















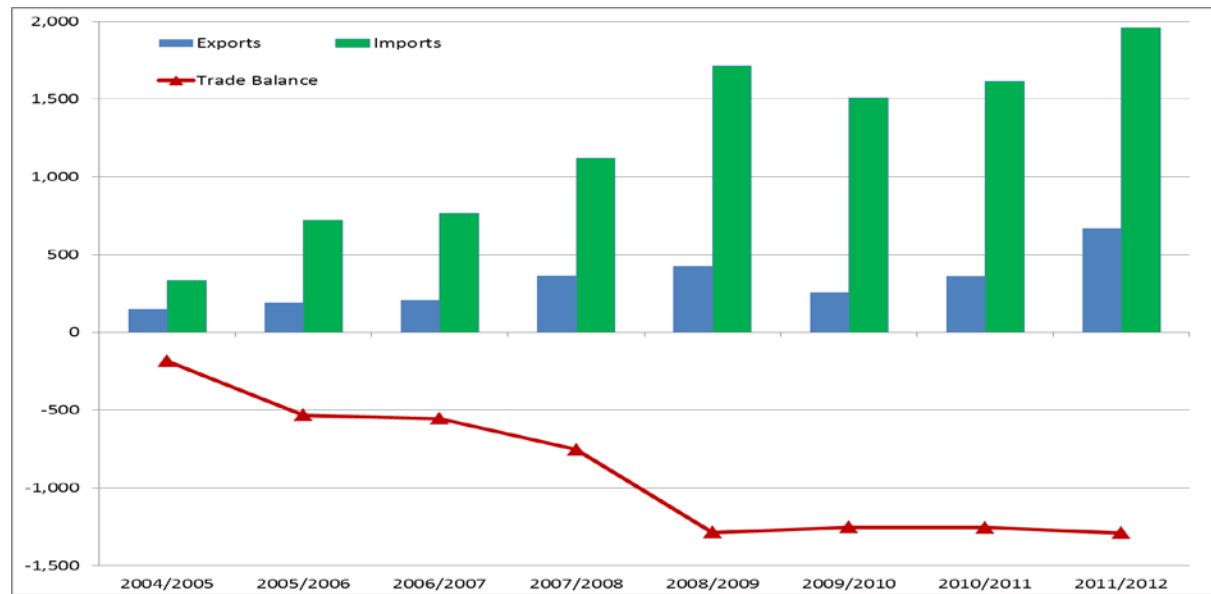








**Figure 3 - Rwanda's Trade Balance of the Year 2004/2005 to 2011/2012 (Values in US\$ Millions)**



**Source:** Author's Computation of data from NISR

In general, there was a persistent trade deficit from the year 2004/2005 to 2011/2012. The deficit highly increased during the period 2004/2005 to the 2008/2009 and was relatively stable during the period 2009/2010 to 2011/2012. The stability during the year 2008/2009 to the year 2011/2012 was due to the higher percentage increase of exports to the EAC by 104.5 % from the fiscal year 2008/2009 to 2011/2012.

During the period 2008/2009, both imports from the EAC and the ROW were dominated by processed and manufactured products while the exports were mainly agricultural products.

While in 2011/2012 Import from EAC and the ROW were dominated by vehicles, machines, medicines, cement, vegetable oil and steels, whereas, the exports were dominated by Coffee, tea, minerals and skins.

**Primary data**

This part puts to gather different ideas by respondents on the research topic. The data are analyzed using tables and it is expressed in terms of percentages.

**Table 3 - Type of business of respondents**

Type of business	Number of respondents	Percentage of total respondents
Transport	15	18.75
Clearing and forwarding	13	16.25
Importers and exporters	17	21.25
Insurance	5	6.25

Banking	5	6.25
Public institutions	20	25
Others	5	6.25
<b>Total</b>	<b>80</b>	<b>100%</b>

*Source: Primary data*

From the above table, the researcher collected data from different institutions both public and private. The largest percentage of respondents were from the public sector (25%) followed by importers and exporters and transport sector with 21.25% and 18.75% of total respondents respectively.

**Table 4 - Duration in business**

Time spent in business	Number of respondents	Percentage of total respondents
Less than one year	7	8.75
One to two years	14	17.5
Two to five years	39	48.75
Above five years	20	25
Total	80	100

*Source: primary data*

Table 4 shows the duration spent in business. The researcher collected data from the named institutions considering the time spent in business. This was helpful as it depicts the experience the respondent has and was thus able to give relevant responses. A larger percentage of respondents were between two and five years of experience followed by respondents with experience above five years 48.75% and 25% respectively.

