Absolute advantage: an idea described by Adam Smith in his *Inquiry into the Nature and Causes of the Wealth of Nations*, and developed further by others, that countries engage in international trade to obtain goods more cheaply from abroad than they could make them themselves at home. Smith argued that international trade allows a greater specialization than would be possible in an autarkic system, thereby permitting resources to be used more efficiently. Writing about the reasons why families buy things rather than making them themselves, he said: “[w]hat is prudence in the conduct of every private family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it with some part of the produce of our own industry employed in a way in which we have some advantage.” See also autarky, comparative advantage, gains-from-trade theory, Heckscher-Ohlin theorem, self-reliance and self-sufficiency. [Smith 1991 (1776)]

Absolute standard: see minimum standard of treatment.

Absorption: countering the higher tariffs resulting from anti-dumping measures through lowering the price of the good. In other words, the producer or exporter of the good absorbs the additional cost caused by higher tariffs to preserve his place in the market. See also anti-absorption and circumvention.

Absorption principle: also known as “roll-up” principle, used in the administration of preferential rules of origin under free-trade agreements. It means that in defined cases, usually after they have undergone specific processing requirements in the territory of a free-trade partner, the non-originating materials forming part of a good to be imported will not be included in the calculation of the regional value content of that good. In other words, although the materials are in strict terms non-originating and thus not eligible for preferential treatment, they are in fact deemed to be originating materials. See also substantial transformation.

Accelerated tariff liberalization: ATL. A later stage of the APEC initiative for early voluntary sectoral liberalization. APEC ministers decided in Kuala Lumpur in November 1998 to transfer the tariff elements of the first nine sectors of this initiative to the WTO. The nine sectors are forest products, fish and fish products, toys, gems and jewellery, chemicals, medical equipment and instruments, environmental goods and services, energy, and a telecommunications mutual recognition agreement. In the Auckland Challenge APEC members agreed to pursue the initiative until the end of 2000. ATL then became part of the negotiations under the Doha Development Agenda.
Acceptable level of risk: defined in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures as “the level of protection deemed appropriate by the Member establishing a sanitary or phytosanitary measure to protect human, animal or plant life or health within its territory”. The level varies according to country, but it is meant to be based on scientific principles. The precautionary principle may also apply. This concept is also known as the “appropriate level of sanitary or phytosanitary protection”. See also sanitary and phytosanitary measures.

Accession: the act of becoming a member of the WTO (World Trade Organization), or another international organization or agreement. Negotiations are limited to ensuring that the acceding country can meet its membership obligations. Accession to the WTO thus requires negotiations between the applicant and the existing members to ensure that the applicant’s trade regime will be in harmony with WTO rules, and that the applicant is able to observe these rules. On accession, the schedules of tariffs and services commitments the new member offers should be broadly comparable to those of existing members which have participated in successive rounds of multilateral trade negotiations and reduced their trade barriers over the years. In other words, a country has to be prepared to offer roughly the same as it will enjoy from membership. Accession to the OECD requires new members to show that their economic regime is broadly in tune with those of existing members. Membership of UNCTAD or other United Nations bodies does not entail this sort of obligation. Accession to the European Union is known as enlargement. See also schedules of commitments on services and schedules of concessions.

Access to Medicines: an aspect of the work on intellectual property rights in the WTO. It deals with the balance between obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the expectations of developing countries for affordable medicines. Developing countries claim that compulsory licences and parallel imports are essential for their governments to carry out effective health policies through affordable medicines. In their view, the TRIPS agreement is biased in favour of pharmaceutical companies residing in developed countries. The differing views on access to medicines show the inherent tension between intellectual property rights (a form of monopoly rights) and public expectations of vigorous competition between companies. The Doha Declaration on the TRIPS Agreement and Public Health was aimed at reducing this tension. It aims to make it easier for some developing countries seeking the required authorization to grant a compulsory licence for the purpose of making a pharmaceutical product and exporting it to least developed countries and other developing countries which are also members of the WTO. This is subject to the condition that the system will only be used in case of a national emergency or in cases of public non-commercial use.

