

Country Update

BEYOND THE 11TH WTO MINISTERIAL CONFERENCE (ISSUES AND INTERESTS OF THE EAST AFRICAN COMMUNITY (EAC) MEMBERS): STAKEHOLDERS' PERSPECTIVES IN RWANDA

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General Background and Introduction

The Eleventh Ministerial Conference (MC11) of the World Trade Organization (WTO) which took place from 10th to 13th December 2017 in Buenos Aires, Argentina adopted a number of ministerial decisions, including on fisheries subsidies and e-commerce duties, and a commitment to continue negotiations in all areas. In this light and according to the WTO's

reports, the Conference ended with the following key ministerial decisions: Ministerial Decision on Fisheries Subsidies; Work Program on Electronic Commerce; TRIPS non-violation and situation complaints; Work Program on Small Economies; and The creation of the working party on accession for South Sudan.

In regard to the above mentioned decisions, the “work Program on Small Economies” is of main

interest for Rwanda's national development. This is very important for Rwanda because, it is expected that, through this Ministerial Decision, *development related issues* will be considered and addressed accordingly. The decision even instructs the Committee on Trade and Development (CTD) to ensure the relevant follow up which provides hope that development aspects will be considered under this work program. So, as a landlocked country with a Less Developed Country (LDC) status, Rwanda does not have much interest in fisheries because there is no vibrant fisheries sector in the country and of course not much interest in electronic commerce because the sector is also in the early phase of development without much in terms of issues that need to be addressed at the WTO level.

However, despite the fact that Rwanda finds the "work Program on Small Economies" to be of main interest for the country's development, the expectations are not high. Even the language used, and the contents of the decision do not reflect any substantial commitment to have the small economies supported in any particular manner. The language used is non-committal and void of any tangible "promise" or "offer" for any "beneficiary" to follow up and take advantage of. For example, the opening paragraph states that:

"We reaffirm our commitment to the Work Program on Small Economies and take note of all the work conducted to date. In particular, we note that document WT/COMTD/SE/W/22/Rev.8 and its previous revisions reflect the work of the Dedicated Session up to the Eleventh Ministerial Conference. We take note of the work carried out since 2015, including that on the challenges and opportunities faced by small economies when linking into global value chains in trade in goods and services, and instruct the CTD to continue its work in

Dedicated Session under the overall responsibility of the General Council."

The decision further states that; ***"Furthermore, we instruct the Dedicated Session to consider in further detail the various submissions that have been received to date, examine any additional proposals that Members might wish to submit and, where possible, and within its mandate, make recommendations to the General Council on any of these proposals. The General Council shall direct relevant subsidiary bodies to frame responses to the trade-related issues identified by the CTD with a view to making recommendations for action."***

In terms of specific interests within the WTO, Rwanda continues to indicate shared interests with the other members of the African Group as well as the LDCs Group. While in an interview with Bridges Africa, Amb. Francois Xavier Ngarambe, Ambassador and Permanent Representative of the Republic of Rwanda to the United Nations Office in Geneva said that; ***"The African Group's priorities are duly expressed in the African Union Trade Ministers' Declaration and articulated in all meetings of the WTO General Council and other relevant WTO bodies. The list of our priorities is as follows: (i) the elimination of harmful subsidies in agriculture; (ii) an ambitious outcome on cotton; (iii) a permanent solution for public stockholding for food security purposes; (iv) a special safeguard measure (SSM) as a policy instrument to protect African farmers from cheap imports and import surges; (v) an ambitious outcome on fisheries subsidies; and finally, (vi) an outcome on special and differential treatment provisions that will create a conducive international environment for the industrialization of Africa. Delivering on these issues would create a favourable international***

environment for boosting productivity, sector linkages and sustainable development in Africa.”

