

**EFFECT OF TRADE FACILITATION ON EXPORT PERFORMANCE
IN KENYA**

**BY
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DECLARATION

Declaration by Student

This research proposal is my original work and has not been presented to any other examination body. No part of this work should be reproduced without my consent or that of Kenya Revenue Administration.

Signature_____

Date.....

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HDB335-C016-2495/2016

Declaration by the Supervisor

This research proposal has been submitted for defense with my approval as Kenya Revenue Administration Supervisor.

Sign_____

Date_____

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DEDICATION

I dedicate this research project to Dr. Marion Nekesa for her support throughout this research proposal.

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My glorious thanks, is to the Almighty God who has given me the power and peace of mind, special thanks go to The Kenya Revenue Administration Lecturers for their tireless efforts to sharpen my knowledge.

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ACRONYMS

OECD –	Organization for Economic Co-operation and Development
EAC –	East African Community
TFI–	Trade Facilitation Indicators
LPI –	Logistics Performance Indicators
GATT –	General Agreement on Tariffs and Trade
UNECE -	United Nations Economic Commission for Europe
CU -	Custom Union
SQMT –	Standardization, Quality Assurance, Metrology and Testing
CEN–	Customs Enforcement Network
IT –	Information Technology
KIFWA -	Kenya International Freight and Warehousing Association
UNCTAD –	United Nations Conference on Trade and Development
WCO –	World Customs Organizations
WEF –	World Economic Forum
WTO –	World Trade Organization

ABSTRACT

This study addresses trade facilitation on export performance in Kenya by tracking the achievements and implementation using Kenya as a case. The study uses descriptive research design and data for the study were mainly secondary data. The study found that as a result of implementation of trade facilitation initiatives, performance in trade, FDI inflows and trade taxes collection in all EAC countries have improved significantly. Kenya is performing well than the rest of EAC countries on external border agency cooperation, governance and impartiality while Tanzania performs better than other EAC countries in FDI inflows and contribution of export to the Gross Domestic Product (GDP). The study found a significant positive relationship between countries' trade facilitation and export performance. Facilitation was found to have no significant relationship on FDI flows. The major setbacks of trade facilitation are non-tariff barriers, transport infrastructure, inadequate human resources capacity, and low level of automation.

CHAPTER ONE

INTRODUCTION

1.1 Background

Trade Facilitation has become increasingly a subject of interest globally due to the need for freedom of movement of goods and services resulting from growth in trade volumes that is directly attributed to worldwide liberalization of trade. The origin of Trade Facilitation and the prominence the topic received as subject of negotiations at WTO discussions was at the Singapore Ministerial Conference of 1996 and in Doha, where the Doha Development agenda was adopted by the ministers as a framework of the Agreement (Hoek Aet al., 2002). From the outset, it must be pointed out that promotion of trade, removal of restrictions and provision of transport does not primarily lead to trade facilitation as we know it today. Trade facilitation is the tendency to minimize costs of doing business that come into play in the process of enforcing of regulations and policies (Staples, 2002).

The research is founded on the theory of comparative advantage and Romer's Growth model. These two theories differently strengthen insights and approaches to trade facilitation (Lima and VeEnables', 2001). Comparative advantage theory together with other mechanisms of trade facilitation advocates that export performance is improved by trade facilitation (Yang & Gupta, 2007). Ricardo argued that 'there is mutual benefit from trade or exchange even if one party like resource-rich country, highly skilled artisan is more productive in every possible area than its trading counterpart like the resource-poor country, unskilled labour, as long as each concentrates on the activities where it has a relative productivity advantage' (Njinkeu & Powo Fosso, 2006). In his growth model, Romer shows that a greater variety of inputs does more for production than higher quantities from a limited range. Results confirm that gains are realized in trade liberalization when trade facilitation improvements are incorporated. This study is aimed at establishing the influence of trade facilitation on export performance.

