



## Factors Affecting Democratic Republic of the Congo Exports

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### Abstract

This paper investigates the factors that affect Democratic Republic of the Congo's bilateral export flows to its main trading partners. Based on data and other information from trusted sources such as World bank, World Trade Organization and International Trade Centre that have been used to estimate Congo's exports through annual data covering the period 2014 to 2018 with its main trading partners.

**Keywords:** International Trade; Factors; Analysis; Exports; Democratic Republic of the Congo; World Bank; International Trade Centre.

### 1. Introduction

Exports of goods and services represent one of the most important sources of foreign exchange income that ease the pressure on the balance of payments and create employment opportunities. Export trade is crucial to meet the "foreign exchange gap", to increase the import capacity of the country concerned and to reduce dependence on foreign aid. Exports can increase intra-industry trade, help the country to integrate in the world economy and reduce the impact of external shocks on the domestic economy. Experiences of Asian and Latin American economies provide good examples of the importance of the export sector to economic growth and development, which led economists to stress the vital role of exports as the engine of economic growth. The Democratic Republic of Congo is widely considered to be the richest country in the world regarding natural resources; its untapped deposits of raw minerals are estimated to be worth in excess of U.S. \$24 trillion. Since around mid-1980s, the Congolese economy have been experiencing very serious difficulties. The Congolese economy was one of the least competitive economies in Africa. In 2006, according to the World Bank, it ranked the country 178th, the last place on the list of countries in the world considered by their ability to offer real facilities to do business. But as few years passed, and that the country is trying to recover, it was the 94<sup>th</sup> largest export economy in the world. In 2017, the country exported \$7.23B and imported \$4.64B, resulting in a positive trade balance of \$2.59B. the GDP of the Democratic Republic of the Congo was \$37.6B and its GDP per capita was \$887 in the same year. It was 88<sup>th</sup> in exports in 2018 with a value of \$9B. The Democratic Republic of Congo is the largest country of Central Africa in terms of size. The country is rich of natural resources such as diamonds, copper, gold and oil, which it exports in large quantities. The country also produces wood products and coffee for exportation towards its main partners such as China, Zambia, South Korea, Finland and Belgium. However, despite its large potential, Congo DRC is classified as the least developed country according to UNDP's Human Development Index partly due to a long period of instability. the DRC emerged from the economic recession triggered by the decline in the global prices of its main export commodities between 2015 and mid-2017. (World Bank). Also according to the world Bank, economy of the country continued to expand, growing at a rate of 4.1% in 2018, up from 3.7% in 2017 and 2.4% in 2016. Which is the country's weakest performance since 2001. This economic rebound was largely driven by the recovery in mining activity and strong world copper and cobalt prices, following an upturn in global demand for these products.

## 2. Review of Literature

While Countries continue to strive to achieve high economy growth, there have been some concerns in recent years about the economy of the Democratic Republic of the Congo due to the country's lack of production of products that they need to export to increase the country's economy and most of the country's trade barriers result from complex regulations, multiplicity of overlapping administrative agencies and a frequent lack of capacity and control by the country's officials who are responsible for regulatory enforcement. Several researches have tried to analyze the Congo's international trade and find out problems that need to be resolved to increase the country's exports and its economy growth. An article published in 2017 by the website [export.gov](http://export.gov) mentions that one of the Democratic Republic of the Congo's problem to export is their regulation system. The DRC got number of agencies with legal authority in trade matters, but required signatures are often difficult to obtain. Complex regulations and poorly codified. According to a report published by the World Trade Organization secretariat (2016), the DRC faces enormous development challenges, such as its heavy dependence on the mining sector, the need to upgrade its poor infrastructure, also its governance problems including the public finance management system, and even the weakness of their human development indicators. Unfortunately, these problems have not been resolved much and the country economy growth is not significant, especially with the increase of their population. The WTO also reports that the DRC's tariff structure has not changed much since the country's first TPR (Temporary Price Reductions). Overall, the tariff shows an inconsiderable positive escalation from raw materials, semi-finished products and undeniably positive towards finished products.

## 3. Methodology

### 3.1 Overview of Study Location

The Democratic Republic of the Congo was selected as a useful case of study purposefully. The Democratic Republic of the Congo is a central African country. The country has a total land of 10,481km. Neighboring countries include Angola, Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia. According to the World Bank, the country population is of 81.34 million (2017). One of the reason why the DRC serves as an ideal case of this study is that the country is extremely rich in natural resources but has an unstable and slowly growing economy due to reasons such as lack of infrastructure, issues with corruption, and exploitation with little holistic development.

