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***Title: Impact Of Economic Integration On Rwanda's International Trade: A Case Of East African Community (EAC).***

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## ABSTRACT

The research focused on the study of the impact of regional integration on Rwanda's international trade with a case study of EAC. The researcher considered the study period 2004/2005 to 2011/2012. The objectives of the study were to assess Rwanda's exports and import performance to and from other EAC countries before and after joining EAC, assess the performance of Rwanda's exports and imports to and from the Rest of the world before and after joining EAC, and assess the perception on Rwanda's international trade in the context of EAC regional integration. For better understanding of the conceptual framework, the study reviewed the existing literature. To achieve the stated objectives, both primary and secondary data were collected. During the study, questionnaire and purposive sampling techniques were used. The research adopted a descriptive type of research design. The primary data were collected from 80 respondents from the private and public institutions. Secondary data was also collected from the national instituteof statistics of Rwanda.

The study revealed that the exports were higher than imports throughout the study period, both to the EAC and the Rest of the World. This explains why there has been an ever increasing trade deficit during that period. The study also revealed that there has been achievement of trade potentials to EAC integration and more benefits are often achieved thorough full implementation of the union Protocol. The researcher recommended the subsequent inter alia; the essential to extend the export base which will cause a discount in deficit, a prerequisite for the EAC Partner States to implement the Customs Union and Common Market Protocols so that the benefits can be fully achieved. Finally, areas for further research for interested scholars were stated in relation to trade and Regional Integration.

## INTRODUCTION

The East African Community (EAC) may be a regional organization mandated by the Governments of Kenya, Tanzania, Uganda, Rwanda and Burundi to spearhead the East African economic, social and political integration agenda. According to Society for International Development Report (2011), for a long time, EAC was made up of three states: Kenya, Tanzania and Uganda that have enjoyed close historical, commercial, industrial and cultural ties. Organized cooperation between them started with the development of the Kenya-Uganda railway (1897-1901), followed by the establishment of a customs collection Centre in 1900, the East African Currency Board (1905), the Court of Appeal for Eastern Africa (1909), East African Governors' Conference (1926), the East African Tax Board (1940), and therefore the Joint Economic Council in 1940. In 1947-1961, there was an East African High Commission, while in 1961-1966 there was the East African Common Services Organization. In 1967, the three countries established the East African Community (EAC) for the primary time. Under this arrangement, the three countries enjoyed joint ownership of common facilities (Harbours, an airline, the East African Posts and Telecommunications, the Inter-University Council of East Africa and the East African Currency Board), a Legislative Assembly, etc. This cooperation lasted until 1977, when the EAC collapsed. The current EAC integration initiative has its origin in the Mediation Agreement for Division of Assets and Liabilities of the East African Community, which had collapsed in 1977. Consequently, despite the long hiatus lasting nearly a decade, in 1992, fresh attempts to restart East African Regional Integration commenced. Considerable work went into this process such by 30th November 1999, the Treaty for the Establishment of the East African Community was signed by the three original partner states: Kenya, Uganda and Tanzania.

The EAC Treaty came into force in July 2000 marking a serious milestone within the revival of the East African integration project. Rwanda and Burundi, two neighboring countries, expressed interest in joining the EAC and on 18th June 2007 they both assented to the EAC Treaty and became full members of the Community on the 1st July 2007. Subsequently, the EAC Partner States established a Customs Union in 2005 and a Common Market in 2010. The next phase of the integration will be the EAC Monetary Union and ultimately a Political Federation of the East African States. According to Dirk Willem de Velde (2006), trade policy reforms have economic effects on the price of traded products, output, wages and employment opportunities and the government's fiscal position. Regional integration is policy reform that affects trade at the relevant regional level vis-a-vis: the price of traded goods, static and dynamic output effects and the effect on the tax revenue.