Accordion of likeness: an expression used by the Appellate Body in Japan – Taxes on Alcoholic Beverages. It holds that the meaning of the term “like product” has to be interpreted more or less generously according the nature of the product.
itself. It says that there can be no precise and absolute definition of what is “like”. In its words, “[t]he accordion of ‘likeness’ stretches and squeezes in different places as the provisions of the WTO Agreement are applied.” [WT/DS8/AB/R]

**Accounting rate**: the charge made by one country’s telephone network operator for transporting calls originating in another network to their final destinations within the second network. See also telecommunications termination services.

**ACP–EC Partnership Agreement**: a framework for trade and economic cooperation between the ACP states (except Cuba) and the European Community, signed on 23 June 2000 as the successor to the Lomé Convention. On 1 April 2003 it entered into force for twenty years. It has five pillars: (a) a comprehensive political dimension, (b) participatory approaches to ensure the involvement of civil society in beneficiary countries, (c) a strengthened focus on poverty reduction, (d) a framework for economic and trade cooperation and (e) reform of financial cooperation. The Agreement has several review mechanisms. Its trade aspects will be renegotiated after eight years to make them fully compatible with WTO obligations. During this time (called the preparatory period) the European Community will give non-reciprocal preferential access free of duty and charges to products from ACP states. Special provisions apply to some agricultural products, especially sugar. Support for national budgets in countries highly dependent on agriculture and/or mineral exports is available to ACP states if losses from export earnings jeopardize overall macroeconomic stability. The Agreement entails wide-ranging cooperation in trade-related areas including, among others, trade in services, competition policy, trade and environment and trade and labour standards. The parties have also undertaken to use the preparatory period to remove progressively barriers to trade between them and to pursue cooperation in all areas relevant to trade. See also ACP–EC Protocol on Sugar and Special Preferential Sugar Agreements.

**ACP–EC Sugar Protocol**: first concluded in 1975 as Protocol 3 to the Lomé Convention. It is an instrument of indefinite duration. The Protocol is now part of the ACP–EC Partnership Agreement. Through this Protocol the European Community undertakes to purchase, at guaranteed prices, specific quantities of cane sugar, raw or white, originating in ACP states. The following annual quantities apply: Barbados (49,300 tonnes), Fiji (163,000 tonnes), Guyana (157,000 tonnes), Jamaica (118,300 tonnes), Kenya (5,000 tonnes), Madagascar (10,000 tonnes), Malawi (20,000 tonnes), Mauritius (487,200 tonnes), Swaziland (116,400 tonnes) and Tanzania (10,000 tonnes). See also Special Preferential Sugar Agreement.

**ACP states**: The African, Caribbean and Pacific states associated with the European Community through the ACP–EC Partnership Agreement which gives them preferential market access to the European Community and other benefits. The group of ACP states was established on 6 June 1975 through the Georgetown Agreement. It now operates under a revised agreement adopted in November 1992. Its General Secretariat is located in Brussels. The members of the group are Angola, Antigua and Barbuda, Bahamas, Barbados,
Acquis communautaire: all legislation adopted under the treaties establishing the European Community, including regulations, directives, decisions, recommendations and opinions, as well as the judgments handed down by the European Court of Justice and international agreements concluded by the European Community. It consists of about 80,000 pages and is ever-changing. Before a country accedes to the European Union, its national legislation needs to be harmonized with the acquis communautaire. This can mean revising hundreds of parliamentary acts. No member state may derogate permanently from the acquis. See also enlargement and European Community legislation.

Action plan: often the outcome of last resort. It once really had the meaning of planning something and then doing it, and it sometimes even does so today. More often, however, an action plan is no more than a catalogue of things that could be done if anyone was interested.

Actionable subsidies: a category of subsidies described in the WTO Agreement on Subsidies and Countervailing Measures. Subsidies may be actionable, and therefore illegal, if they cause injury to the domestic industry of another member, negate other commitments made under the GATT, or cause serious prejudice to the interests of another member. If such adverse effects exist, the country maintaining the subsidy must withdraw it or remove its adverse effects. See also countervailing duties, non-actionable subsidies, prohibited subsidies and subsidies.