**Table 5 - Knowledge of Stages of EAC Integration**

Type of business	Number of respondents	Percentage of total respondents
Transport	10	14.49
Clearing and forwarding	9	13
Importers and exporters	16	23.2
Insurance	5	7.24
Banking	5	7.24
Public institutions	20	29
Others	4	5.79
Total	69	100

*Source: primary data*

The table 5 above shows that 69 respondents out of 80 respondents responded that they knew the stages of EAC integration which is equivalent to 86.25%.

**Table 6 - Knowledge of trade benefits of EAC integration**

Trade benefit	Number of respondents
Removal/Reduction of NTBs	30

Removal of Internal Tariffs	70
Free movement of people and services	60
Harmonized CET	50
Increased level of intra trade between EAC Countries	47
Harmonized customs laws	48
Sharing of best practices (knowledge transfer)	67
Reduction of commodity prices	29
Others	25
<b>Total number of respondents</b>	<b>80</b>

*Source: primary data*

Table 6 depicts the knowledge of respondents in relation to the benefits of trade from the EAC integration. 70 respondents replied that the EAC integration brought about removal of internal tariffs whereas 67 and 60 respondents replied that there was sharing of best practices and free movement of people and services respectively.

On the other hand, 30 and 29 respondents responded that there was removal of NTBs and reduction of commodity prices while 25 respondents specified other trade benefits from the EAC integration other than the ones mentioned above. These include; removal of work permit fees for EAC citizens, a six-months renewable visa free of charge, one stop border posts, reduced time release of goods, increased working hours.

**Table 7 - knowledge of challenges that hinder the achievement of trade benefits**

Challenges	Number of respondents
Resistance of elimination of NTBs	53
Set criteria of origin are high	70
Certificate of origin is issued at the capitals	60
Unharmonized driving/traffic regulations	30
Some Partner states issue a visa for only three months instead of six months	35
Some Partner States still charge permit fees for some professional services	40
Unharmonized travel documents	68
Non implementation of single customs territory	20
Others	20
<b>Total number of respondents</b>	<b>80</b>

*Source: Primary data*

Table 7 shows the knowledge of respondents in relation to the challenges that hinder the achievement of trade benefits from the EAC integration. 70 respondents replied that the set criteria of origin are high whereas 68 respondents said that Un-harmonized travel documents hinder the attainment of trade benefit from the EAC integration. In addition, some EAC Partner States are still issued a three-month visa while they had agreed to issue the visa for six months.

On the other hand, least number of respondents indicated that non implementation of the

single customs territory, un-harmonized traffic regulations and issuing of a visa for only three months instead of six months by some Partner states hinder the attainment of trade benefits from the EAC integration. 25 respondents indicated other challenges apart from the ones mentioned above. These include; un-harmonized working hours at the borders, congestion of the Mombasa and Dar Es Salaam ports, high cost of doing business, landlocked-ness, poor infrastructure, mainly electricity supply and roads.

**Table 8 - Perception of loss of trade potentials due to implementation of the CU**

Response	Number of respondents	Percentage
Yes	20	25
No	60	75
Total	80	100

*Source: Primary data*

Table 8 shows the perception of respondents in relation to loss of trade potentials due to the implementation of the customs union. 25% of respondents said that it has brought about the loss of trade potentials while 75% said that it has not brought about loss of trade potentials.

The respondents who said that it has brought about the loss of trade potential said that this can be mitigated through full implementation of the CU protocol to allow free movement of goods in the region. For instance, full elimination of NTBs, clearance at first port of entry in EAC, harmonization of different laws and regulations in EAC Partner States and smooth transport networks.

### **Perception of trade performance in terms of imports and exports in the EAC**

The researcher was also interested in knowing the perception of respondents in relation to the trade performance (imports and exports) from and to EAC. The respondents in unison responded that the imports were higher than exports due to lower industrial base as compared to the other Partner States with an exception of Burundi.

### **The status of NTBs in the Country and at regional level**

The researcher also asked the status of NTBs in the country. This mainly focused on the public officials who are in charge of monitoring the elimination of NTBs in Rwanda and the region. The respondents replied that there has been a tremendous work done in elimination NTBs. Rwanda has eliminated almost all NTBs and the few that are remaining are the ones related to infrastructure and standards that need more time and cost to eliminate them. There

is a National Monitoring Committee that is in charge of monitoring the elimination of NTBs. On the regional level, there is a regional forum on elimination of NTBs. In this forum, a dedicated ministerial session on elimination of NTBs was set, a legally binding mechanism is being developed at the regional level and time bound program for elimination of NTBs is updated to know the removed, pending and reported new NTBs.

