

Definitions of Technical Terms

Ad valorem duties (tariffs) Is calculated as a percentage of the value of the dutiable items. Contrasts with a specific tariff.

Anti-dumping duties May be imposed if export dumping causes injury to producers of competing goods in an importing country. The duties should be equal to the difference between the export price and the normal value of the dumped goods.

Balance of trade Refers to the difference between the value of exports and imports. It is calculated as the value of exports of goods and services minus the value of imports of goods and services.

Balance of payments Records all flows of money in and out of a given country. These flows might result from the sale of exports (an inflow or credit) or from the country's purchase of imports from overseas (an outflow or debit). They might also arise from other countries investing in the country (inward investment – a credit), or from country's companies investing abroad (a debit). All flows of money are added together and grouped according to their type. The overall account is then called the balance of payments – principally because the total of outflows must be equivalent to the total of inflows. The balance of payments therefore balances.

Blue Box Comprises measures regarded as exceptions to the general rule that all subsidies linked to production must be reduced or kept within defined minimal levels. Covers payments directly linked to land size or livestock as long as the activity being supported limits production.

Common external tariff Refers to a tariff rate applied by a regional grouping of countries as a unit.

Dumping Occurs when goods are exported at a price less than their normal value, generally meaning that they are exported for less than they are sold in the domestic market or third-country markets, or at less than cost of production.

Employment elasticity Is the percentage change in employment resulting from a one per cent change in economic growth.

EU Common Agricultural Policy Refers to the system of European Union agricultural subsidies that guarantees a minimum price to producers and pays a subsidy for crops planted.

An export processing zone (EPZ) Eases tax and labour restrictions. Its primary purpose is to generate export revenues in poor developing countries. It is largely identical to a free trade zone.

Extreme poverty Is the most severe state of poverty, where people have minimal or very limited access to basic necessities, such as food, clothing, shelter, education and health care. The World Bank defines extreme poverty as living on \$1 or less per day, and estimates that 1.1 billion people currently live under these conditions. Eradication of extreme poverty and hunger by 2015 is a Millennium Development Goal.

Financial liberalization Refers to a series of regulatory changes that allow foreign investors to buy domestic assets and allows domestic citizens to invest in foreign assets which make the domestic securities market an integral part of the world market. The process is mainly defined as a series of regulatory changes that open up the capital markets to foreign investors with the introduction of depository receipts, country funds or equity capital flows to the emerging economy.

GATS framework Is the General Agreement of Trade in Services. It covers four ‘modes of supply’ for the delivery of services in cross-border trade:

- Mode 1, cross border trade – which is defined as delivery of a service from the territory of one country into the territory of the other country;
- Mode 2, consumption abroad – which covers supply of a service of one country to the service consumer of any other country;
- Mode 3, commercial presence – which covers services provided by a service supplier of one country in the territory of any other country; and
- Mode 4, presence of natural persons – which covers services provided by a service supplier of one country through the presence of natural persons in the territory of any other country.

A ‘Natural Person’ is a human being, as distinct from a legal person such as a company or organization. Countries can freely decide where to liberalize on a sector-by-sector basis, including which specific mode of supply they want to cover for a given sector.

Gross Domestic Product (GDP) Is gross value added, at purchasers’ prices, by all resident producers in the economy plus any taxes and minus any subsidies not included in the value of the products. It is calculated without deducting for depreciation of fabricated assets or for depletion or degradation of natural resources. Value added is the net output of an industry after adding up all outputs and subtracting intermediate inputs.

Gender Is a social construct regarding culture-bound conventions, roles and behaviours for, as well as relationships between and among, women and men and boys and girls.

Generalized System of Preferences (GSP) Aims to encourage developing countries’ exports by allowing their products preferential access to the markets of developed countries. Although donor countries are under no obligation in international law to give preferences, almost all

developed countries operate GSP schemes; however, the schemes they offer vary significantly.

Green Box Contains income support and subsidies that are expected to cause little or no trade distortion. Subsidies have to be funded by governments but must not involve price support. Environmental protection subsidies are included. No limits or reductions are required for such income support or subsidies.

