



Country Update

Trade and investment in the multilateral trading system: Stakeholders perspective in Rwanda

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1. General Background and Introduction

In Rwanda, investment policy framework and related governance issues are embedded in legal and policy instruments that directly deal with investments such as the country's Investment Code (Rwanda Investment Code 2015) as well as other related developmental policies. Through Vision 2020, the aim is to transform Rwanda into a middle-income country and transition to an information-rich, knowledge-based society by 2020. The Government of Rwanda (GoR) strongly believes that a vibrant private sector is vital to Rwanda's socio-economic development agenda and competitiveness. To this end, GoR continues to aggressively pursue a reform agenda focusing on enhancing the attractiveness of the country as an ideal investment location, promoting trade and

entrepreneurship as well as laying a firm foundation for industrial growth and development. Over the past 18 years, Rwanda has undergone rapid political and economic transformation. Since 2010, Rwanda's economic performance has been remarkably strong given the difficult external environment, and annual growth has averaged 7.9. Rwanda's competitiveness is steadily winning over regional and global recognition. For example, the 2012 World Economic Forum Global Competitiveness Report ranks Rwanda 3rd most competitive in Africa and 63rd globally. Again, according to the 2014 Doing Business Report, Rwanda is the 2nd easiest place to do business in Africa, and globally, Rwanda is ranked 32nd. Finally, the 2017 World Bank Doing Business Report ranked Rwanda 2nd in Africa after Mauritius.

Indeed, Rwanda enjoys strong economic growth, high rankings in the World Bank's Ease of Doing Business Index, and a reputation for low corruption. The Government of Rwanda has undertaken a series of pro-investment policy reforms intended to improve Rwanda's investment climate and increase foreign direct investment (FDI). The Rwanda Development Board (RDB) offers one of the fastest business registration processes in Africa. New investors can register online at the RDB's website and receive approval to operate in less than 24 hours, and the agency's "one-stop shop" helps foreign investors secure required approvals, certificates, and work permits.

Rwanda is steadily progressing on its development path. The past decade has shown Rwanda with a high economic growth and remarkable achievements in reducing poverty. Steady implementation of reforms across several policy arenas – greater trade openness, price liberalization, improved public financial management, financial reforms (including a payments system), and services liberalization – together with substantial public investment focused especially on infrastructure, have combined to produce 8 percent annual growth and a drop in dire poverty from 57% in 2005/2006 to 46% in 2012/2013.

Consistent with the national Vision 2020, all other development related policies continue to put emphasis on private sector development as the best approach and means to spur investment. For example, the Second

Economic Development and Poverty Reduction Strategy (EDPRS 2) is a launch into the home strait of the country's Vision 2020. Its main objective is to devise Rwanda's medium-term strategy in order to put Rwanda on a higher growth trajectory to ensure that the country achieves middle-income status by 2020. The EDPRS 2 period is the time when the private sector is expected to take the driving seat in economic growth and poverty reduction. Through the strategy, the government focuses efforts on transforming the economy, the private sector and alleviating constraints to growth of investment. The focus is also on developing the appropriate skills and competencies to allow people, particularly the youth, to become more productive and competitive to support the set ambitions. The strategy also aims at strengthening the platform for communities to engage decisively and to continue to develop home grown solutions that have been the bedrock of the country's success.

Important to note also is that foreign investor are well treated as nationals. The Government of Rwanda has undertaken a series of pro-investment policy reforms intended to improve Rwanda's investment climate and increase foreign direct investment (FDI). Rwanda's current investment legal framework is governed by The Law on Investment Promotion and Facilitation (Investment Code), that is, Law n° 06/2015 of 28/03/2015 relating to investment promotion and facilitation in Rwanda. This Law came into force in 2015 and replaced the investment code that had been in place until then. The current

investment code does not clearly make a distinction between foreign and local investment. It does not discriminate against foreign investors but also does not provide special treatment for local investors. For example, Article 5 of the investment code, on foreign investor treatment, states that :***“A foreign investor may invest and purchase shares in an investment enterprise in Rwanda and shall be given equal treatment with Rwandan investors with regard to incentives and investment facilitation.”***

From the perspective of institutional framework, the Rwanda Development Board (RDB) was put in place to facilitate investor in terms of registration and investor aftercare facilities. RDB offers one of the fastest business registration processes in Africa. New investors can register online at the RDB’s website and receive approval to operate in less than 24 hours, and the agency’s “one-stop shop” helps foreign investors secure required approvals, certificates, and work permits.

2. Summary of various stakeholders’ perspectives

There are a number of stakeholders who should be concerned about these issues of trade and investment in the World Trade Organization (WTO). These include officials in public institutions who are responsible in formulating and articulating related policies as well as engage in WTO negotiations especially those from the Ministry responsible for trade matters. Other relevant stakeholders are those from the private sector as well as those from the civil society who are interested in seeing the tangible impact on the

ground when trade and investment issues are negotiated in the WTO.

