<table>
<thead>
<tr>
<th>JOURNAL</th>
<th>International Journal of Innovative Technologies in Social Science</th>
</tr>
</thead>
<tbody>
<tr>
<td>p-ISSN</td>
<td>2544-9338</td>
</tr>
<tr>
<td>e-ISSN</td>
<td>2544-9435</td>
</tr>
<tr>
<td>PUBLISHER</td>
<td>RS Global Sp. z O.O., Poland</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE TITLE</th>
<th>ADMISSION OF DEMOCRATIC REPUBLIC OF CONGO (DRC) IN THE EAST AFRICAN COMMUNITY (EAC): ARE THERE OPPORTUNITIES FOR KENYA?</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUTHOR(S)</td>
<td>Moses Mugwe. (2022) Admission of Democratic Republic of Congo (DRC) in the East African Community (EAC): Are There Opportunities for Kenya?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DOI</td>
<td><a href="https://doi.org/10.31435/rsglobal_ijitss/30092022/7870">https://doi.org/10.31435/rsglobal_ijitss/30092022/7870</a></td>
</tr>
<tr>
<td>RECEIVED</td>
<td>18 July 2022</td>
</tr>
<tr>
<td>ACCEPTED</td>
<td>21 September 2022</td>
</tr>
<tr>
<td>PUBLISHED</td>
<td>30 September 2022</td>
</tr>
</tbody>
</table>

| LICENSE                  | This work is licensed under a Creative Commons Attribution 4.0 International License.                                           |

© The author(s) 2022. This publication is an open access article.
ADMISSION OF DEMOCRATIC REPUBLIC OF CONGO (DRC) IN THE EAST AFRICAN COMMUNITY (EAC): ARE THERE OPPORTUNITIES FOR KENYA?

Moses Mugwe
Ph.D. Candidate, Jomo Kenyatta University of Agriculture and Technology, Kenya

DOI: https://doi.org/10.31435/rsglobal_ijitss/30092022/7870

ARTICLE INFO
Received 18 July 2022
Accepted 21 September 2022
Published 30 September 2022

ABSTRACT
Many countries across the globe are adopting regional economic integration as a strategy towards speeding economic growth and developing. Through these integrations, there has been a surge in regional economic blocks, which have served to expand the market for many countries and open others to more robust trading activities and international business. East African Community has also been expanding its membership from three-member states to seven member states. This expansion has been aimed at enhancing the effectiveness of the integration and making the community more comprehensive for the benefit of member countries. The inclusion of Democratic Republic of Congo as the seventh member country was recently concluded, and this has been viewed in varied dimensions. However, there has been a debate on whether the inclusion of DRC will enhance the benefits by the member countries or not. This paper therefore, sought to establish the opportunities for international business that the EAC member countries are likely to gain out of the inclusion of DRC. The study singled out Kenya, as the largest economy in the community and at the centre of the admission of DRC into the EAC. An empirical approach was adopted where key reports, existing literature and reviews have been reviewed to come up with the findings and discussions. The results have portrayed that inclusion of DRC into the EAC increases the community’s market by over 89 million consumers, while opening the EAC to the Pacific Ocean. Kenyan multinationals have also been steadfast in investing in DRC upon the admission of the country into DRC. The results have showed that while the regional economic integration may come up with a share of problems from member countries especially the unstable countries, it also opens opportunities for the established economies to invest in such economies for continued economic growth and development. It is recommended that both DRC and Kenyan governments lays out more trade facilitation policies and strategies in order to encourage international trade between the two countries and across the EAC region.

KEYWORDS
Regional Economic Integration, Democratic Republic of Congo, East African Community, International Trade.

1. Introduction.
Background of the Study.
Democratic Republic of Congo (DRC) is a country located at the central Africa and one of the poorest countries in the World despite having copious resources. With a population of over 89.5 million, the country has a population growth rate of 3.2%, which is the highest population growth rate in the world. According to the World Bank, the country is expected to have a population of over 100 million by 2024. The country has a land mass of 2,267,050 km² and it is believed to be one of the countries with a vast mineral deposit in the continent. The country borders Tanzania, Rwanda, Burundi, Uganda and South Sudan all which are East African member countries.
In January 2022, DRC officially started its application and negotiations to join the East African Community (EAC), upon which the council of ministers comprising of EAC ministers in the six (6) member countries was assigned the duty to follow up and ensure that the country met the requirements for joining the community. In March 2022, the heads of state from the six (6) member countries of EAC approved the DRC’s application to join EAC, and this marked the beginning of the journey to integrate DRC as the seventh EAC member country. The admission of DRC into the EAC means that the region is more integrated for socio-economic and political benefits.

