Convention*. See also entry under same heading in Section III.

**Administrative Review.** In *unfair trade* cases, a mechanism for parties to a case to appeal a ruling on subsidization, dumping, or injury to an administrative authority in the importing country.

**Ad Referendum.** Refers to delegations' acceptance of the outcome of a negotiation on a provisional basis, pending final approval by governmental authorities.

**Ad Valorem Duty.** See *duty*.

**Ad Valorem Equivalent (A VE).** A *specific duty* expressed in terms of a percentage of the value of the product in question. For example, a duty of \$5 per ton on a product valued at \$50 per ton has an A VE of 10 percent. When tariff negotiations are conducted on a percentage-reduction basis, AVEs must be calculated in order to permit proportional cuts in specific duties-

**Agreement on Implementation of Article VI of the GATT .** See *Antidumping Code*.

**Agreement on Implementation of Article VIII of the GATT .** See *Customs Valuation Code*.

**Agreement on Technical Barriers to Trade.** See *Standards Code*.

**Agreement on Interpretation and Application of Articles VI, XVI, and XXIII.** See *Subsidies Code*.

**Aide Memoire.** In diplomatic parlance, refers to a written outline or summary of the main points of a proposed agreement.

**Andean Trade Preferences Arrangement (ATPA).** A non-reciprocal *preferential arrangement* established by the Andean Trade Preference Act of 1991, under which the United States grants duty-free treatment for a 10-year period to certain imports from Bolivia, Colombia, Ecuador, and Peru. The ATPA is intended to expand economic alternatives available to Andean countries that are engaged in combating drug production and trafficking. Eligible articles are the same as those under the *Caribbean Basin Initiative*, except rum.

**Annecy Round.** The second *GATT Round* of multilateral trade negotiations, held in Annecy, France, from April through October, 1949. The Round dealt with institutional matters and the accession of new members, but did not make significant progress in reducing trade barriers.

**Anti-circumvention Duty.** A term used by the European Community for penalty charges imposed on the output of Japanese *screwdriver assemblies* (Sec. 11) in Europe; subsequently found in violation of GATT rules by a *dispute settlement* panel. See *circumvention*.

**Antidumping Code.** Formally known as the Agreement on Anti-Dumping Practices. A code negotiated under the auspices of the GATT during the *Kennedy Round* and subsequently renegotiated in the *Tokyo Round*. The code interprets the provisions of GATT Article 6, specifying the procedures signatory countries must follow to verify *dumping* allegations, and providing the basis for the imposition, collection, and duration of antidumping duties. Parties to the Agreement include Argentina, Australia, Austria, Brazil, Canada, Czech Republic, Egypt, the European Community, Finland, Hong Kong, Hungary, India, Japan, Korea, Mexico, New Zealand, Norway, Pakistan, Romania, Singapore, Slovakia, Spain, Sweden, Switzerland, and the United States.

**Antidumping Duty.** A penalty charge on imports to protect domestic industry against disruptive pricing practices by foreign firms (see *dumping*). An antidumping duty is supposed to be set equal to the margin of dumping, defined as the difference *between fair value* and the actual sales price. GATT Article 6 permits members to levy antidumping duties, while the GATT *Antidumping Code* attempts to standardize and discipline importing governments' activities in this area. See also *circumvention* and *injury test*.

**Appellations of Origin.** (Also referred to as "geographic indications of origin.") The name of a country, region, or locality designating a product's origin --such as Champagne or Camembert -- and having the same function as a trademark or brand name. International negotiations on protection of *intellectual property rights* seek to resolve differences among countries' eligibility requirements (or lack thereof) for use of appellations or origin.

**Applied Tariff Rate.** The tariff rate actually used to determine the amount of duty owed on a particular import transaction. Applied rates may differ from *bound rates*.

**Arrangement on Guidelines for Officially Supported Export Credits.** See *Export Credits Arrangement*.

**Articles (of GATT).** See Appendix A.

**Article 22 Consultations or Article 23 Consultations.** See *consultations*.

**Assimilation.** A term referring to *national treatment* in the protection of *industrial property*. See *Paris Convention*.

**Assists.** Inputs to production -- including blueprints, designs, tools and dies, and development engineering --provided by an importer to a foreign manufacturer for use in " producing merchandise for purchase by the importer. The value of assists may be subject to import duties on grounds that they would have been reflected in the sale price if they had been obtained commercial by the foreign manufacturer.

**Auction Quotas.** See *import to auctioning*.

**Authors' Rights.** A term used primarily in Latin American countries to refer to copyrights.

**Automaticity.** In GATT negotiations on *dispute settlement* procedures, refers to proposals to have reports of dispute panels automatically adopted by the GATT Council if no specific objections to adoption are raised (i.e. without requiring an affirmative decision by the disputing parties). Other proposals would give the country winning a GATT dispute an automatic right to withdraw concessions if, after a specified time, the defending party has neither complied with a panel's recommendations nor agreed to an acceptable timetable for compliance. GATT rules and procedures currently contain no time limits for implementation of panel reports, and implementation may be delayed indefinitely.

**Auto Pact.** (Formally known as the Automotive Products Trade Agreement) A bilateral agreement signed in 1965 between the United States and Canada, providing duty-free treatment of most automotive products. The Auto Pact was augmented in 1988 by the US-Canada Free Trade Agreement, which required the phase out of remaining auto duties by 1998.

**Balance of Concessions.** See *concessions* and *reciprocity*.

**Balance of Payments Consultations.** The GA *TT* permits countries to levy *quantitative restrictions* in times of acute deficits in their balance of payments. Countries invoking this provision take part in balance of payments consultations with other GA *TT* members to justify the restrictions and specify plans to improve the payments deficit (see *Committee on Balance-of-Payments Restrictions, Sec. III*). Articles 12 and 18 require such restrictions to be temporary, but often they remain in place for years. (Article 18, which provides more flexible and lenient conditions, may only be invoked by LDC members) The 1979 GA *TT Framework Agreement* legitimized use of non-quantitative restrictions for balance-of-payments purposes (see *import surcharge*).

**Base Price or Basic Price.** See *Common Agricultural Policy*.

**Berne Convention.** Formally known as the Berne Convention for the International Protection of Copyrights. Signed in 1886 and revised in 1971, the Convention requires *national treatment* in the protection of *intellectual property rights* by signatory countries. The Berne Convention specifies rights of authors in more detail than the *Universal Copyright Convention (UCC)*, and its minimum term of protection is longer than under the UCC. See also *Paris Convention*. Not to be confused with the *Berne Union (Sec. III)*.

**Bilateral Investment Treaty (BIT).** An agreement between two countries providing for nondiscriminatory treatment of direct investments. A BIT usually contains provisions for prompt and adequate compensation in the event of expropriation; guarantees on free transfers of investment earnings; freedom from *performance requirements*; and mechanisms for resolving disputes such as third-party arbitration. As of September 1993, the United States had signed 25 BITs --13 of which had entered into force --with another 20 under discussion with foreign countries.

**Bilateral Restraint Agreement.** See *export restraints*.

**Binding.** A formal commitment specifying maximum levels at which a GATT member's tariffs on a given product will be set. Tariff bindings provide a major element of stability to international trade by limiting large, unpredictable changes in tariff levels, since other GATT members may be entitled to *compensation* if a country raises a tariff above the *bound rate*. Many LDC members of GATT have bound few of their tariffs, however, and others --applying "ceiling bindings" at rates much higher than prevailing tariff levels -- retain considerable leeway to change tariffs at will.

**BISD (Basic Instruments and Selected Documents).** A series of documents, updated at irregular intervals in supplemental volumes, containing decisions, waivers, and reports adopted by the GATT Contracting Parties and subsidiary bodies. The BISD comprises the body of GATT "case law."

**Blair House Accord.** A bilateral agreement between the United States and the EC Commission, concluded in November 1992 at the Blair House in Washington in an effort to resolve longstanding US-EC differences on agricultural trade issues, which had been blocking

conclusion of a comprehensive agreement in the GATT *Uruguay Round*. Through the accord, an incipient *trade war* over oil seeds was averted when Brussels effectively froze subsidized soybean production at current levels, while Washington withdrew a threat to impose 200 percent tariffs on European wines. In addition, the accord stipulated that the final Uruguay Round text should require countries to reduce their tonnage of subsidized grain exports by 21 percent over six years.

**Blockade.** An interdiction of international shipments to or from a particular port or country by the military forces of another country. Any nation seeking to impose a blockade must proclaim its intention to do so in order for the action to be valid under international law. Moreover, the 1856 Declaration of Paris requires that a blockade must be effective and maintained by sufficient force in order to be internationally recognized. See also *embargo*.

**Blocked Exchange.** A restriction forbidding the unlicensed purchase of bills of exchange, currency, or negotiable instruments denominated in a foreign currency, in order to prevent depletion of foreign currency reserves. See *exchange controls*.

**Border Tax Adjustments.** The remission of taxes on exported goods, including sales taxes and *value added taxes* (Sec. 11), in order to ensure that national tax systems do not impede exports. The GATT permits such adjustments for indirect taxes --based on the economic assumption that such taxes are largely passed on to consumers --but not for direct taxes (e.g., income taxes assessed on producing firms). The United States makes little use of border tax adjustments since the federal government relies more heavily on income (or direct) taxes than do most other countries.

**Bound Rates.** *Most favored-nation* tariff rates resulting from GATT negotiations and thereafter incorporated as integral provisions of a country's *tariff schedule*. The bound rate may represent either a tariff reduction or a commitment not to raise an existing tariff rate (see *binding*).

**Bounty or Grant.** A form of *subsidy*. As used in US trade legislation, the term refers to an economic inducement by a foreign government to a manufacturer within its territory to encourage exports. Such inducements may include operating subsidies or forgiveness of debt; loans and loan guarantees at below-market rates; provision of goods, services, raw materials, or capital at below-market prices; or absorption of production or distribution costs.

**Bovine Meat Arrangement.** Formally known as the Arrangement Regarding Bovine Meat. An agreement negotiated in the *Tokyo Round* to promote expansion, liberalization, and stabilization of international trade in beef, veal, and live cattle, as well as to improve international cooperation regarding such trade. The arrangement is supervised by the *International Meat Council* (Sec. III). Signatories include Argentina, Australia, Austria, Brazil, Bulgaria, Canada, Colombia, Egypt, the European Community, Finland, Guatemala, Hungary, Japan, New Zealand, Nigeria, Norway, Poland, Romania, South Africa, Sweden, Switzerland, Tunisia, the United States, and Uruguay.

**Boycott.** A refusal to deal commercially or otherwise with a country, firm, or individual. A party to a "primary boycott" is one, which refrains from trading with the targeted country. A

"secondary boycott" is one in which parties to a boycott attempt to induce other countries to adhere to the boycott, often as a condition of continued trade relations with them. See also *embargo* and *sanctions*.

**Bretton Woods System.** The general term for the international monetary and financial system established after World War II to foster full employment and price stability, while allowing individual countries to attain external balance without having to resort to trade restrictions. Takes its name from the July 1944 conference of 44 countries meeting in Bretton Woods, New Hampshire, to plan for postwar reconstruction and economic stability. The Conference laid the foundation for the *International Monetary Fund* and *World Bank* (Sec. 111). A third specialized agency envisaged at Bretton Woods --the *International Trade Organization* (Sec. III) --did not materialize, and the less powerful GATT took its place. See also *World Economic Conferences of 1927 and 1933*.

**Brussels Tariff Nomenclature (BTN).** See *Harmonized System*.

**Buyback Arrangements.** See *Countertrade*.

**Buyer Credits.** See *export credits*.

**Cairns Group.** See entry in Section III.

**Call.** A request by an importing country for consultations with an exporting country concerning products whose shipments during a specified period are at or near a limit specified in a textile agreement. See *Multifiber arrangement (MFA)*.

**Caribbean Basin Initiative (CBI).** A non-reciprocal *preferential arrangement* established by the United States in 1984 to promote economic development in Caribbean countries; it was made a permanent program in 1990 under the Caribbean Basin Economic Recovery Act. Under the CBI, US duties are eliminated on all imports from beneficiary countries except textile and apparel products, canned tuna, footwear, certain leather goods, and certain watches and watch parts. Beneficiary countries are Antigua and Barbuda, the Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

**Caribbean-Canadian Common Market (CARIBCAN).** A non-reciprocal *preferential arrangement* established by Canada in 1986 to extend tariff preferences to Commonwealth countries in the Caribbean region. Beneficiary countries are Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. Under CARIBCAN, Canadian duties are eliminated on all products imported from beneficiary countries except textiles, clothing, footwear, luggage and handbags, leather garments, lubricating oils, methanol and alcohol, and tobacco products. Product eligibility requires 60 percent local content.

**Central and East European Countries (CEECs).** Includes Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and the former Yugoslav republics. In some recent applications, this term has been used to also include some of the Newly Independent States (NIS) of the former Soviet Union, e.g., Belarus, Moldova, Ukraine, and the Baltic republics.

**Ceiling Binding.** See *binding*.

**Centre William Rappard.** Formal name of the GATT headquarters building in Geneva.

**Check Price System.** A device used by a government agency to avoid charges of *dumping* in foreign markets by establishing floor prices for exporting firms.

**Chicken War.** A *trade war* that occurred in 1962-63 between the United States and the European Community. Prior to 1962, US chicken exports had entered many European countries at a bound tariff rate. Adoption of the *Common Agricultural Policy* imposed minimum import prices on all imported chicken, nullifying prior tariff concessions and causing an estimated \$26 million in losses to US poultry farmers. When attempts to achieve a negotiated resolution failed, the United States imposed retaliatory duties on European trucks, brandy, and other products.

**Circumvention.** Measures taken by exporting companies to forestall or evade the payment of penalty charges in an importing country such as *countervailing* or *antidumping duties*. Examples include false labeling, *transshipment*, and *screwdriver assemblies (Sec.II)*. See also *diversionary dumping* and *downstream dumping*.

**Civil Aircraft Agreement.** Formally known as the Agreement on Trade in Civil Aircraft. The only sectoral agreement covering manufactures to result from the *Tokyo Round* negotiations. Under the agreement, signatory countries eliminated tariffs on civil (i.e., nonmilitary) aircraft, engines, and components; established rules covering governments' involvement in civil aircraft purchases; and applied the *GATT Standards Code* and *Subsidies Code* to the aircraft sector. Code signatories are proscribed from pressuring airlines to buy from particular suppliers, and may not grant or deny landing rights in attempts to influence aircraft purchases. Signatories include Austria, Belgium, Canada, Denmark, Egypt, the European Community, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Romania, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

**Clearing Agreements.** See *Countertrade*.

**COCOM List.** A list compiled by the *Coordinating Committee for Multilateral Export Controls*, or *COCOM (Sec.III)*, designating strategic or sensitive products to be denied exportation to potentially hostile countries. The COCOM List encompasses the International Atomic Energy List; the International Munitions List; and the International List, which includes both military items and *dual-use goods*. A uniform control procedure, known as the International Import Certificate-Delivery Verification System was established by COCOM member countries to prevent diversion of restricted products. See also *Commodity Control List*.

**Code of Conduct.** An international agreement establishing standards of behavior --by countries, corporations, or individuals --deemed desirable by the international community. Such codes are essentially normative statements of principle and, unlike " treaties or commercial agreements, have no binding force. Not to be confused with *GAIT Codes*.

**Codex Alimentarius.** See *Codex Alimentarius Commission (Sec.III)*. The compilation of minimum grades and standards for raw and processed food products published by the Commission is known as the Codex Alimentarius. Upon adherence by a government, all "codex standards" become minimum standards by that country .See *sanitary and phytosanitary standards*.

**Column 1 Rates.** US tariff rates which have been established through international negotiation and approved by Congress. Column I rates are applied on a *most favored- nation* basis and are usually subject to *binding* in GA TT .

**Column 2 Rates.** US tariff rates assessed on imports from countries not receiving *most- favored- nation* treatment. Most Column 2 rates date from the *Smoot-Hawley Act of 1930 (Sec. IV)* and are substantially higher than Column 1 rates.

**Commercial Counterfeiting.** A deceptive trade practice involving trademark piracy, false labeling, or other fraudulent means of claiming manufacture by a reputable producer. See *Counterfeit Code*.

**Commodity Agreement.** A formal international arrangement among exporters and importers of a commodity. Such agreements have often been advocated by commodity exporting countries for the purpose of stabilizing price fluctuations, but few arrangements have been successful in doing so. The United States currently participates in commodity agreements covering coffee, wheat, jute, rubber, lead and zinc, tropical timber, copper, and cotton; of these, only the International Natural Rubber Agreement currently contains economic stabilization measures. See *international commodity organization*; see also *buffer stocks* and *export quota agreement*.

**Commodity Control List.** A listing of products subject to *export controls* administered by the US Department of Commerce. The list includes items on the multilateral *COCOM List* as well as those subject to unilateral US restrictions.

**Common Agricultural Policy (CAP).** The system of production targets and marketing mechanisms maintained by the European Community to manage farm trade within the EC and with the rest of the world. Article 39 of the *Treaty of Rome* established the CAP as a mechanism merging the individual member states' agricultural policies into a unified program to promote regional agricultural development, fair and rising standards of living for the farm population, stable agricultural markets, increased agricultural productivity, and methods of dealing with security of food supply. The main categories of CAP market-management and support mechanisms are:

- \* **Support Prices** covering most grains, sugar, milk, beef, veal, pork, certain fruits and vegetables, table wine, and fishery products.
- \* **External Protection** without price supports, applying to eggs, poultry, certain fruits and vegetables, flowers, and wine other than table wine.
- \* **Deficiency Payments** or supplementary product aid to producers, covering olive oil, some oilseeds, tobacco, sheep meat, tomatoes, and raisins.
- \* **Flat-Rate Aid** based on acreage or output, covering durum wheat, cottonseed, flax seed, hempseed, hops, and dehydrated fodder.

The CAP was designed as a policy that relied extensively on trade measures to maintain and stabilize internal prices. Thus, two of the most prominent features of the CAP in terms of its effects on international trade are the *variable levy*, and *export subsidies* to promote exports of farm products that cannot be sold within the EC at target prices. The CAP mechanisms for managing the domestic market and regulating imports are based on a variety of price concepts, the main types of which are:

- \* **Target Price.** An optimum wholesale price established with reference to the income requirements of EC farmers and consumer interests as well as to world market prices. The products concerned are grain, sugar, milk, olive oil, rapeseed, and sunflower seed. When the commodity price falls below the target price, the EC intervenes to purchase supplies and raise prices. To encourage distribution, the target price for a commodity in an area experiencing shortages may be reduced by the cost of transport from areas within the EC where excess supplies exist.
- \* **Guide Price.** Corresponds to the target price, but applies to beef, veal, and wine.
- \* **Base Price or Basic Price.** Corresponds to the target price, but applies to pork.
- \* **Norm Price.** Corresponds to the target price, but applies to tobacco.
- \* **Threshold Price.** A minimum import price for grain, sugar, milk products, and olive oil, calculated so that the imported product (after payment of transport costs) cannot be sold at less than the target price; the difference between the world price and the threshold price is covered by a *variable levy*. The threshold price for grain is computed by subtracting from the target price the costs of inland transportation from the nearest ocean port to the EC market center showing the greatest shortage of the commodity.
- \* **Gate Price** (also known as a "Sluice-Gate Price" or "Lock-Gate Price"). A minimum import price established for pork, poultry, and eggs. The gate price is derived by computing the cost of feed --adjusted quarterly in relation to world market prices -- and other factors constructed to represent producer costs in the non-EC country with the highest technical efficiency. When the price of an imported product falls below the gate

price, a *supplementary levy* is imposed to neutralize the presumed price advantage of the foreign producer.

\* **Reference Price.** A minimum import price established for fruit and vegetables, wine, and certain fishery products. The reference price is established in relation to EC producer prices in a way similar to the gate price, but modified to reflect the special characteristics of the relevant commodity markets. A *countervailing charge* (*not to be confused with a countervailing duty*) may be levied in addition to the normal customs duty to cover the difference between the entry price of an imported product and the reference price.

\* **Intervention Price.** The price at which EC intervention agencies are obliged to purchase commodities offered on the market. The products concerned are grain, sugar, butter, powdered milk, certain cheeses, olive oil, rapeseed, beef, veal, pork, and tobacco.

The CAP came into effect in 1961; at that time, the original EC member states were large net importers of most agricultural products. While variable levies under the CAP isolated EC producers and consumers from world market forces, it was not seriously disruptive to world trade for products in which the EC was a net importer. Since the 1970s, however, a combination of CAP price incentives and technological advances led to increased agricultural investment and domestic production increases at a time when European demand for farm products was stagnant or falling. The EC consequently went from a net importer to a major net exporter of grains, sugar, meat, and poultry, leading to escalating trade frictions with other countries. At the same time, the CAP has been beset with problems arising from monetary fluctuations, costly subsidies, overproduction, and high price support levels.

**Common External Tariff.** A uniform tariff schedule applied by members of a *customs & union* or *common market* to imports from nonmember countries.

**Common Market.** A group of countries formally committed to the unrestricted movement of goods, services, and factors of production traded among themselves. Features of a common market include elimination of tariffs and other barriers to internal trade, including harmonization of national standards that regulate the sale and distribution of goods; establishment of a common external tariff; and abolition of capital controls and restrictions on labor mobility among members. A common market may seek to harmonize macroeconomic policies or promote political unification, but this is not a necessary feature. See also *customs union* and *economic union*.

**Compensation.** Trade concessions granted by a GATT member to offset the disadvantage caused to other members whose exports are affected by its withdrawal or suspension of previously agreed trade concessions or *bindings*. Compensation usually takes the form of reductions of tariffs on other products of commercial interest to the countries being compensated. See also *consultations* and *dispute settlement*.

**Compensatory Tax.** An import levy applied by the European Community to certain agricultural products when the import price is below a reference (*or* minimum target) price and reflects an export subsidy. Not the same as a *variable levy*.

**Complementation Agreement.** An agreement between a manufacturing firm and two or more governments to reduce or eliminate duties on specified items produced by the firm in one of the signatory countries. Complementation agreements are usually granted to induce a firm to establish manufacturing facilities in one of the signatory countries, by ensuring access to all of the signatories' markets for its output.

**Compulsory Licensing.** A term used in the context of *intellectual property rights*, primarily with regard to licensing of pharmaceutical patents. It refers to the legal authority to compel a holder of a patent to license production to a local firm as a condition of patent protection and sale in that country. Compulsory licenses may be granted by a government allowing local parties to use a patent, copyright, or trademark with or without the owner's consent, and are usually granted on grounds of national security or overriding national interests, or of non-working by the original owner. Proponents argue that compulsory licensing can lead to increased competition and reduced prices by encouraging production among a larger number of producers. Critics argue that such measures have the same trade-distorting effect as a *local-content requirement* or *performance requirement*.

**Compound Tariff.** A combination of a *specific duty* and an *ad valorem* tariff on the same imported item (e.g., \$100 per unit plus 5 percent of the assessed value). Sometimes called a "mixed tariff."

**Computed Value.** (Not to be confused with *constructed value*.) An alternative method permitted by the *Customs Valuation Code* for establishing the value of imported merchandise for customs purposes when neither the *transaction value* nor the *deductive value* can be determined. The computed value is the sum of various production costs and charges associated with preparing goods for export, together with imputed profit and overhead.

**Concession.** An agreement to reduce import restrictions --such as through a tariff reduction or *binding* --granted in negotiations in return for equivalent concessions by trading partners. See *reciprocity*.

**Conditional MFN.** The granting of *most favored-nation* treatment subject to the recipient country's compliance with specific terms or conditions. Because all members of GA TT are expected to accord unconditional MFN treatment to other members, conditional MFN is normally applied only to countries that do not belong to GATT.

**Confrontation and Justification.** In negotiating parlance, refers to the process of defining country positions through multilateral cross-examination. Following confrontation, or questioning of a country's policy position or negotiating offers by other countries, the country being confronted is expected to respond with justification of its stand on the points raised.

**Consensus.** In GATT parlance, the outcome of a negotiated decision among contracting parties in which sufficiently generalized support for a position is achieved to permit action. A decision in GATT is made by consensus if no party formally objects to the decision, and is almost always achieved by avoiding rather than utilizing voting. Because GATT is a contractual arrangement, members cannot normally be bound through voting procedures in "majority rule" fashion. As a result, virtually all GATT decisions are by consensus except decisions on amendments, waivers, and accessions. In any given case, a dissatisfied GATT member must decide whether the issue warrants expending negotiating capital in blocking a consensus. Consensus decisions in GATT are not necessarily optimal; one former negotiator referred to the GATT consensus process as a "balance of dissatisfaction." See also *reverse consensus*.

**Constructed Value.** See *fair value*; not to be confused with *computed value*.

**Consular Fees and Formalities.** Special charges and procedures --such as documents that must be approved by a designated official--required by importing countries as a prerequisite for permission to import merchandise. Cumbersome consular formalities are especially widespread among developing countries and, because substantial fees are often charged for required authorizations, they can function as a significant *non-tariff barrier* to trade. See also *customs and administrative entry procedures*.

**Consultations.** Any GATT member that believes its trade interests have been adversely affected by changes in the trade policy of another member, or by failure of another member to live up to its obligations, may request consultations with the offending country:

\* Article 22 stipulates that contracting parties must be receptive to requests for consultation "on any matter affecting the operation of the Agreement" --i.e., even if no violation of GATT rules or commitments is at issue. Article 22 consultations are important because they give members an opportunity to negotiate solutions to trade problems on a bilateral basis within the framework of the GATT. Should bilateral consultations under Article 22 fail to resolve a dispute, one or both of the parties may "raise the ante" by invoking Article 23.

\* Article 23 also provides for bilateral consultations --as a prerequisite for invoking the multilateral *dispute settlement* process --if a GATT member believes that the actions or inaction of another member have caused *nullification or impairment* of benefits expected under GATT. As such, Article 23 consultations represent a higher threshold of "seriousness" since they can culminate in multilateral review and recommendations from the GATT Council on how to resolve a dispute.

**Consumer Subsidy Equivalent (CSE).** The percentage by which consumer prices on an item are affected by direct or indirect government supports to producers.

**Contingent Reciprocity.** See *selective reciprocity*.

**Contracting Party (CP).** Formal term designating a signatory to the GATT (the term "member" of the GATT is often used informally). As signatories, contracting parties have accepted specific *obligations* and benefits of the General Agreement and have agreed to follow GATT rules in conducting their trade policy. Because of the *most-favored-nation* principle, all CPs receive the benefits of lower tariffs and trade barriers that have been negotiated in GATT, as well as recourse to GATT procedures for settling disputes with other members. CPs need not be independent, sovereign countries --Hong Kong and Macau are GATT members, for example -- but must be autonomous in setting their trade policies. When written in capital letters, "CONTRACTING PARTIES" in GATT documents refers to the collective membership of the GATT, acting jointly rather than in their individual capacities. This entity is the only legally recognized body in GATT, as the Agreement itself makes no provision for a secretariat or for any subsidiary organs.

**Conventional Duty.** A tariff or customs duty arising out of an international agreement, as contrasted with an "autonomous duty" unilaterally levied by a government. "

**Convention on International Trade in Endangered Species of Flora and Fauna (CUES).** A multilateral agreement signed in 1973 to suppress international trade in endangered species of wildlife and plants. Signatories committed themselves to interdict exports or imports of species listed in the agreement, with limited exceptions.

**Convention on Settlement of Investment Disputes Between States and Nationals of Other States.** A multilateral agreement, signed among World Bank member states in 1965, that established the *International Center for Settlement of Investment Disputes (Sec. III)*. Signatories committed themselves to recognize decisions and arbitral awards in investment disputes referred to the Center as binding.

**Copyright.** The exclusive right of authors, composers, playwrights, artists, publishers, or distributors to publish and dispose of their work for a specified time. Copyright protection varies from country to country, and its enforcement is a major issue in international negotiations concerning *intellectual property rights*.

**Counterfeit Code.** A draft agreement, initiated in the closing stages of the *Tokyo Round* but never concluded, which would have addressed *commercial counterfeiting* problems in international trade. The initiative set the stage for subsequent work in the *Uruguay Round* on protecting *intellectual property rights*.

**Counterpurchase Contracts.** See *Countertrade*.

**Countertrade.** An international commercial agreement in which a buyer pays for purchases wholly or partly with something other than money. Countertrade transactions can take various forms:

\* Counterpurchase contracts obligate the foreign seller to purchase from the buyer goods and services unrelated to the goods and services sold.

- \* Reverse countertrade contracts require the importer to export goods equivalent in value to a specified percentage of the value of the imported goods.
- \* Buyback arrangements obligate the foreign seller of a plant, machinery, or technology to buy from the purchaser a portion of the subsequent production during a specified time period.
- \* Clearing agreements between two countries stipulate that each signatory is required to purchase certain amounts of each other's products over a specified period using a designated "clearing currency."
- \* Switch trading involves a purchaser in one country assigning to a seller in another country an obligation due from a third party as compensation for goods purchased.
- \* Swap schemes involve parties exchanging equivalent goods at different locations to minimize transportation costs.

**Countervailing Charge.** A charge in addition to normal import duties that may be imposed under the European Community's *Common Agricultural Policy* on imports of certain fishery products, fruits and vegetables, and wine, to match the difference between the reference price and the entry price (for fishery products and fruits and vegetables) or the free-at-frontier price plus customs duty (for wine).

**Countervailing Duty (CVD).** A special duty levied on imports to enable domestic producers to compete on an equal footing with subsidized foreign producers. CVDs are levied in addition to normal tariffs, in an amount necessary to offset government subsidies in the exporting country. US trade law empowers the President to levy CVDs equal in amount to any "bounties or grants" extended by other governments to exporters, although the law does not specify what kinds of government practices should be considered actionable; see *export subsidies*. GATT Article 6 permits and regulates the use of CVDs; additionally, signatories to the GA 1T *Subsidies Code* are required to meet an *injury test* before levying CVDs on imports from another signatory nation. Because foreign subsidies usually reflect broader government policies and programs, countervailing duties are frequently the object of intense and sometimes acrimonious bilateral diplomacy. CVDs are not used as a remedy to *dumping*, which refers to pricing practices by foreign firms.

**Countries in Transition (CITs).** A group of countries classed by the International Monetary Fund as countries in transition to market economies. The CITs include Albania, Armenia, Azerbaijan, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Mongolia, Poland, Romania, Russia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Prior to 1993, the IMP had used the term "former centrally planned economies" in referring to these countries. See *former East Bloc countries*.

**Country of Origin.** For purposes of customs administration, the country in which an imported product was manufactured, produced, or grown. When goods pass through more than one country in the manufacturing process, the country of origin does not change unless the product has been substantially transformed. In general, a product is considered to have originated in the country in which at least 50 percent of its final value was derived, although higher percentage thresholds are sometimes used. In the case of goods entering the United States under the *Caribbean Basin Initiative* or the *Generalized System of Preferences*, lower levels of local value-added may be allowed in establishing eligibility. See *rules of origin*.

**Coverage.** The extent of applicability of a trade action, agreement, or policy.

**Cross-Retaliation.** *Retaliation* in one sector of trade, such as agriculture, to counter unfair actions or violations of agreements affecting trade in another sector, such as services.

**Currency Controls.** See *exchange controls*.

**Customs and Administrative Entry Procedures.** Formalities applying to customs clearance of imported goods at national ports of entry, including health and sanitary certificates, certificates of origin disclosing the name and location of the manufacturer, and consular invoices. Such procedures can result in increased import costs that inhibit trade even when not intended to do so. See also *consular formalities and documentation* and *Kyoto Convention*.

**Customs Classification.** The determination of the appropriate category in which a traded product is classified for tariff purposes. Also refers to the coding system or "nomenclature" used by customs officials as a guide in determining which tariff rate applies to a particular item. See *dutiable status*.

**Customs Harmonization.** International efforts to increase the uniformity of customs procedures such as valuation, nomenclature, and enforcement by participating countries. See *Harmonized System*.

**Customs Territory.** The geographical area within which a country's customs authority is empowered to impose duties and controls upon foreign merchandise entering the territory. The customs territory does not necessarily encompass all the territory over which the nation asserts sovereignty. The customs territory of the United States, for example, does not include the Virgin Islands, American Samoa, or *various foreign trade zones* established within the United States. On the other hand, a country's customs territory may extend to other sovereign states. Monaco, for example, is part of the customs territory of France.

**Customs Union.** A group of countries that have agreed to eliminate barriers to trade among themselves while harmonizing their tariffs on imports from nonmember countries into a *common external tariff*. A customs union represents a level of economic cooperation intermediate between a *free trade area* and a more closely integrated *common market*. Unlike a common market, it does not provide for free movement of capital and labor among members.

**Customs Valuation.** The process of appraising the value of imported goods on which duties are to be assessed, according to the *tariff schedule* of the importing country.

**Customs Valuation Code.** Formally known as the Agreement on Implementation of Article VII of the GA TT. A *GAIT Code* establishing rules for the determination of value for customs purposes, designed to provide a fair, uniform, and neutral system of valuation, and to preclude use of arbitrary or fictitious values as a disguised form of protectionism. The cornerstone of the Code is the presumption that the actual sale price - -or *transaction value* --will be used whenever possible for valuation purposes; the *deductive value* or the *computed value* methods may be used in cases where the transaction value cannot be determined. Signatories include Argentina, Australia, Austria, Brazil, Canada, Cyprus, Czech Republic, the European Community, Finland, Hong Kong, Hungary, India, Japan, Korea, Lesotho, Malawi, Mexico, New Zealand, Norway, Poland, Romania, Slovakia, South Africa, Sweden, Switzerland, Turkey, the United Kingdom, the United States, and Zimbabwe.

**Customs Value.** A method of valuing imported goods which excludes shipping costs from the final price.

**DAEs.** See *Dynamic Asian Economies*.

**Decoupling.** A concept aimed at making government agricultural programs trade-neutral - by breaking the link between assistance to farmers and farmers' decisions to produce and sell agricultural products. Direct income supports are a form of decoupled assistance.

**Deductive Value.** An alternative method of valuing imported merchandise for customs purposes, permitted under the *Customs Valuation Code* if none of the methods for establishing *transaction value* is appropriate. Under the deductive value method, the customs value is determined by using the first sale price of the goods in the importing country, and deducting certain costs incurred after importation; it is not normally used on goods destined for further processing or manufacturing within the importing country (see *super deductive*). An alternative to the deductive value method is *computed value*.

**De Facto Member of GATT.** A former dependency of a GATT member that since attaining independence has applied the GATT on a de facto basis, pending final determination of its commercial policy. Based on its previous association with the GATT as a colony or protectorate of another member, a de facto member may become a .full Contracting Party --without engaging in lengthy *accession* negotiations --simply by notifying the Director-General of its intention to accede. In September 1993, there were 20 de facto members of GATT.

**Deficiency Payments.** Government payments to compensate producers --usually farmers --for all or part of the difference between domestic market price levels for a commodity and a higher, governmentally guaranteed price. See *variable levy*.

**Degressivity.** The characteristic of a trade restriction, which diminishes in severity over time. A degressive measure could take the form of an import quota with a "growth provision" to enlarge

progressively the amount permitted to be imported, or a tariff the rate of which automatically declines according to a specified timetable.

**Demarche.** A formal diplomatic communication of a country's position on an issue, presented to an official representative of another country .

**Derogation.** In negotiating parlance, an exemption from part of an agreement demanded by a country as a condition for its acceptance of the remaining obligations or commitments.

