

# Non-Tariff Measures Overview

## Glossary of Related Terms

1

Note: With thanks to the following for definitions provided here: [Deardorff's Glossary of International Economics](#), the United Nations Conference on Trade and Development (UNCTAD), the Organization for Economic Co-operation and Development (OECD), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Trade Organization (WTO).

Terms	Definition
Absolute Advantage (AA)	The ability to produce a good at lower cost, in terms of real resources, than another country. In a Ricardian model, cost is in terms of labor only. Absolute advantage is neither necessary nor sufficient for a country to export a good.
Ad Valorem Equivalent Terms	The ad valorem tariff that would be equivalent, in terms of its effects on trade, price, or some other measure, to a nontariff barrier.
Ad Valorem Tariff (A Percentage of Price)	Tariff defined as a percentage of the value of an imported good.
Adjustment Assistance	Government program to assist workers and/or firms whose industry has declined, either due to import competition (trade adjustment assistance) or from other causes. Such programs usually have two (conflicting) goals: to lessen hardship for those affected, and to help them change their behavior -- what, how, or where they produce.
AGOA	U.S. legislation enacted May 2000 providing tariff preferences to African countries that qualify, including trade facilitation and technical assistance to producers. As of January 2016, 40 countries were listed as eligible. Several countries have had their eligibility removed and some later reinstated over the years.
Anti-Dumping Measures	A complaint by a domestic producer that imports are being dumped, leading to an anti-dumping duty if both dumping and injury are found in the resulting investigation.
Beggar Thy Neighbor	For a country to use a policy for its own benefit that harms other countries. Examples are optimal tariffs and, in a recession, tariffs and/or devaluation to create employment.
Civil Society Organization (CSO)	Civil society organization, or Non-governmental organizations, are not-for-profit organizations that pursues an issue or issues of interest to its members by lobbying, persuasion, and/or direct action. In the arena of international economics, NGOs play an increasing role defending human rights and the environment, and fighting poverty.
CMEA countries	An international organization formed in 1956 among the Soviet Union and other Communist countries to coordinate economic development and trade. It was disbanded in 1991. Also known as COMECON.
Comparative Advantage (CA)	The ability to produce a good at lower cost, relative to other goods, compared to another country. In a Ricardian model, comparison is of unit labor requirements; more generally it is of relative autarky prices. With perfect competition and undistorted markets, countries tend to export goods in which they have comparative advantage. See also absolute advantage.
Complements	Refers to the multiplicity of differentiated products that are available in some industries, a multiplicity that tends to become larger with trade.

# Non-Tariff Measures Overview

## Glossary of Related Terms

2

Computable General Equilibrium (CGE) model	Refers to economic models of microeconomic behavior in multiple markets of one or more economies, solved computationally for equilibrium values or for changes due to specified policies. The equations are calibrated with data from the countries being modeled, while behavioral parameters are either assumed or adapted from estimates elsewhere.
Concessions	The term used in GATT negotiations for a country's agreement to bind a tariff or otherwise reduce import restrictions, usually in return for comparable "concessions" by other countries. Use of this term, with its connotation of loss for what economic theory suggests is often a source of gain, is part of what has been called GATT-Speak.
Conformity assessment	Conformity assessment procedures are technical procedures — such as testing, verification, inspection and certification — which confirm that products fulfil the requirements laid down in regulations and standards. Generally, exporters bear the cost, if any, of these procedures. Non-transparent and discriminatory conformity assessment procedures can become effective protectionist tools.
Consumption Bundles	The purchase of goods and services by households.
Contingent trade policy measures	Anti-dumping, countervailing duties and safeguards
Countervailing Duties	A tariff levied against imports because they are subsidized by the exporting country's government, designed to offset (countervail) the effect of the subsidy.
Customs	The process that through which imported goods must pass in crossing the border of a country or other customs area.
Deadweight Loss	The net loss in economic welfare that is caused by a tariff or other source of distortion, defined as the total losses to those who lose, minus the total gains to those who gain. Usually identified in a supply-and-demand diagram in terms of change in consumer and producer surplus together with government revenue. The net of these appears as one or two welfare triangles.
Diversification	Reliance by a country, industry, or firm on multiple products for export and/or multiple trading partners to export them to.
Duty	Tax, perhaps because you have a duty to pay it. An import duty is a tax on imports, thus a tariff.
Economic Partnership Agreement (EPA)	An agreement negotiated between the European Union and a developing country -- especially members of the ACP Countries -- to form free trade areas and otherwise assist them in their development.
Effective Rate Of Protection	A measure of protection provided to an industry by the entire structure of tariffs, taking account of tariffs on inputs as well as on outputs. Letting $b_{ij}$ be the share of input $i$ in the value of output $j$ , and $t_k$ be the tariff on good $k$ , $k=i,j$ , the ERP of industry $j$ is $ERP_j = (t_j - \sum_i b_{ij} t_i) / (1 - \sum_i b_{ij})$ . Due to Corden (1966).
Entrepreneurship	The talent, knowledge, and willingness to engage in new activities, especially those that may result in new kinds of firms.

