

# East African Community Integration and Cross-Border Economic Development of Rwanda: A Case Study of Ministry of Trade and Industry of Rwanda

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**Abstract-** This paper examined effect of East African Community integration process on Economic development of Rwanda. The specific objectives were to analyze the effect of East African free trade, customs union and common market. After assessing appropriate strategies, the government of Rwanda was aware the best practices needed in order to promote community integration and cross-border trade development. The study adopted a descriptive research design. A sample size of 185 respondents and 16 key informants was selected from 365 target population. The study used both primary and secondary data. Primary data was collected using questionnaire where researcher analyzed data by qualitative and quantitative. Data analyzed using descriptive studies aided by Statistical Package for Social Sciences version 22 and findings presented on frequency tables, figures and graphs, inferences drawn from the data obtained. Descriptive and inferential data analysis were used for data analysis. Content analysis was used for qualitative data analysis. The findings from the value of adjusted R squared was 0.665, that there was variation of 66.5% on the free trade, custom union, and common market. This shows that 66.5% changes in cross-border economic development could be accounted for free trade, custom union, common market. The study found that Pearson correlation model revealed that there was a positive relation found between Free trade, Custom union and common market. There was weak correlation between custom union and cross-border economic development ( $r=.335^{**}$ ,  $p=0.000<0.01$ ), Free trade and cross-border economic development ( $r=0.360$ ,  $p=0.000<0.01$ ), weak positive correlation between common market and cross-border economic development ( $r= 0.163^{**}$ ,  $p=0.063 > 0.01$ ). A positive correlation between common market and Free trade ( $r=0.989^{**}$ ,  $p=0.000<0.01$ ), moderate correlation between common market and custom union ( $r=.364^{**}$ ,  $p=0.000<0.01$ ), moderate correlation between common market and custom union ( $r=0.570^{**}$ ,  $p=0.000<0.01$ ). The study recommends that cross border trade and immigration officials from the directorate of immigration and emigration as well as civil servants drawn from line ministries should develop coherent domestic economic regulations and on free trade, custom union should prevent the introduction of taxes between members that can possess impact of improving taxes to the high degree during the sign of a treaty establishing custom union.

**Index Terms-** Common market, Custom Union, Free Trade.

## I. INTRODUCTION

There are numerous reasons why a number of people choose to engage in ICBT. The one fact that remains constant is that all they seek is survival; to be able to obtain income to make ends meet and escape poverty. In EAC, despite the fact that there are numerous initiatives on eradicating poverty, none of them have considered looking into ICBT. For a long time ICBT has been relegated to the back seat. For instance, the EAC integration process led to the signing of the Customs Union Protocol in 2005 whose main objective was to remove internal tariffs as well as non-tariff barriers to trade so as to create a large single market and investment area. In that regard it was meant to facilitate cross border trade and promote cross-border trade development in the region.

Nonetheless, the legislation has not taken into account the plight of ICBT considering that only policies that aim at strengthening formal trade among member countries have been realized. Further, the Customs Union Protocol has not even been effectively publicized. As a consequence, many informal cross border traders are not aware of its existence and are therefore oblivious of the benefits that they can derive there from. The neglect of ICBT shows that

legislators have not fully appreciated the benefits that this trade can generate and the fact that they have downplayed it means overlooking a significant proportion of trade. However, since the inception of the Customs Union Protocol in 2005, only policies aimed at strengthening formal trade among member countries have been realized. Cross border trade has completely been downplayed despite the fact that it constitutes a significant proportion of regional cross border trade. This research therefore discussed the nature and scope of cross border trade in EAC..

### 1.1 Research Objectives

- i. To assess effect of East African free trade on cross-border economic development in Rwanda.
- ii. To determine effect of East African customs union on cross-border Economic development in Rwanda
- iii. To assess the effect of East African common market on cross-border economic development in Rwanda.