**Developed Countries.** See *industrial countries*.

**Developing Countries or Less-Developed Countries (LDCs).** A broad range of 130 countries that are distinguished from the *industrial countries* by their lack of a high degree of industrialization, infrastructure and other capital investment, or of advanced living standards among their populations as a whole. The LDCs are sometimes collectively designated as the "South" because a large number of them are in the Southern Hemisphere. All of the countries of the Western Hemisphere (except Canada and the United States); Africa (except South Africa); and Asia and Oceania (except Japan, Australia, and New Zealand) are usually classed as LDCs, as are Cyprus, Malta, and Turkey in Europe. Current usage has not produced a consensus on whether the "industrial" or "developing" term applies to countries of Eastern Europe and the former Soviet republics, although the International Monetary Fund classes the latter as *countries in transition*.

The World Bank categorizes the developing countries and countries in transition (in ascending order of GNP per capita) as follows:

\* Low-income countries: Mozambique, Tanzania, Ethiopia, Uganda, Bhutan, Guinea-Bissau, Nepal, Burundi, Chad, Madagascar, Sierra Leone, Bangladesh, Laos, Malawi, Rwanda, Mali, Burkina Faso, Niger, India, Kenya, Nigeria, China, Haiti, Benin, Central African Republic, Ghana, Pakistan, Togo, Guinea, Nicaragua, Sri Lanka, Mauritania, Yemen, Honduras, Lesotho, Indonesia, Egypt, Zimbabwe, Sudan, and Zambia.

\* Lower-middle-income countries: Bolivia, Cote d'Ivoire, Senegal, Philippines, Papua New Guinea, Cameroon, Guatemala, Dominican Republic, Ecuador, Morocco, Jordan, Tajikistan, Peru, El Salvador, Congo, Syria, Colombia, Paraguay, Uzbekistan, Jamaica, Romania, Namibia, Tunisia, Kyrgyzstan, Thailand, Georgia, Azerbaijan, Turkmenistan, Turkey, Poland, Bulgaria, Costa Rica, Algeria, Panama, Armenia, Chile, Iran, Moldova, Ukraine, Mauritius, Czech Republic and Slovakia, , Kazakhstan, and Malaysia.

\* Upper-middle-income countries: Botswana, South Africa, Lithuania, Hungary, Venezuela, Argentina, Uruguay, Brazil, Mexico, Belarus, Russia, Latvia, Trinidad and Tobago, Gabon, Estonia, Oman, South Korea, Saudi Arabia, and the former Yugoslav republics.

In addition, Israel, Hong Kong, and Singapore --which are usually included among the LDCs -- are classed by the World Bank as "high-income countries" along with OECD members. On the other hand, Portugal and Greece --which are classed as industrial countries by the IIF --are placed by the World Bank in the "upper-middle-income" category.

Within GATT articles, numerous references are made to "developed contracting parties" and to "less-developed contracting parties," but few criteria are given for establishing which category a particular country belongs to;2 as in most GATT decisions, such a determination is achieved by consensus. See also *industrial countries*, *newly-industrialized economies (NIEs)*, and *least-developed countries (LLDCs)*, as well as *graduation*.

**Development Subsidies.** See *Green Box*.

**Differential Exchange Rates.** See *multiple exchange rates*.

**Dillon Round.** The fifth *GATT Round* of multilateral trade negotiations, held in Geneva from May 1959 through July 1962. The Round focused on revision of the GATT agreements and the addition of new countries. Tariff reductions, which were based on *item-by-item negotiations*, averaged roughly 10 percent on \$4.9 billion of trade among the 45 participating countries. The Round was named for C. Douglas Dillon, then US Under Secretary of State, who led moves to launch the Round.

**Direct Taxes.** Taxes on all forms of income including wages, profits, interest, rents, and royalties, or on the ownership of real property. Under GATT Article 6 and the *Subsidies Code*, the rebate of direct taxes on exported products --but not of *indirect taxes* --can be considered an *export subsidy* and be penalized by a *countervailing duty*. The direct tax/indirect tax distinction in GATT creates a disadvantage for US firms, since other countries tend to rely on indirect taxes while the United States relies more on direct taxes for revenue purposes.

**Disciplines.** In GATT parlance, refers to members' substantive obligations undertaken by members to refrain from discriminatory trade practices. Generally refers to the key principles upon: which GATT rules are based, notably *non-discrimination*, *national treatment*, and *transparency*.

**Discrimination.** Inequality in trade treatment accorded by an importing country to one or more exporting countries. Some forms of discrimination may be sanctioned by GATT, such as preferential tariff rates *for* imports from LDCs or from partners in a *free-trade area*. Discrimination may also involve trade restrictions that apply to the exports of certain countries but not to similar goods from other countries (see *selectivity* and *grey area measures*). The opposite of discrimination is *most-favored-nation (MFN)* treatment.

**Dispute Panel.** See *panel of experts*.

**Dispute Settlement.** The process of negotiation, consultation, conciliation or mediation, and resolution of trade-policy conflicts between GATT Contracting Parties, usually through a

negotiated compromise between opposing claims. GATT Articles 22 and 23 establish the basis for procedures a Contracting Party may follow --sometimes including referral to an impartial *panel of experts* or *working party* of countries not involved in the dispute --to obtain redress if it believes its benefits under GATT have been impaired. See *consultations*.

**Diversionsary Dumping.** Sales by a firm at less *than fair value* in a foreign country, where the product is further processed and exported to a third country .See also *downstream dumping*.

**Domestic Content Requirement.** A requirement that foreign firms selling a particular product must use goods produced within the importing country as a specified minimum percentage of their inputs. Similar measures relating to inward direct investments are referred to as *local-content requirements*.

**Domestic Subsidy.** Government aid to a domestic manufacturer, grower, or producer to "maintain or increase production. Common incentives include direct payments, tax relief, and low-interest loans. As distinguished from an *export subsidy*, a domestic subsidy is not explicitly or solely directed at exports, although it may nonetheless have a significant trade impact GATT Article 16 establishes substantive obligations or disciplines only regarding the use of export subsidies, not domestic subsidies. The GATT *Subsidies Code* recognized that domestic subsidies are widely used for the promotion of social and economic policy objectives, but requires signatories applying them to "seek to avoid" creating adverse affects on the trade interests of other signatories.

**Double-Column Tariff.** A *tariff schedule* listing two duty rates for some or all commodities. In any given case, the applicable rate depends on the exporting country's trade relationship with the importing country.

**Downstream Dumping.** Sales at below cost in a firm's home country to a "downstream producer," which further processes the product and exports it Similar transactions involving a downstream producer located in another country are referred to as *diversionary dumping*.

**Draft Final Act (DFA).** See *Dunkel Draft*.

**Drawback.** Also known as duty drawback. The partial or total reimbursement of import duties by a government when the imported goods are re-exported or used in the manufacture of exported goods. Drawback can also refer to the refund of a domestic tax upon exportation of an article, which has been subjected to it. Drawbacks may be, considered *export subsidies*. See also *duty remission*.

**Dual Pricing.** The selling of identical products in different countries for different prices. When not based on factors such as differences in shipping costs or exchange rates, dual pricing is often presumed to reflect *export subsidies* or *dumping* practices. See also *price discrimination* (Sec. II).

**Dumping.** The sale of a product in a foreign market at less *than fair value*, presumably in order to capture or hold market share, or for other economic motives (see *price discrimination*, *predation*, and *shakeout* in Section II). Different forms of dumping can be categorized as:

- \* Sporadic or distress dumping. The disposal abroad of unanticipated inventory accumulations of a given product. Such dumping follows no fixed pattern, although it can be expected to be prevalent in the early stages of an economic downturn or business-cycle contraction.
- \* Persistent dumping. An ongoing dumping effort over an extended time period, usually reflecting a desire to compete in a foreign market that is more price elastic than the exporter's home market.
- \* Predatory dumping. A willful effort to undersell foreign producers in their home market, for the purpose of eliminating rivals and establishing *market power*.

Dumping is widely considered to be an *unfair trade practice* because it can disrupt markets and injure producers of competitive products in the importing country. When dumping occurs, adversely affected firms in the importing country may seek redress through imposition of an *antidumping duty*. See also *diversionary dumping* and *downstream dumping*.

**Dumping Margin.** In a *dumping* investigation, the percentage by which the price charged in the importing country's market falls below a product's *fair value*.

**Dunkel Draft or Dunkel Text.** Efforts to conclude the *Uruguay Round* in 1991 culminated in December of that year with the tabling of a "Draft Final Act" (DFA) by GATT Director-General Arthur Dunkel, embodying all of the rule-making agreements under negotiation in the Round. In some portions of the DFA --commonly referred to as the Dunkel Draft or Dunkel Text --the texts had been fully negotiated among participating countries; in others where this was not possible, Dunkel put forward his own proposed solutions after extensive consultations with delegations.

**Dutiable Status.** A determination made by an importing country's customs authorities whether a particular article is subject to duty and, if so, at what rate. The dutiable status is determined by "classifying" the merchandise --i.e., determining into which category of the tariff schedules the product falls. See *customs classification*.

**Duties Collected.** A criterion for evaluating the comparability or *reciprocity* of concessions in a tariff negotiation. Refers to the amount of duties collected for a particular product at a specified duty rate over a given time period.

**Duty.** A tax imposed on imports or exports. Duties can be "ad valorem" (applied as a percentage of value), "specific" (applied on a quantitative basis, such as dollars per ton), or "compound" (a combination of both). See also *tariff*.

**Duty Drawback.** See *drawback*.

**Duty Remission.** A system allowing a firm to import goods into a country for processing and, when exported to a third country, to receive a repayment of duties paid at the time of the original importation. Unlike *drawbacks*, duty remissions do not require that the exported products contain elements of the imported product. Duty remissions may be considered *export subsidies*.

**Duty Suspension.** A temporary, unilateral reduction in tariffs. Duties are sometimes suspended to ease shortages of needed imports, or "to lower the cost of products not available domestically."

**Dynamic Asian Economies (DAEs).** In recent OECD discussions and publications, this term has been used to refer to Hong Kong, South Korea, Malaysia, Singapore, Taiwan, and Thailand. As such, the term is broader than and may eventually supersede *NIEs*.

**East-West Trade.** In the parlance of the 1970s and 1980s, trade between the *former East Bloc countries* ("the East") and industrial and developing countries outside the East Bloc ("the West").

**Eco-labeling.** Government or privately-sponsored labels or markings (also known as eco-seals or green seals) signifying that products or packaging are "environment- friendly," allowing consumers to discriminate among products in terms of their environmental impact. Labels signifying "dolphin safe" tuna are an example. See also *eco-packaging*.

**Eco-packaging.** Refers to national regulations and programs to encourage recycling or reuse of product packaging and containers, together with associated labeling designed to promote use of "environment-friendly" packaging. Discussions in the *GA TT Group on Environmental Measures and International Trade (Sec. III)* have addressed application of eco-packaging and labeling requirements in ways that do not discriminate against foreign products.

**Economic Summit.** Although the term can be used more generally, its most prominent use is in referring to the annual meetings of leaders of the seven leading industrial countries (see *Group of Seven, Sec. III*).

**Economic Union.** The highest level of economic integration between sovereign countries, in which members proceed beyond the requirements of a *common market* to unify their fiscal, monetary, and socioeconomic policies. Belgium and Luxembourg, for example, have been joined in an economic union since 1921.

**Embargo.** A prohibition upon exports or imports, either with respect to specific products, or to specific countries. An embargo is usually applied for political reasons, although it may also be intended for economic or regulatory (e.g., environmental or sanitary) purposes. The term also applies to an official edict prohibiting entry or departure from the nation's ports of vessels flying the flag of a particular country. In cases where ports are closed only to commercial vessels of the targeted nation, a "civil embargo" exists; when ports are closed to military or public vessels as well, the condition is a "hostile embargo." Both an embargo and a *blockade* are particular forms of a broader category of economic countermeasures known as *sanctions*.

**Enabling Clause.** Part of the 1979 *Framework Agreement* providing a legal basis in GATT for industrial countries to grant tariff preferences to LDCs. The enabling clause amounted to a permanent waiver of the GATT *most favored-nation* provision for the *Generalized System of Preferences (GSP)*. LDCs sought agreement on the enabling clause as a key objective in the *Tokyo Round*, but were obliged to accept inclusion of language in the agreement that also recognized the *graduation* principle.

**Enterprise for the Americas Initiative.** A program launched in 1990 as a vehicle for defining a new US economic relationship with Latin America, including eventual free trade within the Western Hemisphere. The three pillars of the EAI are trade, debt, and investment. See *Framework Agreement (2)*.

**Enterprise Zones.** See *export processing zone*.

**Entities.** In the context of the GATT *Government Procurement Code*, refers to government departments or ministries and their subsidiary agencies, as well as state-owned monopolies or other *state trading enterprises*.

**Environmental Dumping.** Refers to an unfair trade practice whereby an exporter achieves a cost advantage over its rivals in foreign markets through inadequate environmental protection in its home country. A similar concept, referring to inadequate labor regulations, is referred to as *social dumping*. Both have been suggested as topics for future multilateral negotiations following the *Uruguay Round*.

**Environmental Trade Measures.** Trade measures applied by importing or exporting countries in conjunction with environmental policies. In 1987, parties to the *Montreal Protocol* enacted a series of restrictions to curtail trade in products employing ozone-damaging chemicals. Within GATT, international discussions on such measures are conducted in the *Group on Environmental Measures and International Trade (Sec. III)*. See also *Green Round*.

**Escape Clause.** A provision in a bilateral or multilateral commercial agreement permitting a signatory temporarily to suspend concessions it has granted when imports threaten harm to its domestic workers or firms producing competing goods or services (see *safeguards*). Also used in reference to procedures in the United States for applying for *import relief*.

**Exceptions.** Products specifically exempted from an international agreement to liberalize trade through multi-product duty reductions or other commitments. Exceptions are usually made by importing countries to protect workers and firms engaged in production of *sensitive products*.

**Exchange Controls.** The rationing of foreign currencies and other instruments for settling international financial obligations by a country facing balance of payments difficulties. Exchange controls require importers to apply for prior government authorization to obtain the foreign currency needed to bring in designated amounts and types of goods. Since such measures can easily be manipulated by governments to restrict imports, they are often viewed as *non-tariff barriers* to trade.

**Exhaustion.** Refers to the doctrine that protection of *intellectual property rights (IPR)* is "exhausted" or confined to the country in which protection is granted. The exhaustion principle specifically implies that IPR holders may not seek to curb *parallel imports* from other countries. In *Uruguay Round* IPR negotiations, some LDCs have demanded international extension of the exhaustion principle in order to ensure access to industrial- country markets for goods they produce under license.

**Exonerated Cargo.** Otherwise dutiable merchandise permitted duty-free entry into certain countries in furtherance of a particular government policy. The exonerations are, in effect, licenses to import specified quantities of the desired articles --usually raw materials or unfurnished goods not available locally but deemed essential to local industry. Imports in excess of the quantities authorized in the exoneration may be prohibited or may be permitted only at high rates of duty.

**Export Controls.** Regulations or restrictions applied to exports by the government of the exporting country to limit foreign access to sensitive technologies, or to protect domestic producers and consumers from temporary shortages of certain materials. See: *COCOM List* and *export restrictions*; see also *Export Administration Acts of 1969 and 1977 (Sec. IV)*.

**Export Credits.** Deferred payment arrangements provided by exporters for goods or services sold internationally. Official export credits are deferred payment arrangements financed or underwritten by an exporter's government, and can have the same effect as an outright export subsidy. Export credits are generally divided into short term (less than two years), medium term (two to five years), and long-term (over five years) credits. They may take the form of "supplier credits" extended by the exporter, or "buyer credits," in which the exporter's bank or other financial institution lends to the buyer. Export credit agencies may give official support to both supplier and buyer credits; such support may be limited to "pure cover" --insurance or guarantees given to exporters or lending institutions --or it may take the form of "financing support," including direct credits, refinancing, and interest subsidies. All major industrialized countries are signatories to the *OECD Export Credits Arrangement*. See *Group on Export Credits and Credit Guarantees (Sec.I/I)*.

**Export Credits Arrangement.** Formal title is the *Arrangement on Guidelines for Officially Supported Export Credits*. An international understanding negotiated under the auspices of the OECD, providing the institutional framework for an orderly *export credit* market. Its purpose is to prevent an "export credit race" in which exporting countries compete for sales to third-country markets on the basis of their financing terms rather than on the basis of providing competitively priced goods. The Arrangement deals, with actions and policies of official export credit and insurance agencies, covering only the conditions or terms of insurance or guarantees. It limits trade finance subsidies, setting standards for minimum interest rates, maximum repayment periods, and down payments. The Arrangement took effect in April 1978, and includes all OECD member countries except Turkey. It replaced a less elaborate understanding that had been in effect among a more limited number of countries since 1976. See also *Berne Union (Sec. III)*.

**Export Duty.** A tax imposed on exports. Although export duties are sometimes a convenient source of revenue, in some circumstances they can discourage exports and place producers at a competitive disadvantage in world markets. The United States is constitutionally proscribed from imposing export duties; resource-exporting countries such as Canada, Australia, and many LDCs tend to favor them. See also *export restrictions*.

**Export Enhancement Program (EEP).** A system of agricultural *export subsidies* maintained by the United States. The EEP, which is linked to stock disposal policies, is partial and discretionary in nature. Payments are not automatically accorded to all exports of a given commodity or to all commodities, and payment rates may vary widely from sale to sale. Congress restored \$1 billion in EEP export subsidies in mid- 1992 as a result of failure to conclude a *Uruguay Round* agreement covering foreign agricultural trade practices.

**Export Guarantees.** Assurances by an exporter's government that financing provided by a private lender will be repaid with official funds if a buyer defaults.

**Export Performance Requirements.** See *performance requirements*.

**Export Processing Zone.** A special form of *free trade zone* in which certain exemptions from duties and regulations are granted as an inducement to export-oriented manufacturing. Usually a manufacturer within the zone may import equipment and raw materials free of duty for goods that are ultimately exported as finished products. Other inducements may include abatement of taxes on profits derived from export sales or relaxation of minimum wage regulations. Also known as "special economic zones," "enterprise zones," and "industrial free zones."

**Export Quota.** A specific restriction or ceiling imposed by an exporting country on the value or volume of certain exports. Some *international commodity agreements* explicitly indicate when producers should apply such restrictions. Export quotas are also often applied in *orderly marketing agreements* and *voluntary restraint agreements*.

**Export Quota Agreement.** An arrangement arising under an international *commodity agreement* whereby each participating exporting country is allocated a portion of the global market for the commodity. The purpose of the arrangement is to maintain price stability and ensure producer incomes.

**Export Restraints.** Also referred to as bilateral restraint agreements. Quantitative restrictions applied by exporting countries to curtail shipments of *sensitive products* to a specified foreign market for a fixed time period, usually pursuant to a formal or informal agreement with the importing country (see *voluntary restraint agreements* and *orderly marketing agreements*.) Their economic effects --unlike those of "traditional" trade restrictions such as tariffs or import quotas --include significant benefits to established foreign producers. VRAs and OMAs have no explicit sanction under GA TT' (see *grey area measures*).

**Export Restrictions.** While usage varies, this term is often used to denote quantitative limits or charges on exports purely for domestic purposes, such as protecting producers and consumers from temporary shortages of certain materials, promoting processing of raw materials within the

producing country, or bolstering export prices by limiting supplies in world markets. They are thus distinguished from *export restraints*, which are designed primarily to forestall frictions with the exporting country's major trading partners. US efforts in the *Tokyo Round* to have GATT rules and disciplines extended to export restrictions were largely unsuccessful. See also *export controls* and *supply access*.

**Export Subsidy.** Any form of government payment or other benefit provided to domestic producers of goods destined for sale in foreign markets. Examples include preferential government financing, income tax holidays, and rebates of *direct taxes* on exported products. Reflecting the belief among the founders of GATT that export subsidies can distort normal trading patterns, GATT Article 16 proscribes export subsidies on non-primary products that result in lower prices in foreign markets than prices charged for the "like product" in the domestic market. The *Tokyo Round* yielded an agreement that extended Article 16 by banning all export subsidies by industrial countries on manufactured and semi-manufactured goods (see *Subsidies Code*). See also *domestic subsidy* and *countervailing duty*.

**Fair Trade.** See entry in Section II.

**Fair Value.** The benchmark against which selling prices of imported merchandise are compared in a *dumping* investigation. In US practice, fair value is generally expressed as the weighted average of the exporter's home market prices or prices to third countries during the period of investigation. In some cases it is the "constructed value" --a derived figure used if there are few home-market or third-country sales of the product in question, or if the number of such sales made at prices above the cost of production is so few that they provide an inadequate basis for comparison. See also *dumping margin*.

**Financing Support.** See *export credits*.

**Floor prices.** See *buffer stocks*.

**FOGS.** See *Functioning of the GATT System*.

**Former Centrally Planned Economies.** See *countries in transition*.

**Former East Bloc Countries.** Countries that comprised the now-defunct East Bloc (i.e., those "dominated by international communism," in the language of the US Trade Act of 1974), many but not all of which have now abandoned central planning and moved to establish market economies. Includes the East European countries (*CEECs*), the former Soviet republics (*NIS*), China, Mongolia, North Korea, Vietnam, Laos, Cambodia, and Cuba. In the parlance of the 1960s, these countries comprised the "Second World," between the industrialized "First World" countries and the underdeveloped "Third World." Usage in the 1990s is still evolving; see *countries in transition*.

**Formula Approach.** A tariff negotiating procedure in which a general formula for calculating tariff reductions on all products is agreed by the participants, with limited exceptions allowed for

sensitive items. The most straightforward formula approach is a *linear reduction*, although more complicated formulas have been used. Negotiations based on a formula approach tend to achieve tariff cuts across a broader range of products than item-by-item negotiations, but are vulnerable to becoming bogged down by demands for exceptions. See also *harmonization*.

**Forum Shopping.** Refers to the ability of countries to take advantage of differing procedures for *dispute settlement* under GATT and various *GATT Codes* by pursuing a trade complaint in a venue in which it believes it can exploit procedural or tactical advantages.

**Four Dragons or Four Tigers.** See *newly-industrializing economies (NIEs)*.

**Framework Agreement (I).** A package of agreements negotiated during the *Tokyo Round*, dealing with (a) differential and more favorable treatment for LDCs; (b) trade restrictions applied for balance-of-payments purposes; (c) safeguard actions for "infant industry" development purposes; and (d) the process of *dispute settlement* in GAIT. The agreement took its name from the paragraph in the *Tokyo Declaration* calling for "improvements in the international framework for the conduct of world trade." The GATT Contracting Parties adopted the four texts making up the Framework Agreement in November 1979. See also *enabling clause* and *graduation*.

**Framework Agreement (2).** Also known as a Trade and Investment Framework Agreement, or TIF A. A bilateral agreement establishing a mechanism for consultations on trade and investment policy in conjunction with the *Enterprise for the Americas Initiative (EAI)*. The EAI framework agreements set up intergovernmental councils to discuss and negotiate the removal of trade and investment barriers; the councils also serve as fora to prepare for subsequent stages of trade liberalization, including the possible negotiation of *free trade agreements (FTAs)*. Since the EAI was launched, the United States has concluded framework agreements with Bolivia, Colombia, the Dominican Republic, Ecuador, El Salvador, Chile, Costa Rica, Guatemala, Honduras, Nicaragua, Panama, Peru, and Venezuela, as well as with *MERCOSUR* and *CARICOM (Sec. III)*. The United States has signed similar framework agreements with Australia and New Zealand.

**Framework Initiative.** (Also known as the New Economic Partnership). An initiative launched by the United States in May 1993 to address bilateral trade problems with Japan.

**Free List.** A list of goods that have been designated as free from tariffs or licensing requirements by an importing country.

**Free-Riders.** In the context of the *Uruguay Round* discussions of a proposed *Multilateral Trade Organization*, refers to provisions to ensure that participating countries will not have the option of "free-riding" --i.e., of signing only some of the Uruguay Round agreements while avoiding the obligations of others --but instead would require countries to accept or reject the results of the Round as a "single undertaking." See *non-application*.

**Free Trade vs. Fair Trade.** See entries under respective headings in Section II.

**Free Trade Agreement.** An agreement between two or more countries establishing a *free trade area (FTA)*.

**Free Trade Area (FTA).** A group of two or more countries that agree to remove barriers affecting substantially all trade with each other, while each maintains its own schedule of tariffs and other regulations on imports from non-member countries. Because some goods --such as farm products --may not be traded in significant quantities between partners in an FTA, coverage of "substantially all" of their trade does not necessarily mean trade barriers are eliminated in all sectors. Indeed, agriculture is exempted from coverage in many FTAs.

**Free Trade Zone.** (Not to be confused with a *free trade area* or *FTA*.) A designated area within a country in which goods can be imported, stored, or processed without being subject to customs duties and taxes. Also known as a "foreign trade zone," a "free port," or a "bonded warehouse." See also *transit lone* and *export processing lone*."

**Functioning of the GATT System (FOGS).** Designation for a negotiating group in the *Uruguay Round* that dealt with measures to strengthen the GATT process, particularly by improving surveillance of members' trade policies; encouraging greater involvement of trade ministers in the GATT; and strengthening GATT's relationship with other international organizations such as the IMF. See *Trade Policy Review Mechanism*.

**Further Processing Method.** See *superdeductive* .

**Gate Price.** See *Common Agricultural Policy*.

**GATT Codes.** Agreements negotiated under GATT auspices to remove or lessen the trade-distorting effects of *non-tariff measures* by prescribing signatories' rights and obligations concerning use of such measures as well as countermeasures that may be applied in response. Only the signatories of a GATT Code are bound by its terms. During the *Tokyo Round*, codes were negotiated governing subsidies and countervailing duties; standards and technical barriers to trade; import licensing procedures; customs valuation; and government purchasing policies. In addition, the existing GATT antidumping code was revised.

**GATT Panel.** See *Panel of Experts*.

**GATT Round.** A cycle of multilateral trade negotiations conducted under the auspices of the GATT. Each Round has constituted a series of interrelated bargaining sessions among the participating countries to achieve mutually beneficial agreements reducing, tariffs and other trade barriers. The agreements reached at the conclusion of each Round become new GATT commitments and thus amount to an important step in the progressive liberalization of the world trading system. Eight Rounds have been initiated under *GATT* auspices since 1947:

- *Geneva Round* (1) 1947 ("First Round")
- *Annecy Round* 1949 ("Second Round")
- *Torquay Round* 1950-51 ("Third Round")
- *Dillon Round* 1959-62
- *Kennedy Round* 1963-67
- *Tokyo Round* 1973- 79

● *Geneva Round* (2) 1956 ("Fourth Round")

● *Uruguay Round* 1986-present

Since 1956, all *GATT* Rounds have taken place at GATT headquarters in Geneva, although the more recent Rounds have been named after the city or country in which the ministerial declaration launching the negotiations was signed.

**GATT Standing Committee.** A permanent body of GATT members dealing with a specific area of trade policy. Includes the Committee on Trade in Industrial Products and the Agriculture Committee (both currently subsumed by the Uruguay Round negotiations under *Track 1*); the *Committee on Tariff Concessions*; the *Committee on Balance of Payments Restrictions*; the *Committee on Trade and Development*; the *Textile Surveillance Board*; and various the *GATT Code Committees* (see entries in Sec. III).

**General Tariff.** A tariff that applies to countries that do not enjoy either preferential or *most-favored-nation* tariff treatment. Where the general tariff rate differs from the r.1FN rate, the general tariff is usually the higher rate. See *Column 1 rate* and *Column 2 rate*.

**Generalized System of Preferences (GSP).** A system of tariff preferences applied by industrial countries to selected manufactured and semi-manufactured goods from developing countries, in order to facilitate LDC exports and economic development. GSP was originally propounded by *UNCTAD (Sec. III)*, and was sanctioned by GATT in 1971 despite contravening the *most-favored-nation principle* of equal treatment for all GATT members. The United States began according GSP treatment to most LDCs in 1976 --the last of the major industrial countries to do so. GSP was given permanent standing in *GATT* by the 1979 *Framework Agreement*. GSP tariff treatment is not subject to either *binding* or *reciprocity*, and thus represents an autonomous, unilateral grant by the preference-giving country. In accordance with the *graduation* principle, GSP treatment is also intended to be temporary, with individual LDCs expected to relinquish benefits as they develop.

**Geneva Rounds.** The first and fourth *GATT Round* of multilateral trade negotiations, held in Geneva, Switzerland. The "First Round" involved the actual drafting of the GATT itself as well as tariff negotiations among the original contracting parties; the Preparatory Committee met in October and November of 1946, drafting of the General Agreement took place between 20 January and 28 February, 1947, and tariff negotiations lasted from April to October, 1947.<sup>3</sup> The "Fourth Round" took place from January to May, 1956.

**Geographic Indications.** See *appellations of origin*.

**Global Quotas.** Explicit limits set by a country on the overall value or quantity of goods, which may be imported from or exported to all countries during a given period.

**Government Procurement.** Government policies and procedures for purchasing goods and services. Procurement policies can be construed as *non-tariff barriers* if they discriminate in favor of domestic suppliers when imported goods are price-competitive and are of comparable quality.

**Government Procurement Code.** A *GATT Code* negotiated during the *Tokyo Round*, prohibiting signatories from discriminating against or among the products of other signatories in certain types of government procurement covered by the Code --i.e., purchases valued at more than 150,000 *special drawing rights, or SDRs (Sec. 11)* by specified government *entities* listed in the Agreement. Exceptions include contracts for most services, construction, procurement related to national security, and purchases by political subdivisions. The Code seeks to increase *transparency* in signatories' regulations and practices regarding government procurement, and to ensure that they do not discriminate against foreign suppliers or products. It contains detailed rules on the way in which tenders should be invited and awarded. Signatories include Austria, Canada, the European Community, Finland, Hong Kong, Israel, Japan, Norway, Singapore, Sweden, Switzerland, the United Kingdom, and the United States.

**Graduation.** The principle that an individual *developing country* --as it advances economically and becomes more developed, such as through industrialization, increased production and export earnings, and rising living standards --should assume greater responsibilities and obligations within GATT. As enunciated by the *GATT enabling clause*, graduation specifically implies that donor countries will remove or "graduate" the more advanced developing countries from eligibility for preferential treatment under the *Generalized System of Preferences (GSP)*. The United States has graduated Hong Kong, Taiwan, Singapore, and South Korea from the US asp program accordingly.

**Grandfather Clause.** A provision in the GATT and other trade agreements permitting signatories to retain domestic legislation that was in effect before the agreement was signed, even though it may be inconsistent with certain provisions of the agreement. Only charter members of GATT may take advantage of its grandfather clause; they are, however, expected to bring their legislation into conformity with GATT provisions as soon as possible.

**Green Box.** A term used in the context of GATT negotiations on agriculture and on *export subsidies* to refer to a category of official support measures that are deemed to be permissible, and hence are not subject to *countervailing duties* by an importing country. Measures often proposed for inclusion in a Green Box include development subsidies and privatization subsidies.

**Green Room Consultations.** Informal meetings of heads of delegations to the *GATT Uruguay Round* negotiations. Such meetings, usually convened to resolve procedural problems, take their name from a conference room adjacent to the Director-General's office at GATT Headquarters in Geneva.

**Green Round.** A term referring to a proposed new *GATT Round* of multilateral negotiations that would address *environmental trade measures*.

**Grey Area Measures.** *Import relief* measures taken outside the scope of GATT rules by countries seeking to protect domestic industries from injury arising from factors other than foreign *unfair trade practices*. The main forms are *voluntary restraint agreements (VRAs)* and

*orderly marketing arrangements (OMAs)*. Negotiations on *safeguards* in the Uruguay Round have aimed at bringing grey area measures within the scope of GATT rules and disciplines.

**Group on Negotiations of Goods (GNG) and Group on Negotiations of Services (GNS).** See *negotiating group*. The establishment of separate GNG and GNS groups was agreed at the outset of the *Uruguay Round* to maintain the formal appearance -- insisted upon by developing countries -- that negotiations in the areas of goods and services were not linked.

**Guide Price.** See *Common Agricultural Policy*.

**Harmonization.** Cutting tariffs in a way that results in greater uniformity in rates applied to most items within each country's tariff schedule. Most harmonization negotiations have employed a *formula approach* for achieving relatively large cuts in high "tariff peaks" and smaller cuts in lower tariffs. This approach contrasts with *linear reduction* formulas, which call for equal percentage cuts in all tariffs.

**Harmonized System (HS).** A system of tariff nomenclature for *customs classification* negotiated within the *Customs Cooperation Council (Sec.III)*. Participating countries classify goods for customs purposes on the HS basis up to a level of product specificity denoted by six-digit codes. Countries are free to introduce national distinctions --for tariff or statistical purposes --for more detailed product breakdowns beyond the six-digit level. The United States adopted the Harmonized System in the *Trade Act of 1988 (Sec. IV)*. The Harmonized System superseded the Brussels Tariff Nomenclature (BTN) classification system.

**Havana Charter.** A multinational agreement concluded at Havana in 1948, which called for establishment of an International Trade Organization (ITO) to govern world trade. The ITO never came into force, primarily because of opposition in the US Congress, leaving the "provisional" GATT as the sole institution providing a foundation for the multilateral trading system. See entry under *International Trade Organization* in Section III.

**High-Technology Trade.** See *high technology (Sec. 11)*.

**Horizontal Reduction.** Negotiated cuts in tariff rates by the same percentage for all parties to an agreement. Also known as equal-percentage of *linear reduction*.

**Impairment.** See *nullification or impairment. Import Deposits. See prior deposits*.

**Import Licensing.** Procedures requiring the submission of an application or other documentation (other than those normally required for customs purposes) to an administrative body for approval as a prior condition for importation into the customs territory of a country. See also *prior deposits*.

**Import Licensing Code.** Formally known as the Agreement on Import Licensing Procedures. A *GATT Code* negotiated during the *Tokyo Round* to simplify and harmonize *import licensing* procedures of signatory governments, and to ensure that they do not in themselves restrict

imports. Signatories are required to submit details of their licensing procedures and laws for examination by the Committee on Import Licensing. Signatories include Argentina, Australia, Austria, Canada, Chile, Czech Republic, Egypt, the European Community, Finland, Hong Kong, Hungary, India, Japan, Mexico, New Zealand, Nigeria, Norway, Pakistan, Philippines, Poland, Romania, Singapore, Slovakia, South Africa, Sweden, Switzerland, the United Kingdom, and the United States.

**Import Quota.** A means of restricting or controlling imports by specifying the quantity or value of a commodity, which may be imported during a specified period. Such restrictions may take the form of "global" or "basket quotas" --limiting total imports from all sources, without differentiating among originating countries --or of country-specific, "allocated quotas" in which producing countries may be assigned a portion of the total quantity permitted to be imported. Some global quotas contain sub-quotas designating individual limits for various supplier countries. Import quotas result in protection that tends to be more predictable than with a *tariff*, and can thus be "fine-tuned" by governments. As with a tariff, domestic producers protected by a quota are able to charge higher prices, and there are some efficiency losses --but these are not offset by the additional government revenue that a tariff provides, so that a greater *deadweight loss (Sec.II)* results. See also *quantitative restrictions* and *tariff quota*.

**Import Quota Auctioning.** The process of allocating the right to import a product subject to quantitative restrictions by auctioning the quota among potential importers. Through the auction proceeds, the importing government can extract some of the revenue it might otherwise obtain by levying a tariff on the goods in question.

**Import Relief.** Governmental action to temporarily restrict imports in order to prevent or remedy *injury* to domestic workers or firms producing goods competitive with those being restricted. See *safeguards*.

