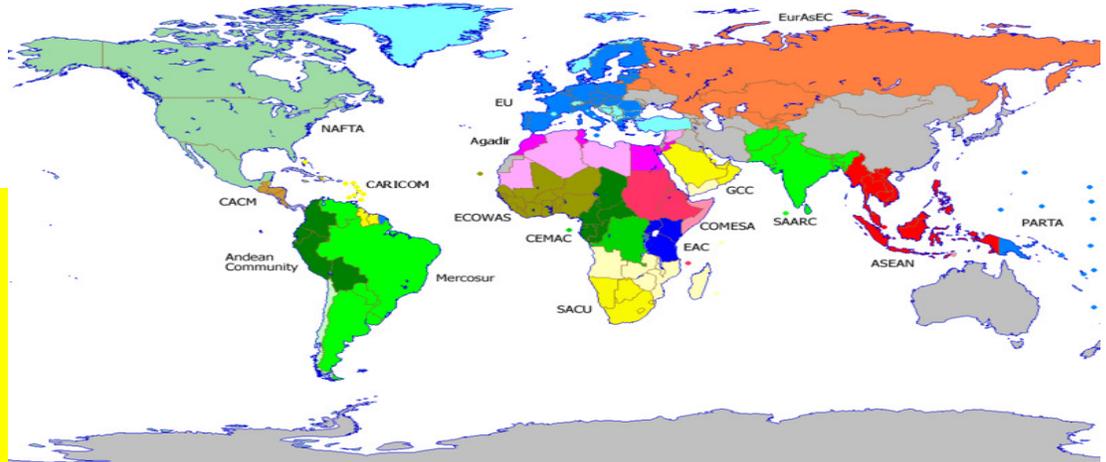


# Regional Trade Agreements (RTAs)



INTERNATIONAL & INDUSTRY LIAISON UNIT

TRADE BEAT



## Regional Trade Agreements

Regional Trade Agreements (RTAs) are reciprocal trade agreements between two or more States Parties that grant preferential treatment to each other. Reciprocity is intrinsic to RTAs, within the context of the World Trade Organization (WTO) and are based on “give and take” negotiations between trade partners, who may not necessarily be located within the same geographical region. An example of an RTA done by countries in the same geographical region, is the Revised Treaty of Chaguaramas (RTC), negotiated between the members of the Caribbean Community (CARICOM). An example of an RTA occurring between countries from two different geographical regions is the CARIFORUM-EC Economic Partnership Agreement (EPA) between the members of the Caribbean Forum and the European Community, which creates a free trade area between specified countries in the Caribbean and in the European region respectively.

RTA is an umbrella term which broadly describes various types of reciprocal trade agreements, including Partial Scope Agreements (PSAs), Free Trade Agreements (FTAs) and Customs Unions (CUs). CARICOM and the European Union (EU) are both examples of a Customs Union, which is typically denoted by the use of a Common External Tariff (CET). This external trade policy measure is imposed on countries outside of the CU, and managed through a system of rules of origin. This ensures that only goods fulfilling the origin criteria are traded freely within the customs union.

FTAs, are also reciprocal preferential trade agreements between two or more Parties that seek to remove trade barriers such as tariffs or trade quotas. FTAs differ from CUs in that the Parties to the agreement are not required to establish a common external trade policy when trading with countries outside the FTA (third countries). Instead, each FTA member is responsible for establishing their own external trade policies, and for example, create their own structure for customs taxes as it relates to third countries. PSAs are preferential trade agreements as well, but are often limited in scope. This means that the agreement allows for reciprocal trade between the Parties on a small number of goods, which are normally specified in the text of the agreement.

The proper authorities of each participating RTA State, are responsible for negotiating the terms of the treaty and establish legally binding obligations upon each Party. Initially, obligations negotiated under RTAs were solely based on trade in goods, but as international trade increased, negotiations on trade in services were also incorporated. As international trade further increased, the scope of RTA negotiations extended beyond trade liberalization to incorporate other trade related provisions, inter alia, investment and intellectual property. However, the core focus of RTAs largely remains trade liberalization. Traditional objectives seek to eliminate or reduce tariffs in relation to trade in goods, as well as eliminating or reducing restrictions to trade in services.

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# Regional Trade Agreements (RTAs)



## SYMMETRY VS. ASYMMETRY

RTAs may be described as symmetrical when the preferences granted by each Party are equivalent, with one Party giving as much concessions as the other. Symmetry can be observed within the RTC, where immediate trade liberalization was granted upon trade in goods meeting the origin criteria in CARICOM.

Asymmetrical trade however, describes when one Party agrees to give substantially more concessions to the other Party, or liberalizes their trade over a shorter transition period than the other Party. Asymmetry is often observed in RTAs, where the level of economic development of the Parties differs considerably, as in the case of the CARIFORUM-EC EPA. In this particular RTA, more trade concessions are granted by the EC to the CARIFORUM States than that which is granted by the CARIFORUM states to the EC.

