Governance Indicators and Export Performance: Evidence from East African Community (EAC)

ABDIKARIM BASHIR JAMA
School of Economics, Banking and Finance
Universiti Utara Malaysia, Sintok, Kedah, Malaysia
ABDIFATAH MOHAMED MUSSE
Islamic Business School
Universiti Utara Malaysia, Sintok, Kedah, Malaysia

Abstract

The paper investigates the impact of governance indicators for the export performance of East African Community (EAC), voice and accountability, political stability and regulatory quality are presented in an augmented gravity model with a panel data set over 2010-2017. All institutional variables display a highly significant association except regulatory quality that becomes insignificant with EAC exports, with voice and accountability having the largest effect. Therefore, to conclude the governments should give high precedence to develop broad policy reforms that encourage trade within the region and at the global level to enhance EAC global competitiveness position.

Key words: Export Performance, Regulatory Quality, Political Stability, Voice and Accountability, Labor Force Participation Rate

1. INTRODUCTION

The impact of institutions has currently attracted an important focus of both researchers and practitioners of economic progress and development as they have purportedly played a progressively tremendous role in increasing overall long-run economic performance.

According to Howitt and Aghion (2009) revealed that destitute nations could catch up speedily with more developed nations by initiating appropriate, dependable institutions that are develop-increasingly.

The EAC is a regional intergovernmental economic bloc comprising of six countries namely: the Republics of Kenya, Uganda, Burundi, Rwanda, South Sudan and the United Republic of Tanzania. Four of the six-member countries of the EAC are landlocked (Uganda, Rwanda, South Sudan, and Burundi) while the other two (Kenya and Tanzania) have an extensive coastline along the Indian Ocean. The founding objective of the bloc was to unify individual countries with a common history and shared goal for sustainable socio-economic development, and hence to streamline regional effort towards economic growth and development through implementation of common policies and programs (UN, 2014; Davies, 2008).

After a decade of deliberations, the EAC was reconstituted in November 1999; Rwanda and Burundi acceded into the EAC in July 2007. A customs union was launched on 1st July 2005 (East African Business Council, 2008); a common market came into effect from 1st July 2010, with all of Kenya, Rwanda, Uganda, Burundi, and Tanzania ratifying it; a monetary union protocol was signed by the five countries in November 2013 (EAC, 2013). South Sudan just became an official member of the EAC in March 2016, making the present six member states.

Each of the EAC member countries has a unique history of political governance, and that has implications on their economic performance. Kenya got independent from the British in December 1963 and began to allow for multi-party democracy. Kenya is regarded as the most stable and prosperous state among the EAC members (Roberts and Fagernas, 2004). However, it continues to grapple with corruption and ethnic polarization.

Uganda obtained independence from the British in October 1962. In the following years, instability and political uncertainty led to very poor economic growth rates in the country and strained relations with usual trade partners. From the mid-1980s, the government focused on reviving the economy through macroeconomic stability and peaceful, inclusive, democratic governance. As a result, the country placed among the fastest-growing countries in the world in the 1990s and 2000s (World Bank, 2016).

Tanzania was under the Arab and German rule, before becoming an official colony of the British in 1919. Mainland Tanzania gained independence in 1961 and united with Zanzibar in 1964. Currently, the economy started to record positive growth rates, and economic welfare improved sustainably (Muganda, 2004). The government continues to participate in global markets, but the slump of the 1960s and 70s still affects its international commitments.

Rwanda and Burundi gained independence from the Belgians in 1962 as one state but the two split immediately. Their ethnic constitution, political history, and economic potential are quite similar and simultaneous. However, Rwanda is among the fastest-growing economies in the continent, averaging about an 8.8% growth rate per year (Malunda, 2012). The export destination of East African community countries is presented in table 1.

Table 1: Major Export Destinations for EAC Member Countries

Country	Top export product (% of total)	Top export destinations(% of total)
Burundi	Raw material (43%) Consumer goods (29%) Intermediate goods (25%)	DRC (20%), UAE (18%), Switzerland (17%), India (11%), Kenya (9%), Germany (9%) and Belgium (6%)
Kenya	Consumer goods (64%) Intermediate goods (17%) Raw materials (13%)	Uganda (12%), UAE (8%), UK (8%), Tanzania (8%), Netherlands (7%), US (6%) and South Africa (5%)
Rwanda	Raw material (45%) Consumer goods (35%) Intermediate goods (12%)	Tanzania (28%), DRC (24%), Uganda (12%), Kenya (11%), and Austria (4%)
Tanzania	Intermediate goods (48%) Raw materials (32%) Consumer goods (14%)	India (22%), South Africa (12%), China (12%), Kenya (8%) and DRC (5%)
Uganda	Raw material (38%) Consumer goods (29%) Intermediate products (24%)	Kenya (13%), DRC (11%), Sudan (10%), Rwanda (9%) and South Sudan (7%)

