

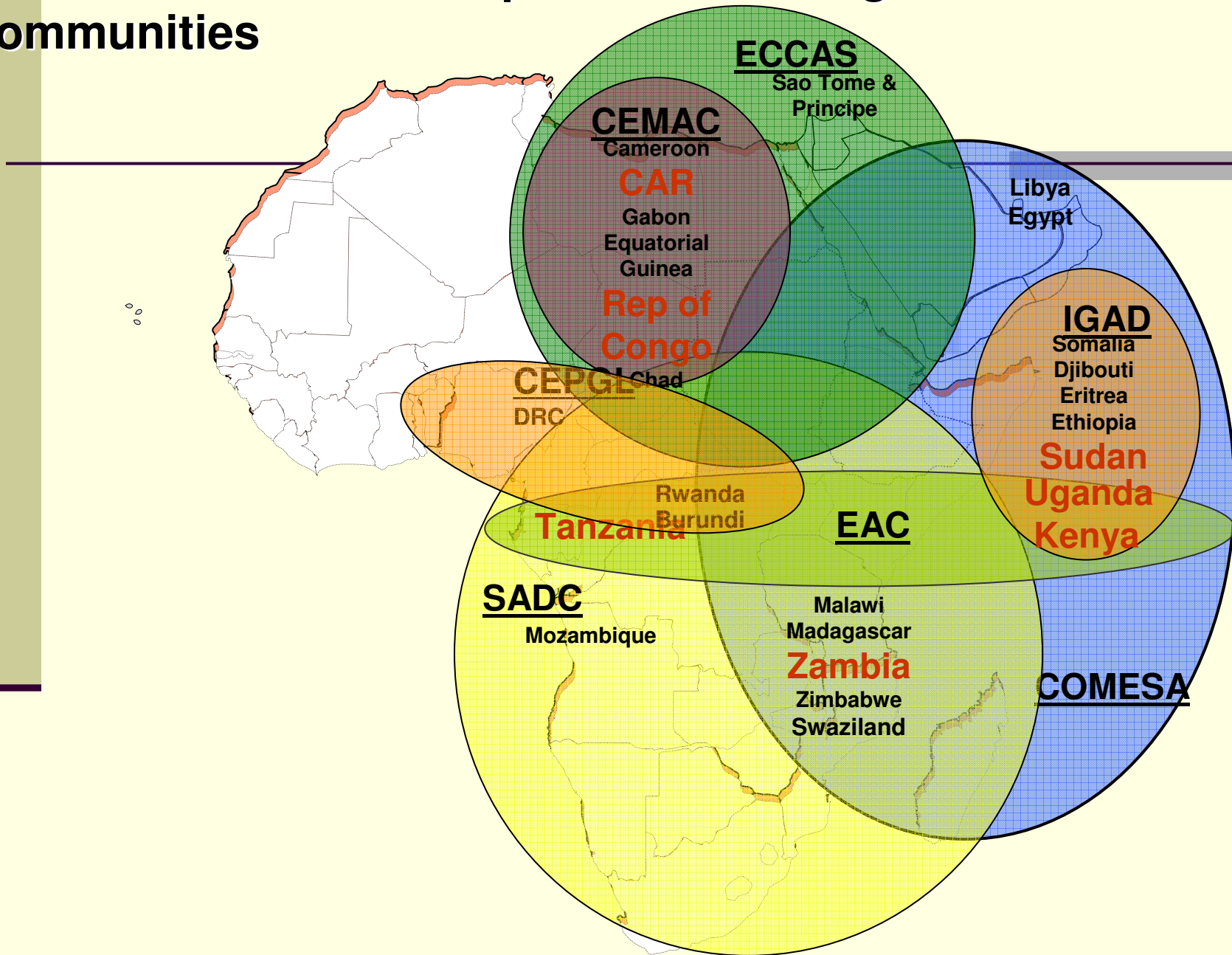
**IMPLICATIONS OF RWANDA'S
ACCESSION TO THE EAST AFRICAN
COMMUNITY**

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Background on Rwanda's Integration Agenda

- Regional and international integration is the 6th pillar of vision 2020.
- Rwanda is a member of COMESA, CEPGL, and of the EAC.
- She became a full member of the COMESA FTA in 2004.
- In a bid to rationalize membership into RECs, Rwanda pulled out of ECCAS and withdrew her application to join SADC in May 2007.