### 3.2 Data Collection and Analysis

Data of exports and factors influencing trade flows between Democratic Republic of the Congo and its trade partners is in the form of graphs, obtained from International Trade Centre (ITC), International Monetary Fund (IMF) and World Bank (WB) through the 5year duration from 2014 to 2018.

### 3.3 Title and Authors

The title (Times Roman font 18-point) and 12-points of white space between the Title and Authors' names (Times Roman font 14-point) and affiliations (Times Roman font 12-point) and 12-points of white space below the affiliation, before the abstract. 6 point white space after keywords. All of these elements run across the full width of the page – one column wide. See the top of this page for three addresses.

## 4. Data Analysis

### 4.1 Analysis Process

Two graphs from International Trade Centre (ITC) official site were used to help us to analyze the state of the Democratic Republic of the Congo's exports of products, and figure out products that are performing well in the world market or products that are contributing to DRC's export values and those that are not performing so well in the last 5 years. The graphs also show the average annual growth of the world imports or the international demand for the products clusters. This analysis should be able to help us find strategy to maximize the production of products that DRC need to export and grow its economy. Find out what needs to be done and fixed for the good of the country and its economy growth. The analysis is also done with the help of some of the reports done by organizations such as World Bank and World Trade International.

### 4.2 Analysis.

As mentioned before, these analyses are made from graphs and data from International Trade Centre, reports from World Trade Organization and World bank. These graphs and also a table will be described as figures.

The value exported by DR Congo in 2018 is around 11B US dollars (see figure 1). Also from the table, we can see that DR Congo exports exceeded its imports because the trade balance of 2018 is a positive figure of 4B US dollars. The exports have been increasing with an average annual positive growth rate of 9% in the last five years and with a recent annual positive growth rate of 36% between 2017-2018. Both growth rates refer to exports in value terms. Moreover, we can observe that DR Congo is a small actor in world trade with a market share of around 0.1%. This translates to number 88 in the ranking of the largest exporters to the world. The two last columns indicate that average distance of the importing partners for The Congo is about 8,250km; And the concentration of importing country is 0.29; Meaning, many importers are from the country region and not concentrated.

HS4	Code	Product label	Value exported in 2018 (USD thousand)	Trade balance 2018 (USD thousand)	Annual growth in value between 2014-2018 (% p.a.)	Annual growth in value between 2017-2018 (% p.a.)	Annual growth of world imports between 2014-2018 (% p.a.)	Share in world exports (%)	Ranking in world exports	Average distance of importing countries (km)	Concentration of importing countries
TOTAL		All products	11,068,917	4,074,070	9	36	2	0.1	88	8,250	0.29

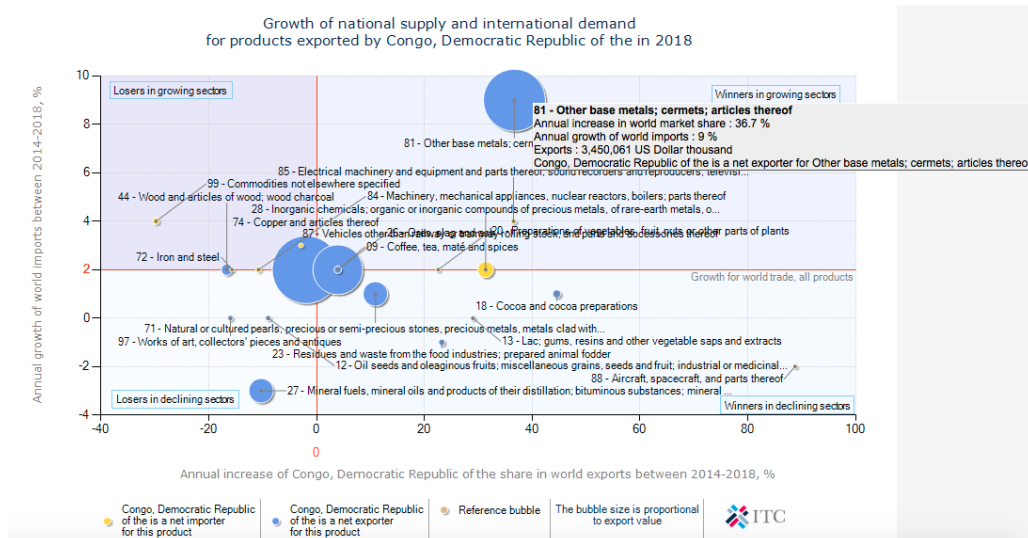
**Fig 1: Value exported by DR Congo in 2018**  
(Sources: ITC, 2018 )

