Effect of EAC single customs territory on trade facilitation in Rwanda

By Dr. Jean Paul MPAKANIYE

ABSTRACT

East African Community (EAC) is an organization of east African countries composed by 6 countries including Tanzania, Kenya, Uganda, Burundi, Rwanda and South Sudan. Single customs territory (SCT) was adopted as the stage towards full attainment of the customs union achievable by the removal of restrictive regulations of internal border controls on goods moving between the member states with an ultimate realization of free circulation of goods. This study intended to analyze the effect of EAC single customs territory on trade facilitation in Rwanda. Descriptive research design was adopted and both primary and secondary data were collected using documentation, interview and questionnaire. 372 cross-border traders were selected out of 5,313 traders who crossed the border. The major findings revealed that based on the regression results, R-square of 0.99 show 99% of the variation in the traders facilitated through the change on the administration costs, business costs, declaration agencies and repo rate. For further improve the cross border services and continue to facilitate the cross border traders, some recommendations have been proposed: government should increase many efforts on the policy of tax incentives on the investments for the traders who transfer the goods to Rwanda from EAC members.

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1. Background of the study

In recent years, the East African Community (EAC) has sought to eliminate non-tariff barriers (NTBs) through a common reporting and inter-state resolution mechanism among its members Burundi, Kenya, Rwanda, Tanzania and Uganda. Some of the recent research shows that this mechanism has been particularly effective in identifying and removing those NTBs associated with customs and trade facilitation problems: More than 45% of NTBs which were identified and subsequently addressed since the monitoring mechanism’s inception in 2009 belonged to this category (Calabrese & Eberhard-Ruiz, 2016).

During the same period, overall time required to move goods along the main transport corridors in the East African region were reduced by almost half, while transport rates charged by trucking companies along the same routes fell by a third. Although this decline in trucking prices appears to have been largely driven by lower fuel costs and a decrease in demand for transport services, the fact that these cost savings were passed on to users suggests a competitive market structure. Additional efforts to remove NTBs related to trade facilitation along the EAC’s transport corridors could thus have a large impact in the form of lower regional transport costs. This policy briefing provides an overview of the causes of the decline in transport costs across the EAC in the context of trade facilitation efforts (Kandie et al., 2013).

The single customs territory (SCT) can be illustrated as the stage for full attainment of the customs union which is attainable by the removal of duties and other restrictive regulations and minimization of internal border customs controls on goods moving between partner states with an ultimate realization of free circulation of goods. The treaty for the establishment of the EAC was signed in November 1999 and entered into force in July 2000. According to article 5(2) of the treaty, the partner states undertook to establish a customs union (CU), a common market, a monetary union and ultimately a political federation in order to enhance their economic, social, cultural and political development and integration for their mutual benefit (EAC institutional Repository, 2014).

The EAC single customs territory is premised on the following pillars: Free circulation of goods; revenue management systems; port management systems; and regional legal and institutional framework. The scope of free circulation of goods with regard to the EAC covers treatment of imported goods in the EAC, intra-EAC transfer of goods, export of goods from Partner States to markets outside the EAC, port and border operations and trade facilitation (Kandie et al., 2013). Currently, when locally produced goods are transferred from one partner state to another they are declared for export in the country of origin and then entered for transit until they reach the partner state of destination. The goods are then entered for home use and domestic taxes paid. Goods which do not meet EAC rules of origin criteria are subject to import duties. The process of clearing locally produced goods at the internal borders although there are no import duties is the same as that goods imported from outside EAC (Kandie et al., 2013).
Interconnectivity of customs systems to facilitate seamless flow of information between customs stations and a payment system to manage transfers of revenues between EAC partner states, this is a stage towards full attainment of a customs union achievable by the removal of restrictive regulations or minimization of internal border controls on goods moving between the partner states with an ultimate realization of free circulation of goods. Implementation of this framework leads to the harmonization of standards for goods moved through the territory. To further enhance operations of the single customs territory, a single window system to enable exchange of information between cargo clearances agencies has been developed (EAC & FAO, 2017).

Improvements in trade facilitation along the EAC’s Northern and Central Corridors, which link the region’s hinterland with the ports of Dar es Salaam and Mombasa, have been at the forefront of the regional integration agenda. Customs procedures have been simplified and to a large extent harmonized between member states. A Single Customs Territory (SCT) was piloted for a range of products with the aim of speeding up the clearance of goods at their arrival in Mombasa or Dar es Salaam and reducing the need for costly anti-smuggling measures such as bond payments on transit goods. In addition, several one-stop border posts have been established in recent years to minimize border crossing times and an agreement was reached to reduce the number of weighbridges along the corridors (Teravaninthorn & Raballand, 2016).

