"Impact of Trade Liberalisation on Manufacturing Firms in Jamaica and Trinidad and Tobago."

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THE IMPACT OF TRADE LIBERALIZATION ON MANUFACTURING FIRMS IN TRINIDAD AND TOBAGO AND JAMAICA

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ABSTRACT: The study makes a comparative analysis of the effects of trade liberalization on selected manufacturing firms in Trinidad and Tobago and Jamaica. Four factors: competition, resources, market share, and strategies are used to measure the level of competitiveness of these firms. A questionnaire was administered to all firms under review, and formed the basis of the interviews. The study concludes that the benefits of liberalization accruing to these firms were enough to outweigh the costs. Even those firms that were negatively affected adopted aggressive strategies in response to liberalization.

Keywords: trade liberalization, manufacturing industry, case studies: Trinidad and Tobago, Jamaica.

Introduction

The academic fraternity has not yet been able to reach a consensus on the impact of trade liberalization on the performance of Caribbean economies. In particular, two countries – Jamaica and Trinidad and Tobago have adopted the liberalization agenda in a significant way. This liberalization process has had a considerable impact not only at the macro level, but also at the micro level. Whereas there are numerous studies evaluating the impact at a macro level, very little research has been done at the micro or firm level. In this light, this study attempts to capture trends and issues at the firm level to assess the impact of trade liberalization on the manufacturing sector.

The first section discusses briefly, the theory of trade liberalization and reviews the main findings in the empirical literature. Section 2 reviews the liberalization programs implemented in Trinidad and Tobago and Jamaica as well as outlines various trends observed in the manufacturing sectors. The third section attempts to use competitor analysis to examine the positioning of the various firms. The analysis tracks the changes in the level of competitiveness, in an attempt to determine what effect trade liberalization has had on these firms. This study does not intend to make any generalizations at the industrial level, based on the individual case studies of the various firms, as the sample was too small to adequately represent the population. However, the study highlights some of the advantages and disadvantages that can be derived from trade liberalization at the firm level.

SECTION 1 – Literature Review

Papageorgiou et. al. (1990) defined trade liberalization as the process whereby a country implements reform such that its trade regime provides equal incentives to domestic sales and to exports without government intervention. According to OECD (1998), the process is supposed to yield several benefits; 1) it shifts inefficiently used resources to more efficient uses; 2) creates productivity gains; 3) produces economies of scale thus improving profits; 4) it increases the speed of transfer, adoption and diffusion of technologies; 5) improves competitiveness; 6) encourages best practice production methods; 7) decreases the price of imports and domestic products[1]; and 8) increases the range of goods and services available, ultimately facilitating economic growth, increased income, and higher living standards.

Dornbusch (1992) also agreed with the above arguments and concluded that the net benefit of trade liberalization on developing countries is positive. Citing examples from Turkey, Mexico and Korea, he argued that liberalization allows for use of better inputs and technologies, facilitates the generation of economies of scale, creates greater competition, and improved resource allocation in line with social marginal benefits and costs.

Some proponents argue that free trade produces the greatest level of output globally for a given resource. According to Thomas (2000), it is estimated that multilateral liberalization increases world trade by 20% and export volumes rise[2]. Further, liberalization induces continuous assessment and restructuring, and encourages a high level of production and lower unit costs, while also discouraging the development of black markets for imported goods. Trade liberalization advocates also argue that environmental standards may be improved in developing countries.[3]

Most metropolitan studies conclude that trade liberalization produces a net benefit. However, much of this theory was developed under the assumption of perfect competition. Essentially, the impact of trade liberalization depends on the type of production and market structure and the level of development in the country. Small developing nations have imperfectly competitive markets, production rigidities, a high ratio of international trade to national product, and limited diversification in export trade.

