Burundian's Balance of Trade in Deficit: Introduction of a New Industrial Plant of Stevia as Positive Impact

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Abstract— The Burundian's balance of trade is always in deficit. The exportation level is always lower by its importation. This is the one major indicator can evaluate the life quality of population in particular and the economic level of the country in general. In commerce, the balance of trade is used to express the difference between the value of exports from, and imports into the country. The balance of trade can be favourable when the value of the exports exceeded that of the imports, and be unfavourable when the value of the imports exceeded that of the exports. In case of Burundi, introducing the new industrial cultivation "STEVIA" will increase the surplus of the production in order to change the situation and its balance of trade as positive. This paper contributes to the evaluation relating to the Burundian's balance of trade from 2010 to 2015 and analyses the impact of Stevia on its balance after introduction.

Key words: Balance of Trade, Exportation and Importation, Stevia

I. INTRODUCTION

The balance of trade is one of the main misunderstood indicators of the United States of Economic. For many people believe that a trade deficit is bad thing when is relative to the business cycle economy. In period of recession, many countries need to export more, creating employment and demand. while, in period of expansion, many countries need also to import more, providing price competition which can limit the inflation, using lower price, and providing goods beyond the economy's ability to meet supply.

The evaluation of the balance of trade is the most important for the manager to know the situation relating the level of exportation and its importation. One hand, it helps him to know the difference between exportation and importation like net exports. Other hand, it helps to know both the deficit and the surplus.

The evaluation of the balance of trade helps in decision making in order to change the strategy and provide an answer to whether the project should be carried out from the perspective of society as a whole in association with other project which can contribute to social welfare. In short, economic evaluation is like a value added to the manager and take the appropriate decision on society.

A. Objectives of research

- To evaluate the Burundian's balance of trade from 2010-2015
- To study about the new product STEVIA.
- To stimulate the responsible of management to take an appropriate decision.

II. LITERATURE REVIEW

Bernard (2011) Import Substitution and Export Promotion, for him, the poor countries in order to enhance their growth turn to import substitution or export promotion as their strategy for industrialization:

- Import substitution means that developing countries rather than importing the basic goods they require start setting up industries to manufacture them locally.

The following requirements should be fulfilled:

- The government provide protectionism to the local industries.
- As far as the theory goes, the import substitution provides some leeway for the infant industries to develop and be able to compete with the international industries in the future.

In reality, according to Bagwati the results are opposite to the expected. The lack of competition decreases the quality of good's production and also provides no incentive for growth.

- The other developmental strategy is the export promoting strategy. This strategy involves poor countries crafting their industry development in such a way as to the foreign country's needs means for export purposes. Here also the following requirements should be fulfilled:
- The countries try to build on to and enhance the industry infrastructure which is already setup in place and in sync with the export demand requirements.
- This strategy revolves around the promotion of free trade.

Bagwati highlights Stolper-Samuelson's argument in support of this export promotion strategy in saying that "free trade should help in the reduction of poverty in poor countries which use their comparative advantage to export labor-intensive goods" (Bhagwati, 2002).

Export promotion is directed towards development of those industries which can potentially compete in the international markets. Therefore as far as the theory goes, if a there is excess of human capital, and the country develops that human capital, according to Bagwati (2002), it can eventually lead to decrease in poverty by reducing unemployment. He points also toIndiaandChinaasfor the prime example of the success of such a strategy.

Year	Importations % USD	Exportations %, USD	Balance Of Trade % USD
2010	21.6	5.0	-16.6
2011	24.4	5.5	-18.9
2012	20.5	4.3	-16.2

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2013	22.9	5.5	-17.5
2014*	19.7	4.1	-15.5
2015**	18.7	3.9	-14.8

Table 1: Evolution of balance of trade of goods and services in %, USD2010-2015

*: Estimations
**: Previsions

Fig. 1: Evolution of balance of trade of goods and services in %, USD 2010-2015

1) Observation:

The evaluation of balance of trade from 2010 to 2015 provides the following observations:

- For each year the importation of goods and services in **% USD** are more than the exportation.
- All period of the study 2010-2015 the balance of trade is negative with average of the -16.6**% USD.**

B. Plant of Stevia in the World

Stevia is industrial product and was first discovered by the natives of Paraguay more than a thousand years ago. It was initially used as a natural sweetener, making their medical potions and bitter tea quite palatable. This product became a widely used product to sweeten not only bitter tea but different kinds of food and drinks as well. Stevia can be used just like sugar or any other artificial sweetener, helping to sweeten a cup of coffee or tea. It can also be used in the production of ice cream, soft drinks, bread, and more. In addition, this sweet plant can be found in many households, being used in everyday cooking and baking. Its steady popularity as a sweetener is not only due to its sweetening property but also because of the health benefits of stevia. Stevia has been approved as a sweetener agent in some countries like Japan, China and Brazil. In fact, it is regularly used in food preparation and pharmaceutical products in Korea, Japan, China, and the Pacific Rim countries. In Japan only, an estimated 50 tons of stevioside is consumed annually.

