

## Appendix IV

### Glossary of Terms

*Administered protection:* Use of administrative procedures (e.g., in antidumping and countervailing duty investigations) in a manner that impedes trade flows.

*Antidumping duty:* Duty levied on imports to offset the competitive advantage provided by dumping of imported goods. GATT Article VI and the Tokyo Round Antidumping Code permit antidumping duties on dumped imports of like products provided they cause or threaten to cause material injury to the domestic industry.

*Contingent protection:* See Administered protection.

*Countertrade:* Trade transaction committing the exporter to receive payment for the value of his exports, in whole or in part, by imports from his trading partner.

*Countervailing duty:* Duty levied on imports to offset the competitive advantage provided by subsidies on imported goods. GATT Article VI and the Tokyo Round Subsidies Code permit countervailing duties on subsidized imports provided they cause or threaten to cause injury to the domestic industry.

*Customs Union:* As defined in GATT Article XXIV, a group of countries forming a single customs territory in which (a) tariffs and other barriers are eliminated on substantially all trade among member countries, and (b) substantially the same measures are applied by each of the member countries to their trade with third countries, including a common external tariff.

*Dumping:* Price discrimination between exports and domestic sales of a given product. The dumping margin, which forms the basis of antidumping duties, may be determined according to GATT Article VI as the price difference between the price of the product exported from one country to another and (a) the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country or, in the absence of such domestic price, (b) the highest comparable price for the like product for export to any third country, or (c) the cost of production in the exporting country plus a reasonable addition for selling cost and profit.

*Effective rate of assistance (ERA):* The difference between the value added per unit of output in the domestic price and the value added in the world price, expressed as a percentage of the world price. This measure thus includes the effects of subsidies and other nonborder measures in addition to the effects of border measures.

*Effective rate of protection (ERP):* A measure of protection provided by an import restriction, calculated as a percentage of the value added of the product concerned. Effective pro-

tection is higher than nominal protection, which is expressed as a percentage of the gross value of the product concerned, if tariffs on imported inputs are lower than on the finished products (see Tariff escalation).

*Enabling Clause:* A 1979 Tokyo Round decision waiving the most-favored-nation provision of GATT Article I to accord differential and more favorable treatment to developing countries, without according such treatment to other contracting parties. See also Generalized System of Preferences.

*Free trade area:* As defined in GATT, a group of countries in which tariffs and other barriers are eliminated on substantially all trade between members on products originating in those countries. In contrast to a *customs union*, a free trade area does not involve the adoption of a common external tariff on imports from third countries. Members of a free trade area enforce their individual tariff schedules through *rules of origin* (see Origin rules).

*Generalized System of Preferences (GSP):* International agreement negotiated under the auspices of GATT, providing for temporary and nonreciprocal duty preferences accorded by the developed to the developing countries. A ten-year waiver from the GATT most-favored-nation provision was granted in 1971 to permit implementation of the GSP. The waiver was not renewed because of the 1979 GATT decision on "Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries" resulting from the Tokyo Round (the Enabling Clause).

*Gray-area measures:* Measures, such as voluntary export restraints, which are outside GATT surveillance and whose conformity with GATT is not determined.

*Hard core waiver:* Waiver provided under a GATT decision in 1955, which permitted certain quantitative restrictions to be maintained for a specified period of time. The intention was to enable domestic industries that had enjoyed such protection to adjust to its removal over a period of time. The residual restrictions remaining in place after the waivers issued under the GATT's decision lapsed are incompatible with the provisions of GATT Article XI, which calls for the general elimination of quantitative restrictions.

*Harmonized tariff system:* Nomenclature developed by the Customs Cooperation Council for customs tariffs and international trade statistics. It entered into effect, for countries that have adopted it in place of their existing nomenclature, on January 1, 1988.