The extent to which continued trade facilitation efforts can be expected to result in lower transport costs depends crucially on the existence of a competitive market structure in the EAC transport industry. Combining the information from qualitative interviews with other sources of data, it is possible to estimate the evolution of annual revenue, operating cost and profit margins for running a single cargo truck in recent years and hence to shed light on the competitive nature of the EAC’s transport sector (Calabrese & Eberhard-Ruiz, 2016).

2. Problem statement

The East Africa Community (EAC), with a goal of widening and deepening cooperation among partner states in economic, social and political spheres, derives her mandate from the treaty for its establishment signed in November 1999 and entered into force in July 2000 while the protocol establishing the EAC Customs Union (CU) was signed in 2004. The implementation of the EAC CU commenced on 1st January 2005 with a transitional period of 5 years. While the implementation of the EAC Customs Union has been gradual, recent impact studies show that it is having benefits to partner states. Specifically, there has been substantial increase in: intra-EAC trade; cross border and foreign direct investment; and government revenue (contrary to initial fears of revenue losses); simplified and harmonized customs procedures and formalities; a stable tariff regime has enhanced the predictability and planning of businesses; and the consultative pre/post-budget process ensures uniformity in tax measures on international trade (Smith, 2011).

Under the SCT arrangement, the EAC member states have adopted a destination model of clearance of imports whereby the assessment and collection of tax revenues on such consignments
are done at the first point of entry. This allows free circulation of goods within the single EAC market, with variations to accommodate exports from one Partner State to another. In this regard, Customs administrations in destination states retain control over the assessment of taxes. This crystallizes the gains of regional integration characterized by minimal internal border controls and more efficient institutional mechanisms for clearing goods out of Customs control (Chambers, 2014).

According to COMESA (2015), goods imported into the regional grouping are entered only once in the country of destination and released at the first port of entry to the destination member state; duty paid goods are not allowed to change destination into another member state except where permission is granted by both member states. Duty paid goods are released to the destination member state for home use and are subjected to customs controls through the Electronic Cargo Tracking System (ECTS).

As in October 2013, the Presidents of Uganda, Rwanda and Kenya agreed to implement a Single Customs Territory (SCT) between them as members of the East African Community. Tanzania and Burundi followed suit at the Summit in November 2013. “At a stroke (of the pen), the agreement removed multiple weighbridges, police and customs checks along the Mombasa-Kampala-Kigali route and introduced computerized clearance and electronic tracking and other innovations that have overturned many of the hurdles to free trade or Non-Tariff Barriers (NTBs) that the Northern Corridor was infamous for.” The phrase ‘single customs territory’ is fashionable in almost every discussion and media piece about regional integration. It is used in connection with measures to improve efficiency of the Northern Corridor and even with the planned standard gauge Mombasa-Malaba railway line. It is in the name of the single customs territory or SCT, as it is known, that investments are being made on the Central Corridor from Dar es Salaam to the landlocked countries (Lyimo, 2014).

The Single Customs Territory (SCT) has greatly improved trade and reduced the cost of doing business in the East African Community. Traders are saving a substantial amount of money and time, which has reduced final consumer prices (Both et al., 2007).

Despite the positives, congestion at borders and ports where there is no one-stop border post remains a challenge, with traders still facing problems because some states have not adjusted fully to the SCT system and there are other challenges like corruption and unmatching systems and breakdown have been cited as huge setbacks in the implementation of the EAC single Customs Territory.

Other different challenges faced customs union before SCT are difference in application of customs laws and instruments, multiple customs declarations at internal borders, multiple security bond regimes, application of varying valuation approaches, weak enforcement mechanisms, complex clearance procedures involving many governments (Memo, 2014).
Based on this study, few studies were done on the related topic such as Lyimo (2014) on the topic of Single customs territory; Calabarase & Eberhard-Ruiz (2016) on the study called “what types of non-tariff barriers affect the EAC but by observation there is no study on EAC Single customs on trade facilitation and there are different studies such Chimila et al., (2014), Kafeero (2008) and Portugal et al. (2009) . Therefore, this study tends to complete the unfilled gap.

3. Objectives

The general objective of this study was to analyze the effect of EAC single customs territory on trade facilitation in Rwanda

Based on the above general objective, the following specific objectives were considered:
- To identify the benefits of EAC Single customs territory for trade facilitation in Rwanda.
- To establish the challenges faced by the EAC customs union before SCT for trade facilitation in Rwanda
- To assess the relationship between EAC single customs and trade facilitation in Rwanda.

