

TARIFF AND TRADE TERMS

Global Reference



Foreign Trade Zone

Definition:

Designated areas within a country where imported goods can be stored, processed, or assembled without being subject to customs duties until they enter the domestic market.

Purpose:

To promote trade efficiency, attract foreign investment, and reduce costs for businesses engaged in global commerce.

Examples:

- The U.S. has over 250 FTZs used by manufacturers and logistics firms to defer or reduce tariffs.
- Mexico's maquiladora zones near the U.S. border offer FTZ-like advantages for assembly and re-export.
- FTZs in the EU, like those in Rotterdam or Shannon, provide customs relief and economic incentives.

Free Trade / Open Trade

Definition:

Trade with minimal government restrictions such as tariffs or quotas, promoting the free movement of goods and services across borders.

Examples:

- USMCA between the U.S., Mexico, and Canada.
- CETA between Canada and the EU.
- CPTPP among Pacific nations including Japan, Canada, and Australia.

Free Trade Agreement (FTA)

Definition:

A formal agreement between countries to reduce or eliminate trade barriers and promote commerce.

Examples:

- EU-Japan Economic Partnership Agreement.
- ASEAN Free Trade Area (AFTA).
- USMCA replacing NAFTA in North America.



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Inflation

Definition:

A general rise in prices over time, reducing the purchasing power of money.

Examples:

- EU and Canada faced inflation after COVID due to energy costs.
- Japan's recent inflation reversed decades of deflation.
- The U.S. saw inflation spikes linked to high demand and supply disruptions.

Interdependence

Definition:

A mutual reliance among countries for goods, services, and technology through global supply chains.

Examples:

- The U.S. depends on Asia for semiconductors.
- Germany relies on energy from North Africa.
- Canada imports components from China for reassembly and export.

Nationalism

Definition:

An ideology prioritizing national interests, economic independence, and cultural identity over global cooperation.

Examples:

- "America First" policies in the U.S.
- France's economic patriotism favoring domestic companies.
- Post-Brexit UK trade independence from EU rules.

Non-Tariff Barriers (NTBs)

Definition:

Regulations or requirements other than tariffs that restrict trade, including quotas, product standards, and licensing.

Examples:

- EU environmental rules impacting auto imports.
- Japan's labeling laws for imported foods.
- China's licensing requirements for foreign tech.



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Onshoring / Nearshoring

Definition:

- Onshoring: Returning production to the home country.
- Nearshoring: Moving operations closer to home, often to regional partners.

Examples:

- U.S. firms shifting production from China to Mexico.
- Canadian companies returning operations from Asia.
- European firms relocating manufacturing within the EU.

Protectionism

Definition:

Trade policies that restrict imports to protect domestic industries, typically through tariffs, quotas, or regulation.

Examples:

- U.S. steel tariffs targeting Chinese imports.
- India raising tariffs to promote local electronics.
- EU protecting agriculture with import quotas.

Stagflation

Definition:

A combination of high inflation, stagnant growth, and high unemployment.

Examples:

- 1970s oil shock causing stagflation in the U.S. and EU.
- Concerns in emerging markets during global energy crises.

Supply Chain Resilience

Definition:

The capacity of a supply chain to withstand disruptions and recover quickly.

Examples:

- EU investing in local pharmaceutical manufacturing post-COVID.
- U.S. CHIPS Act to build domestic semiconductor capacity.
- Japan diversifying supply sources after earthquake disruptions.



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Tariff

Definition:

A government-imposed tax on imports to protect domestic industries or raise revenue.

Examples:

- Canadian dairy tariffs supporting national producers.
- EU tariffs on non-member agricultural imports.
- India's duties on imported electronics.

Trade Deficit

Definition:

Occurs when a country imports more than it exports, resulting in a negative balance of trade.

Examples:

- U.S. trade deficit with China.
- UK's post-Brexit trade deficit with the EU.
- Japan's temporary deficit from importing energy.

Trade Surplus

Definition:

Occurs when a country exports more than it imports, yielding a positive trade balance.

Examples:

- Germany's strong surplus from machinery and cars.
- Canada's energy exports creating a trade surplus.
- China's ongoing surplus with various global markets.