Democratic Republic of Congo Trade Brief

Trade Policy

At 12 percent, the Democratic Republic of Congo's average MFN applied tariff is in line with that of an average country in Sub-Saharan Africa (SSA) (12.5 percent) or an average low-income country (12.7 percent). Based on the MFN applied tariff it ranks 133rd out of 181 countries, where 1st is least restrictive. Tariff protection for agricultural products is slightly higher than for non-agricultural products (12.8 percent versus 11.9 percent). The Democratic Republic of Congo's average MFN applied tariff has remained stable over the past few years at 12 percent. The country's maximum MFN applied tariff (excluding alcohol and tobacco) is 30 percent. As of 2007, its trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), was 7.4 percent. Regarding its commitment to liberalizing services trade, it ranks 88th (out of 148) on the GATS Commitments Index.

To mitigate the impact of increasing global food prices in 2008, the government reduced import taxes.

External Environment

The Democratic Republic of Congo's exports faces lower barriers to international markets than its SSA and low-income comparators, reflected by a weighted average rest of the world tariff of only 0.2 percent. Although the country's agricultural exports face a tariff of 4.8 percent, its non-agricultural exports, mainly composed of diamonds, cobalt and oil, face a much lower tariff of 0.1 percent. The Congolese franc depreciated by 0.8 percent in real, trade-weighted terms in 2008, making the country's exports more competitive.

As negotiations between the EU and the Central Africa group, to which the country belongs, towards a full Economic Partnership Agreement (EPA) could not be completed prior to the December 2007 deadline, the preferences under the Cotonou Agreement elapsed. The Democratic Republic of Congo, however, maintains a similar level of preferences to the EU market under the "Everything But Arms" (EBA) initiative for least developed countries. It continues to negotiate an EPA with the EU as part of the Central Africa group. The country is also a member of the Common Market for Eastern and Southern Africa (COMESA) which established a customs union in June 2009 and plans to fully implement it by 2012. Further improving the country's market access, the 15-member Southern African Development Community (SADC), to which it belongs, launched a free trade area in August 2008, expanding the country's access to the markets of the other member states.

Behind the Border Constraints

With the Democratic Republic of Congo's business climate left fragile by years of conflict, its Ease of Doing Business rank was among the lowest in both 2008 and 2009, 182nd out of 183 countries. A measure of the extent of trade facilitation in the country, its rank in the Trading Across Borders category is 165th. The country has relatively high costs of exporting and importing and slow processing times, making it less conducive to trade than its comparators. The average cost of exporting or importing is over US$2,450 per container, well above the average for the SSA region.

Trade Outcomes

Real (in constant 2000 U.S. dollars) trade growth slowed to 5.7 percent in 2008, compared to 9.4 percent in 2007, and is expected to turn negative in 2009, with trade falling by 4.7 percent. Import growth decelerated from 9.2 percent in 2007 to 5.7 percent in 2008. Exports were also hurt by poor performance in the mining sector, the country's main export sector, as diamond production fell due to depleted deposits, and

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Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/wti.

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many cobalt and copper mining companies suspended or scaled back production in response to falling global prices. Exports ended up growing at the same rate of 5.7 percent as imports in 2008, compared to the much higher rate of 9.9 percent in 2007. Both imports and exports are expected to register negative growth rates in 2009, with imports falling by 4.1 percent and exports by 5.7 percent.

In nominal terms, trade growth accelerated from 20.6 percent in 2007 to an estimated 28.9 percent in 2008. Imports in particular exhibited an estimated high growth rate of 39.9 percent in 2008, compared to 22.2 percent in 2007, outpacing export growth which was an estimated 14.3 percent, down from 18.6 percent the previous year. Services export growth underwent a sharp deceleration from 22.3 percent in 2007 to an estimated 8.7 percent in 2008 and is expected to fall further to 2.3 percent in 2009. Goods export growth, on the other hand, experienced a less steep decline, going from 18.3 percent in 2007 to an estimated 14.8 percent in 2008. Goods exports are however expected to perform worse than services exports in 2009, plummeting by a projected 29.1 percent. FDI inflows to the country in 2008 were 33.1 percent of exports.

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