Glossary of Agricultural and WTO Terms

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Accession. The process of a country becoming a member of an international agreement, such as the World Trade Organization (WTO). Negotiations determine the specific obligations a nonmember country must meet before it is entitled to full WTO membership benefits.

***Ad valorem* tariff**. A government tax on imports assessed as a percentage of the value of the goods cleared through customs. For example, 10 percent *ad valorem* means the tariff is 10 percent of the value of the goods.

Agenda 2000. An across-the-board initiative by the European Union (EU) to reform its Common Agricultural Policy (CAP), to prepare for future enlargement, to meet internal budgetary concerns, to help meet its Uruguay Round Commitments (specifically export subsidies), and to prepare for the new WTO round.

Aggregate Measure of Support (AMS). Measure of the monetary value of the extent of government support to a sector. The AMS, as defined in the Uruguay Round Agreement on Agriculture, includes both budgetary outlays as well as revenue transfers from consumers to producers as a result of policies that distort market prices. The AMS includes actual or calculated amounts of direct payments to producers (such as deficiency payments), input subsidies (on irrigation water, for example), the estimated value of revenue transferred from consumers to producers as a result of policies that distort market prices (market price supports), and interest subsidies on commodity loan programs.

Agreement on Agriculture. The Agreement on Agriculture is one of the 29 individual legal texts included under an umbrella agreement establishing the WTO. The Agreement covers three major areas related to agriculture: market access, export subsidies, and domestic support.

Articles (of the GATT). Clauses of the General Agreement that lay out the rules and procedures that Contracting Parties will observe in their conduct of international trade and trade policy. Each of the 38 Articles in the GATT deals with a different aspect of trade. The GATT is now known as the World Trade Organization.

Balance of trade. The difference between the value of goods and services that a nation exports and the value of the goods and services it imports. A trade surplus occurs when a country's exports exceed its imports, resulting in a favorable trade balance. Similarly, a trade deficit implies that imports total more than exports for a country, producing an unfavorable trade balance.

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

Boxes.

Amber box policies. A popular expression to represent the set of provisions in the Agreement on Agriculture that describes the domestic support policies presumed to have the greatest potential effects on production and trade. Examples of these policies in the United States include market price supports, marketing loans and deficiency payments, and storage payments.

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

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

Cairns Group. An informal association of 17 agricultural exporting countries, formed in 1986 at Cairns, Australia. The Cairns Group was a strong coalition in the Uruguay Round of multilateral trade negotiations, seeking removal of trade barriers and substantial reductions in subsidies affecting agricultural trade. Cairns Group members are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay.

CCC commercial credit. Refers to short- and intermediate-term commercial credit guarantee programs operated by the U.S. Department of Agriculture=s Commodity Credit Corporation (CCC). The Export Credit Guarantee Program (GSM-102) guarantees repayment of private, short-term credit (up to 3 years), while the Intermediate Export Credit Guarantee Program (GSM-103) covers credit extended for 3 to 10 years. The Supplier Credit Program offers short-term financing (up to 180 days). The Facility Credit Program provides payment guarantees to facilitate the financing of manufactured goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets.

Codex Alimentarius Commission. Created in 1962 by the Food and Agriculture Organization (FAO) and the World Health Organization (WHO) to negotiate agreements among member countries on international standards and safety practices for foods. The Codex standards are minimum safety and hygiene levels that countries voluntarily apply to their exports and imports of commodities for human consumption. The standards are published in a listing called the Codex Alimentarius. Approximately 130 countries are members.

Common Agricultural Policy (CAP). A set of regulations by which members of the European Union (EU) seek to merge their individual agricultural programs into a unified effort 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 food supply security.

Compensation. A WTO principle that requires a member country that raises a tariff above its bound rate, withdraws a binding, or otherwise violates a trade concession, to lower other tariffs or make other concessions to offset the disadvantage suffered by trading partners. The WTO provides that any country that believes its trade interests have been adversely affected by changes in the import regime of another country may request consultations with the offending country. If such government-to-government consultations do not yield results satisfactory to the concerned parties, the complaining country may seek the establishment of a dispute settlement panel that, under the supervision of the WTO, will review the facts and recommend compensations or other appropriate action.

Concession. A tariff reduction, tariff binding, or other agreement to reduce import restrictions. In negotiations, a country may offer to reduce its own tariff and nontariff trade barriers to induce other countries to reciprocate.

Consultations. Discussions between two WTO members for the purpose of avoiding or resolving a trade dispute.