The respondents also said that the NTBs affect the CM and trade in particular by increasing the cost of doing business due to unnecessary delays, bribery, etc.

### **Respondents' Perception on commodity prices**

The respondents were also asked about their perception on the prices of commodities on the market since joining the EAC and also to enumerate the likely causative factors. The respondents were of the view that generally the prices have been increasing though internal tariffs on originating products were eliminated.

They put forward some factors that may be responsible for the increase of prices like the effect of climate change on agricultural products, the effect of world financial crisis and the increase of the prices of oil on the world market.

## **FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **Summary of findings**

The study revealed that imports increased from the year 2004/2005 to 2011/2012 from the EAC and from the ROW, except in the year 2008/2009. During the same period, exports to the ROW were higher than exports within the EAC during the same period under study. The year 2008/2009 marked a decrease in both import and export to both the EAC and the ROW partly due to the world financial crisis. In comparison, Rwanda Traded more with the ROW than the EAC.

The findings of the research study were presented and interpreted in relation to the objectives of the study.

The study revealed that Rwanda has traded with the EAC before and after joining the EAC integration. The study has shown that exports and imports were increasing throughout the period under study. However, imports were higher than exports. This is shown in figure 2 of the study. Figure 2 shows Trade Flows of Rwanda with EAC and the Rest of the World in 2008/2009 and 2011/2012.

The researcher considered two fiscal years in order to facilitate comparability. In this figure 2,

it can be seen that the level of EAC intra- trade has been increasing majorly due to the implementation of EAC trade facilitation policies such as elimination of internal tariffs, reduction of NTBs and free movement of factors of production, among others. Trade flows were higher in the fiscal year 2011/2012 than in the fiscal year 2008/2009 as shown by the import and export values. It also shows that there was a higher percentage increase of exports to the EAC by 104.5 % from the fiscal year 2008/2009 to 2011/2012.

In figure 2 the gap between the imports and exports from and to the ROW is very big and has been increasing since 2004/2005 to 2011/2012.

The figure 2 shows that Rwanda's exports to the ROW increased by 49.1 Million USD, equivalent to 23.5% for the period 2008/2009 to 2011/2012.

Research showed that there has been achievement of trade potentials due to EAC regional integration. This is shown in Table 8 above. 75 % of respondents expressed optimism that the integration was very much beneficial to Rwanda in terms of the trade.

25% of respondents said that regional integration has brought about the loss of trade potential said that this can be addressed by fully implementing the Customs Union protocol. For example, the full elimination of NTBs, attainment of a fully-fledged single customs territory, harmonization of EAC laws and regulations of Partner States and a well-developed transport network. The respondents expressed that imports from EAC were higher than exports to EAC due to the low industrial base.

The respondents indicated that the prices of commodities have been increasing though internal tariffs on products originating from EAC member States were eliminated. This is partly due to the effect of world financial crisis, the increase of world oil prices, the high level of inflation in EAC Partner States in recent years and the effect of climate change that grossly affect agricultural products.

## **Conclusion**

The study that focused on the impact of economic integration on Rwanda's international trade found out that Rwanda's trade with the EAC and the ROW has been increasing due to the trade facilitation policies put in place such as the elimination of NTBs, elimination of internal tariffs, application of a common external tariff and the free movement of factors of production. However, the imports were higher than exports. The research further revealed that



there is an ever increasing trade deficit both with the EAC and the ROW during the period under study. The study also showed that there have been trade benefits from the EAC, however the prices of commodities have been increasing and these can be mitigated through full implementation of the Customs Union and Common Market.

Generally, the EAC integration has positively impacted Rwanda's import and export for both EAC trade partners and the ROW. In addition, the perception of Rwandans on the impact of EAC integration is also positive.

### **Recommendations and suggestion for further research**

The researcher recommends that there is need to increase the export base that will bring about a reduction in the trade deficit. The researcher further recommends that there is a need for the EAC Partner States to implement the customs union and the common market so that the trade benefits can be fully achieved. The researcher also recommends that there should be policies to stabilize market prices by ensuring food security, attraction of investments and subsidizing essential products that affect the level of inflation like oil products so that inflation is maintained at a lower level.

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