1.1.1 Global perspective

Trade facilitation aims at making International trade easier by eliminating administrative delays, simplifying trade procedures, increasing transparency, security and incorporating Technology in trade processes (Zaki, 2007). According to WCO ‘Trade Facilitation is the avoidance of unnecessary trade restrictiveness by applying modern techniques and technologies while improving the quality of controls in an internationally harmonized manner’

In East Africa, the quest for efficiency in port operations, professionalism in customs procedures which allow for faster clearance of goods is now a matter of concern. In the pursuit of a fully-fledged customs union, a common market, single currency and finally a political federation, East African Customs Union has been able to eliminate all tariffs on intra- East African trade and agreed on a Common External Tariff (CET) for goods that do not originate from East Africa. This considerably contributed towards cutting a proportion of costs of upto € 300 million to the taxes foregone by partner states in their Preferential Trade Arrangements. Nevertheless, the costs to trade attributed to non-tariff barriers (NTBs) have more far reaching repercussions than those attributable to tariffs (Hoekman et al, 2013).

East Africa’s trade would have recorded higher level of growth than it has now had several factors that heavily impact on Trade Facilitation been looked into and addressed. These are, insufficient and bad roads, technology and bad governance. According to Lima and Ve Enables’, (2001). The degree of infrastructural challenges rises to approximately 40% of transport costs and to a high of 60% for landlocked countries. Costs attributable to border inefficiencies are, low resource compatibilities where document processing systems are not perfectly compatible. For instance, Uganda has the ASYCUDA World. Such challenges limit the extend one can explore the market that has widened as a result of the East African Community trade the region, Yang & Gupta, (2007), Njinkeu & Powo Fosso,(2006) and Forouton & Princhet,(1993). An attempt has been made to have Revenue Authorities’ Digital Data Exchange (RADDEX) as a platform for exchange of data from the two systems but this has not fully been exploited.

1.1.2 Kenya perspective

Kenya Vision 2030 is Kenya's long term policy blueprint which guides policy formulation and implementation for all sectors in the country (EAC/WTO TPR 2012). There are universally adopted regional and international trade agreements intended to create market for Kenyan products to which Kenya is a member including, World Trade Organization (WTO), East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), African Caribbean Pacific Cotonou Agreement as well as the Inter-governmental Authority on Development (IGAD).

Over 70 percent of global trade is made up of manufactured goods. Intra-Africa trade averages about 12 percent whilst Kenya's share of both the global pie as well as in Africa has been facing serious bottlenecks leading to a huge balance of trade deficit with most of our trading partners. The leading market for Kenya's exports is Africa, taking a 47.5 percent share of all exports in 2004. Uganda and Tanzania are Kenya's top customers. Other major African importers of Kenyan goods are the Democratic Republic of Congo, Egypt, Rwanda and Sudan. By regional grouping, COMESA takes up more than 73 percent of the total exports to Africa while the EAC takes up 54 percent. Kenya's next largest market is Europe which absorb 27.9 percent of its exports (WTO, 2017). The major customers were the United Kingdom, the Netherlands, Germany and France. In Asia, major importers of Kenyan goods are Pakistan, India and the United Arab Emirates. The United States of America is the main customer from the American continent (WCO, 2016).

1.2 Problem Statement

Customs work normally involves high volume of transactions; Customs Administrations therefore face the challenge of facilitating the movement of legitimate passengers and cargo while applying controls to detect Customs fraud and other offences. Customs Administrations find themselves increasingly under pressure from national governments and international organizations to facilitate the clearance of legitimate passengers and cargo while also responding to increase in transactional crime and terrorism. These competing interests mean that it is necessary to find a balance between facilitation and control.

Traders in Kenya face numerous challenges in doing business. These challenges hinder positive impacts of Trade Facilitation to be fully realized, USAID (2010). These include unnecessary and excessive data and documentation requirements, lack of transparency, inadequate legal redress, delayed release and clearance, absence of co-ordination between Customs and other Government agencies (OGAs), little use of modern customs technology techniques and all are compounded by unchecked corruption. Although the Customs environment has changed due to reforms and the entire East African Customs Union is working to address these problems through multilateral, regional and bilateral initiatives, the process is slow and ineffective.