4. Theoretical framework

This section emphasizes on the theory for which that help to understand very well all the elements that this study focused for such transaction cost theory, risk theory, time management theory and revenue maximization of a firm theory.

4.1. Transaction costs theory

In economics and related disciplines, a transaction cost which is the cost in making any economic trade when participating in a market. There are four factors that comprise transaction costs such as "measurement," "enforcement," "ideological attitudes and perceptions," and "the size of the market." Measurement refers to the calculation of the value of all aspects of the good or service involved in the transaction. Enforcement can be defined as the need for an unbiased third party to ensure that neither party involved in the transaction reneges on their part of the deal. These first two factors appear in the concept of ideological attitudes and perceptions, North's third aspect of transaction costs. Ideological attitudes and perceptions encapsulate each individual's set of values, which influences their interpretation of the world. The final aspect of transaction costs, according to North, is market size, which affects the partiality or impartiality of transactions (Douglas, 1992).

Transaction costs can be divided into three broad categories: Search and information costs are costs such as in determining that the required good is available on the market, which has the lowest price, Bargaining costs are the costs required to come to an acceptable agreement with the other party to the transaction, drawing up an appropriate contract and so on. In game theory this is analyzed for instance in the game of chicken. On asset markets and in market microstructure, the transaction cost is some function of the distance between the bid and ask and Policing and
enforcement costs are the costs of making sure the other party sticks to the terms of the contract, and taking appropriate action (often through the legal system) if this turns out not to be the case (Dahlman, 1999).

There are a great variety of arrangements in producing goods. In agriculture often most of the labor force works on a day-to-day basis. In other industries the labor force may be permanent, tied to the firm with long-term contracts. Repair services in some firms may be supplied by an internal organization; in others it is provided by specialized firms from outside. A firm is a system of long-term contracts that emerge when short-term contracts are unsatisfactory. The unsuitability of short term contracts arises from the costs collecting information and the costs of negotiating contracts. This leads to long term contracts in which the remuneration is specified for the contracted in return for obeying, within limits, the direction of the entrepreneur (Watkins, 2010).

Ronald Coase gives the origin of the Nature of the Firm as a course in the organization of the business unit which he taught in 1932. He noted that there are inconveniences of market transactions, but if transactions are not governed by the price system there has to be an organization. The object of a business organization is to reproduce the conditions of a competitive market for the factors of production within the firm at a lower cost than the actual market. But if an organization exists to reduce costs then why are there any market transactions at all? Coase gave two reasons: the costs of organizing additional transactions rise with scale and are equated with the costs of additional market transactions and the organization of bigger firms may not reproduce the effects of market conditions (Dahlman, 1999).

Based on the theories of transaction costs, in this study helped to identify different strategies to the constraints faced single customs territory as the way for the achievement of customs union where it comprised non-neutralized taxes and duties, differential cost of credit at international and domestic rate, differential cost of tariff at International and domestic rate and ground level transaction cost due to delays and charges in customs, ports, issuance of license, banks, refunds etc.

**4.2. Risk theory**

Exponents of the ‘risk society’ thesis also argue that in late modernity there is a trend towards individualization, or the progressive loss of tradition and social bonds as a means of structuring the life-course and forming personal identity. A major difference, they argue, in the ways in which we conceptualize and deal with dangers compared with individuals in earlier eras is the extent to which individuals are positioned as choosing agents. We now think of ourselves as exercising a high level of control over the extent to which we expose ourselves to danger and therefore as culpable for becoming prey to risk. Risk is primarily understood as a human responsibility, both in its production and management, rather than the outcome of fate or destiny, as was the case in pre-modern times (Hensen, 2001).
4.3. Time management theory

Time management is the process of planning and exercising conscious control of time spent on specific activities, especially to increase effectiveness, efficiency, and productivity. It involves a juggling act of various demands upon a person relating to work, social life, family, hobbies, personal interests and commitments with the finiteness of time. Using time effectively gives the person "choice" on spending/managing activities at their own time and expediency. It is a meta-activity with the goal to maximize the overall benefit of a set of other activities within the boundary condition of a limited amount of time, as time itself cannot be managed because it is fixed (Dahlman, 1999).

