UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

RWANDA'S DEVELOPMENT-DRIVEN TRADE POLICY FRAMEWORK

Prepared by the
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and the Ministry of Trade and Industry of Rwanda

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Foreword

For many years UNCTAD, as the focal point in the United Nations for trade and development, has highlighted the necessity of complementing trade liberalization with building and strengthening competitive productive capacities in developing countries, especially least developed countries such as Rwanda. It has become apparent that the international opportunities presented by trade for promoting broad-based development have not been fully exploited by many developing countries, due especially to weak productive capacities.

We are thus pleased to produce this innovative report, with the Government of Rwanda, on a potential trade policy framework for Rwanda. It gives priority to the articulation of a trade policy aimed specifically at improving competitive productive capacities to trade internationally and locally, as Rwanda continues with economic reform and participation in regional and global trade forums. It provides a blueprint for preparing the Government's first-ever trade policy, as an integral part of the country's overall development plan and strategy. This is especially important in light of the immense structural weaknesses of Rwanda's trade activities, and the urgency of addressing the challenges emerging from the global economic crisis. It will further guide Rwanda's participation in regional and global trade negotiations.

The trade policy framework also emphasizes the links with human development and poverty eradication. This is consistent with the priorities enshrined in Rwanda's Vision 2020, Rwanda's Economic Development and Poverty Reduction Strategy, the United Nations Millennium Development Goals and the Accra Accord of UNCTAD XII.

I am hopeful that this step towards the articulation of a comprehensive trade policy will lay the foundations for Rwanda to derive meaningful development benefits from trade.

Supachai Panitchpakdi
Secretary-General of UNCTAD

Preface

Speaking at the Second Ordinary Session of the Conference of the African Union Ministers of Trade on 27 May 2004 held in Kigali, as well as in various other important high-level events, H.E. Paul Kagame, President of the Republic of Rwanda repeatedly said, “In Africa today, we recognize that trade and investment, and not aid, are pillars of development.”

With a view to enhancing growth, development and socio-economic transformation in Rwanda, the Government articulated the Rwanda Vision 2020 which establishes three broad development goals of the country. These are: (i) in short-term, promotion of macroeconomic stability and wealth creation to reduce aid dependency; (ii) in the medium term, transformation from an agrarian to a knowledge-based economy; and (iii) in the long-term, creation requires productive and competitive economic sectors including trade.

Rwanda thus is making every effort to ensure that increased and sustained benefits are derived from its participation in both regional and international trade. An important aspect of this pioneering orientation is the elaboration of a comprehensive trade policy as a complement to the positive macro-economic and sectoral reforms already undertaken, which made Rwanda one of the leading countries in the World in facilitating trade and investment as highlighted by the World Bank Doing Business 2010 Report.

The trade policy will provide a roadmap for the development and enhancement of Rwanda’s participation in regional and international trade, especially by improving and diversifying its production and markets. It will help Rwanda to build a more resilient economic base that can respond effectively to adverse impacts of global economic crisis.

I am thus grateful to UNCTAD for its assistance to my Ministry in the preparation of this trade policy framework report. It provides the analytical base for the elaboration of a trade policy and its implementation.

Our development partners have and continue to play an important role, in supporting Rwanda’s efforts to promote effective participation in international trade, particularly through the provision of duty-free and quota free market access for our products. In order to effectively benefit from such offer, there is an imperative need to building productive capacities and trade-related infrastructure for exports, especially value added goods and services. We have been engaged in mainstreaming trade into our National Development and Poverty Reduction Strategy (EDPRS) and we are expecting a sustained support from our development partners in facilitating the implementation of the trade policy and other trade-related strategies in order to boost Rwanda’s poverty reduction efforts with a view to timely attaining national and global goals, including the Millennium Development Goals.

NSANZABAGANWA Monique
Minister of Trade and Industry

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Executive summary

The Government of Rwanda has emphasized the need to develop a comprehensive trade policy as an integral part of the country's overall development plan and strategy, especially in light of the immense structural weaknesses of Rwanda's trade activities, many of which are a result of deeper constraints in supply and productive capacities. The trade policy would also be oriented to addressing challenges emerging from the global economic crisis combined with the ongoing global food crisis, volatile energy prices and climate change. The trade policy aims to contribute to building a strong, resilient economic base over the normal functions of economic development, centred on the core pillars including economic aspects (infrastructure, investment, macroeconomic, microeconomic, enterprise, technology, etc.); development and good governance; social development; environmental and climate change; gender; and private public sector collaboration. The development challenges are aggravated by the peace and security challenges and those of rebuilding an underdeveloped economy and its human capital that were devastated during the civil strife of the early 1990s.

This report responds to this need. It endeavours to elaborate a development-driven trade policy framework that would create the enabling framework for facilitating trade growth while also promoting inclusive development. The proposed trade policy of Rwanda is specifically driven by development factors such as the development of competitive supply and productive capabilities, and focuses on addressing poverty, especially in the rural areas, as the main pulling factor. It proposes a holistic approach to the integration of trade policy into development strategies and for development strategies to integrate trade issues more effectively to enhance the contribution of trade to development and reducing poverty.

Abbreviations

ACP	African, Caribbean and Pacific Countries
AGOA	Africa Growth Opportunities Act
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EDPRS	Economic Development and Poverty Reduction Strategies
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign direct investment
GAP	Good agricultural practices
GDP	Gross domestic product
ICT	Information and communication technology
IMF	International Monetary Fund
IP	Intellectual property
LDC	Least developed country
MFN	Most favoured nation
NTB	Non-tariff barrier
SADC	Southern African Development Community
SME	Small and medium-sized enterprise
SPS	Sanitary and phytosanitary measures
TBT	Technical barrier to trade
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
VAT	Value added tax
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

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Context

This report is prepared in response to a request to UNCTAD from the Minister of Trade and Industry of Rwanda in September 2008 to assist Rwanda in the elaboration of a comprehensive trade policy. The Government of Rwanda has emphasized the need to develop a comprehensive trade policy as an integral part of the country's overall development plan and strategy, especially in light of the immense structural weaknesses of Rwanda's trade activities, many of which are a result of deeper constraints in supply and productive capacities, especially infrastructure for trade development, inter alia:

(a) "hard" infrastructure, which includes: reducing the cost of transport by improving national and regional rural feeder roads, ports and air; facilitating trans-border trade; diversification and structural change; improving manufacturing infrastructure for export diversification and value addition; increasing rural power supply and distribution; improving rural roads, giving priority to improving existing ones; improving water supply; infrastructure for improving telecommunications; implementing product standards at laboratory and managerial levels; investment in rural areas; irrigation; data and analysis; post-harvest storage; agricultural productivity; improving cross-border or regional transport and logistics giving priority to existing roads, railways, etc; and improving market information systems for services development including tourism, logistics and distribution. Special attention will be paid to addressing all tariff barriers especially in the northern and central corridors including corruption, regulations including red tape, delays and the barriers identified by the Private Sector Federation (2008);

(b) "soft" infrastructure: improving policy and regulation, transparency, predictability of the trade and business environment, and customs procedures.

The trade policy would also be oriented towards addressing emerging challenges from the global economic crisis combined with the ongoing global food crisis, volatile energy prices and climate change. It aims to contribute to building a strong, resilient economic base over the normal functions of economic development, centred on the core pillars including economic factors (infrastructure, investment, macroeconomic, microeconomic, enterprise, technology, etc.); development or good governance; social development, environmental and climate change; gender; private-public sector collaboration; and leadership. The development challenges are aggravated by the challenge of rebuilding an underdeveloped economy and its human capital that were devastated during the civil strife of the early 1990s.

A Herculean effort is required in Rwanda to restore conditions for successful and self-sustaining development. Effective participation in international trade represents a significant avenue to promote economic growth and contribute to putting the economy on a sustainable growth path. To this end, a well-articulated trade policy should be developed to help address the challenges of peace, security, social, political and economic reconstruction and natural disasters, as well as the beneficial integration of Rwanda into global trade, and also promote broad-based, sustainable economic growth and inclusive development that targets poverty elimination, especially in rural areas, where the bulk of the population resides.

The government has further emphasized that a focus on enhancing development in Rwanda must be at the heart of the trade policy so that trade is actually translated into a real engine of economic development and poverty reduction. It has highlighted as the essential development priorities:

(a) Restoring peace and security;
(b) Creating jobs, especially focusing on rural areas and addressing other social needs;
(c) Integrating rural areas into national and international markets, including through export product and market diversification, and value addition;

(d) Expanding and improving the manufacturing sector, especially adding value to existing exports (e.g. coffee, tea) and potential exports (leather) or services to improve the quality and quantity of exports and increase the country's share in the global economic chain;

(e) Increasing Rwanda's share in global trade;

(f) Reducing brain drain and emigration arising from few employment opportunities at home.

The government has also emphasized that trade policy must strengthen the positive linkages between trade measures, especially those affecting exports, and productive sectors of the country, such as industry and agriculture (while paying attention to food security). Increasing, both qualitatively and quantitatively, in scope, coverage and depth, the market access conditions for Rwanda in all current and potential markets is another priority. Linked to that is building up a strong and versatile Rwandan trade negotiating team in both regional and global trade negotiations, and fostering a stronger and effective working relationship between the private and public sectors on trade policy and trade negotiations. Building a regional strategic competitive advantage is a must for Rwanda, being a landlocked country and a member of the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The government has also emphasized that growing the economy for international trade must involve especially trade-related infrastructure development, investment expansion, technology upgrading and innovation, especially in favour of export activities of poor, rural small and medium-sized enterprises (SMEs).

Another goal that Rwanda aspires to promote is addressing social issues, especially gender employment in trade, health and education.

Accordingly, this report endeavours to elaborate a development-driven trade policy framework to create the enabling framework for facilitating trade growth while also promoting inclusive development. A development-driven policy is an appellation signifying that the trade policy is specifically driven by development factors, such as the development of supply and productive capabilities, and a focus on addressing poverty as the main pulling factors, rather than past trade policies that were largely driven by trade liberalization with the goal of generating trade. This is most important for countries with an underdeveloped supply side of trade. The term framework means that it provides a structure in which the government's actual trade policy can be construed. It is not a review of Rwanda's trade policy in the sense of such an exercise under the World Trade Organization (WTO), but a complement to it in that it would actually set the trade policy per se of the country.

The preparation of the trade policy framework involved the following methodology: (a) desk work; (b) close consultations and exchange of analyses with the government; and (c) field work including stakeholder consultations. This methodology allowed for a better understanding of how current trade measures are working, and helped identify strengths, weaknesses, opportunities and threats. A good understanding of past and current policies has been an important basis for facilitating future policy direction.

In terms of desk work, information and analyses were garnered from government documents, UNCTAD publications and other available material, including: *Rwanda Vision 2020* (Rwanda, a), *The Economic Development and Poverty Reduction Strategy* (Rwanda, b), *Rwanda Diagnostic Trade Integration Study and the Enhanced Integrated Framework Action Plan Matrix* (Rwanda, 2005), *World Bank/IMF Assessment of Rwanda's Mainstreaming of Trade in the National Plan*, the government's assessment of the Integrated Framework, the World Bank's trade data on Rwanda, International Monetary Fund (IMF) trade data on Rwanda, *UNCTAD's Rwanda Investment Policy Review 2006* (UNCTAD, 2006a), UNCTAD's trade data on Rwanda, *WTO Rwanda Trade Policy Review 2004* (WTO, 2004), the government's concept paper and the outcome of the Rwanda stakeholders workshop (see annex).

In terms of field work, an UNCTAD mission was undertaken to Rwanda in June 2009. The mission participated in a stakeholder dialogue on the trade policy, and consulted with key actors in Rwanda to sensitize them to the drafting of the trade policy and seek their views regarding the content and direction of the trade policy, as well as its implementation.

Introduction

A. National development goals and trade

Rwanda's overall national development strategy is defined in the government's policy documents, especially Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b)**.** These two documents provide, respectively, the overarching development objectives of the country and the broad development policies, strategies and ambitions for moving the economy forward in the coming years. Vision 2020 (Rwanda, a) provides the general development objectives and policy goals with the strategic ambition of moving Rwanda towards agricultural development and industrialization. The main objectives are: (a) in the short term, the promotion of macroeconomic stability and wealth creation to reduce aid dependency; (b) in the medium term, the transformation from an agrarian to a knowledge-based economy; and (c) in the long term, the creation of a productive middle class fostering entrepreneurship.

The EDPRS acts as the operational document to Vision 2020 (Rwanda, a), providing accompanying strategic outcome indicators as well as actual outputs and activities to achieve the desired outputs. The main strategic outcomes envisioned are the development, promotion and improvement of (a) the economic infrastructure, including transport logistics and energy; (b) value added and market-driven agriculture; (c) science, technology and innovation for economic growth; (d) widening and strengthening the financial sector; (e) raising agricultural productivity and ensuring food security; (f) increasing the contribution of manufacturing to economic development; (g) increasing opportunities in the services sector; (h) improved governance; (i) private sector development; (j) human capital and skills development; (k) a knowledge-driven economy; (l) regional and international integration including market and product diversification; (m) trade facilitation; (n) gender in trade policy; and (o) coherence and coordination. The policy instruments to promote these outcomes are both global and sectoral, and some of them are trade-related such as investment policy, competition policy and macroeconomic stability.

The mainstreaming of trade in national development plans, among other measures for stimulating economic growth and development, remains weak. The limited scope, lack of specificity and detail, content and depth of coverage of trade in national development plans like Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b) clearly demonstrates the point. There has not been a strong justification to put trade amongst other government sector policies, despite the fact that clear objectives, policy measures, negotiating strategies and clear links between trade and other important trade-related activities can help in boosting trade to spur development and reduce poverty. Some trade objectives are loosely referred to in some cases but this is limited and not done systematically. Clear trade policy objectives rich in both quantity and quality need to be present in the national plan. The ongoing exercise of mainstreaming trade in national plans through the Enhanced Integrated Framework, especially the Matrix Action Plan (MAP), continues to reveal substantial gaps between intentions and actual implementation. The national development plans emphasize social development issues such as health, education and rural sector development. This is logical in view of the historical evolution of the country and the extent of the challenges.

With a view to promoting medium- to longer-term sustainable development, it is timely and equally important to apportion substantial commitment to trade (the economic sector) as an integral part of the overall development strategy. International trade has higher probabilities of generating, on a sustained basis, income, employment and capital for investment.

A clear, user-friendly and implementable trade policy that responds to the development goals in Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b) can play a significant complementary role in integrating trade into national policies, strategies and plans. It can enable the country to focus on increasing and diversifying exports (and markets) as a powerful engine for economic development and poverty reduction.

A well-articulated trade policy with buy-in from the trade policy community has higher probabilities of providing effective guidance for applying a holistic and coordinated approach to trade policy formulation, negotiations, implementation, monitoring and reporting. Past and current approaches have exhibited weaknesses manifested through sporadic planning, duplication and overlap. In a situation where each individual ministry dealing with some elements of trade has often done things disparately, rather than in an integrated manner, it has not been easy to fashion and implement a coherent "one-shop trade policy". While it is important for each ministry and player involved in trade to establish their own individual sectoral policies (for example, agriculture policy, industrial policy, infrastructure policy, intellectual property policy and investment policy) in the context of trade, specifically international trade, a one-shop trade policy that integrates all the relevant disparate elements of other relevant and complementary trade-related activities is vital.

In other words, this trade policy, framed and prepared in a holistic fashion, promises the unison of all relevant stakeholders in their pursuit of the common goal, that of at least trying to make trade work for economic development. In practice, this means that the Ministry of Trade and Industry will vigorously act as the "tugboat pulling the barge", the barge being in this case all other relevant ministries and stakeholders addressing trade-related activities, including industry, manufacturing, tourism, agriculture, customs, fisheries, minerals, social affairs, economic issues, business, women, SMEs, transport, energy and electricity, and telecommunications. A holistic approach to trade policy is one major way that Rwanda can easily start seeing what works and what does not. It is one single important contribution to deriving the impact of trade policy on economic activities. Since Rwanda has made clear its positive intentions about the role and importance of good governance, as firmly established in Vision 2020 (Rwanda, a), this trade policy is also one exacting way to ensure transparency and accountability to its people. An unwritten trade policy does not permeate to the public. This one will be in the public domain and open to scrutiny. On the other hand, it will also allow the government to ably market and explain its trade policy to the people.

A trade policy will also enable the government and other relevant players in trade to be more proactive, innovative and versatile in global trade negotiations, especially in the WTO under the Doha Round, with the European Union (EU) under Economic Partnership Agreements (EPAs), within the Southern African Development Community (SADC) and EAC, and regionally within Africa, as well as in other South–South trade agreements. A trade policy will help the government define its trade negotiation goals and related negotiating positions in regional, bilateral and global discourse well beforehand, based on business/exporters' and importers' real and practical needs. Even in terms of the group system in intergovernmental negotiations like WTO and EU/ACP (African, Caribbean and Pacific Countries), where Rwanda negotiates its individual country interests and concerns through the African or ACP Group, or the Group of 77 and China in the United Nations, it must have a clearly defined national commercial interest first, which it integrates into the group for purposes of the collective negotiating strategy. Trade negotiations start with identifying a country's own interests but, due to size impact, especially in global negotiations, economically weaker countries with similar but not always identical interests often work together to pursue their negotiating interests collectively.

Strengthening the participation of Rwanda in international trade will be a medium- to long-term process. It is evident from Rwanda's current marginal trade performance that the main barrier to its progress in using trade as an engine of economic development and poverty reduction lies in the underdevelopment of its supply capacity. It is therefore logical that more work should be undertaken by the government to strengthen the country's competitive productive capacity and its trade-related infrastructure, while continuing to focus on the demand side in terms of securing more favourable market access conditions for its exports, especially in addressing non-tariff obstacles. Improving productive capacity for exports (as well as for national trade) will be a major challenge in the light of rapid globalization, the inclement global climate arising from the food, financing and economic crises, and the development financing needed to revitalize a country and economy still under recovery from a damaging internal conflict and civil war.

This trade policy is prepared in the context of major development challenges facing Rwanda, which are largely well articulated in Vision 2020 (Rwanda, a). They include, inter alia, budget deficit, high unemployment and underemployment, diminishing agricultural productivity, poor performance of trade due to various factors including productive-oriented factors, public debt and the impact of the civil war.

B. Structure of the report

The report on Rwanda's trade policy framework consists of three chapters.

Chapter 1, Participation of Rwanda in International Trade, explains the country's general economic environment, specifically the macroeconomic policy and the relationship with trade and development. Rwanda's participation in international trade, in both goods and services, at regional and international levels, is highlighted, along with its main markets.

Chapter 2, Trade Policy Setting and Environment, describes the main trade policy measures currently employed for facilitating imports into and exports out of Rwanda.

Chapter 3, Trade Policy Framework, the heart of the document, provides the main characteristics of the future policy direction, structure and instruments in which the trade policy may fit. It first proposes the trade policy vision and objectives that provide the overall guidance for the trade policy and then outlines three main integrated strategic approaches to achieving the vision and objectives. The first strategic pillar on development-driven policies lays the emphasis on developing the supply and productive capacities and specifically on mainstreaming the trade policy objectives into Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b). The second strategic pillar on trade/market-driven policies sets the framework for improving the existing trade policies. The third strategic pillar on trade policy institutional capacity-building provides suggestions on enhancing the institutional capacity for implementing the trade policy.

CHAPTER I

PARTICIPATION OF RWANDA IN INTERNATIONAL TRADE

1.1 Development overview

Rwanda is a small and least developed country in Africa with a population of 9.5 million people. In 2006, as table 1 shows, its GDP was $2.5 billion while its GDP per capita stood at only $263. GDP real annual growth was 6.2 per cent, indicating some good growth signs. Many of its people still live in absolute poverty and the underdevelopment of trade has not helped matters. Agriculture, the mainstay of the economy, occupies about a 41 per cent share of the GDP, followed by services with 38 per cent and industry with 21 per cent of GDP.

Subsistence farming dominates Rwanda's economy, employing 90 per cent of the population and providing over 40 per cent of GDP. The main export earnings come from a few commodities, namely, tea, coffee, tin ores, niobium and tantalum, and tungsten ores, which generated over 80 per cent of export earnings for the period 1997–2007. All these commodity exports are resource-based and the country is struggling to enter the global value addition chain due to its limited or weak manufacturing sector. Dependence on commodities exports has resulted in an export decrease over the years due to international price volatilities. The service sector has been growing at a faster rate and is now an important contributor to the economy, but services exports are limited to a few sectors, especially tourism.

Growth among its key sectors is mixed. For the period 2006, as table 1 shows, while industry recorded annual growth rate of 31.9 per cent, and services a growth rate of 4 per cent, agriculture, the mainstay of the economy, registered a -0.4 per cent annual growth rate. As more detailed information will show later, when imports and exports are analysed, Rwanda's trade share in GDP at the regional and international levels is relatively low compared to its regional trading partners and neighbours. For an LDC, trade alone will not make an impact in the development of the economy. Therefore there is need to link it with complementary development policies including agriculture, industry, macroeconomic and infrastructure development.