It is also notable that non-tariff regulatory barriers deter trade development. While there is across-the-board agreement on the necessity of trade facilitation, not all East African countries have shown enthusiasm in ongoing negotiations of a multilateral nature under the pretext of inability to afford the modern technology required (Michael L. 2004). There is a tendency of reluctance to take on additional legal obligations that may expose countries within East Africa to Dispute Settlement Mechanisms (DSM).

Taking into consideration the pace of integration of East African countries and their resolve to deal with outstanding issues towards fully fledged customs union and free market economy, there is no doubt that there exist an underlying problem that requires urgent attention. It is in this spirit that this study has attempted to assess factors affecting Trade Facilitation and make specific recommendations based on the conclusions drawn from the study.

1.3 The Scope of the Study

The scope of the study was limited to trade facilitation in the East African Community Customs Union (EAC CU) by tracking the achievements and implementation using Kenya as case factor.

1.4 Research Objectives

The main objective of this study is to investigate the influence of trade facilitation on export performance in Kenya.

1.4.1 Specific Objectives

The study will be guided by the following specific research objectives;

- i. To determine the effect of One-Stop border post on export performance in Kenya.
- ii. To establish the effect of automation on export performance in Kenya.
- iii. To find out the effect of harmonization of standards on export performance in Kenya.
- iv. To access the effect of port infrastructural development on export performance in Kenya.

1.5 Research Questions

The study will be guided by the following research questions

- i. What is the influence of One-Stop-Border-Post on export performance in Kenya?
- ii. To what extent does automation influence export performance in Kenya?
- iii. How does harmonization of standards influence export performance in Kenya?
- iv. What is the influence of port infrastructural development on export performance in Kenya?

1.6 Significance of the study

Trade facilitation has the potential to promote competitiveness and market integration. Moreover, trade facilitation can make multilateral trade liberalization an important tool for development in a system based on predictable rules, openness and lack of discrimination (Cosgrove-Sacks & Apostolov 2003).

Despite the potential and successes of trade facilitation there are also challenges of implementing trade facilitation in Africa. The obstacles to trade facilitation are not only many and varied, but they are also inter-related. This situation requires an integrated, cooperative response from the Government and the private sector. Buyonge and Kireeva (2008) highlighted some of these challenges which include the lack of a service attitude

across all customs management levels, adversarial relationship between Customs and business, insufficient or inefficient supporting infrastructure, lack of a facilitation culture in other government departments, corruption and illicit trade. A holistic approach is thus needed to address trade facilitation as some of the impediments are cross-cutting and cannot be addressed by Customs alone.

1.6 Scope of the Study

The scope of the study was limited to the influence of trade facilitation on export performance in Kenya. The time scope of the study is six months starting from June 2018 to December, 2018 due to the fact the study is meant for an academic purpose and as such is bounded by the academic timelines.

1.7 Limitations of the study

The study focused on exports of Kenya. Future research should consider covering the entire East African Community to increase the understanding of the contributions of trade facilitation on export performance in East Africa.

Secondly, this study will only obtain secondary data from government organizations hence other studies should be carried out employing primary data from other sources like questionnaires and interviews.

Kenyan exports has potential to lead its peers in the African continent in terms of exports. However, it faces many challenges in achieving its potential to becoming a leading exporter in the African continent. Since every country is unique, research results will only be relevant to Kenya as the study focuses only on export performance Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines the theoretical review, empirical review based on the specific research objectives, summary of reviewed literature and knowledge gaps, and conceptual framework.

2.2 Theoretical Literature Review

The theoretical framework is based on the theory of Ricardo's Comparative advantage and Romer's growth model.

2.2.1 Theory of comparative advantage

Ricardo reasoned in his theory of comparative advantage that the growth of trade among countries depended on specialization in areas where countries had comparative advantage so specialization was key. Ricardo argued that 'there is mutual benefit from trade or exchange even if one party like resource-rich country, highly skilled artisan is more productive in every possible area than its trading counterpart like the resource-poor country, unskilled labour, as long as each concentrates on the activities where it has a relative productivity advantage'.