Rwanda considers regional economic integration as crucial elements as captured in its sixth pillar of the Vision 2020 which states “Regional and International Integration”. To this end, it became necessary to pursue an open, liberal trade regime, minimizing barriers to trade as well as implementing policies to encourage foreign direct investment.

## Statement of the Problem

Rwanda has trading relations with the EAC, the COMESA, CEPGL and the rest of the world. Rwanda has joined different trading blocs with the primary purpose of increasing its trade with them. In line with this, it joined the EAC officially in 2007. Rwanda’s joining of the EAC had impact on its trade: Imports increased drastically due to the removal of the internal tariffs, elimination of NTBs, harmonization of external tariffs, free circulation of factors of production within EAC, among others. Exports increased but at a lower magnitude than imports. In addition, some of the goods exported to the EAC do not qualify for preferential treatment due to not satisfying the criteria of origin and as such attract the Common External Tariff rate.

According to Viner J, (1950), as cited by Dirk Willem te Velde (2006), the effects of regional integration can be either trade creating when trade replaces domestic production, or trade diverting when partner country production replaces trade from the rest of the planet . Regional integration affects trade, FDI, and migration in a number of different ways. Regional integration is associated with increased intra-regional trade in the case of trade creation as well as increased FDI from outside the region. Trade diversion brings about higher costs for producers and higher prices for consumers if previously they had access to a lower cost / lower price supply from a non-member of the block. It portrays as a shift in domestic consumer spending from a lower cost world source to a higher cost partner source as a result of the elimination of tariffs on imports from the partner. The common external tariff on many goods coming into the community makes imports more expensive. It is from this background that the researcher was much interested in finding out the impact of Regional Integration on Rwanda’s trade with a particular emphasis on the East African Community. The study period is from 2004/2005 to 2011/2012. This period was chosen because it encompasses the period before and after joining the EAC. This helped the researcher in making a comparison between the two periods and thus determining the impact on trade.

## Objectives of the Study

The study was based the following study objectives. General Objective. The main objective of this research is to assess the impact of Economic Integration on Rwanda’s International Trade. The researcher considered the EAC as a Case of Study and a study period between 2004/2005 and 2011/2012. Specific Objectives:

1. Assess Rwanda’s exports and imports performance to and from other EAC Countries before and after joining EAC.
2. Assess the performance of Rwanda’s exports and imports to and from the Rest of the world before and after joining EAC.
3. To assess the perception on Rwanda’s international trade in the context of EAC regional integration.

## Research Questions

1. What is the value of Rwanda's exports and imports to and from other EAC Countries before and after joining the EAC?
2. What is the value of Rwanda's exports and imports to and from the Rest of the world before and after joining EAC?
3. What is the perception on Rwanda's international trade in the context of EAC regional integration?

## LITERATURE REVIEW

According to Alemayehu Geda and Haile Kibret (2002), the impetus for regional integration draws its rationale from the standard trade theory, which states that free trade is superior to all other trade policies. As an extension of this fundamentals, therefore, trade among two or more countries will improve the welfare of the member countries as long because the arrangement leads to a net trade creation. That is, though because the theory of the runner-up indicates, regional agreements don't guarantee an improvement within the welfare of member countries, they might do so provided trade diversion is minimal and/or trade-creation tilts the balance. Regional Integration is defined as any policy designed cut down trade barriers between a subset of member-states, Regardless of whether those countries are literally contiguous probably on the brink of one another . L. A. Winters, (1998) "Regionalization vs. Multilateralism" in Market-Integration, Regionalism and the Global Economy. According to Viner J, (1950), The customs union Issue, as cited by Dirk Willem de Velde in Regional Integration and Poverty (2006), the effects of regional integration can be either trade creating when trade replaces domestic production, or trade diverting when partner country production replaces trade from the remainder of the planet. This implies that RI can cause further trade, but this is often not always welfare enhancing. Reflecting this, regional integration is not always revenue enhancing and could in fact reduce national welfare in the case of trade diversion and loss of tax revenues.
Zubair Iqbal and Mohsin S. Khan (1997), highlighted that, Modern industry is large scale and needs a certain minimum scale of operations for maximum efficiency. Clearly, the national markets of most African countries are too narrow to provide adequate incentives for large-scale industries.