Source: WITS

The above table indicates export destinations for member countries of the EAC follow different patterns. Exports for countries that share the language of EAC members, are highly significant, however, forging of a trade association with other countries are evident, and table 1 summarizes the key export destinations and export products by country. Moreover, only Kenya exports are at least 50% of total exports consisting of consumer goods, while the rest of EAC member countries apart from Tanzania whose main exports comprise of

intermediate goods, have raw materials as the most dominant export product.

Institutions are factually demanding to describe as they attribute to numerous diverse things (Acemoglu 2009). Nobel laureate Douglass C.North (1989, 1990, 1991) describes institutions as the humanly invented restrictions that shape political, economic, and social integration. Contrarily, Anderson (2004) describes official institutes as rules and measures for implementing the rules.

Acemoglu (2009) emphasized three major aspects of institutions. Firstly, institutions can be described how societies shape their own choices with the respect of their economic destinies. Secondly, restraints enforced for the behavior of individuals form their synergy and incentivize their exchange. Thirdly, they enforced restrictions on human behavior including laws and regulations, and policies established traffic instructions for economic agents to follow. Indeed, those stated rules of the game constructed to lower ambiguity in economic interchange, which reduce the costs of transactions to economic representatives disturbed.

Several numbers of studies have reported the positive impacts of institutions on economic achievement and growth (Acemoglu 2009; Rigobon and Rodrick 2005; Dollar and Kraay 2003; Rodrick 2007; Efendic et al. 2011; Boubakri et al. 2015; Goes 2016). The above-mentioned studies constantly indicated that institutes are very essential in improving economic advance and expansion than government acts of polices. According to Howitt and Aghion (2009) stated that countries with superior institutes tend to develop faster at an earlier stage of development, but there is also the possibility to grow a lower rate at a later stage.

However, less focus has been given to establish a theoretical and empirical association among institutes and global trade. Current work, contrarily, indicates that institutes are fundamental to enhancing international trade flows (Areujo et al 2016; Yu 2010; Levchenko 2007, 2011). Instinctively, fragile national institutions tend to hamper trade flows as they associate with superior expenditures regarding transactions upon economic representatives (Soderlund and Tingvall 2014) and harmfully impact the relative benefit of countries with a poor aspect of institutions (Nunn 2007).

Nevertheless, utilizing contract prosecution as a proxy for institutions, Nunn (2007) indicates that institutions describe more of

the international trade patters than the combination of physical and skilled labor. Likewise, the study made by Ranjan and Lee (2007) showed that contract implementation impacts the volume of trade in overall, however huge influence is obtained for trade-in diversified goods. Briggs (2013) approves of the United States that powerful local institutes of US trading partners are related to an improvement of US exports to the other markets including those of its allies. Similarly, Depken and Sonora (2005) revealed that exports of the US are positively influenced by the upgraded economic liberation across the world.

The current paper contributes to the existing literature on the decisive position of institutions, particularly for the emerging and transitional economies for various matters. Firstly, we utilize a section set of institutional quality to examine their specific impacts on the East African Community (EAC) namely: Kenya, Uganda, Tanzania, Burundi, and Rwanda export performance. The major reason we select this sample of countries due to the historical economic integration that they commonly shared which could play a decisive role in the economic development of the region. Secondly, we used a random effect (RE) model to address the heterogeneity bias in line with many prior empirical studies that used such a model. Thirdly, this is the first few research that looks into the impacts of institutions on export performance of EAC countries, and its findings should provide significant policy implications for economic development particularly the East African Community (EAC) and similar countries with comparable institutional and economic progress.

2.   REVIEW OF LITERATURE:

Neoclassical trade theory stated that countries trade due to their dissimilarity. While the Heckscher-Ohlin model (1995) particularly recommends that a nation possibilities to export the products that their products utilize less intensely for the production factor of the country is comparatively well provided with and to import the products that employ intensely scare factor. Therefore, a variety of resource bequests will offer enlargement to the sources of relative gain and trade.