Ricardo, (1817) assumed a two country bilateral trade scenario between England and Portugal, where factors are perfectly mobile, two goods to be traded exist and a scenario of no trade barriers. He was a proponent of Accumulation of capital to form a stock of wealth. As a country continues to utilise capital, the stocks reduce. In the growth of the global economy therefore, the first-world countries, he states, will begin to lose value per trade, even to the purely theoretical extent of drawing from the capital base.

2.2.2 Romer's Growth model

Romer, (1993) demonstrates in this model the benefits of an open trade orientation. This could be potentially higher than the static gains. In his growth model, Romer shows that a

greater variety of inputs does more for production than higher quantities from a limited range. Results confirm that gains are realized in trade liberalization when trade facilitation improvements are incorporated. In the study in Middle East and North Africa (MENA) region, trade with the European Union (2007) increased welfare gains from \$913 million to \$3 billion that is 0.1% increase to base GDP. The study highlights improvement in welfare and Gross Domestic Product.

Krugman (1979) argues that tremendous growth in trade among countries in the 20th century is difficult to explain by the theory of comparative advantage. Krugman's explanation of trade between similar countries was proposed in the Journal of International Economics, (1979) and involves two key assumptions: that consumers prefer a diverse choice of brands, and that production goes with economies of scale, therefore he models a 'preference for diversity' for production and assumes a utility function for the consumers commonly referred to as the "new trade theory".

2.3 Empirical Review

The empirical review of this study will be examined using the specific research objectives.

2.3.1 One-stop border points

Many countries are turning towards developing better border infrastructure and management processes, with success realized in Europe, USA, Canada, Asia and South American states (timeless tours and travel (ttpafrica), 2011). In Africa, South Africa and Mozambique have established an OSBP at Lebombo and Resano Garcia border posts while Zimbabwe and Zambia have an OSBP at Chirundu border post. Namibia is working on an OSBP at Wenela with Zambia at Sesheke border; Oshikango and SantaClara border with Angola and Trans Kalahari and Mamuno border with Botswana. The EAC has embraced the concept at Namanga, Malaba, Busia, Kagitumba-Mirama hills and Katuna border posts (ttpafrica, 2011).

According to (crown agents, 2010) the Busia border post has been blamed for delays consequently resulting to congestion at the port of Mombasa. These delays have in the past led to strikes and go slows by transporters and clearing agents. Impatient truckers and traders often offer bribes either to jump queues or expedite clearance of their cargo. Border delays and the absence of enforceable means of settling disputes have been blamed for hindering the opening up of trade in East Africa, even after the launch of the EAC Common Market. As a result of these and other challenges, Compete USAID (2010), observed that OSBP would harmonise transit clearance procedures by having officers from two bordering countries handle transit documents concurrently, saving on the time and consequently customs clearance thus reducing the cost of doing business in the region.

TMEA (2010) carried out a study on the relationship between OSBP and trade facilitation makes a retrospective assessment of the implications of OSBP on trade facilitation. Acknowledging that most OSBP presently improve trade facilitation dimensions, he tries to evaluate the implications of trade facilitation reforms at the three levels they are usually undertaken – national, regional and multilateral.

Khaguli (2013) studied the impact of trade facilitation on eight border posts of the EAC countries, concluded that the implementation of trade facilitation measures in the EAC has seen the region being able to increase trade flows and boost economic growth. The OECD (2013) indicates that in some African countries revenue losses from inefficient border procedures are estimated to exceed 5% of GDP. These losses are associated largely with trade costs due to complex customs procedures. Automation is reported as one measure of reducing this cost and has a potential to reduce trade costs by as much as 2.9%.

2.3.2 Transport infrastructure

A study on Turkey by Kustepeli et al. (2012) found no significant relationship between country-wide highway infrastructure and international trade. However, the authors pointed out that there is a negative correlation between highway infrastructure investment and highway length. Considering that road infrastructure represents only a part of all trade-related infrastructure and that infrastructure is not uniformly distributed among regions, it

would be beneficial to focus on the infrastructure-trade relationship with explicit emphasis on different infrastructure categories and on the positioning of infrastructure in space.