## II. LITERATURE REVIEW

### 2.1 Review of Empirical Studies

The essential for all regional integration is the decrease and the removal of all custom duties imposed on trade in goods between members. A study conducted by (Burger, et al., Linders, 2009) on the effects of free trade on a sample size of 234 companies using a mixed method have demonstrated that a complete trade agreements on the removal of restrictions on trade encourage trade creation with member countries while lead to trade diversion with non-member states. Therefore, a strong relationship was revealed by authors. A study conducted by Egger and Michael (2014) on the verification of vinerian theory of trade creation and diversion argue that the Viner was the first researcher who presented his theory on general trade effects dividing the effects into two: trade creation and diversion in the traditional, static welfare analysis. In general, as Viner discovered, both trade creation and diversion are possible consequences of the free trade. Furthermore, Fontagné, et al., (2011) carried out a study on the effects of ECOWAS free trade on Nigerian predicting model has been utilized relying on ORANI-F general equilibrium for USA. The study findings contended that ECOWAS free trade is entirely profitable in improving cross-border trade development in ECOWAS members in short and in long term effects. The influence of ECAWS free trade is more significant than the effects of free trade by solely advanced countries that are member of APEC.

A research carried out by Firdaus (2011) on the effects of COMESA on manufacturing trade adopting dynamic general equilibrium model. The scholar discovered that FTA by COMESA member states including internal trade agreements with WTO, COMESA and ECOWAS may contribute to the cross-border trade development of members in general. Joining FTA lead to the expectation of GDP increase. Therefore, Rwanda could benefit from improved export as results of the accessibility to large market of other EAC member states. Findings from the study of HeYong (2013) on the contribution of COMESA, SADC, ECAWS AND EAC FTAs utilizing gravity model and established that trade within members has been improved. EAC FTA lead to the trade diversion from non-members and SADC FTA stimulate to a trade enhancement with non-members. Hoekman (2014) assessed various potential effects of FTA in trade movements by adopting indicators of intra-FTA interconnectedness to show the role of FTA on trade flows between two countries from the use of gravity model. Scholars revealed that FTAs contribute more to the trade expansion and to the trade reduction is imperfect (Plummer et al, 2010).

Differently, Kanyimbo and Manduna (2013) developed a model that explains the general trade effects of the regional trade agreements in an imperfect competition framework. The main idea in his theory is based on the influence of special interest groups on government decision making, which is essential part in the theory as governments are the ones who decide whether to join RTA. Khordagui and Gehan (2013) uses the distributive and strategic effects to describe the relationship between internal and external tariffs. The positive relationship between internal and external tariffs leads to trade creation within the members and between members and nonmembers.

A study conducted by Plummer et al (2010) on custom union on Asian four tigers using a mixed method with a gravity model analysis, discovered that the FTA led to the promotion of foreign direct investment by establishing higher combined marketplace international companies. These companies argue that FTA produces dynamic economies would start investing in member states that has low cost of productivity and low trading costs and course return on capital increased competitiveness from other region can lead to low production for corporates (Plummer, Cheong and Hamanaka,2010). Preferential liberalization might affect FDI in four ways: (1) effect of investment and other non-trade provisions; (2) effects of modification in trade movement; (3) trade creation of large market but also

(4) long-term growth effects (Rahman, 2009). The economies of scale can appear due to the increased technical efficiency in production ability to allocate managerial cost and overhead from suppliers (Kotabe and Helsen, 2010). A study carried out by Daniel, José, Adolfo and Isaac (2017) in Sub-Sahara African in order to assess the effects of Trade and Custom union on Economic Growth in Africa. An econometric model was used. This measured custom union by means of three indicators, namely trade, export and import related costs, constructed by using principal component analysis. These indicators are used as exogenous variables to estimate an augmented growth model which. The findings suggest that custom union serves as an important channel through which trade affects economic growth. A research undertaken by Perera, et al (2016) on custom union, cross-border trade development and poverty alleviation in South Asia, has been confirmed that free trade aimed at expanding trade, has been insufficient in optimizing the potential contribution of trade to cross-border trade development and reduce poverty. A desk research was conducted to meet this objective and assess the relationship between TF, trade growth and cross-border trade development based on statistics collected from online databases and existing available quantitative estimations, confined to the South Asian region. The most common of these are 'Doing Business' (DB) indicators related to trading across borders, the World Bank's Logistics Performance Index (LPI), the Organization for Economic Co-Operation and Development's (OECD) TF indicators and the World economic forum's Enabling Trade Index (ETI) .

A study carried out by Pearson and Chaitezvi (2012) reiterates that a complicated trade procedures and strong regulatory requirements increase documentation processes required for trade transactions. However, insufficient customs and port-handling procedures, poor use of information technology and transit barriers feature as major aspects of TF, causing additional TTCs. Border transaction costs in South Asia can be as much as 50% higher than the developing countries of East Asia and the Pacific. This worsens in landlocked countries, which recorded the greatest time taken for trade transactions due to border transit restrictions.