Globally, there are divergent views largely based on two schools of thought in regard to negotiating trade and investment issues. On the one hand, there are views in support of the idea of including the issues in the WTO negotiations and on the other hand, there are views against this idea, each side having reasons for their respective arguments. For those in favor of including the issues, they argue that: ***“International trade and investment are closely linked, in theory and in fact (foreign investors are involved in over one-half of global trade transactions). Both are related to economic growth, and foreign investment can help facilitate the adjustment process as economies open up to international competition.”*** However, this school of thought does not clearly show the relationship between trade and investment on the one hand, and economic development and poverty eradication on the other. There are others who argue that Foreign Direct Investment (FDI) in itself alone is not necessarily beneficial to everyone and as such should not be used alone to push for inclusion of trade and investment issues in the WTO. According to them, there is a need to consider the development dimension in the entire picture. They say : ***“this pointed to the importance of placing development considerations at the heart of a WTO agreement on investment, and not building the case solely on its potential contribution to increasing FDI flows.”***

In Rwanda, the arguments and discussions are not featured so prominently because

there are very few people who have the adequate capacity to understand the issues and form opinions on the matter. There is a huge challenge of finding people and officials from relevant institutions and organizations to make comments on the subject that can be translated into reasonable quotes. To most of the seemingly relevant people, it seems a difficult subject for them to be able to engage in a meaningful discussion. The majority of people (many of them) actually have nothing to say about the issues. For example, while talking to individuals in positions where they are supposed to be able to comment on "trade and investment issues in the WTO" one instead finds that such individuals have no clue of even what is going on in the WTO. Others even lack the general understanding of the WTO as an institution, its mandate and all related dynamics.

a. Should trade and investment be included in the multilateral trading system?

There is not much debate on whether trade and investment should be included in the multilateral trading system. However, Ms. Divine NAKANYANGE, the Investment Climate Specialist in the Ministry of Trade, Industry and East African Community Affairs (MINEACOM) shared her point of view : Thanks to her position at the Ministry responsible for trade and investment issues, she has been engaged in negotiations for bilateral investment treaties and related regional agreements and so has some significant knowledge and exposure to put

most of the issues in the proper context. In this light, according to Ms. Divine NAKANYANGE, trade and investment should be included in the multilateral trading system. The basis of her argument is that since the same issues are considered and negotiated bilaterally and at a regional level in the context of Regional Economic Communities (RECs) then there is no harm doing the same multilaterally at the international level. Ms. Divine NAKANYANGE says that : *“Investment related issues are very important to trade and even Rwanda has negotiated some investment agreements bilaterally and related issues are also included in regional integration programs within the frameworks of East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA).”* She further states that : *“Again, such issues are always discussed multilaterally at an international level. So, in this light, it would be a good idea to actually have such issues discussed in the World Trade Organization (WTO) as well. There is no problem about it and it is actually a good thing that should be considered and done.”*

b. The main implications for developing and least developed countries

On this aspect, there seem to be an hesitation of relevant stakeholders to come out and be clear on the matter. However, generally speaking they are some who think that including trade and investment issues in the multilateral trading system will encourage FDIs that do not benefit the local citizens on the ground but rather only a few investors

will benefit from the process. According to Mr. Francois MUNYENTWARI, the Country Director of ACORD Rwanda, there is a need for the negotiators to provide more information in regard to updates to the citizens especially to the private sector and the civil society. According to him, there are some important issues that need to be clarified and he poses these questions: *“But why dont people take it as it is: WTO is all about trade and competition, and trade related investment measures, shall we trade our investment opportunities? if we know as a country what we need, shall open our investment market to global multinationals or favor the local investors?”*

c. Will Rwanda benefit/lose from such inclusion of trade and investment in the WTO?

In regard to the benefits or losses related to the inclusion of trade and investment in the WTO, there are more questions than answers. According to Mr. Francois MUNYENTWARI, the Country Director of ACORD Rwanda, there are a number of questions that need to be answered by those responsible for the negotiations. He poses the following questions; *“look at the impact of FDI in our countries and all the mergers around, who is benefiting from the FDI? citizens or investors? And why it took so long to be negotiated since Singapore wto meeting in 1996? the Singapore issues were introduced 20 years ago but not much has been concluded. Why?”* So, according to Mr. MUNYENTWARI, the delay for a period of 20 years could be an indication of how investment related issues are very crucial and somehow complex more than originally

anticipated and as such the interests of local citizens should be taken into account to ensure poverty reduction and sustainable development.

On the other hand those who should be leading and directly involved in WTO negotiations are not comfortable to share their opinions. It is not clear if it is the issue of capacity or just being unwilling to share their thoughts. For example, when asked on the implications of including and negotiating trade and investment issues in the WTO for Rwanda, Ms. Laurence MUKARUGWIZA, the Officer in Charge of External Trade in the Ministry of Trade, Industry and East African Community Affairs (MINEACOM) said that; *“I don’t have much to say on those issues. I have no updates on the negotiations and as such, I am not in position of making any comments. Don’t even ask me whether negotiating investment and trade issues in the WTO is necessary or not, that is, if it is a good thing or not a good thing.”*

d. Likely challenges and/or issues that will be confronted in the event of trade and investment being negotiated in the WTO?