Act of state doctrine: the principle, as expressed in a United States Supreme Court judgment of 1897, that “every sovereign State is bound to respect the independence of every other sovereign State, and the courts of one country will not sit in judgment on the acts of the government of another, done within its own territory”. Other jurisdictions of course also use this doctrine.

Adding-up problem: see fallacy of composition.

Additional commitments: the General Agreement on Trade in Services permits WTO members to make commitments on trade in services that are additional to those made under market access and national treatment. Qualifications, standards and licensing matters are mentioned specifically, but additional
commitments need not be confined to these areas. See also schedules of commitments on services.

Additive regionalism: describes the concurrent membership of several free-trade agreements by one country. See also spaghetti-bowl effect. [Schiff and Winters 2003]

Adjusted value: see build-down method and build-up method.

Adjustment costs: the economic and social costs arising from structural adjustment.

Administered protection: see contingent protection and non-tariff measures.

Administered trade: see managed trade.

Administrative guidance: the practice of influencing the activities of an industry by government ministries through formal or informal measures. Guidance may simply consist of advice on how to interpret a government act or decision. It may also be a method of enforcing, for example, voluntary export restraints through the publication of indicative production and export forecasts. Industries are then supposed to work out among themselves how to divide the export cake. Administrative guidance of the second kind probably works best in countries where the enforcement of competition policy is weak.

Administrative international commodity agreements: these are international commodity agreements that do not operate a buffer stock, export quotas or other mechanisms designed to influence the price of a commodity through manipulating the amount coming on the market. This type of agreement is concerned with matters such as market transparency, more efficient production, processing and distribution, consumer information, and the collection and dissemination of statistical information. See also economic international commodity agreements.

Administrative protection: see contingent protection and non-tariff measures.

Administrative regulation: see regulation.

Administrative ruling of general application: defined in the APEC principles on transparency standards and some free-trade agreements, such as NAFTA, as “an administrative ruling or interpretation that applies to all persons and fact situations that fall generally within its ambit and that establishes a norm of conduct, but does not include: (a) a determination or ruling made in an administrative or quasi-judicial proceeding that applies to a particular person, good or service of another economy in a specific case, or (b) a ruling that adjudicates with respect to a particular act or practice”. In other words, an administrative ruling of general application establishes a norm of conduct applying to all persons, goods, services and practices, as the case may be, in a given economy.

Ad notes: the notes and explanatory provisions contained in Annex I to the GATT. They amplify and interpret some of the GATT articles proper. They always have to be read together with the relevant article.

Ad referendum agreement: provisional acceptance of the outcome of a set of negotiations. Definitive acceptance may depend on the results of related negotiations, approval by the government or the fulfilment of some other condition. See also bracketed language and without prejudice.
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**Ad valorem**: a proportion of the value of a good or a transaction. See *ad valorem tariff*.

**Ad valorem equivalent**: a calculation of the level of a specific tariff, which converts a rate expressed as a fixed monetary value per product into a value expressed as a percentage of the value of the product. This gives the *ad valorem tariff* rate. For example, a specific tariff of one dollar levied on a compact disc worth ten dollars would give an *ad valorem* equivalent of 10%. On a disc worth twenty dollars, a tariff of one dollar would amount to 5%. See also compound tariff.

**Ad valorem tariff**: a tariff rate expressed as a percentage of the value of the goods to be imported or exported. Most tariffs are now expressed in this form. See also customs valuation and specific tariff.

**Advance deposit**: the requirement to lodge all or part of the cost of the imported good with a government authority, usually at the time it is ordered. See also non-tariff measures.

**Advance informed consent**: an obligation embodied in the Cartagena Protocol on Biosafety. It establishes the need for an exporter to seek consent from an importing country before the first shipment of a living modified organism intended for intentional release into the environment. See also prior informed consent.

**Advance rulings**: an aspect of customs procedures. Many customs authorities provide advice on request, normally in writing, on how they will treat a good to be imported. Such advice may include the tariff classification, the applicable tariff rate and whether a good qualifies for preferential market access. Such advice is not always legally binding, but customs authorities usually honour it unless it was based on false information or an error of law. Advance rulings therefore are an important way to bring predictability into the trading system. Importers and exporters alike may apply for them.