Renard (2011) explains that the provisions on customs encapsulated in the agreement were planned to improve transparency. The agreements also need members to protect customs processes for exporting are relied on custom-to-business partnership adopted by the World Customs Organization (WCO). A study report of Schumacher (2012) concurs that trade agreements give systematic mutual cooperation on market supervision and enhancing to transparency which can ameliorate the dissemination of information related to technical regulations, standards and conformity evaluation. The aforementioned members give critics by granting protracted due and gratify all parties to post the critics obtained and final regulations on official websites. These measures were advanced and adopted on relying on international standards on audit, is none disseminating in nature, transparency and the reduction of disruptions to trade.

Article 69 of the TRIPS provides for common market against trade in goods infringing intellectual property rights, particularly counterfeit trademark goods and pirated copyright goods (Seetanah, et al, 2013). Common market under customs valuation deals with the truth or accuracy of the good's declared value and is mainly inscribed in paragraph 8.3 of the Agreement on the Implementation of GATT Article VII and paragraph 12 of the Doha Ministerial Declaration. Article 12 of the Agreement on Custom union (TFA) sets forth comprehensive rules on common market. Snorrason (2012). By examining the relevant WTO legal texts, this article contends that exchange of information is at the core of common market, and that reciprocity, due diligence, good faith, confidentiality are the central principles for exchange of information between customs authorities.

## **2.2. Theoretical Framework**

This study is anchored on classical theory of trade, Viner's model and free trade theories.

### **2.2.1 The Classical Theory of Trade**

Classical theory of trade advocates that different countries are likely to have certain advantages in some types of production and certain disadvantages in others (Schumacher, 2012). The classical theory of trade is relevant to this study as most of free trade agreement states that which have specialized in commodity seeks to trade with other members on the commodities they do not participate in their productions or do not satisfy the demand of their markets. According to the theories given by them, when a country enters in foreign trade, it benefits from specialization and efficient resource allocation. The foreign trade also helps in bringing new technologies and skills that lead to higher productivity.

### **2.2.2 Complex interdependence theory**

This study is anchored on the complex interdependence theory. Complex interdependence theory in international relations is the idea put forth by Keohane and Nye that states and their fortunes are inextricably tied together (Ur, 2014). From the perspective of international system, the problem is how to generate and maintain a mutually beneficial pattern of cooperation (Van den Bossche & Zdouc (2013). In interdependence there are costly reciprocal effects of transaction among the actors (Nau, 2018). This theory is applicable to the study in that the members of free trade agreements depends on each other for trade with one another. However, the existing barriers to this interdependence in the name of regulatory frameworks imposed by the member countries.

### 2.2.3 Theory of economic regional integration

Economic integration theory goes through two development stages each of which addresses the relevant for its time political and economic context (Okumu & Nyankori, 2010). The first stage is regarded as classic theory or static analysis and includes the traditional theories of economic integration that explain the possible benefits of integration. The second stage includes the new economic integration theories that are often referred to as dynamic analysis of economic arrangements. Besides these two, there is a third type of integration theories that deals with the effects, benefits and constrains of economic integration arrangements of developing and least developed countries (Okumu and Nyankori, 2010). The current research project tries to come up with a conclusion on what parts of the classic and new integration theories are applicable to integration arrangement among developing countries and to summarize these theories. Regional integration theory seeks to explain the establishment and development of regional international organizations. This theory was beneficial to the study as it emphasizes the importance of free trade agreements and the cross-border trade development. The theory is relevant in that tariff and non-tariff barriers, trade complication, customs naïve and unprotected foreign direct investment would bring inefficiencies in trade among countries. The above theories enabled the researcher to establish the conceptual framework as follows:

### 2.3 Conceptual Framework

The conceptual framework is presented in Figure 1.