Products particularly contribute to DR Congo’s export values (see figure 2). The size of national supply is represented on the horizontal axis by the percentage world market share of Congo in 2018. The market shares refer to product clusters at the 2- digits-level, which can be seen in the labels of the bubbles. The vertical axis represents the average annual growth of world imports or the “international demand” for the product clusters in the last five years. The size of the bubble indicates how large Congolese exports have been in the recent year. The color shows if Congo has lost or won world market share for the product chapter. The bubble graph contains a lot of information, more precisely four variables, in one single two-dimensional diagram. What immediately catches the eye when comparing the different bubbles is the one on the very right-hand side of the graph, thus, the one with the highest world market share. The bubble belongs to the product 81; other base metals, cermet and articles thereof. DR Congo’s export of this cluster covers 15.22% of international import demand, representing Absolut export value of 3.4B US Dollars. The vertical position of the bubble shows that the international demand for this product cluster has increased in the past 5 years. Congo’s exports of the products with HS-code 81 has increased at 9% in the same period of time. The blue color of the bubble states that Congo’s world market share for the cluster has increased.

Most of the bubbles are located on the left-hand side of the graph, representing **small** world market shares. The two biggest bubbles among the left-hand side ones are those for the product clusters HS-code 74, copper and articles thereof and 26, ores, slag and ash. The bubble for product cluster 26 is blue, meaning Congo has been gaining world market share for this cluster. From this descriptive analysis, we could see that The Democratic Republic of the Congo is increasingly exporting other base metals, cermets at a normal pace than the world demand for the product. This could represent that Congo might be facing competitors in this product segment.



**Fig 2: Products contributing to DR Congo export value**



**Fig 3: Boston Box**

Figure 3 is a so called “Boston Box” or “Growth-share matrix” which allows to compare the Congolese export performance for certain products compared with growth in world demand for these products. This graph is similar to the previous one; but while the size of the bubbles still is proportional to the export value, their color now shows whether DR Congo is a net exporter or importer according to each product chapter. Now the horizontal axis describes the annual increase of Congo share in world export between 2014-2018 in percent. The vertical axis represents the average annual growth of world imports for the products clusters in the last five years.

Moreover, in parallel to the black axis, we can now see two red axis that have been intersection in the point 0,2. The vertical red axis divides the chart area into two sections: the one in the left-hand side represents the products where Democratic republic of the Congo has been losing market share; and the right-hand section contains bubbles which DR Congo has been gaining market share in the past 5 years.

The horizontal red axis indicates the average annual growth of world imports in value in the last 5 years for all products, in this case 2%. It subdivides the chart area again with the upper part, we find the sector with products for which world imports growth faster than 2% average across all products. These are “growing sectors” relative to

world trade. The lower part comprises products for which world imports shrink or grow too little in absolute terms or relatively, compared to the 2% world average growth rate across all products. These are declining sectors. Export revenues derived from products in this quadrant are potentially at risk over the long term.

The intersection of both axes thus yield four products classification:

- Losers in growing sectors, at the upper left- hand side which can also be nominated as “missed opportunities” because the country has failed to retain or grow its market share in the context of growing international demand.
- Winners in growing sectors, at the upper right-hand side; This is the ideal place to be situated in terms of export portfolio.
- Winners in declining sectors, situated at the lower right of the graph. Here, the country has been gaining market share in relatively stagnant or declining sectors.
- Losers in declining sectors, at the lower left- hand side.

## 5. Conclusion

All the conclusions and strategies drawn here are only based on the information available in the graph. Despite the fact that the bubble graph contains a relatively large amount of information, there can be many other important factors that are not included here; for example, the improvement of a country’s competitiveness in a certain product cluster.

The fact that one of the largest bubble for the Congolese exports is located in the “losers in declining sectors” section shows that Congo needs to diversify its exports. As this product (HS-code 74) is stagnating in absolute terms and having little growth compared to total world trade, it might be a good approach to rather strengthen the production of clusters where the world market is growing. That means to broaden the supply capacity of product chapters which are located in the “winners in growing sectors” section. For example, the products HS-code 81 which has experienced an increasing of world demand of 9%. Strengthening this sector is another strategy of shifting export supply from less dynamic to more dynamic sectors.

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