Glossary of trade terms

ACP: African, Caribbean and Pacific States; normally used to identify the countries that are signatories of the Lomé Convention with the European Union (EU), and are now negotiating Economic Partnership Agreements (EPAs) with the EU under Lomé's successor, the Cotonou Agreement. The regional ACP grouping is CARIFORUM.

Balance of Trade: The financial difference between a country's imports and exports

CAP: Common Agricultural Policy – this is a system of EU agricultural subsidies and programmes. It represents about 44 percent of the EU's budget (€43 billion scheduled spending for 2005). The CAP combines a direct subsidy payment for crops and cultivated land with price support mechanisms, including guaranteed minimum prices, import tariffs and quotas on certain goods from outside the EU.

CARICOM: The Caribbean Community and Common Market
In 1972, Commonwealth Caribbean leaders at the Seventh Heads of Government Conference decided to transform the Caribbean Free Trade Association (CARIFTA) into a Common Market and establish CARICOM, of which the Common Market would be an integral part. The Treaty of Chaguaramas which established CARICOM, was signed in Chaguaramas, Trinidad and Tobago, 4th July 1973, and was a defining moment in the history of the Commonwealth Caribbean. Although a free-trade area had been established, CARIFTA did not provide for the free movement of labour and capital, or the coordination of agricultural, industrial and foreign policies.

CARIFORUM: The Caribbean Forum is a sub-regional grouping of the ACP States States (CARIFORUM). CARIFORUM was established in 1992. Under the Lomé Convention, the regional projects were co-ordinated and monitored by the CARICOM Secretariat. When, for Lomé IV, two new ACP Caribbean States, namely Haiti and the Dominican Republic, joined the Convention, the need to create a new forum of consultation for the purpose of regional co-operation emerged as neither of these countries were members of CARICOM at that time. In this regard, the European Commission (EC) and the Caribbean ACP States jointly agreed that the programming of the Caribbean regional resources under the 7th European Development Fund (EDF) under the Lomé IV Convention would fall under the responsibility of CARIFORUM, which is CARICOM and the Dominican Republic.

Cotonou Agreement:

The current trade agreement which governs economic relations between the Eu and ACP States. From 1975 until 2000 relations between Europe and the ACP states were governed by the regularly adapted and updated Lomé Convention. However, major upheavals on the international stage, socio-economic and political changes in the ACP countries, the spreading of poverty, resulting in instability and potential conflict, all highlighted the need for a re-thinking of cooperation.

Under the Lomé agreement, the ACP had special access to sell certain products in European markets. The February 2000 expiration of the Lomé Convention provided an ideal opportunity for a thorough review of the future of ACP-EU relations. Against a background of intensive public debate, negotiations started in September 1998 and were successfully concluded in early February 2000. The new ACP-EC agreement was signed on 23rd of June 2000 in Cotonou, Benin and was concluded for a twenty-year period from March 2000 to February 2020.

The objectives of the Cotonou Agreement are to reduce and, in time, eradicate poverty, and also to promote sustainable development and the progressive integration of the ACP countries into the global economy. EPAs are part of the Cotonou Agreement and cover trade and political cooperation between the two groups of countries.

EPAs: Economic Partnership Agreements are designed to create a free trade area (FTA) between the European Union and the ACP countries. They are a response to continuing criticism that the non-reciprocal and discriminating preferential trade agreements offered by the EU are incompatible with WTO rules. The EPAs are a key element of the Cotonou Agreement, the latest agreement in the history of ACP-EU Development Cooperation, and are to take effect as of 2008.

EU: European Union –The EU is a political and economic community of twenty-seven member states, located primarily in Europe. It was established in 1993 by the Maastricht Treaty, adding new areas of policy to the existing European Community. With almost 500 million citizens, the EU combined generates an estimated 30% share of the world's nominal gross domestic product (US$16.8 trillion in 2007). The EU has developed a single market through a standardised system of laws which apply in all member states, guaranteeing the freedom of movement of people, goods, services and capital. It maintains a common trade policy, agricultural and fisheries policies, and a regional development policy

Export Credits: financing arrangement allowing a foreign buyer of exported goods and/or services to defer payment over a period of time, often used also for an insurance or guarantee arrangement.

Export Subsidies: government payments to induce export by domestic producers.

Fair Trade: an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.

FTA: Free Trade Area - is a designated group of countries that have agreed to eliminate tariffs, quotas and preferences on most (if not all) goods between them.

Free Trade: trade without intervention from governments and without Customs duties. Prices and products are determined by market forces of supply and demand.

Globalisation: the growing interdependence and interconnectedness of the modern world through increased flows of goods, services, capital, people and information. The process is driven by technological advances and reductions in the cost of integrated transactions, which spread technology and ideas, raise the share of trade in world production and increase the mobility of capital. In economic contexts, it refers almost exclusively to the effects of trade, particularly trade liberalization or free trade.

Gross Domestic Product (GDP): the total value of goods and services produced within a country.

Gross National Income: previously known as Gross National Product, Gross National Income comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries.

IPRS (Intellectual Property Rights): rights that accrue to the creator of an intellectual property, including: copyrights, trademarks, geographical indications, industrial designs, patents, and undisclosed commercial information or data.

LDCs: Least Developed Countries - Least Developed Countries (LDCs or Fourth World countries) are countries which according to the United Nations exhibit the lowest indicators of socioeconomic development, with the lowest Human Development Index ratings of all countries in the world. A country is classified as a Least Developed Country if it meets three criteria based on: low-income, human resource weakness and economic vulnerability.

