

ABSTRACT

Production Strategies to Comply with Rules of Origin to Increase the Volume of Locally Originating Goods. A Case for Trinidad and Tobago Manufacturers.

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Rules of Origin (ROOs) can cause locally originating exports to be exempt from import duties by trading partners. This can contribute to lowering of trade costs, which adds to comparative advantage and should result in increased exports. Trinidad and Tobago is party to eight trade agreements. Trade data shows little increase in non-energy sector exports after these trade agreements were signed. The data collected also shows that 45% of the population surveyed obtained 1 – 25% of their revenue from exports. Low export volumes and no increase in exports, imply that opportunities from trade agreements are not being optimized. Augier et al. (2005, 572) notes that developing countries have difficulties in realizing tariff-free access, ROOs being a key factor. Sang Ho (1998, 161) outlines that complying with ROOs can ensure that goods are locally originating. The focus of this research is compliance with ROOs.

Analysis of the data obtained from one hundred and fifty-two local manufacturers proved that local manufacturers can produce more locally originating goods by manipulating selected production variables to comply with ROOs; that opportunities to produce more ROO-compliant goods exist since several aspects of ROOs were underutilized; and that increased use of ROO-related variables can be integrated in the production plan. In addition, the positive impact of the use of ROOs on production capacity is also supported by this research.

In summary, local manufacturers must import less complete intermediate goods, increase local transformation, and increase production capacity to fully benefit from the free trade opportunities. These measures will in turn reduce trade costs, utilize local factors of production, enhance comparative advantage and should result in increased exports in the non-energy sector. A strategy that is much needed by Trinidad and Tobago as the country seeks to diversify manufacturing and become less dependent on the exports of energy-based products.

Keywords: Reynold Baldeosingh; Rules of Origin; ROOs; compliance; production variables; usage; production capacity; locally originating; preferential trade; trade agreements.