Rwanda and Memberships in African Regional Economic Communities

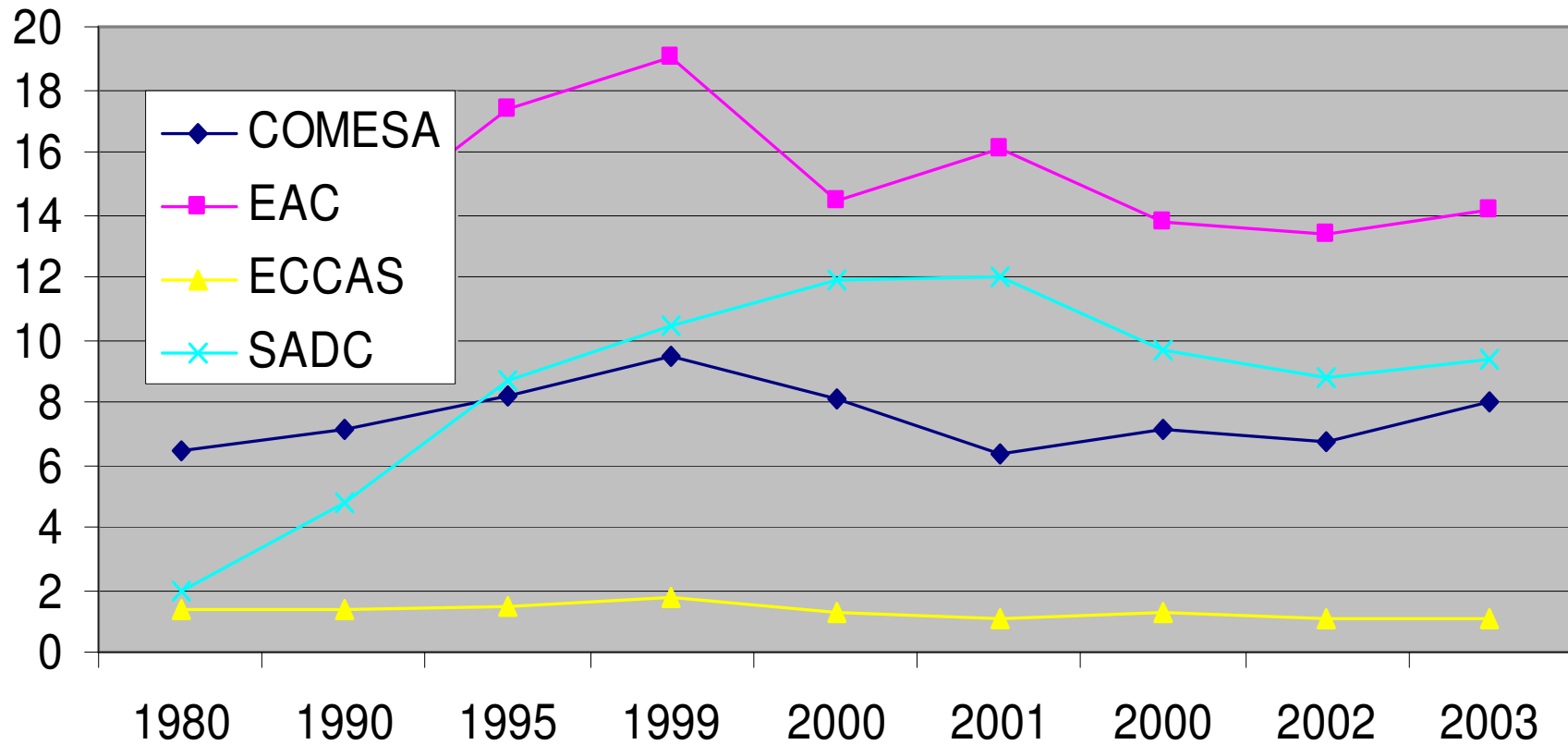


Rwanda's Accession to the East African Community

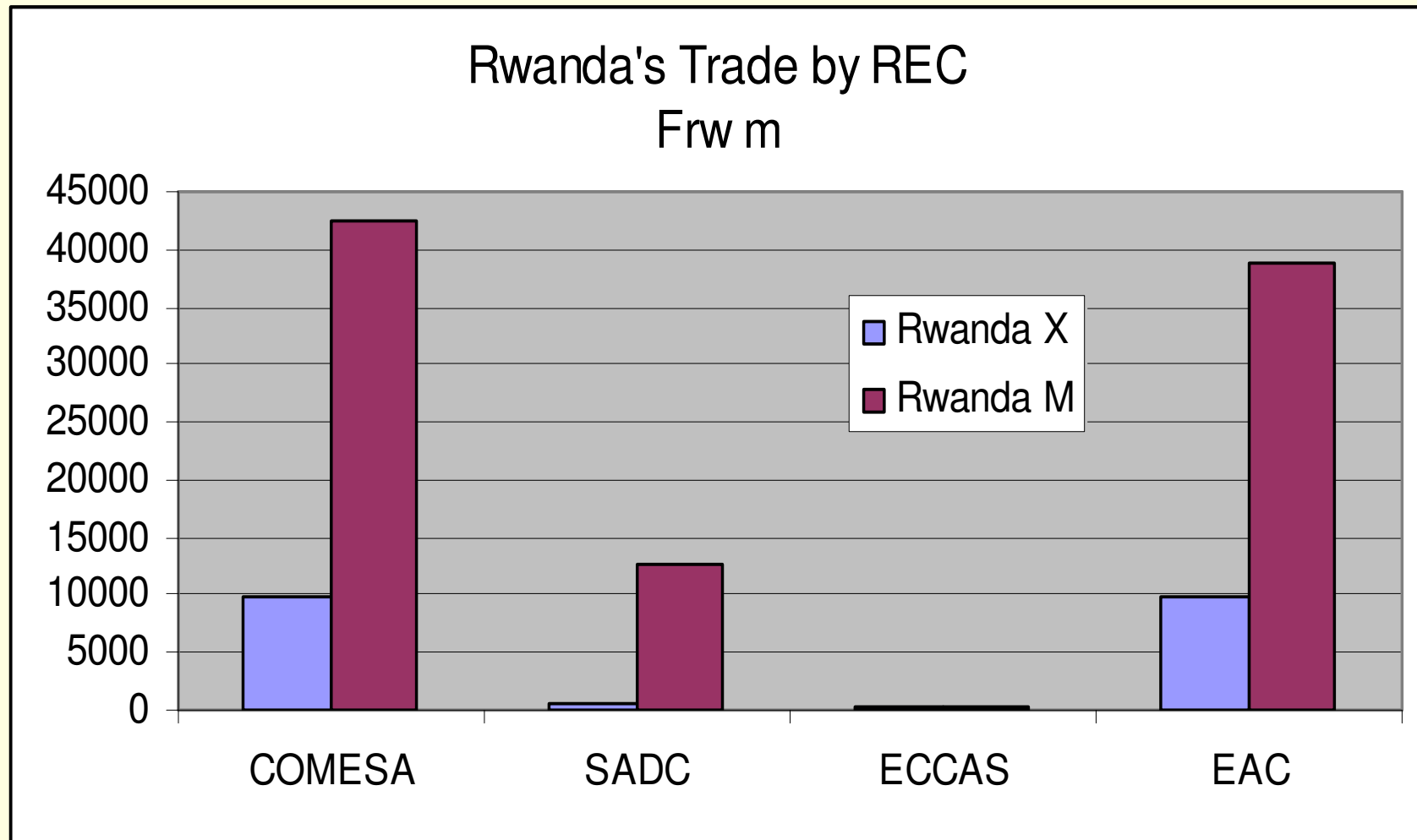
- **On 30 November 1999, the new EAC Treaty was signed by Kenya, Uganda and Tanzania; it came into force on 7 July 2000 upon ratification by the three Partner States.**
- **The Republic of Rwanda applied to join the East African Community in 1996. She was admitted November 30th 2006 and membership became effective July 1st 2007.**

Why Join the EAC?

Intra group exports as a % of total group exports



EAC, a growing trading partner for Rwanda.