From the discussions with a few stakeholders mentioned above. It is evident that the likely challenges that will be confronted in the event of trade and investment being negotiated in the WTO are twofold. Firstly, there is an issue of capacity to negotiate adequately and ensure that the national interests are fully taken into account and protected. Secondly, in case of further liberalization in the area of investment, there could be an increase of FDI flows and hence

the challenge will be to balance the interests of the investors in regard to their profit making ambitions and the welfare of local citizens in terms of poverty reduction and sustainable development through the attracted investments.

e. Required capacity and/or technical assistance for Rwanda

It is indeed evident that there are related capacity gaps in Rwanda and if trade and investment issues are introduced in the WTO, then the following capacity/ or technical assistance would be required;

- i. *Training of experts in the relevant institutions:* The experts working in relevant institutions responsible for trade and investment matters should be trained and equipped with enough knowledge and understanding to be able to meaningfully negotiate for Rwanda and ensure that the national interests are adequately protected. This capacity building can be delivered internally through in-house training or externally through short and long courses on matters of WTO in general as well as on negotiating trade and investment agreements.
- ii. *Supporting institutional development:* There is a need to support and strengthen the institutions responsible for trade and investment related matters, beginning with the Ministry responsible for trade matters and the Investment Promotion Agency. Once the responsible institutions are equipped with appropriate capacity, then it will be easy and possible for them to set and pursue negotiating objectives that address trade

capacity, trade facilitation, investment protection, intellectual property protection, regulatory reform, and other barriers that particularly limit the meaningful participation least developed countries like Rwanda in the global economy.

f. General recommendations to policy makers and Geneva Ambassadors

It is true that today's global economy demands innovation, low trade costs, protections of investment and intellectual property rights, and the free flow of trade and capital for countries to thrive. The emergence of global supply and value chains offers a new range of opportunities even to developing countries. However, such opportunities can only be seized through trade and investment reforms that will have the potential to spur fair competition and ignite the economic growth necessary for poverty reduction and sustainable development. In this light, the following recommendations should be considered by the policy makers and Geneva Ambassadors on the way forward in the WTO, particularly regarding whether new issues such as trade and investment should be dealt with presently in the WTO;

- *More time is needed:* Inclusion of trade and investment issues in the WTO should not be considered before building the capacities of developing countries and least developed countries like Rwanda. There is a need to first build trade capacity and reduce trade costs so developing countries can compete in a

global economy and gain access to the markets, know-how, and capital necessary to successfully participate in the global economy.

- *Connecting to global supply and value chains:* Ambassadors in Geneva should help in supporting countries like Rwanda to connect to global supply chains. This is very important as connecting to global supply and value chains expands opportunity. Indeed, as global demand and growth trends shift, and manufacturing and distribution networks expand around the globe, the ability of developing countries to connect to global supply and value chains will be a significant determinant of their levels of prosperity.
- *Mobilizing support to enhance competitiveness:* Reputable institutions like the World Bank and the World Economic Forum (WEF) have produced extensive research and analysis that demonstrate how dedicating development funding and policy reforms that enhance trade capacity and facilitate trade and investment in developing countries produce greater results than

traditional Official Development Assistance (ODA). This should be emphasized by the Ambassadors in Geneva and engage development partners to mobilize direct funding toward developing trade capacity by improving trade infrastructure and supporting key economic reforms that reduce trade transaction costs.

- *Supporting Private Sector Development:* Only through private sector-driven economic growth, and not through ODA alone, can countries truly develop sustainably. The private sector can be developed through expanding trade, investment and innovation. In this light, countries like Rwanda need to ensure that the private sector is supported through the provision of appropriate infrastructure, appropriate reforms and provision of financial resources to support entrepreneurship. All these measures responsible for private sector development require huge resources through various partners and the Geneva based Ambassadors should support in related mobilization efforts.

Annex 1: List of interviewed Stakeholders

No.	Name of Contact	Institution/ Position	Contact Details
1.	Mr. Hubert RUZIBIZA	Private Consultant/ Investment Advisory related services	0788381585
2.	Ms. Divine NAKANYANGE	Investment Climate Specialist	0788508413
3.	Ms. Peace BASEMERA	Ministry of Trade, Industry and East African Affairs(MINEACOM)/ Officer in Charge of Trade Negotiations	0788574322
4.	Mr. Christian NGUGABE	Ministry of Trade, Industry and East African Affairs(MINEACOM)/ Officer in Charge of Trade in Services	0788816507
5.	Mr. Happy MUKAMA	Private Lawyer/ Trade Consultant Expert on EAC Regional Integration	0788899602
6.	Mr. Jonas MUNYURI	Private Sector Development Specialist	0788895292
7.	Mr. Patrick MANIRAMA	Officer in charge of Industrial Development and Export Council (IDEC)	0788799273
8.	Mr. Francois MUNYENTWARI	Country Director ACORD Rwanda	0788502420
9.	Ms. Laurence MUKARUGWIZA	Ministry of Trade and Industry (MINICOM)/ Officer in Charge of External Trade	0788762846

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CUTS International, Geneva

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