*Import licensing:* Practice requiring approval by a designated government authority in the importing country, as a prior

- condition to importing. Under automatic licensing, used for import monitoring, approval is freely granted. Under non-automatic licensing, the license may be subject to certain conditions, for example, the availability in the domestic market of the domestically produced like product.
- Minimum price system:** Minimum price for imports of certain products, such as steel, set by the importing country. Import prices below the minimum trigger protective actions, such as additional duties or quantitative restrictions. Minimum import prices are also referred to as basic price, reference price, and trigger price, depending on the importing country and product concerned.
- Minimum price undertaking:** An undertaking by an exporter to sell his product at a price that does not fall below a level agreed with the importing country. Such undertakings are sometimes agreed to by the exporter as a condition for the lifting of antidumping or countervailing duties by the importing country.
- Most-favored-nation clause (MFN):** Fundamental principle included in GATT Article I, whereby any privilege or concession granted by one contracting party to GATT to a product of another contracting party will be unconditionally granted to the like products of all other contracting parties.
- Multifiber Arrangement (MFA):** An arrangement negotiated in 1973 as a temporary derogation from GATT rules. It was last renewed in 1986, when the MFA IV came into effect for a five-year period. The MFA regulates trade in several textile and apparel products by means of bilaterally agreed export restraint arrangements.
- National treatment:** Treatment of imports with respect to internal taxes, other charges, and regulations, equal to that afforded to like domestic products, as provided in GATT Article III.
- Nontariff measures (NTMs):** All government actions other than tariffs with a potential trade-distorting impact, including quantitative restrictions, subsidies, government procurement practices, and technical barriers to trade.
- Origin rules:** Rules that define the criteria for establishing the country of origin of a product for purposes of assessing tariffs or other import restrictions. Origin rules are used to enforce the individual tariff schedules of countries participating in a free trade area. They usually stipulate a minimum value-added requirement for duty-free access of partner country products to the domestic country.
- Residual restrictions:** Import restrictions imposed during the early post-World War II years for balance of payments purposes but no longer in accordance with GATT Article XI, which calls for their elimination. See also Hard core waiver.
- Rollback commitment:** A commitment included in the Ministerial Declaration launching the Uruguay Round to roll back unilaterally restrictions inconsistent with GATT Articles.
- Safeguard measures:** Temporary protective measures undertaken to (a) safeguard domestic producers of given goods from an import surge (GATT Article XIX permits such measures under certain conditions; it is generally understood that these should be applied according to GATT's fundamental principle of nondiscrimination); (b) protect the country's reserve and balance of payments position (GATT Articles XII and XVIII:B); and (c) protect infant industries in developing countries (GATT Article XVIII:C).
- Special and differential treatment:** See Enabling Clause.
- Standstill commitment:** A commitment included in the Ministerial Declaration launching the Uruguay Round not to take for the duration of the Round (a) any trade-restricting or distorting measure inconsistent with GATT provisions; or (b) any trade-restricting or distorting measure in the legitimate exercise of GATT rights that would go beyond what is necessary to remedy specific situations.
- Subsidies:** Government assistance to the development, production, or export of specific goods. Subsidies can take the form of either direct financial support or indirect support through tax exemptions, subsidized loans or loan writeoffs, government procurement practices, and subsidies to the production of inputs. Interpretations on the definition and use of subsidies vary among GATT contracting parties.
- Tariff binding:** Obligation undertaken in GATT not to raise tariff rates on specific products above a certain level without compensating reductions in other tariffs. Bindings are also referred to as tariff concessions in GATT terminology. Applied tariff rates may be lower than bound rates.
- Tariff escalation:** A tariff structure such that tariff rates rise with the stage of processing (for instance, higher tariff rates on clothing than on yarn).
- Technical barriers to trade:** Measures that impede or distort trade arising from technical standards, testing, labeling and certification requirements, and health and safety regulations.
- Unfair trade:** Trade on the basis of a competitive advantage not derived from "legitimate" sources. For example, GATT recognizes dumping and trade-distorting subsidies as unfair trade practices.
- Variable levies:** Import duties that are designed to fill the gap between a specified domestic price (e.g., the threshold price in the EC) and the international price.
- Voluntary export restraint arrangements (VERs):** Bilateral agreement between an exporter and an importer whereby the former agrees to limit exports of a given product. The agreement may be concluded at government or industry level. VERs are gray-area measures because their conformity with GATT rules is not determined.