Under this circumstance, industrial productivity is likely to be low in each individual country and given the implied higher costs of production, such industries are likely to seek and obtain a high level of protection to stay in business. This limitation of the national markets and recognition of the constraints of the international trading regime, have encouraged increased regionalism among developing countries. In Africa, despite the results of empirical research that question the usefulness of regional integration, it is still high on the agenda of African States.
A regionally protected market is believed to circumvent the constraints of narrow national markets and would also make it possible (1) for countries to use existing agricultural and industrial capacities more fully in supplying one another's needs; (2) for new investment to take place in industries that would not be viable if confined to individual national markets and (3) for both old and new industries to reduce costs through economies of scale and specialization.
According to Seminal Balassa (1961) in The Free Trade Area of the Common Market for the Eastern and Southern Africa, Economic integration may be defined as an attempt to link together the economies of two or more countries, typically with some geographical proximity, through the removal of economic barriers like tariffs and immigration controls, aimed toward raising the

living standards also as achieving peaceful relations among the participating countries.

**Forms of Integration**

According to Henry Kibet Mutai, (2007), generally recognizes six categories or forms of regional integration arrangements representing varying degrees of integration; these are Preferential trade agreement; free trade area; customs union; common market; Monetary Union and economic union.

**Table 1 - Forms of Economic Integration Arrangements**

| Scheme | Free movement of goods | Common External Tariff | Free Movement of labor and capital | Harmonization of fiscal and economic policies | Adoption of a common monetary unit |
|---|---|---|---|---|---|
| **Preferentialtrade agreements** | X | X | X | X | X |
| **Free TradeArea** | □ | X | X | X | X |
| **CustomsUnion** | □ | □ | X | X | X |
| **Common Market** | □ | □ | □ | X | X |
| **EconomicUnion** | □ | □ | □ | □ | X |
| **MonetaryUnion** | □ | □ | □ | □ | □ |

*Source: compliance with International Trade Obligations, the Common Market for Eastern and Southern Africa.*

**East African Community (EAC)**

The good progress made by the EAC since it started full operations in 1996 lays a strong foundation for achieving its mission of regional integration and development. It made the East African currency convertible in 1997, operationalized its customs union in January 2010 and launched its common market in July 2010. With monetary union envisaged for 2012, preparations for establishing a political federation continue in earnest, although they'll require substantial resources and firm commitment from the partner states.

**Trade policies in the EAC**

Society for International Development (2009), like many other African Countries, the five members have been implementing a wide range of trade and trade-related policies. Starting from the late 1980s, the EAC countries separately implemented trade reforms as part of Word Bank/ IMF structural adjustment programs. These reforms, which had the aim of reducing the role of government in the economy, contributed significantly to the liberalization of the productive sectors such as agriculture as well as the opening up of the financial markets to foreign competition and exchange liberalization. The reforms also sought to substantially reduce general tariff protection in the region through reduction of applied duties. Continued liberalization of trade regimes has been achieved through multilateral agreements, especially the World Trade Organization (WTO), of which all EAC countries are members, and through Regional Trade Agreements (RTAs) in which the countries participate like the Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC). By implementing EAC trade policies, both intra-EAC trade and the trade with the rest of the world was expected to be boosted through the advantages embodied within the customs union and common market protocol. Those include, elimination of internal tariffs, harmonized external tariffs, application of common customs laws and procedures, elimination non-tariff barriers, and free movement of factors of production.