Gini coefficient (index) Measures the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution. A value of ‘zero’ represents perfect equality, while a value of ‘one’ represents perfect inequality.

Globalization For the purposes of this report, refers to the generalized expansion of international economic activity, which includes increased international trade, growth of international investment (foreign investment) and international migration, and increased proliferation of technology among countries. Globalization is thus the increasing worldwide integration of markets for goods, services, labour, and capital.

Headcount ratio Is also known as the poverty incidence or headcount index. It measures the share of the total population in a given area whose consumption is below the poverty line. In other words, it is the proportion of the population who cannot afford to purchase the basic basket of goods and services.

Infant mortality rate Is the probability of dying between birth and exactly one year of age, expressed in terms of per 1,000 live births.

Intellectual property rights Is a generic phrase encompassing intangible property rights, including, among others, patents, trade and service marks, copyrights, industrial designs, rights in semiconductor chip layout designs, and rights in trade secrets.

Least Developed Countries (LDCs) Are countries which, according to the United

Nations, exhibit the lowest indicators of socioeconomic development. A country is classified as a Least Developed Country if it meets three criteria based on:

- Low-income (GNI per capita of less than \$750)
- Human resource weakness (based on indicators of nutrition, health, education and adult literacy)
- Economic vulnerability (based on instability of agricultural production, instability of exports of goods and services, economic importance of non-traditional activities, merchandise export concentration, and handicap of economic smallness, and the percentage of population displaced by natural disasters).

Life expectancy at birth Is the number of years a newborn infant would live if prevailing patterns of age-specific mortality rates at the time of birth were to stay the same throughout the child's life.

Low- and middle-income developing countries Are defined on the basis of per capita gross national income (GNI), based on the approach used by the World Bank. Based on GNI per capita for 2004, the groups are: low-income, \$825 or less; lower middle-income, \$826–\$3,255; upper middle-income, \$3,256–\$10,065; and high income, \$10,066 or more.

Maternal mortality ratio Is the annual number of deaths of women from pregnancy-related causes per 100,000 live births.

Multifibre Arrangement (MFA) Also known as Agreement on Textile and Clothing (ATC), governed the world trade in textiles and garments from 1974 through 2004, imposing quotas on the amount developing countries could export to developed countries. It expired on 1 January 2005.

Most-favoured-nation (MFN) Is a commitment that a country will extend to another country the lowest tariff rates it applies to any other country. All WTO contracting parties undertake to apply such treatment to one

another under Article I of the GATT. When a country agrees to cut tariffs on a particular product imported from one country, the tariff reduction automatically applies to imports of that product from any other country eligible for most-favoured-nation treatment.

Newly industrializing economies (NIEs) A term originated by the Organization for Economic Cooperation and Development (OECD), describes economies of the Third World that have enjoyed rapid economic growth and can be described as 'middle-income' economies. The term was first applied to Hong Kong (China), Singapore, the Republic of Korea, and Taiwan (China), but it is often extended to other economies.

Outsourcing of business processes Is the leveraging of third party technology or specialist process vendors to provide and manage an organisation's enterprise processes and applications. In these contracts the provider is responsible for performing and managing the outsourced function or process on behalf of the customer. Business process outsourcing contracts generally involve the provider taking overall responsibility for the business process and not just supplying IT applications or services to facilitate the process. Through business process outsourcing, vendors provide and manage a company's critical and/or non-critical enterprise applications. The most common examples of such arrangements are call-centres, human resources, accounting and payroll outsourcing. Business process outsourcing may involve the use of off-shore resources.

Plant variety protection (PVP) Is a synonym for plant breeders' rights (PBR). It is the legal protection of a new plant variety granted to the breeder or his successor in title. The effect of PBR is that prior authorization is required before the material can be used for commercial purposes.