Liberalisation: the opening up of markets within and between countries to promote "free trade", i.e. reducing barriers to trade such as tariffs (import and export duties) and other forms of regulation.

Lomé Agreement: This refers to agreements laying down the framework for cooperation on development policy and trade between the EU and the ACP countries. From 1975 until 2000 these relations were governed by the regularly adapted and updated **Lomé Convention**.

The Lomé Convention is a programme of cooperation originally between 15 countries of the European Union and 46 countries of the ACP grouping. It was based mainly on a system of tariff preferences which give those countries access to the European market and special funds which maintain price stability in agricultural products and mining products. Lome has since been replaced by the Cotonou Agreement.

NAFTA: Members of the North American Free Trade Agreement (NAFTA) are Canada, Mexico, and the United States. It came into effect on January 1, 1994 and (as of 2007) it is the largest trade bloc in the world in terms of combined purchasing power parity GDP of its members.

MDCs: Most Developed Countriess -The term developed country, or advanced country, is used to categorize countries with developed economies in which the tertiary and quaternary sectors of industry dominate. This level of economic development usually translates into a high income per capita and a high Human Development Index (HDI). Countries with high gross domestic product (GDP) per capita often fit the above description of a developed economy. In common practice, Canada and the United States in North America, Japan and South Korea in Asia, Australia and New Zealand in Oceania, and most countries in Northern Europe and Western Europe are considered "developed countries". Increasingly, the term "developed countries" is also used to refer to Hong Kong, Singapore and Taiwan (Republic of China)

MFN: Most Favoured Nation is a status awarded by one nation to another in international trade. It means that the receiving nation will be granted all trade advantages - such as low tariffs - that any other nation also receives. In effect, having MFN status means that one's nation will not be treated worse than anyone else's nation. The members of the World Trade Organization, which include all developed nations, accord MFN status to each other. Exceptions exist for preferential treatment of developing countries, regional free trade areas and customs unions. Together with the principle of national treatment, MFN is one of the cornerstones of WTO trade law.

OECS: The Organisation of Eastern Caribbean States came into being on June 18th 1981, when seven Eastern Caribbean countries signed a treaty agreeing to cooperate with each other and promote unity and solidarity among the Members. The Treaty became known as the Treaty of Basseterre, so named in honour of the capital city of St. Kitts and Nevis where it was signed. The OECS is now a nine member grouping comprising Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines. Anguilla and the British Virgin Islands are associate members of the OECS.

Sensitive Products: domestically produced goods considered economically and politically important in a country whose competitive position would be threatened if protection against the imports of similar goods were reduced. The steel and textile industries in many developed countries, for example, employ large numbers of workers, often in communities that cannot in the short term offer alternative employment. For these reasons, there has been strong opposition to the reduction of tariff and other trade-restricting measures affecting sensitive products.

SIDS: Small-island Developing States - according to the United Nations Department of Economic and Social Affairs, small island/developing states (SIDS) are low-lying coastal countries that share similar sustainable development challenges. Their growth and development is also held back by high transportation and communication costs, disproportionately expensive public administration and infrastructure due to their small size, and little to no opportunity to create economies of scale.Currently, fifty-one small island/developing states and territories are included in the list used by the United Nations Department of Economic and Social Affairs in monitoring the sustainable development of SIDS – including Jamaica, Trinidad and Tobago and Barbados.

SMEs: Small and Medium Sized Enterprises

In general, statistical definitions of an SME use one or more of three defining measurements: number of employees; turnover and size of the balance sheet.

The European Commission revised its definition of an SME in 2003 as follows:-.

Enterprise category	**Headcount**	**Turnover (€)**
Micro	<10	<2 million
Small	<50	<10 million
Medium-sized	<250	<50 million

This definition reflects economic developments since 1996 and a growing awareness of the many hurdles confronting SMEs. The new definition aims to:
* promote micro enterprises;
* improve access to capital;
* prevent abuses of SME status;
* promote innovation;
* improve access to research and development.

Trade Alliance: Term used to describe the grouping created when countries join together and create trade agreements and alliances. The European Union is an example of a trade alliance.

Rules of Origin: this is used to determine the country of origin of a product for purposes of international trade (the level of processing required for an item to be granted duty free treatment.) However, determining where a product comes from is no longer easy when raw materials and parts crisscross the globe to be used as inputs in scattered manufacturing plants. Rules of origin are important in implementing such trade policy instruments as anti-dumping and countervailing duties, origin marking, and safeguard measures. There are two common types of rules of origin depending upon application, preferential and non-preferential. The exact rules vary from country to country.

Rules of Origin protocol: this was developed in response to the mandate given by the ACP Council of Ministers at its meeting in Port Moresby, Papua New Guinea, in June 2006. The Experts on Rules of Origin had examined an initial draft at their 4th meeting held in October 2006, when it was proposed that a draft protocol be developed to be used by all regions in their negotiations, to ensure the harmonisation of the rules of origin throughout the ACP regions.

WTO: World Trade Organisation

The World Trade Organization (WTO) is an international body whose purpose is to promote free trade by persuading countries to abolish import tariffs and other barriers. As such, it has become closely associated with globalisation.

The WTO is the only international agency overseeing the rules of international trade. It polices free trade agreements, settles trade disputes between governments and organises trade negotiations.

WTO decisions are absolute and every member must abide by its rulings. So, when the US and the European Union are in dispute over bananas or beef, it is the WTO which acts as judge and jury. WTO members are empowered by the organisation to enforce its decisions by imposing trade sanctions against countries that have breached the rules.