Benefits

- A wider market: over 100 million with entry of Rwanda and Burundi
- EAC gateway to Rwanda
- Removal of tariff and non tariff barriers to trade
- Even within COMESA, Rwanda's trade is mainly with the EAC Partner States (95% of exports for example)
- Common historical links with EAC Partner States

Benefits (Cont'd)

- Cultural affinity
- Common positions in the Foreign and Security Policy fields
- Key infrastructure through EAC partner states
- Cooperation on trans border issues and challenges, (tourism, environment, health, etc)
- Land linked to Land locked economy

Integration process within EAC

The Treaty states that 'the EAC Partner States Undertake to establish among themselves ...

subsequently **...a Customs Union**

... a Common Market,

and ultimately **a Monetary Union**

..a Political Federation'

Integration process : Customs Union

- **The East African Community Customs Union Protocol was signed on 2nd March 2004, ratified end December 2004 and came into force on 1st January 2005;**
- **The Customs Union implies the elimination of internal tariff (free movement of goods).**
- **Common External Tariff.**
- **Elimination of Non-tariff barriers.**
- **Intra-EAC tariff liberalization started with Protocol implementation on 1st January 2005 and will be completed by January 2010, creating a fully fledged EAC Customs Union.**

Integration process : Common Market

- **The East African Community Common Market will be effective by January 2010;**
- **The Negotiations on a Common Market Protocol will start in January 2008.**
- **The protocol is expected to be concluded and signed in June 2009 and implementation will start in January 2010;**
- **The Common Market implies the free movement of persons,**
- **Free movement of capital,**
- **Free movement of services,**
- **Free movement of labor,**
- **Right of establishment, and**
- **Right of residence.**

Implications of entry into the EAC in 2007-2009

- On 01 July 2007, Rwanda acceded to the EAC Treaty and various protocols annexes of it;
- The accession to the Treaty implies adoption of various EAC Programs, i.e.
 - MOU on Foreign Policy Coordination, including joint marketing of the EA region abroad and a common standing in international fora
 - MOU in Cooperation of Defense, including military training, joint operations as well as institutional coordination
 - Interstate Security: Protocol on drug trafficking, combating illicit trafficking in small arms and light weapons, EAC position on combating terrorism

Implications of entry into the EAC(cont'd)

- Actions to be done progressively, by 2009, include:
 - ✓ Harmonizing Rwanda's policies in line with the objectives of the EAC in various areas of cooperation;
 - ✓ Harmonizing its national laws with those of the East African Community;
 - ✓ Implementation of the Customs Union Protocol;
 - ✓ Negotiations and conclusion of the Common Market Protocol.

Implications of EAC Customs Union Protocol

- Rwanda has agreed to have implemented the following provisions of the Customs Union Protocol by June 2009:
 - ✓ Adoption of the EAC Common External Tariff: 0%, 10%, 25%
 - ✓ Elimination of internal tariffs
 - ✓ Application of the EAC Rules of Origin, and simplified Certificate of Origin.

Implications of Customs Union Protocol (Cont'd)

- ✓ Adoption and application of the Customs Management Act, 2004 in the management of Customs
- ✓ Adoption of the EAC Prohibition and restrictions
- ✓ Undertake public awareness and capacity building programs

Implications of Customs Union Protocol (cont'd)

- Rwanda is developing an implementation road map with time frames. This includes:
 - developing a list of products for internal tariff elimination;
 - developing a list of sensitive products and industrial raw materials to be accorded CET exemptions.
 - A country-wide industrial survey has already been concluded.
- The aim is to make migration to the Customs Union revenue neutral at the very least

Implications of Customs Union Protocol (Cont'd)

- **Impact from application of the EAC Common External Tariff may include:**
 - **Revenue loss due to tariff changes to the CET. Products that may be highly affected include:**
 - **Petroleum products from 30% to 0% under EAC CET;**
 - **Vehicles from 30% to 25% under EAC CET**
 - **Tyres from 30% to 25% under EAC CET**

Implications of Customs Union Protocol (Cont'd)

- **Increase in tariffs from some products on EAC's sensitive list, e.g.**
 - **Milk, 60% under EAC CET**
 - **Sugar, 100% under EAC CET**
 - **Rice, 75% under EAC CET**
 - **Wheat flour, 60% under EAC CET**

Implications of Customs Union Protocol (Cont'd)

- Revenue measures expected to address revenue shortfalls include:
 - Expansion of the excise tax base
 - Increment of excise duties on products likely to be affected by revenue loss, i.e. petroleum products
 - Application of the EAC exemption regime whose coverage is not as wide as the national exemption regime

Implications of Customs Union Protocol (Cont'd)

- **Non-Tariff Barriers (NTBs):**
- Rwanda will join the other EAC Members in negotiating on the elimination of existing NTBs, particularly those that are policy and procedures-linked, such as:
 - Multiple charges and levies at intra-EAC border crossing points
 - Cumbersome customs administration procedures