**Import Restrictions.** Measures to limit or control the volume of imports by means of *tariffs* or *non-tariff barriers* --including *import quotas*, *exchange controls*, *import licensing*, requirements for *prior deposits*, levies of *import surcharges*, or prohibitions of various categories of imports.

**Import Sensitivity.** The vulnerability of a domestic industry to *injury* from foreign competition. See also *sensitive products* .

**Import Surcharge.** A temporary tax on imports over and above established tariffs, usually enacted in times of economic crisis. The United States, for example, imposed a 10 percent import surcharge when the dollar-gold linkage was severed in 1971. The Tokyo Round *Framework Agreement* legitimized use of surcharges for balance-of- payments purposes, provided they do not provide special protection for particular products and do not discriminate among individual exporting countries.

**Import Surge.** A substantial and usually unforeseen increase in imports above recent trends for a particular product or class of goods, presenting serious *adjustment costs (Sec . II)* for domestic workers and firms producing such goods. When an import surge is due to economic or

commercial factors other than *unfair trade practices*, governments may resort to *safeguards* to provide temporary *import relief* to the domestic industry.

**Indirect Tax.** A tax levied on expenditures --such as a sales tax, excise tax, or value-added tax --rather than a *direct tax* on individual or corporate earnings. GATT rules permit countries to rebate indirect taxes on goods destined for export, but not direct taxes.

**Industrial Countries or Industrialized Countries.** (Also known as developed countries) A term used to distinguish the more industrialized nations from *developing countries (LDCs)* as well as the *newly-industrializing economies (NIEs)* and *countries in transition*. The International Monetary Fund categorizes as industrial countries the United States, Canada, Japan, Australia, New Zealand, and the member states of the EC and EFTA --i.e., all OECD member states except Turkey. South Africa in the past has been categorized as an industrial country, but its status is unclear at present. The industrial countries are sometimes collectively designated as the "North" because most of them are in the Northern Hemisphere.

**Industrial Property.** Encompasses most forms of intellectual property with the exception of copyrights --e.g., *patents*, *trademarks*, and *trade secrets (Sec. II)*. See *intellectual property rights*.

**Initial Negotiating Right (INR).** A right held by a GATT member to be compensated by another member if a given bound tariff rate is raised by the latter. INRs stem from past negotiating concessions and allow the holder to seek compensation for an impairment of tariff concessions whether or not the country holds status as a *principal supplier* of the product in question.

**Injury.** In the GATT context, refers to economic damage sustained by workers or firms in an industry as a consequence of foreign competition or *unfair trade practices*. Under GATT rules and various *GATT Codes* as well as under US law, mechanisms are established for determining whether injury has occurred or is threatened, as a prerequisite for taking countermeasures (see *injury test*). Different gradations of injury are referred to in US law and international discussions; the two most prominent are:

\* Material injury --*Antidumping* and *countervailing duty* cases are based on findings of "material" injury (including the threat of material injury, and the "material retardation" of a new, emerging industry). Rather than define material injury, the *GATT Subsidies Code* lists factors that may be taken into account in determining its existence, including an actual or potential decline in output, sales, market share, profits, prices, or employment, and in the case of agricultural subsidies, whether there has been an increased burden on government support programs. Material injury is defined by the *US Trade Act of 1979 (Sec.IV)* as "harm which is not inconsequential, immaterial or unimportant."

\* Serious injury --*Safeguard* or *escape clause* actions require a finding of "serious" injury to a domestic industry. GATT jurisprudence is ambiguous on the meaning of this term, but GATT legal experts assert that it is meant to be a higher standard than material injury --

reasoning that the escape clause is designed to respond to situations which do not involve allegations of unfair action by foreign exporters, so that its standard for establishing injury should be the most rigorous. Under US trade law (see *escape clause, Sec.IV*), factors mentioned in determinations of serious injury include the significant idling of productive facilities of an industry; the inability of a significant number of firms in the industry to operate at a reasonable level of profit; and significant unemployment or underemployment within the industry.

**Injury Test.** An administrative determination establishing that *injury* to a domestic industry has occurred as a result of an import surge or foreign *unfair trade practices*. *Such a test is a prerequisite for imposition of safeguards, countervailing duties, or antidumping duties*. By requiring an industry seeking trade relief to establish that it has been injured by foreign competition --a significant burden-of-proof threshold --the injury test is intended to prevent abuse of unfair-trade laws for protectionist purposes.

**Intellectual Property Rights (IPRs).** The right to possess and use intellectual property, conferred by means of patents, trademarks, and copyrights. Even though IPR laws are enacted and enforced on a strictly national basis, once a patent or copyright has been granted in one country and disclosure of an invention or creative work has been made, information technology makes it available throughout the world. As a result, cross- country differences in patent and copyright laws can result in inadequate IPR protection. In the *Uruguay Round*, negotiations on trade-related intellectual property rights (referred to as *TRIPs*) seek to balance goals of facilitating technology diffusion with the objective of promoting innovation through more effective IPR protection.

**International Atomic Energy List.** See *COCOM List*.

**International Commodity Organization.** An organization of nations engaged in international trade involving a particular commodity. Principal motives for such an organization, such as price collaboration among producers, may be similar to those of a producer *cartel (Sec. II)*; the organization may also establish buffer stocks to prevent wide swings in the market price of the commodity. Some international commodity organizations, established to implement a *commodity agreement*, include both producing and consuming nations. The principal international commodity organizations (descriptive details of which may be found in Section III) include:

- \* *Association of Natural Rubber Producing Countries*
- \* *Intergovernmental Council of Copper Exporting Countries*
- \* *International Bauxite Association*
- \* *International Cocoa Organization*
- \* *International Coffee Organization*

- \* *International Cotton Advisory Committee*
- \* *International Jute Organization*
- \* *International Lead and Zinc Study Group*
- \* *International Natural Rubber Organization*
- \* *International Olive Oil Council*
- \* *International Sugar Organization*
- \* *International Tropical Timber Organization*
- \* *International Wheat Council.*

See also *International Rice Commission; International Tea Committee; International Tin Council; International Wool Secretariat; and Organization of Petroleum Exporting Countries (Sec. III).*

**International Convention on the Simplification and Harmonization of Customs Procedures.** See *Kyoto Convention.*

**International Dairy Arrangement.** A *Tokyo Round* agreement covering trade in dairy products, consisting of three protocols establishing minimum prices for milk powder, milk fats (including butter), and certain cheeses. The arrangement is overseen by the *International Dairy Products Council (Sec. III)*. Signatories include Argentina, Australia, Botswana, Bulgaria, Egypt, the European Community, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland, and Uruguay.

**International Import Certificate-Delivery Verification System.** See *COCOM List.*

**International Munitions List.** See *COCOM List.*

**Intervention Price.** See *Common Agricultural Policy.*

**Investment Performance Requirements.** See *Performance Requirements.*

**Item-by-Item Negotiations.** A method of tariff negotiations in which the expected trade effects of each proposed tariff cut is evaluated separately. At the end of the negotiations, participants are expected to have achieved approximate balance in the total effect of tariff cuts offered and received. The first five *GATT Rounds* used the item-by-item approach, but by the mid-1960s it had become too cumbersome for multilateral negotiations with increasing numbers of participating countries. See *formula approach.*

**J-List.** A list originally established under the US Tariff Act of 1930, indicating products that are exempted from requirements that imported goods be marked to show country of origin. Items on the list are difficult or impossible to mark. See *marks of origin*.

**Judicial Review.** In *unfair trade* cases, a mechanism for parties to a case to appeal a finding of subsidization, dumping, or injury to a court of law in the importing country.

**Kennedy Round.** The sixth *GATT Round* of multilateral trade negotiations, held in Geneva from June 1963 to June 1967 with 48 countries participating. Tariff reductions -- based for the first time on a *formula approach* -- covered \$40 billion in trade and led to an average tariff reduction among the participating countries of about 35 percent. The Kennedy Round was the first GATT negotiation in which the member states of the European Community participated as a single entity. Moreover, developing countries for the first time played an important part in the negotiations, which resulted in the addition of *Part Four* to the GATT. The Round was named for President John F. Kennedy, who first sounded the call for the negotiations.

**Kyoto Convention.** Formal name is the International Convention on the Simplification and Harmonization of Customs Procedures. An international agreement sponsored in 1973 by the *Customs Cooperation Council (Sec. III)* to harmonize the methods and procedures of national customs authorities. The convention consists of a set of principles, which apply to all signatories, together with 30 individual annexes dealing with various aspects of *customs and administrative entry procedures, rules of origin, transshipment, duty drawback, and free trade zones*. A signatory may accept or reject any of the annexes, but must adopt at least one of them and must endeavor to implement all of the annexes as soon as feasible.

**Law of Similars.** Regulations limiting importation of a product or altering its tariff treatment if a "similar" item is produced domestically. Also known as Market Reserve Policies.

**LDCs.** See *developing countries*.

**Least Developed Countries (LLDCs).** Refers to those *developing countries* experiencing no significant economic growth, very low per capita incomes, and low literacy rates. The UN General Assembly has designated 46 countries as LLDCs: Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burkina Faso, Burma, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, The Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, Sudan, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Western Samoa, Yemen, Zaire, and Zambia.

**Less-Developed Countries (LDCs).** An alternative term for *developing countries*.

**Less-Than-Fair-Value.** See *fair value* and *dumping*.

**Licensing.** See *import licensing*. See also *cross-licensing (Sec.II)*. *Licensing Code*. See *Import Licensing Code*.

**Linear Reduction.** A tariff negotiating procedure based on reduction of tariffs by a specified percentage on an entire range of goods (also known as *horizontal reduction*). A linear reduction in tariff negotiations is the simplest form of a *formula approach*, and is far broader than an *item-by-item approach*.

**Liner Code.** Formal name is the United Nations Code of Conduct for Liner Conferences. Adopted in 1974, the Code seeks to allocate international shipping among ship owners in industrial and developing countries. The 59 signatories of the Code account for about 30 percent of world liner tonnage; the United States is not a signatory. See also *liner conference (Sec.II)*.

**Local Content Requirements.** Government-imposed conditions on inward direct investments, requiring that a minimum proportion of value-added of the resulting output be derived from host-country goods or services. See *performance requirements*. Similar measures applying to imports are referred to as *domestic content requirements*.

**Lome Convention.** A series of preferential trade and economic assistance agreements -- the first of which was signed in 1975 in Lome, Togo --between the European Community and 69 former colonies of the EC member states (the *ACP countries*). Superseded the Yaounde Conventions of 1963 and 1969.

**Madrid Agreement.** Formal name is the Madrid Agreement Concerning the International Registration of Marks. An international agreement signed in 1891 establishing a system for standardized registration of and protection for trademarks and service marks (see *intellectual property rights*). The agreement is administered by the *World Intellectual Property Organization (Sec.III)* and is open to all states adhering to the *Paris Convention*.

**Madrid Union.** Formal name is the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods. An international agreement, signed in 1891 and revised several times subsequently, concluded for the purpose of suppressing false or misleading origin markings on internationally traded goods. Signatories are obligated to seize and deny importation to merchandise bearing false markings indicating origin in any other signatory country. The agreement is administered by the *World Intellectual Property Organization (Sec.III)* and is open to all states adhering to the *Paris Convention*. See also *commercial counterfeiting*.

**Margin of Preference.** The difference between the duty paid under a system of tariff preferences and the duty payable on an *MFN* basis. Some LDCs have complained that as average tariff levels in the industrial countries have been lowered through successive *GATT Rounds*, the margin of preference enjoyed by *GSP* beneficiaries has been eroded.

**Market Access.** The ability of foreign firms to compete in a country's markets for given products, reflecting the extent of formal trade barriers --including tariffs as well as non-tariff

barriers --and the government's willingness to tolerate unimpeded foreign competition with domestic firms (see *national treatment*).

**Market Access Negotiations.** In the context of the *Uruguay Round* as well as bilateral trade negotiations, refers broadly to efforts to lower tariffs and non-tariff barriers on manufactured and agricultural goods.

**Market Disruption.** A situation arising when a surge of imports of a particular product causes sales of domestically produced goods to decline to such an extent that the domestic producers and their employees suffer major economic reversals. The existence of market disruption is the basis for *escape clause* actions providing temporary import relief. As specified in *Section 406* of the *Trade Act of 1974 (Sec.IV)*, market disruption is considered to exist within a US industry whenever imports "are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material *injury*, or threat thereof" to that industry.

**Market Reserve Policies.** See *Law of Similars*.

**Marketing Orders.** Official directives concerning the size and quality of fresh fruits and vegetables, which may be marketed during specified periods within a given region. The effect of marketing orders is to maintain prices at high levels by restricting supply. In the United States, marketing orders are issued by regional boards established by the Department of Agriculture, and include agricultural producers as members.

**Marking Duties.** A special charge on imported good, in addition to normal duties, imposed on merchandise not properly marked so as to indicate the country of origin. Under US law, marking duties are not considered to be penalty duties, and are not eligible for *drawback* should the foreign article be re-exported.

**Marks of Origin.** Physical markings indicating where an article was produced, as required by most countries' customs regulations (see *rules of origin*).

**Material Injury.** See *injury*.

**Material Retardation.** See *injury*.

**Minimum Import Price.** See *variable levy*.

**Minimum Valuation.** A form of valuation for tariff purposes in which all items below a certain threshold value in an import category are valued as if they were of the minimum value.

**Ministerial Declaration.** A decision by trade ministers of GATT members to launch a *GATT Round* of multilateral trade negotiations, establishing the agenda for the negotiations and setting out general objectives.

**Mixed Credits.** Exceptionally liberal financing terms for an export sale. Ostensibly provided for foreign aid purposes, mixed credits can have effects similar to *export subsidies*.

**Mixed Tariff.** See *compound tariff*.

**Modifications.** Alteration or withdrawal of trade concessions previously made within GATT. Contracting Parties are permitted by Article 28 to modify concessions in their tariff schedules every three years by renegotiating changes with those GATT members that would be primarily affected. By introducing some flexibility to the structure of GATT obligations, this provision allows members to adapt to changing conditions in world trade while proscribing frequent tariff changes that would create uncertainty and instability. See also *rectifications*.

**Montreal Protocol.** Full title is the Montreal Protocol on Substances That Deplete the Ozone Layer. Signed in 1987, the Montreal Protocol was the first major international agreement to establish *environmental trade measures*. Under the Protocol, trade with non-signatory countries of products containing chlorofluorocarbons (CFCs) --principally used in refrigerators and air conditioners --and fire-extinguishing halons are to be limited or banned. The Protocol also discouraged relocation of CFC plants to non-signatory countries. As of September 1993, 94 industrial countries and LDCs were parties to the Protocol.

**Moral Rights.** An artist's ability to control use of creative works such as books and films, even after relinquishing economic rights to another copyright holder such as a publisher or producer. Differences in countries' treatment of moral rights pose obstacles to international negotiations on protection of *intellectual property rights*.

**Most-Favored-Nation (MFN).** The principle according to which each signatory of a trade agreement will apply its trade restrictions or concessions equally among all other signatories. MFN is the fundamental principle of the GATT; all *Contracting Parties* agree to apply MFN treatment to one another, although exceptions exist --for example, in granting preferential treatment to developing countries, or for members of a customs union or free trade area (see *waiver*). When a country agrees to reduce tariffs on a particular product imported from one country, the tariff reduction automatically applies to imports of that product from any other country eligible for MFN treatment. Because of this, MFN serves as a powerful inducement for countries to join GATT, as well as a facilitator of trade liberalization generally. MFN terminology dates from the sixteenth century --when it was used in commercial agreements according the most advantageous customs treatment extended by a government to any trading partner, i.e., to the "most-favored nation" --but in modern usage it refers to nondiscrimination in international trade relations. Despite occasional misinterpretation in press reports, MFN does not entail "favored" (i.e., preferential) treatment of a trading partner.

**MTN Codes.** See *multilateral trade negotiations*.

**Multifiber Arrangement (MFA).** (See *textiles, Sec. II*.) Full name is the Multifiber Arrangement Regarding International Trade in Textiles. An international arrangement under which GATT members apply quantitative restrictions on imports of textiles and clothing when

importing countries consider them necessary to prevent *market disruption*. The MFA --covering cotton, wool, and man-made fiber textiles and apparel products -- establishes a framework for negotiating bilateral *voluntary export restraints (VERs)* or *orderly marketing agreements (OMAs)* among textile exporting and importing countries to prevent market disruption or to counter market-disruptive *import surges* originating from low-wage producing countries. It provides standards for determining market disruption, minimum levels of import restraints, and annual growth of imports. The MFA also provides that restrictions should not reduce imports to levels below those of the preceding year; because of this --and the fact that an importing country may impose quotas unilaterally to restrict rapidly rising textile imports from countries with which it has no bilateral agreements --most important textile exporting countries consider it advantageous to negotiate bilateral agreements under the MFA with the principal textile importing countries. Critics claim that the MFA amounts to a bureaucratically rigged market that distorts prices; proponents argue that it is the only realistic alternative to more draconian protection of a politically sensitive sector. Under the proposed *Uruguay Round* agreement, the MFA would be phased out over a 10-year period.

The MFA was negotiated under GATT auspices even though its provisions for quantitative import restrictions would otherwise be illegal under GATT. It went into effect in 1974, superseding the Long-term Agreement on International Trade in Cotton Textiles, which had been in effect since 1962. As of September 1993, 43 countries were participating in the MFA: Argentina, Austria, Bangladesh, Brazil, Canada, China, Colombia, Costa Rica, Czech Republic, Dominican Republic, the European Community, Egypt, El Salvador, Fiji, Finland, Guatemala, Honduras, Hong Kong, Hungary, India, Indonesia, Jamaica, Japan, Korea, Lesotho, Macau, Malaysia, Mexico, Norway, Pakistan, Panama, Peru, Philippines, Poland, Romania, Singapore, Slovakia, Sri Lanka, Switzerland, Thailand, Turkey, the United States, and Uruguay. See also *Textiles Surveillance Board* and *International Textiles and Clothing Bureau (Sec. IV)*.

**Multilateral Acceptance of Test Data.** Recognition by signatories of the GATT *Standards Code* of test data and certification markings from other signatories. The Code recognized that governments may require prior consultations with other signatories to arrive at mutually acceptable understanding of testing methods and results. Negotiations in the *Uruguay Round* to strengthen and expand the Code are considering ways to improve arrangements for acceptance of foreign-generated test data.

**Multilateral Steel Agreement (MSA).** A proposed agreement that would phase out tariffs, eliminate non-tariff barriers, and end direct state subsidies to the steel sector. MSA negotiations collapsed in March 1992 and resumed in mid-1993 among 37 steel-producing nations.

**Multilateral Trade Negotiations.** See *GATT Round*. The 1974-79 *Tokyo Round* was referred to formally as the Multilateral Trade Negotiations (MTN). As a result, the various *GATT Codes* negotiated during the Tokyo Round are sometimes referred to as "MTN Codes."

**Multilateral Trade Organization (MTO).** A proposed organizational arrangement that would implement the results of the *Uruguay Round*, including agreements in areas such as *services* and

*intellectual property rights* that would go beyond the scope of the existing GATT .See discussion under *Multilateral Trade Organization* in Section III.

**Multiple Exchange Rates (also known as Differential Exchange Rates).** A system of officially prescribed rates of exchange for a country's currency that varies depending on the type of transaction involved. For example, a government may assign its currency a given value for capital transfers, but provide for a less favorable rate of exchange for imports of luxury items, thereby increasing the price of the latter and discouraging their importation. As with other forms of *exchange controls*, multiple exchange rates can function as a disguised trade barrier, and their use is discouraged by the IMP.

**National Trade Estimate (NTE) Report.** A report on significant foreign trade barriers published in the spring of each year by the Office of the US Trade Representative, with contributions from other Executive Branch departments and agencies and US embassies overseas. The NTE Report is required by the *Trade Act of 1974*, as amended by the *Trade Acts of 1984 and 1988 (Sec.IV)*, and inventories the most important barriers affecting US exports of goods and services, US direct investment in other countries, and foreign protection of *intellectual property rights*. The NTE Report covers barriers deemed to have a significant bearing on US interests, whether or not they are consistent with international trading rules. Many countries are excluded from the NTE Report, due either to the relatively small size of their markets or to the lack of major complaints from US industry and agriculture groups.

**National Treatment.** The principle that foreign goods, services, or investment are to be treated "no less favorably" within a nation's domestic markets than competing products or services produced locally, once import duties have been paid and applicable customs regulations are satisfied. National treatment is one of the fundamental principles of the *GATT*.

**Natural Resource-Based Products.** Designation for one of the negotiating groups in the *Uruguay Round* that focused on trade barriers affecting non-agricultural primary products, including forestry products, fishery products, and nonferrous metals and minerals.

**Negotiating Group.** A group of country delegates in a *GATT Round* charged with planning and managing multilateral negotiations concerning a particular issue or product sector. At the outset of the *Uruguay Round*, two major groups were established --the Group on Negotiations of Goods (GNG) and the Group on Negotiations of Services (GNS) --with 14 issue-oriented subgroups. In April 1991, these activities were consolidated into seven negotiating groups; work in the final phase of the Round has been organized within four major issue-clusters or *Tracks*.

**Net Subsidy Test.** A proposed modification of rules governing application of *countervailing duties*, whereby an importing country could impose duties on the margin by which export subsidies exceed subsidies provided to producers of competing goods in the importing country.

**New Economic Partnership.** See *Framework Initiative*.

**New International Economic Order (NIEO).** An agenda for discussions between industrial and developing countries focusing on restructuring of the world's economy to permit greater participation by and benefits to LDCs (also known as the "North-South Dialogue"). The term is derived from the Declaration for the Establishment of a New International Economic Order, adopted by the United Nations General Assembly in 1974, and refers to a wide range of trade, financial, commodity, and debt-related issues. While the term continues to have currency in academia, it has fallen into disuse in policy-related discussions.

**Newly Industrialized Countries (NICs).** Now generally obsolete term; has been superseded by *NIEs*, since inclusion of Taiwan and Hong Kong made use of the word "countries" inappropriate.

**Newly Industrializing Economies (NIEs).** A subgroup of *developing countries* that have experienced particularly rapid industrialization of their economies, with industrial production and exports expanding accordingly. Current usage tends to limit the term NIEs to Hong Kong, South Korea, Singapore, and Taiwan, although texts dating from the early 1980s often extended the related term *NICs* to Mexico and Brazil, and sometimes India and Argentina. The East Asian NIEs are sometimes referred to as the Four Tigers or Four Dragons. See also *Dynamic Asian Economies (DAEs)*.

**Newly Independent States (NIS).** The successor states to the former Soviet Union, i.e., Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

**Nomenclature.** See *customs classification*.

**Non-application.** In the context of *Uruguay Round* discussions of a proposed *Multilateral Trade Organization*, refers to a signatory's right to "non-apply" portions of the MTO agreements to any other country at the time it becomes a member. Preservation of such a right can have an important effect on ongoing negotiations in various areas that would be incorporated in an MTO --e.g., on market access for goods and services, and on intellectual property protection --because it prevents *free-riders* and maintains incentives for countries to exchange reciprocal concessions within each area.

**Nondiscrimination.** Equal application of tariffs, quotas, or other trade restrictions to products from different trading partners. The principle of nondiscrimination is enshrined in Article 1 of the GATT (see *most-favored-nation principle*). See also *national treatment*.

**Nondumping Certificate.** A document or notation on a shipper's invoice attesting that the merchandise described is being sold at a price no lower than that applying to sales of ~ similar products in the country of origin.

**Nonmarket-Economy Country.** A country in which economic activity is regulated by central planning, in contrast to a market economy that relies principally upon market-based prices to allocate productive resources. In such a country, tariffs have no meaningful impact on import decisions. In GATT contexts, the term applies to members that were not market economies at the

time of their accession --i.e., Poland, Hungary, and Romania. These countries joined under special provisions designed to prevent disruption of other members' trade, together with arrangements to ensure steady expansion of the nonmarket-economy country's imports from other GATT members. Poland is renegotiating its accession protocol in light of its abandonment of central planning, and Hungary has announced its intention to follow suit. See also *State Trading Nation*.

**Non-Paper.** In GATT parlance, a proposed agreement or negotiating text circulated informally among delegations for discussion without committing the originating delegation's country to the contents.

**Non-tariff Barriers (NTBs).** Measures other than tariffs that burden or restrict international trade. NTBs may be financial (e.g., internal taxes and customs fees) or non-financial (e.g. quantitative restrictions and excessive documentation requirements). The term is sometimes used in reference to nongovernmental actions or impediments to trade, such as internal distribution systems that discourage imports, but in GATT contexts the term refers to measures imposed by governments. Negotiations involving reduction of NTBs are generally more difficult than tariff negotiations since NTBs are almost always closely linked to other national policies or programs.

**Non-tariff Measures (NTMs).** A broader term than *NTBs*, including not only import-restricting barriers but also measures that distort trade by stimulating exports. See *GATT Codes*.

**Nonviolation Complaints.** In GATT *dispute settlement* negotiations, refers to provisions allowing the Contracting Parties to investigate and rule upon complaints concerning measures that are not in violation of GATT or are outside its scope, but which may affect the balance of a member's rights and benefits under the General Agreement. Because any country that considers itself harmed by such measures would claim the right to alter its GATT legal obligations in response, Article 23 provides a way of adjudicating such situations in a multilateral forum. Nevertheless, GATT supervision of nonviolation complaints has proven difficult to implement since it implies altering GATT legal relationships already consented to among contracting parties.

**Norm Price.** See *Common Agricultural Policy*.

**Normal Value.** An alternative term for *fair value*.

**North-South Dialogue.** See *New International Economic Order (NIEO)*.

**North-South Trade.** In the parlance of the 1970s and 1980s, trade between the developed market economies ("the North") and developing countries ("the South").

**Note Verbale.** A formal diplomatic communication delivered orally to an official representative of another country. The written form is a *demarche*.

**Notification.** In the context of GATT, refers to the procedure of informing the GATT Secretariat of a change in a country's trade policies, such as application of a new or revised trade-restrictive measure, and of subsequently informing other member countries of the change by the Secretariat.

**Nullification or Impairment.** The adverse effect on a GATT member's trade interests caused by changes in the trade regime of another member, or by another member's failure to carry out its obligations under GATT. In GATT parlance, "nullification or impairment" is the basis for initiating formal action under the *dispute settlement* procedures.

**Obligations.** In the context of GATT, the principal obligations of contracting parties are; (a) to use only approved instruments of protection, primarily tariffs; (b) to use those instruments in a nondiscriminatory way, extending any opening of a market to all GATT trading partners; and (c) to submit all protection to a long-term process of non-reversible reductions through negotiations with other GATT members. For specific substantive obligations, see *disciplines*.

**Observer.** An observer to the GATT is a country or international organization that has been authorized by the *GATT Council (Sec. III)* to attend but not participate in sessions of the Council and various GATT committees and negotiating groups. Most *countries in transition* have been accepted as observers to GATT, which allows officials from these countries to familiarize themselves with Western trade practices and consultation procedures. The *International Monetary Fund* and *UNCTAD (Sec. III)* are among the institutional observers to GATT.

**Offer List.** Concessions offered by a country in trade negotiations, or a list of selected commodities on which a country proposes to make concessions. An offer list may cover proposed exceptions if a *formula approach* is being used in a tariff negotiation, or it may offer to accept expanded coverage under a proposed *GATT Code*.

**Offsets or Offset Requirements.** Requirements imposed by governments on foreign exporters as a condition for approval of major sales agreements. Offsets can be intended either to reduce the adverse trade-balance impact of a major sale or to "leverage" specific industrial benefits for the importing country. In one type of offsets, an exporter may be required to purchase a specified amount of locally-produced goods or services from the importing country. In a second form, the exporter may be required to establish manufacturing facilities in the importing country or to secure a specified percentage of the components used in manufacturing the product from producers based in the importing country.

**Orderly Marketing Agreement (OMA).** A contractual agreement between two or more governments to restrain the export growth of specific products. OMAs are supposed to ensure that export surges do not disrupt, threaten, or impair *sensitive* sectors in the importing country or countries. OMAs usually entail establishment of an export licensing system and export or import quotas for the goods in question. The economic effect of an OMA is similar to that of a *quota* -- with the important difference that real income is also transferred from consumers in the importing country to established producers in the exporting country. See also *Voluntary Restraint Agreements*.

**Packaging, Labeling, and Marking Regulations.** National requirements that importers must package their goods in certain kinds of containers or identify the contents in a particular way. Such measures are normally intended to meet domestic policy objectives, such as consumer protection, but may be regarded as a *non-tariff barrier* to the extent that they pose more problems for producers of imported goods than for domestic producers.

**Panel of Experts.** In the GATT *dispute settlement* process, an ad hoc group of impartial and knowledgeable trade experts --usually three to five, serving in their personal capacity and not as representatives of governments --commissioned by the GATT Council to hear opposing arguments and investigate the facts involved in a dispute, and to issue findings and make recommendations as appropriate. Although a GATT dispute panel may superficially resemble an international tribunal, its findings have no legal force; rather, its essential function is to set the stage for the disputing parties to achieve a negotiated resolution between themselves.

**Parallel Imports.** Goods, which are authorized by the owner of *intellectual property rights* for sale in one country, but which are then subsequently shipped to another country without the owner's permission. Traders who engage in such activities are known as parallel traders. Parallel imports are likely to occur when a trader can purchase a particular good in one country and resell the good in another country at a price which is sufficiently higher to cover the costs of the operation; such activities take place at the expense of the rights owner and of authorized licensees. Many LDCs have laws that prevent intellectual property owners from enforcing restrictions on licensees' exports (see *compulsory licensing* and the *exhaustion* principle).

**Paris Convention.** Formally known as the Paris Convention for the Protection of Industrial Property. An international agreement on protection of *industrial property* such as patents, trademarks, and *appellations of origin*, concluded in 1883 and administered by the *World Intellectual Property Organization (Sec. III)*. The Convention provides for *national treatment* (also known as "assimilation") in signatories' patent and trademark laws, and provides a means of determining priority between competing claims (see *right of priority*). LDC participants in the *Uruguay Round* negotiations on *intellectual property rights (IPR)* generally prefer the Paris Convention to the *Berne Convention* because the former permits exception from patent coverage for foods, drugs, and chemicals, and because it allows them autonomy in establishing national IPR systems in accordance with their development objectives and strategies.

**Part Four of GATT.** Articles 36, 37, and 38, added to the GATT in 1966 to address the development needs of less-developed contracting parties. These Articles are essentially exhortative, as they contain no binding obligations on GATT members.

**Patent Cooperation Treaty.** An international agreement which permits nationals and residents of a signatory country to seek patent protection in any or all of the signatories by means of a single patent application. See *intellectual property rights*.

**Performance Requirements.** Government-imposed rules or conditions requiring foreign investors to serve particular national objectives. Trade-related performance requirements --such as commitments to export a specified amount of the output of a new plant, or to incorporate a

minimum share of local content in its production --can have the same effect as export-stimulating or import-restricting *non-tariff measures*, but without being subject to GA TT rules. Nearly all major trading partners of the United States, impose performance requirements on at least some local affiliates of foreign corporations. See *Trade Related Investment Measures*.

**Petition.** A request to investigate alleged dumping by foreign companies or export subsidies by a foreign government. Petitions are usually filed with a designated governmental agency of the importing country by private firms or industry associations, although sometimes governments independently initiate *unfair trade* investigations.

**Phytosanitary Measures.** See *Sanitary and Phytosanitary Measures*.

**Pipeline Protection.** In international negotiations on protection of *intellectual property rights*, refers to the protection of patents for products that are still in the testing phase. Because pharmaceuticals require up to 10 years to test, many drugs that are "in the pipeline" would not otherwise qualify for patent protection because they would no longer be considered novel at the time laws pursuant to a *Uruguay Round* IPR agreement come into force. Also known as transitional protection.

**Plurilateral.** In GATT parlance, refers to a consultation or negotiating session involving more than two countries (bilateral) but less than the full membership of GATT (multilateral).

**Preemption.** The prerogative of customs authorities to seize and sell merchandise that an importer has deliberately undervalued to avoid payment of duties.

**Preferences.** Special trade advantages granted by an importing country to certain trading partners, in contrast to nondiscriminatory treatment conforming to the *most-favored-nation* principle. Most preferences are granted to LDCs by industrial countries to promote export growth and development (see *GSP*). In addition to preferential tariff rates, preferential application of other measures such as licensing practices, quotas, or taxes may also be granted. The term is not normally applied to special trade treatment granted by a country to its partners in a *free trade area*, *customs union*, or *common market*.

**Preferential Arrangement.** A group of countries that grant each other special trade advantages, such as preferential tariff rates, in order to promote member countries' export growth. Special licensing practices, quotas, or preferential application of taxes and other measures are sometimes granted. Many such arrangements are non-reciprocal, in which beneficiary members --usually LDCs --are accorded preferential access to markets of preference-granting countries without making similar market access commitments themselves. Because preferential arrangements violate the *most favored-nation principle*, a *waiver* is required for establishing any such arrangement in which GATT members participate.

**Preliminary Duties.** Duties imposed on a provisional basis during the course of an *antidumping* investigation, following a preliminary finding of *dumping* and *injury* to domestic industries.

**Previously Centrally Planned Economies.** See *countries in transition*.

**Price Bands.** A form of *variable levy* linked to a system of domestic price controls. Countries such as Chile and Colombia allege that their price-band systems are a more transparent alternative to high import duties and quotas for stabilizing prices and protecting domestic producers.

**Price Undertaking.** An agreement by an exporting firm with the government of an "importing country to raise the price of its products to a level sufficient to avoid *injury* to producers of similar goods in the importing country, in order to forestall imposition of *antidumping duties*. See also *suspension agreement*.

**Principal Supplier.** The country that accounts for the largest portion of total GATT trade in a product imported into a given country. In multilateral GATT negotiations, a country offering to reduce import duties or other barriers on a particular item will generally expect the principal supplier of that item to reciprocate by offering reductions of barriers on some other item. Any tariff concessions exchanged through such negotiations are extended automatically to all other countries, which enjoy *MFN* status. The principal supplier --along with any country holding *initial negotiating rights* --has first claim to negotiate compensation in the event that an importing country raises a tariff above its bound rate (see *binding* and *modification*). See also *substantial supplier*.

**Prior Deposits.** A requirement as a condition for importing that an importer deposit a specified sum of money --in domestic or foreign currency, and usually a percentage of the value of the imported goods --in a commercial bank or central bank for a specified length of time. Prior deposits are usually administered in conjunction with *import licensing*, with deposits required at the time a license is granted. Since such funds are often held without interest from the time an order is placed until the import transaction has been completed, prior deposits are usually regarded as *non-tariff barriers* to trade.

**Procedural Protectionism.** Abusive administration of import control procedures allowed under GATT (especially those related to *unfair trade practices*) so that domestic industries are protected in ways never intended by signatories to the GATT or the relevant *GATT Codes*.

**Process and Production Methods (PPMs).** In the context of *environmental trade measures*, refers to factors other than a commodity's physical characteristics --such as processes and methods used in its production --that have an impact on pollution levels or loss of endangered species, and that are regulated by national product *standards* or other restrictions in order to meet environmental objectives.

**Producer Subsidy Equivalent (PSE).** The share of a producer's total revenue that is attributable to direct or indirect government transfers.

**Prohibitive Duty.** A tariff rate that is sufficiently high that it effectively precludes most or all imports. Prohibitive duties are usually intended to protect infant or ailing industries from foreign competition or to retaliate against another country's trade practices.

**Protection.** Government measures --including tariffs and non-tariff barriers --that raise the cost of imported goods or otherwise restrict their entry, and thus strengthen the competitive position of domestic producers vis-a-vis foreign producers. See *protectionism (Sec. II)*.