**Advisory Centre on WTO Law**: established on 17 July 2001 in Geneva as an independent intergovernmental organization with funding from nine developed countries and more than 25 developing countries and economies in transition. The Centre provides legal services and training to developing countries and economies in transition that have contributed to its endowment fund. Least developed countries can use the Centre’s services without contributing funds.

**A fortiori**: Lat. with stronger reason; much more so.

**African Economic Community**: AEC. An organization aiming to promote the economic, social and cultural development of Africa. It was established on 12 May 1994 through the Treaty of Abuja. Membership, which now exceeds fifty, is open to all members of the Organization of African Unity, now the African Union. The AEC will aim in the long term to form an African Common Market. In the medium term it will concentrate on trade cooperation and trade facilitation. Its secretariat is located in Addis Ababa.

**African Group**: a group of 41 countries active in the WTO. Its members are Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Côte d’Ivoire, Djibouti,
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**African Growth and Opportunity Act:** AGOA. Part of the United States Trade and Development Act of 2000, valid until 30 September 2008. The Act is based on a congressional finding that it is in the mutual interest of the United States and the countries of sub-Saharan Africa to promote stable and sustainable economic growth and development in sub-Saharan Africa. It gives eligible sub-Saharan countries duty-free access to the United States for most products. Provisions for textile products are more restrictive. AGOA also promotes the negotiation of free-trade agreements between the United States and sub-Saharan countries. Countries must meet certain eligibility requirements to benefit from this Act. Among these are that the country (a) has established, or is making progress towards, a market-based economy, (b) enjoys the rule of law and political pluralism, (c) is eliminating barriers to United States trade and investment, (d) has economic policies to reduce poverty, (e) has a system to combat corruption and bribery and (f) protects internationally recognized workers rights. Activities undermining United States national security or foreign policy interests and engaging in gross human rights violations or international terrorism make a country ineligible for the benefits of this Act. Countries must also have implemented commitments to eliminate the worst forms of child labour. AGOA II, passed in 2002, extended the benefits of the Act, especially for some textile imports from certain African countries into the United States.

**African regional integration arrangements:** this entry summarizes the main regional integration arrangements concluded by African countries since the 1950s. It only lists free-trade areas, customs unions, common markets and economic unions having at least three members. A. **West Africa.** Benin, Côte d’Ivoire, Niger, Togo and Upper Volta (now Burkina Faso) formed in 1959 the Council of the Entente to promote regional economic development and integration. The West African Customs Union (Union Douanière de l’Afrique Occidentale or UDAO) was also formed in 1959 by Dahomey (now Benin), Côte d’Ivoire, Mauretania, Niger, Senegal, Soudan (now Mali) and Upper Volta. It was succeeded in 1966 by the West African Economic Community which had the same membership. The Mano River Union was established in 1973 by Liberia and Sierra Leone, Guinea joined it in 1980. The West African Economic Community and the Mano River Union, together with Cape Verde, The Gambia, Ghana, Guinea-Bissau, Nigeria and Togo now form Ecowas (Economic Community of West African States) which was established in 1975 and relaunched in 1993. B. **Central Africa.** The Equatorial Customs Union (Union Douanière Equatoriale or UDE) was formed in 1960. Its members were Chad, Central African Republic, Congo and Gabon. UDE was succeeded in 1964 by the Central African Customs and Economic Union (Union Douanière et Economique de l’Afrique Centrale or UDEAC). Its members were Cameroun, Central African
2010 and the newer ASEAN members (Cambodia, Laos, Myanmar and Vietnam) in the main by 2015. Vietnam took on the full obligations in 2006. Sensitive products (all of these are agricultural) will have final rates of 0–5%. Final rates for highly sensitive products (various types of rice) for Indonesia and Malaysia will be 20%. The ASEAN-6 extend tariff preferences to Cambodia, Laos, Myanmar and Vietnam through the ASEAN Integration System of Preferences. AFTA has a work program for eliminating non-tariff measures. See also ASEAN Economic Community, ASEAN Framework Agreement on Services, ASEAN Investment Area and Initiative for ASEAN Integration.

Agadir Agreement: the free-trade agreement between Egypt, Jordan, Morocco and Tunisia signed on 11 January 2003 in Amman. It derives its name from the launch of the project in Agadir, Morocco, in 2001.