Fig. 1: Example of Garden of Stevia

1) Manufacturer Benefits:

- Reliable, high purity and Economic pricing - allows for cost efficiencies.
- Scalable supply - available in large quantities to satisfy global demand.
- Produced through a sustainable supply chain.
- Viable complement to other natural sweeteners - product formulation is both natural and reduced calorie.

C. Four Characteristics in All Mass Volume Sweeteners:

- Economic pricing
- Great taste
- Scalable Supply
- Sustainable supply

Stevia fulfils these four criteria and has the value - added of contributing no calories to food and beverage and has a near zero glycemic index, making it safe for diabetics. Also, stevia has the benefit of having excellent application synergies with sugar and corn as well as well as cost advantages that can offset sugar and corn sweetener input costs. In addition the new blending approaches being used to mix stevia with sugar and corn sweetener to produce reduced calorie products overcomes negative taste profiles.

D. Consumer Benefits:

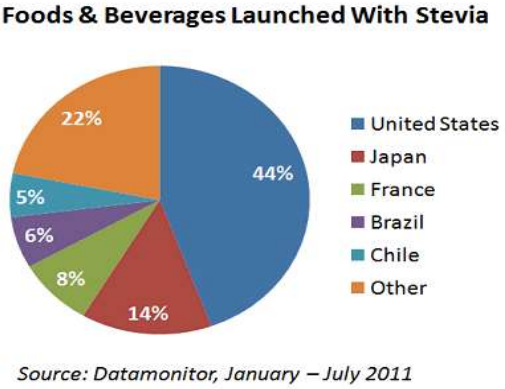
- Great taste
- Natural
- No calories
- No carbohydrates
- Near Zero glycemic load - safe for diabetics

This sweet plant is containing substantial amounts of Protein, Calcium, Phosphorous, Sodium, Magnesium, Zinc, Rutin, Vitamin A, Vitamin C, and other nutrients, yet has no caloric value.

As well as looking to address the growing health concerns of consumers, food and beverage producers are continually seeking for efficient and effective solutions to offset commodity price increases of previous years.

Sr.No	States	Foods And Beverages Launched With Stevia
1	United state	44
2	Japan	14
3	France	8
4	Brazil	6
5	Chile	5
6	Other	22

Table 2: Foods and Beverages Launched With Stevia



Source: Datamonitor, January – July 2011

Fig. 3: Food and Beverages Launched with Stevia

III. REGULATION AND COMMERCIASATION OF STEVIA

A. Regulation of Stevia

Regulatory approval in the European Union and granted in November 2011 has set the stage for stevia use to explode on the other side of the Atlantic in 2012 and beyond. Asia-Pacific, where the ingredient has been used as a sweetener may be in some regions for decades, has the largest market share for stevia at 35.7%, followed by North America at 30% and South America 24.3%. From time to time Africa began to produce that product.

B. Commerciasation of Stevia

The rapid growth of demand for stevia sweeteners is also in lockstep with a looming shortfall in sugar supply.
In this case, driven largely by increasing demand in India and China, the price of sugar price rose from about $0.10 per lb. to more than $0.60 per lb. over the last 10 years. Global sugar consumption is forecast to rise by more than 50% to nearly 260 million tons by 2030. The World Health Organization (WHO) has estimated that stevia could eventually replace 20%-30% of the global dietary sweetener intake.

C. Stevia's Popularity in the World

Food consultancy Zenith International reports that stevia products saw a 27% increase in worldwide volume sales in 2010 over 2009, taking its overall market value to US$285 million. According to market research firm Mintel's Global New Product Database (GNPD), from mid-2009 to mid-2010, new product launches using stevia extracts increased by 200%, with products launched in 35 countries – 237 new products in the first half of 2010 alone. Mintel values the natural sweetener product market at US $763 million in 2010, with the stevia market alone at $670 million. A leading stevia manufacturer has projected that stevia will penetrate 20% to 25% of the US$60 billion global sugar/ sweetener market.