For Rwanda, economic development through trade development and promotion comprises an important strategy for generating and sustaining development. At the heart of this strategy for Rwanda is the need to build competitive and diversified productive capacities in the traditional sector of agriculture, as well as in manufacturing and in services sectors for marketing in the domestic, sub-regional, regional and international arenas. According to Rwanda’s trade related policies, there is an understanding that trade liberalization and export-led approaches alone, as past experience has shown especially for LDCs, are not enough to help trade and economic growth. Linked to both is the strengthening of complementary support services like *infrastructure, trade facilitation, trade financing and technology* among others. Therefore, to better articulate a coherent approach to trade development, the development-driven Trade Policy is a form of one-stop (or umbrella) comprehensive policy, addressing both trade and other related sectoral policies including agriculture and industrial development.

Part I: Sectoral trends

Trade trends of key sectors

Rwanda is a small but growing market and the country’s economy grew by an average of 8 percent annually from 2002 to 2012, before slowing to 4.6 percent in 2013, in the aftermath of international donor aid cuts and

suspensions. The economy has since rebounded with 6.9 percent growth in 2015 and 5.9 percent growth in 2016. The International Monetary Fund (IMF) projected Rwanda’s GDP to grow between 6-7 percent in 2017 and 2018. There are many positive big picture economic signs that include inflation remaining below 8 percent (pushed up from 5% in 2016). Rwanda enjoys relatively high rankings in the World Bank’s Ease of Doing Business Index, which ranked Rwanda 59th out of 190 economies in the 2016 report—second-best in sub-Saharan Africa behind Mauritius.

The country’s small industrial sector contributes around 14 percent to GDP and employs less than three percent of the population. The services sector – including tourism - generates almost half of GDP (47 percent) and has grown at an average annual rate of nine percent in recent years. Rwanda is highly import-dependent. In 2016, imports totalled USD 1.778 billion, a four percent decrease from 2015. Principal imports included electrical machinery and parts; electronic equipment and parts; machinery appliances and parts; vehicles and accessories; cereals and other food stuff; pharmaceutical products; cement and construction equipment including iron and steel; and energy and petroleum products. China, Europe, Uganda, Kenya, India, the United Arab Emirates, and Tanzania are among Rwanda’s major suppliers.

Leading sectors include *energy, agriculture, trade and hospitality, and financial services*. Rwanda’s economy is overwhelmingly rural and heavily dependent on agriculture. Strong growth in the services sector, particularly construction and tourism, has contributed to overall economic growth. GDP per capita was USD 697 in 2015, according to the World Bank. The government’s economic priority is turning Rwanda into a regional trade, logistics, and conference hub. Pillars of this strategy include the construction of several new international business class hotels and a convention center in downtown Kigali and

expanding and investing in the fleet for the national carrier *RwandAir*.

Rwandan exports increased by 7.4 percent year-on-year in 2016, reaching USD 621.6 million according to UN ComTrade data. Commodities, particularly gold, tin, tantalum, tungsten, tea, and coffee, generated over 48 percent of Rwanda's export revenue. Rwanda earned USD 73.5 million from tea exports in 2016, a nine percent increase from 2015. Over the same period, coffee accounted for USD 59.5 million worth of exports, down seven percent from the previous year. Major markets for coffee exports are the United States and Europe, while the Middle East and Pakistan are the main buyers of Rwandan tea. Tourism was, for the first time in 2016, the country's leading foreign exchange earner, with total revenues estimated at USD 390 million in 2016, according to the National Bank of Rwanda. This is due to successes in leisure tourism, which is the highest income generating sector, and followed by business tourism – Meetings, Incentives, Conferences and Events (MICE). According to the Ministry of Finance and Economic Planning in its annual economic report of the fiscal year 2015/2016, it is stated that;

***“During the fiscal year 2015/16, the Rwandan economy grew by 6.5%; 0.8% less than the previous fiscal year 2014/15 which stood at 7.3%. This was mainly driven by the Industry sector which saw a drop of 3 percentage points from 7% in 2014/15 to 4% in 2015/16 due to the mining sector shrinking by 10% and other sectors not counterbalancing this. The Service sector and Taxes less subsidies both grew by 8%, meaning they respectively dropped by 1 and 3 percentage points from 2014/15. The Agriculture sector steadily grew by 5%, despite a big rebound in export crop of 11% in 2014/15 to 14% in 2015/16, as there was a drop of 1% in Food crop from 2014/15 to 4%.*”**

Available data indicate that GDP per capita stood at US\$ 720 in 2015 compared to US\$ 719 at the end of 2014 as the gains in Rwandan GDP were almost matched by the depreciation relative to the US dollar.”