**Protective Tariff.** See *tariff*

**Protocol of Accession.** A legal document that recognizes the rights and obligations agreed to as a consequence of a country's signing an international agreement or joining an organization, such as the GATT.

**Protocol of Provisional Application.** The legal device that enabled the original Contracting Parties of the GATT to accept general GATT obligations and benefits, despite the fact that some of their existing domestic legislation discriminated against imports in a manner that was inconsistent with certain GATT provisions (see *grandfather clause*). Although the protocol was intended to be temporary, it has remained in effect since 1947 (see *International Trade Organization, Sec. III*). Countries that acceded to the GATT after 1947 do not have recourse to the protocol.

**Protocol Relating to Trade Negotiations Among Developing Countries.** An agreement negotiated under GATT auspices in 1973, providing for reciprocal tariff and other trade concessions among developing countries.

**Punta del Este Declaration.** A declaration adopted by trade ministers of GATT member countries in September 1986 at Punta del Este, Uruguay, launching the *Uruguay Round* of multilateral trade negotiations.

**Quadrilateral ("Quad").** In GATT parlance, a meeting involving senior trade officials or ministers from the United States, Japan, the European Community, and Canada, convened to discuss trade policy matters and review the status of multilateral negotiations. In trade policy, a Quad meeting at the ministerial level is the equivalent of a G-7 finance ministers' meeting, since the EC speaks for Germany, France, Italy, and the United Kingdom on trade matters.

**Quantitative Restriction (QR).** A term that applies to a *quota* or other administratively determined ceiling on imports or exports, usually expressed in volume terms, and sometimes specifying the amount that may be imported from each supplying country. QRs are distinguished from trade restrictions that operate through the price mechanism, "T such as a *tariff* or *surcharge*. GATT Article 11 generally prohibits QRs, although several exceptions are made.

**Quota.** See *import quota*.

**Quota Auctioning.** See *import quota auctioning*.

**Rebalancing.** A term used in GATT agriculture negotiations, referring to the ability to shift import protection from one product sector to another following an international agreement to cut overall subsidy levels.

**Reciprocity.** The principle traditionally underlying GATT negotiations, according to which trading partners exchange comparable concessions by negotiating mutually advantageous reductions in import barriers. GATT rules specify that LDC Contracting Parties are not expected to offer fully reciprocal concessions in negotiations with industrial countries. The term "relative reciprocity" is sometimes used to characterize the practice by industrial countries to seek less than full reciprocity from LDCs in trade negotiations. See also *sectoral reciprocity* and *selective reciprocity*.

**Rectifications.** Changes made in a country's schedule of GATT concessions, usually involving correction of errors but occasionally involving duty changes or withdrawal of items from a schedule as a result of the negotiated settlement of a dispute with another country. See also *modifications*.

**Reference Price.** See *Common Agricultural Policy*.

**Regional Cooperation Organization.** A group of countries that have established a mechanism for trade-related discussions and negotiations with outside countries and regional groupings, and for ongoing consultation and cooperation on economic and trade issues of mutual concern. Such organizations sometimes serve as a forum for negotiating trade liberalization or policy harmonization among members.

**Regional Trade Arrangement.** See *trade bloc*.

**Related Specificity.** A rule of customs law that when two or more tariff provisions might be applied to an imported item, the one that most specifically describes the article shall be applied.

**Relative Reciprocity.** See *reciprocity*. *Remission*. See *duty remission*.

**Request/Offer Approach.** A tariff negotiating procedure whereby specific requests (e.g., cuts of a specified amount in the tariff on particular products) are submitted to a trading partner identifying the concessions sought and those proposed to be given in return. Counter-offers are exchanged and negotiated by the countries involved and, once the deal is struck, results are extended to all other GATT members in accordance with the *MFN* principle. In contrast with the *formula approach*, the request/offer approach tends to concentrate negotiating efforts in areas of primary commercial interest to participating countries. A potential drawback is that it may forego opportunities to achieve broad, across-the-board trade liberalization.

**Residual Restrictions.** *Quantitative restrictions* maintained since before 1947 by governments that were original signatories of the GATT, and hence were permitted under the *grandfather clause*. Most residual restrictions were maintained by industrial countries against imports of agricultural products.

**Restitutions.** Certain payments made under the European Community's *Common Agricultural Policy (CAP)* to exporters of processed agricultural products made from raw materials for which the processor paid higher than world prices. In principle, restitution payments are not supposed to subsidize exports, but only to lower their selling prices to the levels that would have prevailed in the absence of CAP price distortions.

**Retaliation.** Punitive action taken to limit imports from a trading partner that has violated or reneged on a trade agreement. The GATT Council may authorize retaliation if the *dispute settlement* process has been exhausted without success. In principle, the value of trade subjected to retaliation should approximately equal the value of trade affected by the offending action, but there are no accepted guidelines in GATT practice for determining the extent of trade damage suffered by an injured contracting party. Although the threat of retaliation --especially by a major trading country --can have considerable persuasive force, actual imposition offers little economic remedy to the injured party; in some cases it can provoke counter-retaliation (see *trade war*). US authority for taking retaliatory trade actions is provided by *Section 301 of the Trade Act .of 1974*, as amended (see Section IV).

**Revenue Tariff.** See *tariff*.

**Reverse Consensus.** A proposed modification of the GATT *dispute settlement* procedures establishing the principle that the report and recommendations of a *GATT panel* would be adopted by the GATT Council unless *consensus* existed to reject them. Reverse consensus would thus remove a major weakness inherent in current consensus-based procedures, which allow a disputing party to block adoption of a panel report with which it disagrees.

**Reverse Countertrade.** See *Countertrade*.

**Reverse Preferences.** Tariff advantages once offered by LDCs to imports from certain industrial countries that have granted them preferences. Reverse preferences have largely been superseded by the *GSP* system.

**Review.** See *administrative review* and *judicial review*.

**Right of Priority.** The principle according to which an owner of *industrial property* applying for protection in any country adhering to the *Paris Convention* is permitted -- within a prescribed period of time (twelve months for patents, six months for industrial designs and trademarks) --to apply for protection in any other signatory country and have that application treated as though it were filed at the time of the first application.

**Road Taxes.** Excise taxes imposed on the sale or operation of motor vehicles, which have the effect of discriminating in favor of one type of vehicle over another.

**Rollback.** A commitment to phase out all trade restrictions or policies that distort trade or bring them into conformity with GATT rules. Under the rollback commitment made at the outset of the *Uruguay Round*, participants are not to seek compensatory concessions for rollback measures.

**Round (of trade negotiations).** See *GATT Round*

**Rules of Origin.** The laws, regulations, and administrative practices that are applied to ascribe a *country of origin* to goods in international trade. Rules of origin include those applicable for administering country-based quotas and for establishing eligibility for preferential tariff programs, as well as for statistical reporting Safeguards. Import restrictions to prevent commercial injury to a domestic industry from a sudden surge in imports, providing temporary protection while workers and firms in the importing country adjust to the increased foreign competition. Safeguards can take the form of tariffs or quotas. Unlike *antidumping duties* or *countervailing duties*, safeguard measures are not based on a claim of unfair trade actions on the part of exporters; their economic effects are similar, however. Article 19 of the GATT sets important limits on the use of safeguards --especially that they must be temporary, *degressive*, and applied equally to imports from all sources --and requires the country imposing safeguard measures to extend compensatory trade benefits to exporting countries adversely affected by the action. Critics charge that excessive strictures of Article 19 have resulted in few countries applying GATT -sanctioned safeguards, resorting instead to more distortive *grey area measures*. Because safeguards usually involve imports from rapidly-growing, export-oriented developing countries, however, efforts to reform or modify the provisions of GATT Article 19 have been among the most divisive areas of negotiation between industrial countries and LDCs. See *selectivity*.

**Sanctions.** Trade or financial restrictions imposed against an individual country for political purposes, in an effort to influence its conduct or policies. See *blockade* and *embargo*.

**Sanitary and Phytosanitary Measures.** Health and safety standards affecting imports. ("Sanitary" regulations are those applying to human and animal products; "phytosanitary" regulations apply to plants and plant products.) Such standards are established to ensure that animals and plants and their products are safe for consumption and not damaging to the environment. See also *Codex Alimentarius*.

**Schedule of Concessions.** A list of import duties applicable to specific goods which a GATT Contracting Party maintains on an *MFN* basis as a condition of its membership. See *tariff schedule* and *binding*.

**Sectoral Reciprocity.** The objective of equalizing levels of protection applying to international trade in a particular class of products through trade negotiations conducted on a sector-by-sector basis. Sectoral reciprocity contrasts with the customary, across-the-board approach to negotiations aimed at achieving mutually beneficial agreements comprising concessions in one sector exchanged for gains in another. See also *selective reciprocity* and *zero for-zero*.

**Selective Reciprocity.** (Also known as "contingent reciprocity.") The provision of market access to particular trading partners in particular industries, linked to the granting of comparable access to foreign markets. Examples include the *GATT Civil Aircraft Code*, *Government Procurement Code*, and *Subsidies Code*, in each of which reciprocity is accorded only to other signatories of the Code. In contrast, GATT is based on the premise that members will grant comparable access

across a broad range of goods and trading partners (sometimes called "broad-based" or "diffuse reciprocity.") Proponents argue that most major trade policy problems facing the industrial countries concern disputes in specific industries with specific trading partners, where current international trade rules are seen to be either inapplicable or unenforceable. Critics charge that selective reciprocity risks undermining incentives for multilateral trade-liberalizing efforts based on broad-based reciprocity via *MFN treatment*.

**Selectivity.** The application of *safeguards* in such a way as to restrict imports from a particular country or group of countries, in contrast with non-discriminatory actions taken according to the *most-favored-nation* principle. Proponents of selectivity argue that the disruptive effects of safeguards should be minimized by applying restrictions only to exporting countries that are the source of disruption; opponents argue that selective safeguards effectively penalize "efficient but law-abiding" foreign producers.

**Semiconductor Agreement.** A bilateral agreement concluded in 1986 between the United States and Japan to open the Japanese market to US integrated circuits and semiconductor devices, and to deter the *dumping* of Japanese semiconductors in the US market.

**Sensitive Products.** Goods produced by a domestic industry employing large numbers of workers, for which the costs of production are such that any reduction in import protection would render the industry vulnerable to *injury*. Products deemed sensitive are most likely to be exempted from tariff reduction formulas in trade negotiations --or subjected to *export restraints* - -since changes in the competitive position of such industries could cause major economic and social dislocations in the importing country.

**Serious Injury.** See *injury*.

**Service Mark.** A distinctive mark used in the sale or advising of services to distinguish them from the services of others. See also *trademark*.

**Service Supply License.** A validated export license issued by the US government to a US or foreign firm authorizing the export of spare and replacement parts to controlled purchasers abroad who originally purchased US equipment under license. See *export controls*.

**Seven-Plus-Seven.** An informal meeting of GATT delegations from industrial and developing countries (originally seven of each) convened by the Director-General to clarify positions or resolve procedural issues. Sometimes as many as 17 delegations may be invited, with care taken to ensure representation of countries with strongly held views on an issue. See also *Green Room consultations*.

**Sherpa.** An official of sub-cabinet rank from each of the major industrial countries responsible for coordinating his or her government's preparatory work for the annual G-7 *Economic Summit*.

**Single-Column Tariff.** A tariff schedule specifying only one rate of duty for each imported commodity.

**Single Undertaking.** See *free riders*.

**Sluice-Gate Price.** See *Common Agricultural Policy*.

**Snapback.** Provisions in a trade agreement that allow a signatory to temporarily rescind concessions under specified circumstances, such as an *import surge* or unanticipated balance-of-payments disequilibria.

**Social Dumping.** An unfair trade practice whereby an exporter achieves a cost advantage over its rivals in foreign markets through inadequate labor laws or lack of human rights protection in its home country .A similar concept, referring to inadequate environmental regulations, is referred to as *environmental dumping*. Both have been suggested as topics for future multilateral negotiations following the *Uruguay Round*.

**Soft Loan.** Refers to interest-free loans granted to developing countries by the *International Development Association (Sec. III)*.

**South-South Trade.** In the parlance of the 1970s and 1980s, refers to trade among developing countries ("the South").

**Sovereign Compulsion.** A legal doctrine in the United States, according to which antitrust liability may be avoided when concerted action by private companies is taken at the direction of a government agency, such as *price undertakings* or *voluntary restraint agreements*.

**Special and Differential Treatment (S&D).** Preferential treatment given to industrial countries in a trade agreement, such as providing better access to developed countries' markets, accelerating implementation of tariff cuts on products exported by LDCs, or allowing LDCs longer time periods to phase in trade reforms.

**Special Economic Zone.** See *export processing zone*. *Specific Duty*. See *duty*.

**Specific Limitations on Trade.** Measures that limit imports or exports of a product during a specified period to a specific volume or value, or that require specific authorization for each import or export transaction. See *import quota*, *quantitative restrictions*, *exchange controls*, *licensing*, *quantitative restrictions*, *residual restrictions*, *tariff quota*, *boycott*, and *embargo*.

**Standards.** See *Technical Barriers to Trade*.

**Standards-Related Activity.** An activity undertaken in conjunction with administration or enforcement of *technical barriers to trade*, including testing and certification of imports for conformity with officially-mandated product standards.

**Standards Code.** Formally known as the Agreement on Technical Barriers to Trade. A *GATT Code* negotiated during the *Tokyo Round* to prevent technical requirements -- including product standards and testing and certification procedures --from functioning as impediments to trade

unless they are necessary for advancing a "legitimate domestic objective" such as health, safety, or environmental protection. The Code does not attempt to formulate standards themselves, nor to set up specific testing and certification systems. Signatories include Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Czech Republic, Denmark, Egypt, the European Community, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Pakistan, Philippines, Portugal, Romania, Rwanda, Singapore, Slovakia, Spain, Sweden, Switzerland, Tunisia, the United Kingdom, and the United States.

**Standing Committees.** See *GATT Standing Committees*.

**Standstill.** A commitment undertaken at the outset of a GATT negotiation to refrain from legislating or implementing new trade-restricting or distorting actions inconsistent with GATT rules or principles, or actions that would improve a participant's negotiating position.

**State Trading Enterprises.** Entities established by governments to import, export, or produce certain products. GATT Article 17 requires members to operate such entities on the basis of commercial considerations.

**State Trading Nations.** Countries that rely on government entities instead of private corporations to conduct their trade with other countries. See *nonmarket-economy country*.

**Stockholm Convention.** See *European Free Trade Association (Sec. 111)*. Strategic Trade Policy. See *strategic trade policy argument (Sec. 11)*.

**Structural Impediments Initiative (SII).** A series of bilateral negotiations begun in 1989 by the United States and Japan to identify and attempt to reduce "structural" impediments to trade between the two countries.

**Subsidies Code.** Formally known as the Agreement on the Interpretation and Application of Articles VI, XVI, and XXIII of the GATT. A *Tokyo Round* agreement designed to strengthen GATT rules relating to *export subsidies* and *countervailing duties*, and to reduce the distortive effects of subsidies on world trade (see *GATT Codes*). The Code prohibits industrial-country signatories from using export subsidies for manufactured and semi-manufactured goods, and attempts to regulate signatories' use of domestic subsidies that have adverse effects on the economies of trading partners. In addition, signatory countries are required to provide details of their countervailing duty legislation, and of actions taken pursuant to that legislation, to the GATT Committee on Subsidies and Countervailing Measures. Signatories include Australia, Austria, Brazil, Canada, Chile, Colombia, Egypt, the European Community, Finland, Hong Kong, India, Indonesia, Israel, Japan, Korea, New Zealand, Norway, Pakistan, Philippines, Poland, Sweden, Switzerland, Turkey, the United States, and Uruguay.

**Subsidy.** A payment or economic benefit conferred by a government on a specific industry or enterprise in order to advance an economic objective deemed to be in the public interest. Although escalating use of subsidies may be displacing tariffs as the principal distortion of

international trade --as some trade experts assert --there is still no precise definition of the term "subsidy" in the GATT; see *domestic subsidy* and *export subsidy*.

**Substantial Supplier.** An exporting country accounting for at least 10 percent of a country's imports of a given product. In GATT tariff negotiations, countries with substantial supplier status may take precedence over all other countries except *principal & suppliers* and countries holding *initial negotiating rights* in claiming compensation for a change in a bound tariff.

**Superdeductive.** A *customs valuation* procedure (also known as the "further processing method") that permits a deduction from the value of imported merchandise to allow for further processing to be undertaken in the importing country prior to final sale. Under US Customs regulations, the super deductive can be applied to goods sold between 90 and 180 days of importation, but may not be applied if the processing destroys the identity of the product as imported. See also *deductive value*.

**Supplementary Levy.** An additional duty that may be imposed under the European Community's *Common Agricultural Policy* on imports of pork, poultry, or eggs when the purchase price falls below the established *gate price*. See also *variable levy*.

**Supplier Credits.** See *export credits*.

**Supply Access.** Assurances that importing countries will have fair and equitable access at reasonable prices to supplies of raw materials and other essential imports. Pursuit of supply access commitments usually includes seeking explicit constraints on the use of *export restrictions* as instruments of foreign policy. US efforts to negotiate supply access commitments, such as during the 1973-79 *Tokyo Round*, have generally not met with success.

**Surcharge.** See *Import Surcharge*.

**Surveillance.** The monitoring of trade practices to help ensure that governments fulfill their obligations under trade agreements. See *Surveillance Body* and *Trade Policy Review Mechanism*.

**Surveillance Body.** A body created at the outset of the *Uruguay Round* to monitor participating countries' trade practices and implementation of their *standstill* and *rollback commitments*.

**Suspension.** See *duty suspension*.

**Suspension Agreement.** A legal agreement between an exporting firm and the government of an importing country restraining the volume of exports to avoid injury to producers of similar goods in the importing country. Suspension agreements are designed to forestall imposition of *antidumping duties* or *countervailing duties*; under US law, countervailing or antidumping proceedings may be suspended when the exporters involved agree to change offending practices, offset subsidies, raise prices, or cease shipments. See also *price undertaking*.

**Swap Schemes.** See *Countertrade*.

**Swing.** In international textile agreements, refers to the shift of allowable imports from a filled quota to an under-filled quota. Swing provisions usually permit 5 to 10 percent of specified quota levels to be shifted to another product heading.

**Switch Trading.** See *Countertrade*.

**Target Price.** See *Common Agricultural Policy*.

**Tariff.** A tax or duty levied upon goods imported into a country or customs area. (The term also refers to a list or "schedule" of articles of merchandise, specifying the rate of duty to be paid to the government of the importing country.) A "protective tariff" is one which is designed to discourage foreign import competition; a "revenue tariff" is primarily intended to raise money for the government of the importing country. Tariffs increase prices paid by domestic purchasers while reducing the total amount imported; domestic producers of the product and the importing country's government gain, but not by as much as domestic purchasers lose (see *deadweight loss, Sec. II*). See also *export duty*.

**Tariff Anomaly.** A situation in which the tariff on raw materials or semi-manufactured goods is higher than the tariff on the finished product. The opposite of *tariff escalation*.

**Tariff Binding.** See *binding*.

**Tariff Escalation.** The application of tariff rates on raw materials that are lower than on processed versions of the same or derivative products. Exporters of primary commodities argue that tariff escalation in importing countries impedes their efforts to move "upstream" to higher-value-added processing and manufacturing activities.

**Tariff Peaks.** See *harmonization*.

**Tariff Quota.** A two-stage tariff, providing a base tariff rate that applies to goods up to a specified quantity imported during a certain period --usually a calendar year --and a higher tariff rate that "kicks in " once the quota threshold is reached. Because tariff quotas focus their protective effects on import surges, they tend to provide selective protection against highly competitive suppliers.

**Tariff Rate Quota (TRQ).** Alternative term for *tariff quota*.

**Tariff Schedule.** A comprehensive list of the goods, which a country imports, and the import duties applicable to each product. See *tariff*.

**Tariff Surcharge.** See *import surcharge*.

**Tariffication.** Conversion of a *quota* or other *non-tariff barrier (NTB)* to a tariff providing an equivalent amount of protection to domestic producers of the product in question. In principle,

conversion of NTBs to a tariff basis enhances *transparency*, minimizes economic distortions, and facilitates future negotiations aimed at reducing levels of protection.

**Technical Barriers to Trade (also referred to as Standards).** Government-established specifications of product characteristics --such as levels of quality or purity, performance, safety, environmental impact, or physical dimensions --that must be met in order to receive permission to import the product. The specifications may cover testing and test methods, terminology, symbols, packaging, marking, or labeling requirements. Standards normally reflect policy criteria not purposely established to impede imports, but some standards systems clearly function as disguised trade barriers. See *Standards. Code* and *sanitary and phytosanitary measures*.

**Third World.** See *developing countries*. The term originated during the Cold War, when it was applied to countries that belonged neither to the Western industrialized countries (the "First World") nor to the Communist bloc (the "Second World").

**Threshold Price.** See *Common Agricultural Policy*.

**Threshold Value.** The monetary value of contracts above which government entities are covered by the *Government Procurement Code*.

**Tied Aid.** Foreign assistance that is linked to procurement of goods and services from the donor country.

**Tied Loan.** A loan made by a government agency that requires a foreign borrower to spend the proceeds in the lender's country.

**TIR Convention.** An international agreement designed to facilitate international cargo movements across third countries en route to a final destination. Originally established in 1949 as a means of facilitating West European road transportation ("TIR" is a French acronym for *Transports Internationaux Routiers*, or international long-haul trucking), the convention now applies to other countries and other modes of transport as well.

**Tokyo Declaration.** The statement signed in September 1973 in Tokyo by ministers representing 105 countries,4 initiating the *Tokyo Round* of trade negotiations.

**Tokyo Round.** The seventh *GATT Round* of multilateral trade negotiations, held from September 1973 to April 1979 with 99 countries participating. The Tokyo Round achieved substantial tariff cuts covering \$300 billion of trade, and reduced the industrial countries' average tariff on manufactured goods from 7 percent to 4.7 percent. For the first time, the Round also focused on *non-tariff measures*, and a series of agreements regulating their use, called *GATT Codes*, were negotiated. In addition, the *Framework Agreement* reforming certain aspects of the GATT system was adopted. Through the various codes and agreements, the Tokyo Round completed a major overhaul of the global trading system; however, the Round did not settle controversial issues of international trade policy so much as it provided ground rules and a

mechanism for resolving such issues. The Round derived its name from the site of the ministerial meeting at which it was launched, but negotiations took place in Geneva

**Torquay Round.** The third *GATT Round* of multilateral trade negotiations, held at Torquay, England, from September 1950 to April 1951. The Round dealt with institutional matters and the accession of new members, but did not make significant progress in reducing tariffs.

**TPM.** See *trigger price mechanism*.

**Track I.** Designation for consolidated negotiating activities in the final phase of the *Uruguay Round* concerning market access in goods.

**Track II.** Designation for consolidated negotiating activities in the final phase of the *Uruguay Round* concerning market access in services.

**Track III.** Designation for legal drafting sessions in the final phase of the *Uruguay Round*.

**Track IV.** Designation for efforts by the GATT Director General to refine the Draft Final Act (see *Dunkel Draft*) in the final phase of the *Uruguay Round*.

**Trade and Investment Framework Agreement (TIFA).** See *Framework Agreement (2)*.

**Trade Bloc.** A general term referring to regional arrangements among countries that have established formal mechanisms for cooperation on trade issues. The term does not necessarily imply a protectionist stance with respect to nonmember countries, although it is sometimes used in this way. No widely accepted definition of "trade bloc" exists, but it is commonly understood to include six types of arrangements. In descending order of political-economic integration, these categories are: *economic union*, *common market*, *customs union*, *free trade area*, *preferential arrangement*, and *regional cooperation organization*.

Trade Negotiations Committee (TNC). The body consisting of all countries participating in a *GATT Round*, with responsibility for exercising overall supervision over the negotiations and for establishing appropriate plans and negotiating procedures. In the *Uruguay Round*, the TNC is chaired by the foreign minister of Uruguay when meeting at the ministerial level; otherwise, it is chaired by the GATT Director-General.

**Trade Opportunities Program.** An export promotion service of the US Department of Commerce.

**Trade Policy Review Mechanism (TPRM).** A process of examination in the *GATT Council* to provide information on and discuss the trade policy regimes of individual Contracting Parties. Established during the *Uruguay Round* on a provisional basis, the goal of the TPRM process is to induce compliance with GATT rules rather than to punish wrongdoers. Thirteen country reviews were conducted under the TPRM during 1992. The TPRM is expected to be placed on a permanent basis following conclusion of the Uruguay Round and the pace of examinations

increased so that all GATT members' trade regimes can be reviewed at least every six years, with larger countries' regimes reviewed at more frequent intervals.

**Trade-Related Aspects of Intellectual Property Protection (TRIPs).** Designation for a Uruguay Round negotiating group considering new GATT rules to promote effective protection of *intellectual property rights* and to ensure that such protection is not implemented in ways that obstruct trade.

**Trade-Related Investment Measures (TRIMs).** Designation for a Uruguay Round "" negotiating group examining the adequacy of current GATT rules with respect to investment measures that restrict or distort trade --such as *local content* and *export performance requirements* --and negotiating new rules to limit their adverse trade effects.

**Trade War.** An "unwinding" of the liberalization process, in which countries impose trade restrictions for punitive purposes and others retaliate in kind.

**Countervailing Duty (CVD).** A special duty levied on imports to enable domestic producers to compete on an equal footing with subsidized foreign producers. CVDs are levied in addition to normal tariffs, in an amount necessary to offset government subsidies in the exporting country. US trade law empowers the President to levy CVDs equal in amount to any "bounties or grants" extended by other governments to exporters, although the law does not specify what kinds of government practices should be considered actionable; see *export subsidies*. GATT Article 6 permits and regulates the use of CVDs; additionally, signatories to the GA 1T *Subsidies Code* are required to meet an *injury test* before levying CVDs on imports from another signatory nation. Because foreign subsidies usually reflect broader government policies and programs, countervailing duties are frequently the object of intense and sometimes acrimonious bilateral diplomacy. CVDs are not used as a remedy to *dumping*, which refers to pricing practices by foreign firms.. The cornerstone of the GATT *Customs Valuation Code*, which obligates signatory governments to use transaction value, or the price actually paid or payable for goods when sold for export (subject to certain adjustments for costs or charges not reflected in the price), as the principal basis for valuing goods for customs purposes. In cases where the transaction value cannot be used --for example, shipments between corporate affiliates or related entities --the primary alternative method is the transaction value of identical merchandise shipped from the same country of origin; a secondary alternative is the transaction value of similar goods sold from the country of origin. If none of the foregoing methods can be used, the *deductive value* or the *computed value* may be employed.

**Transition.** A term referring to the period of time during which provisions of a trade agreement will be implemented (including, in some cases, phasing out existing trade restrictions) by signatories Transit Zone. A port of entry in a coastal country that is established as a storage and distribution center for a neighboring country lacking adequate port facilities or access to, the sea. Goods in transit to and from the neighboring country are exempt from customs duties, import controls, and many of the entry and exit formalities of the host country. A transit zone is a more limited type of facility than a *free trade zone*.

**Transitional Protection.** See *pipeline protection*.

**Transshipment.** Shipping goods through one country to another country in order to conceal the true country of origin. Transshipment may occur for *circumvention* purposes or to take advantage of preferential tariff rates applied to imports from the intermediary country.

**Transparency.** Openness, clarity, and predictability of a country's trade laws and regulations. Transparency --especially as it connotes freedom from capricious bureaucratic action or manipulation of rules for protectionist purposes --is one of the fundamental tenets of the GATT. *Tariffication* is regarded by many GATT members as a key to promoting transparency.

**Treaty of Rome.** The agreement, signed in Rome in 1957 by Belgium, France, Germany, Italy, Luxembourg, and the Netherlands, by which the European Economic Community --forerunner to the present *European Community* --was established. The Treaty took effect 1 January 1958.

**Trigger Price Mechanism (TPM).** Refers to a mechanism for controlling imports of sensitive products by establishing a minimum "fair price" for the imported goods. Under , the TPM established by the United States in 1978 for steel imports, the trigger price (or reference price) was pegged to within 5 percent of the cost of production of the most efficient international steel supplier --Japan --plus 8 percent nominal profit plus transportation costs. Imported steel sold below the reference price would automatically "trigger" an investigation of presumed *dumping*.

**TRIMS.** See *trade related investment measures*.

**TRIPS.** See *trade-related aspects of intellectual property protection*.

**Tropical Products.** Agricultural and other products of export interest to countries in tropical regions of Latin America, Africa, Asia, and Oceania. Examples include coffee, tea, cocoa, bananas, spices, rubber, and tropical timber. Liberalizing trade in these products is a high priority for many developing countries, and was the subject of both a *Tokyo Round* and *Uruguay Round* negotiating group.

**Unfair Competition.** See *unfair trade practices*.

**Unfair Trade Practices.** International usage tends to mirror terminology in US legislation, which applies the term to export-related practices that may be subject to *countervailing duties* (i.e., export subsidies by foreign governments) and *antidumping duties* (i.e., dumping by foreign firm), as well as certain anticompetitive practices such as discriminatory shipping arrangements. The term is not normally applied to the range of import-related *non-tariff barriers*, even though discriminatory elements may be involved. Determination of "unfairness" is left to administrative proceedings in the ~ importing country, subject to procedural requirements of the relevant *GATT Codes*. See *competitive policies and practices* ( *Sec .II* ).

**Universal Copyright Convention (UCC).** An international agreement on *intellectual property rights* negotiated under United Nations auspices in 1952, and revised in 1971. UCC member

states agree to provide "adequate and effective" copyright protection and to accord *national treatment* to the works of nationals of other UCC signatories. See also *Berne Convention*.

**Upstream Subsidization.** An "indirect export subsidy," whereby a producer benefiting from a government subsidy sells a subsidized product to an unrelated company, which in turn performs further processing and then exports the product.

**Uruguay Round.** The eighth *GATT Round*, launched in 1986 with 105 countries participating, and extended in December 1990 after failure to reach agreement by the original target completion date. In the Uruguay Round, efforts have focused on expanding GA TT disciplines to new areas, such as agriculture, intellectual property rights, investment, and services, as well as reducing barriers and strengthening international rules affecting *market access*, *dispute settlement*, *safeguards*, and enforcement measures under the GA TT .The Round derives its name from Punta del Este, Uruguay --the site of the Ministerial Meeting at which it was launched --but negotiations take place at GATT headquarters in Geneva.

**User Fee.** A fee for a service --such as the provision of customs operations by the government of the importing country --assessed on imported goods. GATT Article 8 requires user fees to be assessed on the basis of the estimated or computed cost of the service.

**Valuation.** See *customs valuation*.

**Variable Levy.** An import duty that is subject to alteration as world market prices change, designed to ensure that the imported product's price after payment of the duty will be no less than a predetermined *minimum import price*. As applied to imported farm products under the European Community's *Common Agricultural Policy*, the variable levy amounts to the difference between the EC target price for domestic producers and the lowest available prices on world markets. For imports of cattle, beef, and veal, the variable levy is applied in addition to normal customs duties. The amount of EC variable levies are adjusted for changes in world market conditions on a daily basis for sugar and grains; weekly for dairy products, beef, live cattle, veal, and rice; monthly for olive oil; and quarterly for pork, poultry , and eggs. See also *supplementary levy* .

**Voluntary Export Restraints (VERs).** A restraint agreement between governments negotiated within the context of the *Multifiber Arrangement*. See *export restraints*.

**Voluntary Restraint Agreement (VRA).** An arrangement by which an exporting country takes steps --usually by means of export quotas --to restrain exports that could cause economic dislocation in a key trading partner. VRAs are generally undertaken to forestall action by the importing country against imports that may injure or threaten the position of domestic firms. A VRA is less contractual in nature than an *orderly marketing agreement*, but with similar economic effects. Under a VRA the importing country does not apply restrictions to enforce the agreement (as under an OMA), nor is compensation involved as may be the case if the importer unilaterally raises tariffs. VRAs are not covered by GA n rules (see *grey-area measures*).

**Waiver.** A legal exception in GATT whereby a contracting party --with the approval of other GATT members --may maintain a specific practice that would otherwise violate the *MFN* principle or other GATT obligation.

**Working Party.** An ad hoc subgroup established by the GATT Council to address a specific trade policy issue, such as a country's application for *accession* to GATT or a dispute between two members. Unlike a *GATT panel*, members of a working party function as representatives of their governments.

**Working Requirement.** A term associated with the lapse of *intellectual property* protection --or the granting of *compulsory licenses* --if a patented invention, trademarked good, or copyrighted work is not produced or sold within a specified period of time.

**World Economic Conference of 1927.** The first attempt to negotiate a cooperative multilateral approach to problems facing the world trading system. Along with its subsidiary Conference on Import and Export Prohibitions and Restrictions, the Conference sought to counter the trend toward increased protectionism that had begun in Europe in the 1870s and that by the 1920s was intensifying in all major countries. A code negotiated at the Conference regulating use of *quantitative restrictions* and other trade barriers fell short of necessary ratification by one country, while a tariff truce agreed at the Conference was effectively ended upon adoption of the *Smoot-Hawley Act (Sec.IV)* by the United States in 1930. Although unsuccessful, the Conference served ultimately as a progenitor of the GATT.

**World Economic Conference of 1933.** The second multilateral effort to deal with the global economic crisis of the interwar period, the Conference focused on European efforts to secure an international currency stabilization plan. Following collapse of the Conference, nations engaged in a period of competitive currency *devaluations (Sec.I)* through the mid-1930s, further exacerbating trade tensions. The experience of both Conferences weighed heavily on the minds of the architects of the *Bretton Woods System* a decade later.

**Yaounde Convention.** See *Lome Convention*.

**Zero-For-Zero.** A term used in the *market access* negotiations in the *Uruguay Round* to denote a sectoral free-trade initiative that would essentially eliminate tariffs on an entire category of goods. Meeting in Tokyo in July 1993, the *Quad* trade ministers announced plans to negotiate zero-for-zero agreements in eight industrial areas including pharmaceuticals, medical equipment, steel, construction equipment, farm equipment, furniture, beer, and distilled spirits.

## II. ECONOMIC & COMMERCIAL CONCEPTS & TERMS

**Absolute Advantage.** The ability of a country to supply a particular product or class of goods at lower costs than competing nations. See also *comparative advantage* and *competitiveness*.

**Adjustment Costs.** The economic and social costs of reallocating resources from domestic industries forced to contract as a result of international competition. Although conventional international trade models assumed that adjustment costs would be minimal --leading to prescriptions of *free trade* and even unilateral trade liberalization --) industries employing highly specialized production factors can face substantial adjustment costs.

**Administered Pricing.** A condition in which prices of certain goods or services are determined by government agencies, producer cartels, or industry associations, rather than freely through market forces. Examples include price controls imposed by governments during periods of short supplies or high inflation; setting of shipping rates or fares; and collusion among suppliers or importers of a commodity to maintain price stability.

**Administrative Guidance (Gyosei-Shido).** A system of *industrial policy* used in Japan since the early 1960s. The term refers to official or unofficial pronouncements from government officials, which serve as guidelines to business concerning the application of Japanese law or regulations. Such guidance may take the form of a written opinion or a spoken remark. The informal character of *gyosei-shido* tends to exclude foreign firms from inside information.

**Airbus.** Refers to commercial aircraft produced by Airbus Industry, a government-backed consortium comprising Aerospatiale (France), Daimler (Germany), British Aerospace (United Kingdom), and Construcciones Aeronauticas SA (Spain). Currently Airbus accounts for about one-third of the world market for large commercial jets.