Most of the negative effects of trade liberalization are experienced in small developing states. Trade liberalization may result in the loss of revenue from the removal

[1] Hickok, S. (1993) estimated that the trade reform implemented in developing countries can be expected to decrease the prices of manufacturing goods by 15%.
[2] Thomas also argues that 75% of this increase is attributed to cuts in manufacturing tariffs.
[3] OECD (1998).

of tariffs depending on the initial tariff rate and the elasticity of import demand.[4] There may be adverse effects on the labour market, as wages are stifled, and persons are laid off, or companies close down completely leading to increased unemployment. Revenga (1995) illustrated this point with the Mexican manufacturing industry, where she noted that a 10-point reduction in tariff levels in the five years after liberalization began, is associated with a 2-3% decline in employment.

Trade liberalization may also lead to dumping, since developing countries tend to have lower environmental standards than their developed counterparts. Thus, liberalization may pressure multinational corporations to also reduce their standards by transferring manufacturing operations to developing countries in an attempt to reduce costs.

Papageorgiou et. al. (1990) attempted to define the main elements of successful liberalization programmes, drawing from a set of 19 countries in Latin America, Asia and the Pacific and the Mediterranean. They found that the core elements of a successful programme included i) momentum; ii) reduced quantitative restrictions; iii) competitive real exchange rates iv) prudent macroeconomic policies; v) appropriate sequencing and vi) political stability. The study showed that after liberalization, exports increased faster than imports, thereby augmenting foreign exchange reserves, but it had no clear effect on income distribution. There was also minimal effect on unemployment. Furthermore, they suggested that growth of manufacturing and agricultural output eventually increased. In the context of small nation states such as Jamaica and Trinidad and Tobago, the authors argued that in the absence of a liberal trade regime, small nations may still benefit from economies of scale by exporting to new markets. However the authors concluded that small countries are exposed to many risks in liberalizing and therefore the process should be pursued by joining regional organizations, such as customs unions.

SECTION 2 - Review of Liberalization Programmes

Having outlined the theoretical discourse on trade liberalization, this section examines several features of the liberalization programmes implemented in Jamaica and

[4] Greenaway, D. and C. Milner (1993).

Trinidad and Tobago with specific reference to the Manufacturing Sector. The process officially began in Jamaica and Trinidad and Tobago with the adoption of structural adjustment and stabilization programmes. Jamaica and Trinidad and Tobago began implementing economic reform at different periods. For the two countries the liberalization programmes were enforced, and the international financial institutions play a major role. However, external shocks differ in both countries, and the resulting impact of the policies implemented, therefore differed.

Both countries experienced severe macroeconomic instability during their respective pre-liberalization periods.[5] There was rising unemployment, balance of payments deficits, negative balances on the current account and external debt was steadily rising. In an attempt to overcome these problems, both countries implemented multilateral trade liberalization by approaching lending institutions such as the IMF and the World Bank: Jamaica officially in 1981 and Trinidad and Tobago in 1989. See table 1 for selected financing details.

Table 1 – Loans taken from the International Monetary Fund and The World Bank

Loan	Institution	Year	Amount
Jamaica			
Export Development Fund Project (EDF)	World Bank	1981	US$37M
Structural Adjustment Loan (SAL)	World Bank	1982	US$76.2M
Structural Adjustment Loan (SAL)	World Bank	1983	US$60.2M
Export Development Fund Project (EDF)	World Bank	1983	US$30.1M
Structural Adjustment Loan (SAL)	World Bank	1984	US$55M
Stand-By Arrangement	IMF	1984	SDR 44M
Extended Arrangement	IMF	1984	SDR 489M
Contingency and Compensatory Loan	IMF	1984	SDR 107M
Trade and Financial Sector Adjustment Loan (TFSAL)	World Bank	1987	US$40M
Emergency Reconstruction Import Loan	World Bank	1988	US$30M
Trade and Financial Sector Adjustment Loan (TFSAL)	World Bank	1991	US$30M
Private Sector Development Adjustment Loan	World Bank	1993	US$75M
Private Investment and Export Development Project	World Bank	1994	US$35M
Trinidad and Tobago			
Stand-By Arrangement	IMF	1989	SDR 99M
Stand-By Arrangement	IMF	1990	SDR 85M
Structural Adjustment Loan (SAL)	World Bank	1990	US$40M
Technical Assistance Project	World Bank	1990	US$4M
Business Expansion and Industrial Project (BEIRL)	World Bank	1991	US$27M

Source: International Monetary Fund http://www.imf.org and World Bank http://worldbank.org.