**Rwanda's integration in EAC**

The East African Community (EAC) is a socioeconomic, cultural, and political regional block of East African countries composed of Burundi, Kenya, Rwanda, Tanzania and Uganda. The Treaty on the establishment of the community envisages integration among the countries progressing from a Customs Union (CU), to a Common Market (CM), then a Monetary Union (MU), and ultimately to a Political Federation. Initially the Treaty establishing the EAC was signed by Kenya, Tanzania, and Uganda on the 30$^{th}$ November 1999 and ratified on the 7$^{th}$July 2002. Rwanda and Burundi were admitted into the EAC in November 2006 and their membership became effective on 1$^{st}$ of July 2007.

The CU Protocol was negotiated between the original three member states (Kenya, Tanzania,and Uganda) and signed in March 2004. Rwanda joined the EAC CU in accordance with the adopted road map on the 1$^{st}$ of July 2009. The Protocol on the Establishment of the EAC CMwas signed by the five Heads of State on the 20$^{th}$ November 2009. As of the 1$^{st}$ July 2010 Partner States have started implementing the commitments made under the CM

Protocol.

In its Vision 2020, the Government of Rwanda lays out an ambitious development strategy aiming at moving the country from low-income to middle-income status. The strategy is formed around six pillars, one of which calls for the 'Promotion of Regional Economic Integration and Cooperation. Therefore - as Rwanda's most in-depth regional integration arrangement - the EAC plays a central role in the attainment of national development goals.

## METHODOLOGY

### Research design

The study intended to identify the causality between EAC regional integration and Rwanda's international trade. In order to conduct this research, the study used a descriptive research design; mainly represented by the common descriptive research where both primary and secondary data were recorded, analyzed, interpreted and described.

### Target population

The target population are the business community at the major border posts linking Rwanda to the EAC countries (RUSUMO, GATUNA, MAGERWA warehouse, Kigali International Airport), Long Distance Transporters Association and public institutions involved in Regional Integration and Trade matters, namely Rwanda Revenue Authority staff, Ministry of Trade and Industry and Ministry of EAC Affairs and to hear their perceptions.

### Sampling method and sample size

The researcher chose the purposive sampling and a total of 80 respondents from private and public sector were interviewed during the process of this research.

### Data collection

For the purpose of this study, the researcher collected data from primary and secondary sources from both public and private sectors.

### Primary sources

The primary data were collected using an interview guide from relevant respondents in the business community at the major border posts linking Rwanda to the EAC countries (RUSUMO, GATUNA, MAGERWA warehouse, Kigali International Airport), Long Distance Transporters Association and public institutions involved in Regional Integration and Trade matters, namely Rwanda Revenue Authority staff, Ministry of Trade and Industry and Ministry of EAC Affairs.

**Secondary data**

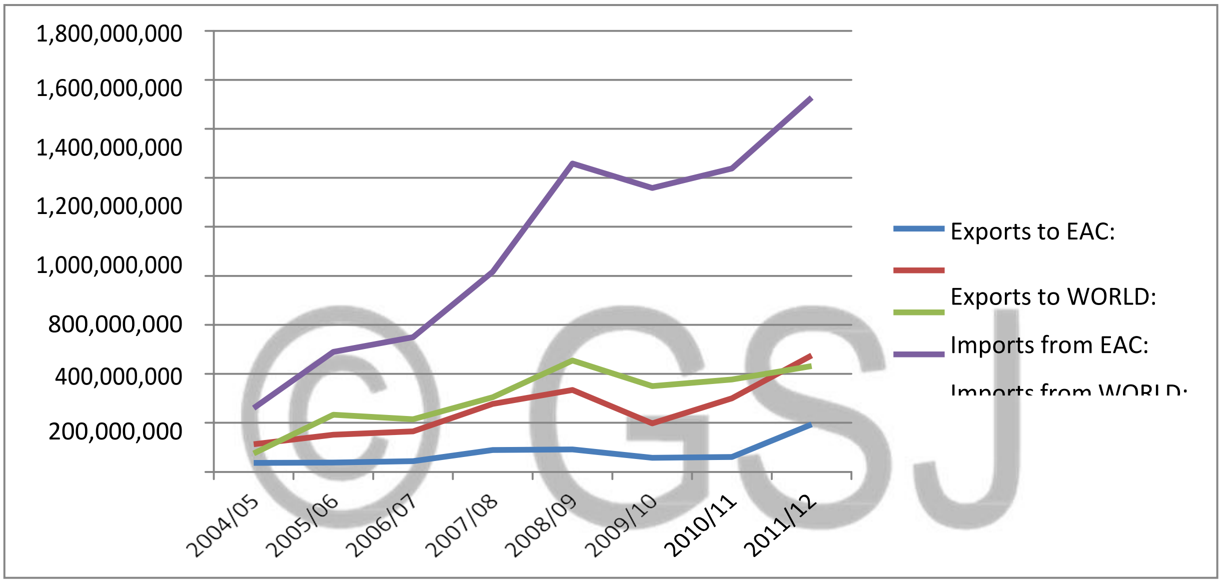
Secondary data used by researcher were obtained from the National Institute of Rwanda (NISR).