Implications of Customs Union Protocol (Cont'd)

■ **NTBs (Cont'd)**

- Restrictive licensing practices
- Weigh bridges
- New NTBs implemented to compensate for the elimination of tariffs under the CU

■ Rwanda shall participate in the proposed mechanism for monitoring NTBs and form its NTB National Monitoring Committees in line with those of the EAC Secretariat and Business Council

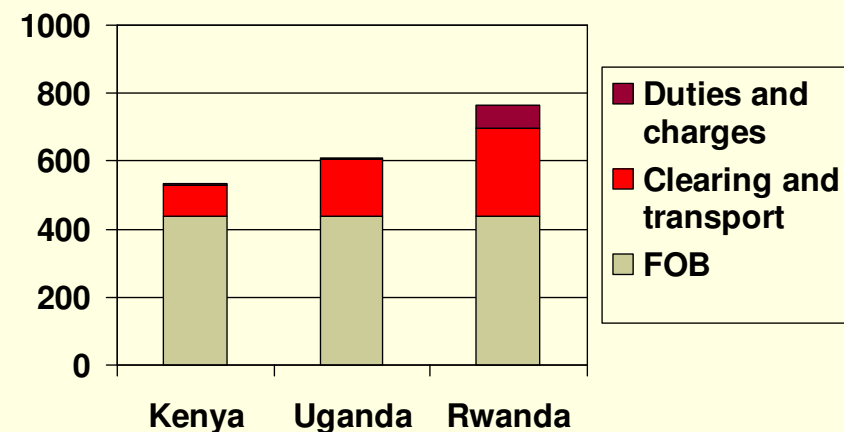
Facilitation of movement of persons

- Various programs within the EAC of which Rwanda will be party to include:
 - Harmonization of immigration policies and legal frameworks
 - Negotiations on the harmonization of work permit structure, procedures of issuance and fees
 - Abolition of visa requirements
 - Adoption of interstate passes for frequent travelers, e.g. the business community

Rwanda has high transport costs

- Natural factors: Landlocked and mountainous country
 - Studies have shown that in Africa landlocked countries face transport costs 30-50% higher than others
- Institutional factors: border transactions and delays,
- Cabotage legislation (max weight and regulations on return loads)