O'Rourke and Williamson (1999) argue "all of the commodity market integration in the Atlantic economy after the 1860s was due to the fall in transport costs between markets". Weak infrastructure is a major impediment to trade, competitiveness and sustainable development in most African countries, particularly land-locked and small island countries. Recent literature has emphasized the dependence of trade costs on infrastructure.

Hummels (2001) carried out a research on the relationship between transport infrastructure by using information on international freight and tariff rates. He concludes that the tariff equivalent trade cost estimates derived from this method coming up in the range of 100 to 200 percent are implausibly large. However, Anderson and van Wincoop (2004) present a comprehensive survey of the literature on trade costs and argue that the representative tariff equivalent of international trade costs might be as much as 74 percent for a typical developed country. They also concluded that the trade costs faced by developing countries are significantly larger, suggesting that trade costs could have important implications for international trade for developing countries.

Baier and Bergstrand (2001) demonstrate the importance of trade costs in explaining post-World War II international integration. Furthermore, Obstfeld and Rogoff (2000) place trade costs at the heart of the "major puzzles" of international macroeconomics. There is evidence that improvements in transportation contributed to lower trade costs so that distance mattered less and less for the degree of integration.

2.3.3 Harmonization of standards

Harmonized standards reduce information asymmetries, signal quality to consumers and create a common language for potential trading partners, thus reducing the overall transactions costs and creating a competitive advantage for firms (Clougherty and Grajek 2008; Kindleberger 1983; Swann, Temple, and Shurmer 1996). However, Hudson and Jones (2003) show that national or international harmonised standards create a competitive

advantage. The authors adapt Akerlof's (1970) 'lemon' problem to quality standards in international trade. Their model reveals that quality signaling through the adoption of standards reduces consumers' level of uncertainty regarding the product quality. The authors argue that firms prefer international standards because they signal quality in the home and foreign market. In case the perceived quality level of national standards exceeds the level of international standards because consumers have a greater knowledge about the national standardization system then it is possible that national standards are used as quality signals.

Gandal and Shy (2001) model the effects when a number of countries establish a standardization union. The authors argue that the formation of a standardization union leads to trade diversion from non-union members while the trade between members will increase. Thus, the model predicts that international harmonized standards are trade creating whereas standards that are specific to the standardization union are only trade creating for the member countries but trade distorting for non-member countries.

Standards reduce the product variety (Farrell and Saloner 1986). That is, the replacement of national standards by international standards reduces variety and leads to less trade. From the perspective of intra-industry trade, however, harmonized variety reducing standards allow specialization in intermediate goods and thus promote intra-industry trade (Blind and Jungmittag 2005).

Chen, Otsuki, and Wilson (2006) show in a model how standards raise exporters' compliance costs. It is assumed that differing standards are imposed by all importing countries in order to reduce external effects in the domestic country. Compliance with standards creates costs for all firms but is higher for foreign firms, for example, as a result of redesign costs or time delay for inspection processes. Consequently, compliance costs as a result of differing national standards discourage firms' propensity to export.

2.3.4 Port infrastructure developments

Port efficiency, proper customs environment, regulations that are prominently published after consultation with parties concerned and consolidated costs that are commensurate with services rendered by government agencies form the basic frame work of Trade facilitation that result in immense benefits (UNCTAD, 2004). The benefits range from ‘overall increase in trade flows’ (Hertel, Wansley and Itaura, 2001) improved port infrastructure developments have been found to reduce time spent offloading cargo which results in improving trade.

Tongzon and Heng (2005) also took in consideration the port development as an independent variable for the total throughput in a container port and it turned out to have a statistically significant, positive effect. In addition, the port infrastructure is necessary for explaining performance, but not sufficient. Other variables, such as maritime and inland accessibility, are always necessary to completely explain the link between the port infrastructure and port performance (Caldeirinha et al., 2009).