Being landlocked constitutes a major impediment for Rwanda's trade development. Costs for trading are higher because of long land transport routes and the high import and export freight service costs in the region. The high trading cost perpetuates dependence on the poor infrastructure and administrative procedures of neighbouring countries, Kenya and the United Republic of Tanzania. In addition, the condition of the roads and railways are inadequate for the export of goods since the many delays slow down transportation. But improvements are expected for the Dar es Salaam Port, the most important entry port for the whole East African region and the main gateway to landlocked countries in the Great Lakes region. In order to relieve long delays and congestion caused by traffic, recently a ban was lifted on cargo and surcharge fines. The lift on the current ban will hopefully improve transportation efficiency and trading for Rwanda.[1] All these obstacles make it difficult to increase agriculture productivity and investment.

[1] Rwanda Development Gateway (2008). Mombasa port lifts ban on cargo to Dar es Salaam. http://www.rwandagateway.org/. 20 March.

Table 1. Rwanda's development indicators

Population (millions) (1)	9.5
GDP (billions of dollars) (1)	2.5
GDP per capita (dollars) (1)	263
GDP real annual growth (per cent) (4)	6.2
Agriculture (per cent of GDP) (1)	41
Agriculture annual growth rate (per cent) (4)	-0.4
Industry (per cent of GDP) (1)	21
Industry annual growth rate (per cent) (4)	31.9
Services (per cent of GDP) (1)	38
Services annual growth rate (per cent) (4)	4.0
Merchandise exports (millions of dollars) (2)	183
Merchandise exports' share in global exports (per cent) (3)	0.001
Merchandise imports (millions of dollars) (2)	697
Merchandise imports' share in global imports (per cent) (3)	0.004
Service exports (millions of dollars) (3)	131
Service exports' share in global service exports (per cent) (3)	0.005
Service imports (millions of dollars) (3)	243
Service imports' share in global service imports (3)	0.009

Sources: (1) World Bank, 2006 data. (2) UN COMTRADE, 2007 data. (3) UNCTAD GlobStat database, 2006 data. (4) MINECOFIN, Rwanda (2006 preliminary estimates).

A high percentage of the population (about 90 per cent) works in subsistence agriculture, and thus is not directly connected with internal and international trade. Rwanda's population was estimated at 9.5 million in 2006 and growing at a rate of 3 per cent annually. At this rate the population is expected to reach 11.2 million by 2012.[2] In addition, Rwanda's fertility rate, averaging 5.43 births (2006 estimate) per woman, will continue to stress social services and financial expenditures on diseases such as AIDS, malaria and tuberculosis. The Rwandan Government is pursuing educational and health-care programmes that will help improve the long-term quality of Rwanda's human resource skill base, but a weak human resources skill base persists. Therefore, there is an urgent requirement to develop and improve human capital to match the growing industries' needs. There is a great need for joint partnerships between the public and private sectors to make this happen.

Despite having a fairly open trade policy, private investment remains below expectations. It is clear that much more needs to be done to attract foreign direct investment (FDI) and many, including UNCTAD, have provided recommendations concerning adequate measures and policies that could attract more FDI. Rwanda's private sector has also often voiced concern at the lack of effective incentives for trade and investment development. In addition, public investment also remains low due to the low level of purchasing power, power (energy for industrial use) shortages and poor absorbing capacity of the funding resources.[3] The government affirms that it has attempted to stimulate investment through the promotion of sectors, resources and standards, although without much success.

[2] The United States Department of State, Bureau of African Affairs (2008). Background Note: Rwanda. http://www.state.gov/r/pa/ei/bgn/2861.htm. June.

[3] Rwanda Development Gateway (RDG), an information portal of the Government of Rwanda. http://www.rwandagateway.org/

Foreign aid and government reforms have contributed to Rwanda's economic recovery. According to the United Kingdom's Department for International Development (DFID), half of the government's budget is financed by official development assistance from the international community.[4] Improving trade, especially expanding exports, can help alleviate aid dependence and the government is trying to find ways to do this.

1.2 Trade performance

According to table 1, in 2007, the value of Rwanda's merchandise exports totalled about $183 million and that of imports $697 million, or 7 per cent and 28 per cent of GDP respectively, recording a merchandise deficit of about $514 million. In relation to global merchandise exports and imports, this represented 0.001 per cent and 0.004 per cent respectively. Services exports in 2007 represented 44 per cent of total exports while services imports represented 28 per cent of total imports. The value of services exports in the same year was $144 million and that of imports $277 million, which represented 4 per cent and 8 per cent of GDP respectively, leading to a $133 million deficit in services trade. The trade deficit has been increasing drastically and shows no signs of slowing down. The government indicates that the widening trade deficit as a percentage of GDP grew from 8 per cent in 2001 to 12 per cent in 2006.[5] Services exports' share in global services exports was 0.005 per cent while services imports' share in global trade was 0.009 per cent.

During the period 1997–2007, total merchandise exports stood at $924 million (table 2) while total merchandise imports for the same period stood at $3.8 billion (table 9), leading to a trade deficit of $2.9 billion. For the period 1997–2007, total services exports stood at $923 million while total services imports represented $2.4 billion (table 14), creating a services trade deficit of $1.5 billion for the period.

Rwanda's top five major export commodities are coffee, tea and minerals, mainly tin ores and niobium and tantalum and, in 2007, these were mainly exported to Switzerland, the EU, China, South Africa, Kenya, the United States, Swaziland, Thailand and Malaysia. In 2007, Rwanda exported less within Africa or in the regional markets.

Rwanda's main commodity imports are motor vehicles, petroleum oils, computers and other machinery, electrical machinery, pharmaceutical products, iron and steel, cement, salt, animal vegetable fats and oils, worn clothing and other textile articles, wheat or mesh flour, articles of iron or steel, sugar and sugar confectionery, medical appliances, plastics, paper and paperboard, cereals/maize seed/rice and furniture.

1.2.1 Merchandise trade

Tables 2 and 14 show that Rwanda's total merchandise and services exports for the 11-year period 1997–2007 was approximately $1.8 billion (merchandise $0.9 billion plus services $0.9 billion). Annual total exports (services and merchandise) were, on average less than $200 million between 1997 and 2002. Only between 2004 and 2007 did they reach $300 million. The services sector is important to the economy. Its contribution to total exports in absolute value is quite substantial, almost level with merchandise exports for the 11-year period. For the same 1997–2007 period, total services exports were 4 per cent of GDP, the same as merchandise trade. The table also shows a growth trend in services exports over the years, therefore indicating that it is a promising sector for expanded diversification and economic development. Like imports of goods, services imports are also higher than exports, thereby creating a trade deficit. Overall, tables 2 and 14 show that between 2002 and 2007, total exports in both merchandise and services have grown.

[4] http://www.dfid.gov.uk/casestudies/files/africa/rwanda-aid-policy.asp

[5] Rwanda (b).

(a) Exports (global)

Table 2 provides a historical trend of merchandise exports. In the 11-year period, total merchandise exports stood at $924 million. The product shares were coffee (29 per cent), tea (22 per cent), tin ores (15 per cent), nobium and tantalum (10 per cent) and tungsten ores (3 per cent). The table shows that between 1997 and 2004, tin ore exports were at the periphery of coffee and tea, realizing very minute export earnings. Coffee and tea dominated exports for over 10 years. It was not until 2005 that the share of tin ores in exports began to compete and even topped coffee's export values ($42 million for tin ores compared to $36 million for coffee). In 2006, coffee reclaimed its leadership by registering a value 53 per cent higher than that of tin ores. In 2007, tin ores' share was the highest (22 per cent) followed by coffee (18 per cent) and tea (17 per cent). In 1997 and 1998, tea exports were higher than coffee exports by about 28 per cent and 83 per cent respectively. It was only in 1999 that coffee began to usurp the export position of tea and it did this by 48 per cent. In 2001, tea led coffee exports again by about 10 per cent.

However, between the two main agricultural exports, coffee led exports from 2002 to 2007, recording an increase in 2006 and 2007 over tea of about 47 per cent and 6 per cent respectively. Since 2004, tin ores exports have been leading tea except in 2006, when a small reverse in leadership of about 12 per cent was registered. Therefore, there are two notable changes in the export composition of Rwanda's products in the last 10 years. First, tea seems to have lost its export product share to coffee. Second, since 2005, tin ores exports have become significant to the Rwandan economy and are strongly competing with the historical leaders, namely tea and coffee. Separate data indicates that in 2008 and compared to 2007, there was an increase in exports of coffee that totalled $47.1 million, followed by tea ($40.1 million), tin ores ($41.1 million) and tantalum ($37.2 million). The only decrease was with tungsten ores ($12.9 million) and other products ($12 million). In total 2008 exports, all these products recorded $261.8 million.[6] These figures indicate that the impact of the global economic crisis was not yet negative on Rwanda's 2008 exports in comparison to 2007. But, according to UNCTAD estimates, world merchandise trade will decrease between 6 and 8 per cent in 2009. Developing countries' exports could fall to between 7 and 9 per cent. This is where Rwanda's exports might be affected.

Table 2. Rwanda's merchandise exports trend 1997–2007, in thousands of dollars

	Product						
Year	Tin ores	Coffee	Tea	Niobium and tantalum	Tungsten ores	Other products	Total
1997	1 041	11 599	16 203	2 316	0	22 668	53 827
1998	646	3 905	23 144	2 724	0	9 045	39 464
1999	2 077	29 809	14 566	4 127	0	6 010	56 589
2000*	2 077	29 809	14 566	4 127	0	6 010	56 589
2001	2 191	14 994	16 573	9 339	95	12 358	55 550
2002	1 413	14 001	11 774	14 397	401	3 973	45 959
2003	5 094	13 872	11 860	5 570	94	13 901	50 391
2004	20 176	32 882	14 320	5 621	38	25 133	98 170
2005	42 991	36 878	23 310	12 510	1 806	29 331	146 826
2006	22 369	47 953	25 275	11 135	8 892	22 109	137 733
2007	39 458	32 405	30 305	19 854	18 117	43 329	183 468
Average annual growth rate (per cent)	53	16	4	20	143	14	15
Total 11 years	**139 533**	**268 107**	**201 896**	**91 720**	**29 443**	**193 867**	**924 566**
Average	12 685	24 373	18 354	8 338	2 677	17 624	84 051

Source: UN COMTRADE database.
* Estimates.

[6] 2002–2006 MINICOM, Rwandan Government.2007–2008 Central Bank of Rwanda.

It is also important to mention that over the years, Rwanda's merchandise exports have been dominated by commodities rather than by manufacturing or processed exports.

Besides coffee, tea, tin ores, niobium and tantalum, and tungsten ores, the five export champions in terms of value, Rwanda also exports small amounts of hides and skins and horticultural products, but their values from an international perspective are insignificantly low. In 10 years (see table 3), the total value of hides and skins exports was only $26.9 million and horticultural exports, $6 million. Handicrafts, one other potential area of diversification, is the least performing product, recording very minor export receipts of only $637,000 in a five-year period where data were available. From these data, it is doubtful whether horticultural and handicrafts exports are potentially important export sectors in the immediate and medium terms.

Table 3. Rwanda's exports of hides and skins, horticulture and handicrafts 1997–2007, value in thousands of dollars

	Product		
Year	**Hides and skins**	**Horticulture**	**Handicrafts (*)**
1997	4 447	1 061	n/a
1998	2 112	37	n/a
1999	505	324	n/a
2001	782	52	n/a
2002	2 337	59	40
2003	3 249	7	96
2004	3 310	440	77
2005	4 630	837	131
2006	1 957	1 530	293
2007	3 572	1 685	n/a
Total	**26 901**	**6 032**	**637**

Source: UN COMTRADE database (data for 2000 not available).
* Data on handicrafts obtained from the Rwandan Government (2009).

(b) Exports (regional): COMESA and EAC

In 2006, COMESA, of which Rwanda is a member, exported in total to the world (merchandise plus services) $136.5 billion, out of which Rwanda's share was only 0.2 per cent (see table 4). The top three exporters within COMESA to the world (total merchandise plus services) are the Libyan Arab Jamahiriya (27 per cent**),** followed by Angola (24.4 per cent) and Egypt (22 per cent). The next six main exporters are Sudan and Kenya (4.3 per cent each), Zambia and Mauritius (3.0 per cent each), Swaziland and the Democratic Republic of the Congo (2.0 per cent each). Judging from this data, both in the medium and long term, Rwanda will continue to be a small player in the COMESA regional export market to the world.

Table 4. COMESA countries' total exports of merchandises and services to the world, country share, in 2006
(in millions of dollars and percentage)

Country	Merchandise exports (dollars at current prices in millions)	Share (per cent)	Services exports (dollars at current prices in millions)	Share (per cent)	Services plus merchandise exports (dollars at current prices in millions)
Angola	31 862	29.1	1 484	5.5	33 346
Burundi	58	0.1	35	0.1	93
Comoros	10	0	47	0.2	57
Democratic Republic of the Congo	2 320	2.1	390 (1)	1.4	2 710
Djibouti	56	0.1	257	0.9	313
Egypt	13 736	12.5	16 135	59.6	29 871
Eritrea	12	0	50 (1)	0.2	62
Ethiopia	1 036	0.9	1,174	4.3	2 210
Kenya	3 437	3.1	2 461	9.1	5 898
Libyan Arab Jamahiriya	37 457	34.2	489	1.8	37 946
Madagascar	985	0.9	698 (1)	2.6	1 683
Malawi	543	0.5	52	0.2	595
Mauritius	2 329	2.1	1 671	6.2	4 000
Rwanda	147	0.1	131	0.5	278
Seychelles	380	0.3	431	1.6	811
Sudan	5 657	5.2	206	0.8	5 863
Uganda	1,188	1.1	490	1.8	1 678
Zambia	3 770	3.4	305	1.1	4 075
Zimbabwe	2 020	1.8	292 (1)	1.1	2 312
COMESA	109 516	100	27 079	100	136 595
Zambia	3 770	3.4	305	1.1	4 075
Zimbabwe	2 020	1.8	292 (1)	1.1	2 312
COMESA	109 516	100	27 079	100	136 595

Source: UNCTAD GlobStat database.
(1) estimate.

In COMESA intra-trade (trade within COMESA), Rwanda's export performance is weak and trails far behind many other member states. In 2006, of the total intra-COMESA exports of $6 billion (table 5), Rwanda's 0.66 per cent share was considerably smaller than several other countries like Kenya, Zimbabwe and Swaziland. In 2006, the five biggest beneficiaries of COMESA intra-trade were Zimbabwe (42.44 per cent), Kenya (16.80 per cent), Swaziland (8.05 per cent), Zambia (7.22 per cent) and Egypt (7.14 per cent).

Table 5. COMESA intra-merchandise exports and country share, 2006

Country	Intra-COMESA exports (value in thousands of dollars)	Country share in percentage
Angola	1 364	0.02
Burundi	48 495	0.78
Comoros	21	0.00
Dem. Rep. of the Congo	53 262	0.85
Djibouti	184 147	2.94
Egypt	446 605	7.14
Eritrea	1 417	0.02
Ethiopia	101 253	1.62
Kenya	1 051 094	16.80
Libyan Arab Jamahiriya	105 866	1.69
Madagascar	25 633	0.41
Malawi	77 776	1.24
Mauritius	134 486	2.15
Rwanda	41 272	0.66
Seychelles	551	0.01
Sudan	87 981	1.41
Swaziland	503 815	8.05
Uganda	283 861	4.54
Zambia	451 870	7.22
Zimbabwe	2 655 420	42.44
All COMESA	**6 256 189**	**100.00**

Source: UN COMTRADE database.

In COMESA countries' overall exports to developing economies in 2006 (table 6), out of a total of $39 billion for all COMESA, Rwanda exported more to developing economies in Africa (67 per cent), indicating that within trade among developing economies, Africa is Rwanda's main market, followed by developing economies in Asia (32.6 per cent). But in value terms, Rwanda's total exports of only $63 million to all developing economies represents a quite small share compared, for instance, to the shares of non-oil exporting countries like Egypt ($4.7 billion), Kenya ($2.1 billion), Zimbabwe ($1 billion) and Swaziland ($1.4 billion).

Table 6. COMESA countries' merchandise exports to developing countries (South–South trade) in 2006

COMESA Country	Exports to all developing economies (value in thousands of dollars)	Developing economies' Africa share (per cent)	Developing economies' America share (per cent)	Developing economies' Asia share (per cent)
Angola	15 154 786	2.6	13.2	84.2
Burundi	39 410	41.5	0.0	58.5
Comoros	2 133	5.5	0.6	93.3
Dem. Repub. of the Congo	1 137 942	13.9	41.4	44.8
Djibouti	18 503	90.9	0.2	8.9
Egypt	4 744 897	14.2	1.5	84.3
Eritrea	6 359	38.9		61.1
Ethiopia	456 214	36.8	0.2	63.0
Kenya	2 111 211	76.7	0.3	22.9
Libyan Arab Jamahiriya	4 280 982	14.9	8.4	76.7
Madagascar	139 993	32.6	1.6	65.7
Malawi	295 197	87.1	1.3	11.4
Mauritius	561 420	34.7	0.8	61.7
Rwanda	63 460	67.3	0.1	32.6
Seychelles	167 457	1.0	0.1	98.9
Sudan	4 978 105	1.9	0.1	97.9
Swaziland	1 421 917	98.2	0.0	1.7
Uganda	574 673	55.9	0.2	43.8
Zambia	2 044 012	44.8	0.0	55.1
Zimbabwe	1 076 488	91.6	0.2	8.1
COMESA	**39 275 159**	**20.3**	**7.4**	**72.2**

Source: UNCTAD GlobStat database**.**

Total exports within EAC in 2006 were only $1.1 billion (table 7), indicating a very small regional market. Rwanda's export share in the region, 3 per cent, was the lowest in 2006 exports while its import share, 24 per cent, was the second highest in the region after Uganda, whose share stood at 41 per cent. Kenya's export share at 63.7 per cent was the highest and therefore controls the EAC market, followed by the United Republic of Tanzania (16.6 per cent) and Uganda (13.2 per cent). Burundi exported more than Rwanda by 0.4 per cent. In the same year, total imports amongst members were $1 billion, resulting in a zero trade balance. Meanwhile, Rwanda recorded a trade deficit of $219 million and therefore did not draw export benefits. Except for Kenya, other members of the EAC all recorded trade deficits.

As for EAC merchandise exports to the world market, table 8 shows that in the year 2006, Rwanda's export share (2.1 per cent) is again the lowest in the regional market. Again, Kenya (52.3 per cent) leads, followed by the United Republic of Tanzania (27.9 per cent), Uganda (14.4 per cent) and Burundi (3.4 per cent), thereby confirming that although, like others, its main market is in the world beyond the region, Rwanda's volume of exports compared to other regional members is too weak. In terms of promoting regional integration through the market size rationale, these figures do little to strengthen the argument for regional integration.

Table 7. EAC intra-trade and country share, 2006

Country	Intra-EAC exports value (thousands of dollars)	Intra-exports share (per cent)	Intra-EAC imports value (thousands of dollars)	Intra-imports share (per cent)
Burundi	39 115	3.4	52 690	5
Kenya	737 146	63.7	84 349	8.1
Rwanda	35 171	3	254 526	24.4
Uganda	152 829	13.2	430 180	41.2
United Rep. of Tanzania	192 217	16.6	223 397	21.4
All EAC	**1 156 478**	**100**	**1 045 141**	**100**

Source: UN COMTRADE database.

Table 8. EAC countries' total merchandise exports to world and imports in 2006

Reporter name	Exports value (thousands of dollars)	Country exports share (per cent)	Imports value (thousands of dollars)	Country imports share (per cent)
Burundi	228 522	3.4	433 636	2.8
Kenya	3 501 656	52.3	7 232 947	47.3
Rwanda	137 733	2.1	557 036	3.6
Uganda	962 193	14.4	2 557 307	16.7
United Republic of Tanzania	1 864 681	27.9	4 526 728	29.6
All EAC	**6 694 786**	**100**	**15 307 653**	**100**

Source: UN COMTRADE database.

(c) Imports (global and regional)

Table 9 below provides a historical trend of imports over 11 years. Total imports over the period were $3.8 billion. Petroleum oils accounted for 13.6 per cent, motor vehicles 10.4 per cent, electrical machinery 7.4 per cent, computers and other machinery 6.7 per cent and pharmaceutical products 5.5 per cent. In 1997, motor vehicles dominated imports and accounted for 12.7 per cent followed by petroleum oils at 12 per cent. In that year, computers accounted for 5 per cent, electrical machinery also 5 per cent and pharmaceutical products 3.6 per cent. In 2006, petroleum oils imports accounted for 16.6 per cent, followed by motor vehicles 9.6 per cent, computers and other machinery 7.8 per cent, electrical machinery 7.7 per cent, and pharmaceutical products 6.1 per cent. As a percentage of GDP, in 2006 (see table 1 for GDP) imports of petroleum oils accounted for 3.7 per cent, motor vehicles 2.1 per cent, computers and other machinery 1.7 per cent, electrical machinery 1.7 per cent and pharmaceutical products 1.3 per cent. In 2007, data show that Rwanda imported more motor vehicles than petroleum oils. Motor vehicles accounted for 12.6 per cent, followed by petroleum oils 8.8 per cent, computers and other machinery 8.6 per cent, electrical machinery 8.4 per cent and pharmaceutical products 8.2 per cent. In 2007, data show that the other four products in this top five product grouping followed a similar pattern in terms of values, as indicated by the percentage shares.