Poverty gap Provides information on how far the consumption of poor people is from the poverty line – i.e. the depth of poverty. More technically, the measure captures the average

expenditure shortfall, or gap. It is obtained by adding up all the shortfalls of the poor (ignoring the non-poor) and dividing this total by the number of poor. The poverty gap thus measures the consumption deficit of the population, or the resources that would be needed to lift all the poor out of poverty through perfectly targeted cash transfers.

Preferential treatment Refers to trade preferences that have long been an instrument of foreign and commercial policy, employed to establish closer relations, both economic and political, between the countries concerned. Preferential treatment by developed countries of imports from developing countries has, in addition, become a firm element of development-oriented policies. The various existing regimes of trade preferences for developing countries can be classified into three major categories: (i) the Generalized System of Preferences (GSP); (ii) special preferential regimes for groups of developing countries; and (iii) regional free-trade arrangements between individual developed countries and given groups of developing countries.

Regional integration Refers to the formation of closer economic linkages among countries that are geographically near each other, especially by forming preferential trade agreements.

Small-island developing states (SIDS) Include low-lying coastal countries that share similar sustainable-development challenges, including small populations, lack of resources, remoteness, susceptibility to natural disasters, excessive dependence on international trade and vulnerability to global developments. In addition, they suffer from lack of economies of scale, high transportation and communication costs, and costly public administration and infrastructure.

Special and differential treatment Is the principle in the WTO that developing countries be accorded special privileges, either exempting them from some WTO rules or granting them preferential treatment in the application of WTO rules.

Tax-to-GDP ratio Refers to taxes and social

security contributions as a percentage of GDP. This indicator is widely used to measure the overall tax burden.

Total factor productivity (TFP) Often referred to as the 'Solow residual', addresses any effects in total output not caused by inputs or productivity. In terms of a standard Cobb-Douglas production function –

$$Y = AK^{\alpha}L^{1-\alpha}$$

where Y represents total output as a function of total-factor productivity (A), capital input (K), labour input (L), and the two inputs' respective shares of output. Technology growth and efficiency are regarded as two of the biggest factors affecting TFP, the former possessing 'special' inherent features such as positive externalities and non-rivalness which enhance its position as a driver of economic growth. TFP is seen as the real driver of growth within an economy, and studies reveal that whilst labour and investment are important contributors, TFP accounts for up to as much as 60 per cent of growth within economies.

Trade diversion Occurs when a trade reform measure discriminates between different trading partners and a less efficient (higher cost) source displaces a more efficient (lower cost) one. Can arise whenever some preferred suppliers are freed from barriers but others are not.

Tradable goods Are goods that have export or import potential. The possibility of their being traded abroad sets up a continuous comparison between their price and that of their overseas competitors.

Trade liberalization Is the removal of barriers to free trade, such as tariffs, quotas, nominal and effective rates of protection and exchange controls.

Trade Related Investment Measures (TRIMs) Is one of Agreements covered under Annex IA to the Marrakech Agreement, signed at the end of the Uruguay Round negotiations. The Agreement addresses investment measures that are trade related and that also violate Article III

(National treatment) or Article XI (general elimination of quantitative restrictions) of the General Agreement on Tariffs and Trade.

Trade-Related Aspects of Intellectual Property Rights (TRIPS) Is an international treaty under the World Trade Organization (WTO), which sets down minimum standards of intellectual property for all products and services, covering copyrights, trademarks, geographical indications, industrial designs, integrated circuits, patents and trade secrets.

Trade-to-GDP ratio Is the sum of imports and exports as a proportion of GDP.

Value added tax Is similar to a sales tax in

that it is levied at the time of the sale of goods and services. In some countries, including Australia, Canada, New Zealand, and Singapore, this tax is known as 'goods and services tax' or GST; and in Japan it is known as 'consumption tax'. VAT is an indirect tax, in that the tax is collected from someone other than the person who actually bears the cost of the tax (namely the seller rather than the consumer).

Venture Capital Fund Is a pooled investment vehicle (often a partnership) that primarily invests the financial capital of third-party investors in enterprises that are too risky for the standard capital markets or bank loans.