Demand for port usage is a derived demand from import, export and transshipment, because people and sectors exchange goods that are produced and consumed at different locations (Tongzon, 1995; Seabrooke, Hui, Lam, & Wong, 2003). This occurs both within a country and across countries. Therefore it is reasonable that the balance of payment which include imports and exports, should be taken into account as a determinant for the port performance. Research by Tongzon (1995) showed that this factor indeed has a significant influence on the port performance. Of various economic factors, the value of direct exports turned out to be the most reliable and influential determinant of throughput volumes (Seabrooke et al., 2003).

The non-stationary relationship between the import container volume and economic growth in Taiwan was examined by Chou, Chu and Liang (2008). The focus of their research was on economic data, including the volumes of export containers, the volumes of import containers, the gross domestic product (GDP) for the period 1989-2001 (Chou et al., 2008). The results showed that there is a significant correlation between all these

economic variables, which indicates that the port infrastructure development of a country is very important for the export performance. Also Caldeirinha et al. (2009) showed that the port performance of region has a significant influence on the economic development, because the port expansion is largely responsible for economic development.

2.4 Summary of literature and Research Gaps

The study under literature review investigated the influence of trade facilitation on export performance in Kenya. The theory of comparative advantage reiterated that the growth of trade among countries is depended on specialization in areas where countries have comparative advantage so specialization is key while Romer's growth model revealed that gains are realised in trade liberalization when trade facilitation improvements are incorporated.

Additionally, under empirical review a number of studies have been reviewed. International studies including Hummels (2001) links trade facilitation measures to tariffs, estimating that each day saved in shipping time reduces ad-valorem tariffs by 0.5%. Sauve & Zampetti (2000), observed that transaction costs to provision of regional trade facilitation are optimised when the most appropriate participants partake in such provision. Dennis (2006) studied the Middle East and North Africa region and focused on the development prospects of trade agreements and facilitation measures in the region. Locally, Khaguli (2013) studied the impact of trade facilitation on eight border posts of the EAC countries, Tosevska-Trpcevska (2014) on the effects of the implementation of Single Window and simplified customs procedures in the EAC.

Given the above overview of related literature on the importance and potential impact of trade facilitation, it is evident that members belonging to a trade group can experience trade facilitation induced gains, over and above the gains originating from the process of integration itself. However, the overview of related literature on trade facilitation indicates that though the topic of trade facilitation has attracted a lot of attention, there is limited academic research on the topic in Kenya and the African continent at large. This study will address this gap by adding to the existing scarce literature by bringing out the influence of trade facilitation on export performance in Kenya.

2.5 Conceptual Framework

This conceptual framework examines the relationship between independent variables and the dependent variable. The independent variables for this study are one-stop border posts, automation, harmonization of standards and port infrastructural development trade facilitation. The dependent variable is export performance.