Between 2006 and 2007, while the share for petroleum oils dropped by 34 per cent, it increased for motor vehicles by 41 per cent, for computers and other machinery by 28 per cent, electrical machinery by 26 per cent and pharmaceutical products by 40 per cent.

Table 9. Rwanda's main imported products over 11 years (1997–2007), value in thousands of dollars

	Years											
Product category	**1997**	**1998**	**1999**	**2000***	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total over 11 years**
Motor vehicles	36 486	36 547	27 619	18 458	18 458	24 804	31 367	15 465	43 166	53 705	90 530	396 604
Petroleum oils	34 292	38 030	40 145	39 700	39 700	40 729	40 917	34 698	55 881	93 012	61 413	518 518
Computers and other machinery	14 354	12 890	11 908	11 529	11 529	21 180	20 223	15 568	35 269	43 611	60 210	258 271
Electrical machinery	14 419	9 678	12 398	28 612	28 612	16 278	21 880	15 792	33 654	42 903	58 785	283 012
Pharmaceutical products	10 370	10 452	6 740	8 393	8 393	13 604	12 751	16 064	32 260	34 211	57 273	210 512
Iron and steel	11 615	11 163	8 622	9 760	9 760	7 892	10 294	7 072	16 759	24 960	32 490	150 388
Cement and salt	4 732	6 962	5 928	6 300	6 300	4 514	6 715	1 495	12 491	17 476	28 477	101 391
Animal/vegetable fats and oils and their cleavage	7 788	7 852	7 505	9 277	9 277	7 537	6 332	6 788	13 481	18 871	22 679	117 389
Worn clothing and other made up textile articles	16 953	9 283	9 787	7 701	7 701	10 989	10 898	2 883	9 777	25 983	20 467	132 422
Wheat or meslin flour and malt	10 840	20 436	11 858	8 805	8 805	7 440	6 412	2 408	14 652	17 226	19 462	128 344
Articles of iron or steel	5 969	5 178	4 154	4 205	4 205	3 516	6 239	2 064	9 067	12 545	19 300	76 442
Sugars and sugar confectionery	9 061	9 879	8 614	8 565	8 565	5 868	5 037	1 012	6 063	12 192	17 756	92 611
Medical appliances and other medical equipment	7 423	4 339	4 143	4 540	4 540	7 056	6 447	4 386	11 486	15 287	17 709	87 355
Plastics and articles thereof	10 531	5 995	5 770	6 035	6 035	6 316	8 559	4 015	12 256	14 050	17 390	96 951
Paper and paperboard; art of paper pulp	5 499	6 398	3 683	5 502	5 502	5 859	7 182	2 501	10 399	9 793	12 939	75 257
Cereals including rice and maize seed	3 215	10 830	6 854	14 085	14 085	4 852	3 171	3 279	4 128	10 726	12 568	87 794
Furniture/bedding, mattress, mattress support, cushions, etc.	3 747	2 782	1 620	1 983	1 983	2 641	2 664	1 682	5 697	6 974	10 616	42 389
Subtotal	**207 293**	**208 694**	**177 349**	**193 451**	**193 451**	**191 074**	**207 089**	**137 172**	**326 486**	**453 526**	**560 064**	**2 855 651**
Other	78 176	84 367	73 671	82 650	82 650	60 125	54 091	147 116	88 467	103 509	136 820	991 642
Total all products	**285 469**	**293 061**	**251 020**	**276 101**	**276 101**	**251 200**	**261 180**	**284 288**	**414 953**	**557 035**	**696 884**	**3 847 293**

Source: UN COMTRADE database.
* Estimates

(d) Direction of trade (trading partners)

1. Exports

Table 10. Rwanda's top 10 exports markets and share, 1997, 2001 and 2007

	1997			2001			2007		
Rank	**Country**	**Value in millions of dollars**	**Share in per cent**	**Country**	**Value in millions of dollars**	**Share in per cent**	**Country**	**Value in millions of dollars**	**Share in per cent**
1	Kenya	36	67	Kenya	24	43	EU	65	36
2	EU	9	12	EU	6	11	Kenya	34	19
3	United Republic of Tanzania	5	9	South Africa	6	11	Hong Kong, China	23	13
4	Uganda	1	5	United Republic of Tanzania	5	9	Switzerland	13	7
5	Burundi	1	3	Switzerland	4	8	Dem. Rep. of the Congo	10	6
6	Dem. Rep. of the Congo	1	2	United States	3	5	United States	9	5
7	Switzerland	0.2	1	Uganda	3	5	Burundi	7	4
8	South Africa	0.1	0	Russian Federation	1	3	Swaziland	6	3
9	Israel	0.1	0	Hong Kong, China	1	2	South Africa	4	2
10	Iran (Islamic Rep. of)	0.0	0	Yugoslavia	1	1	Uganda	3	2

Source: UN COMTRADE database.

Rwanda's main merchandise trade is concentrated on five main export markets, namely, the EU, Switzerland, Kenya, the United States and China (table 10). In addition, it exports small values to the Islamic Republic of Iran, Israel, South Africa, Uganda, the United Republic of Tanzania and Burundi. In 1997, its number one market was regional and dominated by Kenya where 67 per cent of total exports went, followed by the EU (12 per cent), the United Republic of Tanzania (9 per cent), Uganda (5 per cent), Burundi (3 per cent), the Democratic Republic of the Congo (2 per cent) and Switzerland (1 per cent). In 2001, four years later, Kenya continued to dominate Rwanda's export market although the 2007 share dropped by 24 points from 1997. The EU's share dropped by 1 per cent, while the share of the United Republic of Tanzania and Uganda remained constant at 9 per cent and 5 per cent respectively. In 2007 (six years later), the EU was the leader of Rwanda's exports with a 36 per cent share, followed by Kenya (19 per cent) and Hong Kong (China) as a newcomer into the market (13 per cent), Switzerland (7 per cent), the Democratic Republic of the Congo (6 per cent), the United States (5 per cent), Burundi (4 per cent), Swaziland (3 per cent), South Africa (2 per cent) and Uganda (2 per cent).

At individual product levels, table 11 shows that in 2007 tin ores exports went largely to the EU market, which dominated imports of tin ores from Rwanda with an 80 per cent market share. Coffee was mainly exported to Switzerland (40 per cent market share), tea to Kenya (100 per cent market share), nobium and tantalum to China (42 per cent market share) and as well as tungsten ores (57 per cent share).

As also shown in table 11, Rwanda's major exports enjoy duty-free treatment in major markets. This is not necessarily a preferential treatment for Rwanda since most of these raw goods exported by Rwanda are already MFN (most favoured nation) duty-free. Rwanda would benefit from preferential treatment in some of the markets if it were to move to processed goods such as processed coffee, which enjoys preferential duty entry in the EU market for example.

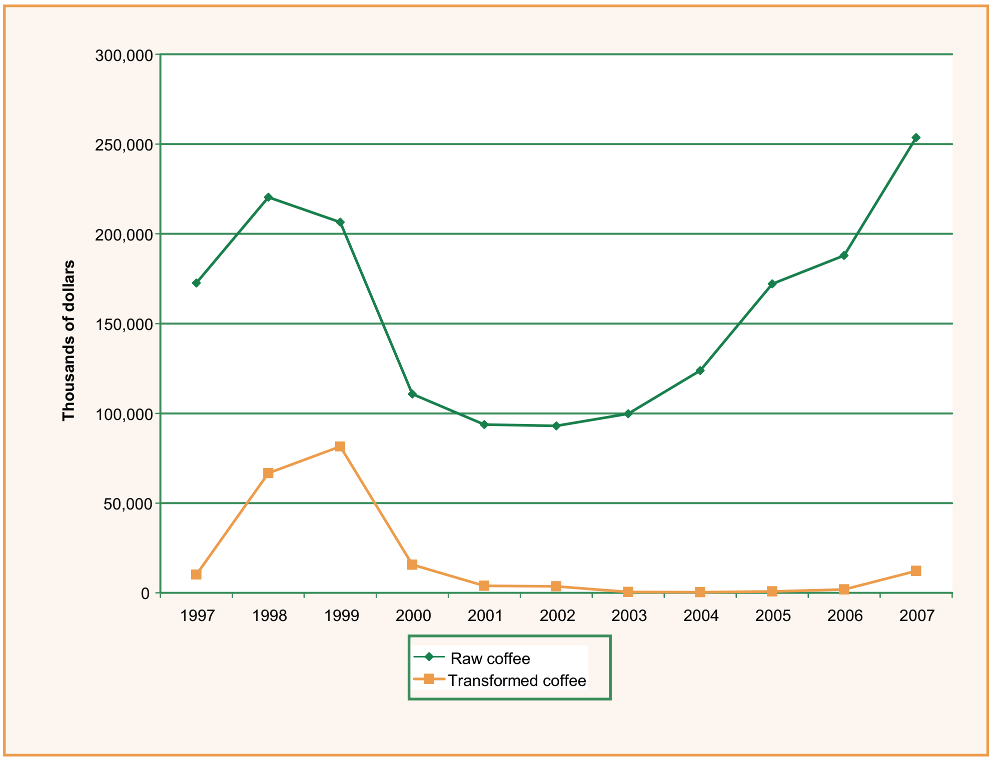
Table 11. Rwanda's main exported products by destination and market access, 2007

Product	Product share in Rwanda's total exports (per cent)	Exports value (thousands of dollars)	Main destination	Market share (per cent)	Market access: applied tariff (per cent)
Tin ores	**22**	**39 458**	**World**	**100**	**0**
		31 583	EU	80	0
		3 799	China	10	0
		2 706	South Africa	7	0
		338	Thailand	1	0
		313	Malaysia	1	0
		227	United States	1	0
		492	Other	0	-
Coffee	**18**	**32 405**	**World**	**100**	**0**
		13 005	Switzerland	40	0
		10 458	EU	32	0
		5 814	Swaziland	18	0
		2 422	United States	7	0
		632	Kenya	2	0
		74	Other	1	-
Tea	**17**	**30 305**	**World**	**100**	**0**
		30 246	Kenya	100	0
			Other		
Niobium and tantalum	**11**	**19 854**	**World**	**100**	**0**
		8 167	China	42	0
		5 568	EU	29	0
		4 645	United States	24	0
		868	Uganda	5	0
		606	Other	0	-
Tungsten ores	**10**	**18 117**	**World**	**100**	**0**
		10 231	China	57	0
		7 839	EU	43	0
		47	Other	0	0
Other merchandise	**22**	**43,329**	**World**	-	-
All merchandise	**100**	**183,468**	**World**	-	-

Source: UN COMTRADE database.

If Rwanda were to export processed products, including coffee, to developed country markets, there are lessons from other African countries that already engage in this sector. Uganda, an LDC and a regional member of the EAC and COMESA, has been trying since 1997 to export transformed coffee (or processed coffee). However, raw coffee continues to be the main export. In the first two years (1997–1999), transformed coffee enjoyed market acceptability. But, from 1999 (figure 1) to 2007, exports of transformed coffee dropped from values of about $75 million to $10 million and the trend has remained flat. While Uganda coffee exports are not charged duty (as an LDC, Uganda enjoys duty-free status in major markets), transformed coffee exports are sometimes subject to non-tariff barriers.

Figure 1. Uganda exports of processed coffee: lessons for Rwanda, 1997–2007, in thousands of dollars



Source: UN COMTRADE database.

Despite duty-free treatment, both raw and processed coffee may be subject to non-tariff barriers (NTBs) mainly related to standards. Being an LDC, one of Rwanda's major problems in trade is the lack of capacity to meet standards for its exports, particularly international standards. In the EU market, coffee imports are subject to sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures. For example, in terms of SPS measures, according to the WTO SPS/TBT database, the maximum allowed ochratoxin[7] for food safety reasons is 5.0 g/kg for roasted coffee beans and ground roasted coffee, and 10.0 g/kg for soluble coffee. In terms of TBT measures, coffee exporters must comply with product characteristics requirements such as labelling and packaging meant to protect human health. In the Swiss market, SPS measures are in place for coffee and tea with the objective and rationale of protecting food safety and protecting humans from plant pests or disease. In the United States market, in terms of SPS measures, coffee imports must comply with regulations for residues of certain pesticide chemicals in coffee and tea. At the regional level, many NTBs exist in trade among regional members.

[7] A fungal toxin occurring in commodities like cereals, coffee, dried fruit and red wine.

In COMESA, NTBs are perhaps the main obstacles to trade. An exercise to address NTBs in COMESA is underway. In its submission to COMESA for this exercise, Rwanda has listed all the NTB measures directly affecting its exports. The other, and perhaps even more important reason for the drop in exports could be the market influence of the powerful coffee buyer multinational corporations in the United States and Europe (Nestle, Phillip Morris, Procter and Gamble, Sara Lee) who determine the international price.

In trade among developing countries, if Rwanda were to direct its export product of interest shown in table 12 (South–South trade) to China, India, Indonesia, South Africa and Thailand, it would face the applied tariffs shown.

Table 12. Simple average applied and bound tariff on products of interest to Rwanda

		Coffee (HS 0901)	Tea (HS 0902)	Vegetables (HS 07)	Fruit (HS 08)	Fruit Juice (HS 2009)	Handicrafts (HS 4602 and 97)
China	Applied rate	9.2	12.0	10.7	18.1	18.7	8.1
	Bound rate	13.2	15.0	11.0	18.8	18.9	9.6
India	Applied rate	100.0	100.0	31.6	34.7	30.9	11.4
	Bound rate	135.0	150.0	101.9	94.8	75.6	12.5
Indonesia	Applied rate	4.0	5.0	5.0	5.5	7.8	7.6
	Bound rate	43.7	52.5	46.5	48.4	55.4	40
South Africa	Applied rate	2.1	9.3	10.5	6.7	19.1	7.3
	Bound rate	119.0	170.0	35.0	16.7	31.9	7.3
Thailand	Applied rate	40.0	60.0	39.9	34.0	22.5	12.8
	Bound rate	90.0	90.0	50.5	53.7	40.0	30.0
United States	Applied rate	0.0	0.0	6.4	2.9	0.0	1.7
	Bound rate	0.0	1.6	6.4	2.9	1.0	1.7
EU	Applied rate	0.0	0.0	0.0	0.0	0.0	0.0
	Bound rate	6.1	1.0	10.7	7.4	20.4	1.3

Source: UNCTAD TRAINS and WITS, based on most recent tariff data available and including all preferential tariffs applicable to imports from Rwanda (real or potential).

2. Imports

Rwanda's imports are sourced mainly from Africa, Europe, the Middle East, Asia and North America (table 13). In 2007, motor vehicles imports' share was dominated by the United Republic of Tanzania at 25 per cent, followed by the EU (20 per cent), United Arab Emirates (16 per cent), Japan (13 per cent), China and Kenya (7 per cent each), India (3 per cent) and South Africa and Uganda (2 per cent each).

In the same year, petroleum oils were imported mainly from Kenya (75 per cent), followed by Bahrain (16 per cent) and United Arab Emirates (2 per cent). Computers and other machinery were largely imported from the EU, which accounted for 40 per cent, followed by United Arab Emirates (17 per cent), China (11 per cent), Kenya (7 per cent), the United States (5 per cent), South Africa (4 per cent), India and Uganda (3 per cent each) and the United Republic of Tanzania and Japan (2 per cent each). Electrical machinery was imported from the EU, which accounted for 31 per cent, followed by China (19 per cent), South Africa (15 per cent), United Arab Emirates (8 per cent), the United States (6 per cent), Israel and Kenya (5 per cent each) and the United Republic of Tanzania and Uganda (3 per cent each). Pharmaceutical products were imported mainly from the EU, which accounted for 63 per cent, followed by India (17 per cent), Kenya (6 per cent), the United States and Switzerland (3 per cent each) and the United Republic of Tanzania (2 per cent). Iron and steel was sourced mainly from Uganda, which accounted for 55 per cent, followed by Kenya (13 per cent), South Africa (12 per cent), India (11 per cent), the United Republic of Tanzania (3 per cent) and China (2 per cent). Cement and salt were sourced mainly from Uganda, which accounted for 69 per cent, followed by Kenya, 28 per cent.

Animal/vegetable fats and oils were sourced from Uganda, which accounted for 59 per cent, followed by Kenya (22 per cent), the United States (9 per cent) and the Democratic Republic of the Congo and Indonesia (5 per cent each). Worn clothing and other made up textile articles were sourced from the EU, which accounted for 27 per cent, Switzerland (26 per cent), United Arab Emirates (13 per cent), Japan (8 per cent), the United States and Uganda (5 per cent each), the United Republic of Tanzania (4 per cent), Kenya (3 per cent) and Canada (2 per cent). Wheat or meslin flour and malt were sourced from the EU, which accounted for 39 per cent, followed by the United Republic of Tanzania (32 per cent), Uganda (25 per cent) and Kenya (2 per cent). Articles of iron and steel were sourced from the United States, which accounted for 22 per cent, followed by Kenya (17 per cent), the EU (14 per cent), Uganda and China (13 per cent each), United Arab Emirates and the United Republic of Tanzania (5 per cent each) and India, Mauritius and Togo (2 per cent each). Sugars and sugar confectionery were sourced from Zambia, which accounted for 26 per cent, followed by Kenya (22 per cent), South Africa (16 per cent), Uganda (12 per cent), Egypt (11 per cent), Burundi (7 per cent) and Zimbabwe (4 per cent).

Medical appliances and other medical equipment were sourced from the EU accounting for 62 per cent, followed by the United States (8 per cent), Kenya (6 per cent), South Africa (5 per cent), United Arab Emirates (4 per cent), India (3 per cent) and China, Australia, the United Republic of Tanzania and Saint Lucia (2 per cent each). Plastics and articles thereof were sourced from Kenya and accounted for 33 per cent, followed by the EU (16 per cent), Uganda and the United Republic of Tanzania (9 per cent each), United Arab Emirates (7 per cent), South Africa (6 per cent), China and United States (5 per cent each), Egypt (3 per cent) and India (2 per cent). Paper, paperboard and art of paper pulp was sourced from Kenya (30 per cent) followed by Egypt, Uganda and United Arab Emirates (11 per cent each), the EU (10 per cent), South Africa (7 per cent), China (6 per cent), India and the United Republic of Tanzania (4 per cent each) and the United States (3 per cent). Cereals including rice and maize seed was sourced from Uganda, which accounted for 46 per cent, followed by Pakistan (26 per cent), United Arab Emirates (10 per cent), Kenya (6 per cent), United States (4 per cent) and the United Republic of Tanzania (3 per cent). Furniture/bedding, mattress, mattress support, cushions, etc. were sourced from Kenya, which accounted for 18 per cent, Hong China (China) (14 per cent), United Arab Emirates (12 per cent), Uganda and the EU (9 per cent each), China (8 per cent), the United States (7 per cent), Egypt and the Republic of Korea (6 per cent each) and India, Indonesia and the United Republic of Tanzania (2 per cent each).

Table 13. Rwanda's main imported products by country of origin in 2007

HS2 code	Product category	Country/origin	Value (thousands of dollars)	Country share (per cent)
87	Motor vehicles	United Republic of Tanzania	22 778	25
		EU	17 684	20
		United Arab Emirates	14 569	16
		Japan	11 617	13
		China	6 298	7
		Kenya	5 941	7
		India	2 502	3
		South Africa	1 539	2
		Uganda	1 483	2
		Kuwait	1 093	1
		Egypt	1 029	1
		United States	1 010	1
		Burundi	718	1
		Ethiopia	387	0.4
		Switzerland	306	0.3
		Democratic Republic of the Congo	189	0.2
		Canada	147	0.2
		Norway	132	0.1
		Thailand	129	0.1
		New Zealand	100	0.1
		Congo	97	0.1
		Indonesia	97	0.1
		Tunisia	74	0.1
		Brazil	69	0.1
		Singapore	68	0.1
		Ukraine	63	0.1
27	Petroleum oils	Kenya	45 814	75
		Bahrain	10 083	16
		United Arab Emirates	1 413	2
		Uganda	844	1
		India	835	1
		Saudi Arabia	826	1
		EU	366	1
		Egypt	265	0.4
		Kuwait	193	0.3
		Singapore	129	0.2
		United Republic of Tanzania	115	0.2
		Republic of Korea	102	0.2
		Taiwan, China	92	0.2
		Iran, Islamic Rep. of	92	0.1

.../...

Table 13. (cont'd.)