Time management may be aided by a range of skills, tools, and techniques used to manage time when accomplishing specific tasks, projects, and goals complying with a due date. Initially, time management referred to just business or work activities, but eventually the term broadened to include personal activities as well. A time management system is a designed combination of processes, tools, techniques, and methods. Time management is usually a necessity in any project development as it determines the project completion time and scope. It is also important to recognize that both technical and structural differences in time management exist due to variations in cultural concepts of time (Hensen, 2001).

The major themes arising from the literature on time management include the following: Creating an environment conducive to effectiveness, setting of priorities, carrying out activity around prioritization, the related process of reduction of time spent on non-priorities and incentives to modify behavior to ensure compliance with time-related deadlines. Time management is related to different concepts such as: Project management: Time management can be considered to be a project management subset and is more commonly known as project planning and project scheduling (Watkins, 2010).

Time management has also been identified as one of the core functions identified in project management, attention management relates to the management of cognitive resources, and in particular the time that humans allocate their mind (and organize the minds of their employees) to conduct some activities. Organizational time management is the science of identifying, valuing and reducing time cost wastage within organizations. It identifies reports and financially values sustainable time, wasted time and effective time within an organization and develops the business case to convert wasted time into productive time through the funding of products, services, projects or initiatives at a positive return on investment (Dahlman, 1999).

Time management theory helped to organize the clearance process in order to reduce time release as one of the benefits of single customs territory in facilitating customs clearing process.

4.4. Revenue maximization of a firm theory

Revenue maximization is a theoretical objective of a firm which attempt to sell at a price which achieves the greatest sales revenue. This would occur at the point where the extra revenue from
selling the last marginal unit (i.e. the marginal revenue, MR, equals zero). If marginal revenue is positive, an extra unit sold must add to total revenue and revenue maximization will not have been reached. Only when marginal revenue is zero will total revenue have been maximized (Boumal, 2012).

Even if the EAC region is putting together all efforts to implement single customs territory in order to have easy trade among partner states, these cannot exonerate the respective revenue authorities their main responsibilities of assessing, collecting and account government revenues to finance national needs. These should still burden revenue authorities to maximize collections in their countries.

5. **Empirical review**

Chimilila *et al.* (2014) did a research on Trade facilitation in EAC customs Union where their study addressed trade facilitation in the East African Community Customs Union (EAC CU) by tracking the achievements and implementation using Tanzania as a case. The study uses descriptive research design and data for the study were mainly secondary data; unstructured interviews with key stakeholders complemented data for this study. The study found that as a result of implementation of trade facilitation initiatives, performance in trade, FDI inflows and trade taxes collection in all EAC countries have improved significantly. Tanzania performs better than other EAC countries in FDI inflows and contribution of export to the Gross Domestic Product (GDP). The study found a significant positive relationship between countries’ trade facilitation and export performance. Facilitation was found to have no significant relationship on FDI flows. The major setbacks of trade facilitation are non-tariff barriers, transport infrastructure, inadequate human resources capacity, and low level of automation. Addressing these challenges will enhance EAC countries benefits from trade. Keywords: trade facilitation performance, trade facilitation and logistics indicators, EAC Customs Union.

Kafeero (2008) conducted the study on customs and trade facilitation where his article expounds and evaluates the contribution of Customs to trade facilitation within the East African Community (EAC). It is developed against the background of trade facilitation as understood by the World Trade Organization (WTO). Hence, it examines how and to what extent the trade facilitation-related aspects of the WTO are (or are not) reflected in the EAC customs law and administration. The World Customs Organization’s Trade facilitation instruments, particularly the Revised Kyoto Convention, are also considered. After scrutinizing the EAC customs law and administration, suggestions are made for better coordination, harmonization and simplification of international trade/customs procedures within the EAC.

Portugal *et al.* (2009) did a research on Trade facilitation in Africa where they estimated the impact of aggregate indicators of soft and hard infrastructure on the export performance of developing countries. We derive four new indicators for more than 100 countries over the period 2004-07.
Estimates show that trade facilitation reforms do improve the export performance of developing countries. This is particularly true with investment in physical infrastructure and regulatory reform to improve the business environment. The findings provide evidence that the marginal effect of the quality of physical infrastructure improvement on exports appears to be decreasing in per capita income. In contrast, the impact of information and communications technology on exports appears increasingly important as a country becomes rich. We also find statistical evidence on the complementarily between hard infrastructure and soft infrastructure, as captured by our indicators. Finally, drawing on estimates, we compute illustrative ad-valorem equivalents of improving each indicator halfway to the level of the top performer in the region.

