

Preferential RoO - Facilitators of Regional and Global Value Chains

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ABSTRACT

Many studies have focused on Regional Trade Agreements (RTAs) as well as on Rules of Origin (RoO). These have mostly seen how stringent RoO act as a deterrent to regional trade. Only a few studies have discussed the development role that preferential RoO play. With the help of the OECD-WTO database on TiVA (Trade in Value Addition) many researchers are now focusing on the existence of regional and global value chains. Most of these new studies are linked to country case studies with a focus on global trade. A very limited number of studies have focused on the linkages between the preferential RoO and regional or global supply chains. Is it possible to promote regional value chain with the most simple RoO or there is a need for some onerous manufacturing obligations or the so-called 'restrictive RoO'? This paper analyses the case of the so-called restrictive RoO with regard to Mexico, Sri Lanka and Bangladesh to examine whether these RoO facilitate these countries in becoming a part of regional value chains or not. The study relies on the ex-post facto analysis of trade data to explore this relationship using various techniques. It finds that in these cases, the existence of more onerous RoO criteria were instrumental in integrating these countries with larger economies by way of greater linkages among the industries, thereby facilitating the regional value chains. The study also finds that the value added criteria will be able to promote greater regional value chains through provisions of cumulation rather than the CTC (Change in Tariff Classification) criteria.

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The views and opinions reflected in this paper are that of the author alone.