Countervailing duty (CVD). An additional levy imposed on imported goods to offset subsidies provided to producers or exporters by the government of the exporting country. A wide range of practices are recognized as constituting subsidies that may be offset. However, under WTO law, countervailing duties can only be imposed if it is determined that the imports are causing or threatening to cause material injury to a U.S. industry. Countervailing duties are permitted under Article VI of the General Agreement on Tariffs and Trade (GATT) as long as they are in accordance with the WTO Agreement on implementation of that article. The U.S. Department of Commerce is responsible for investigating whether unfair subsidies exist. The U.S. International Trade Commission is responsible for determining if a U.S. industry has been injured.

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

Credit guarantees. USDA programs that protect U.S. exporters or financial institutions against loss due to nonpayment by a foreign buyer. See also CCC Commercial Credit.

Decoupled. Payments to farmers that are not linked to current production decisions. When payments are decoupled, farmers make production decisions based on expected market returns.

***De minimis* provision**. The total AMS includes a specific commodity support only if it equals more than 5 percent of its value of production, and noncommodity-specific support only if it exceeds 5 percent of the value of total agricultural output. The *de minimis* rule excludes support from the AMS if it does not exceed the 5-percent threshold.

Developing countries. Countries whose economies are mostly dependent on agriculture and primary resources and do not have a strong industrial base. The term is often used synonymously with less developed countries and underdeveloped countries. In the WTO, developing country status is by self-designation and includes, for agricultural products, countries such as Korea, Israel, and Singapore. The least developed countries are a subset of developing countries.

Dispute Settlement Body (DSB). The General Council of the WTO, composed of representatives of all member countries, convenes as the Dispute Settlement Body to administer rules and procedures agreed to in various agreements. The DSB has authority to establish panels, adopt panel and appellate body reports, maintain surveillance of implementation of rulings and recommendations, and authorize suspension of concessions or other obligations under the various agreements.

Dumping. Technically, the sale of products on the world market below the cost of production to dispose of surpluses or gain access to a market. Dumping is generally recognized as an unfair trade practice because it can disrupt markets and injure producers of competitive products in an importing country.

European Union (EU). An organization established by the Treaty of Rome in 1957. Originally composed of the six European nations of Belgium, France, Germany, Italy, Luxembourg, and the Netherlands, it has expanded to 15 nations. The EU attempts to unify and integrate member economies by establishing a customs union and common economic policies, including the Common Agricultural Policy (CAP). Member nations include the original six nations plus Austria, Denmark, Finland, Greece, Ireland, Portugal, Spain, Sweden, and the United Kingdom. In May of 2004, the following additional countries will become members: Cyprus, Czech Republic, Estonia, Hungary, Malta, Latvia, Lithuania, Poland, Slovakia, and Slovenia.

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

Fast-track negotiating authority. Presidential authority granted by Congress to negotiate trade agreements with the understanding that the negotiated agreement will go before Congress for an Aup@ or Adown@ vote without possibility of amendment and within a specified time period. Also known as Trade Promotion Authority, this negotiating authority was most recently passed by Congress in August 2002.

Food and Agriculture Organization (FAO). An agency of the United Nations concerned with the distribution and production of food and agricultural products around the world. Founded in 1945, FAO is responsible for collecting, analyzing, and disseminating country data on food, agriculture, and rural affairs. The agency also offers technical assistance and operates training projects in many developing countries. Officially known as the United Nation=s Food and Agriculture Organization.

GATT (General Agreement on Tariffs and Trade). An agreement originally negotiated in Geneva, Switzerland, in 1947 among 23 countries, including the United States, to increase international trade by reducing tariffs and other trade barriers. The agreement provides a code of conduct for international commerce and a framework for periodic multilateral negotiations on trade liberalization and expansion. Before the formation of the WTO, adherents to the GATT were referred to as AContracting Parties.@ Refers also to the institution responsible for organizing and overseeing multilateral trade negotiations and dispute resolution that was superseded by the WTO.

GATT Rounds. Cycles of multilateral trade negotiations conducted under the General Agreement on Tariffs and Trade. Eight rounds have been completed since the GATT was established in 1947.

> **1947:** Geneva, Switzerland. The GATT was created during this round.
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> **1949:** Annecy, France. This round involved negotiations with nations that desired GATT membership. Principal emphasis was on tariff reductions.
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> **1951:** Torquay, England. This round continued accession and tariff reduction negotiations.
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> **1956:** Geneva, Switzerland. This round proceeded along the same track as earlier rounds. The round also included the first revisions to the original GATT agreement.
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> **1960-62:** Geneva, Switzerland. This round, referred to as the Dillon Round, involved further revision of the GATT and the addition of more countries.