HS2 code	Product category	Country/origin	Value (thousands of dollars)	Country share (per cent)
84	Computers and other machinery	EU	23 892	40
		United Arab Emirates	10 435	17
		China	6 595	11
		Kenya	4 333	7
		United States	3 192	5
		South Africa	2 521	4
		India	2 000	3
		Uganda	1 599	3
		United Republic of Tanzania	1 310	2
		Japan	909	2
		Switzerland	879	1
		Togo	284	0.5
		Brazil	278	0.5
		Singapore	231	0.4
		Taiwan, China	221	0.4
		Turkey	217	0.4
		Thailand	202	0.3
		Canada	169	0.3
		Burundi	150	0.2
		Israel	147	0.2
		Hong Kong, China	138	0.2
		New Caledonia	70	0.1
		Egypt	69	0.1
		Norway	66	0.1
		Sri Lanka	63	0.1
85	Electrical machinery	EU	18 068	31
		China	11 083	19
		South Africa	8 915	15
		United Arab Emirates	4 611	8
		United States	3 658	6
		Israel	3 143	5
		Kenya	2 694	5
		United Republic of Tanzania	1 661	3
		Uganda	1 607	3
		Switzerland	743	1
		Egypt	596	1
		India	536	1
		Canada	316	1
		Taiwan, China	177	0.3
		Singapore	167	0.3
		Iceland	122	0.2
		Republic of Korea	110	0.2
		Indonesia	105	0.2
		Malaysia	96	0.2
		Sri Lanka	93	0.2

.../...

Table 13. (cont'd.)

HS2 code	Product category	Country/origin	Value (thousands of dollars)	Country share (per cent)
30	Pharmaceutical products	EU	36 304	63
		India	9 762	17
		Kenya	3 504	6
		United States	1 759	3
		Switzerland	1 669	3
		United Republic of Tanzania	1 120	2
		Uganda	1 065	2
		South Africa	789	1
		Pakistan	486	1
		Democratic Republic of the Congo	197	0.3
		Burundi	103	0.2
		Ghana	93	0.2
		Israel	57	0.1
		Indonesia	53	0.1
		Congo	47	0.1
72	Iron and steel	Uganda	17 927	55
		Kenya	4 330	13
		South Africa	3 778	12
		India	3 485	11
		United Republic of Tanzania	1 122	3
		China	601	2
		United Arab Emirates	349	1
		Ukraine	293	1
		EU	250	1
		United States	135	0.4
		Burundi	76	0.2
25	Cement and salt	Uganda	19 705	69
		Kenya	7 848	28
		EU	379	1
		United States	227	1
		United Arab Emirates	157	1
		United Republic of Tanzania	49	0.2
15	Animal/vegetable fats and oils and their cleavage products	Uganda	13 363	59
		Kenya	4 929	22
		United States	2 073	9
		Democratic Republic of the Congo	1 154	5
		Indonesia	1 024	5
		United Arab Emirates	32	0.1

.../...

Table 13. (cont'd.)

HS2 code	Product category	Country/origin	Value (thousands of dollars)	Country share (per cent)
63	Worn clothing and other made up textile articles	EU	5 604	27
		Switzerland	5 322	26
		United Arab Emirates	2 622	13
		Japan	1 631	8
		United States	963	5
		Uganda	941	5
		United Republic of Tanzania	872	4
		Kenya	686	3
		Canada	333	2
		China	303	1
		India	295	1
		Egypt	151	1
		Tunisia	95	0.5
		New Zealand	81	0.4
		Bangladesh	78	0.4
		South Africa	75	0.4
		Hong Kong, China	70	0.3
		Swaziland	61	0.3
		Senegal	49	0.2
		Botswana	29	0.1
		Turkey	29	0.1
		Ethiopia	25	0.1
		Israel	24	0.1
		Ghana	16	0.1
		Pakistan	13	0.1
11	Wheat or meslin flour and malt	EU	7 540	39
		United Republic of Tanzania	6 218	32
		Uganda	4 816	25
		Kenya	422	2
		United States	225	1
		Egypt	216	1
73	Articles of iron or steel	United States	4 179	22
		Kenya	3 233	17
		EU	2 760	14
		Uganda	2 576	13
		China	2 490	13
		United Arab Emirates	941	5
		United Republic of Tanzania	928	5
		India	472	2
		Mauritius	465	2
		Togo	461	2
		South Africa	287	1
		Egypt	154	1
		Singapore	90	0.5

.../...

Table 13. (cont'd.)

HS2 code	Product category	Country/origin	Value (thousands of dollars)	Country share (per cent)
		Switzerland	63	0.3
		Hong Kong, China	52	0.3
		United States Minor Outlying Islands	47	0.2
		Japan	34	0.2
17	Sugars and sugar confectionery	Zambia	4 542	26
		Kenya	3 914	22
		South Africa	2 753	16
		Uganda	2 150	12
		Egypt	1 904	11
		Burundi	1 269	7
		Zimbabwe	642	4
		United Arab Emirates	252	1
		United Republic of Tanzania	226	1
		EU	67	0.4
90	Medical appliances and other medical equipment	EU	11 038	62
		United States	1 441	8
		Kenya	1 067	6
		South Africa	950	5
		United Arab Emirates	732	4
		India	467	3
		China	337	2
		Australia	326	2
		United Republic of Tanzania	315	2
		Saint Lucia	286	2
		Israel	238	1
		Uganda	139	1
		Switzerland	92	1
		San Marino	67	0.4
		Hong Kong, China	37	0.2
		Canada	29	0.2
		Saudi Arabia	29	0.2
		Ethiopia	20	0.1
		Mauritania	20	0.1
39	Plastics and articles thereof	Kenya	5 728	33
		EU	2 761	16
		Uganda	1 608	9
		United Republic of Tanzania	1 551	9
		United Arab Emirates	1 186	7
		South Africa	1 116	6
		China	935	5

.../...

Table 13. (cont'd.)

HS2 code	Product category	Country/origin	Value (thousands of dollars)	Country share (per cent)
		United States	877	5
		Egypt	466	3
		India	422	2
		Taiwan, China	184	1
		Saudi Arabia	129	1
		Brazil	102	1
		Canada	66	0.4
		Thailand	64	0.4
		Republic of Korea	58	0.3
		Switzerland	47	0.3
		Japan	35	0.2
48	Paper and paperboard; art of paper pulp	Kenya	3 904	30
		Egypt	1 430	11
		Uganda	1 419	11
		United Arab Emirates	1 364	11
		EU	1 230	10
		South Africa	868	7
		China	734	6
		India	504	4
		United Republic of Tanzania	482	4
		United States	397	3
		Jordan	177	1
		Indonesia	124	1
		Switzerland	92	1
		Pakistan	41	0.3
		Mauritius	40	0.3
		Burundi	31	0.2
		Australia	30	0.2
		Thailand	28	0.2
10	Cereals including rice and maize seed	Uganda	5 771	46
		Pakistan	3 298	26
		United Arab Emirates	1 217	10
		Kenya	794	6
		United States	565	4
		United Republic of Tanzania	412	3
		Thailand	172	1
		Viet Nam	152	1
		India	128	1

.../...

Table 13. (cont'd.)

HS2 code	Product category	Country/origin	Value (thousands of dollars)	Country share (per cent)
94	Furniture/ bedding, mattress, mattress supports, cushions, etc.	Kenya	1 872	18
		Hong Kong, China	1 506	14
		United Arab Emirates	1 248	12
		Uganda	994	9
		EU	978	9
		China	857	8
		United States	762	7
		Egypt	677	6
		Republic of Korea	643	6
		India	249	2
		Indonesia	187	2
		United Republic of Tanzania	180	2
		South Africa	116	1
		Malaysia	115	1
		Israel	46	0.4
		Thailand	45	0.4
		Canada	36	0.3
		Turkey	25	0.2
		Switzerland	18	0.2
		Argentina	17	0.2

Source: UN COMTRADE database.

1.2.2 Services trade

(a) Exports

The services sector is growing. Services exports increased almost threefold in a period of 11 years from $51 million in 1997 to $144 million in 2007 (table 14). However, services exports' contribution to GDP remains very low (4 per cent).

Table 15 shows that Rwanda's services exports are in three subsectors, namely travel (tourism), transport and government services. Over a 10-year period, out of the total of $779 million, subsector travel exports stood at 36.7 per cent and dominated the product share, followed by government services at 35.1 per cent and transport at 22.3 per cent. The three subsectors put together accounted for 94.3 per cent of the overall subsector services exports, indicating that they are the most important contributors to the economy. Travel has consistently dominated the product share over the years followed by government services, except in 2006 when government services dominated the export share by 43.5 per cent, followed by travel at 23.6 per cent. Data for communications, construction, insurance, financial services, computer and information services as well as royalties and license fees were either scanty or unavailable.

Broadly, these figures also reveal the marginal contribution of the sector to the overall GDP in terms of values. In 2006 total services exports were only $131 million and, as a percentage of GDP ($2.5 billion in 2006), only 5.4 per cent (added). This shows the overall underdevelopment of Rwanda's services sector in comparison to its regional competitors like Kenya. In global services exports, Rwanda's share is only 0.005 per cent.

Table 14. Rwanda's total imports and exports in services and as a per cent of GDP, 1997–2007

Years	Services exports value (millions of dollars) (1)	Services exports as per cent of GDP (2)	Services imports value (millions of dollars) (1)	Services imports as per cent of GDP (2)
1997	51	3	198	11
1998	48	2	190	9
1999	51	3	193	10
2000	59	3	200	11
2001	66	4	189	11
2002	65	4	202	12
2003	76	4	204	11
2004	103	5	240	12
2005	129	5	304	13
2006	131	4	243	8
2007	144	4	277	8
Total 11 Years	**923**	**4**	**2 440**	**10**

Sources: (1) UNCTAD GlobStat database. (2) GDP data from World Bank.

Table 15. Rwanda's exports of services by service category 1997–2006, in millions of dollars

Category	Years										Total
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Transport	9	9	15	14	16	12	18	21	30	30	174
Travel	17	19	17	23	25	31	30	44	49	31	286
Communications	..	..	..	..	..	..	..	..	4	1	5
Construction											
Insurance	..	..	..	..	..	..	..	..	0	0	0
Financial services	..	..	..	..	..	..	..	..	..	3	3
Computer and information services	..	..	..	..	..	..	..	..	..	..	
Royalties and licence fees	0	1	..	..	..	..	..	..	..	0	1
Other business services	8	3	4	3	4	4	..	..	..	8	34
Personal, cultural and recreational services	..	..	..	..	..	..	..	..	..	0	0
Government services n.i.e.	17	16	15	19	21	18	28	38	46	57	275
Total services	**51**	**48**	**51**	**59**	**66**	**65**	**76**	**103**	**129**	**131**	**779**

Source: UNCTAD GlobStat database.

(b) Imports

Table 16 shows Rwanda's total services imports during the period 1997–2006, amounting to $2.1 billion and accounting for 10 per cent of GDP. The most imports entered the country in 2005 and accounted for 13 per cent of GDP, followed by 2004 at 12 per cent, and 1997, 2000, 2001 and 2003 each recording 11 per cent of GDP. 2006–2007 saw a drop of about 8.8 per cent in services imports' standing relative to GDP.

Imports were mainly dominated by four subsectors, with government services accounting for 41.1 per cent, followed by transport services 40.6 per cent, travel services 11.1 per cent and other business services 5.5 per cent. The total imports of the four sectors accounted for 98.6 per cent during the period 1997–2006. In 1997, they accounted for 100 per cent of total imports. In 2006, they accounted for 91.3 per cent of total imports and 8.8 per cent of GDP (see table 1 for GDP). The trend shows that these are Rwanda's main import services. Data for imports of communications, construction, insurance, financial services, computer and information services and royalties and license fees are either insignificant, scanty or unavailable.

Table 16. Rwanda's imports of services by service category 1997–2006, in millions of dollars

Category	Years										Total
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	
Transport	70	68	73	83	81	89	78	92	135	111	880
Travel	13	16	18	22	20	24	26	31	37	35	242
Communications	..	..	..	..	..	..	..	..	4	2	6
Construction	..	..	..	..	..	..	..	..	..	..	0
Insurance	..	..	..	..	..	..	..	..	..	6	6
Financial services	..	..	..	..	..	..	..	..	..	9	9
Computer and information services	..	..	..	..	..	..	..	..	..	0	0
Royalties and licence fees	1	1	1	1	0	0	..	..	..	1	5
Other business services	16	14	14	8	11	11	..	..	..	47	121
Personal, cultural and recreational services	..	..	..	..	..	..	..	..	..	4	4
Government services n.i.e.	99	90	88	87	76	78	99	116	128	29	890
Total services	**198**	**190**	**193**	**200**	**189**	**202**	**204**	**240**	**304**	**243**	**2 163**

Source: UNCTAD GlobStat database.
Note: .. means no data available.

CHAPTER II

TRADE POLICY SETTING AND ENVIRONMENT

The following constitute the main institutional issues and trade policy instruments used by the Government of Rwanda for influencing the rhythm of trade, either in terms of protecting its local industries or trade liberalization and raising income to promote development. Certain trade instruments are under the overall control of the government, while global ones are affected by multilateral, regional or bilateral treaties and therefore involve negotiations by Rwanda with its concerned trading partners to modify them.

2.1. Institutional framework

In Rwanda, the Ministry of Trade and Industry is responsible for trade policy formulation, implementation and negotiations. But in the context of coherence and collaboration, other ministries whose work is related to trade are involved as much as possible in trade-related activities. These include, inter alia, the Ministries of Finance and Economic Planning, Agriculture, Infrastructure, Lands, Environment, Forestry, Water and Mines, and government institutions like the Rwanda Revenue Authority, the Rwanda Investment Promotion Agency and the National Bank of Rwanda, depending on the issues involved. The government is fully responsible for decisions on all trade negotiations and the final establishment of international treaties. In the context of trade policy, the role of the Rwanda Revenue Authority is particularly important because it is responsible for collecting excise and trade taxes for both imports and exports. The establishment of this office has been one of the key achievements of Rwanda's reform.

The government also makes rigorous efforts to involve non-state actors in trade matters, especially from the private sector. The government-private sector institutional dialogue provides an excellent opportunity for the two to strengthen and improve their working relationship and discuss future trade policy instruments and measures.

The concept paper for Rwanda, *Trade Policy Review and Recommendations of the Trade Policy Workshop of 4 December 2008*, with input from the government and all relevant stakeholders, highlighted the need for a robust, vigorous, coherent, action-oriented and well-coordinated trade policy with all relevant stakeholders including government ministries and non-state actors. The existing approach appears to be more disparate and fragmented than holistic. Current trade policy is also unwritten, hence the need for a simple, clear, well-articulated and user-friendly written trade policy that can assist the government in effectively providing guidance to all relevant economic players, particularly those involved with trade. Moreover, this would provide the Ministry of Trade and Industry, with the Trade Department as the arrowhead of trade policy, with a clear definition of its functions, including and especially effective coordination of trade policy formulation, implementation, negotiations and use of overall policy instruments.

2.2. Domestic trade policies and instruments

Rwanda intends to vigorously reposition its trade policy and strategy, focusing on international trade to stimulate pro-poor development, especially promoting economic development, reducing poverty and improving the living standards of its people, particularly those in rural areas who remain marginalized from mainstream development. This comprises several important elements including, inter alia, ensuring that international trade results in empowerment of the poor; protecting food security and rural livelihoods; improving infrastructure, including electricity, water, transport, and the quantity and quality of supply and productive capacities to help enhance access to some essential services; trained human capital with quality management skills; diversifying exports and markets; and adding value with a special emphasis on agriculture and services trade, especially exports.

A key aspect of Rwanda's trade policy rationale is to build local processing industries that add value to its exports especially in agriculture, but also in manufactured products and services.

2.2.1 Sectoral features of trade policy (goods)

The country's trade policy includes instruments that are purely used at the sectoral level applied to each imported product, especially tariffs, as table 17 indicates. The table shows that duties are highest on footwear (27.7 per cent), followed by leather goods (22.8 per cent), coffee (19.5 per cent), textiles (17.9 per cent) and tea (17.5 per cent).

Table 17. MFN duties applied to some individual goods

Goods	Simple average MFN applied tariff rate (per cent)
Coffee	19.5
Tea	17.5
Textiles	17.9
Raw hides and skin	12.3
Leather goods other than footwear	22.8
Footwear	27.7
Fur dressing and dyeing	15.0
Leather tanning and dressing	15.0
Mining	5.2
Ores, slag and ash	5.0
Live trees, other plants	19.1

Source: UNCTAD TRAINS database (Rwanda tariff 2008).

2.2.2 Import duties and other measures applying to imports

For imports entering the country, Rwanda charges customs duties, corporate tax, consumption tax and value added tax (VAT). However, the government does not charge mineral royalties. The government imposes a surcharge on sugar imports of about 25 per cent. However, under the EAC, which Rwanda joined in July 2007, and whose Customs Management Act and Common External Tariff (CET) is due to be implemented in July 2009, Rwanda will abrogate the special tax on sugar. Rwanda will also be required to eliminate tariffs on imports from EAC member states.

This tariff reduction is up to 80 per cent. All internal tariffs will be eliminated by December 2009. In pursuant to the Customs Management Act, all NTBs are to be eliminated "with immediate effect". To monitor the implementation of the elimination of NTBs, Rwanda has launched the EAC Mechanism. The EAC/CET consists of three bands: 0 per cent on raw materials imports; 10 per cent on intermediate product imports; and 25 per cent on finished imports. Rwanda agreed to implement and effect these tariff bands by 1 July 2009, and these will become Rwanda's tariff policy (and also that of other EAC members) vis-à-vis the rest of the world.

As in many African countries, import duties are important for Rwanda's fiscal revenue. As table 18 shows, the duties accounted for about 12 per cent of the RF (Rwanda franc) 238.8 billion total tax revenue in 2007. In 2007, import duties ranked fifth in terms of percentage contribution to the total tax revenue, after VAT (35.7 per cent), personal tax (20.9 per cent), company tax (13.5 per cent) and excise tax (12.4 per cent). Over the past eight years, as table 18 shows, almost all sources of tax revenue, including import duties and overall total tax revenue, show a growth trend. VAT remains the main contributor to the fiscal revenue but its contribution is still too small to effectively address the negative impact of trade liberalization.

In addition to EAC reforms to trade duties, Rwanda has undertaken major trade policy reforms by bringing down tariffs in the past through the International Monetary Fund's and the World Bank's structural adjustment programmes in the 1990s. As table 19 shows, Rwanda began the tariff reduction programme as a package of tax reforms.

Its membership with COMESA has also entailed undertaking further reductions in customs duties and taxes, and since 2002 Rwanda has eliminated all tariffs on imports from Kenya and Burundi. African LDCs have undertaken deeper trade liberalization and, as an example, a recent study proposed establishing Rwanda as an economy-wide free zone following the example of Hong Kong (China) or Singapore, arguing that its trade policy regime was already "not far removed from those of Hong Kong (China) and Singapore".[8] The World Bank however argues that "as of 2006, Rwanda's trade regime was less open than an average sub-Saharan Africa or low income country, resulting in a rank of 121st (out of 125 countries), according to the Trade (MFN) Tariff Restrictiveness Index (with score of 20.4 per cent). Its 2006 MFN simple and import-weighted tariff averages of 18.7 per cent and 17.9 per cent respectively, both higher than in the early 2000s (9.9 per cent and 9.6 per cent respectively), and above the regional and low income country group comparator's means."[9] Under the EAC trade reform, Rwanda's rates will go down from 18.7 per cent to 12.5 per cent as is the current case for other EAC members Burundi, Kenya and Uganda.

[8] UNCTAD (2004a).

[9] World Bank (2008).

Table 18. Rwanda's source of tax revenue, 2000–2007

Tax receipts	2000		2001		2002		2003		2004		2005		2006		2007	
	Billions of RF	As per cent of total	Billions of RF	As per cent of total	Billions of RF	As per cent of total	Billions of RF	As per cent of total	Billions of RF	As per cent of total	Billions of RF	As per cent of total	Billions of RF	As per cent of total	Billions of RF	As per cent of total
Personal tax	7.5	11.5	9.0	11.3	11.1	11.7	16.6	14.4	21.4	15.9	25.5	15.7	35.8	18.4	49.8	20.9
Company tax	10.0	15.3	14.4	18.1	17.9	19.0	15.7	13.7	15.5	11.5	23.8	14.7	26.8	13.8	32.2	13.5
Other direct tax	1.0	1.6	1.1	1.3	1.3	1.3	2.9	2.5	1.2	0.9	1.4	0.9	2.0	1.0	4.6	1.9
Import duties	11.6	17.8	14.0	17.6	16.7	17.7	22.1	19.2	26.3	19.5	27.8	17.1	30.4	15.6	28.7	12.0
Excise tax	18.8	28.9	14.2	17.9	14.4	15.2	16.2	14.1	19.5	14.5	21.5	13.2	23.3	11.9	29.5	12.4
Export tax	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Value added tax	13.8	21.1	24.2	30.4	30.0	31.7	38.3	33.3	46.8	34.8	57.7	35.5	67.2	34.5	85.3	35.7
Other indirect tax	2.5	3.9	2.6	3.3	3.2	3.4	3.1	2.7	3.9	2.9	4.8	2.9	9.2	4.7	8.7	3.6
Total tax receipts	**65.3**	**100.0**	**79.5**	**100.0**	**94.6**	**100.0**	**114.9**	**100.0**	**134.6**	**100.0**	**162.5**	**100.0**	**194.7**	**100.0**	**238.8**	**100.0**

Table 19. Tariff reduction from 1999 and before, in percentage

Categories	1995–1997	1998	1999	18 July 2002
Raw materials	10	10	5	5
Intermediate products: two rates	20 40	20	15	15
Spare parts	20	20	15	15
Finished products	60 (taken as luxurious)	40	25	30
Machinery (for industry)	10	0 (few commodities)	0 (+ fertilizers, ores)	0 (+ fertilizers, pharmaceutical products of Chapter 30)

Source: Government of Rwanda (2009).