However, the new trade theories describe trade among nations on the source of enhancing returns to scale and resemblances regarding resource endowments and usage of advanced technology. Nations gain from global trade with one and another even if they utilize similar technology, and factor of bequests. Moreover, if each country concentrates on the production of diverse goods, then large scale production capacity might take place, and this will offer growth to specialization which leads by the utilization of more skilled labor and various other input production factors. Consequently, it will result to enhance the productivity factor and trade of each nation.

Nevertheless, a source of relative benefit is also impacted by domestic institutions (Nunn 2007). Although it has been indicated that institutions are numerically essential sources of comparative advantage as traditional sources including technology. According to Levchenko (2007), his model forecasts that states with superior quality of governances which are the main cause of their relative benefit tend to gain most form worldwide trade. However, the estimated outcome as the production of service and goods needs outstanding institutions that encourage the production process (Nunn and Trefler 2014). Similarly, Nunn and Treffler (2014) offer a complete review of the association among internal institutions and the source of relative advantage. They determine that institutions play a vital role in shaping the arrangements of relative benefit and global trade and that the connection may run on both sides.

Stimulated by the innovative effort of Levchenko (2007) and Nunn and Trefler (2014), Araujo et al (2016) initiated a hypothetical model to describe how the changes of exporting companies are impacted by institutional variations. They display that companies assume, to begin with, a greater volume of exports and service the endpoint nations with superior institutions for a prolonged duration. Contrarily, a firm's export progress is superior to the terminations with fragile institutions. Thus, this indicates that the changes of exporters are influenced by the dissimilarities of the element of institutes, export capabilities, and the marginal expenditure of exporting that seems to vary over time (Araujo et al 2016).

There is an increasing frame of the empirical literature on the impacts of institutions on economic performance and development ((Efendic, Pugh, and Adnett 2011; Boubakri, Ghoul, and Saffar 2015; Geos 2016) indicated that institutes are essential in increasing

economic evolution and improvement than administration strategies. Current work, conversely, proposes that institutions are conducive to enlarge worldwide trade flows (Levchenko 2007, 2011; Yu 2010; Araujo, Mion, and Ornelas 2016). Instinctively, fragile domestic institutions govern to obstruct trade flow as they utilize greater cost of the transaction upon economic representatives (Soderlund and Tingvall 2014) and unsympathetically impact the proportional benefit of countries with depressed quality of institutions (Nunn 2007).

Prior literature has discovered less extensively the association between institutional quality and export performance. The findings are contradictory: one set of researchers boost a positive relationship among governance indicators and export performance (Martinez-Zarzoso and Marquiz-Ramos, 2019; Sila, 2016; Soeng and Cuyvers, 2018); the second view discoveries a negative association (Dehshiri et al, 2013; Meon and Sakket, 2008; Redding and Venabals, 2004).

Jansen and Nordas (2004) investigated trade flow and institutions in a large sample that includes both developed and developing countries for the period 2000 to 2004 utilizing gravity and Ordinary least squares (OLS). The study stated that domestic institutions have a positive and significant impact on bilateral trade flows. Contrarily, Moen and Sakket (2008) institutions in a large sample of countries by utilizing the fixed-effect model. They differentiated between the export of manufacturing goods and non-manufacturing goods, and the outcome of the study revealed that faulty institutions considerably decrease exports of manufacturing goods. Similarly, Anderson and Marcouiller (2002) investigated trade and institutions in 48 countries utilizing the augmented gravity model. The results showed that quantitatively global trade flows were hardly impacted by fragile institutions in a similar manner that tariffs do.

In the African context, a study made by Martinz- Zarzoso and Marquiz-Ramos (2019) analyzed export and world governance indicators in the Middle East and North Africa (MENA) region for the period 1996 to 2013 applying the fixed-effect model. They found that the level of governance matters in bilateral export flow, and MENA countries the trade are high those have a similar level of regulatory quality and rule of law. Likewise, Sila (2016) examined the export performance and world governance indicators (WGI) in the East African Community (EAC) for the period 1996-2014 utilizing the

fixed-effect model. The results of the study showed a positive association between the quality of governance and export performance. In contrast, Chacha and Edwards (2019) analyzed export and governance indicators in Kenya from 2004 to 2013 utilizing the gravity model. The study revealed that the impact of business fragility), and dominates that of political fragility have negative and significant on bilateral trade flow of Kenya export to African countries. Ochienga (2015) postulated trade flow, institutions and manufacturing export in the East African Community (EAC) for the period 2005-2014 via augmented gravity model. The result indicated that better quality of governance institutions enhance in between East African community trade flows, however, these findings are mixed across the country whereby in some countries exports are declined due to the improvement of governance indicators.