# Non-Tariff Measures Overview

## Glossary of Related Terms

3

EU'S GSP Plus	EU's Special Incentive Arrangement for Sustainable Development and Good Governance, GSP+, is part of EU's unilateral tariff preferences in favour of developing countries, the Generalised Scheme of Preferences, GSP, which was revamped as of 1 January 2014. The GSP+ scheme is designed to help developing countries assume the special burdens and responsibilities resulting from the ratification of 27 core international conventions on human and labour rights, environmental protection and good governance as well as from the effective implementation thereof. It does so by granting full removal of tariffs on over 66% of tariff lines covering a very wide array of products including, for example, textiles and fisheries.
Fixed Cost	The cost that a firm bears if it produces at all and that is independent of its output. The presence of a fixed cost tends to imply increasing returns to scale. Contrasts with variable cost.
GATS	General Agreement on Trade in Services. The agreement, negotiated in the Uruguay Round, to bring international trade in services into the WTO. It requires countries to provide national treatment to foreign service providers in service sectors they specify to be covered.
GATT Articles	The individual sections of the GATT agreement, conventionally identified by their Roman numerals. Most were originally drafted in 1947, but are still included in the WTO.
Generalized System of Preferences (GSP)	Tariff preferences for developing countries, by which developed countries let certain manufactured and semi-manufactured imports from developing countries enter at lower tariffs than the same products from developed countries.
Global Trade Analysis Project (GTAP)	A project based at Purdue University, providing a data base and CGE modeling tools for analysis of global trade and trade policy.
Global Value Chains	Another term for fragmentation, used by the OECD to describe the splitting of production processes into separate parts that can be done in different locations, including in different countries. One of many terms for the same phenomenon, this particular term originated with Jones and Kierzkowski (1990).
HS code	An international system for classifying goods in international trade and for specifying the tariffs on those goods. It was adopted at the beginning of 1989, replacing the previously used schedules in over 50 countries, including the Brussels Tariff Nomenclature.
Harmonization	Technical harmonization towards an international standard, particularly prevalent in industrial and telecommunications
Human Capital Investment	The stock of knowledge and skill embodied in an individual person as a result of education, training, and experience, that makes the person more economically productive.
Import Licenses	The permit, or license, to import under an import quota or under exchange controls.
Inclusive Growth	An economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.