Past trade liberalization efforts have had the negative impact of reducing tax revenue. The same will happen within the EAC where products that earn significant revenue will be taxed at a lower import duty rate and are therefore potential candidates for tax revenue loss. They include petroleum products (tariff fall from 30 to 0 per cent); tyre products (tariff fall from 30 to 25 per cent); vehicles (tariff fall from 30 to 25 per cent); and electric generators (tariff fall from 30 to 0 per cent). Further revenue losses are expected from the computation of duties and taxes based on cost insurance and freight (c.i.f.) based on the port of first entry into EAC instead of c.i.f. Kigali and the elimination of freight costs in the computation of duties on goods imported by air. The government estimates provided in January 2009 project a revenue loss of 9.1 billion RF (equivalent to $15.8 million) as per 2005 customs data.

Further trade liberalization can have an adverse effect on Rwanda's fiscal stability in light of its overdependence on tariffs, including regional tariffs as a source of revenue and inefficient tax administration. In 2006, out of total EAC imports of $1 billion, Rwanda accounted for 24.4 per cent.

To mitigate revenue loss, the government hopes to increase trade volumes in order to yield more domestic taxes from increased consumption levels resulting from reduced transport costs and elimination of customs duties, expansion of the excise base and increasing excise duties on some highly affected products under the CET, e.g. petroleum products, and the reduced scope of exemption will yield some revenue. The CET provides flexibilities for temporary exemptions, for member states faced with difficulties, for selected inputs sourced in third countries. There are also plans to negotiate for special and differential treatment of some selected products of social and economic importance to Rwanda, which will also help in mitigating the losses once it is implemented. In 2010, the highest CET band of 25 per cent is to be reviewed and possibly reduced to 20 per cent. The EAC has also agreed on a list of sensitive products that require extra protection from importation outside the region. This is meant to protect local production assuming the region has capacity to meet demand for them. These include: sugar, milk, wheat, flour, maize, rice and worn clothing. Rwanda has finalized its list of sensitive products for negotiation with EAC.

In accordance with the WTO Agreement, a member State can only belong to one customs union and thus have only one set of external tariffs and duties. Therefore, Rwanda's joining the EAC Customs Union means that it cannot join another customs union like COMESA unless the ECA CET is merged with the COMESA CET. The EAC as a bloc can negotiate trade arrangement with other regional economic communities.

In the WTO Doha trade negotiations, Rwanda as an LDC has been exempted from making reduction commitments. Therefore, it will not reduce its import tariffs on agricultural and non-agricultural goods or undertake services commitments. This means that future global liberalization of trade will not directly affect its tax revenue, but could do so indirectly if a non-LDC member of the EAC (like Kenya) has to change its tariffs, which would bring about a change in the CET of EAC.

Pursuant to WTO rules, Rwanda grants MFN treatment to all its trading partners and has, since 1996, been using MFN tariff lines at ad valorem. As table 20 shows, the country's Uruguay Round-bound MFN import duties (simple average) are: for raw materials, 87.4 per cent; intermediate goods, 86.9 per cent; consumer goods, 89.7 per cent; capital goods, 97.6 per cent; agricultural products, 74.2 per cent; and industrial products, 91.8 per cent. On the other hand, the MFN (simple average) applied tariff rates are for 8.1 per cent for raw materials; 15.4 per cent for intermediate goods; 27.4 per cent for consumer goods; 18.3 per cent for capital goods; 15.1 per cent for agricultural products; and 19.2 per cent for industrial products. The simple average applied MFN tariff rate for capital goods is 0 per cent; raw materials 5 per cent; intermediate products 15 per cent; and finished goods 30 per cent. These rates provided by the government are lower and not congruent with the rates in table 20. One reason for this discrepancy may be different definitions and descriptions of the product groups. Rwanda's MFN weighted average bound tariff rate for agricultural products is 63 per cent and for industrial products, 94.1 per cent.

Table 20. Rwanda's MFN applied and MFN bound average tariff in 2008, by product group

Product group	MFN simple average applied tariff (per cent)	MFN weighted average applied tariff (per cent)	MFN simple average bound tariff (per cent)	MFN weighted average bound tariff (per cent)	Binding coverage (per cent)
Raw materials	8.1	5.8	87.4	85.0	100
Intermediate goods	15.4	13.5	86.9	82.5	100
Consumer goods	27.4	21.7	89.7	92.3	100
Capital goods	18.3	14.7	97.6	92.6	100
Agricultural products	15.1	23.1	74.2	63.0	100
Industrial products	19.2	16.6	91.8	94.1	100

Source: UNCTAD's calculation using WITS and TRAINS databases (Rwanda tariff data 2008).

Table 21. COMESA countries' 2008 MFN applied tariffs

Country name	Simple average tariff (per cent)	Trade weighted average tariff (per cent)
Angola	7.2	6.5
Burundi	12.7	14.6
Comoros	11.3	7.8
Democratic Republic of the Congo	12.0	11.2
Djibouti	30.4	29.4
Egypt	19.6	13.7
Eritrea	7.9	5.8
Ethiopia (excludes Eritrea)	17.3	11.5
Kenya	12.5	8.6
Libyan Arab Jamahiriya	0.0	0.0
Madagascar	12.5	9.6
Malawi	13.3	20.7
Mauritius	3.1	2.7
Rwanda	18.7	17.5
Seychelles	7.1	28.3
Sudan	20.1	15.9
Swaziland	7.5	7.7
Uganda	12.5	9.0
Zambia	13.9	10.6
Zimbabwe	14.1	10.3
COMESA	12.6	10.6

Source: UNCTAD TRAINS databases.
Note: Starting July 2009, Rwanda will apply the EAC Common External Tariff.

Table 21 shows comparative country COMESA MFN applied tariffs. Rwanda, Sudan and Djibouti charge higher simple average tariffs than other member States. But, as indicated in the note below the table, when it ratifies its membership to the EAC in July 2009, Rwanda's rates will undergo liberalization and decrease from 18.7 per cent to 12.5 per cent as is the current case for other EAC members Kenya, Burundi and Uganda.

2.2.3 Other levies and charges

The government imposes VAT, excise duty, pre-shipment inspection fees and a special tax on sugar. Table 22 provides the structure of these levies and charges.

Table 22. Other government levies and charges

Other levies and charges	Rate per cent
VAT	18
Goods imported by diplomats in Rwanda, donors, technical assistance programme, projects, non-processes agricultural and livestock products, agricultural inputs, materials, equipment, generic drugs, goods imported under certificates of investment, lighting gas, certain financial services, certain transport services.	0
Domestic consumption tax (or excise duty)	
Brandy, wines, liqueurs, whisky	70
Cigarettes	60
Beer	57
Lemonade, juices	39
Gasoline, fuel oil and lubricant	37
Vehicles over 2,500cc	15
Vehicles exceeding 1,500cc but less than 2,500cc, milk powder and mineral water	10
Vehicles not exceeding 1,500cc	5
Pre-shipment inspection fees	
Non-petroleum products	.84 fob
Petroleum products	.63
Special tax on sugar	25c.i.f.

Source: WTO (2004). *Trade Policy Review of Rwanda*.

2.2.4 Meeting product standards

Human, heath, environment and technical standards and requirements, especially those for agricultural products, have become more frequent and stringent in Rwanda's main markets. The most stringent standards are SPS measures that cover food safety, animal health and plant health. Thus a key priority in Rwanda's effort to expand exports would be to improve the quality of its products.

Since standards developed by the international standards bodies (the World Organization for Animal Health, CODEX Alimentarius Commission and the International Plant Protection Convention) are referred to in checking the quality of the products, the standardization policy for Rwanda is to adopt international standards where they exist or make reference to them in testing and sampling to facilitate exports. However, many developed countries sometimes adopt their own regulations and SPS measures that are more stringent than those established by these international standards bodies, for example for controlling pesticides residue limits, contaminants and food additives. Due to a lack of infrastructure and qualified personnel, it is difficult to implement those standards. Rwanda uses the services of other countries to test products where its own laboratories do not exist or are not functional. Nonetheless, it is worth noting that Rwanda is not on the positive list of countries that can export products of animal origin to the EU.

The Rwanda Bureau of Standards is putting in place competent laboratories that can assist in exports and imports by analysing for example pesticide residues, contaminants and mycotoxines. It is also working on the accreditation of those laboratories to get recognition of certificates in export markets. RBS is also helping farmers to implement market standards like GLOBAL GAP that was requested by supermarket in Europe. The Ministry of Agriculture is also working on strengthening the SPS certification services.

At the COMESA level, the COMESA Council of Ministers in charge of agriculture has designated three laboratories (one for plant health to be in Kenya, the other one for animal health to be in Zambia and the other one for food safety to be in Mauritius) and will in the future designate satellite laboratories after some assessments. Those laboratories will be assisted by the COMESA secretariat to solve the problems being faced by many COMESA countries of delivering export certificates that are not recognized by importing countries because most of the time, these products fail tests in importing countries.

2.2.5 Market access conditions for exports

Rwanda is a signatory to regional and multilateral agreements and has bilateral agreements too. It belongs to COMESA and EAC. It is member of the WTO through which it has MFN market access. It has bilateral agreements with the United States under the Africa Growth Opportunities Act (AGOA) and has access to the European Union's Everything But Arms, which grant preferential market access to LDCs. In addition, it has bilateral agreements with other individual countries to which it exports to including main importers China, Malaysia, South Africa and Thailand.

(a) Market access conditions in the EU

Being an LDC, Rwanda receives duty-free treatment for all its exports (except arms) to the EU under the EU's Everything But Arms preferential scheme. All its top five exports to the EU market shown in table 23 are entitled to duty-free treatment and, as can be seen from the table, did receive free treatment in 2007. But the EU's MFN rate simple average are also zero on all the Rwandan exports listed in the table, implying that other country members of the WTO that are not LDCs can also export these products to the EU market duty-free. Therefore, there is really no competitive advantage for Rwanda in these products as an LDC. Given Rwanda's supply and productive capacity constraints, it also means that higher quality products from more competitive countries may be preferred, especially other countries' unprocessed coffee exports compared to Rwanda's green coffee, which faces several quality problems.

Rwanda also produces few products that benefit from these market preferences, which calls into question the current value of the scheme. Preferences in developed industrial countries do not seem to be playing a substantial role in stimulating Rwandan exports at present. The issue with preferences is whether they could be a factor that helps to facilitate the shift to a more diverse export base.[10]

Due to the zero MFN rate on most products from Rwanda entering the EU market, the preference margin that Rwanda could enjoy is negligible. The WTO Doha trade negotiations, which may lead to further trade liberalization on both agriculture and non-agriculture exports in the EU market, will not bring any market access improvement to Rwanda as it is already being subjected to zero duties.

The ACP-EU Economic Partnership Agreement (EPA) trade negotiations are reciprocal and will have to be WTO-compatible. Rwanda is a party to these negotiations, yet it is not going to gain additional

[10] Rwanda (2005).

market access conditions as it is already benefiting from zero duties. The gain that could make a difference in the EPAs for Rwanda can be in terms of market entry issues relating to standards, rules of origin, in terms of investment to build up productive capacities and in terms of development measures to diversify production and revenue basis. Rwanda could also gain in terms of market access in the services area when EPA negotiations take up this sector, although such a gain would be narrowly based on few services exports and possibly in the area of movement of natural persons' supply services (but this is also a deficit sector in Rwanda as a result of the past internal strife and thus human resources development needs to be built up to develop the local economy).

In the EU market, Rwanda coffee imports are subject to SPS and TBT measures. In terms of TBTs, exporters of coffee must comply with product characteristics requirements such as labeling and packaging meant to protect human health.

Table 23. The EU's top five imports from Rwanda in 2007

Product code (HS 1996)	Product name	Import value (thousands of dollars)	Share in total imports from Rwanda (per cent)	EU preferential rate (simple average in per cent)	EU MFN rate (simple average in per cent)
260900	Tin ores and concentrates	25 205	46	0	0
090111	Coffee, not roasted and not decaffeinated	10 458	19	0	0
261100	Tungsten ores and concentrates	6 971	13	0	0
261590	Niobium (columbium) and tantalum	5 568	10	0	0
261390	Molybdenum ores (not Roasted)	2 232	4	0	0

Source: UN COMTRADE and UNCTAD TRAINS database.

(b) Market access conditions in the United States

As in the EU, Rwanda benefits from the AGOA, therefore its exports under this agreement, including the ones in table 24, enter the United States with preferential duty treatment. For the products in the table, they all enjoy free duty in accordance with the zero tariffs indicated under the United States' preferential rates. Exports (niobium and tantalum minerals, coffee, not roasted and not decaffeinated) all enter the United States market duty-free. As the table shows, minerals and coffee have largely benefited among the five top exports to the United States and these are also Rwanda's two top exports overall, but the values are too small and indicate the extent of non-utilization of the preferences.

The *Rwanda Diagnostic Trade Integration Study 2005* notes that, according to a study on the AGOA, Rwanda has passed the necessary regulations to satisfy United States government requirements. The AGOA study calls for focusing on handicrafts.

In the United States market, in terms of SPS measures, coffee imports must comply with regulations for residues of certain pesticide chemicals in coffee and tea.

Table 24. The United States' top five imports from Rwanda in 2007

Product code (HS 1996)	Product name	Import value (thousands of dollars)	Share in total imports from Rwanda (per cent)	United States preferential rate (simple average in per cent)	United States MFN rate (simple average in per cent)
261590	Niobium (columbium) and tantalum	4 645	51	0	0
090111	Coffee, not roasted and not decaffeinated	2 422	27	0	0
381119	Anti-knock preparations	581	6	0	6.5
381190	Additives for lubricating oils	366	4	0	6.5
970300	Original sculptures and statuary	334	4	0	0

Source: UN COMTRADE and UNCTAD TRAINS databases.

(c) Market access conditions in China

According to table 25, among the listed products exported to China, China grants preferential duty-free market access at 0 per cent only to minerals (niobium and tantalum) and these products also receive MFN duty-free 0 per cent. This means that for these products, Rwanda competes with other countries not receiving preferential treatment from China, especially non-LDCs. For other products (raw skins of sheep or lambs without wool and other raw hides and skins of goat), China grants a preferential duty rate of 14 per cent, which again is the same as the MFN rate of 14 per cent. Slag (metal residue) is given preferential treatment of 4 per cent, as is the case on the MFN basis. Whole hides and skins of bovine animals are granted a preferential rate of 8 per cent, as is the case for the MFN rate of 8 per cent. Overall, what this means is that all these Rwandan products compete with non-preference-receiving countries from China on an equal MFN basis in the Chinese market.

Table 25. China's top five imports from Rwanda in 2007

Product code (HS 1996)	Product name	Import value (thousands of dollars)	Share in total imports from Rwanda (per cent)	China preferential rate (simple average in per cent)	China MFN rate (simple average in per cent)
410229	Raw skins of sheep or lambs without wool on	177	30	14	14
410310	Other raw hides and skins of goats	175	30	14	14
261590	Niobium (columbium) and tantalum	114	20	0	0
261900	Slag, dross (other than granulated)	58	10	4	4
410110	Whole hides and skins of bovine animals	54	9	8	8

Source: UN COMTRADE and UNCTAD TRAINS databases.

(d) Market access conditions in Switzerland

Switzerland grants preferential duty-free treatment at 0 per cent to Rwanda's products in table 26, including coffee, not roasted and not decaffeinated, which, with exports valued at $13 million in 2007, had the biggest share in terms of value in the country. But, this coffee is also granted MFN duty of 0 per cent and thus competes in the market with products of non-preference receiving countries. In the Swiss market, SPS measures are in place for coffee and tea.

Table 26. Switzerland's top five imports from Rwanda in 2007

Product code (HS 1996)	Product name	Import value (thousands of dollars)	Share in total imports from Rwanda (per cent)	Switzerland's preferential rate (simple average in per cent)	Switzerland's MFN rate (simple average in per cent or SwF/100 kg)
090111	Coffee, not roasted and not decaffeinated	13 005	97.8	0	0
851750	Other apparatus, for carrier-current line systems	202	1.5	0	6.5
630900	Worn clothing and other worn articles	53	0.4	0	SwF 132 per 100 kg gross
410229	Without wool on: other	27	0.2	0	0
853690	Other apparatus	12	0.1	0	SwF 57 per 100 kg gross

Source: UN COMTRADE and UNCTAD TRAINS databases.

(e) Market access conditions in COMESA

Except for purebred breeding animals that are charged 10 per cent duty, all the products listed in table 27 enter the COMESA market duty-free on the COMESA preferential rate basis. For non-COMESA members, the COMESA MFN simple average tariff rates for the same products are much higher than the preferential rates. For the period 2007, and for the five products exported to COMESA, Rwanda received a total of $40.6 million under the duty-free preferential scheme. Other black tea (fermented) ($15.2 million, mainly to Kenya) was the main export that benefited most from duty-free market access, followed by black tea (fermented and partly fermented), then coffee, not roasted and not decaffeinated ($6.4 million).

Rwanda and the COMESA regional market to which it belongs has many NTBs, including border obstacles that make it difficult for outsiders to do trade with the regions, and which need addressing urgently, including inter alia: cumbersome customs procedures; corruption and lack of transparency in government procurement; regulations on payment, including foreign exchange restrictions; import surcharges; and a lack of experience and expertise in managing the customs process.[11] Inefficient customs procedures are the main barriers to increased trade activity and include long average processing time for imports,[12] high transport costs, limited access to rural transport, delays and unpredictability in clearance of goods. For key products, high internal transport costs, especially in rural areas, reduce returns to farmers and limit economic activity.[13]

[11] OECD (2006).

[12] World Bank (2008).

[13] Rwanda (2005).

Table 27. Top five imports of COMESA from Rwanda in 2007

Product code (HS 1996)	Product name	Import value (thousands of dollars)	Share in total imports from Rwanda (per cent)	Preferential rate of COMESA (simple average in per cent)	MFN rate of COMESA (simple average in per cent)
090240	Other black tea (fermented)	15 274	30	0	25
090230	Black tea (fermented) and partly fermented	14 972	29	0	25
090111	Coffee, not roasted and not decaffeinated	6 452	13	0	18.7
010290	Purebred breeding animals, other	2 235	4	10	10
130214	Vegetable saps and extracts	1 735	3	0	0

Source: UN COMTRADE and UNCTAD TRAINS databases.

(f) Market access conditions in the EAC

Except for the raw skin of sheep or lambs without wool on, all the other products listed in table 28 are accorded preferential market access at 0 per cent rate. Black tea (fermented and partly fermented) as well other black tea (fermented) were the main beneficiaries of free market access, recording almost the same values of $15 million each in 2007.

The EAC regional market has similar NTBs as COMESA.

Table 28. Top five imports of EAC from Rwanda in 2007

Product code (HS 1996)	Product name	Import value (thousands of dollars)	Share in total imports from Rwanda (per cent)	Preferential rate of EAC (simple average in per cent)	MFN rate of EAC (simple average in per cent)
090240	Other black tea (fermented)	15 274	40	0	25
090230	Black tea (fermented) and partly fermented	14 972	39	0	25
130214	Vegetable saps and extracts	1 735	5	0	0
410229	Raw skin of sheep or lambs, without wool on	897	2	2	10
261590	Niobium and tantalum	868	2	0	0

Source: UN COMTRADE and UNCTAD TRAINS databases.

CHAPTER III

TRADE POLICY FRAMEWORK

3.1 Overview

Rwanda's major economic challenges and constraints in trade of both goods and services are largely manifested in the supply-side constraints and less in the demand side and on market constraints, in particular in regards to goods trade. These constraints mainly comprise "the productive resources, entrepreneurial capacities and production linkages which together determine the capacity of a country to produce goods and services. These productive capacities develop through capital accumulation, technological progress, and structural change."[14] Trade liberalization alone, as past experience has shown especially for LDCs, is not enough to help trade and economic growth. Accumulation of resources, including labour, human capital, physical capital, land and natural resources; improvements in the technologies for converting those resources into goods and services; investments in efficient public infrastructure; and the innovation of new goods and services[15] are extremely important complementary economic development factors that need to be coherently developed in order to make trade an effective engine for economic development and poverty reduction. The fundamentals for long-term growth are human resources, physical infrastructure, macroeconomic measures and the rule of law. The role of trade policy in economic growth is largely auxiliary and of an enabling nature: extremes of export taxation and import restrictions can surely suffocate nascent economic activity, but an open trade regime will not on its own set an economy on a sustained growth path. Too much focus on "outward orientation" and "openness" can even be counterproductive if it diverts policymakers' attention away from the fundamentals listed above and treats trade rather than per capita income as a yardstick of success.[16]

This requires a focus on a development-driven trade policy approach, as opposed to an export-led, trade-led or demand-led strategy. Such an approach is proposed for Rwanda. Such a policy strategy emphasizes the development of a competitive production capacity with a focus on pro-poor sectors; its main features are outlined in this chapter (especially Strategy 1).