From the Asian perspective, the study made by Soeng and Cuyvers (2018) investigated the export performance and governance indicators in Cambodia utilizing the augmented gravity model. The results indicated that all institutional variables have an extremely substantial positive connection with Cambodia's export performance. Equally, Prabir De (2013) examined trade and governance indicators in 30 Asian countries from 1996 to 2007 by using the principal component model (PCA). He found all institutional variables except regulatory quality have a significant impact on trade in Asia. On the other hand, Buracom (2014) found that except Singapore most ASEAN nations are affiliated with relatively impoverished institutions for good governance, including low government effectiveness, poor regulatory quality, and rule of law.

3. METHODOLOGY

The gravity model endures being the backbone in international trade economics due to its consistent outcomes, and relatively solid blueprint (Grant and Lambert, 2008). The model has experienced accurate theoretical and practical developments since its origin by Tinbergen in 1962 (Bergstrand, 1985; Anderson and Wincoop, 2003). The main benefit of the gravity trade model is its capability to inspect policy and institutional variables collectively with the popular stimulus of bilateral trade flows. Furthermore, the route of the influence of policy and institutional quality variables, whether

negative or positive, need not be prearranged (Anders and Caswell, 2009; Li and Saghaian, 2014).

Therefore, the augmented gravity model can be specified in the following model:

$$EXP_{it} = \beta_0 + \beta_1 REER_{it} + \beta_2 L_{.it} + \beta_3 VA_{.it} + \beta_5 PS_{it} + \beta_6 RQ_{it} + \varepsilon_{it}$$

Where *EXP* is total exports as a percentage of the GDP to control the size of the economy

$\beta_0 = $ Constant

L =Labor Force Participation Rate as the percentage of GDP

VA =Voice and Accountability

PS =Political Stability

RQ = Regulatory Quality

ε_{it} =Error term of a country i on time t

i = Country

t = Time Period

The above-stated model is the yardstick specification that controls for the total influence of institutional quality on trade flows. Conversely, Anderson and Wincoop (2003) and Baier and Bergstrand (2007) contend that the gravity model experience mislaid variables and policy endogeneity complications that come from unnoticed heterogeneity among nations. To amend this, this exceptional consequence can be managed as either a random variable or a fixed effect. To select the suitable model among random effects and fixed effects model we should carry on the Hausman specification test if the null hypothesis could not be rejected then the Random Effect Model (REM) will be preferred rather than the fixed effect model (FEM). Thus, in our model Hausman test failed to reject null and this indicated that the suitable model in our study is Random- effect model.

The econometric measurement is projected by using a panel data-set covering 2010-2017. Data for the dependent variable (exports) are obtained from the world development indicators (WDI)

in the world Bank data set, while data on independent variables of governance indicators are obtained world governance indicators (WGI) data set. Also, we introduce one control variable which is the labor force participation rate (L), as it has a direct influence on export and its data is taken from world development indicators from the World Bank data set.

The world governance indicators comprise six measurements of governance, discovering more than 200 countries and territories since 1996. The six segments of good governance include political stability and the absence of terrorism, regulatory quality, and rule of law, government effectiveness, and control of corruption, voice, and accountability. However, in this study, we mainly focus on three dimensions of governance indicators which are political stability, regulatory quality, voice, and accountability. According to Kaufmann, Kraay, and Mastruzzi (2010) define the three governance indicators as follows: Regulatory quality taking insights into the capability of the administration to develop an instrument comprehensive plans and regulations that authorize and stimulate private segment expansion; Political stability and absence of violence are measuring perceptions of the possibility that the government will be undermined or overthrown by unlawful or violent means; Voice and accountability are quantifying the attitude of the magnitude to which a country's residents are capable to engage in choosing their government, as well as self-determination of expression, association, and media.

4. RESULTS

Table 2. Basic Statistics and Variance Inflation Factor

Variable Name	VIF	Mean	Minimum	Maximum	Std. dev
L(RQ)	5.93	1.5835	1.1112	1.7891	0.1614
L(PS)	9.73	1.2684	0.6757	1.6778	0.3184
L(VA)	1.79	1.4104	0.8064	1.6401	0.2265
L	6.02	77.7612	66.554	87.604	7.4586
Mean VIF	5.87				

Notes: LRQ is a log of regulatory quality; LPS is a log of political stability; LVA is the log of voice and accountability; while under control variable L is the labor force participation rate.