[5] For comparative purposes, the period 1980 – 1991 was used as the pre-liberalization period for Trinidad and Tobago and 1970 – 1981 was used for Jamaica.

Jamaica and Trinidad and Tobago also implemented trade liberalization in the form of formal trade agreements. The most significant – the CARICOM Agreement is a trade and investment agreement, which aims to liberalize the trade regime of its Member States[6].

The liberalization process specified the elimination of quantitative imports restrictions, import surcharges, exchange controls, the dismantling of trade barriers, and the reduction in the levels as well as dispersion of tariff rates. There was also the devaluation of the currency to assist domestic industries – Jamaica in 1983 and 1984, and Trinidad and Tobago in 1993.

Another major area of reform was the reduction in the size of the government sector. Privatization began in Jamaica in 1989, when the share of government expenditure in GDP fell to below 24%. With the acceleration of the privatization process, the Jamaican Commodity Trading Company (JCTC), which held monopoly power in the import market, was eliminated in 1991. Between 1989 and 1994 as much as 50 firms were divested. However, in 1996, government expenditure to GDP again rose to 35%, almost reversing the privatization process. The last decade also saw the collapse of the indigenous banking sector in Jamaica. The government took control of all the indigenous banks, with the exception of Trafalgar Commercial Bank. These banks were either closed down, merged, or are in liquidity crises.

The Government of Trinidad and Tobago also divested many state-owned companies in the agro-based industry, manufacturing, energy, transport, communications and other services. This sale of assets resulted in increased international reserves. In 1993, there was organizational restructuring in the public and private sectors of the economy resulting in the displacement of labour in state owned enterprises and statutory bodies.

In spite of these reforms, the liberalization programme in Jamaica has not been as successful as expected. Different variables displayed different signals as to the impact of

[6] See Bulmer-Thomas (2001) for a comprehensive review of the liberalization aspects of the Caricom Agreement

the liberalization process on the economy. In contrast, trade liberalization had a notable impact on several economic indicators in Trinidad and Tobago. See Table 2 for a comparison of economic indicators during the pre- and post-liberalization periods.

Table 2 – Economic Indicators in Jamaica and Trinidad and Tobago Pre- and Post-Liberalization

Jamaica		Indicators	Trinidad and Tobago	
Avg. 1970 - 1981	Avg. 1982 - 2001		Avg. 1980 - 1991	Avg. 1992 - 2001
23.9%	18.9%	Unemployment	17.2	15.6
19.7%	20.5%	Inflation Rate	10.1	5.7
1.1	20.4	Nominal Exchange Rate (in US$)	3.2	5.9
26.21	37.43	Real Exchange Rate	5.91	5.63
0.073	0.029	Share in World Market	0.103	0.048
19.9	23.3	Growth Rate in Exports (%)	-0.3	17.1
19.6	25.3	Growth Rate in Imports (%)	2	16.9
-146.0	53.2	Balance of Payments (US$M)	-224.6	190.9
-74.3	-734.5	Trade Balance (US$M)	489.2	314.8
-141.3	-217.7	Current Account Balance (US$M)	-133.2	31.3

Source: International Monetary Statistics and Central Bank Data.

The average share of exports in world trade[7] suggests that both countries have lost competitiveness during the post-liberalization periods, even though the growth rate in exports has in fact increased. According to the Global Competitiveness Report 2001 – 2002, Jamaica is currently ranked 40th based on the Current Competitiveness Index, and Trinidad and Tobago is ranked 34th out of a total of 75 countries.