**Why Regional Integration?**

An important motivation behind regional integration and trading arrangements has involved the prospect of enhanced economic growth and increased welfare. Integration facilitates the expansion of the regional market, which allows member countries to exploit the resulting economies of scale. Integration also fosters specialization, learning by doing, and can help attract foreign investment. It also allows the achievement of non-economic objectives such as promoting regional security, facilitating immigration flows and solidifying domestic economic reforms. As is made clear in standard international economics textbooks (Mbithe, 2015), there are five types (or stages) of economic integration: preferential trading arrangements (PTA), free-trade area (FTA), customs union, common market and economic union.

Members of a PTA agree to lower trade barriers for member countries, while maintaining those barriers for non-members. A free trade area is an association of trading nations whose members agree to remove all tariff and non-tariff barriers among themselves. However, each member maintains the ability to set its own trade restrictions against countries outside the agreement zone. An example of such an arrangement is the North American Free Trade Agreement (NAFTA), which consists of Canada, Mexico and United States.

Members of a customs union agree to remove all tariff and non-tariff barriers among themselves. In addition, they maintain a common external tariff (CET) on trade with nonmembers. A common market is a more complete stage of integration in that it allows for free movement of goods and services among member nations, free movement of the factors of production across borders within the bloc. In addition, members of a common market maintain common external trade restrictions against nonmembers. The European Union is an example of a common market. Beyond this stage economic integration could evolve into an economic union. At this stage, member nations agree to harmonize their national, social, taxation and fiscal policies and let these be administered by a supranational institution. The economic union could also involve a monetary union dimension (the ultimate degree of economic union), at which point members agree to unify their national monetary policies and to accept a common currency administered by a supranational monetary authority. The European Economic and Monetary Union and the West African Economic and Monetary Union (WAEMU) are examples of such a union.

**Overview of DRC.**

DRC relies heavily on extractives as growth drivers, which contributed 1.9 percentage points to growth in 2020. The country’s high product and market concentration - copper and cobalt constitute over 80 percent of exports while China absorbs 40 percent of exports - renders it vulnerable to commodity price volatility and export partners’ demand. With huge untapped potential in agriculture, DRC is a net food importer, which reduces fiscal and foreign exchange buffers and contributes to food insecurity. Major structural constraints lead to an under-developed service sector. Improving the business environment and narrowing the infrastructure gap are needed to achieve economic diversification. Political uncertainty, a legacy of DRC’s period of political unrest, continues to weigh on growth. Consensus is key to advance structural reforms and attract investors. Additionally, fiscal policy has limited scope as expenditure-led adjustments could further jeopardize long-term growth prospects and pro-poor spending. Therefore, improving domestic revenue mobilization to sustainably widen fiscal space is crucial.

Economic growth of DRC decelerated to 0.8 percent in 2020 from 4.4 percent in 2019 as non-mining sectors contracted by 1.6 percent (2019: 5.7 percent growth) due to mobility restrictions, weaker trading activities and constrained government spending. Private consumption and government investment fell in 2020 by 1.0 and 10.2 percent, respectively. The extractives sector in contrast grew 6.9 percent in 2020 (2019: 1 percent), helped by China’s robust demand, the containment of workers on mining sites and a recovery in commodity prices. Copper and cobalt output rose by 12.7 and 11.4 percent, respectively.
**History of Instability in DRC.**

DRC is one of the countries according to United Nations Security Council (UNSC) that have been war-torn with massive killings and violation of human rights over the recent past. The civil war in the country broke in 1996 after the 1994 Rwanda Genocide. The war led to displacement of more than 2 million people and more than 3 million deaths in a span of less than 5 years. Studies have reported high violation of human rights during the DRC civil war where children were recruited to the military and others forced in early marriages as well as subjected to hard labor. According to a WHO report, the deaths during the civil wars in the country were mainly caused by human rights violation where starvation and diseases rose to the highest level. In the year 2003, the war was called off after the signing of a peace treaty. However, despite the peace treaty and the efforts to restore the normal situation in the country, civil wars have still been erupting in the country mainly in the eastern parts to date (Grynberg & Singogo, 2021).