Cost comparison: import of palm oil



EAC / RWANDA: Dealing with high transport costs

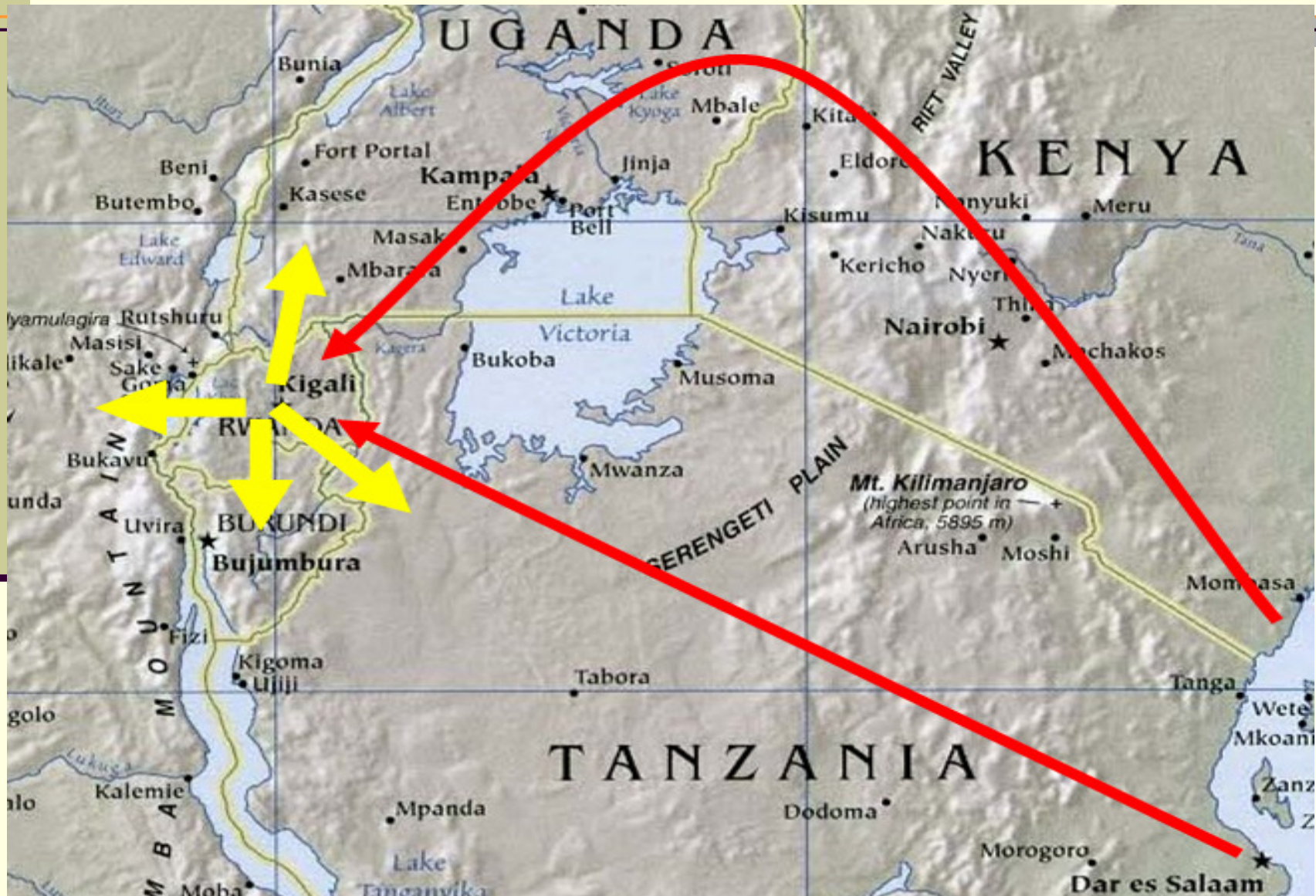
- High transport costs mean that Rwandan goods are most competitive if they do not use imported inputs
 - For example: coffee, tea and processed fruits
- Regional integration can help to reduce transport costs
 - Cooperation within NEPAD framework – road/ rail corridors etc
 - Reduction in bureaucracy and delays at borders: could result in 15-20% reduction in total transport costs
 - Negotiated liberalisation of restrictive “cabotage” legislation
- Policy can be revised to reduce the impact of being landlocked – e.g. Charge VAT on FOB value of imports, not on CIF value

Rwanda as a distribution centre

With improved transport Rwanda could become the distribution centre for the sub-region

- Good base to build on:
 - re-exports to eastern DRC, Tanzania, Uganda and Burundi accounted for 17% of total exports in 2003
 - Harmonized with a revived CEPGL.
 - Petrol transporters service a regional market of 35m
- Rwandan comparative advantage
 - Security of persons and property
 - Low corruption
- Source of value added
 - Stock management – sits well with ICT strategy
 - Breaking bulk and packaging
 - Logistics and matching buyers with sellers

Increasingly outward looking



Comparative and competitive advantage: Important considerations

- Trade in services
- ICT - Public procurement markets in EAC will be open to Rwanda
 - Smart government technology could generate between \$1.5 and \$3 million per year
 - But intellectual property rights key
- Rwanda as a distribution hub – Hong Kong approach;
 - Gateway to the West

Institutional Issues

- **The EAC has an impressive number of Institutions;**
- **The Republic of Rwanda has officially applied to join the East African Development Bank;**
- **Rwanda nominated 2 judges to the East African Court of Justice;**
- **The process of electing 9 MPs to represent Rwanda to the East African Legislative Assembly is underway;**
- **Accession process necessitates domestic Institutional changes;**

EAC Organs and Institutions

- Summit
- Council of Ministers
- Coordination Committee
- Sectoral coordination committees
- Secretariat
- East African Legislative Assembly
- East African Court of Justice
- East African Development Bank
- Inter University Council of East Africa
- Lake Victoria Basin Organization
- East African Centers of excellence (Dar es Salaam Maritime Institute, Utali College, Soroti Flying Academy)

Accession Challenges

- Difficult regional environment
- Weak Industrial base
- Weak skills base post genocide
- Possible revenue loss
- Creative destruction of production structures
- Effect on household expenses need mitigation

Areas affected by Regional Integration

- Trade (Common Market)
- Economic policies
- Inter-State cooperation (Border issues)
- Peace and Security, Conflict prevention through regional cooperation
- Institution harmonization
- Relations with non-member stake-holders



**THANK YOU FOR
YOUR ATTENTION**