## DATA ANALYSIS AND INTERPRETATION

The analysis of data is divided into two parts: primary and secondary data.

**Secondary data**

**Figure 1 - Trade Flows of Rwanda with EAC and World (Values in US$)**




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

The above figure shows the trade flows of Rwanda with the EAC and the Rest of the World (ROW) for the period 2004/2005 to 2011/2012. As shown, imports were increasing at an increasing rate than exports from 2004 to 2012. However, there was a decrease in both imports and exports during the year 2008/2009 from and to the ROW and EAC. Exports to the EAC during the year 2008/2009 decreased at a slight rate than the ROW. A decrease in the exports and imports to and from the ROW and EAC was due to the world financial crisis. The figure also shows that there is a big gap between the imports from the ROW and the EAC. The gap widened more from the year 2004/2005 to 2011/2012. Also, exports to the ROW were higher than exports within the EAC during the same period under study. It can therefore be said that Rwanda trades more with the ROW than EAC for both imports and exports during the study period.

From the below table, it is shown that both total exports and imports increased from 2004/2005 to 2011/2012. The total exports increased from 150.1 Million USD in the year 2004/2005 to 668.3 Million USD in 2011/2012. Total imports increased from 335.3 Million USD in the year 2004/2005 to 1,958 Million USD in the year 2011/2012. Also, there was a trade deficit from the year 2004/2005 to 2011/2012. The deficit increased from (188.2) Million USD to (1,289.7) Million USD during the period under study. The persistence of the trade deficit is attributed to a number of factors like limited export base whereby top 20 exports in 2011/2012 were mainly agricultural products and minerals and a weak industrial sector.

