

Trade Terms and Definitions

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Bilateral Trade Agreement — A formal or informal agreement involving commerce between two countries.

Central American Free Trade Agreement (CAFTA) — A proposed agreement between the U.S. and five Central American Countries (Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica) and the Dominican Republic. Negotiations on CAFTA are completed and the agreement was signed by the president in May of 2004. CAFTA, based on NAFTA, is a means to push forward FTAA negotiations.

Commodity — an economic good produced by agricultural or mining industries.

Dumping — Under U.S. law, sales of merchandise exported to the United States at “less than fair value,” when such sales materially injure or threaten material injury to producers of like merchandise in the United States. WTO rules recognize dumping as an unfair trade practice that can disrupt markets and injure producers of competitive products in the importing country.

Food Sovereignty -- The right of people, communities and countries to define their own agricultural, food and land policies that are appropriate to their unique circumstances. It includes both the right to access food and the right to produce food. When a country is able to feed itself with food produced domestically and distributed fairly, it has food sovereignty.

Free Trade Area of the Americas (FTAA) — A planned hemisphere-wide free trade area, FTAA will consist of North America, Latin America, South America and the Caribbean, including 34 countries and nearly 800 million people. If ratified, it will be the largest free trade market in the world, stretching from the northernmost regions of Canada to Tierra del Fuego, Argentina, covering more than \$13 trillion in goods and services annually.

General Agreement on Tariffs and Trade (GATT) — Signed in 1947, GATT is one of the three mechanisms for global government governance after WWII. For nearly 50 years it focused on trade in goods by cutting tariffs and quotas through negotiations. GATT set terms of countries that wanted to trade with each other. In 1995, the WTO replaced GATT and it is now one of the eighteen agreements enforced under WTO.

General Agreement on Trade in Services (GATS) — Sets rules for who controls or owns services and limits government regulation in the service sector. GATS covers all services including health care, education, utilities including water and energy, banking, transportation and insurance. It creates the right for foreign investors to set up services inside other WTO countries.



National Treatment — Requires countries to treat domestic and foreign goods, services and/or investors the same for regulatory, tax and other purposes. This is also called “non-discriminatory” treatment.

North American Free Trade Agreement (NAFTA) — A comprehensive free trade agreement, based on the principle of national treatment, between the United States, Canada, and Mexico. NAFTA was approved in 1994 and initiated negotiations to eliminate, over a mutually agreed upon time period, all tariffs on trade between the three countries; reduce impediments to trade in services; and remove most restrictions on foreign investment among the signatory countries.

Offshore Outsourcing -The practice of hiring an external organization to perform some or all business function in a country other than the one where the the product will be sold or consumed. It has come to mean the elimination of native staff to staff overseas, where salaries are markedly lower.

Trade Deficit -- A situation where a geographical entity (be it a nation, region, state or city) imports more goods and services than it exports.

Trade Promotion Authority (TPA) — Formerly called Fast Track, TPA gives the president the power to negotiate trade agreements and submit them to Congress without amendment. TPA allows the president to negotiate an agreement and present it to Congress, at which point Congress votes the agreement up or down.

United States Trade Representative (USTR) — The USTR refers to both a person who holds the rank of ambassador and an agency in the U.S. government. The person is our country’s chief trade negotiator and the head consultant to the president on trade matters. The U.S. Trade Representative serves as the president’s principal trade advisor, negotiator, and spokesperson on trade and related investment matters. Ambassador Robert Portman is the current USTR. The agency is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, and leading or directing negotiations with other countries on such matters.

World Trade Organization (WTO) — The WTO is an international organization created in 1995. The WTO is made up of 144 member nations. The organization may act as an authority, settling disputes and monitoring policies. The member nations are part of a multilateral trading system that guarantees certain trading rights and rules. WTO also has the power to impose economic sanctions when it deems that trade agreements have been “violated.” The WTO is the successor to GATT.