# Non-Tariff Measures Overview

## Glossary of Related Terms

4

Indifference Curves	A means of representing the preferences and well-being of consumers. Formally, it is a curve representing the combinations of arguments in a utility function that yield a given level of utility and therefore among which a consumer with that utility function would be indifferent.
Inequality	Differences in per capita income or household income across populations within a country or across countries.
Infant Industry	Protection to sustain a newly established domestic industry that is less productive than foreign producers. If productivity rises with experience, as with learning by doing or dynamic economies of scale, enough to pass Mill's and Bastable's tests, there is a second-best argument for protection. The term is very old and the idea older, but a classic treatment may be found in Baldwin (1969).
Intellectual Property	Products of the mind, such as inventions, works of art, music, writing, film, etc., ownership of which may be governed by patents, trademarks, and copyrights.
Intermediate Inputs	An input to production that has itself been produced and that, unlike capital, is used up in production. As an input it is in contrast to a primary input and as an output it is in contrast to a final good. A very large portion of international trade is in intermediate inputs.
Intra-Industry Trade	Trade in which a country exports and imports in the same industry, in contrast to interindustry trade. Ubiquitous in the data, much IIT is due to aggregation. Can be horizontal or vertical. Grubel and Lloyd (1975) wrote the book on IIT and introduced the Grubel-Lloyd index to measure it.
Lead Firm	Small, medium, and large firms that have forward/backward commercial linkages with targeted micro, small, and medium scale enterprises (MSMEs).
Mainstreaming Gender In Trade	Mainstreaming gender in trade policy means (a) assessing the impacts trade policies and trade liberalization could have on the well-being of men and women, under the assumption that distinct sectors and groups within a country will be impacted differently; and (b) consequently formulating trade policy and pacing trade liberalization in a gender sensitive manner. Once trade policies have been set up and commitments have been taken at the multilateral, regional or bilateral levels, such policies must be translated into programmes and actions from which women and the entire society can effectively benefit. By assessing the gender implications of trade policies, policymakers can direct them to facilitate women's empowerment and well-being, while at the same time avoiding the increase in disparity between men and women.
Most Favoured Nations (MFN)	The principle, fundamental to the GATT, of treating imports from a country on the same basis as that given to the most favored other nation. That is, and with some exceptions, every country gets the lowest tariff that any country gets, and reductions in tariffs to one country are provided also to others.
Multilateral Liberalization	Reduction of tariffs and/or nontariff barriers by one or (usually) more countries on imports from all countries (or all members of the WTO). This is most likely to happen as a result of multilateral trade negotiations, such as the various GATT and WTO Rounds.

# Non-Tariff Measures Overview

## Glossary of Related Terms

5

Mutual recognition	Mutual Recognition (MR) is a wide-ranging concept: one can mutually recognise limited or general aspects of a regulatory regime. A very ambitious form is MR of rules or standards. 'Rules' can mean various manifestations of legal obligations. 'Standards' are by definition voluntary; however, in some regimes, adhering to a specific standard may be regarded as fulfilling the relevant regulatory objective of health or safety (etc.). MR will be possible only if the relevant regulatory objectives are regarded as 'equivalent'.
National Treatment	The principle of providing foreign producers and sellers the same treatment provided to domestic firms.
Negative Externality	A harmful externality; that is, a harmful effect of one economic agent's actions on another. Considered a distortion because the first agent has inadequate incentive to curtail the action. Examples are pollution from factories (a production externality) and smoke from cigarettes (a consumption externality).
New generation trade agreements	A 'deep' trade agreement which covers one or more WTO-plus issues.
Noodle Bowl	Term sometimes substituted for Bhagwati's spaghetti bowl, especially by researchers in Asia.
NTMs	Any policy or official practice that alters the conditions of international trade, including those that act to increase trade as well as those that restrict it. The term is therefore broader than nontariff barrier, although the two are usually used interchangeably.
Opportunity Costs	The cost of something in terms of opportunity foregone. The opportunity cost to a country of producing a unit more of a good, such as for export or to replace an import, is the quantity of some other good that could have been produced instead with the same resources.
Political Inclusion	Political inclusion is the right to political participation and to political representation of migrants on the same legal basis as host populations thus developing a notion of membership to a city's population. This can be done by extending voting rights for local elections or creating advisory councils of diverse migrant communities.
Positive Externality	A beneficial externality; that is, a beneficial effect of one economic agent's actions on another. Considered a distortion because the first agent has inadequate incentive to act. Examples are the attractiveness of well-kept farms for the tourism industry (a production externality) and reduced contagion of disease due to vaccines (a consumption externality).
Positive List	In an international agreement, a list of those items, entities, products, etc., to which the agreement will apply, with no commitment to apply the agreement to anything else. Contrasts with negative list.
Preferential (Tariff) Erosion	A tariff lower than the MFN tariff, levied against imports from a country that is being given favored treatment, as in a preferential trading arrangement or under the GSP.