Table 2 displays both descriptive statistics and variance inflation factor results. Farrar and Glauber (1967), if the value is less than 10

percentage, shows the absence of a multicollinearity problem among independent variables. Thus, there is no multicollinearity issue among the independent variables of the study. Contrarily, descriptive statistics indicate on average the countries under the study had a lower score for political stability at 1.26, and the mean of the natural logarithm of political stability and absence of violence is the least among all governance indicators. Moreover, other poor performing indicators include voice and accountability which is 1.41. This shows that there was a great variance for political stability across countries than in other governance indicators. Second, on average countries in the sample perform best in the regulatory quality indicator, as is evident in a greater mean for the quality of regulatory quality. They also demonstrate a good quality of governance regarding voice and accountability.

Table 3. Regression results

Items	Random Effect Model
Constant	5.85727
	(0.711)
Independent variable	
Ln(RQ)	2.7237
	(0.640)
Ln(VA)	9.3217
	(0.000)***
Ln(PS)	7.5387
	(0.047)**
Control variable	
L	-22.0523
	(0.083)*
R^2	0.7426
Observations	40
Hausman tests	0.0094
Heteroskedasticity	0.1262
Autocorrelation	0.0005
Bruesh and Pagan Lagrangian Multiplier test	0.0000

Ext: Export performance, ln (RQ): log regulatory quality, ln (ps): log political stability, ln (VA): log voice and accountability, REER: real effective exchange rate, l: labor force participation rate, p-value are in parentheses: **P*** <0.01, **p** ** <0.05, **p*** <0.1

Prior to deliberating the empirical outcomes, we recapitulate the statistical tests to select the most suitable method for estimations of our econometric measurement. The test outcomes are displayed along

with the estimates of the encompassed explanatory variables, conferred in table 3.

Tests for heteroscedasticity indicate that the null hypothesis of homoscedasticity is robustly accepted at the 1% level. Therefore, this recommends that the heteroskedasticity issue is absent in our model. Similarly, the autocorrelation test statistics are also not below 0.05 which shows the absence of autocorrelation problem. Thus, our econometric specification showed the absence of both serial correlation and heteroskedasticity bias.

The lagrangian multiplier test (LM) is significant and this shows that the random effect model (REM) is statistically appropriate than the pooled ordinary least approach. We also carried out the Hausman test to select between FE against the RE model. The Hausman statistics are extremely insignificant and this indicates that there is a weak relationship among the explanatory variables and the error terms. Therefore, the RE technique assumes to be statistically more suitable than the FE model.

Table 3 displays the individual impacts of the institutional variables on the export achievement of the East African Community (EAC) countries. We regressed the influence of each institutional variable, controlling for other formative aspects that may impact exports, by using the random-effect model (REM). The control variable in our model is the labor force participation rate.

Our key curiosity in the current paper is the impact of the various aspects of institutional variables on the East African Community (EAC) export performance. Table 3 presents outcomes for regulatory quality, which measures the government's capability to prepare and instrument sound policies and regulations. Moreover, regulatory quality is statistically insignificant. This study is similar in terms of outcome with the study made by Mean and Sekket (2008) and Hernadez, Nieto, and Rodriguez (2016), who found that fragile regulatory quality has positive and statistically insignificant with export performance. It is because the weak regulatory quality will increase both transaction costs and other risks of trading within the region, and global level, and this will force exporters to consider alternative solution that offers them cheaper production cost that improves their competitiveness rather than investing a country with lower regulatory quality, and by doing this the countries overall production capacity will decrease.

Political stability, which is necessary for the progress of many countries, is also instituted to be a significant determinant of EAC exports whereby one unit increase of political stability will lead a 7.5387% increase in export performance in the East African Community (EAC) member of countries. Moreover, political stability is highly statistically significant at the 5% level which indicates the fundamental role it plays to promote more economical integrations within the African region and the rest of the world. This is in line with the study made by Sila (2016) and Martinez-Zaros and Marquez-Ramos (2019). The institutional element and the major contributor for increasing exports of EAC are, as estimated, the voice and accountability.it has a positive coefficient and keeps very high statistical significance at the 1% level. Thus, a unit increase in the score for voice and accountability is estimated to lead to an increase in exports by approximately 9.3217%. This result is in accordance with the study made by Fereidouni (2014); Duta and Raya (2009); Dollar and Kraay (2003).