The report further reports on the specific performance of Agriculture, Industry and Services as follows;

Agriculture: During the last decade, agriculture saw a lot of transformation, but it continued to contribute more than 30% of the GDP and employ over 70% of the population. In 2015/16, Agriculture grew steadily by 5.1 %, as it had in 2014/15. Despite a consequent growth in export crop of 14% in 2015/16 from 3% in 2014/15 this steadiness was due to a growth of 4% in 2015/16 in food crop of 1% less than the previous years.

Industry: The manufacturing growth has improved from 2% in 2014/15 to 7% in 2015/16, electricity and water & waste management grew respectively by 13% and 3% in 2015/16.

Services: Remaining the largest share of GDP with 47%, the service sector grew by 8% in 2015/16, 0.5% less than the previous year. “Other services” was the largest contributor and grew by 7% in 2015/16. This was led by Hotels & Restaurant and Fiscal services which grew by 5% and 9% respectively in 2015/16, 2% and 1% more than the previous year.

Part II: Stakeholder's perspectives

3. The main challenges faced in the multilateral trading system

In Rwanda, there are a few people who can

confidently and articulately discuss WTO issues. For example, Mr. Geoffrey KAMANZI who is the Head of Trade Negotiations and Facilitation at the Private Sector Federation (PSF) says that he does not know much about WTO issues. As the head of Trade Negotiations at the private sector federation, his position should afford him automatic exposure to major international trade issues including WTO matters. However, he states that he is not aware of the progress of the negotiations in the WTO and that the Ministry of Trade has not consulted them or involved them in the relevant issues. According to him, the Ministry should involve the private sector and provide relevant updates on a regular basis. He says that; ***“For me, I am not aware of the current affairs and developments in regard to the negotiations within the WTO. Our organization has not been informed or invited to discuss related issues of recent. I think this is something that the Ministry of Trade and Industry should consider doing on a regular basis because it is important to involve all stakeholders in relevant discussions in order to effectively articulate Rwanda’s national interests in the context of global trade dynamics and specifically with the WTO framework.”***

Then there is Mrs. Donatille Nibagwire who is the Managing Director of Floris Rwanda. Floris is a Rwandese company engaged in the cultivation and exportation of fresh fruits. The company focuses on organic horticulture products and works with approximately 530 farmers growing apple bananas. Today, Floris exports organic fresh apple bananas, passion fruits, tree tomatoes and other fruits to Europe. According to Mrs. Nibagwire, the Company’s Managing Director who is passion on international trade, there is lack of information in regard to what is being done in regard to the WTO negotiations. She says that; ***“We do not know the progress of the negotiations at the WTO and the issues being discussed. We***

are not even aware of the current developments and the issues being discussed at the moment. There should be a mechanism in place through which the responsible Ministry of Trade invites people like us to meet and discuss such issues and share any relevant information.”

For Mr. Kabatsi Martin, the Tax Manager of Africa Improved Foods, an Agro-processing company in Rwanda, there is not much to share specifically on WTO matters. He instead discusses on their company’s challenge of sourcing their raw materials locally. He says that; ***“Currently, we are importing much of our raw materials because we cannot get enough quantities from within the country and also sometimes there are issues of quality. So, when we buy locally we have to make sure that we purchase and bring to our premises immediately after harvest before storage in any other place. Of course, importation is expensive, but we don’t have any alternative at the moment.”*** He further says that post-harvest care is still a challenge that needs to be addressed especially in an effort to ensure quality. He states that; ***“There are still some post-harvest issues that need to be addressed, including the need to have in place good storage facilities, proper quality controls and appropriate packaging.”***