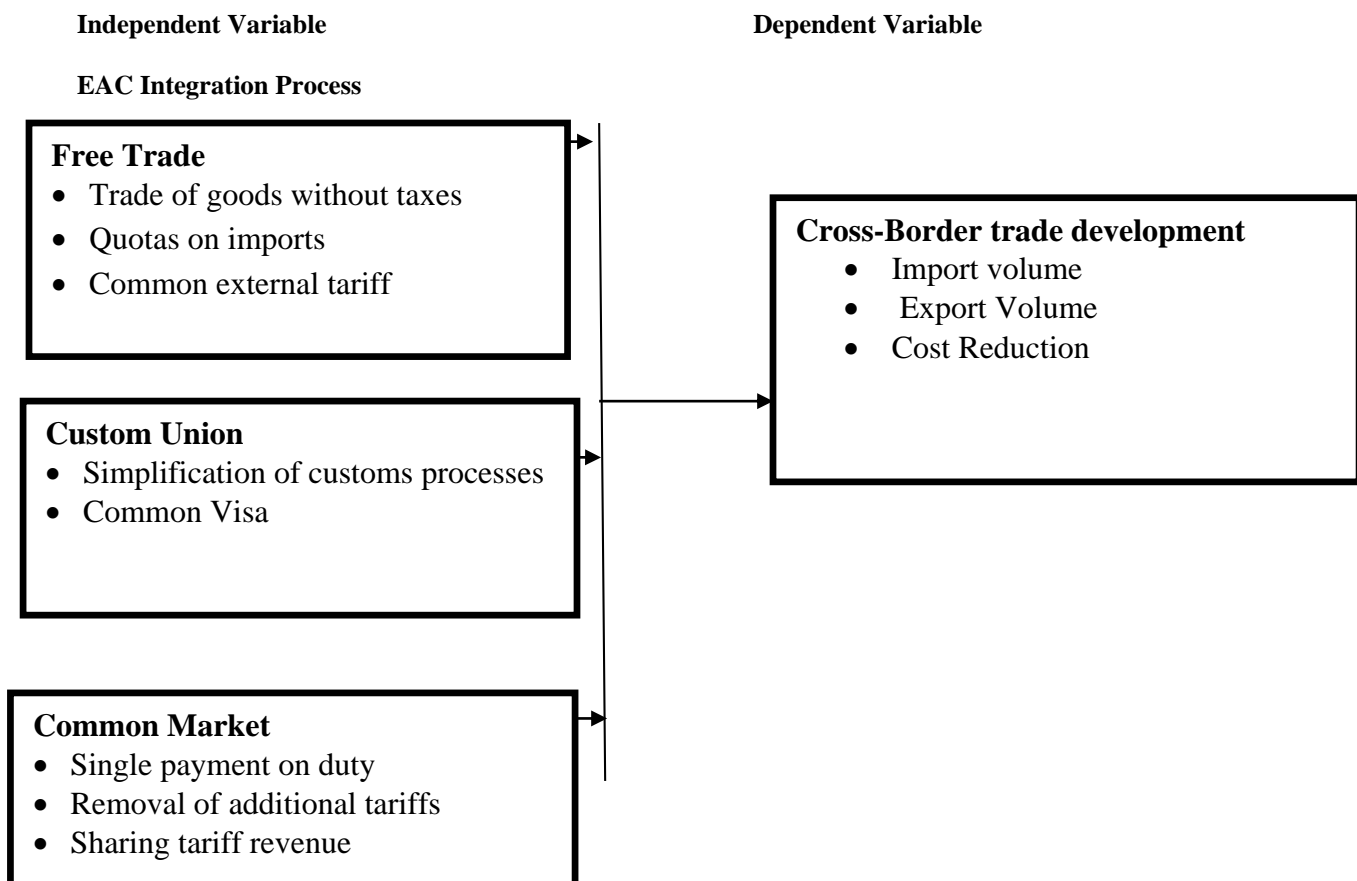


Figure 1 represents the direct link between independent variables; the research study has three variables. These are dependent, independent and intervening variables. International free trade agreements is an independent variable. This was explored free trade, custom union, and common market. Free Trade was assessed using trade of goods without taxes, quotas on imports, common external tariff, and subsidies for producers. Furthermore, custom union was measured using the following parameters: simplification of customs processes, improve transparency, and common visa. The common market was evaluated by single payment on duty, removal of additional tariffs, and sharing tariff revenue. On the other hand, the dependent variable is cross-border trade development; from economic perspective, the dependent variable was measured using the following indicators: import volume, export volume, and cost reduction. Through the intervening variables which was measured through government policies.