1963-67: Geneva, Switzerland. Known as the Kennedy Round, this round was a hybrid of the earlier product-by-product approach to negotiations and the new formula tariff reduction approach with across-the-board tariff reductions.

1973-79: Geneva, Switzerland. This round, also called the Tokyo Round, centered on the negotiation of additional tariff cuts and developed a series of agreements governing the use of a number of nontariff measures. More countries were involved in the Tokyo Round than previous rounds (including many developing countries and several East European countries).

1986-94: Geneva, Switzerland. This round, termed the Uruguay Round because it was launched in Punta del Este, Uruguay, focused on strengthening the GATT and expanding its disciplines to new areas, including agriculture. The Agreement on Agriculture is one of the 29 individual legal texts under an umbrella agreement establishing the WTO.

2001-____: The Doha Development Agenda, or Doha Round, was initiated in Doha, Qatar, in November 2001.

Generalized System of Preferences (GSP). A policy that permits duty-free entry of certain imports from designated developing countries. Among other things, the GSP may increase economic growth in developing countries, help maintain favorable foreign relations with free world developing countries, and may serve as a low-cost means of providing aid to these nations. It is part of a coordinated effort of the industrial trading nations to bring developing countries more fully into the international trading system. Under the GSP, the United States provides nonreciprocal tariff preferences for designated developing nations.

Impairment. The partial or total loss of a benefit that was negotiated between WTO contracting parties, due to an action, policy, or lack of action by one of the parties. Impairment of WTO rights and obligations is subject to formal action under WTO dispute settlement procedures. Also called nullification. See also **bound rates**.

Import barriers. Quotas, tariffs, and embargoes used by a country to restrict the quantity or value of a good that may enter that country.

Import quota. The maximum quantity or value of a commodity allowed to enter a country during a specified time period. A quota may apply to amounts of a commodity from specific countries.

International trade barriers. Regulations imposed by governments to restrict imports from, and exports to, other countries. Tariffs, embargoes, import quotas, and unnecessary sanitary restrictions are examples of such barriers.

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

Most Favored Nation (MFN). A core principle of the WTO, most recently referred to as Normal Trade Relations (NTR).

Non-tariff trade barriers. Government measures other than tariffs that restrict trade flows. Examples of non-tariff barriers include quantitative restrictions, import licensing, variable levies, import quotas, and technical barriers to trade.

Normal Trade Relations (NTR). An agreement between countries to extend the same trading privileges to each other that they extend to any other country. Under an NTR agreement, for example, a country will extend to another country the lowest tariff rates it applies to any third country. A country is under no obligation to extend NTR treatment to another country, unless both are members of the WTO, or unless NTR is specified in an agreement between them. In the WTO, NTR was formerly known as Most-Favored-Nation (MFN).

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

Organization for Economic Cooperation and Development (OECD). An organization established in December 1960 to study and discuss trade and related matters. Members include the United States, Canada, 15 member states of the European Union, Norway, Iceland, Switzerland, Poland, Hungary, Czech Republic, Australia, New Zealand, Mexico, Japan, Korea, Slovak Republic, and Turkey.

Producer subsidy equivalents (PSE's). An economic concept used to estimate the effect of government policy by measuring the amount of the cash subsidy or tax needed to hold farmers' incomes at current levels if all government agricultural programs were removed. PSE's and consumer subsidy equivalents (CSE's) are used to compare different policy tools and their effects on farmer revenue and consumer costs across countries.

Quad. A group of four trade ministers from the United States, EU, Canada, and Japan that coordinates positions on trade issues in the WTO.

Quint. A group of five agriculture ministers from the United States, Canada, the European Commission, Japan, and Australia that meets periodically to discuss current agriculture issues.

Retaliation. An action taken by one country against another for imposing a tariff or other trade barrier. Forms of retaliation include imposing a higher tariff, import restrictions, or withdrawal of previously agreed upon trade concessions. Under the WTO, restrictive trade action by one country entitles the harmed nation to take counteraction.

Safeguard(s). Temporary measures implemented in order to protect an industry while it adjusts to increased competition by foreign suppliers. Safeguards can include tariffs or quantitative restrictions.