4. The needed interventions to overcome the challenges

Rwanda, like other Least developed countries (LDCs) share a common set of well-known structural handicaps, including low income

levels, high economic vulnerability, and weak human assets. Indeed, these and other related challenges largely affect Rwanda's ability to participate in the global economy and tends to confine the country in the role of "deal takers" in international negotiations. These same realities are affecting Rwanda's effective participation and influence in the World Trade Organization (WTO). This gets to the point where the few exporters in the country do not have sufficient knowledge on the functioning of the WTO despite their interest in global markets and at times even the responsible government officials lack the capacity to articulate national interests and positions on key issues being negotiated in the WTO let alone influencing the negotiations.

In light of the above therefore, the following should be done to overcome related challenges;

1. Building relevant capacities: Whether in the public sector or private sector, the issue of insufficient capacities on international trade issues in general and WTO matters in particular is evident. So, building relevant capacities in this area is very relevant, important and urgent. There is a need for the government of officials from the concerned Ministries and Agencies to collaborate with the Geneva based Ambassadors as other relevant global partners in the efforts to mobilize the needed resources to build the capacities. There is also the need to address supply side constraints to ensure that local industries are competitive on global markets. Local industries need to access affordable and efficient technologies in order to promote sustainable development. Again, to increase industrialisation and sufficient production in the country, the government needs to continue addressing challenges of infrastructure, technology, energy, foreign exchange fluctuation and non-tariff barriers among other.

2. Improving access to market information: Currently, potential exporters do not have access to sufficient information to boost their abilities to tap into global market opportunities. This is due to a number of reasons including limited exposure for Rwandan entrepreneurs to the outside world. In this light, more efforts are needed to improve market information by utilizing relevant contacts, including diplomatic channels like using Rwandan Embassies in the respective capitals in major global markets around the world, like in Geneva Switzerland. Again, the Ministry of Trade and Industry should work closely with the Rwanda Development Board (RDB) and the Private Sector Federation (PSF) to set up a "**Trade Information Centre**" that could help potential and prospective entrepreneurs and business persons interested in global markets with all the needed information.

3. Conducting study tours: In an effort to enhance exposure and sufficient access to relevant information on global markets, key stakeholders and Rwandese entrepreneurs should be facilitated to conduct study tours in major global markets. This can enhance the understanding of government officials in charge of facilitating trade including international business and also empower the business people with enough confidence to explore more and do more in terms of trading with the outside world. This should be done through tailor made study tours to specific designated places and participating in relevant trade fairs and exhibitions that take place in different countries around the world.

4. Reducing exports costs: As a land locked country, Rwanda depends on air transport as well as lengthy and costly road transport that goes through other countries to access the sea. Air transport is the quickest means of transport, but it is still expensive. In this light there is a

need to enter into strategic partnerships with air carriers (like *Rwandair*) to reduce cargo costs. Currently, *Rwandair* is flying to a number of international destinations and so should be engaged along with other airlines that come to Rwanda for negotiations with an aim of reducing cargo flight costs for Rwandese exporters.

Ms. Laurence MUKARUGWIZA Ministry of Trade and Industry (MINICOM)/ Officer in Charge of External Trade. 0788762846.

Notes compiled By John Bosco KANYANGOGA, for ACORD, Rwanda.

Annex 1: List of interviewed Stakeholders

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Mr. Kabatsi MARTIN, Africa Improved Foods – Tax Manager. 0788306065.

Mrs. Donatille BAGWIRE, Managing Director – Floris Rwanda. 0788534846.

Mr. Happy MUKAMA, Private Lawyer/ Trade Consultant/ Expert on EAC Regional Integration. 0788899602.

Mr. Geoffrey KAMANZI, Head of Trade Negotiations and Facilitation, Private Sector Federation (PSF). 078830716.

Mr. Francois MUNYENTWARI, Country Direct ACORD, Rwanda. 0788502420.



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