### III. RESEARCH METHODOLOGY

The study used a descriptive design with a correlation regression size effect. The study used descriptive which facilitated the researcher to gather in depth evidence about the population being studied. For this study, the researcher used both qualitative and quantitative research methods in order to create concrete results. The mixed methods design strategy was selected for the research. In this study, the target population of this study was 365 entrepreneurs involved in cross-border trader (MINICOM (2018)). Approximately, 301 respondents were sampled from entrepreneurs involved in cross border trade and immigration officials from the directorate of immigration and emigration as well as civil servants drawn from the line ministries for instance the Ministry of East African, Ministry of Foreign Affairs and NGOs mandated with management of migration of persons as well as regional integration. The population size is irrelevant and a sample size was 201 adequate. Based on research design, the researcher used documentary analysis, questionnaires and interview schedules and primary data collecting instruments. The descriptive statistics were used by presenting responses in terms of frequencies, percentages, figures and tables with mean and standard deviation. A correlation was used for Pearson Product Moment Correlation to show the link between variables. Linear regression analysis was conducted to investigate the statistical effect of East African Community integration process on cross-border economic development in Rwanda.

### IV. RESULTS AND DISCUSSION

#### 4.1 Effect of East African free trade on cross-border economic development in Rwanda

**Table 1 presents the views on effect of East African free trade on cross-border economic development in Rwanda**

Free Trade parameters used in EAC integration	Strongly disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	SD
Trade of goods without taxes has been adopted by EAC members states	0.0	0.0	23.2	4.2	72.6	4.38	1.390
Quotas on imports has been adopted by EAC members states	1.2	0.0	0.0	83.2	15.6	4.77	1.339
Common external tariff has been applied by EAC members states	3.2	0.0	0.0	35.8	61.2	4.36	1.199
Subsidies for producers were given to entrepreneurs involved in cross border trading activities	0.0	0.0	0.0	37.6	67.4	4.31	1.260

**Table 1: Effect of East African free trade on cross-border economic development in Rwanda.**

In regards, researcher was interested in knowing effect of East African Community integration process on cross-border economic development in Rwanda ensure Trade of goods without taxes has been adopted by EAC members' states 72.6 % strongly agreed, 4.2% agreed, 23.2% while 0.2% strongly disagreed with mean of 4.77 with standard deviation 1.339. On Quotas on imports has been adopted by EAC members' states this 83.2% strongly agreed, 15.6% agreed while 1.2% strongly disagreed with mean of 4.38with standard deviation 1.390. In this research, 61.2% of respondents strongly agreed that Common external tariff has been applied by EAC members' states while 35.8% agreed and only 3.2% strongly disagreed with mean of 4.36with standard deviation 1.199. The research findings revealed that Subsidies for producers were given to entrepreneurs involved in cross border trading activities this was confirmed by disagreed 67.4% and also 37.6% agree while 4.2% strongly disagreed with mean of 4.31 with standard deviation 1.260. Therefore, researcher concluded East African free trade plays important role on cross border trade development in Rwanda.

#### 4.2 Effect of Custom Union on cross-border economic development in Rwanda.

The result on effects of custom union on cross border trade development in Rwanda is presented with basis of research objectives. The Likert-type scale was used to rate their responses on a 5– point scale ranging from 5 = Strongly Agree to 1 = Strongly Disagree

**Table 2: Effects of custom union on cross border trade development in Rwanda**

<b>Custom Union on Cross-Border Trade Development</b>	<b>Strongly disagree (1)</b>	<b>Disagree (2)</b>	<b>Moderate (3)</b>	<b>Agree (4)</b>	<b>Strongly Agree (5)</b>	<b>Mean</b>	<b>SD</b>
Simplification of customs processes has facilitated cross border trade	0.2	0.0	23.2	0.0	72.6	4.08	1.158
Improving transparency in EAC member states was effective in developing cross border development	0.0	0.0	0.0	65.3	34.7	4.60	1.230
Common Visa has been adopted to boost cross border trade development	3.2	0.0	0.0	71.6	28.4	4.89	1.197

On Simplification of customs processes has facilitated cross border trade 72.6% of respondents strongly agreed while 23.2% neither agreed nor disagreed with mean of 4.08 with standard deviation 1.1158. On improving transparency in EAC member states was effective in developing cross border development 34.7 % of respondents strongly agreed while 65.3% of respondents agreed with mean of 4.60 with standard deviation 1.230. On statement Common Visa has been adopted to boost cross border trade development 28.4% of respondents 71.6 % strongly agreed of respondents agreed while 3.2% of respondents neither agreed nor dis agreed. With mean of 4.89 with standard deviation 1.1197. Therefore, researcher concluded custom union plays important role on cross border trade development in Rwanda.