The study conducted by Flyvbjerg & Budzier (2011) conducted a study where he said that facilitation and customs increasingly feature in agreements with 3rd countries, covering such matters as: simplification of requirements and formalities in respect of the release and clearance of goods, including, collaboration on the development of procedures enabling the submission of import or export data to a single agency, improved working methods and ensuring transparency.

6. Research gaps

Based on the reviewing literatures, few studies were done to the related topic such as Lyimo (2014) on the topic of Single customs territory; Calabarase & Eberhard-Ruiz (2016) on the study called “what types of non-tariff barriers affect the EAC but by observation there is no study on EAC Single customs on trade facilitation. Chimilila et al. (2014) did a research on Trade facilitation in EAC customs Union where their study addressed trade facilitation in the East African Community Customs Union (EAC CU) by tracking the achievements and implementation using Tanzania as a case. The study uses descriptive research design and data for the study were mainly secondary data; unstructured interviews with key stakeholders complemented data for this study. Kafeero (2008) conducted the study on customs and trade facilitation where his article expounds and evaluates the contribution of Customs to trade facilitation within the East African Community (EAC). Portugal et al. (2009) did a research on Trade facilitation in Africa where they estimated the impact of aggregate indicators of soft and hard infrastructure on the export performance of developing countries but there is no study about EAC Single Customs Territory on Trade Facilitation.

7. Methodology

The study used correlation research design and both qualitative and quantitative method was used to analyze data. The questionnaire, interview and documentary techniques were used to collect data. 372 cross-border traders were selected out of 5,313 traders who crossed the border among the declarants crossing different borders encountered Rwanda (Rusumo, Gatuna, Kagitumba and Cyanika).
The following formula suggested by Zuelueta and Clostales (2003) shows the number of respondents that is adequate to represent the population:

\[ n = \frac{N}{1 + N \times e^2} \]

Where;
- \( n \) is sample size required
- \( N \) is the size of the target population
- \( e \) is the margin error which is 0.05 or 5%

The sample size was calculated as follow:

\[ n = \frac{5313}{1 + 5313 \times (0.05)^2} - \frac{5313}{1 + 5313 \times 0.0025} = 372 \text{ people}. \]

Therefore, the sample size was equal to 372 respondents who are the importers and clearance agency representative from Rwanda to other EAC countries. To select these responders, the simple random and purposive sampling techniques were used. Stratified random technique was used to select the respondents of this where 358 are the traders and other 14 were the declaration agents. The data were collected by distributing questionnaire to the respondents and a face to face interview for some authorities on the borders.

The data collected were summarized, coded and tabulated. Before processing the responses, the completed questionnaires were edited and classified for the completeness and consistency. Primary data was then coded and tabulated to enable the responses to be grouped into various categories using Statistical Package for Social Science (SPSS version 22). Secondary data was analyzed using Excel content of analysis and specifically the analysis approach.

A multiple regression model was estimated by using OLS estimator.

\[ Y = \beta_0 + \beta_1 AC + \beta_2 BC + \beta_3 RR + \beta_4 DA + \mu t \]

Where;
- \( Y \) represents the dependent variable (Number of traders facilitated by SCT)
- \( \beta_0 \) denotes the intercept which is constant
- \( \beta_1, \beta_2, \beta_3 \) and \( \beta_3 \) represent the marginal effect of the independent variables to dependent one
- \( AC \) represents Administration costs
- \( BC \) represents business costs
- \( DA \) denotes the number of declaration agencies
- \( RR \) represents the repo rate agreed by the EAC members
- \( \mu t \) represent the error term

The expected sign was positive which illustrates the positive relationship between trade facilitation and single customs territory.
8. Results and discussion

Age of the respondents

It was very important to know the age group of the respondents because it can help to have the information from the mature people. Therefore, fewer than 18 people cannot be considered by the study because they are not yet mature. The distribution of the respondents according to their age group was indicated on the following table.

Based on the results of table 1, the study respondents are in different group of age referring to how they filled research questionnaire where 256 people or 69% of the study respondents were in the group of age of 25-35 years, 70 people or 18.5% of the respondents were in the group of age of 35-45 years, 31 people equal to 8.5% of the respondents were in the group between 18-25 and other 15 people equal to 4% of the respondents were in the group of over 45 years. This is an indication that respondents were well distributed in terms of their age where many respondents of this are in the group between 25 and 35 years.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tbody>
<tr>
<td>18-25</td>
<td>31</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>25-35</td>
<td>256</td>
<td>69</td>
<td>77.5</td>
</tr>
<tr>
<td>35-45</td>
<td>70</td>
<td>18.5</td>
<td>96</td>
</tr>
<tr>
<td>Over 45</td>
<td>15</td>
<td>4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>372</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary data, December 2018*

Experience of respondents in international business

The experience level was also considered by this study in terms of importers and in terms of declaration agents. It helped to know if the respondents are experienced in international trade as well to know the determinants of SCT, benefit of Single customs territory, challenges of customs union for trade facilitation. Both declaration agents and importers were considered in this study.