There are several studies, which examine the impact of liberalization programmes such as these outlined above, on the manufacturing industry. Sharma (1999) in a country study of Nepal examined the impact of market-oriented reforms on growth and structural change in the manufacturing sector. Through the use of econometric analysis of growth in the pre- and post reform periods, he found that the level of export intensity rose and import penetration fell, following the liberalization period. There was also increased competition and improved productivity performance of import-substituting industries. Those industries, which were able to benefit from economies of scale after liberalization, experienced higher productivity growth. The limitations of the study were mainly due to a lack of disaggregated data and appropriate price indices, in addition to which the period of full liberalization was short.

Papageorgiou et. al. (1990) also argued that in most cases, liberalization slowed employment growth in manufacturing, but did not decrease employment. With respect to manufacturing output, growth slowed only during the first year of reform, and subsequently increased.

Jamaica and Trinidad and Tobago make interesting case studies, since the manufacturing sectors were historically based on significant protective measures. Mc Bain (1996) examined the impact of trade liberalization on the Jamaican manufacturing sector by analyzing employment, contribution to output, unit costs, and factory closures. She found that the first period of liberalization in Jamaica, which she used as 1986-1990, recorded significant growth, and had greater macroeconomic stability. On the other hand, during periods of instability, low growth was recorded. According to Mc Bain, the greatest benefit to consumers as a result of trade liberalization came from having a wider range in products. There was also an increase in distribution and finance. However, the process led to an overall decline in manufacturing at the sectoral level. She concluded that economic growth was affected more by the macroeconomic stability conditions existing at the time than by trade liberalization.

Toney (1995) analyzed the performance of the manufacturing sector in Trinidad and Tobago between 1950 and 1994, whereby performance was measured in terms of growth, contribution to Gross Domestic Product (GDP), employment, exports and gross capital formation.[8] He proposed that in order to survive in the new liberalized economy existing sub-sectors needed to upgrade, and adapt production to existing domestic resources and to areas of competitive advantage. He also summarized the nature of trade agreements from 1973 to 1994 and the implications for the manufacturing sector, as well as the institutional framework in place. Growth of the manufacturing sector fluctuated with the fortune of the petroleum sector. The main conclusion drawn was that the manufacturing sector has not

[7]Calculated as Exports as a percentage of world imports.

[8] See also Danielson and Dijkstra (2001) for a review of the performance of the manufacturing industry in Trinidad and Tobago.

performed as expected, since the sector had not displayed consistent growth.

Table 3 shows the economic indicators of the manufacturing sectors in Jamaica and Trinidad and Tobago, comparing the pre- and post liberalization periods.

Table 3: The Manufacturing Sectors in Jamaica and Trinidad and Tobago – Pre- and Post-Liberalization[9]

Jamaica		Indicators	Trinidad and Tobago	
Avg. 1970 – 1981	Avg. 1982 - 2001		Avg. 1980 - 1991	Avg. 1992 - 2001
16.9	18.0	Manufacturing Sector's Contribution to GDP at Market Prices (%)	8.2	8.2
US$24.9M	US$14.7M	Manufacturing Exports	TT$468.9M	TT$1,838.5M
US$317.8M	US$325.8M	Manufacturing Imports	TT$995.4M	TT$2,182.5M

Source: Central bank of Trinidad and Tobago Annual Economic Survey and Central Bank of Jamaica Statistical Digest.

The main findings were that the Jamaican manufacturing sector contributes on average, almost twice the amount of the Trinidad and Tobago manufacturing sector; however the former experienced minimal development during the post-liberalization period. In contrast, there was expansion in the manufacturing sector of Trinidad and Tobago during the last decade.