#### 4.3 Effect of common market on Cross-Border Trade Development

The result on effects of trade common market on cross border trade development. The Likert-type scale was used to rate their responses on a 5– point scale ranging from 5 = Strongly Agree to 1 = Strongly Disagree

**Table 3: Effects of trade common market on cross border trade development**

<b>common market on Cross-Border Trade Development</b>	<b>Strongly disagree (1)</b>	<b>Disagree (2)</b>	<b>Moderate (3)</b>	<b>Agree (4)</b>	<b>Strongly Agree (5)</b>	<b>Mean</b>	<b>SD</b>
The single payment on duty has been established in the EAC member states	0.0	0.0	0.0	33.7	63.2	4.08	1.158
Removal of additional tariffs has been adopted in the EAC	0.0	0.0	0.0	65.3	34.7	4.79	1.291
Sharing tariff revenue has been applied in the EAC	0.0	5.3	0.0	57.9	36.8	4.64	1.216

On the single payment on duty has been established in the EAC member states 63.2% of respondents strongly agreed while 33.7 % agreed with mean of 4.08 with standard deviation 1.1158. On Removal of additional tariffs has been adopted in the EAC 34.7 % of respondents strongly agreed while 65.3% of respondents agreed with mean of 4.76 with standard deviation 1.291. On statement Sharing tariff revenue has been applied in the EAC 28.4% of respondents strongly agreed of respondents 57.9 % agreed while 5.3% of respondents disagreed with mean of 4.64 with standard deviation 1.216. Therefore, researcher concluded trade common market plays important role on cross border trade development in Rwanda

**4.4 Level of Cross Border Economic Development in Rwanda**

The result on EAC integration has improved the level of cross border economic development in EAC. The Likert-type scale was used to rate their responses on a 5– point scale ranging from 5 = Strongly Agree to 1 = Strongly Disagree

**Table 4: Respondents view Level of Cross Border Economic Development in Rwanda as an outcome of adopting the EAC integration**

<b>Level of Cross Border Economic Development in Rwanda as an outcome of adopting the EAC integration</b>	<b>Strongly disagree (1)</b>	<b>Disagree (2)</b>	<b>Moderate (3)</b>	<b>Agree (4)</b>	<b>Strongly Agree (5)</b>	<b>Mean</b>	<b>SD</b>
	%	%	%	%	%		
There is an increase number of import volume due to EAC integration hence cross border economic development in EAC	0.0	2.4	4.3	93.3	63.2	4.58	1.1406
There is an increase number of export Volume due to EAC integration hence cross border economic development in EAC	0.0	3.8	1.6	94.6	34.7	4.38	1.1168
Cost has been reduced due to EAC integration hence cross border economic development in EAC	0.8	6.4	0.3	92.5	0.0	3.93	1.230

The results reveal that there is an increase number of import volume due to EAC integration hence cross border economic development in EAC 93.3% strongly agreed 63.2 % agreed 2.4 % disagreed while 4.3% of respondents neither agreed nor disagreed with mean of 4.58 with standard deviation 1.1406. On statement that. There

is an increase number of export Volume due to EAC integration hence cross border economic development in EAC 3.8% of respondents neither agreed nor disagreed, 94.6% agree while 1.6% strongly agreed with mean of 4.38 with standard deviation 1.1168. On statement that Cost has been reduced due to EAC integration hence cross border economic development in EAC 6.4 % of respondents disagreed 0.3 % neither agreed nor disagreed, while 92.5% agree with mean of 3.93 with standard deviation 1.230. Therefore, researcher concluded there was increased level of Cross Border Economic Development in Rwanda as an outcome of adopting the EAC integration

#### 4.5 Inferential Statistic

This study assesses the evaluate the effect of East African Community integration process on cross-border economic development in Rwanda. In a more summarized way, reports OLS results for study as follows:

#### Correlation analysis

Pearson Correlation was applied to establish the relationship between East African Community integration process (Free trade, Custom union, Common market) and cross-border economic development in Rwanda.