**Allocation Cartel.** An agreement among firms in a particular industry by which each participant is assigned certain customers or areas within which it will be the exclusive or primary supplier.

**Antitrust.** Government regulation intended to maintain competitive market structures, in order to protect trade and commerce from monopolies and restraints on competition such as collusive price-fixing and *vertical restraints*. Antitrust in its modern form is primarily, a North American invention. Other Western countries have been slower to adopt such regulation, but in recent years most industrialized countries have enacted laws broadly similar to those in the United States. See *competition policy*.

**Arbitrage.** The purchase of commodities or foreign exchange in one country or market, followed by promptly re-selling in another market for a higher price.

**Arm's Length Pricing.** The price at which a particular product or service would sell in a transaction between unrelated buyers and sellers. It is the functional opposite of "transfer pricing," in which the buyer and seller are related --for example, as affiliated units of a multinational corporation --and the price is influenced accordingly.

**Autarky.** A policy that attempts to create a self-sufficient national economy entirely insulated from international trade, usually for ideological or strategic reasons. (A related concept, applying to absolute sovereignty in political relations, is referred to as *autarchy*.) Until the collapse of communism, many former East Bloc countries pursued policies of autarky relative to the capitalist world. The concept essentially denies or ignores the possibility of mutually-beneficial international trade grounded on the principle of *comparative advantage*.

**Balance of Payments.** The composite record of international transactions --i.e., trading, borrowing, and lending --in which a country is involved during a given time period, such as a calendar year or quarter. The balance of payments includes commercial and government transactions for goods and services, international direct investment and bank transactions, and sales or purchases of foreign currencies (or "official reserves"). The two main components of the balance of payments are the *current account* and the *capital account*. A third component --the official settlements balance --records the net increase or decrease in a country's holdings of official reserves; it bridges any remaining gap between the current account and capital account balances, and is normally very small relative to them.

**Barter.** The direct exchange of goods or services for other goods or services, without the use of money as a medium of exchange. Various forms of international transactions involving barter are referred to as *countertrade* (*Sec. I*).

**Beggar- Thy-Neighbor Policy.** Unilateral measures taken by a country to improve internal economic conditions --such as through massive import barriers or competitive *devaluations* --without regard for adverse effects on its trading partners. Such policies tend to provoke retaliation, and were endemic in the period leading up to World War II. See discussion under *mercantilism*.

**Bilateralism.** See discussion under *multilateralism*.

**Buffer Stocks.** Commodity stocks managed by countries or international organizations to moderate market price fluctuations. When prices rise above a pre-set ceiling, buffer stocks are sold, lowering market prices. When prices fall below an established floor price, buffer stocks are purchased, raising prices. Buffer stocks can limit price fluctuations in the short run, but are less effective and expensive to maintain during long- term price declines. Buffer stocks are a common feature in various countries' farm programs as well as in some international *commodity agreements* (*Sec. I*).

**Bundling.** See *tying contract*.

**Cabotage.** In shipping, the transport of goods or persons between ports within a single country.

**Capital Account.** A summary of a country's international borrowing and lending transactions, including its foreign borrowing (investments by foreigners in the home country) as well as its lending or investments in other countries. Along with the *current account*, it is one of the principal components of the overall *balance of payments*.

**Cartel.** A group of producers (or producing countries) entering into a collusive arrangement to regulate pricing, production, or marketing of goods by members. The aim of a cartel is to restrict output in order to raise prices; cartel members thereby gain the profit advantages of a single monopoly, but --since they continue to function as separate entities --without the offsetting efficiency gains a monopoly may achieve through economies of large-scale production. Cartels are illegal in the United States, but more common in other countries (see *competition policy*). The *Organization of Petroleum Exporting Countries*, or *OPEC (Sec. III)* is a prominent example of an international producer cartel. See also *allocation cartel*.

**c.i.f.** An abbreviation (for "costs, insurance, and freight") used in international trade statistics and sales contracts. Transactions on c.i.f. basis mean the purchase price includes all costs of moving the goods from the point of embarkation to their destination. Until recently, most import data were given in c.i.f. terms; increasingly, they are being reported *in f.o.b.* terms.

**Commercial Risk.** An exporter's risk that a foreign customer may be unable to pay for merchandise purchased under open account terms. Such risk contrasts with *political risk*, which *arises from government actions and is unrelated to the financial condition or creditworthiness of the foreign customer*. See *Foreign Credit Insurance Association (Sec III)*.

**Commodity.** Broadly defined, any article exchanged in trade, but most commonly used to refer to raw materials, including minerals and bulk-produced agricultural products.

**Comparative Advantage.** Relative efficiency in production of one particular product or class of goods over another class of goods. Differences in comparative advantage among countries are the basis for mutually beneficial specialization and trade. (Not to be confused with *absolute advantage*, in which comparison is made with other countries; for, even if a country were absolutely more efficient than others in producing every product, it could still benefit by specializing' in --and exporting --products in which its comparative advantage is highest, and importing the other products.) In principle, an international trading system organized around the concept of comparative advantage should increase worldwide efficiency and standards of living. In this sense, it is the basis for viewing international trade as a "win-win proposition" rather than the "winners and losers" model assumed by *mercantilism*. See also *terms of trade*; *free trade*, *industrial policy*; and *inter/intra-industry trade*.

**Competition Policy.** A broad category encompassing *antitrust* and other policies to remedy the imperfectly competitive nature of key industries. Includes what is termed "antitrust policy" in the United States and "antimonopoly policy" in most other countries, as well as regulation of state aids to industry. Competition policy seeks to affect *market structure* and *market conduct*, in order to achieve *market performance* goals. Trade-related competition policy issues include the impact on international trade of *restrictive business practices* including intra-firm agreements of multinational corporations (e.g., *transfer pricing*); *strategic partnerships*, cartels and private restraints on bilateral trade; distribution monopolies and the procurement practices of private monopolies; and the impact on market structures of mergers and acquisitions across borders. One approach to competition policy seeks establishment of uniform antitrust rules in all major countries. Short of such an ideal, other advocates argue, competition policy should focus on

elements in countries' economic institutions that impede domestic and international, competition and negotiate for their removal, along with multilateral negotiation of new policy codes for the behavior of governments and firms. See *managed trade*, *strategic trade policy*, and *restrictive business practices*; see also *Export Trading Company Act (Sec. IV)*.

**Competitive.** As applied to internationally traded goods, refers to a country's or a firm's products being preferred by a significant share of the world's consumers over competing products from other sources, because of lower price, higher quality, superior performance characteristics, more effective marketing, association with better services such as delivery terms or guaranteed repairs, or some combination of these factors (see *competitiveness*).

**Competitive Advantage.** (Not the same as *comparative advantage*.) A market position established either by providing comparable buyer value more efficiently than competitors, or by performing activities at comparable cost but in unique ways that create more buyer value through *differentiation*.

**Competitive Performance.** The measurable results of *competitiveness* --i.e., the outcome of a country's or a firm's efforts in selling *competitive* goods or services in international trade. Frequently-used measures of competitive performance are market share (share of total sales from all sources in a given country, or of total world exports of a particular product); trade balances (or export-import ratios, which permit comparisons among industries of different sizes); and *revealed comparative advantage*. Most measures of competitive performance are flawed for purposes of policy analysis if used in isolation (see discussion under *terms of trade*). Some writers use the terms *competitiveness* and competitive performance interchangeably, thereby confusing the cause with the effect.

**Competitive Policies and Practices.** Actions by governments or firms to affect their *competitive performance* in international markets. Such actions can be legal (e.g., government-to-government lobbying or export promotion) or illicit (e.g., bribery or deceptive trade practices), and some are subject to multilateral agreements (e.g. tied aid or concessional trade finance). Such practices may be undertaken by nations or firms to compensate for or bolster their underlying *competitiveness*. Illicit practices on the part of individual firms are usually termed "unfair business practices," as distinguished from *unfair trade practices (Sec.1)* which are actionable under multilateral trade rules.

**Competitiveness.** The ability of a nation or firm to sell *competitive* goods or services in international trade. Several aspects of competitiveness are involved in shaping international trade patterns, and can be categorized as:

\* **Price Competitiveness** --determined by the interaction of four factors leading to competitive prices on world markets: real input costs (material prices, wage rates, and the *cost of capital*); productivity; profit margins; and the exchange rate. Most firms have some control over the first three factors but have no control over the exchange rate. Government monetary and fiscal policies may directly or indirectly affect the first and fourth factors, while *industrial targeting* seeks to influence the second and third. Changes

in competitive factors do not always occur in unison; shifts in one of the factors can be offset by movements in the opposite direction by another factor .

\* **Technological Competitiveness** --representing the ability to provide leading-edge technical capabilities, superior performance characteristics, fuel economy, or reliability. Technological competitiveness can sometimes be more important than price competitiveness in international trade, particularly in advanced-technology industries such as telecommunications equipment and aerospace.

\* **Commercial Competitiveness** --reflecting the vigor, creativity, and effectiveness of firms' entrepreneurial activities, including marketing and distribution and the provision of associated services that increase buyer value.

Apart from such fundamental aspects of competitiveness, firms and governments sometimes try to manipulate competitive outcomes by engaging in *competitive policies and practices*, or in *unfair trade practices* ( *Sec .I* ). See also *competitive performance* and *terms of trade* .

**Complementary Exporting.** An arrangement in which a manufacturer markets products internationally through the distribution channels of another firm, usually a producer of similar but noncompeting products.

**Concessional Sale.** A sale on terms that are more generous than normal commercial conditions would otherwise dictate. Such terms may include reduced sales prices, special low-interest financing or extended payment terms, or acceptance of a "soft" currency in settlement of the transaction. Concessional sales are often made in conjunction with foreign aid programs, but they may also be an aspect of governmental or corporate *competitive policies and practices* .

**Consortium.** A *joint venture* involving three or more participating entities.

**Conventional International Law.** International law arising from formal agreements among nations, as contrasted with *customary international law*, or international law that has developed through custom and usage over time.

**Convertibility.** The ability of a nation's currency to be exchanged for other currencies without governmental restriction in settlement of *current account* transactions. Currencies are convertible in varying degrees; a currency that cannot be freely purchased or sold by nonresidents is said to be inconvertible. See *exchange controls* (*Sec. I*).

**Cost of Capital.** For any given level of corporate risk, the cost of capital faced by firms in a given country --a key element of their *competitiveness* --is essentially determined by four factors: (1) interest rates, or the cost of borrowing, prevailing in the country; (2) tax policies, including tax credits, depreciation schedules that may or may not be faster than the true rate of economic depreciation, and the tax deductibility of interest costs; (3) the firms' capital structure or financial leverage --since they may raise funds not only from borrowing but from equity, i.e., retained earnings and new stock issues, which normally has a higher cost than debt financing; and

(4) the financial structure of industry - -including "risk pooling" among affiliated firms and banks --and firms' access to domestic and international capital markets.

**Cross-licensing.** An arrangement in which a firm grants a license to another firm to exploit proprietary rights in its patents, trademarks, or trade secrets, in exchange for similar licensure to use intellectual property rights of the recipient firm.

**Cross-subsidization.** The use of financial resources accumulated by a multinational firm in one part of the world to fight a competitive battle in another region or country .See *globalization*.

**Current Account.** The portion of a country's *balance of payments* that records "visible" trade (exports and imports of goods), "invisible" trade (income and expenditures for services), interest payments, and transfer payments such as foreign aid. A current account deficit is essentially offset and financed by a *capital account* surplus -- representing a net inflow of investment funds --and conversely, a current account surplus will be matched by a capital account deficit. Any gap remaining between the current and capital accounts is bridged by changes in official reserves (recorded in the official settlements balance).

**Customary International Law.** International law that has arisen from custom and usage, and that is recognized and accepted as binding even though not codified. See also *conventional international law*.

**Cutthroat Competition.** Predatory or discriminatory pricing practices intended to drive out competition and establish *market power*. Such practices are proscribed by *antitrust laws in the United States*, but they are often employed in other countries. See *predation*.

**Deadweight Loss.** The net cost to society due to *market imperfections* or government interventions such as trade restrictions --i.e., losses by consumers or producers that are not offset by gains elsewhere, such as increased government revenues.

**Defensive Investment.** An investment undertaken in order to protect larger commercial interests rather than for the return that the investment itself generates.

**De-industrialization.** A term denoting a negative impact of international competition on the overall size of a country's manufacturing sector (also known as "hollowing-out"). Generally refers to an absolute decline in industrial output or employment rather than simply a decline relative to other sectors of the economy (i.e., *structural change*).

**Depreciation.** A decline in the purchasing power of a currency, relative to one or more other currencies, as a result of market forces rather than government action. See also *devaluation*.

**Devaluation.** The lowering of the value of a currency, relative to one or more other currencies, as a result of deliberate government action. Both *depreciation* and devaluation tend to boost demand for the country's exports by reducing their prices in terms of foreign currencies, and to reduce domestic demand for imports by raising their prices in terms of the home currency.

Devaluation can provide a short-term boost to an economy encountering balance of payments imbalances --by altering its *price competitiveness* --but generally has inflationary consequences.

**Differentiation.** A key element in firms' *competitive advantage*. Refers to market conditions in which a product can vary in some significant way from firm to firm producing it, and purchasers demonstrate preferences about which supplier to patronize in terms of these non-price differences. Factors contributing to product differentiation include quality and performance variations, special service conditions, and advertising.

**Direct Foreign Investment.** The acquisition of productive resources such as factories, mines, or transport facilities in a foreign country. For an investment to be considered "direct," it must be large enough to give the investor control or significant influence over the foreign operation. (Under US Commerce Department regulations, the threshold for such a determination is acquisition of 10 percent or more of the voting stock or capital in a foreign venture.) Investments falling below the threshold of active participation in management of the foreign entity are regarded as "portfolio" investments.

**Dual-Use Goods (or Technology).** Refers to products or the technology embodied in those products that are intended primarily for use as civilian goods but which may be used or adapted for military purposes.

**Economic Nationalism.** A policy that places highest priority on increasing the economic strength and *competitiveness* of national firms and reducing *economic vulnerability*, if necessary at the expense of trading partners' political and economic interests, or at the risk of damage to international trading relationships. See also *beggar-thy-neighbor policies*, and *mercantilism*.

**Economic Profit.** The amount by which a producer's income exceeds total operating costs, including the *cost of capital* provided by the firm's owners. A zero economic profit means a firm is earning the normal, economy-wide rate of profit in the accounting sense, with investors receiving a rate of return no greater than the return their capital could earn elsewhere in the economy. Positive economic profits will typically attract new entrants (domestic and/or foreign) to the industry. *Protectionism* may be the response of domestic firms seeking to prevent such entry by foreign competitors, transforming a competitive industry to an *oligopoly*. Persistent negative economic profits can lead to a *shakeout*.

**Economic Rent.** The gain to a producer or resource owner resulting from a trade barrier or other restriction of supply that leads to a higher price than otherwise would occur. The existence or prospect of economic rents may promote unproductive *rent-seeking* activities by individuals or firms seeking to take advantage of them. See also *quota rent*.

**Economic Vulnerability.** In the context of trade relations, the proportion of a country's GNP accounted for by exports and imports is sometimes interpreted as a measure of its vulnerability to foreign events and economic conditions. (It is also used as a measure of economic "interdependence" with other states.) Since countries generally try to avoid being subject to the leverage of their suppliers, many make efforts to diversify their supply sources, even at the cost

of higher prices. Political relationships with trading partners are an important element in determining vulnerability, since even a high level of trade dependence on a friendly ally is likely to create less vulnerability than trade with unfriendly states.

**Economies of Agglomeration.** Cost savings that occur when industrial firms are located in close proximity to each other and are able to share a common infrastructure network, such as transportation facilities, communications, and energy supplies.

**Economies of Scale.** (Also known as increasing returns to scale.) Cost savings that occur in production processes where higher output levels allow a firm to employ more productive technology --so that doubling inputs, for example, will result in more than a doubling of output. Economies of scale can be a source of international trade flows apart from *comparative advantage* if product *differentiation* exists and individual countries are unable to produce a full range of differentiated manufactures themselves (see *intra- industry trade*).

**Economies of Scope.** Cost savings that occur when reductions in average total costs can be achieved by increasing the number of distinct products manufactured by an enterprise. Economies of scope are possible when specialized inputs (e.g., expensive machinery or highly skilled labor) can be shared among different production processes --as, for example, when fighter aircraft and cruise missiles are produced in the same facility.

**ECU.** See *European Currency Unit*.

**Effective Rate of Protection.** The overall effect of a nation's tariff system on a specific domestic product, after taking into account the impact of trade restrictions on the industry's inputs. The effective rate of protection is the proportionate increase in value-added in an industry that is possible as a result of the whole structure of protection, on both the output and the inputs of the industry.

**Entente.** In commercial usage in Continental Europe, a synonym for a price-fixing agreement or *cartel*.

European Currency Unit (ECU). A unit of value based on a "currency basket" comprising specific amounts of the currencies of the EC member states. Each currency's share in the basket is weighted in line with the respective country's GNP and foreign trade. The ECU is issued by the European Monetary Cooperation Fund against the gold and US dollar deposits made by the member states' monetary authorities.

**Excess Capacity.** Occurs when a firm or industry is operating below cost-minimizing levels of output. "Permanent excess capacity" is said to exist in industries requiring very large physical plants for which the size of the domestic market may be inadequate to fully absorb the output -- limiting firms in the industry to production levels where *economies of scale* will not be fully exploited. Such conditions may set the stage for international trade conflict, since firms experiencing excess capacity may resort to *unfair trade practices (Sec.1)* to expand markets for

their output in other countries. At the same time, excess-capacity firms generally have higher unit costs than necessary, making them vulnerable to *predation* by foreign competitors.

**Exclusive Dealing.** See *vertical restraints*.

**Export-Led Growth.** A macroeconomic strategy focusing on expansion of the export sector -- such as through export subsidies or competitive *devaluation* -- as a way of boosting economic growth while avoiding the inflationary consequences of higher domestic spending. Especially if coupled with higher import barriers, such an approach can be a form of *beggar-thy-neighbor* policy. Moreover, by targeting export industries for expansion, resources are diverted from industries producing for the home market, with the result that industrial self-sufficiency may be delayed.

**Export Management Company.** See *export trading company*.

**Export Platforms.** Refers to countries such as Mexico, Taiwan, Singapore, Malaysia, and South Korea that established incentive programs beginning in the late 1960s to attract foreign direct investment oriented toward *offshore production* operations by corporations based in the United States and other industrialized countries. Incentives included import reductions on components, tax-free treatment of exports, and tax holidays. See *globalization*.

**Export Trading Company.** (Also known as an export management company.) A private firm that provides related services to other firms, usually smaller and mid-sized manufacturers that could not afford to maintain a separate export department on their own. Services provided by an export trading company can include locating foreign customers, arranging shipping and financing for exported goods, and performing foreign marketing functions. Compensation may be made on a commission basis, or through direct purchase and resale of the exported merchandise.

**Externalities.** Spillover benefits or costs arising from an economic activity that are not taken into account by producers, resulting in levels of production that are inappropriate from the standpoint of the economy as a whole. The presence of "positive externalities" or external benefits means that insufficient resources will be devoted to producing the product in question unless incentives (e.g., subsidies) are given to producers. For example, one of the important positive externalities affecting trade in high-technology products involves private research and development (R&D) activities, since firms may be unable to completely appropriate for themselves the payoffs from their R&D investments. In contrast, negative externalities (sometimes called "diseconomies") imply overproduction unless the activity is appropriately taxed or otherwise constrained by governmental authorities. Unchecked pollution by manufacturers is a commonly cited example of negative externalities.

**Fair Trade.** International trade involving shipments that do not benefit from government assistance. Fair trade --and the related concept of *unfair trade practices* ( *Sec .I*) --is almost always used in the context of policies or practices affecting exports, while *free trade* usually refers to the absence of barriers to imports. See also *level playing field*.

**f.a.s.** An abbreviation (for "free alongside") used in international trade statistics and sales contracts; a method of valuing traded goods that does not include the cost of shipment from the exporting to the importing country.

**f.o.b.** An abbreviation (for "free on board") used in international trade statistics and sales contracts; a method of valuing traded goods that includes the cost of transportation to the port of embarkation and the cost of loading the goods on a vessel, but does not include further shipment or insurance costs. Export data are usually reported in f.o.b. terms.

**Forfeiting.** A means of financing foreign trade based upon the transfer of debt obligations arising from the sale of goods and services, usually exports.

**Free Trade.** International trade that is unhampered by restrictive measures such as tariffs or non-tariff barriers. An ideal concept that plays a role in economic theory similar to that of the "perfect vacuum" in physics, since, except within *economic unions*, *virtually no international trade is genuinely free of governmental interference. In practical terms, trade policy deliberations in all countries do not normally concern* questions of whether free trade should be pursued, but rather of how much and what kind of government intervention is needed to serve the national interest. See also *fair trade*.

**Futures Contract.** A contract for goods, foreign exchange, or financial assets to be delivered at a certain future date on terms and at prices set in the contract. A large number of raw materials as well as some processed goods are commonly traded internationally in futures contracts.

**Globalization.** The process of dispersing elements of a firm's production and marketing across several countries. Historically, trade in globalized industries followed a hub-and-spokes pattern, with components and end-products moving between the home country and "offshore" manufacturing subsidiaries or affiliates. More recently, components and end-products have begun to be shipped among specialized production facilities in several countries, in order to take advantage of *economies of scale*, to circumvent trade barriers, or to match distinct activities with local competitive advantages. Globalization poses substantial scheduling, technical, and process coordination problems, as well as risks of supply being disrupted by national trade policies. It can result in a trade pattern in which many countries can have both imports and exports in the same product category (see *intra-industry trade*), depending on how they fit into the overall production network. In such an environment, attributing national origin to a product can be difficult, complicating international trade negotiations conducted on a traditional, country-to-country basis.

**Heckscher-Ohlin Model.** A theory for explaining international trade patterns in terms of differences in countries' supplies of productive factors (e.g., human and physical capital, raw material resources). The model was named for Swedish economists Eli Heckscher and Benil Ohlin. See also *Ricardian Model*.

**High Technology.** Products that embody relatively intensive research and development (R&D) inputs, either directly at the final manufacturing stage or through the intermediate components

used in their production. Numerous classification schemes have been proposed in academic studies and international discussions to designate high-technology industries, but all have shortcomings. (For example, technologically "mature" products such as industrial chemicals and consumer electronics make up a significant proportion of high technology as delineated by some R&D-based definitions; see discussion under *product cycle*.) As a rule of thumb, high-technology industries can be designated as those producing microelectronics, computers, telecommunications equipment, machine tools and robotics, aerospace equipment, scientific and precision instruments, medicine and biological compounds, and specialty chemicals including certain advanced materials.

**Hollowing-out.** See *de-industrialization*.

**Horizontal Integration.** The merger of two or more firms producing essentially the same product or service. See also *vertical integration*.

**Imperfect Competition.** When an industry is marked by imperfect competition, market prices send "incorrect signals" regarding resource availability and purchasers' needs. See *market imperfections*.

**Import Substitution.** A policy of promoting domestic production of goods that otherwise would be imported. Such programs may involve a combination of *domestic subsidies* and *import restrictions*, and are often justified on grounds of conserving foreign exchange. See also *infant industry protection*.

**Increasing-Returns Industry.** An industry requiring an exceptionally large or expensive physical plant, so that *economies of scale* (also known as increasing returns to scale) still exist at output levels saturating the firm's domestic market. Examples often cited are steel, aircraft, and many defense industries. Such industries --which may also be referred to as permanent excess-capacity industries, or natural monopolies --pose particular problems for international trade policy (see discussion under *excess capacity*).

**Industrial Policy.** A program of selective government interventions designed to change the sectoral composition of a country's economy by influencing the development of particular industries or sectors. Targeted sectors or industries may be aided through some combination of government loans and equity participation; tax incentives to promote investment; trade protection and export subsidies; preferential government procurement practices; or relief from regulatory constraints such as antitrust and environmental laws. Advocates claim that industrial policy can "shape comparative advantage" --recognizing that, even if all countries may gain through international trade, a country will gain most if it specializes in high-value-added, high-growth sectors. Critics claim that governments cannot do a better job than market forces in "picking winners," and that misguided attempts to do so --as occurred in the former East Bloc countries --could make matters worse.

**Industrial Targeting.** Selection by a government of industries deemed important to the evolution of the economy, and encouraging their development through explicit policy measures.

Usually connotes a more narrow spectrum of *industrial policy* measures focused specifically on increasing *competitiveness* in export markets.

**Infant Industry Protection.** Temporary import protection intended to help an industry that is not fully developed become established and competitive in world markets. The economic justification for infant industry protection is the prospect of decreasing costs as output expands and experience in production is acquired, which puts start-up firms at a competitive disadvantage vis-à-vis established world producers in the industry. Article 18 of the GATT permits LDCs to protect infant industries, but the restricting country may be required to compensate other GATT members that are adversely affected. See also *import substitution*.

**Innovation.** Putting into operation new techniques and other economically useful knowledge in a way that leads to commercial success. Innovation is not necessarily linked to the process of invention or discovery --it can, for example, involve putting into operation techniques invented or discovered elsewhere. Along with capital accumulation, the rate of innovation in an economy is crucial for expansion of its productive capacity and, hence, for its economic growth, improved standards of living, and international *competitiveness*.

**Innovation Systems.** The network of public- and private-sector institutions that initiate or import, modify, and diffuse new technology in a country. In current OECD discussions, the term encompasses ways in which a country organizes its systems of education, scientific research, and technological diffusion, and --in conjunction with macroeconomic and *competition policies* -- their combined impact on the rate of *innovation*. Associated with the term is the concept that "technological trajectories" shaped by countries' differing innovation systems may set the stage for future trade conflict or collaboration.

**Inter-Industry and Intra-Industry Trade.** Inter-industry trade involves exchanges between countries that link complementary industries, such as steel and automobiles, reflecting differences in the trading partners' economic resources (i.e., differences in *comparative advantage* and consequent specialization). In contrast, intra-industry trade involves two-way international trade flows within a single industry --such as electronics --and often consists of highly specialized components and subassemblies in transactions between affiliated firms in different countries. About one-quarter of world trade consists of intra-industry trade, which plays an especially prominent role in trade in manufactured goods among the industrial nations (see *globalization*).

**Internationalization.** See *globalization*.

**Invisibles.** Items such as insurance and financial services that are included in a country's *current account* but are not recorded as merchandise imports or exports. See *services*.

**Joint Venture.** An international business undertaking involving a long-term commitment of funds, facilities, and services --as well as joint management and sharing of risks and profits -- between two firms from different countries. Many countries impose restrictions on joint ventures, such as foreign equity limits, local control legislation, and restrictions on repatriation of

dividends. If joint ownership of capital is involved, the partnership is known as an equity joint venture. If more than two companies are involved, it is usually called a consortium.

**J-Curve.** The expected adjustment path in a country's trade balance following a currency *depreciation* or *devaluation*. Because a change in the exchange rate alters the prices of exports and imports "in the pipeline" before it affects the volume of trade, the immediate impact on the trade balance is negative (as in the downward slope of a "1"). Eventually, after the change in prices begins to affect purchasing decisions, the volume of imports and exports should move in the desired direction and the trade balance will improve (the upward slope of the "1").

**Laissez-Faire.** See *rules-oriented trade policy*. The term originated in a French idiom essentially meaning "hands-off."

**Learning Curve.** A technological regularity observed in many leading-edge industries, in which the marginal cost of production tends to fall as output increases, due to firms' growing experience with innovative processes (sometimes called "learning by doing"). Because of the learning curve, substantial *economies of scale* are characteristics of *high-technology* industries -- in which competitive advantages accrue to firms that are among the first to enter a promising new area --constituting a major premise for various countries' *technology policy*.

**Level Playing Field.** A concept or slogan employed by those calling for efforts to secure both *free trade and fair trade*. The term alludes to perceived inequities --including *protectionism* or *unfair trade practices (Sec. I)* --that "tilt" the conditions of international trade competition in favor of one or another of the participants.

**Liberalism.** In the context of trade policy, "liberal" usually means freedom from import controls or government restraints. Liberalism connotes a preference for reducing existing barriers to trade --in contrast with *protectionism*, or a preference for retaining or raising barriers to import competition. See also *mercantilism* and *economic nationalism*.

**Liner Conference.** In maritime transport, a group of shipping companies that jointly ..determine freight charges, sailing frequencies, and shipping capacity within a given geographic area.

**Managed Trade.** A trade policy approach that denies the practicability of traditional "laissez-faire" approaches to trade, and instead seeks to promote the development and international competitive position of key industries. The managed-trade approach has two main elements. First, it asserts that other governments --through various forms of *industrial policy* --actively subsidize, protect or otherwise support certain domestic industries in carving out a share in world markets, and concludes that any country failing to follow suit will place its own firms at a disadvantage relative to their foreign rivals. Second, it envisages a series of international agreements codifying "rules of the game" for such interventions. A third element suggested by some advocates of managed trade -- who argue that conventional trade agreements are ineffective in such an environment --is to set quantitative targets for imports or exports in various key industries, coupled with the use or threat of trade sanctions to enforce those outcomes.

Sometimes referred to as "results-oriented trade policy," in contrast with *rules-oriented trade policy*.

**Market Conduct.** In a particular industry or market, refers to practices which, individually or in combination, shape the *market performance* characteristics that are the objective of *competition policy*. Market conduct is affected by the *market structure* of the industry, and is reflected in sellers' and buyers' pricing policies and practices, overt ~ and tacit inter-firm cooperation, product line and advertising strategies, R&D commitments and *innovation*, legal tactics --in enforcing patent rights, for example -- and investment in production facilities.

**Market Imperfections or Market Failure.** Often refers to two sources of departure from perfect competition, i.e., *externalities* and *increasing returns* to scale. Traditional international trade models do not take market imperfections fully into account, but are based on assumptions that perfect competition and constant returns to scale prevail in every market. Such models consequently may be inadequate for analyzing trade in such key sectors as aircraft, telecommunications equipment, semiconductors, and pharmaceuticals --where oligopolistic competition and substantial *economies of scale* frequently occur --as well as in other industries in which accrued knowledge, the *learning curve*, and R&D play an important role. See *strategic trade policy*.

**Market Performance.** The principal focus of *competition policy*, market performance refers to the degree to which a particular industry or market meets national objectives for production and allocative efficiency, technical progress, full employment, and promotion of equity in income distribution. Indicators of market performance include the size of gaps between actual and minimum feasible unit costs, price-cost margins, rates of change in output per hour of work, and the variability of employment over the business cycle. Instruments of competition policy --such as taxes and subsidies, international trade policies, price controls, and *antitrust* regulation --shape market performance through their effects on *market structure* and *market conduct*.

**Market Power.** The ability of an individual firm to exert control over prices prevailing in the markets for its products or services. The highest degree of market power is associated with a monopoly, although all firms except those in perfectly competitive markets possess some degree of market power. Countries' *competition policies* generally are aimed at curbing the perceived economic and political costs associated with market power.

**Market Structure.** Refers to the structure of an industry or market, as reflected in the number and size distribution of sellers and buyers, the degree of physical or subjective *differentiation* distinguishing competing sellers' products, the presence or absence of barriers to the entry of new firms, the degree to which firms are vertically integrated from raw material production to retail distribution, the extent of firms' product line diversification, and cost structures. Market structure affects *market conduct*, which in turn determines *market performance* characteristics that are the goal of *competition policy*.

**Mercantilism.** A once-prominent economic philosophy that equated national wealth and prowess with the accumulation of gold and other international monetary assets, and hence with

running a persistent trade surplus. The mercantilist viewpoint has been discredited by modern economics, which has shown that national economic security and well-being are not necessarily related one way or another with trade surpluses or deficits (see discussion under *trade balance*). Nonetheless, mercantilist ideas continue to exert a powerful political hold in many countries, leading to demands for policies --such as tariff protection for domestic industries as well as export subsidies --designed to foster trade surpluses as keys to national economic strength. Since all countries cannot run trade surpluses simultaneously, widespread pursuit of mercantilist policies tends to produce an unstable and conflict-ridden international trading system.

**Multilateralism.** An approach to trade policy focusing on multilateral negotiations (as opposed to bilateral negotiations or regional trade arrangements) as the most effective way of liberalizing trade in an interdependent global economy. Because concessions in one bilateral or regional deal may undermine concessions made to another trading partner in an earlier deal, basing a country's trade regime on a sequence of bilateral arrangements can be both technically demanding and politically divisive. In principle, multilateralism broadens the scope of possible deal-making by enabling "cross-trades" (e.g., concessions by country A that benefit country B, enabling country B to make concessions favoring country C, which then may be in a position to make concessions sought by country A.) In the absence of such cross-trades, liberalizing deals may be possible only if two countries each happen to be willing to offer the precise concessions that the other is seeking.

**National Champions.** Firms that are the focus of government efforts to consolidate a national industry through *industrial targeting*. Such policies may be prompted by a global *shakeout* -- aimed at regrouping marginal companies around a "champion" as a counter to consolidation into multinational corporations --or as an alternative to permanent protection of noncompetitive firms.

**Offshore Production.** Manufacturing activities and assembly operations of foreign subsidiaries or affiliates. Beginning in 1963, US customs regulations --under Items 806.3 and 807 of the US Tariff Schedules, applying to imported articles assembled in whole or in part from US-fabricated components --provided a significant incentive to firms in the electronics and other industries to adopt an offshore assembly strategy, by applying duties only to the extent of the value added abroad. (Offshore production usually implies re-exports to the home country or to third-country markets, while the term *screwdriver assembly* refers to operations within the country where the completed products are to be sold.) See also *export platforms* and *globalization*.

**Oligopoly.** A domestic or international market structure comprising several firms, each of which is large enough to affect prices but none of which holds an uncontested monopoly position. While limited price competition may occur among sellers in an oligopoly, a single large producer may assume a leadership position in establishing prices or terms of sale that the other firms will tacitly follow. When concerned action or collusion occurs among oligopolistic firms, the association is known as a *cartel*.

**Patent.** The grant of an exclusive right to manufacture and market an invention for a specified time, based on a novel idea that provides a solution to a specific technological problem. See *intellectual property rights (Sec. I)*.

**Permanent Excess Capacity.** See *excess capacity*.

**Political Risk.** The risk, borne by an exporter or international lender, that settlement of the importer's or borrower's obligation may be precluded by political or military conditions in a foreign country. See also *commercial risk*.

**Portfolio Investment.** A minority interest in a foreign venture from which income is derived in the form of dividends. In contrast with *direct investment*, a portfolio investment position does not convey significant control over the management or operations of the foreign firm.

**Predation.** In international trade contexts, an aggressive pricing strategy in which a foreign producer prices below cost to drive domestic firms out of business, leaving the foreign firm with effective market power. Predation may involve pricing below marginal cost, possibly supported by government subsidies. Proponents of *antidumping duties* often justify such measures on grounds of preventing predation by foreign firms; critics maintain that a predatory pricing strategy is implausible in global industries that include many producers.

**Price Competitiveness.** See *competitiveness*.

**Price Discrimination.** The practice of charging unequal prices to different buyers of products that are essentially identical, when such pricing does not correspond to differences in supply cost. *Dumping* is a form of price discrimination which, in principle, can be maintained only if the exporter's home market is sheltered by trade barriers (preventing re-importation of goods which have been sold below cost in foreign markets).

**Price-Fixing Agreement.** See *cartel*.

**Price Supports.** A program of official measures, most commonly applied to agriculture, designed to stabilize or raise the price that producers receive for their products. Price supports may include cash payments, government purchases of output, or special financing programs.