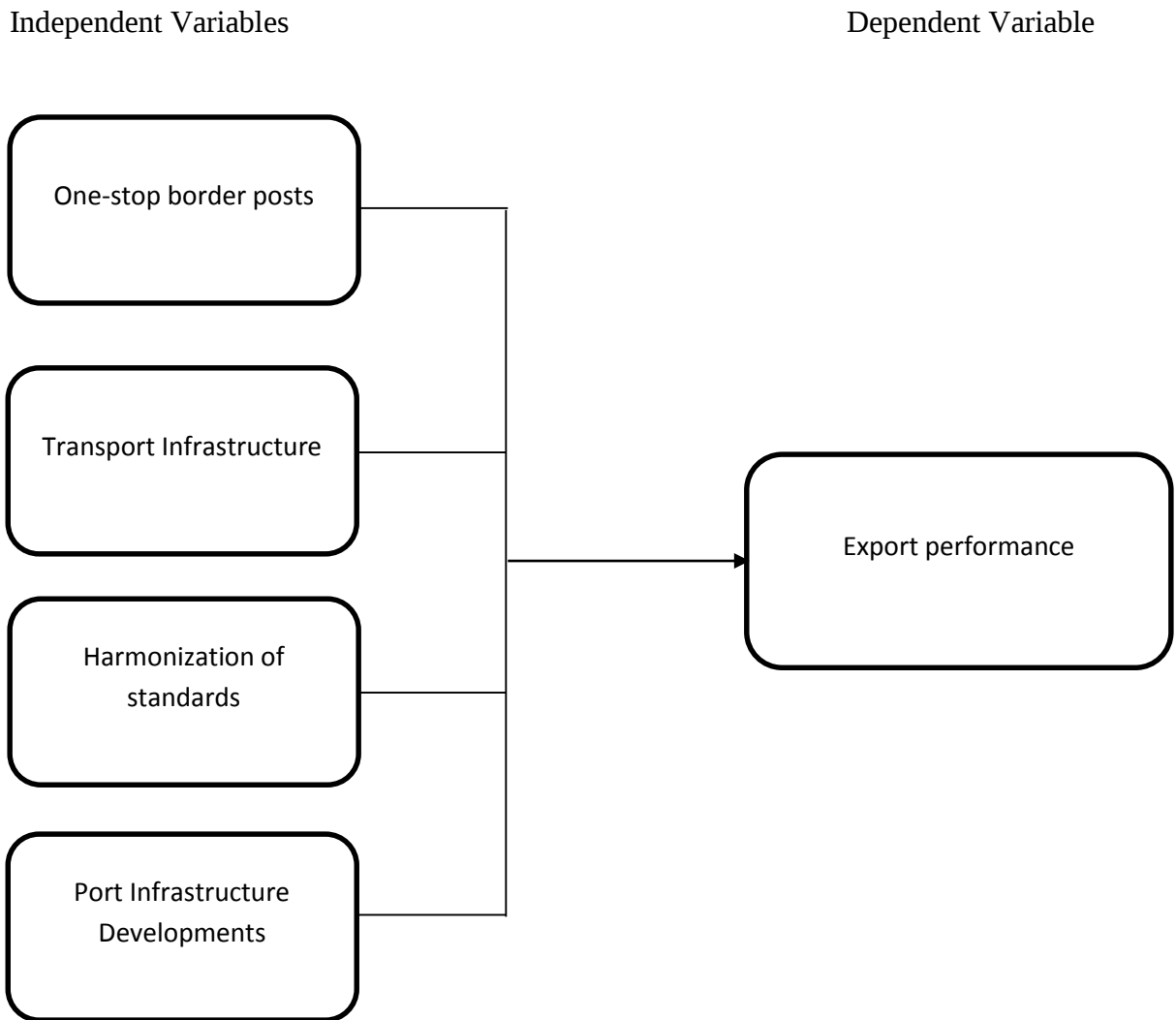


Figure 2.1: Conceptual Framework

Source: (Author, 2018)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

According to Saunder, Lews, & Thornhill (2009), research methodology is the organized and systematic inquiry or investigation in search of answers to specific questions. This chapter therefore examines research design, target population, sampling procedure, research instruments, validity and reliability of research instruments, data collection procedures, data analysis techniques, and ethical considerations.

3.2 Research Design

Research design can be defined as a framework for the collection and analysis of data that is suited to the research question (Orodho, 2003). It can also be defined as an action plan that one uses to answer the research questions (Girija, 2003). For the purpose of this study the descriptive research design will be used. A descriptive research design is defined as a process whose objective is to explain a phenomenon, to estimate a proportion of a population with similar characteristics and to discover associations among different variables (Cooper & Schindler, 2008). The descriptive study will be important as it will help discover the association between the trade facilitation and export performance in Kenya.

3.3 Population

A population is the total number of items from which an inference is made (Cooper & Schindler, 2006). This study used data on four study variables; Exports revenues, One-stop border point, transport infrastructure, Harmonisation of standards and port infrastructure developments for a ten year period (2008-2017).

3.4 Data Collection

Data for the study was collected from the World Bank, UNCTAD, WCO, OECD, EAC Secretariat, Kenya Revenue Authority, Central Bank of Kenya and other published statistics and documentation that highlight information on trade facilitation and export

performance. The researcher extracted information on Exports revenues, One-stop border point, transport infrastructure, Harmonisation of standards and port infrastructure developments.