**Table 5: Correlation analysis**

		<b>cross-border economic development in Rwanda</b>	<b>Custom union</b>	<b>Common market</b>	<b>Free trade</b>
<b>cross-border economic development in Rwanda</b>	Pearson Correlation	1			
	Sig. (2-tailed)	.000			
<b>Custom union</b>	Pearson Correlation	.335**	1		
	Sig. (2-tailed)	.000	0.00		
<b>Common market</b>	Pearson Correlation	0.163**	.364**	1	
	Sig. (2-tailed)	0.063	.570		
<b>Free trade</b>	Pearson Correlation	.360**	.989**	.321**	1
	Sig. (2-tailed)	.000	.000	.000	.000

The study aimed at establishing the relationship between independent variable (East African Community integration process) and dependent variable (cross-border economic development in Rwanda), the Pearson correlation model revealed that there was a positive strong correlation was found between Free trade, Custom union and common market. There was weak correlation between Custom union and cross-border economic development in Rwanda ( $r=.335^{**}$ ,  $p=0.000 < 0.01$ ), Free trade and cross-border economic development in Rwanda ( $r=0.360$ ,  $p=0.000 < 0.01$ ), weak positive correlation between Common market and cross-border economic development in Rwanda ( $r= 0.163^{**}$ ,  $p=0.063 > 0.01$ ). A positive strong correlation between Common market and Free trade ( $r=0.989^{**}$ ,  $p=0.000 < 0.01$ ), positive moderate correlation between Common market and Custom union ( $r=.364^{**}$ ,  $p=0.000 < 0.01$ ), positive moderate correlation between Common market and Custom union ( $r=0.570^{**}$ ,  $p=0.000 < 0.01$ ). (Table 4.11).



**Model Summary**

**Table 6 Model Summary**

**Model of Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816 <sup>a</sup>	.665	.657	.266

a. Predictors: (Constant), free trade, custom union, common market

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table, the value of adjusted R squared was 0.665, an indication that there was variation of 66.5% on the free trade, custom union, and common market at 95% confidence interval. This shows that 66.5% changes in cross-border economic development in Rwanda could be accounted for free trade, custom union, common market. R is the correlation coefficient which shows the relationship between the study variables. The findings show that there was a strong positive relationship between the study variables as shown by 0.816

**ANOVA<sup>a</sup>**  
**Table 7: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.751	4	5.750	81.539	.000 <sup>b</sup>
	Residual	14.457	139	.071		
	Total	43.208	143			

a. Dependent Variable: cross-border economic development in Rwanda

b. Predictors: (Constant), free trade, custom union, common market

From the ANOVA statistics in table above, the processed data, which is the population parameters, had a significance level of 0.05 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The model between East African Community integration process and cross-border economic development in Rwanda. Shows that model was significant since the p-value was less than 0.05 without the interaction term, F (4, 139) 81.539, p<.0018. The significance value was less than 0.05 an indication that the model was statistically significant.

**Multiple Regression Analysis**  
**Table 8: Multiple Regression Analysis**

	Beta	Std. Error	t-Stats	Sig.
(Constant)	1.076	0.333	3.233	0.001
Free trade	0.305	0.048	6.320	0.000
Custom union	0.482	0.046	10.436	0.000
Common market	0.183	0.037	4.953	0.000

a. *Dependent Variable: cross-border economic development in Rwanda*

Therefore, the equations used within the study in two variables, the researcher used regression model being illustrated

$$as; y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: cross-border economic development in Rwanda

$$= 1.076 + 0.305 \text{ Free trade} + 0.482 \text{ Custom union} + 0.183 \text{ Common markets}$$

From the above regression equation it was revealed that free trade, custom union, common market on are holding to a constant zero , cross-border economic development in Rwanda would stand at 1.076, a unit increase Free trade would lead to increase in cross-border economic development in Rwanda by a factor of 0.305, unit increase in Custom union would lead to increase in cross-border economic development in Rwanda by a factor of 0.482 , a unit increase in Common market would lead to increase in cross-border economic development in Rwanda by a factor of 0.183 . Table 4.7 further show the summary showed that Free trade (0.305,  $p < 0.05$ ); Custom union (0.482,  $p < 0.5$ ) and Common market (0.183,  $p < 0.05$ ) were all significant affecting the organizational performance.