# Non-Tariff Measures Overview

## Glossary of Related Terms

6

Pro-Competitive Effect	One source of gains from trade: the fact that it forces domestic producers, which may be limited in number and therefore imperfectly competitive, into competition with foreign firms. The resulting increase in competition improves efficiency and therefore welfare.
Production Possibility Frontier	A diagram showing the maximum output possible of one good for various outputs of another (or several others), given technology and factor endowments. The PPF is also called a transformation curve or production possibility curve.
Productivity	Output per unit input, usually measured either by labor productivity or by total factor productivity.
Ratification	The approval by a country's governing body of an international agreement that has been negotiated, such as a trade agreement.
Reciprocity	A principle that underlies GATT negotiations, that countries exchange comparable concessions.
Relative Prices	The price of one thing (usually a good) in terms of another; i.e., the ratio of two prices. The relative price of good X in terms of good Y is $p_X / p_Y$ .
Relative Resource Endowments	Factor abundance, in ratio form, compared across countries. Thus country A is abundant in capital relative to labor, compared to country B, if $K_A/L_A > K_B/L_B$ , where $K_i, L_i, i=A,B$ are capital and labor endowments. But see also the price definition.
Rent	Economic rent: The premium that the owner of a resource receives over and above its opportunity cost.
Revealed Comparative Advantage Index (RCA)	Balassa's (1965) measure of relative export performance by country and industry, defined as its share of world exports of a good divided by its share of total world exports. The Balassa Index for country i good j is $RCA_{ij} = 100(X_{ij} / X_{wj}) / (X_{it} / X_{wt})$ where $X_{ab}$ is exports by country a (w=world) of good b (t=total for all goods).
Revenue	Referring to a tariff, the money collected by the government. Equals the size of the tariff times the quantity of imports. An analysis of the effects of a tariff needs to account for the revenue, and in a general equilibrium model it must specify whether and how the revenue is spent.
Rules of Origin (ROO)	A rule included in an FTA specifying when a good will be regarded as produced within the FTA, so as to cross between members without tariff. Typical ROOs are based on percentage of value added or on changes in tariff heading.
Safeguards	Article XIX of the GATT, which permits countries to restrict imports if they cause injury. Restrictions must be for a limited time and nondiscriminatory.
Scale Economies	The value of output minus the value of all intermediate inputs, representing therefore the contribution of, and payments to, primary factors of production.
Servicification of Trade	The increase of trade in services, along with services combined with goods exports (embedded services) and as critical inputs in the production process of exported goods (embodied services)
Social Safety Net	The term Social Safety Net is used in a broader context to mean any program that provides benefits to individuals or families in need.