On the other hand, the labor force participation rate displays a negative and strongly significant relationship with an export performance at a 10% level. This outcome is similar to the study made by Sila (2016), Chesnokove, Rupa, and Sima (2019), Voumik (2019). Indeed, the model describes the data variation quite well, with R^2 being around 74%.

To conclude, our empirical outcomes display that all institutional aspect except the regulatory quality is statistically significant and has an influence on the export performance of East African Community (EAC). According to our regression results, voice and accountability is the most significant contributor followed by political stability. Therefore, these results offer a clear indication that institutions have played a fundamental role in increasing EAC exports to its trading allies markets.

5. CONCLUDING REMARKS

This existing paper postulates the influences of governance indicators on export performance of East African Community members of countries, using the institution-augmented gravity model with a panel data set from 2010-2017, comprehensive. We utilized control variables

such as the labor force participation rate that are believed to influence exports.

Our outcomes offer resilient support for the substantial role of institutes in EAC. They offer a clear indication that state the East African Community exports are influenced by some aspect of governance indicators namely political stability and voice and accountability, while regulatory quality is insignificant. Moreover, among institutional variables, voice and accountability found to be the greatest significant contributor to determining East African Community total exports. The results assume to be consistent with the upgrading of domestic institutions of EAC in terms of quality and effectiveness of its domestic institutions that were impacted during the colonized era. For the last decades, despite facing tremendous obstacles that need to be reported, EAC has progressively developed many of these institutional aspects. Likewise, Schwab (2017) reported in World Economic Forum reports currently, among the East African community member of countries, Rwanda is improving most of its global competitive index whereby it records +1.3 difference from 2017 to 2018.

Our findings provide some policy implications for East African Community member countries whose basic institutions were impacted by the colonized era. These conclusions may also apply to other African member countries. Since voice and accountability is institute to have the biggest influence on export performance, higher preference should be given to the further improvement of freedom of speech and media freedom and allowing citizens to select their leaders in a transparent manner during the voting time, all the above-stated factors will not only positively impact global trade, but also develop more private investment self-assurance. Similar to many other African countries (Dutta and Roy 2008), indicated that trade openness has a positive and significant impact on press freedom. Equally, EAC should put more effort and further governmental reform to develop the efficiency and effectiveness of public believes particularly the protection of human rights and providing citizens the basic needs. Moreover, as weak regulatory quality is mostly identified as one of the most obstacles faced firms in developing countries (Hernandez 2016; Lio et al 2016), further reporting this issue with capability of EAC for creating effective and broad regulatory quality policy reform that encourage free movement of goods and service within the region and

at international trade will improve overall business perception for EAC. Angkinad and Chiu (2011) indicated that institutional reforms associated costs in the short-run, however, their long-run economic influence are substantial for maintaining prolonged economic achievement and increasing global trade and private investment as well as both foreign and domestic investment.

Continuous development of all aspect of governance indicators are also expected to additionally enhance the competitiveness of East African community and to improve its export that is assumed to contribute tremendously on the income of African people, reducing trade barrier, more economic integration within the region will be an ideal strategy in order to develop poor governance indicators that have been hindering the growth of East African community member of countries and African region in general(Otsuki et al 2013; Buracom 2014).

REFERENCES

1. Aghion, P., & P. Howitt (2009).*The economics of growth*. (1 nd ed.).MIT Press Cambridge.
2. Acemoglu, D. (2009). *Introduction to modern economic growth*. Princeton: Princeton University Press.
3. Anderson, J. E. (2004). "Trade and informal institutions," in *Handbook of International Trade (Vol. II): Economic and Legal Analyses of Trade Policy and Institutions*, edited by. K. Choi, and J. C. Hartigan, 279–293. Oxford: Blackwell.
4. Araujo, L., G. Mion, and E. Ornelas. (2016). "Institutions and export dynamics." *Journal of International Economics* 98: 2–20.
5. Araujo, L., Mion, G., & Ornelas, E. (2016). Institutions and export dynamics. Journal of International Economics, *98*, 2-20.
6. Anderson, J. E., & Marcouiller, D. (2002). Insecurity and the pattern of trade: An empirical investigation. *Review of Economics and Statistics*, *84*(2), 342-352.
7. Anderson, J. E., & Van Wincoop, E. (2003). Gravity with gravitas: a solution to the border puzzle. *American Economic Review, 93*(1), 170-192.
8. Anders, S. M., & Caswell, J. A. (2009). Standards as barriers versus standards as catalysts: Assessing the impact of HACCP implementation on US seafood imports. *American Journal of Agricultural Economics, 91*(2), 310-321.