**Hypothesis Testing**  
**Table 9:Hypothesis Testing**

Research Hypotheses	P-value	$\beta$ coefficient	Sig.	Decision on $H_0$
H <sub>01</sub> : There no statistically significant relationship between free trade East African and economic development in Rwanda	r=0.360	b=.305	Sig=0.01	Rejected
H <sub>02</sub> : There no statistically significant relationship between East African custom union and economic development in Rwanda	r=0.335	b=.0.482	Sig=0.00	Rejected
H <sub>03</sub> common market East African has no significant effect on cross-border Economic development in Rwanda;	r=0.163	b=.183	Sig=0.00	Rejected

**Dependent Variable: cross-border economic development in Rwanda**

## V. DISCUSSION OF THE RESEARCH FINDINGS

The first objective was to assess the effect of control environment on financial performance of The study felt that Free trade effect on cross-border economic development in Rwanda and it can be concluded that complete trade agreements on the removal of restrictions on trade encourage trade creation with member countries while lead to trade diversion with non-member states. Trade creation and diversion in the traditional, static welfare analysis. Free trade aimed at expanding trade, has been insufficient in optimizing the potential contribution of trade to cross-border trade development and reduce poverty. The present study concur with the findings from a research carried out by Firdaus (2011) on the effects of COMESA on manufacturing trade adopting dynamic general equilibrium model. The scholar discovered that FTA by COMESA member states including internal trade agreements with WTO, COMESA and ECOWAS may contribute to the cross-border trade development of members in general. Joining FTA lead to the expectation of GDP increase. Therefore, Rwanda could benefit from improved export as results of the accessibility to large market of other EAC member states.

The study found that Custom union affects cross-border economic development in Rwanda. It can be concluded that, custom union on Asian four tigers using a mixed method with a gravity model analysis, discovered that the FTA led to the promotion of foreign direct investment by establishing higher combined marketplace international companies. Custom union serves as an important channel through which trade affects economic growth. However, the present study did not contradict the observation done in research carried out by Pearson and Chaitezvi (2012) reiterates that a complicated trade procedures and strong regulatory requirements increase documentation processes required for trade transactions. However, insufficient customs and port-handling procedures, poor use of information technology and transit barriers feature as major aspects of TF, causing additional TTCs. Border transaction costs in South Asia can be as much as 50% higher than the developing countries of East Asia and the Pacific.

The study found that Common market affects cross-border economic development in Rwanda. It can be concluded that common market under customs valuation deals with the truth or accuracy of the good's declared value and is mainly inscribed in paragraph 8.3 of the Agreement on the Implementation of GATT Article VII and paragraph 12 of the Doha Ministerial Declaration. The present research is relevant since it concurs with the work of Renard (2011) who explains that the provisions on customs encapsulated in the agreement were planned to improve transparency. The agreements also need members to protect customs processes for exporting are relied on custom-to-business partnership adopted by the World Customs Organization (WCO).

## VI. CONCLUSION AND RECOMMENDATIONS

The study included Free trade, Custom union, Common market which helped in examining the cross-border economic development in Rwanda. The study concluded that, custom union on Asian four tigers using a mixed method with a gravity model analysis, discovered that the FTA led to the promotion of foreign direct investment by establishing higher combined marketplace international companies. The study concluded that common market under customs valuation deals with the truth or accuracy of the good's declared value and is mainly inscribed in paragraph 8.3 of the Agreement on the Implementation of GATT Article VII and paragraph 12 of the Doha Ministerial Declaration.

On Free trade, custom union should able to prevent the introduction of taxes between members that can possess impact of improving taxes to the high degree during the sign of a treaty establishing custom union. The cross border trade and immigration officials from the directorate of immigration and emigration as well as civil servants drawn from the line ministries should develop the coherent and synchronized of domestic economic regulations and strategies for the purpose of eliminating discrepancies and differences that are found in those regulations.

On East African customs union puts together all elements of free trade area and regulation protecting the freedom of movements of peoples and goods among partner countries, meanwhile it safeguard marketplace in the community from competitiveness of non-member countries. East African customs union should provide an opportunity for traders, both large multinationals and small and medium-sized enterprises (SMEs), to trade across Africa through a liberalized market for goods and services and create a single market for goods and services.

On East African common market, entrepreneurs involved in cross border trade and immigration officials from the directorate of immigration and emigration as well as civil servants drawn from the line ministries for instance the Ministry of East African, Ministry of Foreign Affairs and NGOs mandated with management of migration of persons should have Market specified that partner countries in the region would fortify economic cooperation, synchronization and bringing together all regulations and legal framework governing trades in the region.

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