SECTION 3 – Impact of Liberalization on Jamaica and Trinidad and Tobago: A Case Study's Perspective

Having outlined the liberalization programmes implemented and its impact on the manufacturing sectors in Jamaica and Trinidad and Tobago, this section seeks to capture the impact of trade liberalization on individual firms. There are few studies which use this focus group type of analysis. Five companies from Trinidad and Tobago and three from Jamaica were analyzed. The firms were selected for several reasons. Firstly, the study attempted to include firms from those sub-sectors, which were significantly affected, including the Textile and Garments sub-sector, the Assembly sub-sector, and Miscellaneous Manufacturing. Secondly, firms were short-listed based on interviews with key informants in the manufacturing sector, on which firms would constitute adequate case studies.

[9] Figures for manufacturing exports and imports were available only from 1978 – four years before liberalization.

In a case study on competitiveness, Macario (1998) investigated the response of Chilean, Mexican and Venezuelan manufacturing firms to trade liberalization and globalization. The study found that there were several key strategies, which permit a firm to remain competitive. These included professional management, incentive pay systems, upgrading and continuous changes in production and distribution in response to demand. Flexible behaviour was key to remaining competitive in the face of trade liberalization and globalization.

The Economic Commission of Latin America and the Caribbean (ECLAC) (1999) also undertook a case study on Dominica, St. Vincent, Guyana, and Trinidad and Tobago, where the factors affecting the competitiveness of Caribbean manufacturers were examined. Competitiveness was measured by productivity, real effective exchange rates, as well as a measure developed by Czinkota and Wongtada (1997)[10], whereby

$$\text{Competitiveness} = \frac{(\text{Export Volume} - \text{Import Volume})}{(\text{Export Volume} + \text{Import Volume})}$$

The study concluded that the factors affecting competitiveness included efficiency in factor markets, industrial policies, industrial investment, competition policy, and environmental standards.

Competitiveness also relies on productivity and the quality of the microeconomic business environment according to the Global Competitiveness Report 2001 – 2002. In this report, the main factors influencing these two above-mentioned variables have been identified as including the following; i) the types of strategies employed; ii) human resources; iii) capital resources; and iv) the availability of local suppliers.

In a similar manner, this study attempts to track changes in competitiveness by examining such variables as strategies, human resources, suppliers. The methodology used included interviews with key personnel in the company, and a review of company records, including websites and financial statements. Day and Reibstein (1997) outlined a

[10] Czinkota, M. R. and Wongtada, N. (1997). "The Effect of Export Promotion on US Trade Performance: - An Analysis of Industry Internationalization", The International Trade Journal, Vol. XI No 1, Spring pp 5-37.

procedure for evaluating competitiveness, as well as identified certain factors, which need to be considered. These factors include; i) Competitors; ii) Market share; iii) Resources and iv) Strategy. Identification of competitors necessitates a definition of the industry and market. Assessing the size of each of the markets based upon particular product categories, and the share that the company holds in the market gives an indication of power to defend its position, and to expand. Resources can be assessed in terms of personnel, management, distribution systems, and economies of scale to give an idea of the capability of the company to be competitive. These four factors: competitors, market, resources and strategies would reflect the level of competitiveness of each firm in their respective industry.

Companies under Review

A summary table of some of the responses of the firms is provided below.

Table 4: Responses from Survey

Companies	A	B	C	D	E	F	G	H
Country	TT	JA	JA	TT	TT	TT	TT	JA
Local Market Share	-	0			-	-		-
Production			-			-		
Exports	+	+	-	+		-	+	+
Imports			+			+		
Marketing	+		+				+	
Capacity Utilization	+			+		+		+
Productivity	+							-
Return on Assets			+					+
Net Profit Margin								+
Technical Assistance	+		+					
Equipment & Technology	+		+	+			+	
Prices			-		-			
Suppliers	+		+	+				
No. of Employees	+	-	-	+	-	+		-
Salaries	+						+	+
Net Impact	+	+	-	+	-	-	+	-

Interestingly, only two of the eight companies – companies G and H, viewed trade liberalization as having a positive impact on their operations. The only characteristic common to these two firms, which the remaining firms did not possess, was the industry classification (Miscellaneous Manufacturing). There were no significant differences found in their resources, market share or strategies, when compared to the other firms.