**Primary Commodity or Primary Product.** An agricultural, forest, mineral, or fishery product sold in its original form, including such processing as may be necessary to make the product suitable for sale in international trade.

**Product Cycle.** The evolution of a production process from innovation through obsolescence, constituting a fundamental dynamic element in international *competitiveness* and trade patterns over time. For some products, production tends to "migrate" from country to country over the product cycle. Innovations tend to arise in high-income, high-wage countries where the payoff for economizing on labor is greatest; new products therefore appear in international trade initially as exports of the innovating country. As the technology matures, manufacturers seek to

produce on a large scale as cheaply as possible (i.e., mass production with less-skilled labor), and production may be pulled to countries such as *NIEs* and LDCs with lower labor costs. Eventually, the product may recede in importance or become obsolete as it is displaced by newer innovations. The product cycle can be a key factor in *globalization* of some industries -- as well as a source of trade friction, since *adjustment costs* can be substantial as industries migrate internationally.

**Protectionism.** Restriction of international trade by a government in order to shelter domestic producers from foreign competitive pressures. Fundamentally at odds with the principle of *comparative advantage*.

**Quota Rents.** The increase in profits that accrue to an import dealer (under an import quota) or an exporting firm (under an export quota or *voluntary restraint agreement* --see Sec. I). Quota rents result from the effect of a quota in raising prices in the importing country above the competitive equilibrium level as market supply is reduced. Under a tariff, in contrast, the government of the importing country derives economic benefits from the trade restriction.

**Rent-Seeking.** In international trade contexts, refers to the economically unproductive practice of individuals, firms, and industries investing significant resources in lobbying activities to obtain protection from foreign competition.

**Repatriation.** The transfer of investment earnings or the return of capital from a foreign country to the investor's home country.

**Resale Price Maintenance.** See *vertical restraints*.

**Restraint of Trade.** Combinations, contracts, or other oral or written arrangements designed to establish a monopoly position, impede competition, fix prices, or prevent entry by potential rivals. Acts in restraint of trade are generally treated by *competition policies* as inimical to the public interest, and may be specifically prohibited by *antitrust* laws.

**Restrictive Business Practices.** Actions of private or public enterprises --such as collusion among the leading international suppliers of a product --that limit access to markets or restrain competition. See *competition policy*.

**Results-Oriented Trade Policy.** See *managed trade*.

**Revealed Comparative Advantage.** A measure of relative *competitive performance* of a country's exporters of a particular product or class of goods. Calculated by dividing the country's share of world exports of the product in question by the country's share of total world trade. Products having a ratio greater than one may be considered indicative of the country's underlying *comparative advantage*, relative to products with ratios less than one. In this way, the measure takes into account *competitive factors* (such as the exchange rate) that affect the country's exporters as a whole; it also yields results that are scaled in a way that permits comparison between countries of different sizes. However, other factors --especially *competitive policies*

*and practices* in the exporting country, and trade barriers protecting foreign markets --can significantly distort the results.

**Ricardian Model.** A theory for explaining international trade patterns in terms of technological differences among countries and resulting differences in their productivity. Named after the nineteenth-century British economist, David Ricardo. See *Heckscher- Ohlin Trade Model*.

**Rules-Oriented Trade Policy.** An idealized approach to trade policy under which governments establish a set of rules for the conduct of international trade competition -- as, for example, under the GATT --and let the market determine the outcome with minimal interference. In practice, some intervention by governments inevitably occurs, raising the question of whether this *laissez-faire* approach should be made to work better or, as suggested by advocates of *managed trade*, should be abandoned.

**Schedule B.** The classification system in which US export data are recorded according to 4,500 seven-digit product categories. Schedule E is the rearrangement of Schedule B data conforming to the *SITC* international data format developed by the United Nations. The *TSUSA* is the import equivalent of Schedule B. The End-Use classification system, developed by the Commerce Department's Bureau of Economic Analysis, rearranges *TSUSA* and Schedule B data into categories associated with the principal uses of the traded goods. Finally, the SIC-Based Trade Data classification system, developed by the Census Bureau, transforms original *TSUSA* and Schedule B data into an approximation of the *SIC* format. .

**Screwdriver Assembly.** The export of components to manufacturing subsidiaries or *joint venture* companies in a foreign market, where they are assembled and marketed at prices close to those of finished manufactures exported directly from the home country . Some countries allege that this practice constitutes *circumvention (Sec.1)*. See also *offshore production*.

**SDRs.** See *Special Drawing Rights*.

**Services.** Non-manufacturing industries or business activities. Key service industries include accounting and management consulting, advising, banking and financial services, insurance, legal services, architecture, construction and engineering, data processing and software, telecommunications and information services, lodging and tourism, wholesale and retail trade, leasing, franchising, shipping and transportation, education and training services, health care, and environmental services. In GATT negotiations, the motion picture industry is also treated as pan of the services sector. As economies mature (see *structural change*), services tend to assume a more prominent role in the economy,<sup>3</sup> posing challenges for international trade policies that have traditionally focused on trade in goods.

**Shakeout.** A condition that may occur as a result of *innovation* or technological change in a competitive industry. Because the introduction of new processes or techniques will improve productivity, more overall industry output becomes possible, driving down the price level. However, only firms employing the new technology can sell at the lower prices without incurring losses; others are "shaken out." Eventually, a new equilibrium for the industry will be

reached, but --because of the greater efficiency of the new technology --the number of firms remaining in the industry is likely to be smaller. In the ", case of an industry shakeout on an international scale, governments are likely to take measures to ensure that "their" firms are among the survivors (see *national champions*).

**Short-Term Capital Transactions.** An element of a country's *balance of payments* that reflects loans granted to or received from foreigners with a maturity of one year or less.

**SIC (Standard Industrial Classification).** The basic system used by the US Commerce Department to categorize similar economic activities as distinct industries. Based on the SIC, the Census Bureau has organized a system of seven-digit industry codes, each successive digit of which reflect a progressively narrower degree of classification. Twenty two-digit groups (SIC numbers 20 through 39) constitute the manufacturing sector. Analyses of US production and national accounts usually involve SIC-based data; a rearrangement of US import and export data into an approximation of the SIC format has been developed by the Census Bureau (see *TSUSA*).

**SITC (Standard International Trade Classification).** The classification system used by the United Nations for compiling and publishing international trade data. Although countries employ a variety of data collection systems for their own purposes (see, for example, *TSUSA*), UN members are requested to use the current version of the SITC in reporting their import and export data to the UN Statistical Office. The original SITC was adopted by the UN Economic and Social Council in 1950. The SITC, Revised was established in 1960 in an effort to reconcile trade data compiled by many countries on a commodity basis with the *Brussels Tariff Nomenclature (Sec.1)*, which classified goods according to the material of which they were made; a second effort along these lines, SITC Revision 2, was established in 1975. SITC Revision 3, introduced in 1986, currently provides 3,118 basic product headings organized in a system of five-digit classification codes, and is aligned with the *H harmonized System ( Sec .1)* of customs classification. Analyses of international trade patterns almost always involve SITC- based data. However, SITC classifications do not concord with *SIC* classifications.

**Soft Currency.** A national currency that is not freely convertible into other currencies .because of officially set exchange rates or other forms of *exchange controls (Sec. I)* .

**Soft Loan.** A loan repayable by a foreign borrower in a *soft currency*. Soft loans usually result from long-term sales to countries without resources for repayment in hard currencies.

**Special Drawing Rights (SDRs).** A composite unit of value for international transactions, the value of which is determined daily by the International Monetary Fund on the basis of a weighted "currency basket." In the derivation of the SDR value, the currencies of the basket are valued at their market exchange rates for the US dollar and are summed to yield the rate of the SDR in terms of the US dollar. Since 1991, the SDR valuation basket has consisted of the US dollar (40 percent), German mark (21 percent), Japanese yen ( 17 percent), French franc ( 11 percent), and British pound ( 11 percent). Some international trade agreements, such as the *GATT Government Procurement Code (Sec. I)*, use SDRs to designate nominal amounts that are less susceptible to distortion via fluctuations in the exchange value of a single currency.

**Specialization Agreement.** A *restraint of trade* arrangement among rival firms stipulating that each will sell only certain products, thereby assuring each participant a dominant market position for the specified products.

**Standard Industrial Classification.** See *SIC*.

**Standard International Trade Classification.** See *SITC*.

**Standardized Product.** A product marketed internationally without significant changes in its composition or characteristics from one country to another. Product standardization can be a factor in achieving *economies of scale*.

**Strategic Partnerships.** A type of cooperative strategy in which corporate alliances are made between organizations --including between former rivals --as part of a global business strategy. See *globalization* and *competition policy*.

**Strategic Stockpile.** A store of critical metals or other industrial commodities maintained by a government as a buffer against supply disruptions in times of war or national emergency.

**Strategic Trade Policy.** A broad term for approaches joining conventional trade theory with industrial organization theory, in order to analyze trade in products for which producing firms are part of oligopolistic industries in their home markets, and in which strategic interactions among firms and governments occur. See also *managed trade* and *industrial policy*.

**Structural Adjustment Lending.** A program of lending by the *World Bank (Sec. III)* designed to help developing countries deal with balance-of-payments problems resulting from internal economic patterns that are susceptible to correction. The program provides hard-currency loans conditional upon agreement by the beneficiary country to undertake specified corrective measures, which may include elimination of protective tariffs that have sheltered inefficient domestic industries, as well as improvements in budgeting and management of public debt and shifts in public investment priorities.

**Structural Adjustment Policies.** Measures --such as worker re-training and placement, capital formation, and R&D support --intended to facilitate the adjustment of factors of production to "structural" economic forces such as increased international competition. See *adjustment assistance* and *structural change*," see also *industrial policy*"

**Structural Change.** Changes in the relative importance of different sectors of an economy over time, usually measured in terms of their share of output, employment, or total spending. (Since the industrial revolution, structural change in most countries has involved shifts from subsistence agriculture to commercial agriculture, an increase in the relative significance of manufacturing, and, at a later stage, a further shift toward service industries.) In its broadest sense, the term refers to shifts in an economy's sectoral composition --driven by changes in technology, for example --that are more fundamental than temporary changes due to business-cycle and exchange-rate fluctuations. Along with realignments in the relative economic importance of

different industries, structural change can also involve shifts between regions of large national economies, and changes in the composition of a country's imports and exports. See also *de-industrialization* and *services*.

**Sunrise vs. Sunset Industries.** The term "sunrise" refers to industries with the greatest potential for growth and international competitiveness, often associated with *high technology*. In contrast, the term "sunset" is often applied to mature or basic industries such as steel, automobiles, glass, rubber, and textiles. No precise delineation of the two categories exists. Moreover, there is no reason why an industry (or segments thereof) might not move from one category to another over time.

**Targeting.** See *industrial targeting*.

**Tariff Schedules of the United States, Annotated.** See *TSUSA. Technological Trajectories. See innovation systems*.

**Technology.** A method for convening resources into goods and services.

**Technology Driver.** A product with a relatively simple design which a manufacturer may produce in high volume in order to hone its skills and then transfer this experience to more complicated but higher-value-added devices. See *learning curve*. Arguments for import protection or export promotion sometimes are based on assertions that the product in question is (or may become) a technology driver, and so warrants special treatment as part of national *technology policy*.

**Technology Policy.** Government measures or programs to promote *innovation* and adoption of new technologies in key industries. Such tools include government sponsorship of research consortia, support for research and development (R&D), trade measures, and special *antitrust* exemptions for joint R&D efforts among firms. See also *industrial policy*.

**Technology Transfer.** The diffusion of practical knowledge from one enterprise, institution or country to another. Technology may be transferred by giving it away (e.g., through technical journals or conferences); by theft (e.g., industrial espionage); or by commercial transactions (e.g., patents for industrial processes) as well as through cross-national exchanges among components of multinational enterprises. The transfer of technology may be accompanied by transfer of legal rights to use of the technology, such as sale of licensing of associated *intellectual property rights* ( *Sec. I* ). Both *UNCTAD* and *OECD* ( *Sec. III* ) have been active in discussing regulation of international technology transfers.

**Terms of Trade.** The volume of exports that can be traded for a given volume of imports; changes in the terms of trade are measured by changes in the ratio of export prices to import prices. The terms of trade determine a country's share of the "larger pie " generated by trade based on in emotional specialization and *comparative advantage*. An improvement in the terms of trade can be interpreted as an increase in the country's international *competitiveness* in the broadest sense --that is, its people are becoming better off as a result of their transactions with

the rest of the world. In contrast, a country that expands its foreign market share by selling its exports at cut-rate prices may experience declining terms of trade, in which case it is not genuinely "competitive."

**Territorial Restrictions.** See *vertical restraints*.

**Textiles.** Historically, one of the most politically sensitive and contentious sectors of international trade. As defined in the *Multifiber Arrangement (Sec.1)*, textiles encompass "yarns, piece goods, made-up articles, garments, and other textile manufactured products (being products that derive their chief characteristics from their textile components) of cotton, wool, man-made fibers or blends thereof, in which any or all of those fibers in combination represent either the chief value of the fibers or 50 percent or more by weight (or 17 percent or more by weight of wool) of the product." Within the textiles sector, apparel products often utilize more unskilled labor and less expensive capital equipment than in other manufacturing industries; as a result, they often are among the first manufactured goods to be produced in a developing country. Nearly all industrial countries also have large, politically significant textile industries, and these are vulnerable to import competition from low-wage countries, setting the stage for international trade friction. More recently, textiles have come to include an increasing range of goods that require more capital-intensive production processes, especially some of the more sophisticated man-made fibers and complex knit cloths.

**Tie-In Contract.** See *tying contract*.

**Trade Activism.** See *manage trade*.

**Trade Balance.** The surplus deficit that results from subtracting a country's imports from its exports during a given period (see *current account*). Despite widespread misunderstanding -- and the lingering political influence of *mercantilism* -- in many countries, a trade surplus or deficit is not inherently good or bad for a country, since different situations may be involved:

- \* A trade surplus is the normal condition for a "mature creditor country" that provides investment capital to less developed countries. This was for many years the position of the United States, which ran persistent trade surpluses up to the early 1970s.

- \* However, an "unhealthy" trade surplus may occur when the country is in a severe economic slump or recession while other countries are booming (hence, exports will be strong, while imports' weak).

- \* A trade deficit can occur when a dynamic, growing country is building its capital base, with inflows of foreign capital attracted by strong investment prospects in the country. This capital account surplus must be offset by a current account deficit; in such a case, a trade deficit is a consequence of an essentially healthy economic situation.

- \* A deficit can, however, be "unhealthy" if it reflects a savings shortfall and borrowing from foreigners to finance current spending rather than investment.

**Trade Barrier.** Any governmentally imposed constraint upon the international exchange of goods or services. Such constraints can take the form of *tariffs, quotas, exchange controls, or non-tariff barriers (Sec.I)*. Trade barriers usually are applied in order to meet an economic objective such as protecting domestic industries, reducing unemployment, or preserving foreign exchange, although they may also arise from political disputes among countries or in retaliation for barriers maintained by trading partners.

**Trade Creation.** International trade flows that are generated in response to formation of a *customs union or free trade area* as member countries reallocate resources more efficiently, achieving greater economic growth and consequently trading more with the outside world. Formation of such blocs can benefit nonmember countries if trade creation exceeds *trade diversion*.

**Trade Diversion.** A switch in sourcing of imports that results from a country's joining a *customs union or free trade area*, in favor of bloc partners and at the expense of nonmember trading partners.

**Trademark.** A name or symbol used by a manufacturer or merchant to distinguish goods from those made or sold by others. See *intellectual property rights (Sec. I)*.

**Trade Secret.** A form of *industrial property (Sec. I)*. Refers to a non-patented process, mechanism, or formula, known only to its owner, that is used in producing something of commercial value.

**Trading Company.** See *export trading company. Transfer Pricing. See arm's length pricing.* TSUSA (Tariff Schedules of the United States, Annotated). The classification system in which US import data are recorded according to 10,500 seven-digit product categories. The TSUSA is the legal basis for US Customs duty calculations. Schedule A is a rearrangement of TSUSA import data in a form closely resembling the *SITC* international data format developed by the United Nations. *Schedule B* is the export equivalent of the TSUSA, and Schedule E is the rearrangement of Schedule B data conforming to the *of SITC* format. The End-Use classification system, developed by the Commerce Department's Bureau of Economic Analysis, rearranges TSUSA and Schedule B data into categories associated with the principal uses of the traded goods. Finally, the SIC-Based Trade Data classification system, developed by the Census Bureau, transforms original TSUSA and Schedule B data into an approximation of the *SIC* format.

**Turnkey Contract.** An arrangement under which a contractor assumes responsibility to a client for constructing productive installations and ensuring that they operate effectively before turning them over to the client. By assuming responsibility for the contributions of all participants in the project, the contractor is often able to arrange more favorable financing terms. The responsibility of the contractor ends when the completed installation is turned over to the client.

**Turnover.** The rate at which sales occur, usually expressed in relation to the amount of .capital employed in a venture or enterprise.

**Tying Contract.** (Also known as a tie-in contract or bundling.) A *restraint of trade ~ arrangement by which a product can be purchased only upon agreement to purchase certain other products from the seller. Tying contracts in effect preclude other suppliers from selling the tied product to the purchaser, and are generally proscribed by various, countries' antitrust and competition policies.*

**Unfair Business Practices.** See *competitive policies and practices* and *restrictive business practices*. See also discussion under *unfair trade practices* in Section I.

**Unilateralism.** The implementation of unilateral trade policy measures or sanctions that are not dependent on approval by a multilateral organization; hence, the opposite of *multilateralism*. Other countries sometimes use the term in referring critically to actions by the United States under *Section 301, Special 301, Title VII*, and similar legislation (see Sec. IV).

**Unrequited Transfer.** In *balance of payments* accounting, refers to a transfer of assets from one country to another --for example, foreign aid grants --without expectation of recompense.

**Value Added Tax (VAT).** An indirect tax, assessed on increments in the value of a product from the raw-material stage through the production process to final sale. At each stage, the tax is levied on the amount by which inputs purchased from the preceding stage have been augmented in value. The final sale price will incorporate all of the V A T payments made along the production chain.

**Vertical Integration.** The combination within one firm of two or more different stages in the production process of a particular good or service.

**Vertical Restraints.** Anticompetitive *restraint of trade* arrangements imposed by a firm at one stage in a chain of transactions --usually the seller --on firms at another stage, such as the seller's customers. Such restrictions include prescribing minimum prices at which the customer can resell a purchased product (resale price maintenance); limiting the geographic territory in which the buyer may resell what it has purchased (territorial restrictions); inducing the buyer to deal only in the seller's products (exclusive dealing); and making the availability of one product contingent upon the purchase of other goods or services (tying contracts or bundling). See *antitrust and competition policy*.

### III. TRADE-RELATED ORGANIZATIONS

**ACP (African, Caribbean, and Pacific) Countries.** A group of developing countries with preferential trade and financial ties to the European Community; see entry under same heading in Section I. Includes Angola, Antigua and Barbuda, The Bahamas, Barbados, Belize, Benin, Botswana, Burkina, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Djibouti, Dominica, Dominican Republic, Equatorial Guinea, Ethiopia, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Papua New Guinea, Rwanda, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, Sudan, Suriname, Swaziland, Tanzania, Togo, Tonga, Trinidad and Tobago, Tuvalu, Uganda, Vanuatu, Western Samoa, Zaire, Zambia, and Zimbabwe.

**Advisory Committee on Trade Policy and Negotiations (ACTPN).** The highest-level group in the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. The 45 ACTPN members, appointed by the President to two-year terms, are responsible for considering trade policy issues in the context of the overall national interest.

**Agency of Industrial Science and Technology (AIST).** An agency of Japan's Ministry of International Trade and Industry (*MITI*), responsible for promoting a range of technologies that are under the jurisdiction of the trade ministry. AIST currently operates 15 research institutes, conducts in-house research, and sponsors research programs to encourage private-sector technology development.

**Agriculture Policy Advisory Committee (APAC).** A policy-level committee that forms part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. The APAC and the individual agriculture technical advisory committees (*ATACs*) provide policy advice and technical expertise on bilateral and multilateral agriculture negotiations. Members are appointed by the USTR in conjunction with the Secretary of Agriculture. The counterpart committee in the industrial sector is the *IPAC*. See also *ACTPN*.

**Agriculture Technical Advisory Committee (ATAC).** One of more than 30 technical, sectoral, and functional committees forming part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. ATACs are subordinate to the *APAC* and represent individual farm commodity groups, providing specific, often highly technical advice concerning the likely effects of trade policy decisions or negotiating concessions on the sector. ATAC members are appointed jointly by the USTR and the Secretary. Included in this Section are existing and prospective regional arrangements including common markets, customs unions, free trade areas, preferential arrangements, and regional cooperation organizations. For distinguishing characteristics of these various forms, see discussion under the respective headings in Section I.

**Agriculture.** Counterpart committees in the industrial sector are known as *ISACs*. See *also IFACs*.

**American Enterprise Institute for Public Policy Research.** A research and educational organization, based in Washington, DC, specializing in monetary , tax, trade, and regulatory policy issues.

**Andean Pact (Andean Sub regional Integration Agreement).** A regional cooperation organization including Bolivia, Colombia, Ecuador, Peru, and Venezuela. Chile was a founding member, but withdrew in 1976. Members began serious efforts to reduce intra-regional trade barriers only in 1991. Colombia and Venezuela liberalized bilateral trade and adopted a common external tariff in January 1992, creating the Colombia- Venezuela Customs Union. Agreement was signed in March 1993 among all members except Peru to establish a customs union by January 1994, with special treatment for Bolivia and Ecuador in implementing a common external tariff.

**Arab Common Market (ACM).** A moribund common market including Egypt, Iraq, Jordan, Libya, Mauritania, Syria, and Yemen, founded in 1964. The ACM trade provisions have been largely unimplemented.

**Arab Mahgreb Union (AMU).** A moribund common market including Algeria, Libya, Mauritania, Morocco, and Tunisia. founded in 1989. Negligible progress toward AMU trade integration in has been achieved.

**Asia Pacific Economic Cooperation (APEC).** A regional cooperation organization including Australia, Brunei. Canada. China, Hong Kong. Indonesia, Japan. Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, and the United States. Objectives include consultation and cooperation on a broad range of economic and trade-related policies, and promotion of trade liberalization among members in a GATT -consistent manner. APEC ministerial meetings have been held since November 1989; 10 working groups and two informal groups are currently in operation. The September 1992 Bangkok Declaration established APEC's institutional structure. APEC became legally established January 1993, with its permanent secretariat based in Singapore.

**Association Francaise de Normalisation (AFNOR).** France's industrial standards authority.

**Association of Coffee Producing Countries (ACPC) or Asociacion Mundial de Paises Productores de Cafe (AMPC).** A prospective *international commodity organization (Sec. I)*. Following collapse of the export quota system of the *International Coffee Organization* and faltering efforts to negotiate a new International Coffee Agreement with consuming countries, the major coffee producing countries in Latin America, Africa, and Asia --representing about 80 percent of world production --agreed in September 1993 to form the ACPC, a producer cartel that would withhold 20 percent of production from the world market in order to buoy prices.

**Association of Natural Rubber Producing Countries.** An *international commodity organization (Sec. I)* established in 1970 to coordinate production and marketing of natural rubber. The International Natural Rubber Agreement on Price Stabilization was signed in 1976 by five member countries. Current members are India, Indonesia, Malaysia, Papua New Guinea, Singapore, Sri Lanka, and Thailand, which together account for about 90 percent of world supply. The organization is based in Kuala Lumpur, Malaysia. See also *International Natural Rubber Organization*.

**Association of South East Asian Nations (ASEAN).** A regional cooperation organization and prospective free trade area including Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand. It was founded in 1967. Objectives include regional economic integration and policy coordination, and industrial cooperation and promotion. Negotiations were launched in 1992 on liberalizing trade among members within 15 years under rubric of the ASEAN Free Trade Area (AFTA); ASEAN Ministers in October 1992 established a seven- to 10-year timetable for cutting tariffs on 15 product groups, with initial cuts to go into effect during 1993. Previous ASEAN free trade agreements were repeatedly postponed; tariff preferences currently play only a minimal role in intra-regional trade. Negligible progress has been made in achieving industrial cooperation. ASEAN has been more successful in achieving coordinated positions in discussions and negotiations with non-member countries on economic and security issues.

**Atlantic Council.** A private, nonprofit organization that conducts studies and makes recommendations on international economic issues in the Atlantic and Pacific communities. The Council is based in Washington, DC.

**Auswartiges Amt.** Germany's foreign ministry .

**Balance of Payments Committee.** See *Committee on Balance-of-Payments Restrictions*.

**Baltic Free Trade Area.** A prospective free trade area linking Estonia, Latvia, and Lithuania. Objectives include elimination of customs duties and quotas on intra-regional trade; a moratorium on introduction of new export restrictions; and cessation of state aid or other actions that distort competition among enterprises in the Baltic republics. The agreement to establish the Ff A was signed by prime ministers in September 1993; ratification is pending.

**Berne Union.** Formal name is the Union d' Assureurs des Credits Internationaux, or International Union of Credit and Investment Insurers. An association of public and *I* private financial institutions established in 1934 to establish uniform criteria and standards for export credit insurance. See *export credits* and *Export Credits Arrangement (Sec. I)*.

**Black Sea Economic Cooperation (BSEC).** A regional cooperation organization including Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, and Ukraine. Objectives include expansion of mutual trade through gradual removal of trade barriers; sectoral cooperation in several areas including agriculture, transportation, and product standardization and certification; and eventual creation of a foreign trade and investment bank.

The BSEC Declaration was signed by heads of state in June 1992; implementation details are currently being negotiated.

**BOP Committee.** See *Committee on Balance-of-Payments Restrictions*.

**Brookings Institution.** An independent research organization, founded in 1927, specializing in economics, government, foreign policy, and the social sciences. It is based in Washington, DC.

**Bundesamt fur Wirtschaft (BAW).** German agency responsible for supervising exports of *dual-use goods (Sec. II)*.

**Bundesverband der Deutschen Industrie (BDI).** German employers' council, roughly equivalent to the US National Association of Manufacturers. Along with the *Deutscher Industrie- und Handelstag (DIHT)*, BDI leaders confer with German officials on trade policy issues, and the associations' staffs conduct economic and business research.

**Bundesministerium fur Finanzen (BMF).** Germany's finance ministry .Sometimes referred to as Bundestanzministerium (BFM)

**Bundesministerium fur Wirtschaft (BMW).** Germany's economics ministry.

**The Business Roundtable.** An association of chief executives of leading US corporations, headquartered in New York City. The Business Roundtable sponsors conferences and reports on issues of concern to business, including taxation, antitrust, international trade, employment policy, and the federal budget.

**Cairns Group.** A negotiating group of agricultural exporting countries formed to support agricultural trade reform in GATT. The group advocates the systematic reduction of farm subsidies and import barriers. Informally led by Australia, members include Argentina, Brazil, Canada, Chile, Colombia, Fiji, Hungary , Indonesia, Malaysia, New Zealand, Philippines, Thailand, and Uruguay. The group takes its name from the site of early meetings in the Australian resort town of Cairns.

**Caribbean Community and Common Market (CARICOM).** A customs union including Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kins and Nevis, St. Lucia, St Vincent and the Grenadines, and Trinidad and Tobago; the Bahamas is part of the Caribbean Community but not of the Common Market. CARICOM was founded in 1973, superseding the Caribbean Free Trade Agreement. or CARIFTA. The CARICOM Summit in November 1992 set a common external tariff at 45 percent on most manufactured products, to be lowered to 20 percent by 1998; Antigua-Barbuda, Belize, Montserrat, St. Kitts-Nevis, and St. Lucia were authorized delayed implementation schedules.

**Carpathian Euro region.** A regional cooperation organization established in February 1993 among Hungary , Poland, Slovakia, and Ukraine to facilitate trade and promote infrastructure development in the Carpathian region.

**Center for Strategic and International Studies (CSIS).** A nonprofit research organization founded in 1962 to conduct analyses of international issues on an interdisciplinary basis. CSIS was originally affiliated with Georgetown University and is based in Washington, DC.

**Center for the Study of Public Choice.** A nonprofit organization to promote research in public choice, an interdisciplinary approach to the study of the relationship between economic and political institutions. Its interests include trade protection and regulation, in addition to public finance, constitutional economics, federalism and local government, and econometrics. The Center is affiliated with George Mason University and is located in Fairfax, Virginia.

**Central African Customs and Economic Union or Union Douaniere et Economique de l'Afrique Centrale (UDEAC).** A customs union including Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, and Gabon. It was founded in 1963, superseding the Equatorial Customs Union. Objectives include intra-regional trade liberalization; adoption of a common external tariff; creation of a common investment code; and economic policy harmonization and factor mobility cooperation. Liberalization objectives have largely not been met; members continue to apply varying external tariff rates despite official adoption of a common external tariff.

**Central American Common Market (CACM) or Mercado Comun Centroamericana (MCCA).** A customs union including Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; Belize and Panama participate in CACM summits, but do not participate fully in regional trade integration. CACM was founded 1960 and revised June 1991; a common external tariff established in 1986 but is not effective in all members.

**Central European Free Trade Agreement (CEFTA).** A regional cooperation organization and prospective free trade area including the Czech Republic, Hungary, Poland, and Slovakia. Objectives include regional coordination and cooperation following the collapse of *CEMA*, to help offset members' current difficulties competing in Western markets and to help pave the way for eventual EC accession. Elimination of barriers to trade among participants in industrial products is to be phased over an eight-year transition period. The CEFTA agreement signed in December 1992 covered 25 percent of intra-group trade initially, to be increased to 85 percent within four years. Under the rubric of the Visegrad Group or Trojkat, the group functioned principally as a mechanism for cooperation on security and other non-trade issues and for promoting integration into Western political and economic structures.

**Central European Initiative (CEI).** A regional cooperation organization including Austria, Bosnia-Herzegovina, Croatia, Czech Republic, Hungary, Italy, Macedonia, Poland, Slovakia, and Slovenia; the German states of Bavaria and Baden-Wuerttemberg participate in transport working groups; Ukraine, Belarus, Romania, and Bulgaria have applied for membership. Formerly known as the Pentagonal Group when five members (Austria, Czechoslovakia, Hungary, Italy, and the former Yugoslavia) belonged, and subsequently as the Hexagonal Group after Poland joined.

**Centre d'Etudes Prospectives et d'Informations Internationales (CEPII).** France's center for forecasting and international information, a government-staffed research organization affiliated with the Planning Commission. CEPII conducts studies on global economic and financial issues and publishes data on industrial structures.

**Centre for Economic Performance (CEP).** A British research institute funded by the government as well as by private-sector contributions. CEP prepares economic studies for the general business community as well as government ministries.

**Centre for Economic Policy Research (CEPR).** A British research institute specializing in international trade and macroeconomics.

**Centre Francais du Commerce Exterieur (CFCE).** France's Board of Foreign Trade.

**Chaebols.** South Korea's industrial conglomerates. The four largest chaebols are Hyundai, Samsung, Lucky-Goldstar, and Daewoo.

**Chancellery.** The office of Germany's Chancellor (prime minister). CIS. See *Commonwealth of Independent States*.

**CIS Economic Union.** A prospective customs union among most members of the *Commonwealth of Independent States*, intended to restore economic ties that were broken following the demise of the Soviet Union in 1991. Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, and Uzbekistan signed a framework accord in September 1993, pledging to establish a customs union and to coordinate monetary and credit policies. Turkmenistan and Ukraine, which did not sign the accord, declared their intention to become "associated members" of the union. Uniform regulations on cross-border shipment of private goods are under negotiation.

**COCOM** (Coordinating Committee for Multilateral Export Controls). A working group of 16 nations established to monitor exports of strategic goods --especially high- technology products - -to potentially hostile countries. The members are Belgium, Canada, Denmark, France, Germany, Greece, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Turkey, the United Kingdom, and the United States. See *COCOM List (Sec. I)*.

**Codex Alimentarius Commission.** An organization established in 1963 by the *Food and Agriculture Organization* in conjunction with the World Health Organization to establish international standards for raw and processed food products. See *Codex ~ Alimentarius and sanitary and phytosanitary standards (Sec. I)*.

**Colombia-Venezuela Customs Union.** See *Andean Pact*.

**Commission on International Commodity Trade.** A UN specialized agency established in 1954 to monitor activities in primary commodity markets.

**Committee on Balance-of-Payments Restrictions (BOP Committee).** A GATT standing committee responsible for authorizing and monitoring temporary import restrictions imposed by GATT members to deal with balance-of-payments problems.

**Committee on Foreign Investment in the United States (CFIUS).** A US government inter-agency committee established in 1975 to monitor the impact of foreign investment in the United States. With the passage of the *Exon-Florio Amendment (Sec. III)* in 1988, CFIUS was given authority to review and recommend action against mergers, acquisitions, and takeovers that place US assets under foreign control. CFIUS is chaired by the Treasury Department and is represented at the Assistant Secretary level by the Departments of Commerce, State, Defense, and Justice, and by the Office of the Management and Budget, the Council of Economic Advisers, the Office of the US Trade Representative, the Office of Science and Technology Policy, the National Security Advisor, and the Assistant to the President for Economic Policy.

**Committee of Permanent Representatives.** See *COREPER*.

**Committee on Tariff Concessions.** A GATT standing committee that reviews the results of tariff negotiations and oversees implementation of the agreements.

**Committee on Trade and Development (CTD).** A GATT standing committee responsible for monitoring and discussing the ways in which trade measures affect the economic and social advancement of LDC members.

**Commodity Credit Corporation (CCC).** A federally chartered corporation administered as part of the US Department of Agriculture. CCC is responsible for programs to stabilize, support, and protect farm income and prices; to assist in the maintenance of adequate supplies of foodstuffs, feeds, and fibers; and to facilitate orderly distribution of agricultural commodities. CCC also administers three foreign sales promotion programs.

**Commonwealth of Independent States (CIS).** An organization of 11 countries -- including all former Soviet republics except Georgia and the Baltic states -- established by the Alma-Ata Declaration of December 1991 to coordinate intercommonwealth relations and to provide a mechanism for the orderly dissolution of the USSR. The agreement pledged cooperation in forming and developing a united economic area and a common customs policy, and established the city of Minsk as the official location of the CIS coordinating bodies. Members include Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Georgia, which became an "associated member" of the CIS in September 1993, declared its intention to become a full member of the Commonwealth. See also *CIS Economic Union*.

**Compagnie Francaise d' Assurance pour le Commerce (COFACE).** France's export credit guarantee agency.

**The Conference Board.** An organization of senior executives from various industries worldwide that sponsors conferences and reports on national and international economic issues and business management. It is based in New York City.

**Conseil National du Patronat Francais (CNPF).** See *Patronat*.

**Confederation of British Industry (CBI).** British employers' council, roughly equivalent to the US National Association of Manufacturers.

**Coordinating Committee for Multilateral Export Controls.** See *COCOM*.

**COREPER (Committee of Permanent Representatives).** A key group in the decision making process of the *European Community*, comprising member-state ambassadors accredited to the EC. COREPER is responsible for preparatory work for meetings of the *EC Council of Ministers*; works to resolve policy differences between the Council and the *EC Commission*; and serves as liaison between member-state governments and EC institutions. The committee operates at two levels (both of which meet weekly except during August): COREPER 1 consists of deputies to ambassadors; COREPER 2 comprises ambassadors, and usually handles more sensitive political questions.

**Council of Baltic Sea States (CBSS).** A regional cooperation organization including Denmark, the EC Commission, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia, and Sweden; Belarus and Ukraine are observers. Objectives include economic assistance and cooperation; assistance to new democratic institutions; environmental protection; energy cooperation; humanitarian matters and health; and cooperation on transport and communication, culture, education, tourism, and information. The CBSS Declaration was signed by members' foreign ministers in March 1992.