9. Anakin and, A. P., and E. M. P. Chiu. (2011). "Will institutional reform enhance bilateral trade flows? Analyses from different reform aspects." *Journal of Economic Policy Reform* 14: 243–258.

10. Boubakri, N., S. E. Ghoul, and. Saffar. (2015). "Firm growth and political institutions." *Journal of Multinational Financial Management* 31: 104–125.

11. Briggs, K. (2013). "Institutional quality as a barrier to trade." *Applied Economics Letters* 20: 1453–1458.

12. Bilan, Y., Vasilyeva, T., Lyeonov, S., & Bagmet, K. (2019). Institutional complementarity for social and economic development. Business: *Theory and Practice, 20,* 103-115.

13. Buracom, P. (2014). ASEAN economic performance, institutional effectiveness, and foreign direct investment. Asian affairs: *An American Review, 41*(3), 108-126.

14. Bergstrand, J. H. (1985). The gravity equation in international trade: some microeconomic foundations and empirical evidence. *The Review of Economics and Statistics,* 474-481.

15. Baier, S. L., & Bergstrand, J. H. (2007). Do free trade agreements actually increase members' international trade? *Journal of International Economics, 71*(1), 72-95.

16. Chacha, P. W., & Edwards, L. (2019). Exporting to fragile states in Africa: Firm-level evidence. *Review of Development Economics, 23*(3), 1177-1201.

17. Chesnokova, T., Rupa, J., & Sim, N. (2019). Gender-specific effects of exports on work decisions in Indonesia. *The Journal of International Trade & Economic Development,* 1-26.

18. Davies, C. E. B. (Ed.). (2008). *Encyclopedia of the African diaspora: Origins, experiences, and culture [3 volumes]: Origins, experiences, and culture* (*Vol. 3*). Abc-clio.

19. Dollar, D., and A. Kraay. (2003). "Institutions, trade, and growth." *Journal of Monetary Economics* 50:133–162.

20. Depken, C. A., and. J. Sonora. (2005). "Asymmetric effects of economic freedom international trade flows." *International Journal of Business and Economics* 4: 141–155.

21. De, P. (2013). *Do institutions matter for trade-in Asian countries? (7th ed.), Bangkok*

22. Dutta, N., & Roy, S. (2008). The role of foreign direct investment on press freedom. *The Journal of MPRA, 10185*.

23. Dollar, D., & Kraay, A. (2003). Institutions, trade, and growth. J*ournal of Monetary Economics, 50*(1), 133-162.

24. Efendic, A., G. Pugh, and. Adnett. (2011). "Institutions and economic performance: AMeta-Regression Analysis." *European Journal of Political Economy* 27: 586–599.

25. East African Business Council (2008). *Study on the Impact of the EAC Customs Union on Businesses.* Retrieved on 2nd June 2016 from http://www.eabc.info/uploads/EABC_Study_on_Impact_of_EAC_CU_o n_Businesses.pdf.

26. Farrar, D. E., & Glauber, R. R. (1967). Multicollinearity in regression analysis: the problem revisited. *The Review of Economics and Statistics,* 92-107.

27. Go´es, C. (2016). "Institutions and growth: A GMM/IV Panel VAR Approach." *Economics Letters* 138: 85–91.

28. Grant, J. H., & Lambert, D. M. (2008). Do regional trade agreements increase members' agricultural trade? *American Journal of Agricultural Economics, 90*(3), 765-782.

29. Hernanadez, V., Neito, M. J., & Rodriguez, A. (2016).Home country institutions and export of firms from developing countries: Does innovation matter? Paper Presented 5th Copenhagen Conference on Emerging Multinationals: at Outward Investment from Emerging Market, Denmark.

30. Jansen, M., & Nordås, H. K. (2004). Institutions, trade policy and trade flows. *WTO Staff Working Paper*, NO.ERSD 2004-02, World Trade Organization (WTO), Geneva.

31. Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). The Worldwide Governance Indicators: Methodology and Analytical Issues (World Bank Policy Research Working Paper No. 5430). Washington, DC: The World Bank.

32. Levchenko, A. A. 2007. "Institutional Quality and International Trade." *Review of Economic Studies* 74:791–819.

33. Levchenko, A. A. (2011). "International trade and institutional change." Working Paper 17675, Cambridge: National Bureau of Economic Research.