In parallel, strategic policies focused on trade are important and ought to be continued alongside the development of supply and productive capacities, since the latter take a long time to be realized. There are also important strategic policies related to institutional and other capacities. Also, like many other African countries, Rwanda's economic development cannot completely ignore trade liberalization, which is an important factor in stimulating economic efficiency and competitiveness, as long as it is calibrated with the primary goal of promoting development, especially of the poor. It is important for Rwanda to participate actively in the ongoing Doha trade negotiations in the WTO, whose final results may provide more market

[14] UNCTAD (2006b).

[15] Maskus (1998).

[16] Rodrik (1997).

opportunities for Rwanda's services as well as goods exports in agriculture and manufactures. Rwanda needs to continue to address issues of production, trade and market access and entry in the short and medium terms. It needs also to continuously and effectively use the private sector as the main driver of trade growth without ignoring the government's regulatory and enabling role. The government has to ensure that trade and investment policies are conducive enough for trade and development to prosper. These trade-related policies that should go hand-in-hand with development of productive capacities for trade are dealt with under Strategy 2 of this chapter.

The implementation of Strategies 1 and 2 needs to be anchored with complementary policies for building sound and working institutional and human capacity policies including in trade data analysis and application, effective coherence, communication and coordination in Ministries and between Ministries and the private sector and other relevant stakeholders. Equally important is an effective representation by the Rwandan missions abroad, especially the one in Geneva, where WTO trade negotiations are undertaken, as well as in the EU, the United States and in key markets in developing countries. Strategy 3 elaborates on such institutional and other complementary policies.

The implementation of Strategies 1, 2 and 3 constitute the development-driven comprehensive trade policy framework for the achievement of the trade policy vision and objectives of Rwanda (which are set out below). The fuller implementation plan for the trade policy would be drafted separately, taking into account the policies, plans and strategies that exist or are planned and as proposed in this report. Particular attention should be given to implementing the Ministry of Trade and Industry's strategic plan, encompassing five strategic objectives as follows:

1. Increasing major traditional exports especially coffee, tea, minerals and tourism;
2. Diversifying exports into such areas as services (business processing outsourcing), silk and minerals. This work is coordinated by the Rwanda Development Board. The board will have a major role to play in the implementation of trade policy as the government has invested it with broad authority to promote exports and the industrial development of Rwanda;
3. Facilitating trade and promoting conformity with standards. This includes negotiations on trade agreements for market access and removing non-tariff barriers;
4. Increasing the quantity and quality of investment to deal with supply-side constraints. This is closely tied to the industrial development policy;
5. Improving the business environment (closely coordinated by the Rwanda Development Board).

A trade capacity development project should be elaborated, as part of aid for trade support for Rwanda, and funding mobilized from interested donors to provide a launching pad from which to implement some of the capacity-building activities required for building the country's trade policy and negotiating capacity.

3.2 Vision and objectives

The broad development objectives of Rwanda are well articulated in its Vision 2020 (Rwanda, a) and Economic Development and Poverty Reduction Strategy (EDPRS) (Rwanda, b) documents as follows:

(i) Short term: promotion of macroeconomic stability and wealth creation to reduce aid dependency and poverty incidence;

(ii) Medium term: transformation from an agrarian to a knowledge-based economy;

(iii) Long term: creating a productive middle class fostering entrepreneurship.

The vision and the seven objectives embedded in the proposed development-driven trade policy are directed at contributing to the achievement of national development objectives that promote broad-based participation in trade and an inclusive process in sharing the development gains, and which will also help Rwanda promote its achievement of internationally agreed development goals including the United Nations Millennium Development Goals (MDGs). Further, in view of emerging global challenges from the global food crisis, volatile energy prices, climate change and the need to protect and preserve the environment for future generations, as well as the global financial and economic crisis, the development-driven trade policy will have to integrate where possible policies and measures at national, subregional and regional levels to mitigate the negative effects of such challenges and take advantage of emerging opportunities, including through seeking international development partnership support such as in trade and official development assistance including aid for trade, investment and technology.

As a key national development goal is to improve human resources skills, the empowering of women in the economic development process needs to be emphasized. Thus the development-driven trade policy needs to mainstream gender issues more specifically and become gender sensitive.

> *Proposed trade policy vision:* To establish a development-driven trade environment in which sustainable productive and competitive exports flourish and expand, contribute to greater economic development, poverty reduction and improved living standards especially for the rural poor including women, while at the same time preserving the country's natural resources.

Seven trade and development policy objectives are proposed to guide Rwanda trade policy.

Objective 1: To stimulate the public and private sectors to invest and develop competitive and (environmentally) sustainable supply and productive capacities including through technology upgrading; agricultural development including for food security; commodity development and innovation including agro-processing; efficient manufacturing; human skills development with particular attention to women; improved infrastructure including trade facilitation and transport, which will strengthen linkages between trade policy and actual trade development, build a strong economic resilient base and accelerate exports and economic development especially for the poor.

Objective 2: To facilitate the fuller participation of importers and exporters, especially rural exporters and potential exporters of goods and services, in regional and international trade in order to take advantage of trade opportunities as a means to reduce poverty and improve their economic well-being. Special attention could be paid to supporting women farmers and entrepreneurs.

Objective 3: The creation of an enabling environment for investment, including foreign direct investment, in order to produce increasingly competitive goods and services for the export market, including value addition and diversification and the capacity to meet product international standards and reduce the import bill. The aim of moving towards a knowledge-based economy in the long term will require investment to move into new and dynamic sectors of trade such as information technology-based products and services and certified organic products. Investment in more efficient energy use will also be need to reduce the energy bill and improve efficiency to combat climate change deterioration.

Objective 4: To promote a balanced relationship between trade liberalization and sustainable development that protects the poor, especially those in rural areas, from external shocks, as well as ensuring adequate policy space. It is also important to promote economic activities that make use of the natural endowments and comparative advantages of the country to combine good prospects for economically viable activities while at the same time protecting the environment, such as in the case of organic agriculture.

Objective 5: To facilitate and stimulate the establishment of coherent and well-coordinated trade and trade-related capacity-building, training and retraining in private and public institutions, including on a joint venture basis, for human resources development and addressing industry-specific supply-side constraints and export promotion activities. This will contribute to the development of a more knowledge-based economy.

Objective 6: To ensure that national intellectual property (IP) laws, institutional practices and strategies in public research institutions and industry are developed and implemented in a manner that contributes to building Rwanda's technological base and cultural and creative industries, and that advancements in science and technology benefit the society. In the context of the existing low technological base and weak educational and institutional base, the focus is on technological learning, adaptation and diffusion, including of environmentally sound technologies as well as recognition of the contribution of cultural and creative industries as well as traditional knowledge to the socio-economic well-being of the country's population.

Objective 7: To mainstream the social aspects of development, including addressing problems of unemployment, health and population growth on the one hand, and gender empowerment, development governance,[17] climate change and competition and consumer policy on the other hand in Vision 2020/EDPRS (Rwanda, a and b) and to implement them effectively.

3.3 Implementing strategy

An implementation approach, which comprises three key interrelated and integrated strategies, is proposed to be largely responsible for achieving the development-driven trade policy vision and related objectives. The three strategies, which will involve immediate, short-term or long-term perspectives, are the following:

- Strategy 1: Development-driven policies (developing sustainable productive capacity – "hard, long-term policies") (60 per cent);
- Strategy 2: Trade and trade-related policies (market enhancement policies – "soft, short and medium-term policies") (20 per cent priority);
- Strategy 3: Trade policy institutional and other capacity-building policies (institutional capacity-building) (20 per cent priority).

In light of the importance attached to developing the supply and productive capacities for trade and to foster export and market diversification as well as move into the value addition chain for exports and towards a knowledge-based economy in the future, it seems appropriate to allocate time, finance and human resources by indicating priorities through the strategy. In order to develop the much needed supply capabilities, more resources and attention would have to be paid to strategy 1. Since Rwanda has performed convincingly well in past trade liberalization and also has abundant free market access for its exports except, perhaps, for NTBs and constraints on its services exports, strategy 2 will require less resource allocation and attention compared to 1. In the same vein, strategy 3 may require more attention than strategy 2, since it involves developing in the medium and long term key trade support factors including human resources, institutions and infrastructural capacities.

[17] UNCTAD (2008b): "the political processes and institutional arrangements which are dedicated and devoted to the purposeful promotion of economic development, poverty reduction and the achievement of internationally-agreed development goals".

3.3.1 Which direction to take in designing trade policy?

1. Integrating trade policy in Vision 2020[18] and other national plans

First, the objectives of trade policy should be subsumed into the overall objectives of national development strategies, particularly human development and poverty reduction as well as emphasizing the link to achieving internationally agreed development goals, including the MDGs. These objectives can only be attained if Rwanda develops its productive capacities, so that the population becomes more fully and productively employed and that the country embarks on a catch-up growth process. Adopting the development of productive capacities as a central national development strategy entails giving priority to policies that foster the accumulation of capital (including physical, human, social and organizational), the development of entrepreneurial capabilities and technological progress, as well as production linkages. These linkages bring together both domestic and foreign agents. One of the foremost forms of linking domestic and international agents is through international trade and investment.

2. Ownership and national consensus of trade policy

Second, being part of Vision 2020 (Rwanda, a) and EDPRS (Rwanda, b) national development strategies, Rwanda's trade policies should be formulated and owned nationally, according to the priorities set by domestic actors. This means that development strategies should be decided and formulated domestically in view of national development objectives chosen by the country. Therefore, trade policies should conform to the principles agreed internationally that aim at ensuring greater ownership of national development policies, as well as the alignment of development partners to these priorities. To this end, national consultative processes and institutions for inclusive stakeholder dialogue and consultation on trade and development policies and negotiations can play an instrumental role, as in many other countries (developing and developed). Such a forum should be able to recommend the type, pace and sequencing of trade reforms that can be followed by Rwanda and the objectives to be maintained in trade negotiations, such as in the WTO Doha round or in the ACP-EU negotiations of EPAs, based on objective analysis and discussions.

3. Integrating quality of trade in trade policy

Third, a development-driven trade policy must pay attention not only to the quantity of trade (which is often measured through trade openness indicators), but also to the quality of trade, which refers to the composition of both exports and imports and their impact on jobs and incomes, including equitable distribution as well as promoting the protection and preservation of the environment and becoming more gender sensitive. Since the 1980 and 1990s, Rwanda's main policy has been that of trade liberalization in several dimensions: first, unilateral and multilateral; second, regional; and, more recently, bilateral. Liberalization has been the central tenet of trade policy, rather than the development of productive capacities. Rwanda has been enacting a trade-led development policy. In view of the national development goals and the impact of the multiple global crises facing developing countries including Rwanda, there seems to be a need for re-thinking trade and development strategies focused mainly on trade integration as key to development to identify what complementary policies are necessary for ensuring the expected positive effects of trade liberalization and reform, in terms of broad-based economic growth and poverty reduction.

4. Ensuring coherence between trade policy and complementary development policies

Fourth, trade policy must be coherent with and supportive of other complementary types of policies geared towards the holistic development strategy of the country, including fundamentals like the following types of policy: industrial, technology, research and development, finance for trade development,

[18] Rwanda (a).

environmental, energy, competition, intellectual property, infrastructure (including transport and logistics, ports, roads, air, energy, terminals and equipment), agricultural, human capital, SME, governance, macroeconomic, gender, and exchange rate and others affecting the balance of payments such as foreign direct investment, microeconomic and social policies. All are also necessary factors for building a strong economic resilient base to handle economic shocks. These constitute the main fundamentals for sustained and long-term growth. Likewise, these complementary policies should also integrate trade policy goals and be supportive of the overall development objectives that the trade policy attempts to foster, as ultimately, all policies promote the nation's development vision and goals.

3.3.2 Linking trade policy objectives with national development goals

To become a meaningful tool for economic development and poverty reduction, trade policy and its objectives should be mainstreamed into broader development policies, particularly with fundamentals, because these fundamentals are more likely to contribute to increased per capita income than trade alone, which is at the heart of economic success. In Rwanda's case, this means Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b), particularly matching them with relevant economic development pillars that can improve supply and productive capabilities for trade development. Mainstreaming trade means that in a more focused manner, all these trade policy objectives should be evident in the national plan, Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b), and become an integral part of the overall institutional performance-based budgeting system. They must be part of legislation and programme design, implementation, monitoring, reporting and evaluation, in all relevant areas and at all levels.

Some trade objectives and relevant economic development policies (improving infrastructure, investment and the macroeconomic environment) have been mainstreamed in Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b), but more work is needed to effectively mesh them in a more coherent and connected manner, because they are largely too general and the objectives are limited to "openness, export diversification, development of export-oriented manufacturing activities and tourism development; trade policy instruments including suitable exchange rate, export promotion and regionalism".[19] In addition, several important trade-related supply and productive capacity-building actions from the Rwanda Action Plan of the Integrated Framework are an integral part of this trade policy. They include addressing problems of transport and customs, removing barriers to participation in commercial activities and trade, improved climate for investment and competitiveness, developing trade support institutions and capacities, and sector-specific actions to enhance poverty reduction strategies and to act as complementary measures to the ones being implemented by the government as well as being proposed by this trade policy framework. Some of these are being implemented by the government. For purposes of coherence, these measures should be treated as an integral part of a trade and trade-related development-oriented strategy.

As is often the case in implementing WTO agreements and integrating new provisions into existing national legislative laws, mainstreaming trade will mean reviewing key development programmes of Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b) and realigning them with the trade policy objectives, including the ones being proposed in this trade policy document. The seven objectives proposed contain several intermediate goals each, for example: integrating rural exporters into regional and international export markets, creating jobs, increasing incomes, improving human capital, emphasizing development-related policies in the context of trade liberalization, improving trade facilitation, adding value, developing services trade, developing agro-processing exports, improving trade facilitation, developing human capital, benefiting from intellectual property, addressing social development issues, addressing gender, investing for exports, and committing to regional and international trade agreements, particularly South–South trade agreements.

[19] UNCTAD (2004).

A suggestion is made to mainstream and link all seven trade policy objectives to the relevant sections of Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b) where it is thought they would best be achieved. To do that, the development factors must deliberately and specifically target trade and not cover it in a generalized fashion. For instance, there is a need for economic infrastructure development for improving transport, communications, energy, agriculture, industry, tourism, etc. These all relate to the ultimate goal of improving trade because in the PRSP/EDPRS, it is difficult to tell which infrastructure relates to trade as most of it appears to be targeted at non-trade-related sectors and more at social services. As noted by UNCTAD (2004a) in reference to donor funding, “there are limits to the types of infrastructure investment in which the profit-oriented private sector is interested and thus the need for increased official assistance to meet the major physical infrastructure development needs in LDCs remains important”.

3.3.3 Key measures for implementing each trade policy objective

In the sections below, for each of the seven trade policy objectives, the corresponding key development and trade and market policy measures (elements of Strategy 1, Strategy 2 and Strategy 3) present in Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b) are highlighted, followed by amplifications, clarifications and additional points, all meant to elaborate the important task of realignment and mainstreaming. While most of the important and essential development issues are present in EDPRS, the key task is to realign them with the trade policy objectives.

(a) Trade Policy Objective 1:

To stimulate the public and private sectors to invest and develop competitive and (environmentally) sustainable productive capacities including through technology upgrading; agricultural development including for food security; commodity development and innovation, including agro-processing; efficient manufacturing; human skills development with particular attention to women; and improved infrastructure, including trade facilitation and transport, which will strengthen linkages between trade policy and actual trade development and accelerate exports and economic development especially for the poor.

Strategy 1: Development-driven policies: linking trade policy objectives with Vision 2020 and the EDPRS[20] (medium- to long-term results)

The main overall and long-term strategy is to invest, financially in human capital terms, and politically in the development of a competitive supply and productive base able to generate expanded and quality exports for the private sector in regional and international markets. Among the inputs required for this purpose, a deliberate focus on developing infrastructure for trade development is paramount. This includes national and regional “hard” and “soft” infrastructure in the form of: better roads, road networks, ports, air and trade facilitation; improved transborder trade, manufacturing infrastructure, energy and telecommunications; improving product standards at laboratory and managerial levels; infrastructure for investment in rural areas, including irrigation, improving data and analysis, post-harvest storage and agricultural productivity; investment for transport and logistics, and market information systems, especially an improved and increased road network, rural feeder roads, regional roads and railways; investment for diversification and structural change; investment for services development including tourism, logistics and distribution; and infrastructure for improving policy and regulation, including transparency, predictability of trade and the business environment, and customs procedures. Enhanced customs clearance and overcoming energy and electricity shortages will be addressed in order to lower the costs of transport and improve access to services that increase economic efficiency. Building trade infrastructure is critical to attaining competitiveness to integrate rural areas into economic activities linked to international trade. Better trade facilitation at the

[20] Rwanda (a and b).

border, in particular to improve trade, should be an important and deliberate integral part of the overall development plan. Reducing the costs of doing business in Rwanda is an important objective in the medium and long terms.

Human skills development, especially of women and girls, deserves attention to enable them to take part in economic activities linked to global trade. Box 1 provides examples of how human capital development took place in East Asia. The point is that for developing countries, as the case of East Asia amply demonstrates, there is a close relationship between improvements in educational attainment and economic growth. This is because the acquisition of basic skills (literacy and simple numerical abilities) is critical for development, but technical skills (mathematics, engineering and critical thinking) are required for sustained and dynamic development.[21] In measuring indicators of human capital development, it is important to distinguish between quantity and quality because often, the former is emphasized over the latter.

Box 1. Human capital formation

Between 1970 and 1991 the percentage of citizens of the Republic of Korea aged 18–23 enrolled in college education rose from 16 to 40 per cent, a very high figure. Other countries' statistics include: Singapore 8 to 2 per cent; Hong Kong (China) 11 to 18 per cent; Malaysia 4 to 7 per cent; Thailand 13 to 16 per cent; and Indonesia 4 to 10 per cent. On average the enrollments in our East Asian sample more than doubled, and high school enrollments nearly doubled. Proportional female enrollments in these nations are the same as male enrollments. Compare to: Argentina 22 to 43 per cent (very good); Mexico 14 to 15 per cent (not good); Brazil 12 to 12 per cent (bad); Chile 13 to 23 per cent; Egypt 18 to 19 per cent; Côte d'Ivoire 3 to 3 per cent; Nigeria l2 to 4 per cent; United Republic of Tanzania 0 to 0 per cent; Spain 24 to 36 per cent; Japan 31 to 31 per cent (not good); and United States 56 to 76 per cent (excellent).

Source: Maskus (1998).

Given that 90 per cent of the Rwandan population is employed in agriculture, the current development strategy should focus on improving the productivity and profitability of agriculture. This is a part of the shift to a knowledge-based economy. Organic agriculture and other forms of sustainable agriculture are knowledge intensive, as opposed to external input intensive.

In order to get the premium prices offered for certified organic products, a farm must be certified as meeting the organic production standards of the importing country. Complying with the standards and proving this compliance also require attaining higher levels of human capital. Organic product exporters also need to be well skilled – to work with outgrowers and cooperatives, provide them with the technical information and support to grow high-quality organic products successfully and also to keep the necessary records; to work on the other hand with the importers in the destination market to understand and meet their quality and organic standards and ensure consistency in supply. In general, the agricultural sector needs to be supported in the area of good agricultural practices (GAP), both for the safety of the food supply and for meeting export market criteria. Developing national GAP policies that are well suited for national farmers' needs and abilities and provide a good baseline preparation for the more exacting international GAP requirements such as GLOBALGAP is important. GLOBALGAP and other requirements may be out of reach or much too expensive for small-scale Rwandan farmers to implement. Therefore the regional markets and markets not belonging to the Organization for Economic Cooperation and Development should also be targeted, for example in the Middle East or Asia.

[21] Maskus (1998).

Development of human resources includes adequate health, education and a labour market system.[22] Improving the access of women to education and training in economic and trade activities needs emphasis. This could include improved skills to negotiate more effective market access, especially focusing on reduction or elimination of non-tariff barriers for coffee in its existing markets and potential ones, diversifying export markets such as in South–South trade, better organization of the rural sector and providing more and useful information on current and potential market opportunities, especially for rural farmers.

Private sector development including enterprise development policy and cooperative development schemes would be needed. Establishing free trade zones could also help. Building facilities to implement quality standards for export across all export products is a necessity for meeting increasingly stringent technical and sanitary standards for products. An industrial policy to support SMEs in value addition and diversification would help. The use in the future of tariffs to protect local industries could be considered and reviewed.

Moreover, the government could consider the possibility of setting up a structural adjustment fund based on revenue earned from mineral exports to finance production enhancement in agriculture and manufactures for both internal and external trade. Such a fund could be used to support viable entrepreneurial proposals, mainly from SMEs, that would like to pursue export-oriented or import substitution industries.

Focusing on services sector development has to be an essential component of any strategy to achieve the goal of becoming a knowledge-based economy.