Based on the results of figure 1, the study respondents have different experiences in international trade where 114 people equal 30.5% of the respondents have the experience over 10 years, 101 people equal to 27.5% have the experience of between 6-8 years, 61 people equal to 16.5% of the respondents have the experience between 8 and 10 years, 52 people equal to 14% of the respondents have the experience between 4 and 6 years, 25 people equal to 6.5% of the respondents have the experience which is less than 2 years and other 19 people equal to 5% of the respondents have the experience between 2 and 4 years. Therefore, from the study findings, it can be deduced...
that respondents had experience on international business for both doing business and administrative.

\[ \text{Figure 1: Experience of the respondents} \]

Source: Primary data, December 2018

Based on the results of figure 1, the study respondents have different experiences in international trade where 114 people equal 30.5% of the respondents have the experience over 10 years, 101 people equal to 27.5% have the experience of between 6-8 years, 61 people equal to 16.5% of the respondents have the experience between 8 and 10 years, 52 people equal to 14% of the respondents have the experience between 4 and 6 years, 25 people equal to 6.5% of the respondents have the experience which is less than 2 years and other 19 people equal to 5% of the respondents have the experience between 2 and 4 years. Therefore, from the study findings, it can be deduced that respondents had experience on international business for both doing business and administrative.

Determinants of EAC Single customs territory to facilitate trade in Rwanda

Based on the responses provided by the study respondents, they are different determinants of EAC Single customs territory to facilitate trade among traders in Rwanda as the following tables indicated.
As table 2 indicated, all study respondents (372) equal to 100% of the respondents who are both declaration agents and importers agreed that they know about the Single Customs Territory as the stage for full attainment of the customs union. This stage is attainable by the removal of duties and other restrictive regulations and minimization of internal border customs controls on goods moving between Partner States with an ultimate realization of free circulation of goods.

As Kandie et al. (2013) agreed, a single customs territory’ is also fashionable in almost every discussion and media piece about regional integration. It is used in connection with measures to improve efficiency of the Northern Corridor and even with the planned standard gauge Mombasa-Malaba railway line. It is in the name of the single customs territory or SCT, as it is known, that investments are being made on the Central Corridor from Dar es Salaam to the landlocked countries.

Table 2: Respondents’ knowledge of the Single Customs Territory

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>372</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>372</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data, December 2018

According to the results of table 3, they are different elements that indicated how Single customs territory work especially in EAC members. Therefore, based on the responses from the table 3, the respondents have different knowledge on how single territory work such as: management of revenues transfers as confirmed by 369 people equal to 99% of the study respondents, enforce customs debts as agreed by 358 people equal to 96.5% of the respondents, easy payment system as agreed by 345 people equal to 93% of the respondents, enjoin partner as confirmed by 345 people equal to 93% of the respondents and legal provisions as agreed by 325 people equal 87.5% of the respondents.

Table 3: Respondents knowledge of how the single customs territory work

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Valid Percent</th>
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<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Easy payment system</td>
<td>345</td>
<td>93</td>
</tr>
<tr>
<td>Management of revenues transfers</td>
<td>369</td>
<td>99</td>
</tr>
<tr>
<td>Legal provisions</td>
<td>325</td>
<td>87.5</td>
</tr>
<tr>
<td>Enjoin partner</td>
<td>345</td>
<td>93</td>
</tr>
<tr>
<td>Enforce customs debts</td>
<td>358</td>
<td>96.5</td>
</tr>
</tbody>
</table>

Source: Primary data, December 2018
As indicated in Table 4, all respondents of the study (372) who are 100% of the respondents in this study were agreed that there are different determinants of EAC single customs territory to facilitate trade among traders in Rwanda. Based on their responses there are several determinants as listed in the following table.

**Table 4: Responses of the respondents on the determinants of EAC single customs territory to facilitate trade in Rwanda**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Valid Percent</th>
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<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>372</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>372</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Primary data, December 2018*

The results of Table 5 indicates that there are different ways in which the EAC Single customs territory to facilitates trade among traders in Rwanda such as Non-tariffs barriers which are trade barriers that restrict imports or exports of goods and services through mechanisms other than the simple imposition of tariffs as confirmed by all 372 people equal to 100% of the respondents.