Agency for international trade information and cooperation: see AITIC.

Agenda 2000: the European Community financial reform plan for 2000–06 aimed at strengthening the union among European countries to get ready for the new members. The strategy identifies three main challenges: (a) how to strengthen and reform the European Union’s policies so that they can deal with enlargement and deliver sustainable growth, higher employment and improved living conditions for Europe’s citizens, (b) how to negotiate enlargement while at the same time vigorously preparing all applicant countries for the moment of accession, and (c) how to finance enlargement, the advance preparations and the development of the Union’s internal policies. Major changes to the Common Agricultural Policy have been made as result. See also Europe Agreements and Treaty of Nice.

Agenda 21: The Agenda for the twenty-first Century. This is a program of principles and actions relevant to trade and environment adopted on 14 June 1992 by UNCED (United Nations Conference on Environment and Development) in Rio de Janeiro. Program area A seeks to promote sustainable development through trade. Its objectives are (a) to promote an open, non-discriminatory and equitable trading system that will enable all countries to improve their economic structures and improve the standards of living of their populations through sustained economic growth, (b) to improve access to markets for exports of developing countries, (c) to improve the functioning of commodity markets and achieve sound, compatible and consistent commodity policies at national and international levels with a view to optimizing the contribution of the commodity sector to sustainable development, taking into account environmental considerations, and (d) to promote and support domestic and international policies that make economic growth and environmental protection mutually supportive. Program area B aims (a) at making trade and environment mutually supportive in favour of sustainable development, (b) to clarify the role of GATT, UNCTAD and other international organizations in dealing with trade and environment-related issues, including, where relevant, conciliation procedure and dispute settlement, and (c) to encourage international productivity and competitiveness and encourage a constructive role on the part of industry in dealing with environment and
development issues. See also commodity policy, Rio Declaration on Environment and Development and World Summit on Sustainable Development.

**Aggregate measurement of support:** a term used in agricultural negotiations. It is the annual level of support expressed in monetary terms for all domestic support measures where government funds are used to subsidize farm production and incomes. It includes product-specific support and support given to agricultural producers in general. The annual level of support has to be reduced as a result of the Uruguay Round negotiations. Domestic support measures with minimal impact on trade do not have to be reduced. See also Agreement on Agriculture, amber box, blue box, equivalent measure of support, green box, subsidies and total aggregate measurement of support.

**Aggressive multilateralism:** usually describes the option available to the United States of using the WTO dispute settlement mechanism vigorously, backed up by Section 301 to the extent that that would be legal and desirable.

**Aggressive reciprocity:** the unilateral action of an economy which seeks to force a trading partner to change its trade policy. Measures used include retaliation in response to perceived unfair actions, the use of domestic trade legislation, etc. Aggressive reciprocity is capable of solving some trade issues, but often at the expense of considerable political ill-will. It has also been described as the “crow-bar theory of trade policy”. See also bilateralism, passive reciprocity, Section 301, Special 301, unfair trading practices and unilateralism.

**Aggressive unilateralism:** see unilateralism.

**AGOA:** see African Growth and Opportunity Act.

**AGOA II:** improvements made to the African Growth and Opportunity Act as part of the United States Trade Act of 2002. Most of the improvements relate to preferential treatment of textile imports.

**Agreement Concerning the International Registration of Marks:** see Madrid Agreement Concerning the International Registration of Marks.

**Agreement for Facilitating the International Circulation of Visual and Auditory Materials of an Educational, Scientific and Cultural Character:** see Beirut Agreement.

**Agreement for the Protection of Appellations of Origin and their International Registration:** see Lisbon Agreement.

**Agreement for the Repression of False or Deceptive Indications of Source on Goods:** see Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods.

**Agreement on Agriculture:** one of the outcomes of the Uruguay Round. It is administered by the WTO. The Agreement provides the first effective multilateral framework for the long-term reform and liberalization of agricultural trade. The Agreement establishes new rules and commitments in market access, domestic support and export competition (i.e. the handling of subsidies). It encourages the adoption of domestic support policies that are less trade-distorting, and it allows actions aimed at easing domestic adjustment burdens. Some of the