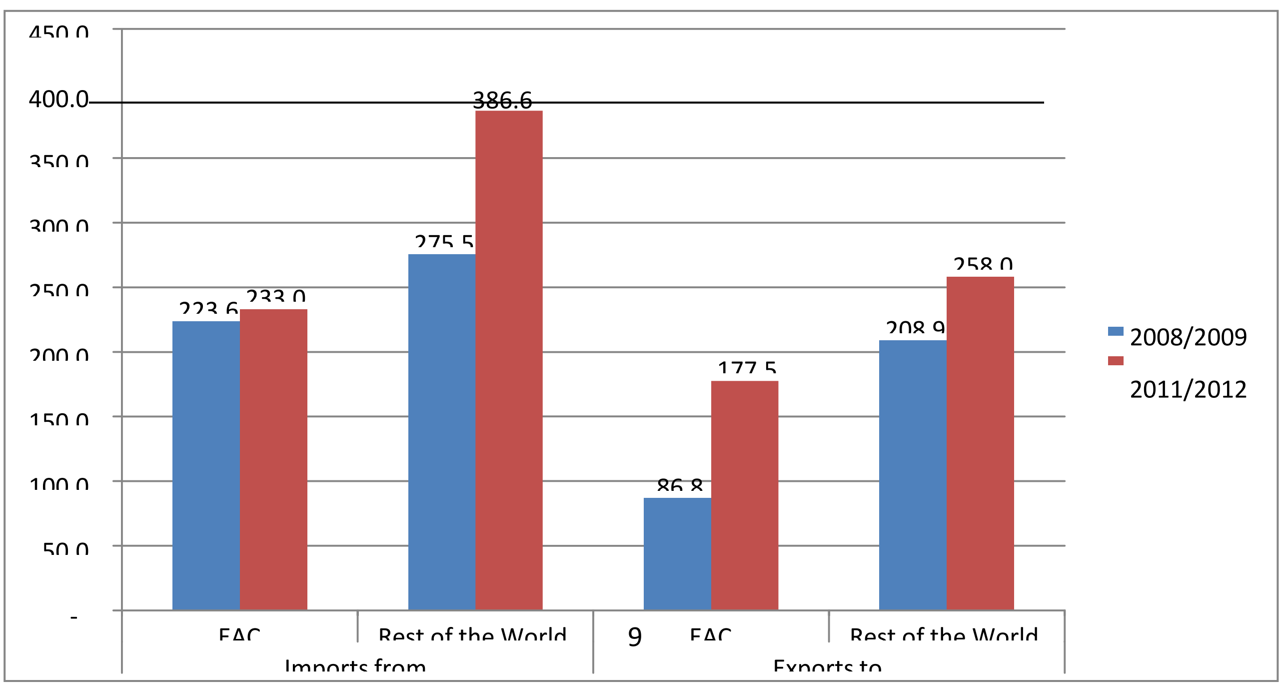
**Table 2 - Rwanda's Net Exports from the Year 2004/2005 to 2011/2012 (Values in US$Millions)**

| | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|---|---|
| **Exports** | | | | | | | | |
| EAC: | 36.8 | 37.8 | 43.7 | 89.5 | 91.9 | 57.3 | 60.5 | 193.2 |
| WORLD: | 113.3 | 152.1 | 165.7 | 277.3 | 334.1 | 198.5 | 300.8 | 475.0 |
| **Imports** | | | | | | | | |
| EAC: | 75.1 | 233.4 | 215.1 | 305.1 | 454.5 | 350.3 | 377.7 | 431.5 |
| WORLD: | 260.3 | 490.0 | 549.7 | 816.2 | 1,257.9 | 1,158.2 | 1,237.9 | 1,526.6 |
| **Total Exports** | **150.1** | **189.9** | **209.4** | **366.8** | **426.0** | **255.8** | **361.3** | **668.3** |
| **Total Imports** | **335.3** | **723.4** | **764.8** | **1,121.3** | **1,712.3** | **1,508.5** | **1,615.7** | **1,958.0** |
| **Trade Balance** | **-185.2** | **-533.5** | **-555.4** | **-754.5** | **-1,286.3** | **-1,252.7** | **-1,254.4** | **-1,289.7** |

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



**Figure 2 - Trade Flows of Rwanda with EAC and the Rest of the World in 2008/2009 and 011/2012 (Values in US$ Millions)**