Therefore, there are three policies of non-tariffs barriers as provided by the study respondents. First, *protectionist policies* which have the purpose of helping domestic firms and enterprises at the expenses of foreign enterprises. Second, *assistance policies* for the purpose of helping domestic firms and enterprises, but not at the expenses of other countries. Third, *non-protectionist policies* for the purpose of protecting the health and safety of people, animals and plants for protecting or improving the environment.

**Table 5: How the EAC single customs territory facilitates trade in Rwanda**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Valid Percent</th>
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<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-tariffs barriers</td>
<td>372</td>
<td>100</td>
</tr>
<tr>
<td>Minimization of internal border controls</td>
<td>372</td>
<td>100</td>
</tr>
<tr>
<td>Facilitation of seamless flow of information</td>
<td>325</td>
<td>87.5</td>
</tr>
<tr>
<td>Interconnectivity of customs systems</td>
<td>345</td>
<td>93</td>
</tr>
</tbody>
</table>

*Source: Primary data, December 2018*
With the same line for the above results, a customs union consists of a group of countries that levy a common external tariff on trade with the rest of the world but normally has no import tariffs on trade among its Partner States. In a fully-fledged CU it is unnecessary to have internal border controls for customs duty purposes or to design and implement cumbersome and costly rules of origin that are necessary in a preferential trading area in which members have different external tariff structures and/or where there is overlapping membership (Helpman et al., 2008).

**Challenges faced by the single customs territory for trade facilitation among traders in Rwanda**

Before single customs territory adopted there were different challenges for the customs union policies but at the period where SCT started to be implemented the challenges were reduced but they are still there. This section emphasized on those different challenges and their proposed solutions.

Table 6 indicated that they are different challenges faced customs union and some of them were faced by single customs territory for trade facilitation in Rwanda, those challenges are: multiple weighbridges as confirmed by 356 people equal to 95.7% of the respondents, difference in application of customs laws as agreed by 345 people equal to 93% of the respondents, customs checkpoint and police roadblocks according to 325 people equal to 87.4% of the respondents, application of varying valuation approaches as agreed by 190 people equal to 51% of the respondents, congestion at the ports and border stations as confirmed by 160 respondents equal to 43%, multiple security bond regimes as 40 people agreed who are equal to 10.8% of the respondents and multiple declaration as confirmed by 10 people equal to 2.7% of the respondents.

According to the level of implementation of single customs territory where has reduced significantly the non-tariff barriers, customs checkpoint and police roadblocks is remaining in the neighboring countries, duplicated procedures are already eliminated because of the single declaration and the multiple security bond regimes is also eliminated because of COMESA customs bond guarantee scheme popularly known as the RCTG CARNET which is the regional transit bond that secure goods cleared under SCT warehousing regime as they are moved within the EAC region. The congestion at the ports and border stations has been reduced because of the implementation of one stop border post (OSBP) and 24 working hours at the ports and main borders like Rusomo, Gatuna and Kagitumba.

According to the interview, different challenges as agreed by the respondents who filled the questionnaire were also related as follow: difference in application of custom laws and instruments’, multiple customs declarations at internal borders but this one was avoided ; multiple security bond regimes was also avoided ; multiple road blocks along the transit corridor
application of varying valuation approaches; complex clearance procedures involving many government agencies and multiple weighbridges along the transit routes.

Table 6: Challenges faced by the single customs territory for trade facilitation among traders in Rwanda

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference in application of customs laws</td>
<td>345</td>
<td>93</td>
</tr>
<tr>
<td>Multiple declaration</td>
<td>10</td>
<td>2.7</td>
</tr>
<tr>
<td>Multiple security bond regimes</td>
<td>40</td>
<td>10.8</td>
</tr>
<tr>
<td>Application of varying valuation approaches</td>
<td>190</td>
<td>51</td>
</tr>
<tr>
<td>Multiple weighbridges</td>
<td>356</td>
<td>95.7</td>
</tr>
<tr>
<td>Customs checkpoint and police roadblocks</td>
<td>325</td>
<td>87.4</td>
</tr>
<tr>
<td>Congestion at the ports and border stations</td>
<td>160</td>
<td>43</td>
</tr>
</tbody>
</table>