Modernizing the agriculture sector has to be the starting point for the development of this sector in Rwanda.

Given Rwanda's limited financial resources, increased financing, including through Aid for Trade, to build up productive and infrastructural capacities for trade development will be important. It is also incumbent upon the government to make effective use of the aid that is provided in realizing the expected results.

Macroeconomic stability of exchange rates and interest rates is an enabling factor for sustained economic and trade growth.

Strategy 2: Trade and market policies (short- to medium-term)

Improving trade facilitation measures is an important policy objective to achieve efficient trading. It requires, inter alia:

- Stressing at both the regional and international levels the importance of improving trade facilitation. In WTO, it means cooperating with other LDCs in the concrete realization of the development benefits that will accrue from negotiations of GATT article V (freedom of transit), article VIII (fees and formalities connected with import and export) and article X (publication and administration of trade regulations);
- Sourcing technical assistance from development organizations like UNCTAD whose aim is to empower exporters and potential exporters and other relevant stakeholders in Rwanda with modern and effective trade facilitation measures, such as building up customs clearance infrastructure to successfully facilitate the flow of trade;
- Cooperating with other members of COMESA and EAC to develop, implement and/or strengthen a regionally based strategy to improve trade facilitation. The North–South Corridor Project involving COMESA, SADC and the EAC and aiming at addressing the transport and customs

[22] UNCTAD (2004a).

problems is the kind of trade facilitation scheme that should be implemented fully especially with the funding from Aid for Trade and other donor funding.

Using tariffs for development remains important. This requires a calibrated lowering of import duty to promote inflows of industrial inputs and machinery to generate production inputs, especially for the rural poor who may use it to develop productive capacity for entering the regional and international export markets. Importation for exports can also be encouraged in order to reduce the cost of manufacturing and ensure that exports are competitive. For example, the plant, equipment and machinery imported for specific export sectors like agro-processing coffee could be exempted from duty and taxes for a limited period of time.

Greater reliance on VAT as the major source of tax revenue and consequentially, high import tariffs, which presumably are in place as "protective" tariffs, would need to be reduced with the view to affording protection through tariff lines only to those industries that require it. The appropriate policy space in tariffs to be maintained needs to be established through a consultative process.

Reducing the import bill (without undermining South–South trade) will require:

- Developing policies directed at generating more exports including through the reduction of non-essential imports and substitution of some selected imports with locally produced goods in Rwanda or EAC, COMESA or other African or developing countries;
- Reinvesting income generated from import duties into the development of supply and productive capacities for export growth in such sectors as agriculture, horticulture, tourism and handicrafts.

Introducing duty drawback and improving other incentives to make Rwanda's fiscal regime effective and well administered, streamlining the administration of incentives, making fiscal incentives outcome-based and targeted to development goals, minimizing the impact of taxation on companies' cash flow, and providing more effective incentives for export processing zones.

Expanding and diversifying exports is critical. In addition to the existing studies on coffee, tea, handicrafts, hides and skins, tourism and mining, the government should examine the potential for the production and export of other agricultural products and potential exports from new and dynamic sectors, such as pyrethrum. Organic cotton, organic tea and coffee production could be other examples of such potential areas. Flowers, fruit, vegetables and herbal exports, hides and skins, and handicraft goods are among the new products with the potential for value addition and diversification. For exports of flowers, Kenya provides a success story to follow. For herbal production and exports, targeting Indian FDI is recommended. An FDI policy package with several recommendations for agribusiness is provided in the *UNCTAD Investment Policy Review of Rwanda* (UNCTAD, 2006a). A feasibility study could be undertaken to examine: (a) existing agronomic and management practices and a study of the possibilities for management tie-ups with multinational companies such as Nestle and fair trade groups; (b) the possibility of providing subsidies to agriculture and industrial development consistent with Rwanda's commitment under the WTO agreements; and (c) to re-examine the country's investment laws and other related legislation to increase its attractiveness as a destination for investments, particularly implementing the recommendations made in UNCTAD (2006a).

The number of free economic zones in the country could be expanded to strategic locations that would encourage a higher level of processing/manufacturing for the export market. Rural households could be engaged in the production or manufacture of goods for the export market through contract manufacturing, i.e. they produce and supply inputs or finished products to big companies inside Rwanda, regional markets or international markets while meeting product standards for both agricultural and processed sectors. Rwanda could apply to join the Japanese-sponsored "One Village One Product", which is a community-centred and demand-driven local economic development approach. Other countries in Africa have similar schemes assisted by the Japanese, including Malawi. It would also be necessary to expand and continue to diversify services exports and provide needed measures including improving the supply and productive capacities, promotional measures and incentives for services development. The services sector is growing and has the potential to grow further. A consultant's report[23] commissioned by the government provides detailed strategic information for diversification including constraints.

It is also very important to look at the potential for off-grip decentralized renewable energy such as solar, microhydropower and biogas, to power growth poles for rural economic development.

Moving into greater value added exports can be strengthened by the following:

(a) Broadening and realigning the lending portfolio by commercial banks to make microcredit available for e.g. value addition activities. A modern economy requires sufficient credit to support its economic activities and encourage savings, through opening individual/private savings accounts;

(b) The availability of washing stations equipment, which promise improved quality and some basic value addition. An important policy would therefore be to increase the washing stations and improve the grading of coffee cherries, focusing on obtaining fully washed coffee that has more value, through collaboration with foreign coffee firms like Nestle, Phillip Morris, Sara Lee and Procter and Gamble, which control the international coffee market, as well as fair trade as well foreign development organizations, especially USAID, which is already assisting in coffee processing through SPREAD (Sustaining Partnerships to enhance Rural Enterprise and Agribusiness Development);

(c) In order to improve coffee roasting, value addition (such as moving from green coffee, the current stage of Rwanda coffee exports, to roasted coffee, and better still to ground coffee) and the production of specialty coffee, the *UNCTAD Investment Policy Review of Rwanda* (UNCTAD, 2006a) highlights the need to attract the FDI of one major brand with expertise. However, it cautions that since tea and coffee industries are mature and may not have prospects for sustained growth or attract FDI attention in the medium term, they should not be at the centre of the FDI strategy;[24]

(d) To try to solve the coffee price fluctuation issue, it might be important for the government (even better at the regional level) to establish an institutional dialogue mechanism with the four multinational corporations that control and influence the coffee market. In the long term, this is also important because even if the supply and productive capacities are available for processing and value addition in coffee exports, the market price control factor will still remain important;

(e) For purposes of a future policy direction, it is important for the government to minimize reliance on the mining sector. It should adopt backward linkage policies and strategies to establish a strong link between the mining sector on the one hand and the agricultural and manufacturing sectors on the other;

(f) In the short and medium terms, the government should ensure that it maximizes income from the mining sector, for example by charging royalties accruing from the mining sector's investment and reinvesting part of that income in the agricultural and manufacturing sectors, particularly in the latter, for enhancing value addition and diversification of exports. The income can also be used to develop the supply and productive capacities to enable producers, especially in rural areas, to enter the regional market in particular;

(g) The government should consider implementing some of the recommendations made in the *UNCTAD Investment Policy Review of Rwanda 2006* (UNCTAD, 2006a) on an FDI policy package for mining to develop industrial mining and attract necessary FDI. This will contribute to export value addition and diversification and improve the quality of the end products. The efforts by the government to establish a joint venture refinery with the Chinese minerals customer could be implemented to improve exports processing.

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[23] Rwanda (2005); Rwanda (2007a); Rwanda (2006a); Rwanda (2007b); Rwanda (2006b); Rwanda (2007c); Rwanda (c).

[24] Ibid.

(b) Trade Policy Objective 2:

To facilitate the fuller participation of importers and exporters, especially rural exporters and potential exporters of goods and services, in regional and international trade in order to take advantage of trade opportunities as a means to reduce poverty and improve their economic well-being. Special attention could be paid to supporting women farmers and entrepreneurs.

Strategy 1: Development-driven policies: linking trade policy objectives with Vision 2020 and the EDPRS[25] (medium- to long-term results)

Providing extension services for coffee farmers, a good price, more and quality equipment for washing stations capacities, an improved method of washing, upgrading tea factories and overall increased support for the two export sectors will be essential policies.

Developing the services infrastructure, improving private sector investment, better marketing, regional and international linkages – especially for tourism, financial services, logistics and distribution services, and transport – are also key policy measures as are strengthening human skills, improving product standards, macroeconomic stability of exchange rates and interest rates and financing, and Aid for Trade.

Strategy 2: Trade/market policies (short- and medium-term)

Similar measures as under Trade Policy Objective 1 can apply to this objective.

To improve market diversification, Rwanda has already begun diversifying its export markets from the traditional African market to Europe, the United States and Asia. These efforts need the continuous and sustained support of the government through trade policy instruments such as export promotion programmes and incentives.

For coffee, the export market analysis in chapter 1 shows that growth rates are higher in Swaziland (265 per cent), the EU (96 per cent), the United States (93 per cent) and Switzerland (89 per cent). In its main market, Switzerland, the growth rate is the lowest but still significant. Therefore, these are important markets that should be maintained and strengthened through export promotion. Expanding exports to Swaziland and finding new regional markets will be key as well.

Expanding South–South trade, including regional trade, could for instance involve encouraging Rwanda's exports of minerals to South Africa, China, Thailand, Malaysia and other Asian markets, and even include other products, especially new and low performing ones with value addition. Coffee exports to regional markets (Kenya and Swaziland) should be expanded. Especially in pursuit of export diversification, it might be easier for new products to break into regional and South–South markets than into developed country markets due to high standards requirements, but better market access in these countries must be sought. Using the cluster development strategy for tourism, coffee and horticultural products like flowers have been strongly upheld by the Rwandan private sector and therefore could be a priority approach.

It will be important to negotiate for the reduction or elimination of tariffs on all current Rwandan exports to Asia (and those being lined up for diversification), which is becoming a key market. For instance, the analysis in chapter 1 shows higher applied tariffs on Rwanda's products of interest in Asia; also the market access data in chapter 2 shows that China charges 14 per cent MFN duty on raw skins of sheep or lambs without wool and other raw hides and skins of goats, 4 per cent MFN duty on slag, dross (other than granulated), and 8 per cent MFN duty on whole hides and skins of bovine animals. In order for all Rwandan exports to

[25] Rwanda (a and b).

benefit more from market access, negotiations could be pursued at the bilateral, regional and multilateral levels, especially for better market access in Asia, where market growth is highest in South–South trade for Rwandan products of interest, namely, coffee, tea, vegetables, fruits, fruit juice and handicrafts.

The search for global markets should not be at the expense of regional markets. Thus every effort should be taken to further expand Rwanda's market share in its existing regional markets by deepening and widening the export base and the use of WTO-consistent export promotion incentives. COMESA trade provisions could also benefit from being revisited to make them more operationally effective.

In international markets especially the EU and the United States where it is granted preferences, and general market access is not a major problem, Rwanda's main trade policy should be to lobby and negotiate for simple rules of origin, including implementation of the WTO Hong Kong Decision on duty-free and quota-free market access for all exports of LDCs and for simple rules of origin for all relevant products, and a liberal rule of origin for clothing (allowing the use of third country fabric) similar to that for LDCs under AGOA, which, given the existing air transport links to Europe, could stimulate some investment in the clothing sector to exploit relatively low Rwandan labour costs.[26]

Active involvement in WTO negotiations is necessary to defend and promote Rwanda's trade and development, and especially to negotiate commitments commensurate with the country's level of development and its Vision 2020 (Rwanda, a) in the Doha services, agriculture and non-agriculture market access negotiations. For services, the government can open banking, insurance, telecommunications, computer-related, accounting, auditing, distribution and logistics subsectors for private sector participation – and as appropriate, for foreign participation – with limitations on market access and national treatment as allowed for developing countries (including LDCs) in the WTO. The government reiterates the need to further open up the financial sector to foreign capital.[27] A functioning regulatory framework and oversight by the authorities is necessary, however, to ensure sustainable gains for the economy from these efforts. Data analysis in chapter 1 shows that for eleven years (1997–2007), Rwanda did not record services exports in the communications, construction, insurance, financial services, computer and information services subsectors and royalties and license fees.

Rwanda can play a more significant role at the regional level in COMESA and EAC and convince other members to develop a stronger political commitment to mainstream services exports, especially the movement of natural persons, logistics and distribution services, and others recommended earlier, into the overall work programmes and budgets of regional bodies. For its part, Rwanda should also ensure that services trade, especially exports both within the regional and especially in international markets, becomes an integral part of Vision 2020 (Rwanda, a). Integrating services exports should include addressing services market barriers at both regional and international levels, even in South–South trade.

Tourism in particular should be promoted and all barriers to its development addressed, including poor customer care that frustrates tourists. Hence, the Tourism Strategy for Rwanda, which provides the action plan and budgets ($42 million) for 2007–2012, is a very important starting point to implement comprehensively. The action plan contains all necessary training needs and instruments for implementation. This is especially urgent in view of the fact that the data review in chapter 1 on services exports reveals that between 2005 and 2006, exports in travel, as a services subsector (if it means tourism), recorded a decline of $18 million.

To ensure regional integration benefits the country, especially in trade (the country is currently not benefiting from regional trade, as chapter 1 shows), Rwanda's strategy will have to largely focus on improving the competitive supply and productive capacities. Signing many regional agreements is important but, ultimately, the main objective should focus on the substantive gains, both actual or potential, of such

[26] Rwanda (2005).

[27] Rwanda (b), page 68, para 4.91.

agreements. The trade provisions of the COMESA could also benefit from being revisited to make them more operationally effective.

Improving compliance with international standards is a necessity for export success. This will require a number of measures. There is a need to establish the Rwanda Food Corporation, if it does not exist, whose tasks will be to continuously ensure that processed food meets international quality and standards and sustainability. Subject to soil suitability and other related feasibility studies, this corporation could also engage farmers as "contract farmers" to produce food crops to be purchased by it. It is extremely important for the government to make huge financial investments in upgrading standards.

Implementation of WTO agreements such as SPS and TBT could contribute to conformity with international standards and improve export quality. More and targeted technical assistance should be requested from both multilateral and bilateral partners to create campaigns aimed at all relevant stakeholders to raise awareness of the basics for improving product standards, and help to actually improve the implementation of quality standards.

Support should be provided to exporters of products that are subject to stringent standards (leather, coffee and tea) so that they are able to comply with environmental and health standards especially. Providing tax incentives for machinery and equipment will also help.

Development governance will be important: it means ensuring that resources for trade are adequately allocated especially for human resources, including retaining and deepening the involvement of trained and skilled manpower in trade. For instance, when diplomats abroad acquire trade skills and capacity after serving for four to five years – especially in multilateral missions like Geneva, with the WTO and the United Nations, and bilateral missions like Brussels, with the ongoing EPA trade negotiations between the EU and the ACP – where decisions about the international trade agenda are made, these skills must continue to play an important role even after diplomats return home.

Strategy 3: Institutional and human capacity policies for trade policy

A continuous programme of training in commercial diplomacy would be important to create and widen the base of cadre experts in trade policy formulation and negotiations. Such training could be conducted on trade policy issues, WTO agreements and negotiations, free trade agreements, trade negotiations skills, dispute settlement and other subjects.

The human resources capacity of the Ministry of Trade and Industry should be enhanced to be able to effectively follow up on various trade negotiation fronts and safeguard Rwanda's interests, ensure implementation and monitoring of Rwanda's trade policy and coordinate stakeholder consultations on trade issues to inform the government on the main priorities of the private sector, the public sector and non-governmental organizations. Since the ultimate goal of trade policy is to serve the business interests of the private sector – such as facilitating increased and expanded exports and imports and increasing trade surpluses – the importance of the private sector's involvement in the overall trade policy design and implementation processes cannot be over-emphasized. The financial resources allocated to the ministry should also be enhanced so it can become effective in its role as the chief trade negotiator of the country and in the effort to make trade an effective engine of growth and development for Rwanda, especially in integrating the rural community into mainstream trade and development.

Rwanda should complete and fully utilize the existing Industrial Observatory Unit set up with the support of the United Nations Industrial Development Organization (UNIDO) in the Ministry of Trade and Industry. This observatory could be strengthened to usefully perform trade data and analysis functions. It is also important to pursue the possibility of establishing a regional trade information centre either within

COMESA or EAC. These units have to be staffed with trained personnel that can provide technical support to trade negotiators in the region and at the multilateral level. These units could also be tasked with training a cadre in trade data and this team could work with international organizations like UNCTAD, the International Trade Centre and the World Bank, which specialize in trade data.

It is recommended that Rwanda set up a Trade Development Board at the senior policymaking level to serve as the governing and coordinating mechanism under which inclusive decision-making would take place to formulate, adjust and implement the development-oriented trade policy. The board would be the main mechanism for setting Rwanda's trade policy objectives and trade negotiation priorities at the multilateral level of the WTO, at the interregional level such as with ACP states and EU, at the continental level of the African Union, at the regional level of COMESA, at the subregional level of EAC, and at the bilateral level with developing and developed countries. The board would be focused on mainstreaming trade into development and development into trade in Rwanda's national development strategy. The board would work with existing mechanisms for stakeholder consultations at the expert level. In doing all this, the private sector should be in the driving seat.

Rwanda has only one trade attaché at the technical level in Geneva supporting the Ambassador. This weakens the effective support and representation of Rwanda's interests in the trade negotiations.

It is recommended that due to the importance of the negotiating skills acquired while in Geneva and Brussels, it is important for the government to continue to engage former diplomats in trade policymaking, especially when they return home after their duty tour.

(c) Trade Policy Objective 3:

The creation of an enabling environment for investment, including foreign direct investment, in order to produce increasingly competitive goods and services for the export market, including value addition and diversification and the capacity to meet product international standards and reduce the import bill.

Strategy 1: Development-driven and complementary policies: linking trade policy objectives with Vision 2020 and the EDPRS[28] (immediate, medium- and long-term).

Developing infrastructure for improving the investment climate must be emphasized. This could be in services or merchandise, and targeting FDI for strengthening supply and productive capacities for adding value to and diversifying exports and meeting international standards. Investment should be increased to improve the business climate and develop services, agriculture and manufacturing sectors.

Better systems of government procurement are also an important policy objective that can contribute towards reducing the import bill, and need to be clearly integrated in the EDPRS (Rwanda, b) in a results-based format. There are best practices to reduce import costs through better procurement, including joint procurement on a regional basis, which may offer economies of scale, reducing the excessive variety of imported items and applying international/national standards. UNCTAD can provide capacity-building for this purpose. Reducing the costs of government procurement can thus have a very high economic pay-off[29] and increase exports.

Other measures can include providing development assistance such as Aid for Trade and effective use of this financing by Rwanda. The mainstreaming of specific trade objectives in the EDPRS (Rwanda, b) with flanking implementation/development tools like FDI is key to achieve value addition and standards,

[28] Rwanda (a and b).

[29] UNCTAD (2004a).

etc. Clear linkage between services policies, including ICT (information and communication technology) and trade policy, must be made to enhance the synergy between them.

The elaboration and implementation of sectoral export strategies can assist Rwanda in integrating more effectively into international trade. Details of specific sectoral strategies and recommendations to assist in the development of FDI-led export diversification and value addition can be found in the *UNCTAD Investment Policy Review of Rwanda 2006* (UNCTAD, 2006a). Other approaches, including clustering, could also be used.

An FDI-led export strategy could target two of the government's priority sectors: agriculture and manufacturing exports. UNCTAD's *Economic Development in Africa Report 2008* (UNCTAD, 2008a) provides some strategic insights for promoting agricultural and manufacturing exports, especially with value addition for coffee. To improve value addition for coffee, it is recommended that the government invest in roasted processing, which is that stage when the flavour of coffee is achieved, and therefore the most important. But, as this is too complicated and costly for Rwanda, and also experts argue that transporting roasted coffee reduces shelf-life – that quality and flavor is better when it is roasted near the final consumers (who, in Rwanda's case, are in Europe), the medium-term policy would be to invest more in improved green coffee processing with more quality washing stations, training of people and improving the transport system – all of which the government intends to do, according to the EDPRS (Rwanda, b) and Rwanda's IMF Letter of Intent (IMF, 2008). This is also an area in which FDI for exports can play an important role.

For agricultural exports, the following key strategic elements should be taken into account: addressing, in an integrated way, the supply side constraints; providing adequate incentives; improving productivity; upgrading skills in sustainable agriculture; reforming socio-economic institutions; diversification and value addition; and addressing market access constraints.

For promoting manufacturing exports, the key challenge is how to improve the microeconomic determinants of an efficient manufacturing production that can compete in world markets. Key strategic elements could include: increasing firm competitiveness; focusing on establishing larger firms since evidence shows that in Africa, it is large firms that export; and facilitating access to credit to invest and foster firm growth.

Strategy 2: Trade/market policies (short- to medium-term)

The measures described for Strategy 2 under Trade Policy Objective 1 are also applicable under this strategy with regard to improving trade facilitation, introducing duty drawback, using import duties for development, improving other incentives and making other trade policies more investment-friendly, and moving into greater value added exports.