Reports have shown high rate of instability in DRC following the civil wars where millions have been killed with other displaced and forcefully sent out of the country to seek asylum in other countries. Reports reveal that over 3,000,000 DRC citizens have fled the country between 2010 and 2020 with most of them being refugees in countries like Kenya, Uganda and Tanzania (UN, 2021). The immigrants have cited increased diseases and starvation, people displacement, destruction of property and killing and injuring innocent people as the cause for them to flee the country. These instabilities pose a threat to the country’s prosperity and economic growth and development. However, following the recent peace missions and the commitment by the East African Member Countries upon the admission of DRC into the Community, it is expected that stability will be achieved in the country. This has been observed in other countries such as South Sudan, which according to the UNHCR, the instability reduced drastically upon its inclusion in EAC (Corcoran et al., 2021).

Insecurity and lack of a properly working system of governance have made many investors shy away from investing in DRC. This has however been changing gradually, as the country has been gaining its internal stability. In recent years, the economy of DRC has been growing by over 3% (World Trade Organization – WTO, 2021). In 2021, the country recorded an economic growth rate of 5.7%, up from 1.7% in 2020 (WTO, 2021). This was orchestrated by among other drivers, the stability attained in the country and its broad steps to be included in the EAC as one of the member countries.

2. Review Of Literature.

**Empirical Evidence on Regional Integration and International Trade**

The empirical literature on the effects of Regional Trade Integration (RTI) has focused more on trade creating effects of regional trade agreements (RTAs) while economic growth and convergence effects have not been sufficiently analyzed in Africa. However, for the past few decades, a number of empirical studies about the growth effects of RTI can be cited. These studies suggest that RTI could have mitigating effects on economic growth and convergence. Tumwebaze and Ijjo (2015) established an empirical evidence of the positive effect of trade on economic growth. Their findings revealed that the dynamic effects of economic integration on economic growth are rooted in economies of scale, technological progress, increased competition, reduced uncertainty and the creation of a more favorable environment for economic activity.

Korwatanasakul (2022) analyses the impact of regional economic integration on member and non-member countries of a regional union. He found that regional economic integration has an impact on growth through interregional diffusion of technology, as knowledge spillovers from leading countries spread to lagging partners. The process of integration in more advanced economies has also provided a suitable framework for testing the effects of economic integration on international trade. Studies by Zamani and Tayebi (2022); and Campos, Coricelli, and Moretti (2019) suggest positive and significant effect of regional economic integration on international business and economic growth of member countries. Other empirical studies indicate that economic integration promotes growth of local businesses and expansion of big corporates to international markets (Tong & Yu, 2018; Van den Berg, & Lewer, 2015). Cheng, Loo, and Vickerman (2015) assessed the effect of regional trade agreements on growth within a general equilibrium framework. The main findings of this study is that regional integration creates more room for international trade, which in turn influences economic growth through changes in consumer and producer prices that stimulate physical capital accumulation. Simultaneously,
growth affects trade, directly through changes in country size and indirectly through changes in the incidence of trade costs.

**Has Regional Integration Achieved its role in Enhancing International Trade?**

Empirical studies on regional economic integration process in Africa exhibit sluggish progress and there by limited level of intra trade. The relevance of regional integration is a very persistent issue in Africa, specifically in view of political and economic backwardness. Africa is confronted with a deep-rooted level of poverty, a minimal share of world trade, and a low pace of development in human capital and infrastructure as well as being faced with an excess of challenges from external pressures. Ensuring that regional economic integration succeeds in Africa is vital not only because of the prospective and challenges mentioned above, but also because the policies that are required to ensure its fruitfulness are the same as those needed if Africa is to benefit from the process of globalization and integration into the world economy. However, in practice, the effectiveness of regional integration in Africa is an empirical issue specifically related to the progress of trade that flows among members of any trading bloc on the continent (Hart, Omene & Hart, 2022). There are plenty of empirical studies regarding the effects of regional economic integration on trade flows. Various researchers have employed different methodology to analyze the effects of regional economic integration, and the results from these studies are mixed.

Jambo and Sundjo (2021), in their study for COMESA, showed that bilateral trade flows among the regional groupings could be enhanced if there was full commitment by member countries, and trade diversions avoided for the benefit of the interregional trade. They further stated that regional groupings had insignificant effects on the flow of bilateral trade, since bilateral trade agreements were made with little considerations of the existing regional groupings. Nnyanzi, Babyienda, and Bbale (2016) assessed the regional economic integration and tax revenues in East African Community (EAC) from the Ugandan perspective. They discussed whether the regional trading arrangements conferred any real benefits on the stakeholders, and suggested alternative approaches that may increase the benefits for Uganda from trade liberalization within the customs union. Adika (2021), in his study of regional integration and international trade in SADC, concluded that trade in the region can contribute substantially to provide improved economic growth. Besides, he noted that there was a considerable scope for greater intra-regional trade and growth in international businesses if key policies to enhance regional economic integration were put in place. The reviewed studies show that in many cases, Regional Economic Communities (RECs) fail to achieve the intended economic goals such as activation of free and seamless trade as well as reduced trade barriers due to lack of political goodwill, proper policy formulation and implementation as well as lack of commitment from key stakeholders. These regional groupings could have little impact if they do not meet the economic goals of the member countries. Therefore, it would be instrumental for the governments and policy makers to see how they can single out economic integration to facilitate trade, as much as they embrace regional integrations and groupings.