With respect to competitors and market share, the companies under review have been affected in different ways. The majority of the companies define their competition to include both regional and international suppliers. This competition takes the form of Mode 1 – Cross-border supply, or Mode 3 – Commercial Presence. International competitors usually have an advantage in terms of economies of scale, are more efficient, and possess modern machinery. They can also draw on their knowledge gathered in different territories. Multinationals have an almost unlimited amount of financial resources. Company F argues that companies such as Price Smart represent a threat not only through direct competition but also from offering a new concept in shopping. This draws down on the amount of disposable income of the general population.

Even Company A, which remained a near-monopolist even after liberalization, was forced to become more competitive. According to the Senior Vice President of External Affairs of Company B, before trade liberalization, Company B had no incentive to be cost effective. Company B maintains its competitive advantage in terms of product branding. Company G, which is a wholly owned subsidiary, also competes against the other subsidiaries in the region.

For many of these companies, market share was guaranteed due to the trade barriers existing prior to liberalization. However, with the onset of the removal of the barriers to trade, several of the companies lost from 10 to up to 60% of the market share due to increased competition from importers. One company reported no significant change in market share.

Company C argues that the playing field is not level. Some importers avoid paying customs duties, under-invoice, as well as do not charge GCT on applicable items.

Company E agrees in that international suppliers often make false declarations to Customs, and are able to offer better prices than their company. The company was able to successfully prove a case of dumping several years ago. In 1992, there was only one other firm, apart from Company E involved in the manufacture of its product type. No other brands were being imported and Company E commanded 90% of the national market. Their sole domestic competitor subsequently went out of business. Today however, there are 8 other firms that import the product into Trinidad and Tobago, and these firms command 40% of the market. Company E retains the remaining 60% of the market.

The greater ease of importing has also caused many non-traditional suppliers to enter the market. For Company F, there is increased competition from street vendors who import clothing and resell. However, there have been some positive effects for Company F as well. The firm also imports products and resells, thus decreasing actual plant production. This has also enabled access to more advanced technology, and the company's production methods also changed.

Notwithstanding the above, there are trade barriers still existing in several of the industries in Trinidad and Tobago as well as Jamaica, which cause the price of imports to be high. This has restricted the companies' ability to import raw materials at competitive prices. As of 1998, both Jamaica and Trinidad and Tobago implemented Phase IV of Caricom's Common External Tariff, where imports will generally be faced with a tariff rate of between 0 – 20%. In 1998, Trinidad and Tobago had an average tariff rate of 9.2%, and the average rate in Jamaica in 1999 was 8.7%. This is significantly higher that the average rate in the United States of 4.8%, and Canada – 4.6%.

These trade barriers are also present in many international markets. The Export Manager in Company D argues that free trade is a myth, since the industry is heavily protected in the first world economy by quota systems, tariffs and other trade barriers. The example was given that when the quota in the United States for the importation of the product is used up, the company operates under contract manufacturing in the US. He argues that this approach poses a threat to the company's recipes, in addition to which the company would be creating and supporting jobs in the US economy as opposed to creating domestic employment. In addition to this the US and Canada subsidize their locally produced goods in this industry very heavily. Trinidad has no subsidy. Company B also complains of being unable to penetrate the OECS market.

Europe restricts entry of all the product types in the industry because they are not meeting European standards with respect to the quality of water used in Trinidad, even though Company D's products are ISO 9002 certified. Another non-tariff barrier in the European market for the food and beverages industry emerges in the form of excessive documentation requirements. In order to export to Europe, the products must attain Hazard Analysis Critical Control Point (HACCP) Certification, which involves accurate documentation of the sources of inputs, as well as a detailed audit of the manufacturing process. In order to export into Canada, an application must be made one year in advance of commencing operations, and the license must be renewed annually.