D. New Project of Stevia in Burundi

STEVICO is the first company started the process to multiply the plant of stevia in Burundi. This company is in narrow collaboration with other company named KingBoon International LTD located in China. The own company had invested in cultivation of stevia for769, 230.77 Million of USD and 19 billion of USD on construction of the big industry of transformation and other activities.
The main objectives of STEVICO are:

- To increase the production at high level locally.
- To be efficient and effectiveness in process of production.
- To export the stevia's product in host countries(devise).
- To support other cultivations available in Burundi.
- To ameliorate the quality of life of Burundians' people.
- To decrease in poverty by reducing unemployment.
- To help Burundian's government in equilibrium of the balance of trade.

The particularity advantages of STEVICO in Burundi:

- Market expansion: with globalisation Burundi is integrated and can operate in different countries.
- Adaptation of Stevia: Stevia's product can be cultivated easily in Burundi at 15 degree and 30 degree of temperature.
- The geographical area of East African Community located Burundi most of the types of plant as stevia like that region such as tea, coffee, and others ingredients.
- Utilisation of production: this company can reduce price of product in order to gain more competitive advantage.
- The availability of land.
- The availability of labour(more than 80% are famers).
- Enough natural organic (from cows) for fertilisation.
- In general, there are 3 seasons of cultural (A,B,C) for each year but the harvest time of stevia's product is less than 3 months means that can be cultivate more than 5 terms for one year.
- The rain is available for 9 months per year.

E. Change the strategy with export demand requirements

Export promotion is directed towards development of those industries which can potentially compete in the international markets. According to Bagwati (2002), it can eventually lead to decrease in poverty by reducing unemployment.

F. Impact of Stevia Product on Burundian's Balance of Trade

In reference of Food consultancy Zenith International reports that stevia products saw a 27% increase in worldwide volume sales in 2010 over 2009, taking its overall market value to US$285 million. To estimate the Burundian's balance of trade the following conditions are such as:

- To estimate the new alternative of balance of trade refers to the last database for the period of time2010-2015.
- To increase 25% of exportation in reference of Food consultancy Zenith International reports that stevia products saw a 27% increase in worldwide volume sales in 2010 over 2009 after deducting 2% of USD $ as total inflation per year.
- To increase the exportations of stevia at 25% USD and maintain the existing importations (are still constants) in reference of database 2010-2015
- To increase exportations considerably and discourage importations.

Table 1: Evolution of balance of trade of goods and services in % USD

Year	IMPORTATIONS %USD	EXPORTATIONS % USD	BALANCE OFTRADE % USD
2010	21.6	30	8.4
2011	24.4	30.5	6.1
2012	20.5	29.3	8.8
2013	22.9	30.5	7.6
2014 *	19.7	29.1	9.4

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2015 **	18.7	28.9	10.2

Fig. 1: Evolution of balance of trade of goods and services in % USD 2010-2015

1) Observation:

The alternative evaluation of balance of trade from 2010 to 2015 provides the following observations:

- For each year the exportation in**% USD** are more than the exportations.
- All period of the study 2010-2015 the balance of trade is positive with average of the 8.41**% USD.**
- The exportations are courageous and importations uncourageous.

IV. Conclusions

This research focuses on an evaluation of Burundian's balance of trade as developing country by using 2 alternatives strategies like:

One alternative is Import Substitution and Second alternative is Export Promotion.

Followings are the conclusion of the research:

For the first alternative Import substitution shows that:

- In Burundi the importations of goods and services are more than its exportations from 2010-2015.
- The balance of trade is in deficit (-16.6 % USD average) in all period of time2010-2015.
- The negative balance of trade indicates the bad things for some people and its show the level of quality of life.
- According to Bagwati (2002), the results are opposite to the expected.
- The lack of competition decreases the quality of good's production and also provides no incentive for growth.

For the second alternative Export Promotion shows that:

- The introduction of stevia in Burundi will change considerably the behaviour of management.
- The introduction of stevia reverse(opposite to) the first alternative import substitution.
- The exportations of goods and services are more than its importations from 2010-2015.
- The balance of trade is in positive (8.41 % USD average) in all period of time2010-2015.
- The positive balance of trade indicates the good situation and high level of economy development.
- Also, if a there is excess of human capital, and the country develops that human capital, according to Bagwati (2002),it can eventually lead to decrease in poverty by reducing unemployment.

The government of BURUNDI should adopt and encourage the second alternative which prime to the first alternative in this way:

- To be helpful by supporting STEVICO and others famers in different facilities in order to increase the production of stevia.
- To limit the importations and to increase the exportations both considerably.
- To enhance the goods and service for supporting others existing for exportation.

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