For example, more items can enter the EC duty-free from CARIFORUM, than the number of items that can enter CARIFORUM duty-free from the EC. Additionally, trade liberalization occurred immediately for the EC parties, i.e. once not excluded from the FTA, all goods from CARIFORUM were immediately zero rated and can enter the EC duty-free, whereas a trade liberalization schedule was negotiated for EC exports to the CARIFORUM States. This arrangement allows for the gradual reduction of tariffs or duty rates over a specified time period, until total trade liberalization is accomplished, i.e. items placed on the trade liberalization schedule will see duty rates gradually reduced over a specified time, until the item is zero-rated, and can be imported duty-free from the EC to the CARIFORUM States.

- RTAs are Agreements on Trade;
- RTAs establish a preferential trade regime;
- RTAs are Reciprocal;
- RTAs do not always have full coverage of products originating in the Parties; and
- Not all trade between the Parties is covered under the preferential regime.

## WHAT ARE PREFERENTIAL TRADE AGREEMENTS (PTAs)?

As described by the WTO, PTAs are unilateral decisions taken by a Party (usually a developed country) to unilaterally accord preferential treatment to one or more other Parties (usually developing countries, including least developed countries - LDCs) in terms of trade. Simply put, a developed country may choose to accept importation of goods from a developing country on a duty-free basis, without the expectation or desire for that treatment to be reciprocated.



## PTAs vs. RTAs

PTAs differ from RTAs in that they are not reciprocal. However, both regimes are preferential and are subject to different legal requirements and different procedures. PTAs refer to the preferential treatment that is granted unilaterally by one Party (usually a developed country) to certain products of another Party (usually developing countries or LDCs), rather than the reciprocal preferential arrangement that is a feature of an RTA. The Generalized System of Preference (GSP) is an example of a PTA regime, and is a trade policy measure often used by developed countries to gain more favourable market access for their exports to developing countries. The Caribbean Basin Initiative, is one such PTA, between the USA and the countries of the Caribbean Basin, which are defined in the regime.

# Regional Trade Agreements (RTAs)

## GENERALISED SYSTEM OF PREFERENCES (GSPs)

GSPs give developing countries a margin of preference in the tariff rates that their goods face in the markets of developed countries, thereby increasing their competitiveness in international trade. Proposed by the United Nations Conference on Trade and Development (UNCTAD) in 1968, GSPs entered into force in 1971.



This resulted in several developed countries taking unilateral actions, allowing preferential access to their markets by developing countries and LDCs. Under the WTO, the legal basis for GSPs is the enabling clause, which was adopted under the General Agreement on Tariffs and Trade (GATT) in 1979. The enabling clause allows developed members of the WTO to give differential and more favourable treatment to developing country members, which is facilitated through the granting of a waiver. Developed members take unilateral decisions in determining which countries and which products are included in their preference granting schemes.



## WAIVERS

Waivers are the permission granted by the WTO, allowing Members to deviate from their normal commitments to the Organization. Under a waiver, a Member does not have to comply with the main WTO rules, and is allowed to go beyond the legal provisions explicitly stated in the WTO agreements. These actions are typically taken in favour of LDCs and developing country members, and may be granted individually or collectively. Waivers are not indefinite and therefore have time limits, which can only be extended through application and justification, which would have to be subsequently approved by the WTO. A current example of a WTO waiver, is the one activated between CARICOM and Canada which secures trade preferences for CARICOM exports destined for Canada, under the Caribbean-Canada (CARIBCAN) Trade Agreement. The CARIBCAN expired in December 2013, with the latest application for extension being granted through to December 2023. This waiver is a temporary trade policy measure that should be in effect until a new FTA between the Parties is established.

Regional Trading Arrangements that Jamaica is a Party	
Name of Agreement	Trading Arrangement
The Caribbean Forum (CARIFORUM) - European Community (EC) Economic Partnership Agreement (EPA)	Reciprocal preferential market access between both Parties
The Revised Treaty of Chaguaramas between Members of the Caribbean Community (CARICOM)	Reciprocal preferential market access between the Parties
CARICOM/COLOMBIA Agreement on Trade and Technical Cooperation	Reciprocal preferential market access between both Parties
CARICOM - Dominican Republic Free Trade Agreement	Reciprocal preferential market access between both Parties
CARICOM - Costa Rica Free Trade Agreement	Reciprocal preferential market access between both Parties
CARICOM - CUBA Trade and Economic Cooperation Agreement	Reciprocal preferential market access between both Parties
CARICOM - VENEZUELA Trade and Investment Agreement	Non-Reciprocal preferential market access to Venezuela.
*Petro Caribe Agreement	*Market access of certain petroleum products to CARICOM
The Caribbean-Canada Trade Agreement (CARIBCAN)	Non-reciprocal preferential market access to Canada
The Caribbean Basin Initiative (CBI)	Non-reciprocal preferential market access to the USA

# Regional Trade Agreements (RTAs)



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**Country Above Self**

*The International and Industry Liaison Unit is committed to raising the level of awareness on topics relating to the Caribbean Community, as well as issues concerning the wider topic of international trade, to both our internal and external stakeholders. Our monthly newsletter seeks to highlight global trade topics and their importance to Customs Administrations worldwide and specifically how they affect the Jamaica Customs Agency. As we realize our vision of becoming a modern Customs administration delivering excellent service, we recognize the importance of knowledge transfer in delivering our objectives and use this forum as our way of contributing to the vision of the JCA. The International Liaison Unit is located at the Myers Wharf head office and our officers are available to respond to your queries and clarify any points of concern.*

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