On the other hand, five of the companies have benefited from being able to increase exports in existing markets and penetrate new ones. In fact, according to the U.S. General Accounting Office 2001, the United States imports 63.4% of Caricom's merchandise duty free. This percentage is higher than for Mercosur, CACM, and the Andean Community. 23% of the imports face tariffs of between 0 – 15% and 13% of imports are faced with tariffs greater than 15%.

Resources

In terms of resources, the companies have also been affected in different manners. Five of the eight companies have a large resource base for finance, technical capability, research and development, since they are wholly owned subsidiaries, and have been positively affected. Only three companies reported an increase in the workforce since the onset of trade liberalization. There were several reasons given for these increases including increases to volume growth, causing an expansion of several departments, as well as the creation of new ones.

Company B experienced a significant decrease in the workforce (approximately 1,700 persons) after liberalization. The factors responsible for this decrease included: the sale of 2 product lines, re-engineering and rightsizing operations. It was also due to the fact that the company began multitasking and multiskilling. Company C attributed the 15% decrease experienced in its company to a drive for greater productivity, and efficiency and the need to reduce costs to remain competitive. Company E has been decreasing the size of the workforce by attrition. The main objective of the reduction in the number of employees in Company H was to increase efficiency, measured in terms of kilos produced per man-hour.

Strategies

One of the main determinants of the impact of trade liberalization is the strategy adopted by the company. Common strategies among the companies include organizational restructuring, staff training, increased capacity utilization and investment in equipment and technology. Several of these companies have also renegotiated arrangements with suppliers and have changed the salaries where workers receive higher salaries, as an incentive for greater output.

Company C, which is one of the companies that were negatively affected had to decrease production of several product lines by up to 40% due to consumers' resistance to higher prices, increased competition from imports, and industrial unrest. Interestingly, Company E moved out of distribution and into manufacturing as a result of trade liberalization. However, the company had to decrease prices to compete with imported brands. Of the companies, which have not been negatively affected, three have been lobbying the government and CARICOM for non-tariff barriers to restrict the level of imports into the respective countries. Three companies began niche marketing during the post-liberalization period. In addition to this, they have sought technical assistance from international and/or regional consultants.

There were certain strategies common to those firms, which were positively affected. Company A allocated a large amount of its budget to advertising and began rationalizing its packaging operations in 2001 in an attempt to increase efficiency and savings. Company B began benchmarking against international competitors that are similar in terms of size and scale of production in anticipation of the removal of trade barriers.

For Company G, marketing is critical, since some of the company's competition sell low cost products at almost half the price of the parent company's products. As a result, the company had to develop innovative advertising strategies, and promotional activities. It engages in what is termed "key-account marketing", providing technical support for clients, investing in their operations, and offering incentive programs. In addition to this, every year, Company G gives each client a presentation reviewing the client's operations for the past five years. The presentations are geared towards highlighting areas of strength and weakness. Company G also provides the clients with advertising, which is specific to their operations.

Indeed, trade liberalization has had a positive impact on the firms studied in Jamaica and Trinidad and Tobago. Operations have been streamlined to increase efficiency and productivity. They have been able to access markets internationally, thus increasing the potential to increase earnings. However, many of the markets in which these firms operate are not fully liberalized, and as such, the companies under review have not been totally exposed to international competition. The revenue capability of some of these companies has been stifled by various restrictions on their exports, as well as declines in their levels of production. The competition to which they are exposed seems to be at times operating illegally. These unfair trade practices continue to offset the positive benefits derived from liberalization, even causing exports to decrease. In addition to this, companies such as Price Smart have introduced a whole new concept of shopping, which creates competition for several firms across many different industries.