34. Leamer, E. E. (1995). The Heckscher-Ohlin model in theory and practice. Handbook. (2 nd.).New Jersey University.

35. Li, X. L., & Saghaian, S. (2014). The Presence of Market Power in the Coffee Market: The Case of Colombian Milds.*Selected Paper* No. 329-2016-12762, Agricultural & Applied Economic Associations.

36. Méon, P. G., & Sekkat, K. (2008). Institutional quality and trade: which institutions? Which trade? *Economic Inquiry, 46*(2), 227-240.

37. Martínez-Zarzoso, I., & Márquez-Ramos, L. (2019). Exports and governance: Are the Middle East and North Africa region different? *The World Economy, 42*(1), 143-174.

38. Muganda, A. (2004). Tanzania's economic reforms and lessons learned. In *Scaling Up Poverty Reduction: A Global Learning Process and Conference. Shanghai*.

39. Malunda, D., & Serge, M. (2012). Rwanda case study on economic transformation.

40. North, D. C. (1989). "Institutions and economic growth: AnHistorical Introduction." *World Development* 17: 1319–1332.

41. North, D. C. (1990). *Institutions, institutional change, and economic performance.* New York: Cambridge University Press

42. North, D. C. (1991). "Institutions." *Journal of Economic Perspectives* 5: 97–11

43. Nunn, N. (2007). "Relationship-Specificity, incomplete contracts, and the pattern of trade." *Quarterly Journal of Economics* 122: 569–600.

44. Nunn, N., and D. Daniel Trefler. (2014). "Domestic institutions as a source of comparative advantage," In *Handbook of International Economics (Vol. 4)*, edited by. Gopinath, E.Helpman, and.Rogoff, 263–315. North-Holland: Elsevier.

45. North, D Liou, R. S., Chao, M. C. H., & Yang, M. (2016). Emerging economies and institutional quality: Assessing the differential effects of institutional distances on ownership strategy. *Journal of World Business, 51*(4), 600-611.

46. Ochieng, A. D. (2015).The effect of institutions on trade flows in the East African community. *(Unpublished Master Dissertation*).University of Nairobi, Kenya.

47. Otsuki, T., Honda, K., & Wilson, J. S. (2013). Trade facilitation in South Asia. *South Asian Journal of Global Business Research, 2*(2), 172-190.

48. Rigobon, R., and D. Rodrik. (2005). "Rule of law, democracy, openness, and income: Estimating the interrelationships." *Economics of Transition* 13: 533–564.

49. Rodrik, D. (2007).*One economics, many recipes: Globalization, institutions, and economic growth*. Princeton: Princeton University Press.

50. Roberts, J., & Fagernäs, S. (2004). *Why is Bangladesh outperforming Kenya: A comparative Study of growth and its causes since the 1960*? ESAU Working Paper 5. United Kingdom: *Economics and Statistical Analysis Unit* (ESAU), overseas development institute (ODI) (available at: www. odi.-org. uk/spiru/publications/working_papers/Esau_5_Bangladesh_kenya. pdf).

51. Ranjan, P., and J. Y. Lee. (2007). "Contract enforcement and international trade." *Economics and Politics* 19: 191–218.

52. Redding, S., & Venables, A. (2004). Geography and export performance: external market access and internal supply capacity. In challenges to globalization: Analyzing the economics (pp. 95-130). University of Chicago Press.

53. Söderlund, B., and P. G. Tingvall. (2014). "Dynamic effects of institutions on firm-level exports." *Review of World Economics* 150: 277–308.

54. Sila, M. (2016). Analysis of governance and export performance in the EAC. *(Unpublished Master Dissertation)*.University of Nairobi, Kenya.

55. Soeng, R., & Cuyvers, L. (2018). Domestic institutions and export performance: Evidence for Cambodia. *The Journal of International Trade & Economic Development, 27*(4), 389-408.

56. Schwab, K. (2017). The global competitiveness report 2017 & 2018. World economic forum.

57. UN (2014). East African Community Profile. Available online at http://www.uneastafricabase.org.org/countryprofile/index.html.

58. Voumik, L. C. (2019). Trade openness and women participation in the labor market: Evidence from South Asia. I*ndian Journal of Economics and Development, 7*(8), 1-10.

59. World Bank (2016, ongoing). Economic Overview of Uganda. Available online at http://www.worldbank.org/en/country/uganda/overview

60. Yu, M. (2010). "Trade, democracy, and the gravity equation." *Journal of Development Economics* 91: 289–300.