**3. Results, Discussions and Recommendations.**

**How does DRC benefit from Joining EAC?**

Democratic Republic of Congo (DRC) has heavily relied on its neighbor countries for food and other essential commodities imports. Moreover, over 6 million DRC citizens live in neighboring countries following the instability in the country. This means that the country’s decision to join EAC was a long overdue decision that would be instrumental not only to the existing EAC member countries, but also to the DRC and its citizens. The inclusion of the country into the EAC means that her citizens can easily traverse in the EAC member countries using the unified EAC passport (Kamau, 2020). It also means that the movement of goods to the country from across the EAC member countries is enhanced.

In 2020 Democratic Republic of the Congo was the number 87 economy in the world in terms of GDP (current US$), the number 70 in total exports, the number 105 in total imports, the number 187 economy in terms of GDP per capita (current US$) and the number 123 most complex economy according to the Economic Complexity Index (ECI) (UNCTAD, 2020).

On security, the country that has faced massive insecurity threats and civil wars now stands to benefit from the stability enjoyed in most of the EAC member countries. According to the country’s President – President Felix Tshisekedi, the admission of DRC into the EAC community was a great move through which the country would gain a lot of benefits including enhancement of its peace and security based on the support that it counted on the EAC member countries (Amadala, 2022). The
president also noted that through the integration of the country into the community, their citizens would have more to learn in terms of modernity and peace, thus enhancing their own internal integration and cohesion. It is expected that the country will harmonize its policies to those of EAC, a major move to restore peace and stability.

On economic benefit, the country will also expand its market for its produce such as timber and minerals. By entering into the EAC community, it implies that the country is able to access the East African Community market with ease. Also, the country benefits from the Regional Trade Agreements (RTAs), implying that it can export its products to the member countries with reduced trade barriers (Mimbale & Katongola, 2022). Before its integration and admission in the EAC, the country would pay extra taxes for its imports into other EAC countries such as Kenya, Rwanda and Tanzania, thus losing competitiveness to other exporters and importers in other countries. However, after its admission, it implies that the country can be at a level ground with key players in the region, thus being competitive as well.

Regional economic integration has been applauded for opening up economies and enabling countries to rapidly grow (Plus, 2021). The Democratic Republic of Congo stands a chance to benefit from this integration as the country has expanded its network and outreach to the economic opportunities in East African Community. The country has now access to a larger market for its produce. According to UNCTAD (2021), inclusion of DRC to the EAC will enable the country to export more to the member countries, thus boosting its economic growth and development.

**How does EAC member Countries benefit from DRC’s Admission?**

The EAC member countries stand to benefit from the inclusion of DRC to the community. Socially, the countries will have a more leverage opportunity to restore stability in DRC, thus reducing the number of refugees from DRC getting into the member countries. According to Baloch, Shah, Noor, and Lacheheb (2017), increased influx of refugees means that their country of origin loses key resources (human capital) that would be productive to foster growth and development. This influx also leads to social crisis in the host countries. Most of these countries are unable to offer adequate social services to their citizens, thus the refugees add on the weight for the host countries. Admission of DRC into EAC means that the member countries are in a better position to support the stability of the country.

Economically, the EAC member countries will benefit from the inclusion on DRC to the community. The country has the highest population in the region of over 89 million people. This is a vast market for the produce of the East African Community member countries. Through availability of such a market and in a more accessible manner, the EAC member countries will generate more revenue. During the admission of DRC to EAC in the 4th summit, the Community’s secretary general; Hon. (Dr.) Peter Mathuki noted that the admission of DRC into the EAC came with increased GDP and expanded market size making EAC a home to about 300 million people, which would be mutually beneficial to the people of both EAC and DRC by providing employment and investment opportunities (Anami, 2022).