As Macario (1998) suggested, there are key strategies for the firms in Jamaica and Trinidad and Tobago to remain competitive in the face of trade liberalization. However, the responsibility extends beyond that of the firm, since a great part lies in the hands of the governments concerned. In order for the liberalization process to be a success, it must be properly implemented, by putting adequate controls in place. For example, customs officers could be provided with a standard catalogue of the ranges of prices of the products from different territories. If the importer's invoice seems to be grossly understated, a charge should be levied. In addition to this, the salaries of customs officers must be sufficiently high to discourage the acceptance of bribes from importers.

CONCLUSION

Although the liberalization programmes implemented in Trinidad and Tobago and Jamaica had different time frames, they generally followed the same approach. However, the results have been varied in the two countries due mainly to the fact that the macroeconomic and social conditions in the two countries have been vastly different. It has been observed that the manufacturing sector of Trinidad and Tobago has displayed more growth and development than that of Jamaica.

Protectionism may be difficult to sustain as an increasing number of countries are implementing trade liberalization, and the world markets are opening up. It is argued here that the country should make the best of the environment in which it is placed. This involves governments working in conjunction with the private sector to improve the quality of goods and services produced in the respective countries. Firms need to co-operate as well in providing relevant information in terms of how trade agreements are impacting on the company's operations, and what elements they would like to have incorporated in future negotiations. Firms should also aspire towards international standards, despite having temporary protection against foreign competition, in preparation for a completely liberalized market. Despite the negative issues, which the firms under analysis have had to deal with, they have been able to withstand the pressures of liberalization and successfully continue operations.

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APPENDIX I - Company Information

Company A (Based in Trinidad and Tobago)

Company A was established in 1947 and is a wholly owned subsidiary. It is classified under the food, drink and tobacco sub-sector and is mainly capital intensive with a high degree of automation. In 1957, Company A acquired the assets of its sole competitor and became a monopoly in the market. In 1972, the firm acquired more land and equipment, and in 1983, it expanded facilities again, which facilitated exports to England, the USA and Canada. There are about 8 product lines, 7 of which are produced, marketed, sold and distributed by the company. All the brands are exported. Company A's competition comes from international suppliers. These suppliers have an advantage in terms of price, distributing, branding, marketing know-how and many times economies of scale. The company actively seeks to limit its competition.

Company B (Based in Jamaica)

Company B was used as the Jamaican comparator to Company A, since it is in the same line of business. The firm was established in 1918, but was bought in 1994 by an International Company, which is reported to be the largest manufacturers in its category in the world. Over the years, the company has established almost complete monopoly power in the market.

Company C (Based in Jamaica)

Company C falls under the industrial classification of miscellaneous manufacturing, and has been in existence for over 60 years.

Company D (Based in Trinidad and Tobago)

This company was formed 15 years ago with just two employees. Since then, it has expanded to 11 company owned stores and 24 franchised operations. There are 8 product lines.

Company E (Trinidad and Tobago Based)

This company is classified under the Assembly Type and Related Industries. Company E has been in existence for over 30 years. The firm is capital intensive. Prior to liberalization, the company was into manufacturing, distribution and retail. After liberalization, however, the focus of the company changed to mainly manufacturing.

Company F (Based in Trinidad and Tobago)

Company F was selected as being a representative of the textiles, garments, footwear and headwear classification, which has been significantly affected by liberalization. This company was established in 1986, in the middle of the economic depression. It is a family business. Production for the first few years was simple with just ten employees. The firm is still mainly labour intensive, but now has 5 stores in different locations throughout Trinidad and Tobago.

Company G (Trinidad and Tobago based)

Company G is a subsidiary, established in 1987, and is mainly capital intensive.

Company H (Jamaica Based)

This company is also a subsidiary established in the mid 1960's and is mainly capital intensive. It was initially engaged in the production of non-food, mostly cosmetic items. The parent company is responsible for all the marketing via continuing with a variety of promotional activities. It has been able to broadly define the market place and determine segments in terms of the population that is most likely to purchase those products. At present, the company has three distinct product ranges. This represents a change since 1992.