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

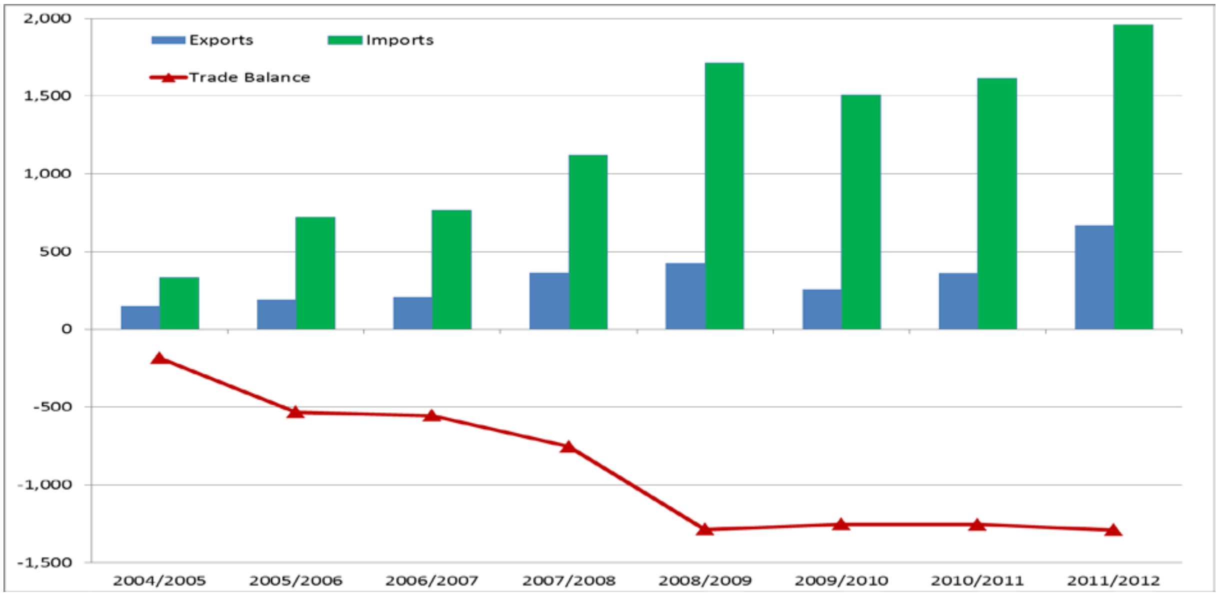
The above figure shows a comparison between two fiscal years in trade flows of the EAC and the ROW. The fiscal year 2008/2009 was chosen because it is a year before Rwanda joined the EAC Customs Union and the fiscal year 2011/2012 was chosen as a more recent fiscal year for ease of comparison of the trade performance.

During the fiscal year 2008/2009 the imports from EAC were 223.6 million USD against 233 Million USD in 2011/2012, while imports from the ROW were 275.5 Million USD and 386.6 Million USD for the fiscal year 2008/2009 and 2011/2012 respectively. Therefore, there was a relatively higher increase in the value of imports from the ROW in two fiscal years (111.1 Million USD) than in EAC (9.4 million USD) for the same period. The dominance of imports from outside the EAC region was due to the low quality, quantity and diversification or variety of the locally produced goods.

On the export side, during the fiscal year 2008/2009 the exports to the EAC were 86.8 Million USD against 177.5 Million USD for the fiscal year 2011/2012 while exports to the ROW were
208.9 Million USD and 258 Million USD in 2008/2009 and 2011/2012 respectively. Therefore, there was a more than double increase of exports to the EAC (90.9Million USD) from the fiscal year 2008/2009 to 20011/2012. Rwanda's exports to the ROW increased by 49.1 Million USDfor the period under review. There were more exports to the ROW in terms of value during the two periods. However, there was a higher percentage increase of exports to the EAC by 104.5 % from the fiscal year 2008/2009 to 2011/2012 whereas the exports to the ROW increased by 23.5% during the same period.

We can conclude here by saying 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 whereby goods originating from EAC are zero rated when they meet the rules of origin criteria, reduction of NTBs and free movement of factors of production, among others.

**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 fiscalyear 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 areanalyzed 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 |
| **Total** | **80** | **100%** |

***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 withexperience 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 knewthe 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 |
| **Total number of respondents** | **80** |

***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, reducedtime 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 |
| **Total number of respondents** | **80** |

***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 onoriginating 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 theCustoms 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 EACPartner 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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