Sanitary and Phytosanitary (SPS) Measures. Technical barriers designed for the protection of human health or the control of animal and plant pests and diseases. Under the Uruguay Round Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures, WTO member countries agreed to base any SPS measures on an assessment of risks posed by the import in question and to use scientific methods in assessing the risk.

Section 201. Part of the U.S. Trade Act of 1974 (P.L. 93-618) that allows the President to provide relief to industries hurt by competing imports. Growers or trade associations must petition the International Trade Commission to investigate complaints of injury caused by imports. Also known as safeguards.

Section 301. A provision of the U.S. Trade Act of 1974 (P.L. 93-618) that allows the President to take appropriate action to persuade a foreign government to remove any act, policy, or practice that violates an international trade agreement. The provision also applies to practices of a foreign government that are unjustified, unreasonable, or discriminatory, and burden or restrict U.S. commerce.

Special and differential treatment. A principle allowing developing countries to have lesser reduction commitments than developed countries. In the Uruguay Round, disciplines applying to developing and least-developed countries were less stringent than those applying to developed countries.

State trading enterprises (STEs). Government-controlled trading agencies used by countries such as Canada, Australia, and New Zealand to receive and market domestic products in domestic and international markets. STEs also encompass the practice of conducting trade exclusively through a government agency.

Subsidy. A direct or indirect benefit granted by a government for the production or distribution (including export) of a good. Examples include any national tax rebate on exports; financial assistance on preferential terms; financial assistance for operating losses; assumption of costs of production, processing, or distribution; a differential export tax or duty exemption; domestic consumption quota; or other methods of ensuring the availability of raw materials at artificially low prices. Subsidies are usually granted for activities considered to be in the public interest.

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

Tariff preference. Tariff treatment accorded to a country that is more favorable than that given to countries outside the preferential arrangement.

Tariffication. The process of converting nontariff trade barriers to bound tariffs. This was done under the Uruguay Round Agreement on Agriculture in order to improve the transparency of existing agricultural trade barriers and facilitate their proposed reduction.

Tariff-rate quota (TRQ). Application of a higher tariff rate to imported goods after a certain quantitative limit (quota) has been reached. A lower tariff rate applies to any imports below the quota amount.

Technical Assistance. Developing countries and particularly the least-developed countries need financial, human, and institutional assistance in order to be able to implement several WTO agreements.

Technical Barriers to Trade (TBT). Refers to regulations, standards (including packaging, marking, and labeling requirements), testing and certification procedures, and other non-tariff barriers that can create obstacles to trade. Under the Uruguay Round Agreement on Technical Barriers to Trade (TBT Agreement), WTO members agreed to disciplines on the use of these measures as they apply to both industrial and agricultural products.

The Three Sisters. The WTO's Sanitary and Phytosanitary Agreement identifies three standard-setting organizations: the Food and Agriculture Organization-World Health Organization Codex Alimentarius for food safety; the International Office for Epizootics (OIE) for animal health; and the International Plant Protection Convention (IPPC) for plant health.

Trade barriers. Regulations used by governments to restrict imports from, and exports to, other countries. Examples include tariffs, nontariff barriers, embargoes, and import quotas.

Trade deficit. See **Balance of trade**.

Trade Promotion Authority. See **Fast-track negotiating authority**.

Transparency. The degree to which trade policies and practices and the process by which they are established, are published in timely fashion for use by foreign suppliers, and are predictable.

Unfair trade practices. Actions by a government or firms that result in competitive advantages in international trade. Such actions include export subsidies, dumping, boycotts, or discriminatory shipping arrangements. Under U.S. Section 301, the President is required to take appropriate action, including retaliation, to obtain removal of policies or actions by a foreign government that violate an international agreement or are unjustifiable, unreasonable, or discriminatory, and burden or restrict U.S. commerce.

U.S. Trade Representative (USTR). Cabinet-level head of the Office of the U.S. Trade Representative, the principal trade policy agency of the U.S. Government. The U.S. Trade Representative is also the chief U.S. delegate and negotiator at all major trade talks and negotiations. The USTR is part of the Executive Office of the President.

Variable levies. The difference between the price of a foreign product at the port and the official price at which competitive imports can be sold. Such levies are effectively a variable tax on imports or a variable subsidy to exports.

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

WTO Panel. A group composed of neutral representatives that may be established by the WTO Secretariat under the dispute settlement provisions of the WTO. The WTO panel reviews the facts of a dispute and renders findings of WTO law and recommends action.