*Source: Primary data, December 2018*

This is in support with the study done by Chambers (2014), there are still transmission challenges in terms of information and data sharing in all the Revenue and Port Authorities; non-compatibility and difficulties in data sharing under different Electronic Cargo Tracking Systems by Partner States; compatibility of Revenue Authorities IT systems with Port Authorities; fears and concerns by Clearing and Forwarding agents in Tanzania and Kenya of losing business and employment; absence of the EAC Regional Removable Bond to facilitate clearance of goods to warehouse and exempted goods; difficult processes by Revenue Authorities to grant access and rights to Clearing and Forwarding agents and Customs Officers and non-implementation of the EAC Common Market Protocol. For example, un-harmonized work permits’ requirements in the EAC still hindering the business people to operate in any country of their choice.
Relationship between EAC single customs territory and trade facilitation in Rwanda

Based on regression analysis conducted using Microsoft Excel and data analysis using E-views, the study found that there is a relationship between EAC Single customs territory and trade facilitation among the traders in Rwanda. The following table put into consideration all indicators of that relationship based on data corrected.

Table 1: Regression analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-96918.25</td>
<td>23484.24</td>
<td>-4.126949</td>
<td>0.1513</td>
</tr>
<tr>
<td>AC</td>
<td>57.90792</td>
<td>33.12674</td>
<td>1.748072</td>
<td>0.0308</td>
</tr>
<tr>
<td>BC</td>
<td>68.69203</td>
<td>34.71225</td>
<td>1.978899</td>
<td>-0.2979</td>
</tr>
<tr>
<td>DA</td>
<td>230.9568</td>
<td>46.78947</td>
<td>4.936085</td>
<td>0.0273</td>
</tr>
<tr>
<td>RR</td>
<td>3473.875</td>
<td>1310.177</td>
<td>2.651454</td>
<td>0.0296</td>
</tr>
</tbody>
</table>

R-squared: 0.990540
Mean dependent var: 3232.667
Adjusted R-squared: 0.952698
S.D. dependent var: 2159.694
Akaike info criterion: 15.01702
Schwarz criterion: 14.84348
Log likelihood: -40.05105
F-statistic: 26.17621
Prob(F-statistic): 0.145436

Source: Data analysis through E-Views

Table 16 showed the regression between Single customs territory in EAC and trade facilitation where there is a positive relationship between Administration Cost (AC), Business Cost (BC), Declaration Agencies (DA), Repo Rate (RR) among the EAC member countries and facilitation of cross border traders. These means that an increase of 1 cost to AC, to BC, an increase of declaration agency and one rate increased to repo rate will increase the traders who cross the EAC border by 58; 68; 230 and 3473 respectively. R-square of 0.99 show 99% of the variation in the traders facilitated through the change on the administration costs, business costs, declaration agencies and repo rate.

International Chamber of Commerce considers trade facilitation as relating to improvements in the efficiency of administrative and logistic steps associated with the international trade of goods. Cutting short the list of examples, it is important to stress that many of the various definitions refer to reducing the time and costs of the trade transaction process (Kafeerro, 2008).

9. Conclusion
This study was aimed at analyzing the effect of EAC Single customs territory on Trade facilitation in Rwanda. Based on the findings of the study they are different determinants of Single customs territory that help in trade facilitation among traders in Rwanda for the purpose of international trade, those determinants as agreed by the respondents are non-tariffs barriers, minimization of internal border controls, facilitation of seamless flow of information and interconnectivity of customs systems. Based on these determinants, as the respondents said there are different benefits of SCT to trade facilitation such as time release, reduction of Administrative costs, reduction of doing business costs, efficient revenue management, reduction of the risks associated with non-compliance on transit of goods and enhance application of information technology and they are also different challenges faced a SCT or trade facilitation. Accordingly, all four specific objectives were achieved and help to verify and confirm all four research hypotheses.

10. Recommendations

For further improve the cross border services and continue to facilitate the cross border traders, some recommendations have been proposed:

Recommendations to government of Rwanda

a. The government should continue to engage partner states by eliminating non-tariffs barriers affecting trade within the region
b. The government should increase the professionals in customs clearing agencies
c. The government should continue to make awareness on tools facilitating trade under SCT clearance

Recommendations to the importers

a. They should all the time use the formal cross border trade and comply with the regulations in place
b. They should choose the competent and professional clearing agents to facilitate their clearance process.

Recommendations to the future researchers

This study analyzed the effect of EAC single customs territory on trade facilitation in Rwanda, possibly there is different gap need to be filled. Therefore, the following topics were suggested to the future researchers:

a. Analysis of the determinants influencing people to entry in international trade among EAC members
b. Effect of tax incentives on international investments among EAC member
11. References