# Non-Tariff Measures Overview

## Glossary of Related Terms

7

State Owned Enterprises	A firm owned by government. Relations between SOEs and private firms on international markets raise special problems for GATT, since SOEs may not respond normally to market forces and their actions may reflect government policies.
Standards	The difference between a standard and a technical regulation lies in compliance. While conformity with standards is voluntary, technical regulations are by nature mandatory. They have different implications for international trade. If an imported product does not fulfil the requirements of a technical regulation, it will not be allowed to be put on sale. In case of standards, non-complying imported products will be allowed on the market, but then their market share may be affected if consumers' prefer products that meet local standards such as quality or colour standards for textiles and clothing.
Subsidy	A payment by government, perhaps implicit, to the private sector in return for some activity that it wants to reward, encourage, or assist. Under WTO rules, subsidies may be prohibited, actionable, or non-actionable.
Substantially all trade (SAT)	Refers to GATT Article XXIV, paragraph 8, which states that agreements must eliminate restrictions are eliminated on substantially all trade (based on tariff lines or total trade)
Surplus	In the balance of payments, or in any category of international transactions within it, the surplus is the sum of credits minus the sum of debits. Also called the "balance" for that category. Thus the balance of trade is the same as the trade surplus, and similarly for merchandise trade, current account, and financial account.
Tariff	A tax on trade, usually an import tariff but sometimes used to denote an export tax. Tariffs may be ad valorem or specific.
Tariff Bounds	A commitment, under the GATT, by a country not to raise the tariff on an item above a specified level, also called the tariff binding, the bound rate, or the bound tariff.
Technical barriers to trade	The Technical Barriers to Trade (TBT) Agreement aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade. At the same time, it recognises WTO members' right to implement measures to achieve legitimate policy objectives, such as the protection of human health and safety, or protection of the environment. The TBT Agreement strongly encourages members to base their measures on international standards as a means to facilitate trade. Through its transparency provisions, it also aims to create a predictable trading environment.
Technological Spill Overs	Same as technology transfer, though usually not done intentionally by the transferor.
Terms Of Trade	Most commonly in economics, the relative price, on world markets, of a country's exports compared to its imports. Also called the net barter terms of trade and commodity terms of trade. Introduced by Marshall (1923).
Trade Adjustment Assistance	A program of adjustment assistance for workers and firms in industries that have suffered from competition with imports. In the U.S., TAA began with the Trade Expansion Act of 1962, and it has been renewed and expanded since then, including as part of the NAFTA.

# Non-Tariff Measures Overview

## Glossary of Related Terms

8

Trade Creation	Trade between members of a PTA that replaces what would have been production in the importing country were it not for the PTA. Associated with welfare improvement for the importing country since it reduces the cost of the imported good. Concept, and trade diversion, due to Viner (1950).
Trade Deflection	Entry, into a low-tariff member of a free trade area, of imports intended for a purchaser in its higher-tariff partner. This is normally prevented by rules of origin. Term was introduced with this meaning by Shibata (1967).
Trade Diversion	Trade that occurs between members of a PTA that replaces what would have been imports from a country outside the PTA. Associated with welfare reduction for the importing country since it increases the cost of the imported good. Concept, and trade creation, due to Viner (1950).
Trade Flows	The quantity or value of a country's bilateral trade with another country.
Trade Liberalization	Reduction of tariffs and removal or relaxation of NTBs.
Trade Negotiation	A negotiation between pairs of governments, or among groups of governments, exchanging commitments to alter their trade policies, usually involving reductions in tariffs and sometimes nontariff barriers.
Trade Remedies	Protection provided by any of the following: anti-dumping duties, countervailing duties, or safeguards protection.
Trade Restrictions	Any policy that reduces the amount of exports or imports, such as a tariff, quota, or other nontariff barrier.
Transparency Mechanism	Degree to which trade policies and practices, and the process by which they are established, are open and predictable.
Value Added	The value of output minus the value of all intermediate inputs, representing therefore the contribution of, and payments to, primary factors of production.
Variety	Refers to the multiplicity of differentiated products that are available in some industries, a multiplicity that tends to become larger with trade.
Welfare Economics	The branch of economic thought that deals with economic welfare, including especially various propositions relating competitive general equilibrium to the efficiency and desirability of an allocation. See the first and second theorems of welfare economics.

A more exhaustive list can be found at [Deardorff's Glossary of International Economics](#).

An online version of this glossary can be found on the ARTNeT website [here](#).