**Council of Europe.** An association of 21 European countries formed in 1949 to identify areas of common interest and provide a forum for the articulation of European unity. The Council's headquarters is Strasbourg, France.

**Council on Foreign Relations.** A nonprofit, privately funded organization devoted to promoting improved understanding of international affairs through research, conferences, and publications. The Council is based in New York City.

**Council on Mutual Economic Assistance (CEMA, CMEA or COMECON).** Formed in 1949, CEMA was a Soviet-led economic community of Communist nations. Members included the Soviet Union, Poland, East Germany, Czechoslovakia, Hungary, Romania, Bulgaria, Mongolia, Vietnam, and Cuba. CEMA trade patterns were based on long-term state agreements --primarily involving barter exchanges of East European industrial and consumer products for Soviet energy and raw materials --that fixed prices far in advance and recorded payments in nonconvertible transferable rubles. CEMA members decided in March 1991 to disband the organization.

**Court of International Trade.** A US Federal Court (formerly the Court of Tariff Appeals) that hears appeals from proceedings under US trade laws

**Customs Cooperation Council (CCC).** A multilateral organization headquartered in Brussels, in which customs officials from participating countries meet to simplify and standardize customs procedures and techniques of member countries. The organization is concerned with the mechanics of customs administration and is not involved in matters relating to tariff levels or questions of trade policy. The CCC provides a technical committee to GA 1T to ensure uniformity in the application of GATT Article 7 and other rules concerning *customs valuation (Sec. I)*. The *Harmonized System (Sec. I)* was negotiated in the CCC. See also *Kyoto Convention (Sec. I)*.

**Czech-Slovak Customs Union.** A customs union linking the Czech Republic and Slovakia, intended to preserve trade relations between the two states following the dissolution of Czechoslovakia. In addition to traditional trade-policy topics, coverage extends to services and intellectual property protection. The agreement on formation of the customs union was approved by the republic parliaments in November 1992, and took effect in January 1993.

**Defense Policy Advisory Committee on Trade (DPACT).** A policy-level committee that funds part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. The DP ACT provides advice on defense trade issues --including defense export policies and the defense industrial base --related to bilateral and multilateral trade negotiations. DPACT members are appointed by the USTR in conjunction with the Secretary of Defense.

**Deutscher Industrie-und nandelstag (DIInT).** Germany's industry and trade council, an umbrella organization for local chambers of commerce. Along with the *Bundesverband der Deutschen Industrie*, DIHT leaders confer with German officials on trade policy issues; the associations' staffs conduct economic and business research.

**Direction des Relations Economiques Exterieures (DREE).** France's foreign economic relations directorate. Formally subordinate to the Ministry of Industry and Foreign Trade, the DREE has traditionally had the lead in developing French trade policy. It is also responsible for export promotion..

**Directorates-General (DGs).** Functional bureaus of the *EC Commission* staff. The 23 DGs are designated by roman numerals; among the more important for economic and trade policy are:

DG I --External relations and commercial policy

DG II --Macroeconomics, monetary affairs

DG IV --Competition, cartels, state aids

DG VI --Agriculture

DG XI --Environment, consumer protection, nuclear safety

DG XIII --Telecommunications, information technology

DG XV --Financial services, company law

DO XXI --Customs unions, indirect taxation

**Directorate-General des Strategies Industrielles (DGSI).** France's directorate of industrial strategies, part of the Ministry of Industry and International Trade.

**Downing Street (No.10).** The office of Britain's Prime Minister.

**East Asia Economic Caucus (EAEC).** A Malaysian-proposed consultative group, including the *ASEAN* members, China, Hong Kong, Japan, South Korea, Taiwan, and Vietnam, intended to serve as a forum for coordinating positions in trade relations and negotiations with countries outside the region. Apart from Malaysia, the interest of other East Asian countries in EAEC is unclear; ASEAN foreign ministers decided in July 1993 that the caucus could be a sub-group within *APEC*, but stopped short of formally endorsing EAEC.

**Economic Community of Central African States or Communauté Economique des Etats de l' Afrique Centrale (CEEAC).** A customs union including Burundi, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe, and Zaire, founded in 1983. Objectives include expansion of intra-regional trade; adoption of a common external tariff; and establishment of a regional common market by 2000. Only limited progress has been achieved, as trade among members is hindered by poorly developed trade financing and by the existence of five separate, mostly non-convertible currencies within the region.

**Economic Community of Great Lakes Countries or Communauté Economique des Pays des Grands Lacs (CEPGL).** A free trade area including Burundi, Rwanda, and Zaire, founded in 1976. Objectives include promotion of economic cooperation and development; reduction of tariffs on intra-group trade; free factor mobility; and joint industrial projects. An accord on customs and preferential tariffs was signed but not implemented. Some progress in cooperation on power generation has been achieved.

**Economic Community of West African States (ECOWAS) or Communauté Economique des Etats de l' Afrique de l'Ouest (CEDEAO).** A customs union including Benin, Burkina Faso, Cape Verde, Equatorial Guinea, Ivory Coast, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo, founded in 1975. Objectives include phased elimination of tariffs and non-tariff restrictions on intra-regional trade in manufactured goods; liberalization of intra-regional trade in agriculture; establishment of a common external tariff; removal of restrictions on the movement of capital, services, and labor; harmonization of agricultural and industrial policies; and creation of a monetary union. Inconsistency of members' commercial policies --due in part to membership in other preferential trading arrangements --has contributed to negligible progress in the reduction of intra-regional

trade barriers. The common external tariff was not implemented in 1990 as scheduled. Some progress in telecommunications and transport cooperation has been achieved.

**Economic Cooperation Organization (ECO).** A regional cooperation organization including Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan. Objectives include bilateral trade promotion and cooperation in industrial planning; the February 1992 ECO Summit referred to the goal of eventual creation of an Islamic Common Market. It was founded in 1964 as the Regional Cooperation for Development (RCD) linking Iran, Pakistan, and Turkey; it came to a standstill after the Iranian revolution in 1979 but was not formally dissolved. Following Iranian initiatives in 1984, some cooperative projects were discussed under the heading of the ECO. Five Central Asian CIS republics joined the ECO at the Tehran Summit in February 1992; Kazakhstan and Afghanistan joined in November 1992.

**Economic Strategy Institute.** A private organization based in Washington, DC, that conducts studies and makes policy recommendations on domestic and international economic issues, industrial and technological developments, and global security issues.

**Elysee.** The office of the French Presidency. .

**European Community (EC).** (Previously known as the European Economic Community, or EEC; the term "European Communities" referred to the collectivity of the EEC, the European Coal and Steel Community, and Euratom.) A common market established in 1958 by the *Treaty of Rome (Sec. I)*, which linked France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg. Subsequently the United Kingdom, Ireland, Denmark, Greece, Spain, and Portugal became member states, bringing the current membership to 12. Some of the purposes of the EC are the elimination of tariffs and other restrictions on trade between member states; maintenance of a common external tariff toward other countries; free movement of labor and capital among member states; and establishment of a *common agricultural policy (Sec. I)*. In accordance with Article 113 of the Treaty of Rome, the EC acts for the member states on matters of trade policy and represents them in GATT discussions and negotiations.

**EC Commission.** The "executive branch" of the European Community, which is responsible for carrying out policies approved by the *EC Council of Ministers*, conducting trade negotiations with non-EC countries, enforcing antitrust rules, and reducing state subsidies that distort trade among member states. It is the sole initiator of EC policy proposals. The Commission, based in Brussels, is headed by 17 commissioners, all nominated to four-year terms by their respective governments; France, Germany, Italy, Spain, and the United Kingdom each nominate two commissioners, while the other seven member states are allotted one commissioner each. From among the 17 members, the Commission president is chosen by the heads of government of the EC member states; the Commission president then assigns each commissioner a portfolio of issues. The commissioners direct the work of 16,000 civil servants (often referred to as "Eurocrats") who staff 23 functional units called *Directorates-General (DGs)*.

**EC Council of Ministers.** The primary decision-making body of the *European Community* in which member states are directly represented. Although the Council is a single legal entity ' it takes different forms comprising different individuals as members:

\* The General Affairs Council is made up of member-state foreign ministers. It meets at least once a month and deals with foreign affairs and the most important Community business.

\* The General Affairs Council oversees the Specialized Councils. Member-state ministers for economics, finance, and agriculture meet monthly --the latter referred to as the Agriculture Council, for example --while ministers responsible for transport, environment, social affairs, and other issues meet less frequently.

The Council of Ministers is empowered to use a form of weighted voting<sup>2</sup> on most issues, although decisions by consensus are strongly preferred. Except in areas of intergovernmental cooperation not covered by the Treaty of Rome, the Council must wait 2 Known as "qualifying majority voting," the system allows 10 votes each to Germany, France, Italy, and the United Kingdom; 8 votes to Spain; 5 votes each to Belgium, Greece. Netherlands, and Portugal; 3 votes each to Denmark and Ireland; and 2 votes to Luxembourg. A qualified majority consists of 54 of the total 76 votes; thus. 23 votes are needed for a "blocking minority ." for a proposal from the *EC Commission* before it can take action. The office of Council President rotates on a modified alphabetic basis among the member states for terms of six months, and is commonly referred to as the IEC Presidency. II The Council of Ministers - -and its supporting General Secretariat staff of about 2,000 --are based in Brussels, but during April, June, and October its meetings are held in Luxembourg. Several standing committees support or report directly to the Council, including the *Committee of Permanent Representatives (COREPER)*, the *One-Thirteen Committee*, the Special Committee on Agriculture, and the Monetary Committee.

**European Council.** The semiannual summit meeting of EC leaders, which functions as the supreme level of decision making in the Community .As such, it is distinct from the *EC Council of Ministers*, which prepares its agenda. Each member state is represented by its prime minister except for France, which is represented by its president. European Council meetings last two or three days, and are hosted by the country currently holding the presidency of the Council of Ministers.

**European Court of Justice.** As the " judicial branch" of the *European Community* , the Court is responsible for interpreting the scope of Community jurisdiction. Precedent has established that Community law as interpreted by the Court takes precedence over national law of the member states. The Court exercises jurisdiction primarily over requests made by national courts for interpretations of EC treaties; cases brought against member states for failing to apply EC law; and cases initiated against decisions made by Community institutions. The Court, which sits in Luxembourg, is made up of 13 judges and six advocates-general, appointed for six-year renewable terms by mutual consent of the EC member states.

**European Economic Area (EEA).** A prospective free trade area including Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, and the United Kingdom. Objectives include establishment of a homogeneous economic area with free movement of goods, services, capital, and labor under equal competitive conditions; extension of the provisions of the EC Single Market program (EC-92) to EFTA members; and harmonization of technical standards. The EEA agreement was signed in May 1992 and is currently undergoing ratification by participants; ratification by Switzerland was rejected in a December 1992 plebiscite.

**European Free Trade Association (EFTA).** A free trade area including Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland. EFTA was established by the Stockholm Convention of 1960 to liberalize trade in industrial products without the political implications of a customs union; free trade in most industrial products has existed among EFTA members since 1977. All EFTA members signed individual free trade agreements with the *European Community* in 1972-73.

**European Parliament.** The deliberative body of the *European Community*, having authority to review policy proposals of the *EC Commission* and the *EC Council of Ministers*. While the Parliament shares budgetary authority with the Council of Ministers, it does not have full budgetary oversight powers, nor does it have the right to initiate legislation. The 518 members of the European Parliament (MEPS)<sup>3</sup> are organized into cross-national political groups, and the leaders of these groups are also included in planning parliamentary sessions. The Parliament's 19 standing committees examine proposals for legislation put forward by the Council of Ministers. A Secretary-General and a Secretariat of about 3,000 staff the Parliament's administrative headquarters in Luxembourg; it holds plenary sessions one week each month in Strasbourg, but committee meetings normally take place in Brussels.

**Export-Import Bank of the United States (Exurban).** A public corporation created by executive order of the President in 1934 and given a statutory basis in 1945. Eximbank makes guarantees and insures loans to help finance US exports, particularly for equipment to be used in capital improvement projects. Eximbank also provides short-term insurance against both commercial and political risk, either directly or in conjunction with US commercial banks.

**Food and Agricultural Organization (FAO).** A specialized agency of the United Nations created in 1945 to increase the production and improve the distribution of agricultural products and improve the conditions of rural populations. The FAO is headquartered in Rome.

**Foreign Credit Insurance Association (FCIA).** A US federal agency established in 1961 which, in partnership with *Eximbank*, offers insurance to US exporters against *commercial risk* and *political risk* (Sec. 11).

**General Agreement on Tariffs and Trade (GATT).** The central international institution supporting negotiations for the reduction of trade barriers and for the resolution of trade disputes. As a set of agreements, the GATT also constitutes the legal framework of the world trading system. The General Agreement was completed in 1947 as an interim arrangement pending

establishment of the projected *International Trade Organization (ITO)*, and was envisaged primarily as a code of conduct for commercial policy among a fairly small group of countries. After the US Congress failed to ratify the ITO charter, the articles of the GATT and related agreements became the sole multilateral instrument establishing the basic rules of international trade. (The GATT is applied by the United States as an executive agreement which did not require ratification by the Senate.) The GATT provides a forum for multilateral negotiations to reduce trade barriers (see *GATT Round, Sec.I*); for *dispute settlement (Sec. I)*; and for negotiating new trade rules and improving existing rules. The *Contracting Parties (Sec. I)* themselves administer the trade pacts; most decisions are therefore made by consensus, and the role of the Director-General and the GATT Secretariat are only advisory. As of August 1993, 110 countries<sup>4</sup> were GATT members, and accession negotiations for 10 others were 3 Members are elected to the European Parliament every five years on the basis of proportional representation in each EC member state except the United Kingdom, which uses simple majority voting by constituency. Underway (see "The GATT System: Spectrum of Country Affiliations" in Appendix C). The GATT is headquartered in Geneva, Switzerland.

**General Agreement on Trade in Services (GATS).** A proposed organization, similar to the *GATT*, that would administer and implement agreements reached during the *Uruguay Round (Sec.I)* covering trade in *services (Sec.II)*.

**GATT Council.** Formally known as the Council of Representatives, the GATT Council is the principal decision-making body of the GATT on a day-to-day basis. The Council was established in 1960 to conduct GATT business between the annual sessions of the Contracting Parties, and meets seven to nine times a year. While the GATT Contracting Parties can vote for or adopt measures as provided for in the General Agreement, the Council acts on the basis of consensus, and its rulings are subsequently approved formally by the Contracting Parties at their annual session.

**Group of Fifteen (G-15).** A group of developing countries seeking recognition as interlocutor for the LDCs in discussions of international economic issues with industrial countries. Established in 1989 among Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela, the former Yugoslavia, and Zimbabwe.

**Group of Seven (G-7).** The seven leading industrial countries of the world: the United States, Japan, Germany, France, the United Kingdom, Italy, and Canada. In 1975, the leaders of the G-7 countries held a summit meeting in Rambouillet, France, to discuss global economic problems in the wake of the OPEC crisis. G-7 "Economic Summits" have been held annually since then, usually in late June or early July, with the venue rotating among the members.

**Group of Seventy-Seven (G-77).** A caucus for the developing countries on economic matters in the United Nations and subsidiary organizations. The group had its origins in the "Joint Declaration of the 77 Developing Countries" appraising the work of the first *UNCTAD* in 1964; the numerical designation has persisted, although the membership of the group now totals 127 countries plus the Palestine Liberation Organization.

**Group on Environmental Measures and International Trade.** A standing GATT committee for discussions and negotiations concerning *environmental trade measures (Sec. I)*.

**Group on Export Credits and Credit Guarantees.** A subgroup of the *OECD Trade Committee*, comprising all OECD member countries, except Turkey, that participate in the *Export Credits Arrangement (Sec. I)*.

**Gulf Cooperation Council (GCC).** A customs union including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, founded in 1981. Objectives include political coordination and harmonization of economic, financial, commercial, and customs policies; and establishment of a common external tariff. Most internal tariffs were eliminated by 1982. Significant unification of tariff schedules and liberalization of trade in services was achieved by 1983 --with certain exceptions granted to Oman --and a minimum common external tariff was established on a group of products originating in third countries. GCC headquarters are in Riyadh, Saudi Arabia; its principal administrative organs are the Supreme Council, the Ministerial Council, and the Secretariat-General.

**Hamburgisches Weltwirtschaftsarchiv (HWW A).** Germany's institute for international economic research, based in Hamburg.

**Hexagonal Group.** See *Central European Initiative*.

**Indian Ocean Commission (IOC).** A regional cooperation organization including Comoros, Madagascar, Mauritius, Reunion (France), and Seychelles, founded in 1982. Objectives include policy coordination and trade integration. Establishment of a preferential trade regime has been blocked by membership of Mauritius and Comoros in the *PTA*, while Reunion has no autonomy in setting its trade policy. Limited transport links inhibit intra-regional trade.

**Industry Functional Advisory Committee (IF AC).** One of more than 30 technical, sectoral, and functional committees forming part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. The three IF ACs provide cross-sectoral technical advice on standards, customs, and intellectual property issues. IFAC members are appointed jointly by the USTR and the Secretary of Commerce. See also *ATACs* and *IFACs*.

**Industry Policy Advisory Committee (IPAC).** A policy-level committee that forms part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. The IPAC and the individual industry sector advisory committees (*/SACs*) are the source of policy advice and technical expertise on industrial sector issues related to bilateral and multilateral trade negotiations. IPAC members are appointed jointly by the USTR and the Secretary of Commerce. The counterpart committee in the agriculture sector is the *APAC*. See also *ACTPN*.

**Industry Sector Advisory Committee (ISAC).** One of more than 30 technical, sectoral, and functional committees forming part of the private sector advisory system established by

Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. Each ISAC represents an individual industrial sector and provides specific, often highly technical advice concerning the likely effects of trade, policy decisions and negotiating concessions on the sector. ISAC members are appointed jointly by the USTR and the Secretary of Commerce. Counterpart committees in the agricultural sector are known as *ATACs*. See also *IFACs*.

**Institut fur Weltwirtschaft (WWI).** Germany's institute of world economics, based in Kiel. WWI receives funding from the federal and state governments.

**Institut fur Wirtschaftsforschung (IFO).** Germany's economic research institute, based in Munich. IFO receives funding from the federal and state governments, and specializes in research concerning international imbalances.

**Institut fur Wirtschaft und Gesellschaft (IWG).** Germany's institute for industry and commerce, based in Bonn. IWG is privately funded by German companies and associations.

**Institut National de la Statistique et des Etudes Economiques (INSEE).** France's institute for economic studies and statistics, a government agency roughly equivalent to the US Bureau of Economic Analysis and Bureau of Labor Statistics.

**Institute for International Economics (IIE).** A private, nonprofit research institution for the study and discussion of international economic issues. IIE was created in 1981 through a grant from the German Marshall Fund of the United States, and receives funding from private corporations and foundations. It is based in Washington, DC.

**Intergovernmental Councilor Copper Exporting Countries.** An *international commodity organization (Sec. I)* established in 1968 to coordinate members' production and marketing decisions. Member countries include Chile, Peru, Zambia, and Zaire; Papua New Guinea is an associate member. Efforts by the group to increase prices by withholding supply were unsuccessful, as were attempts in 1979 to establish a *commodity agreement (Sec. I)* with consuming countries.

**Intergovernmental Organizations (IGOs).** A term designating international organizations outside the United Nations system through which nations cooperate on a governmental level.

**Intergovernmental Policy Advisory Committee (IGPAC).** A policy-level committee that forms part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. The IGPAC consists of 35 representatives from state and local government bodies with an interest in or responsibility for trade; 15 of its members are state governors. Members are appointed by the USTR.

**International Bank for Reconstruction and Development (IBRD).** See *World Bank*.

**International Bauxite Association.** An *international commodity organization (Sec. I)* established in 1975 to promote orderly development of the bauxite industry. Members include Australia, Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone, and Suriname. The Association is based in Kingston, Jamaica.

**International Center for Settlement of Investment Disputes.** An international agency affiliated with the *World Bank*, which serves as a forum for resolution of international investment disputes. The Center was established by the *Convention on Settlement of Investment Disputes Between States and Nationals of Other States (Sec. I)*, signed in 1965. The Center provides impartial panels of conciliators and arbitrators to assist parties in reconciling differences. Failing such conciliation, binding arbitration may be enforced.

**International Cocoa Organization.** An *international commodity organization (Sec. I)* established in 1973 to implement the International Cocoa Agreement of 1972. The Organization is based in London. Exporting members are Brazil, Cameroon, Cote d'Ivoire, Ecuador, Gabon, Ghana, Grenada, Guatemala, Haiti, Jamaica, Mexico, Nigeria, Papua New Guinea, Sierra Leone, Togo, Trinidad and Tobago, Venezuela, and Western Samoa. Importing members are Belgium, Bulgaria, Czech Republic, Denmark, the European Community, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland, and the United Kingdom. The current International Cocoa Agreement expires at the end of September 1993. Negotiations on a new Agreement are continuing; exporting members are seeking an export quota system, while importing members favor a buffer stock in conjunction with an export withholding system.

**International Coffee Organization (ICO).** An *international commodity organization (Sec. I)* founded in 1963. The ICO became the administrative agency of the International Coffee Agreement (ICA) of 1976, a *commodity agreement (Sec. I)* among coffee-producing and consuming countries designed to control the amount of coffee produced and sold internationally. The ICO functions through the International Coffee Council, which consists of all members and meets twice a year; it is based in London. Exporting members are Angola, Benin, Bolivia, Brazil, Burundi, Cameroon, Central African Republic, Colombia, Congo, Costa Rica, Cote d'Ivoire, Cuba, Dominican Republic, Ecuador, El Salvador, Equatorial Guinea, Ethiopia, Gabon, Ghana, Guatemala, Guinea, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Liberia, Madagascar, Malawi, Mexico, Nicaragua, Nigeria, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Sierra Leone, Sri Lanka, Tanzania, Thailand, Togo, Trinidad and Tobago, Uganda, Venezuela, Zambia, Zaire, and Zimbabwe. Importing members are Austria, Belgium, Canada, Cyprus, Denmark, the European Community, Fiji, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The ICA's rigid export quota system was abandoned in 1989 after widespread discounting to non-members. Since then, members have approved three resolutions extending the Agreement without price-support provisions; the current ICA expires at the end of September 1993. In the negotiations on a new International Coffee Agreement, which began in June 1992, exporting members have sought to give the Council power to periodically change the quota system, while importing members prefer a

market-oriented agreement. In August 1993, the major coffee producing countries announced plans to form a producer cartel to be known as the *Association of Coffee Producing Countries*.

**International Cotton Advisory Committee (ICAC).** An *international commodity organization (Sec. I)* established in 1939 among ten cotton-producing countries to improve technology and engage in market promotion, and subsequently opened to interested importing and exporting countries. Members include Argentina, Australia, Belgium, Brazil, Cameroon, Chad, Colombia, Cote d'Ivoire, Denmark, Egypt, Finland, France, Germany, Greece, Guatemala, Honduras, Hungary, India, Iran, Israel, Italy, Japan, Korea, Mexico, Netherlands, Nicaragua, Nigeria, Norway, Pakistan, Peru, Philippines, Russia, Spain, Sudan, Sweden, Switzerland, Syria, Taiwan, Tanzania, Turkey, Uganda, the United Kingdom, and the United States. ICAC is based in Washington, DC.

**International Dairy Products Council.** A group established within the GATT framework to oversee the *International Dairy Arrangement (Sec. I)*, charged with improving international cooperation and promoting stability of trade in the dairy sector. Members are Argentina, Australia, Botswana, Bulgaria, Egypt, the European Community, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland, and Uruguay.

**International Development Association (IDA).** A component of the *World Bank* that lends to the poorest developing countries on lenient terms.

**International Finance Corporation.** Established in 1956 as part of the *World Bank* to facilitate the financing of privately-owned enterprises in developing countries.

**International Fund for Agricultural Development (IFAD).** A specialized agency of the United Nations created in 1976 to help developing countries increase their food production with low-interest loans.

**International Jute Organization.** An *international commodity organization (Sec. I)* established in 1984 to administer the International Agreement on Jute and Jute Products. Exporting members are Bangladesh, China, India, Nepal, and Thailand. Importing members are Australia, Austria, Belgium, Canada, Denmark, Egypt, the European Community, Finland, France, Germany, Greece, Indonesia, Ireland, Italy, Japan, Netherlands, Norway, Pakistan, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. The Organization is based in Dhaka, Bangladesh.

**International Lead and Zinc Study Group.** An *international commodity organization (Sec. I)* established in 1958 to provide for intergovernmental consultations on international trade in lead and zinc. Members are Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Iran, Italy, Japan, Korea, Morocco, Netherlands, Norway, Peru, Poland, Russia, Slovakia, South Africa, Spain, Sweden, Thailand, Tunisia, the United Kingdom, and the United States. The Group is based in London.

**International Meat Council.** A group established within the GA IT framework to oversee the *Bovine Meat Arrangement (Sec. I)*. In addition, the Council conducts studies on trade in bovine meat and organizes consultations among signatory countries, which together account for about 90 percent of world exports of beef and veal (excluding intra-EC trade), and about 60 percent of world consumption and production. Members are Argentina, Australia, Austria, Brazil, Bulgaria, Canada, Colombia, and Egypt. the European Community, Finland, Guatemala, Hungary, Japan, New Zealand, Nigeria, Norway, Poland, Romania, South Africa, Sweden, Switzerland, Tunisia, the United States, and Uruguay.

**International Monetary Fund (IMF).** The central international monetary institution, the IMP was established after World War II as part of the *Bretton Woods system (Sec. I)* to ensure exchange-rate stability and facilitate resolution of payments imbalances among members. Its original purpose was to contribute to the expansion and growth of international trade by working toward making currencies freely convertible and with relatively stable values. Since the advent of flexible and managed exchange rates in the years since 1971, the IMP has assumed responsibility for monitoring members' compliance with guidelines proscribing exchange-rate manipulation to gain unfair competitive advantage over other members. Through its ability to provide funds for countries to ease temporary balance-of-payments difficulties, the IMP can exert considerable influence over their economic policies. The IMP is headquartered in Washington, DC.

**International Natural Rubber Organization.** An *international commodity organization (Sec.I)* formed in 1980 to implement the International Natural Rubber Agreement of 1979. Exporting-country members are Indonesia, Malaysia, Nigeria, Sri Lanka, and Thailand. Importing-country members are Belgium, China, Denmark, the European Community, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Morocco, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The organization is based in Kuala Lumpur, Malaysia. See also *Association of Natural Rubber Producing Countries*.

**International Olive Oil Council.** An *international commodity organization (Sec.I)* formed to administer the International Olive Oil Agreement. The members are Algeria, Belgium, Denmark, Egypt, the European Community, France, Germany, Greece, Ireland, Italy, Luxembourg, Morocco, Netherlands, Portugal, Spain, Tunisia, Turkey, and the United Kingdom. The Council is based in Madrid.

**International Organization for Standardization;** sometimes referred to as the International Standards Organization (ISO). A specialized international agency promoting the development of worldwide standardization and other activities related to *technical barriers to trade (Sec.I)*. Founded in 1946, the ISO is comprised of the national standards bodies of 91 countries. ISO activities cover all industrial sectors (except the electrical and electronic engineering sector, which are the responsibility of the International Electrotechnical Commission) as well as increasing numbers of non- industrial fields such as dairy products, and air and water quality standards.

**International Rice Commission.** An international organization established in 1948 in Rome to promote national and international action concerning rice production, conservation, and

distribution, but excluding matters relating to international trade. Membership is open to all member states of the *Food and Agricultural Organization*.

**International Sugar Organization (ISO).** An *international commodity organization (Sec. I)* established in 1968 to administer the International Sugar Agreement; it succeeded the International Sugar Council, which functioned from 1937 to 1958. The ISO is based in London. Exporting members include Argentina, Australia, Austria, Barbados, Belize, Bolivia, Brazil, Colombia, Congo, Costa Rica, Cuba, Dominican Republic, El Salvador, European Community, Fiji, Finland, Guatemala, Guyana, Honduras, Hungary, India, Jamaica, Japan, Korea, Malawi, Mauritius, Mexico, Nicaragua, Norway, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Russia, South Africa, Swaziland, Sweden, Switzerland, Thailand, the United Kingdom (for Anguilla and St. Kitts), Uruguay, and Zimbabwe. Importing members include Canada, Finland, Japan, Korea, Norway, Russia, Sweden, and Switzerland. In March 1992, ISO members adopted a resolution establishing the text of a new, permanent International Sugar Agreement, which came into force provisionally as of January 1993. The new Agreement contains market-transparency provisions, but does not contain economic provisions. The United States was not able to agree to certain provisions of the new Agreement, and accordingly left the ISO at the end of 1992.

**International Tea Committee.** An international organization established in London in 1933 to administer the International Tea Agreement, which was signed by representatives of the tea industries in Ceylon, India, and the Netherlands East Indies, and was in force from 1933 through 1955. Since 1979, the Committee has functioned as a statistical and information center. Members include producers in Bangladesh, India, Indonesia, Kenya, Malawi, Sri Lanka, and Zimbabwe; consumers in Canada and the United States; and the European Tea Committee (for Belgium, Denmark, France, Germany, Italy, Luxembourg, and the Netherlands).

**International Textiles and Clothing Bureau (ITCB).** A group of 18 developing countries formed to coordinate the negotiating positions of LDC textile exporters in the *Uruguay Round (Sec. I)*. Members include Argentina, Bangladesh, Brazil, Colombia, China, Egypt, Hong Kong, India, Indonesia, Jamaica, Korea, Macau, Mexico, Pakistan, Peru, Sri Lanka, Turkey, and Uruguay. See *Multifiber Arrangement (Sec. I)*.

**International Tin Council.** An international organization originally established in 1956 in London to administer the International Tin Agreement, a *commodity agreement (Sec. I)* among 27 countries that was intended to foster price stability in international tin markets. Divergent views among consuming countries led to collapse of the Agreement in 1985, and the Council is now defunct.

**International Trade Administration (ITA).** Part of the US Department of Commerce which administers portions of US trade laws, including aspects of antidumping duties and countervailing duties.

**International Trade Centre.** An organization based in Geneva, Switzerland, operated and funded jointly by the *GAIT* and *UNCTAD* to provide assistance to the export programs of developing countries.

**International Trade Commission (ITC).** See *US International Trade Commission*.

**International Trade Organization (ITO).** (Not to be confused with *Multilateral Trade Organization, Sec. I*). An international organization envisaged as part of a triad --along with the *International Monetary Fund* and the *World Bank* --that was to govern the international economy under the *Bretton Woods System (Sec. I)*. The ITO never came into being; see *Havana Charter (Sec. I)*.

**International Tropical Timber Organization.** An *international commodity organization (Sec. I)* established in 1985 to implement the International Tropical Timber Agreement (ITTA) of 1983. The current ITTA expires in March 1994. Producer members are Bolivia, Brazil, Cameroon, Colombia, Congo, Cote d'Ivoire, Ecuador, Gabon, Ghana, Honduras, India, Indonesia, Liberia, Malaysia, Panama, Papua New Guinea, Peru, Philippines, Thailand, Togo, Trinidad and Tobago, and Zaire. Consumer members are Australia, Austria, Belgium, Canada, China, Denmark, Egypt, the European Community, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Nepal, Netherlands, Norway, Portugal, Russia, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The organization is based in Yokohama, Japan.

**International Whaling Commission (IWC).** An organization established in 1946 in Washington, DC, under the International Convention for the Regulation of Whaling. Members include Antigua and Barbuda, Argentina, Australia, Brazil, Chile, China, Costa Rica, Denmark, Finland, and France. Germany, Iceland, India, Ireland, Japan, Kenya, Korea, Mexico, Monaco, Netherlands, New Zealand, Norway, Oman, Peru, Russia, St. Vincent and the Grenadines, Senegal, Seychelles, South Africa, Spain, Sweden, Switzerland, the United Kingdom, the United States, and Uruguay. Beginning in 1986, the IWC set all catch limits for commercial whaling at zero, pending assessment of whale stocks and development of new whale management procedures.

**International Wheat Council.** An *international commodity agreement (Sec. I)* established in 1949 to stabilize international trade in wheat and flour. Various wheat agreements (of 1949, 1953, 1956, 1967, 1971, and 1986) were implemented by the organization. Exporting members are Argentina, Australia, Austria, and Belgium, Canada, Denmark, the European Community, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Russia, Saudi Arabia, Spain, Sweden, the United Kingdom, and the United States. Importing members include Algeria, Barbados, Belgium, Bolivia, Brazil, Cuba, Denmark, Ecuador, Egypt, the European Community, Finland, France, Germany, Greece, India, Iran, Iraq, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Malta, Mauritius, Morocco, Netherlands, Norway, Pakistan, Panama, Portugal, Russia, Spain, South Africa, Switzerland, Tunisia, Turkey, Vatican City, the United Kingdom, and Yemen. (The EC, EC member states, and Russia have dual status as importing and exporting members.) The Council is based in London.

**International Wool Secretariat.** An organization established in 1937 by representatives of the Australian, South African, and New Zealand Wool Boards; the Uruguayan Wool Secretariat

joined in 1970. The organization engages in research, develops test methods and standards, and conducts product certification programs. The Secretariat is based in London.

**Investment Policy Advisory Committee (INPAC).** A policy-level committee that forms part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. The INPAC is the primary committee for private sector advice on investment-related negotiations in the Uruguay Round and NAFTA, and on *Bilateral Investment Treaties (Sec. I)*. Members are appointed by the USTR.

**Islamic Common Market.** See *Economic Cooperation Organization*.

**Itamaraty.** Brazil's foreign ministry.

**Japan Center for Economic Research (JCER).** A nongovernmental economic forecasting organization funded primarily by Japanese corporations. JCER conducts some 200 conferences annually in addition to publishing individual reports.

**Japan Economic Research Institute (JERI).** A nongovernmental economic research institute funded by Japanese corporations. JERI's target audience includes government and business leaders and academia.

**Japan External Trade Organization (JETRO).** A nationally-chartered organization with an endowment from the Japanese government, charged with gathering commercial intelligence, conducting market research, and performing public relations services for Japanese industry worldwide. JETRO was originally established in 1945 as a market research consortium for Japanese industry. While it nominally remains an independent public corporation, JETRO is effectively controlled by *MITI*, and its overseas offices are staffed almost exclusively with MITI personnel.

**Keidanren.** A federation of Japanese economic organizations, Keidanren is Japan's premier organization representing big business. Keidanren leaders often confer with Japanese government officials in developing and implementing policy. See also *Nikkeiren* and *Shako Kaigisho*.

**Keiretsu.** Major industrial groups or combines in Japan. "Horizontal" keiretsu --some descended from pre-World War II zaibatsu --consist of affiliated companies in diverse fields. The six principal horizontal keiretsu are Mitsubishi, Sumitomo, Mitsui, Sanwa, Fuyo, and Dai Ichi Kangyo; most of Japan's largest corporations are linked to one or another of these groups. "Vertical" keiretsu consist of a network of suppliers and distributors centered around a single, large firm. See also *sogo shasha*.

**Labor Advisory Committee (LAC).** A policy-level committee that forms part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. The LAC provides advice on labor issues related to bilateral and multilateral trade negotiations. The roughly 100 LAC members,

representing the range of organized labor in the United States, are appointed by the USTR in conjunction with the Secretary of Labor.