**What are the opportunities for Kenya?**

With a GDP of over 99 billion dollars, Kenya has the largest economy in East Africa (World Bank, 2022). The country has a booming private sector and a vast expansion of SMEs, thus strengthening the economy further (World Bank, 2022). Moreover, the country has been recording a surge in the Foreign Direct Investments (FDIs) outflows, as a result of the continued growth in the local industry and need for more market. One of the main markets that the local companies in Kenya have been eyeing is the DRC market. Being a highly untapped market, it is one of the golden opportunities that Kenyan companies ranging from various sectors such as insurance, banking, manufacturing, real estate and education have been eyeing. In 2020, Equity Bank acquired a 66.5% stake of the Banque Commerciale Du Congo (BCDC), a leading bank in DRC, in a move that saw the company become one of the largest banks in the region (Equity Bank Group, 2021). After the official admission of DRC in the EAC, Equity bank announced its plan to invest more in the country as a way of promoting local businesses. The admission of DRC also saw over 26 companies in Kenya start their move to invest over Kshs.185 billion in DRC (Amadala, 2022). This followed the commitment and assurance by the DRC’s president that the government would support and encourage businesses to invest in the country by providing a three-axis program to protect investment and ensure a good investment climate, improvement of the tax systems to allow the flow of goods in and out of DRC and access to loans for economic cooperators.
The admission of DRC to the EAC also shows that the country’s imports from Kenya have steadily grown, which means that Kenyan is reaping more benefits. As the figure below shows, the value of imports grew by USD 100 million between 2019 and 2021. This was after the Kenyan President Uhuru Kenyatta visited the country in April 2021 (Kibii, 2021) and holding bilateral talks with the President of DRC. It is an indication that upon admission of the country into EAC, a more growth for international trade and exports to DRC is projected to grow to over USD 240 million.

![Fig. 1: Kenyan Exports to DRC](Source: Trading Economics (2022))

Inclusion of DRC in the EAC has seen a surge in imports to Kenya from DRC. Since the process begun in the year 2021, Kenya has recorded imports of over US$32.98 Million worth of goods ranging from timber and minerals (CBK, 2022). The increase in imports shows that the Kenyan economy has the opportunity to benefit from raw materials and minerals from DRC. According to Mugume (2021), the regional integration helps in the reduction of customs and trade barriers and this helps countries to have more seamless movement of goods and people among the integrated countries.

![Fig. 2: Kenyan Imports from DRC](Source: Trading Economics (2022))
The eradication of trade barriers between the countries through regional economic communities helps the countries to have a more robust trade network that encourages the traders in both countries to import and export goods and services. The increase of imports in Kenya from DRC as the two countries have been strengthening their economic ties shows that regional economic integration enables free movement of goods and services. A report by UNCTAD (2019) revealed that one of the key aspects that shows a well-performing regional economic communities is the increased volume and value of imports and exports. The increasing trend on the imports from DRC into Kenya is an indication that the trade policies between the countries have been seamless, and this is expected to increase after the official admission of DRC into EAC.

Mwangi (2021) reports that Jambo-Jet, a Kenya’s local airline tripled their number of flights to DRC following the initiation of DRC inclusion into the EAC process. This shows that the traffic in terms of goods and people between the two countries has been enhanced following the admission of DRC into the EAC. When Kenyan President Uhuru Kenyatta visited DRC in early 2021, one of the major agreements signed between the two countries was transport, where the two leaders agreed to enhance the transport infrastructure and effective movement of goods and people (Mutambo, 2021). According to Frankline (2021), DRC has the most robust regional interconnectivity in the region making it favourable for cross border trade in East and Central Africa. The country has 11 major economic transport corridors that facilitate trade flows in the region while connecting with Central Africa, Southern Africa, and East Africa. This implies that the admission of the country into EAC enhances the transport industry in Kenya, a major international trade stimulator.

Conclusions and Recommendations.

The regional economic integration is a major driver to economic growth and development. The inclusion of DRC into the East African Community is a major move towards integrating the region further and expanding the market for the member countries. This has opened an international market for Kenya, which has the advantage of a large economy in the region. Currently, the Kenyan companies have invested over Kshs.400 billion in DRC (CBK, 2022), with most of these investments having been done at the final stages of DRC’s admission into the EAC. This is an indication that Kenya is ready to utilize the economic integration of DRC to expand its international investments for economic growth and development.

As the companies in both private and public sector continue to expand their investments in DRC, it is recommended that there is need for the government to steadily employ more trade facilitation programs that can enable the FDI outflows. The regulations and policies also ought to be reviewed to ease the free trade between Kenya and DRC. Moreover, the Kenyan government should always work with the counterpart in DRC to ensure that the traders between the two countries are effectively facilitated thus promoting the growth in international business in the country.

REFERENCES