Strategy 3: Institutional and human capacity policies for trade policy

It will be important to train officials in the government and in the private sector on investment issues, including investment dispute settlement, bilateral investment agreements and key measures for attracting FDI.

(d) Trade Policy Objective 4:

To promote a balanced relationship between trade liberalization and sustainable development that protects the poor, especially those in rural areas, from the adverse effects of the former and realigns perceptions that trade liberalization needs the latter for trade and development to take place. Economic activities that make use of the country's natural endowments to combine good prospects for economically viable activities while at the same time protecting the environment could be developed, such as in organic agriculture.

Strategy 1: Development-driven policies: linking trade policy objectives with Vision 2020/ EDPRS[30] (immediate to medium-term)

This is one of the key trade policy objectives whose implementation instrument is not explicitly found in Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b). But the actions being undertaken to develop the supply and productive capacities juxtaposed for emphasis in this trade policy document should work to narrow the existing pendulum gap between trade liberalization policies and development policies if these actions are fully implemented. The attainment of Objective 4 also implies that Rwanda must work with its private sector and other developing countries to ensure that multilateral trade negotiations, especially in WTO, mainstream development, particularly in agriculture, services and non-agriculture market access.

Strategy 2: Trade/market policies (short to medium-term)

It is important for the government to engage in trade liberalization with development objectives in mind, including the type and pace of trade reform and liberalization in both services and goods, and to provide measures to address the impact of any such reforms and liberalization, especially on the poor in rural areas who often are the main victims of liberalization. Aid for Trade can play an important role, especially in the context of addressing adjustment costs of liberalization, which may include financial, institutional and human needs.

Strategy 3: Institutional and human capacity policies for trade policy

This strategy can play an important role in achieving Trade Policy Objective 4, especially by strengthening human and institutional capacities for negotiating development-oriented outcomes on issues concerning trade reforms and liberalization. It implies coherently applying all the essential elements of Strategy 3: building knowledge of trade data and analysis and application, promoting coherence and coordination between relevant ministries and negotiators in Geneva/Brussels and strengthening trade missions in commercial diplomacy.

(e) Trade Policy Objective 5:

To facilitate and stimulate the establishment of coherent and well-coordinated trade and trade-related capacity-building, training and retraining in private and public institutions, including on a joint venture basis for human resources development, and addressing industry-specific supply-side constraints and export promotion activities.

[30] Rwanda (a and b).

Strategy 1: Development-driven policies: linking trade policy objectives with Vision 2020/EDPRS[31] (immediate to medium-term)

Improved coordination between ministries, sectors, and the public and private sectors on all key issues for trade development including the development and improvement of supply and productive capacities (infrastructure, investment, industry and enterprise, intellectual property, competition policy) and trade issues must be emphasized. Increased financing for development from overseas development assistance, regional development banks and Aid for Trade are critical for implementing this objective. Establishing effective coherence and coordination among Rwandan ministries dealing with trade issues as well as with the private sector and other relevant stakeholders is also key.

Strategy 2: Trade/market policies (short- to medium-term)

Some trade-related development governance issues that may play an important role in achieving this objective include the involvement of rural farmers, traders and exporters and women's groups, business associations, SMEs and other relevant stakeholders in all trade-related capacity-building training. The establishment of public/private sector retraining centres, including with foreign investors and international development aid agencies, in specialized areas of trade and development such as new and dynamic sectors could be essential. These centres could be under the Ministry of Trade and Industry. This could also be done at the regional level to address specific trade issues such as ensuring uniformity in industrial packaging policy, compliance with international standards and improved public–private sector dialogue.

Strategy 3: Institutional and human capacity policies for trade policy

The role of quantitative and qualitative institutional and human capacities here cannot be overemphasized for they will largely determine trade policy decisions, coherence and coordination. Therefore, similar recommendations made for other trade policy objectives under this strategy apply here too.

(f) Trade Policy Objective 6:

To ensure that national intellectual property laws, institutional practices and strategies in public research institutions and industry are developed and implemented in a manner that contributes to building Rwanda's technological base and cultural and creative industries and that ensures that advancements in science and technology benefit society.[32]

Strategy 1: Development-driven policies: linking trade policy objectives with Vision 2020 and the EDPRS[33] (medium- to long-term)

The progression towards building a knowledge-based society requires improving the infrastructure environment for investment, ICT, learning, financing and human skills development, related private sector development, research for development and innovations, and establishing a research centre for IP development. As under several objectives already covered, increased financing for development from overseas development assistance, regional development banks and Aid for Trade for technological development are critical to implementing this objective. The implementing institutional reforms, such as the creation of a Rwanda

[31] Rwanda (a and b).

[32] UNCTAD (2009a).

[33] Rwanda (a and b).

Development and Intellectual Property Forum, would provide the locus from which to launch the technological revolution. Implementing legislative reforms, such as better aligning the system of utility models under the new IP Code to offer incentives and rewards for incremental innovation, would be important.

A key goal must be to keep the cost of access to learning and educational materials low while encouraging Rwanda to avail itself of flexibilities under the international IP regime in important areas such as medicines. This base will be needed as Rwanda seeks to transform itself from an agricultural to a knowledge-based economy. It also acknowledges the strategic value of Rwanda's creative industries.[34] Infrastructure has to be built for developing scientific skills, research and science training; funding the building of universities; establishing international links for technology transfer; and improving communications. Investment in the development of a national science and technology policy review leading, inter alia, to setting up an overall policy on ICT that is related to trade (and not working in isolation) would be needed.

Strategy 2: Trade/market policies (short- to medium-term)

The government will need to improve its engagement in regional and international IP negotiation processes and organizations, especially in the World Intellectual Property Organization (WIPO), and particularly to pursue adequate implementation of the WIPO Development Agenda; obtain needs-based and coordinated technical assistance and capacity-building; and establish a strategy for impact assessment and policy review.

Strategy 3: Institutional and human capacity policies for trade policy

This strategy – especially its two elements, promoting coherence and coordination between Geneva/Brussels missions and relevant government ministries, the private sector, rural farmers and women, etc., and "strengthening trade missions in commercial diplomacy" – will be important in implementing trade policy and acquiring development gains from trade in the context of IP.

(g) Trade Policy Objective 7:

To mainstream into Vision 2020/EDPRS (Rwanda, a and b) the social aspects of development, including addressing problems of unemployment, health and population growth on the one hand, and gender empowerment, development governance, climate change, competition and consumer policy on the other hand, and implement them effectively.

Strategy 1: Development-driven and complementary policies: linking trade policy objectives with Vision 2020/EDPRS[35] (immediate to medium-term)

Good governance is present in Vision 2020 (Rwanda, a) and it largely relates to political governance, which is also important for trade development. But in addition, mainstreaming development governance in Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b) should entail inclusiveness by way of national consensus involving all relevant stakeholders in all aspects of trade policymaking such as design, negotiations and implementation; transparency in information and accountability, for example with the private sector and other relevant actors in development; effective and transparent human and financial resource allocation for trade development; legitimacy of decisions in trade negotiations; improving internal trade policies; and

[34] UNCTAD (2009b).

[35] Rwanda (a and b).

better transparency, participation, accountability and predictability in investment promotion[36] for trade and development, e.g. predictability in law, such as respecting agreements on taxation.

Addressing social issues for development, especially social protection of the poor, including reducing poverty, promoting human resource development, reducing unemployment, health and HIV/AIDS are well covered in Vision 2020 (Rwanda, a). This is important for trade development too. A healthy population with access to essential services such as education, water and shelter is an important factor in promoting economic growth.

Gender empowerment measures are prominent in Vision 2020 (Rwanda, a) and the EDPRS (Rwanda, b) and have some implicit links with trade, although gender is chiefly part of the non-trade context such as employment, education, health, political matters and reducing violence. In terms of trade policy, gender equality in decision-making, inclusiveness and participation in all activities, discussions, decisions and overall integration of especially women in trade policy issues, including at the regional and international levels, are key. The EDPRS (Rwanda, b) recognizes the importance of providing budgetary support for gender and integrating it into sector and district plans, so budgetary support for gender in trade policy is also important. Since 40 per cent of businesses are controlled by women, the starting point is gender inclusiveness in trade policy design and implementation of trade policies themselves, taking into account the extent to which trade policies affect women's empowerment and well-being and the impact of trade policies on the level of inequality between men and women.

Trade liberalization can negatively affect women, therefore policies to cushion this effect must be available and decided together with women.[37] An area of particular concern regards land laws and women. As land is key for trade activities, especially agriculture, a sector in which most women are more productive, a policy legalizing land ownership for such women would be appropriate.

Women exporters of handicrafts (baskets) especially to the United States seem to have been integrated in export business in practice, but this could be institutionalized in the EDPRS (Rwanda, b). Removal of customs obstacles to trade can improve their business.

Climate change will largely affect poor countries in Africa like Rwanda that are dependent on agriculture for their exports, livelihood and economic development. Therefore, preparing mitigating measures will be important. The relevance of climate change for Rwanda could be two-facetted. Firstly, the country might be already suffering from adverse impacts of climate change. In this case, UNCTAD could only suggest Rwanda that engage in the Nairobi Programme of Work and develop its national adaptation strategy with the support of the United Nations Framework Convention on Climate Change Secretariat. Sustainable and organic agriculture is an important mitigation and adaptation response. UNCTAD could also assist with targeted policies to increase the economic diversification of the country to increase its climate resilience. Some of these diversification measures are explained in this trade policy.

Secondly, Rwanda might be affected by trade-distorting certification schemes (based on climate change concerns, i.e. emission levels embodied in exports, food miles, etc.). Although, this is still not really a major threat for Rwanda, UNCTAD could assist if and when the country faces such types of NTBs.

Rwanda stands to gain from attracting new investments under the Clean Development Mechanism of the Kyoto Protocol, which provides special and differentiated treatment for LDCs, although to date very few LDCs have been able to take advantage of this.

[36] UNCTAD (2004b).

[37] UNCTAD (2008c).

The competition and consumer protection policy (Rwanda, 2009) being prepared by the government with the support of UNCTAD will need to be mainstreamed into Vision 2020/EDPRS (Rwanda, a and b) once completed.

Strategy 2: Trade/market policies (short- to medium-term)

This strategy will benefit greatly from the full implementation and application of Strategy 1. In other words, once all the relevant trade-related gender and social needs are integrated into the national plans, Strategy 2 will translate them into practice by ensuring implementation, monitoring and reporting. In parallel, for gender, this will include improving all facets of trade facilitation measures, especially those aimed at deliberately promoting and expanding trade activities for women, particularly in rural areas, including removing market barriers (tariff and non-tariff), greater involvement in trade negotiations and decision-making, providing women with adequate incentives and financial support, and improving their trade and market research skills. Ensuring full implementation of social objectives will be important to ensure trade policy implementation is not backtracked or reversed.

As a trade policy mitigating strategy for climate change, expanding and diversifying exports is critical. Therefore, all measures in Strategy 2 concerning export and market diversification will apply here.

Strategy 3: Institutional and human capacity policies for trade policy

Again, the role of institutional and human capacity-building in Strategy 3 will play an important role in achieving this trade policy objective through, inter alia, ensuring effective mainstreaming, implementing, monitoring and reporting. It is both the institutions and human capital that will ensure success of the trade policy in general and in particular achieving these specific objectives, including mainstreaming gender and climate change in national plans.

3.4 Summary of trade policy approach

Rwanda's development-driven trade policy emphasizes the development of competitive production capacity with a focus on pro-poor sectors to strengthen Rwanda's participation in regional and international trade and derive developmental gains in terms of job creation, welfare improvement and poverty reduction, as well as transformation from an agrarian to a knowledge-based economy.

The development objectives of Rwanda are well articulated in its Vision 2020 (Rwanda, a) and the Economic Development and Poverty Reduction Strategy (EDPRS) (Rwanda, b). Consistent with efforts to promote these objectives, the proposed trade policy vision seeks to promote sustainable productive and competitive exports contributing to economic development, poverty reduction and improved living standards, especially for the rural poor.

Seven intermediate trade and development policy objectives can be adopted to guide Rwanda's trade policy orientation and implementation. These are to:

1. Stimulate the public and private sector to invest and develop competitive and (environmentally) sustainable productive capacities;
2. Facilitate the fuller participation of importers and exporters, especially rural exporters and potential exporters of goods and services in regional and international trade. Special attention could be paid to supporting women farmers and entrepreneurs;

3. Create an enabling environment for investment, including foreign direct investment, in order to produce increasingly competitive goods and services for the export market. Investment into more efficient energy use will also be needed to reduce the energy bill and improve efficiency to combat climate change deterioration;

4. Promote a balanced relationship between trade liberalization and sustainable development that protects the poor. An example of this is economic activities that make use of the country's natural endowments and comparative advantages to combine good prospects for economically viable activities while at the same time protecting the environment, such as organic agriculture;

5. Facilitate and stimulate the establishment of coherent and well-coordinated trade and trade-related capacity-building, training and retraining in private and public institutions. This will contribute to the development of a more knowledge-based economy;

6. Ensure that national IP laws, institutional practices and strategies in public research institutions and industry are developed and implemented in a manner that contributes to building Rwanda's technological base and cultural and creative industries, and ensure that advancements in science and technology benefit society;

7. Mainstream the social aspects of development, including addressing issues of unemployment, health, population growth and gender empowerment.

Implementation of the trade policy consistent with the above objectives will embrace an implementation approach based on a strategy with three prongs: (1) developing sustainable productive capacity – hard, long-term policies; (2) export market enhancement policies – soft, short- and medium-term policies; and (3) trade policy institutional and other capacity-building policies – institutional capacity-building. With this triangular approach to trade policy implementation, five strategic areas as defined by the Ministry of Trade and Industry would be pursued, namely:

1. Increasing major traditional exports especially coffee, tea, minerals and tourism;

2. Diversifying exports into areas such as services (business processing outsourcing), silk and minerals. This work is coordinated by the Rwanda Development Board. The board will have a major role in the implementation of trade policy as the government has invested it with broad authority to promote exports and the industrial development of Rwanda;

3. Facilitating trade and promoting conformity with standards. This includes negotiations on trade agreements for market access and removing non-tariff barriers;

4. Increasing the quantity and quality of investment to deal with supply-side constraints. This is closely tied to the industrial development policy;

5. Improving the business environment (closely coordinated by the Rwanda Development Board).

ANNEX

TRADE POLICY CONSULTATION WORKSHOP

Ministry of Trade and Industry

Kigali, 16 June 2009

The Trade Policy Consultation Workshop was convened by the Ministry of Trade and Industry to deliberate on a draft trade policy framework for Rwanda, prepared by UNCTAD with the ministry, as part of process launched by the ministry to formulate a trade policy for Rwanda. The workshop was opened by the H.E. Ms. Monique Nsanzabaganwa, Minister of Trade and Industry. In her opening remarks, the minister expressed that fundamental changes in the underlying environment for development necessitate a configuration of policies, including the articulation of a trade policy, to cope with the changes though strategic initiatives at national and regional levels. The government thus launched the process of considering a trade policy for Rwanda in late 2008 – the trade policy would have to address both internal and international trade. The policy must follow Rwanda's new policymaking procedures set up by the government. The minister thanked UNCTAD for its support in preparing the draft trade policy framework. This draft is an input into a policy paper that will be developed, along with an implementation plan of activities and associated budget. The minister urged the stakeholders in this sense to discuss areas that should feature in the implementation plan for the trade policy. She stressed the need for the trade policy and its associated implementation plan to focus on tangible issues.

Mr. Bonapas Onguglo, Senior Economic Affairs Officer, UNCTAD, stated that UNCTAD was pleased to support Rwanda in developing its new trade policy. This area of work is consistent with UNCTAD's mandate as provided in the Accra Accord of UNCTAD XII, especially the emphasis on making trade deliver development and not just increasing trade. The quality of trade integration was much more important then the quantity of integration. The trade policy framework for Rwanda was prepared by UNCTAD drawing upon its internal resources – it was a desk work and the stakeholder consultation would be important in injecting ground reality perspectives.

Mr. Sodipo from the Ministry of Trade and Industry expressed that the preparation of the trade policy was 50 per cent achieved. The current consultations with stakeholders will help firm up the trade policy framework, provide a realistic perspective from the trade policy community and can help the policy to be owned by stakeholders.

The meeting was attended by 49 participants from Rwanda's trade policy community. It was serviced by the Ministry of Trade and Industry and UNCTAD representatives (Mr. Bonapas Onguglo, Mr. Samuel Munyaneza and Mr. Edward Chisanga).

A presentation was made by UNCTAD on the main findings of the report on Rwanda's development-driven trade policy in three main parts, namely: (1) the contribution of trade to development in Rwanda; (2) the trade policy framework including trade policy measures; and (3) an implementation plan (which would be drafted after the consultation with stakeholders). Following the presentation, the deliberations with participants raised the following issues:

1. The report on Rwanda's development-driven trade policy was positively appraised. The emphasis on a conscious effort in the trade policy to build up the productive base of Rwanda was widely endorsed, as this was the main limitation to a more active participation in trade by Rwanda. However trade issues per se should not be unduly de-emphasized, market entry issues (especially non-tariff barriers) and export market diversification in particular should receive strong support, especially given the current global slump propelling the need to diversify markets. This can include in particular new markets in other developing countries;

2. Some changes can be made to the structure of the report, for example by including an introductory section on the context behind the trade policy. Another change can be a specific section on regional integration in EAC and COMESA. Rwanda's participation in the East African Community is particularly significant in that as of July 2009, Rwanda will begin applying the EAC common external tariffs and began to harmonize other commercial policies with those of EAC. Thus the EAC market becomes the Rwandan national market and the subregional commercial policies become those of Rwanda. The trade policy takes this important consideration into account. The need to have the trade policy to help Rwanda deal with the negative impact of the global economic crisis was also stressed by participants. A summary of the main trade policy measures explained in the report could be provided. Regarding trade agreements, investment agreements entered into by Rwanda, such as bilateral investment treaties and double taxation agreements, could also be discussed. Internal trade could also be discussed, bearing in mind that internal trade for Rwanda should include the EAC common market. Such trade is affected by other policies (rather then trade per se), such as industrial policy and competition policy;

3. Data can vary depending on the sources. The data used in the report could be verified against trade and economic data (such as GDP) provided by official sources in Rwanda, especially by the Ministry of Finance and Economic Planning, as there are also other sources such as from the Rwanda Development Board, the National Institute of Statistics and the Ministry of Trade and Industry. It was explained that the report used UN COMTRADE data, which is the most comprehensive trade data source and is also provided by national sources. Also data estimates for 2008 and projections for 2009 are available, especially in the Central Bank of Rwanda, and these should be included, especially as these point to possible deterioration in trade and economic performance owing to the impact of the global economic crisis;

4. An implementation plan for the trade policy should now be drafted, taking into account what policies, plans and strategies exist or are planned. Consultation should also be undertaken with the stakeholders, especially in the private sector, to garner their views on key areas for focus by the trade policy. In particular, appropriate reference could be made to and relevant activities included in the implementation plan from the private sector strategic plan and the Ministry of Trade and Industry strategic plan;

5. The ministry's strategic plan and five strategic objectives are as follows:

    - Increasing major traditional exports especially coffee, tea, minerals and tourism;

    - Diversifying exports into such areas as services (business processing outsourcing), silk and minerals. This work is coordinated by the Rwanda Development Board. The board will have a major role in the implementation of trade policy as the government has invested it with broad authority to promote exports and the industrial development of Rwanda;

    - Facilitating trade and promoting conformity with standards. This includes negotiations on trade agreements for market access and removing non-tariff barriers;

    - Increasing the quantity and quality of investment to deal with supply-side constraints. This is closely tied with the industrial development policy;

    - Improving the business environment (closely coordinated by Rwanda Development Board);

6. In addition, the need to streamline trade into the government's development strategies was emphasized. In particular, it was urged that efforts should be made to incorporate the activities and strategies into the EDPRS (Rwanda, b) framework. Also the process of preparing the next EDPRS should specifically integrate the trade policy and its implementation plan;

7. The institutional framework for the implementation of the trade policy is important. These institutions should be clearly identified and their specific roles indicated in the implementation plan. These should build upon, and not duplicate, existing institutions. It was noted that there was a need to strengthen the existing consultative mechanisms on trade issues, and to further ensure that such consultative mechanisms go beyond technical officials, but feed into a process involving senior decision makers in the public and private sectors. With regard to the proposal to create a trade and information unit in the ministry, it was also noted that there was an existing unit (the Industrial Observatory Unit) operating with the support of UNIDO. Consequently, the proposals should look at strengthening the existing mechanisms;

8. The next phase in the preparations of the trade policy for Rwanda includes the following steps: (a) preparing the white paper (policy draft) on the trade policy for consideration by the cabinet drawing upon the UNCTAD report, views from the stakeholder workshop and individual consultations with the public and private sectors and civil society in Rwanda; (b) preparing an implementation plan with activities, responsibilities allocated and an estimated budget; and (c) revising the draft report on Rwanda's development-driven trade policy, publishing it to serve as the green paper (analytical assessment) on trade policy and disseminating it to the trade policy community in Rwanda and internationally as well. This work would need to be completed within a period of six to eight weeks.

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