**Latin American Integration Association (LAIA)** or **Asociacion Latino Americana de Integracion (ALADI)**. A regional cooperation organization and preferential arrangement including Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. LAIA was established by the Montevideo Treaty of 1980; it superseded the Latin American Free Trade Area (LAFI' A), which was abandoned largely because of inflexible rules governing the integration process.

**Mano River Union (MRU)**. A customs union including Guinea, Liberia, and Sierra Leone. It was founded in 1973 as a bilateral agreement between Liberia and Sierra Leone; Guinea joined in 1980. Objectives include trade expansion through elimination of tariffs on intra-group trade; economic integration; and sectoral cooperative programs. A common external tariff has been in effect since 1977. Duty-free treatment is provided for goods with at least 35 percent local content, but little progress has been made in reducing non-tariff barriers. Policy coordination is currently suspended due to the civil war in Liberia.

**Matignon or Hotel Matignon**. The office of France's Prime Minister.

**MERCOSUR**. See *Southern Common Market*.

**MITI**. Japan's Ministry of International Trade and Industry, responsible for international trade policy (including trade finance and export insurance) as well as various industrial policies of Japan. The MITI acronym is also used by various countries in addition to Japan.

**MOF**. Ministry of Finance (various countries).

**MOFA**. Ministry of Foreign Affairs (various countries).

**MOFERT**. China's ministry of foreign economic relations and trade.

**Multilateral Investment Guarantee Agency**. An independent agency of the *World Bank* group established in 1988 to guarantee eligible investments against non-commercial losses. Its current membership includes 9 developed countries and 20 LDCs.

**Multilateral Trade Organization (MTO)**. A proposed organization that would subsume the *GAIT*, the *General Agreement on Trade in Services*, and any organizational arrangement needed to implement an agreement dealing with *intellectual property rights* upon conclusion of the *Uruguay Round* negotiations (see Sec. I).

**National Association of Manufacturers (NAM)**. An organization representing US industry views on national and international economic issues, including trade, international finance and investment, and multinational corporations. NAM also reviews and responds on legislation, administrative rulings, and judicial decisions affecting US industry. It is based in Washington, DC.

**National Bureau of Economic Research (NBER).** A private, nonprofit organization engaged in quantitative analysis of US domestic and international economic issues. NBER-sponsored studies and conferences generally involve leading economists from US universities. It is based in Cambridge, Massachusetts.

**National Economic Council (NEC).** The NEC was established at the outset of the Clinton Administration to coordinate US domestic and international economic policies. Chaired by the President, the NEC is composed of the Vice President, the Secretaries of State, Treasury, Commerce, Agriculture, Labor, Housing and Urban Development, Transportation, and Energy, the Administrator of the Environmental Protection Agency, the Chair of the Council of Economic Advisors, the Director of the Office of Management and Budget, the US Trade Representative, the National Security Advisor, and the Assistants to the President for Economic Policy, Domestic Policy, and Science and Technology Policy. All executive departments and agencies --whether or not represented on the NEC --coordinate economic policy through the Council. The NEC Deputies Committee considers decision memoranda from the *TPRG* as well as particularly important or controversial trade-related issues, and thus serves as the highest-level group in the interagency mechanism for developing and coordinating US policies on international trade and trade-related investment issues.

**National Foreign Trade Council.** An organization of US companies engaged in international trade and investment, based in Washington, DC. The Council advocates open international trade, export expansion, and policies to assist US companies competing in world markets.

**National Institute of Economic and Social Research.** A privately funded British ..research institute specializing in macroeconomic issues, industrial productivity, and comparative industrial organization.

**National Planning Association.** A private, nonprofit organization specializing in research and economic policy formulation through joint efforts by representatives of US business, labor, and agriculture groups, as well as the applied and academic professions, serving on NP A policy committees. Research and writing for the committees are provided by the NP A's professional staff as well as outside experts. It is based in Washington, DC.

**Nikkeiren.** Japan's employers' federation, roughly equivalent to the US National Association of Manufacturers. See also *Keidanren*.

**Nongovernmental Organizations (NGOs).** Refers to transnational organizations of private parties, including professional associations, foundations, multinational businesses, or other groups with a common interest in a particular policy issue. Organizations with NGO status are permitted to send observers and submit written statements to meetings of the UN Economic and Social Council on the basis of their technical knowledge or special experience.

**Nordic Regional Cooperation (Nordic Group ).** A regional cooperation organization including Denmark, Finland, Iceland, Norway, and Sweden. Objectives include coordination of economic,

trade, environmental, and social policies; and cooperation on relations with outside countries and multilateral organizations. It was established by the Helsinki Convention of 1962. An inter-parliamentary group functions as the Nordic Council, headquartered in Stockholm. Prime Ministers of the Nordic countries decided in October 1992 to establish a rotating presidency on the EC model in an effort to increase Nordic influence within the *EEA*. Institutional mechanisms for trade policy coordination among members are well established; members have been generally ..successful in harmonizing policies and establishing cohesion for participation as a group in GATT consultations and negotiations.

**One-Thirteen Committee (113 Committee).** The central organization in the trade policymaking Structure of the *European Community*. The Committee is comprised of 12 member-state delegates and one from the *EC Commission*, and is the primary link between the Commission and member states on trade issues. The 113 Committee assists the Commission in defining and implementing the Community's commercial policy, including tariff rates, export policies, and measures to liberalize trade or-protect EC industries. While the Commission usually acts as the policy initiator and primary trade negotiator with non-EC countries, it works closely with the 113 Committee --taking into account various national interests --in order to ensure eventual approval of its draft agreements. Each member state appoints its own representatives to the 113 Committee; the senior delegates are called "titulaires," and are backed by deputies. As the main Committee members, the titulaires are the key trade policymakers in their respective governments, holding positions (usually as career civil servants) roughly equivalent to a US Assistant or Under Secretary. The 113 Committee deputies --primarily counselor- level officials from the member states' permanent missions to the Community --work out the mechanics of trade proposals and participate in various subcommittees devoted to specific issues, often joined by working-level experts from their capitals. The number of attendees at the Committee's monthly meetings can reach 50, including advisers and staffers. The Chair of the 113 Committee rotates every six 11'1onths and is held by the member state currently serving as EC president. The Committee takes its name from Article 113 of the *Treaty of Rome (Sec.I)*.

**Organization for Economic Cooperation and Development (OECD).** An international organization headquartered in Paris that serves as a forum for discussion of trade and other economic and social issues confronting the industrial market economies. The OECD was established in 1960 as successor to the OEEC, the organization originally set up to assist European postwar economic recovery under the Marshall Plan. OECD periodically publishes surveys of member countries' economic performance and prospects --as well as the semi-annual Economic Outlook covering the entire industrialized world --and is the principal source of comparative data on the industrial economies. OECD publications cover a wide range of issues including trade, banking and financial markets, employment, social policies, the environment, agriculture, energy , industry , development aid, science and technology , R&D, nation, education, and transportation. The member countries use the OECD and its various committees and working groups to conduct both studies and negotiations on particular economic, financial, and trade issues; among the key OECD committee~ dealing with such issues are:

\* Economic Policy Committee o Trade Committee

- \* Industry Committee
- \* Agriculture Committee
- \* Environment Policy Committee
- \* Competition Law and Policy Committee o Development Assistance Committee
- \* Committee on International Investment and Multinational Enterprises
- \* Committee on Capital Movements and International Transactions

The OECD Secretariat comprises about 600 economists, statisticians, and analysts -- together with some 1,300 other personnel --to support meetings and conferences and prepare documentation and publications. The Secretariat also calls on established scholars in various fields to participate as consultants in the work of the Organization. The Secretariat is divided into specialized Directorates, corresponding roughly to the principal Committees. Several autonomous and semi-autonomous bodies have been set up within the OECD framework, each with its own governing committee. These are:

- \* International Energy Agency o Nuclear Energy Agency o Development Center o Club du Sahel
- \* Center for Educational Research and Innovation.

In addition, a Center for Cooperation with the European Economies in Transition was established in 1990 to coordinate OECD work with the *Central and East European Countries*. Common analysis of issues in the OECD is sometimes instrumental in forging a consensus among industrial countries to pursue certain negotiating goals in the GATT and other international fora. Each of the member countries maintains a permanent delegation to OECD, headed by an ambassador who attends weekly meetings of the OECD Council, chaired by the Secretary-General. Each year in late May or early June, the Council meets at the Ministerial level, under the chairmanship of one or more ministers from the member country elected annually to this function. The member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States (in addition, the *EC Commission* usually participates in OECD activities). In June 1993, the OECD Council formally initiated the process of examining terms and conditions of accession for Mexico.

**Organization of East Caribbean States (OECS).** A customs union including Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. It was founded in 1981 as a sub regional group of *CARICOM*. Only Dominica and St. Vincent have implemented the OECS common external tariff.

**Organization of Petroleum Exporting Countries (OPEC).** A producer cartel comprising 13 leading oil-producing countries that seek to coordinate oil production and pricing policies. Members include Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC was established in September 1960 and is headquartered in Vienna, Austria.

**Overseas Development Council (ODC).** A research and educational organization that encourages review of US policies toward developing countries by the business community, educators, policymakers, and journalists. It is based in Washington, DC.

**Overseas Private Investment Corporation (OPIC).** An agency of the US government established in 1971 to promote private investment in overseas projects, especially in developing countries. OPIC provides start-up assistance as well as direct loans and loan guarantees for equity participation in foreign ventures, but its primary activity is insuring against losses sustained by US investors in foreign equity ventures as the result of *political risks* (Sec. 11). OPIC services are available only to US citizens and US- controlled corporations.

**Pacific Basic Economic Council (PBEC).** A consultative grouping comprising government and private-sector representatives from Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Peru, Philippines, Russia, Singapore, South Korea, Taiwan, Thailand, and the United States. PBEC was founded in 1984 for the purpose of consultation and cooperation on a broad range of economic and trade-related policies. PBEC has held annual conferences and working groups have been operating since 1984. A permanent secretariat was established 1990 in Singapore.

**Pancafe.** The trading arm of the *International Coffee Organization*.

**Paris Club.** An informal designation for meetings between representatives of a .developing country that wishes to renegotiate its official debt (normally excluding debts owned by and to the private sector without official guarantees) and representatives of the relevant creditor governments and international institutions. The meetings are traditionally chaired by a senior official of the French Treasury .Comparable meetings occasionally take place in London and in New York for countries that wish to renegotiate repayment terms for their debts to private banks; such meetings are sometimes called "creditors clubs".

**Paris Union.** The organization of signatory states to the *Paris Convention for the Protection of Industrial Property* (Sec. 1).

**Patronat (Conseil National du Patronat Francais, or CNPF).** France's employers' council, roughly equivalent to the US National Association of Manufacturers.

**Pentagonal Group.** See *Central European Initiative*.

**Preferential Trade Area for Eastern and Southern Africa (PTA).** A preferential arrangement and eventual common market including Angola, Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Rwanda, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe, founded in 1982. Objectives include commercial and economic cooperation, harmonization of policies; elimination of tariffs on all goods traded within region by 2000, and reduction of non-tariff barriers; removal of foreign exchange constraints in intra-regional trade; and cooperation in agriculture. Some tariffs have been reduced on a limited range of products; a common list of goods receiving preferential rates is in effect. Restrictive rules of origin and value-added criteria have reduced coverage of intra-group trade liberalization.

**Quai d'Orsay.** France's Ministry of Foreign Affairs.

**Regional Cooperation for Development (RCD).** See *Economic Cooperation Organization*.

**Rio Group.** A regional cooperation organization including Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Central American representation in consultations is a rotating position, currently held by Honduras; Jamaica represents the Caribbean nations.

**SECOFI.** Mexico's Secretariat of Commerce and Industrial Development.

**Services Policy Advisory Committee (SPAC).** A policy-level committee that forms part of the private sector advisory system established by Congress to ensure that US trade policy and negotiating objectives reflect US commercial and economic interests. Members are appointed by the USTR, and are broadly representative of the spectrum of service industries in the United States.

**Shoko Kaigisho.** A Japanese organization roughly equivalent to the US Chamber of Commerce. See also *Keidanren*.

**Sogo Shosha.** A Japanese trading company. The term is customarily applied to the nine largest of such enterprises --i.e., Mitsui and Company, Sumitomo Corporation, C. Itoh and Company, Mitsubishi Corporation, Marubeni Corporation, Nissho Iwai, Tomen, .Kanematsu-Gosho, and Nichimen. A trading company may often function as leader of a *keiretsu*, but it is a separate entity .Most of Japan's foreign trade is done through trading companies; the nine sogo shoshas handle nearly half of Japanese imports and exports, and serve as screening mechanisms for imports that might be damaging to members of a *keiretsu*.

**South Asian Association for Regional Cooperation (SAARC).** A regional cooperation organization including Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka, founded in 1985. Objectives include establishment of a preferential trade area by 1997; the draft text of a South Asia Preferential Trade Agreement (SAPT A) is under negotiation.

**South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA).** A non-reciprocal preferential arrangement including Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu, and Western Samoa, founded in 1981. Objectives include trade, investment, and industrial cooperation, aimed at redressing the unequal trade relationship of Australia and New Zealand with the small island economies in the Pacific region. Beneficiaries have been granted duty-free access to Australia and New Zealand for all products except sugar, textiles, clothing, footwear, steel, and passenger motor vehicles.

**Southern African Customs Union (SACU).** A customs union including Botswana, Lesotho, Namibia, South Africa, and Swaziland. SACU was founded in 1969, superseding a customs union among the participants dating from the colonial era. In October 1992, Pretoria called for replacing SACU with a new regional trade arrangement, indicating that financial transfers to its SACU partners under a common income pool arrangement had become unacceptably high. A common external tariff is in effect. SACU has been generally successful in liberalizing intra-regional trade, albeit behind high external trade barriers.

**Southern African Development Community (SADC).** A regional cooperation organization including Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe. It was signed August 1992, superseding the Southern African Development Coordinating Conference established by the Lusaka Declaration of 1980; ratification is pending. Objectives include economic integration through free movement of trade, capital, and labor; policy harmonization and project coordination; and eventual creation of a common market. Key details of implementation protocols have yet to be negotiated.

**Southern Common Market ..Mercado Common del Sur (MERCOSUR) or Mercado Comum do Sul (MERCOSUL).** A common market including Argentina, Brazil, Paraguay, and Uruguay. The agreement was signed in March 1991; it is to be fully implemented by December 1994 for Argentina and Brazil, and by December 1995 for Paraguay and Uruguay.

**Tariff Commission.** See *US International Trade Commission*.

**Textiles Surveillance Board (TSB).** A GATT standing committee responsible for overseeing the bilateral agreements between developed and developing countries under the *Multifiber Arrangement (Sec. I)*.

**Trade and Investment Council.** A forum for bilateral consultations between the United States and various countries which have signed a *Trade and Investment Framework Agreement (Sec. I)* with Washington.

**Trade Negotiations Committee (TNC).** The steering group established at the outset of the *GA 1T Uruguay Round (Sec. I)* to oversee the negotiations. Also established were a Group of Negotiations on Goods, a Group of Negotiations on Services, and a Surveillance Body, all of which were subordinate to the TNC.

**Trade Policy Research Centre.** A London-based organization established in 1968 to promote independent research and discussion of international economic policy issues.

**Trade Policy Review Group (TPRG).** The sub cabinet interagency group responsible for developing and coordinating US policies on international trade and trade-related investment issues. The TPRG addresses particularly significant trade policy questions as well all issues on which agreement is not reached in the *TPSC*. The TPRG is administered by USTR and chaired by the Deputy US Trade Representative. Member agencies, represented on the TPRG at the Under Secretary level, include the Departments of Commerce, Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, and Energy, the Office of Management and Budget, the Council of Economic Advisors, and the International Development Cooperation Agency; the National Economic Council and the National Security Council have a joint representative. The US International Trade Commission is an observer. Representatives of other agencies also may be invited to specific meetings. See also *National Economic Council*.

**Trade Policy Staff Committee (TPSC).** The first-line operating group in the interagency mechanism for developing and coordinating US policies on international trade and trade-related investment issues. The TPSC is administered and chaired by USTR. Member agencies, represented on the TPSC at the senior civil servant level, include the Departments of Commerce, Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, and Energy, the Office of Management and Budget, the Council of Economic Advisors, and the International Development Cooperation Agency; the National Economic Council and the National Security Council have a joint representative. The US International Trade Commission is a non-voting member. Representatives of other agencies also may be invited to specific meetings. Supporting the TPSC are more than 60 subcommittees and task forces focusing on specific topics, to which USTR assigns responsibilities for economic analysis through the interagency process. Conclusions and recommendations are then presented to the full TPSC as the basis for reaching interagency policy consensus. See also *TPRG*.

**United Nations Commission on International Trade Law (UNCTRAL).** A specialized body of the United Nations established in 1966 to promote harmonization of international trade law. The Commission's functions include coordination of the work of various international organizations active in trade-United Nations Conference on Trade and Development (UNCTAD). An organ of the UN General Assembly that has convened quadrennially since 1964 to discuss international economic and trade relations and measures that might be taken by industrial countries to accelerate the pace of economic development in LDCs. All members of the United Nations are members of UNCTAD; the Trade and Development Board handles day-to-day issues between UNCTAD sessions.

**United Nations Industrial Development Organization (UNIDO).** A UN specialized agency established in 1966 to promote and accelerate the industrialization of LDCs. It provides a forum for consultations between industrial and developing countries concerning industrial development and provides technical assistance to LDCs. UNIDO headquarters are in Vienna, Austria.

**US Chamber of Commerce.** A federation of business, trade, and professional associations, state and local chambers of commerce, and American chambers of commerce abroad. The Chamber represents the business community's views on domestic and international economic policy issues; among its activities is maintenance of a trade negotiations information service. It is based in Washington, DC.

**US Customs Service.** An agency within the US Department of the Treasury charged with enforcement of the tariff acts and other laws relating to the importation of goods into the United States.

**US International Trade Commission (ITC or USITRC).** An independent regulatory and fact-finding agency of the US government whose members and staff make determinations of *injury* (*Sec. I*) and recommendations concerning industries or workers seeking relief from increasing import competition. In addition, upon the request of Congress or the President, the USITC conducts comprehensive studies of specific industries and trade problems, and the probable impact on specific US industries of proposed reductions in US tariffs and non-tariff barriers. The Commission may also undertake such studies on its own initiative. The USITC was established by the *Trade Act of 1974 (Sec. IV)* as the successor agency to the US Tariff Commission. Its six members are appointed to nine-year terms by the President with the advice and consent of the Senate.

**United States Trade Representative (USTR).** An official in the Executive Office of the President with the rank of Ambassador, responsible for advising the President on the formulation and implementation of US trade policy and for working with Congress accordingly. The USTR has lead responsibility for coordinating US government positions in and conducting international trade negotiations. USTR is also the designation for the White House office headed by the US Trade Representative. Prior to the *Trade Act of 1979*, which established the Office of the USTR, the comparable official was known as the President's Special Representative for Trade Negotiations (STR), a position first established in the *Trade Act of 1962 (Sec. IV)*.

**Vise grad Group.** See *Central European Free Trade Agreement*.

**West African Economic Community or Communauté Economique de l' Afrique de l'Ouest (CEAO).** A customs union including Benin, Burkina Faso, Ivory Coast, Mali, Mauritania, Niger, and Senegal. It was founded in 1973, superseding the Customs Union of West African States. Objectives include elimination of internal tariffs and non-tariff barriers to intra-regional trade; establishment of a common external tariff; freer labor mobility within the region; development of transportation and communications linkages; and harmonization of investment rules. Intra-regional trade in raw materials is largely duty-free. However, tariff-cutting procedures give members wide latitude to exclude sensitive products from liberalization, limiting coverage of manufactures and processed goods to products with little potential for intra-regional trade. Fewer than 500 products receive regional preferences. A community convention permitting free flow of migrant workers is in place.

**West African Economic and Monetary Union or Union Economique et Monetaire Ouest Africaine (UEMOA).** A prospective customs union including Benin, Burkina Faso, Ivory Coast,

Mali, Mauritania, Niger, and Senegal. It was approved by heads of state at the July 1992 summit of the West African Monetary Union; details of the treaty are under negotiation. Objectives include establishment of a customs union, and harmonization of tax policies and of legal and regulatory frameworks.

**Whitehall.** Britain's Foreign Ministry.

**World Bank.** The International Bank for Reconstruction and Development (IBRD), commonly referred to as the World Bank, is an intergovernmental financial institution headquartered in Washington, D.C. Established in 1945 as part of the *Bretton Woods system (Sec. I)*, its primary function is to make long-term, low-interest loans to developing countries.

**World Intellectual Property Organization (WIPO).** A specialized agency of the United Nations dealing with legal and administrative aspects of intellectual property -- such as copyrights, patents, and trademarks --and seeking to promote international cooperation in the protection of *intellectual property rights (Sec. I)*. Among its treaties and agreements, WIPO administers the International Union for the Protection of Industrial Property (the *Paris Union*) formed to reduce discrimination in national patent practices, and the International Union for the Protection of Literary and Artistic Works (the *Berne Union*) formed to reduce discrimination in national copyright laws. WIPO is headquartered in Geneva, Switzerland.

**Zaibatsu.** See *keiretsu*.

#### IV. TERMS RELATED TO US TRADE LEGISLATION

**Adjustment Assistance.** Relocation, reemployment, and financial assistance to workers, firms, and industries designed to help them adjust to import competition. Trade Adjustment Assistance (TAA) provided by the *Trade Acts of 1974 and 1979* is designed to help an industry become more competitive or phase workers into other economic pursuits. Proponents claim that TAA can promote trade liberalization by facilitating shifts of resources from less productive to more productive industries. Critics argue that the TAA program --provided primarily in the form of a supplement to unemployment compensation --distorts incentives by compensating only workers who have failed to adjust to import competition.

**Agricultural Trade Development and Assistance Act of 1954.** See *PL. 480*.

**Buy American Act.** Legislation mandating preferential treatment for US products in the award of certain government contracts. The act is waived for purchases covered by the *Government Procurement Code (Sec. I)*.

**Escape Clause.** (See also entry under same name in Section I). Provisions under US law authorizing temporary relief for domestic producers and workers injured by import competition. Originally limited to those whose losses resulted from prior US trade concessions, escape clause eligibility was extended in Section 201 of the *Trade Act of 1974* to all who could establish that imports were "a substantial cause of serious injury, or the threat thereof" (see *injury, Sec. I*). The *Trade Act of 1988* stipulated that the goal of any relief must be "positive adjustment." If the US International Trade Commission (USITC) finds injury and recommends relief, the President must grant it or report to Congress why, after reviewing the US national economic interest, he has decided there is no appropriate and feasible action to take. Congress may override this decision through enactment of a joint resolution, imposing the remedy recommended by the USITC. Import restrictions imposed under the escape clause authority usually last no longer than five years.

**Exon-Florio Amendment.** A measure attached to the *Trade Act of 1988* to provide a means of monitoring foreign direct investment in the United States. The amendment authorizes the President to block mergers and joint ventures with foreign interests, or acquisitions or takeovers of US companies by foreign interests, on grounds of national security. See *Committee on Foreign Investment in the United States (Sec. III)*.

**Export Administration Acts of 1969 and 1977.** Legislation providing authority for the President to limit or suspend exports of US commodities or technical data to foreign destinations in order to protect national security, to ensure against a drain of scarce goods, or to further foreign policy objectives.

**Export Control Act.** Legislation enacted in 1949 requiring that all commercial exports from the United States be licensed. Authority was granted to the President -- subsequently delegated to the Secretary of Commerce --to devise specific regulations to control exports. In the case of certain products such as munitions or narcotics, a "validated license" (i.e., explicit written authorization)

was required for exportation to any destination; another cases, it was not the product but the destination (e.g., all shipments to Cuba) that was controlled. Largely incorporated within and superseded by the *Export Administration Act*.

**Export Trading Company Act of 1982.** Legislation designed to promote US exports by encouraging the foundation of export trading companies, and by modifying the application of antitrust laws and reducing restrictions on export financing for certain transactions. Title III of the Act permits the Department of Commerce, with the concurrence of the Department of Justice, to issue antitrust pre-clearance certificates on certain transactions involving the export of goods or services. Title IV of the Act amended two key elements of US antitrust law --the Sherman Act and the Federal Trade Commission Act --to exclude their application to export transactions, except where such activities have an anticompetitive impact on trade in the United States or the export trade of a US resident.

**Fast-Track.** Legislative procedures, originally set forth in Section 151 of the *Trade Act of 1974* and extended in the *Trade Act of 1988*, designed to assure foreign governments that Congress will act expeditiously on a trade agreement negotiated with the United States, and will not "re-negotiate" the agreement by accepting parts of the deal while rejecting others. These procedures stipulate that once the President formally submits a bill to implement an international agreement concerning non-tariff trade barriers<sup>2</sup> negotiated under the Act's authority, both Houses must vote on the bill within 90 days through an up-or-down vote, without possibility of amendments. Fast-track negotiating authority currently extends through 16 April 1994.

**Foreign Corrupt Practices Act.** Legislation that prohibits US firms from making payments to foreign officials in order to influence their actions or to assist the firm in obtaining business.

**Jones Act.** A statute requiring that vessels carrying goods or passengers between US ports (see *cabotage, Sec. 1*) must be built and documented in the United States and be, owned and operated by US citizens. The original Act dates from 1898, and was, subsequently incorporated into the Merchant Marine Act of 1920.

**Manufacturing Clause.** A provision of US copyright law that restricts importation of certain printed materials not manufactured in the United States.

**Meat Import Act of 1979.** Legislation requiring the President to impose import quotas on fresh, chilled, and frozen beef, veal, mutton, and goat meat if the Secretary of Agriculture estimates annual imports will exceed a basic import level. The basic import level --approximately 7 percent of US domestic production --is modified annually by a production adjustment factor and a counter cyclical factor.

**Omnibus Trade and Competitiveness Act.** See *Trade Act of 1988*.

**Peril Point.** A hypothetical limit beyond which a reduction in tariff protection would cause serious injury to a domestic industry. US legislation in 1949 required the Tariff Commission to establish "peril points" for all US industries, and for the President to submit specific reasons to

Congress if and when any US tariff was reduced below such levels. This requirement was an important constraint on US negotiating positions in early *GATT Rounds* ( *Sec .I* ), and was finally eliminated by the *Trade Act of 1962*.

**P.L. 480.** Full name is the Agricultural Trade Development and Assistance Act. Legislation enacted in 1954 to assist LDC economic development through the ~ concessional sale or grant of US farm products. Title I of the Act authorizes low-interest, long-term financing of US farm exports to LDCs; payments for such sales are earmarked for use in the importing country to fund agricultural development projects and programs. Title II of the Act permits donation of US food products to countries suffering from famines or natural disasters. Title III established the Food for Peace Program and the Export Credit Guarantee Program of the *Commodity Credit Corporation* (*Sec./V*).

**Proclamation Authority.** Legislation delegating authority to the President --for a specified period and subject to certain guidelines --to negotiate and implement tariff reductions without having to seek congressional approval. (For provisions concerning trade agreements dealing with matters other than tariffs, see *Fast-Track*.)

**Quasi-Judicial Procedures.** Procedures through which law is made by regulatory agencies applying general statutes to specific cases. On trade issues, procedures administered by the International Trade Commission and the Department of Commerce determine the eligibility of petitioners for import relief under the *escape clause*, *countervailing duty*, *antidumping*, or other trade statutes.

**Reciprocal Trade Agreements Act.** See *Trade Act of 1934*.

**Section 22.** A provision of the Agriculture Act of 1933 requiring the President to limit imports of agricultural products that could undermine or interfere with US farm programs.

**Section 201.** See *escape clause*.

**Section 203.** A provision of the *Trade Act of 1974* providing authority to the President to negotiate *Orderly Marketing Agreements* (*Sec. I*) with foreign governments. OMAs are to be limited initially to a period of five years, and import relief must be phased down after three years unless the President determines that doing so would damage national interests. If such a determination is made, import relief may be extended for an additional three years. Products covered by contractually binding OMAs are listed in a separate appendix of the Tariff Schedules of the United States.

**Section 204.** A provision of the Agricultural Act of 1956 authorizing the President to negotiate bilateral agreements to limit exports to the United States of "any agricultural commodity or product manufactured there from or textiles or textile products." US participation in the *Multifiber Arrangement* (*Sec. I*) is based on Section 204 authority.

**Section 232.** A provision of the *Trade Act of 1962* authorizing the President to restrict imports that threaten to impair US national security .On the basis of a formal investigation and report by the Department of Commerce --required within 270 days of initiation --the President must decide within 90 days what action should be taken to prevent national security impairment.

**Section 301.** Legislation establishing domestic procedures to enforce US rights under international trade agreements as well as to eliminate unfair foreign government trade practices that adversely affect US investment and exports of goods and services. Under Section 301 of the *Trade Act of 1974* as amended by the *Trade Act of 1988* --the US Trade Representative is required to take appropriate action to obtain the removal of any policy or practice of a foreign government that violates a bilateral or multilateral trade agreement or is "unreasonable, unjustifiable, or discriminatory" and "burdens or restricts US commerce." Section 301 authorizes the President to retaliate against foreign countries that impose such burdens; such retaliation can take the form of suspending the benefits of trade concessions previously granted by the United States, or restrictions or fees on the trade of the offending nation. In addition to initiating Section 301 investigations based upon petitions by private parties, USTR also may initiate such investigations at its own discretion. See *Special 301* and *Super 301*; see also discussion under *retaliation* in Section I..

**Section 332.** A provision of the *Tariff Act of 1930* authorizing self-initiated or Presidentially-directed studies of domestic industries by the US International Trade Commission. Such studies may subsequently lead to investigations of foreign dumping or subsidization, or *Section 301* cases.

**Section 337.** A provision of the *Tariff Act of 1930* making it unlawful to engage in unfair acts or unfair methods of competition when importing or selling imported goods. Most Section 337 cases involve alleged violations of US patents, copyrights, or trademarks. See also *Special 301*.

**Section 406.** A provision of the *Trade Act of 1974* giving the President authority to restrict imports of products from nonmarket-economy countries when the US International Trade Commission determines such imports cause or threaten *market --disruption (Sec. I)*.

**Section 501.** A provision of the *Trade Act of 1974* providing for duty-free entry of merchandise imported from beneficiary developing countries under the *Generalized ~ System of Preferences* or *GSP (Sec.1)*. Section 501 specifically excludes some countries --as well as certain products regardless of origin --from asp eligibility .Criteria are provided for withdrawing or suspending eligibility for asp treatment.

**Sherman Act.** Legislation enacted in 1890 making illegal all contracts, combinations, and conspiracies in restraint of trade, as well as monopolies and attempts to monopolize. See *competition policy (Sec. II)*.

**Smoot-Hawley Act.** Formally known as the *Tariff Act of 1930*, the Smoot-Hawley tariff is regarded by many scholars as the high-water mark of an extremely protectionist period in US trade policy; all major trading nations were highly protectionist at the time, however. The Act

raised tariffs on over 20,000 items to record levels, provoking retaliatory tariff increases by other countries. The cycle of retaliation and counter-retaliation led to a decline in world trade by roughly two-thirds, contributing significantly to the spread and deepening of the Great Depression.

**Special 301.** A provision of the *Trade Act of 1974*, as amended by the *Trade Act of 1988*, requiring USTR to identify countries with a history of violating existing laws and agreements dealing with *intellectual property rights (Sec. I)*. Countries with the poorest record of IPR protection --and with which negotiations on IPR protection have failed to make adequate progress --must be designated as "priority foreign countries" and are potentially subject to a *Section 301* investigation on an accelerated timetable. USTR must make such designations each year within 30 days after issuance of the *National Trade Estimate* report (see *Sec. I*). In addition, USTR has established a "watch list" and "priority watch list" under Special 301, indicating countries in which there exist particular problems with respect to IPR protection, or problems of market access for exporters relying on intellectual property. Countries placed on the "priority watch list" are the focus of increased bilateral discussions concerning the problem areas.

**Super 301.** See *Section 301*. Under this amendment to the *Trade Act of 1988*, the US Trade Representative was required in 1989 and 1990 to designate "priority foreign countries" chosen for the number and pervasiveness of their policies or practices impeding US exports, and for the US export gains that might come from removal of those practices. The law called for *retaliation (Sec. I)* if foreign action was insufficient or not forthcoming.

**Tariff Act of 1930.** See *Smoot-Hawley Act*.

**Trade Act of 1934 (Reciprocal Trade Agreements Act, or RTA).** Legislation that provided authority for the President to enter into bilateral agreements for reciprocal tariff reductions. The RTA was enacted in the midst of the Great Depression, and reflected declining public sympathy with protectionism in the wake of the *Smoot-Hawley Act*. By 1939, the United States had concluded 21 trade agreements with other countries under the RTA, and another 11 agreements were reached during the course of World War II.<sup>3</sup> Through successive extensions and amendments, the RTA also authorized US participation in the first five *GATT Rounds (Sec. I)* of multilateral trade negotiations. It was eventually superseded by the *Trade Act of 1962*.

**Trade Act of 1962 (Trade Expansion Act).** Legislation granting the President authority to participate in multilateral trade negotiations subsequently known as the *Kennedy Round (Sec. I)*, while also amending US *escape clause* procedures and establishing the Trade Adjustment Assistance (TAA) program. The Act also authorized appointment by the President of a Special Representative for Trade Negotiations (see discussion under *USTR, Sec. II*).

**Trade Act of 1974 (Trade Reform Act).** Legislation granting the President authority to participate in the *Tokyo Round (Sec. I)* and negotiate international agreements to reduce tariffs and non-tariff barriers. The Act, enacted in January 1975, also amended US law governing the *escape clause*, antidumping duties, and countervailing duties; expanded trade *adjustment*

*assistance*; established guidelines for granting MFN trade status to East Bloc countries; and granted limited trade preferences to developing countries (see *GSP* , *Sec. 1*).

**Trade Act of 1979 (Trade Agreements Act).** Legislation adopted under *fast-track procedures* ratifying and implementing the international trade agreements negotiated during the *Tokyo Round (Sec. 1)* and making US law consistent with those agreements. (The agreements negotiated during the Tokyo Round were not self-executing and, accordingly, did not have independent effect under US law. The Act thus incorporated into US law the Tokyo Round agreements on countervailing and antidumping duties, customs valuation, government procurement, product standards, civil aircraft, meat and dairy products, and liquor duties.) The Act also extended the President's authority to negotiate agreements covering non-tariff barriers, and mandated reorganization of executive branch trade functions. The Act became effective on 19 June 1979.

**Trade and Tariff Act of 1984.** Legislation that extended the President's authority to grant trade preferences; authorized negotiation of bilateral free *trade agreements (Sec. 1)*; and provided authority to enforce export restraint agreements on steel. The Act also amended the countervailing duty and antidumping laws and clarified conditions under which unfair trade cases could be pursued under *Section 301*.

**Trade Act of 1988 (Omnibus Trade and Competitiveness Act).** The first comprehensive ("omnibus") trade legislation enacted by Congress in the postwar era. Its important features included strengthening of unilateral trade retaliation instruments (see *Section 301* ); provision of *fast-track* negotiating authority for US participation in the *Uruguay Round (Sec. 1)* ; and enhancement of the authority of the US Trade Representative.

**Trading With the Enemy Act.** Legislation originally enacted in 1917, and amended in 1941, granting the President authority to prohibit or regulate trade, investments, remittances, travel, or any other economic transaction with any designated country or its nationals during times of war or national emergency.

**Watch List.** See *Special 301*.

**Webb-Pomerene Act.** Legislation enacted in 1916 exempting from restrictions on monopolies and other trusts the activities of associations, which have "the sole purpose of engaging in export trade," provided their activities do not interfere with US markets.