3.5 Data Analysis and presentation

Data analysis includes manipulation of data to develop summaries, identify patterns and application of appropriate statistical techniques to extract useful information (Cooper & Schindler, 2006). The Statistical Packages for Social Sciences (SPSS) version 23 for windows will be used for entering data and analysis. The descriptive analysis will be undertaken in order to identify the characteristics of respondents. The descriptive statistics which will be used for the study will include the mean, frequency and percentages. The hypothesis will be tested using the t statistics. The inferential statistics, that is, linear correlations and multiple linear regressions will be used to analyze the relationship between independent variables and the dependent variable.

3.5.1 Conceptual Model

This study sought to investigate the influence of trade facilitation on export performance in Kenya. The study conceptually utilized the model shown below:

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where; y = Export performance

β_0 = constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of estimates

X_1 = One-stop border posts

X_2 = Transport Infrastructure

X_3 = Harmonization of standards

X_4 = Port infrastructure developments

And ε is the error term

3.5.2 Test of Significance

It's a term used in the study to determine the study variables under study. It's vital in regression equation tested using the F-test statistics. The significance of the independent variables carried out using the t-test statistics at 95% confidence level.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND INTERPRETATION

4.1 Introduction

This chapter provides an analysis of the research findings and discussions of the study findings. The chapter outlines the descriptive statistics, the graphical presentations of the variables, correlations, the paired sample tests and an interpretation of the findings.

4.2 Descriptive Statistics

Descriptive statistics entails the paired samples test and the graphical presentations of the considered variables.

The main objective of the study was to investigate the influence of trade facilitation on export performance in Kenya. To respond to this objective, the study did analysis of: Exports, One-stop border point, transport infrastructure, Harmonisation of standards and port infrastructure developments.

Table 4.1: Descriptive statistics

Descriptive Statistics

	N	Minimu m	Maximu m	Mean	Std. Deviation
Exports	10	4.46	6.13	5.5840	.53778
One-stop border point	10	3.00	8.00	6.1000	1.66333
Transport infrastructure	10	1.30	1.38	1.3300	.02708
Harmonization of standards	10	3.313	3.530	3.35420	.064860
Port infrastructure developments	10	5.789	6.045	5.93370	.100231
Valid N (listwise)	10				

The results on table 4.1 above show that the average Export was 5.584 with minimum and maximum for the sampled variables being 4.46 and 6.13 respectively. The results also indicate that average value after introduction of One-stop border point was 6.1 with a minimum and maximum time of 8 and 3 respectively. The results indicate that the mean value of Harmonization of standards was 3.35420 with minimum and maximum values being 3.313 and 3.530 correspondingly. The results also show that port infrastructure developments were 5.93370 with minimum and maximum value of 5.789 and 6.045 respectively.

4.3 Regression Analysis

The regression model was used to investigate the influence of trade facilitation on export performance in Kenya. The regression results generated the model summary, the ANOVA results and the regression coefficients.

The regression model was as follows:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where; y = Export performance

β_0 = constant

$\beta_1, \dots, \beta_4$ = Coefficients of estimates

X_1 = One-stop border posts

X_2 = Transport Infrastructure

X_3 = Harmonization of standards

X_4 = Port infrastructure developments

And ε is the error term

The study involved a multiple regression analysis to test the level of influence among predictor variables. The research used the statistical package for social sciences (SPSS V.23) to code, enter and compute the measurements of the multiple regressions.

4.3.1 Regression Coefficients

Table 4.2: Regression Coefficients
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-56.759	39.438		-1.439	.210
One-stop border point	.278	.177	.860	1.570	.177
Transport infrastructure	3.910	16.750	.197	.233	.825
Harmonization of standards	-.502	2.791	-.063	-.180	.864
Port infrastructure developments	9.625	2.916	1.794	3.301	.021

a. Dependent Variable: Exports

According to the analysis, the equation for the regression line transformed to;

$$Y_i = -56.759 + 0.278X_1 + 3.910X_2 - 0.502X_3 + 9.625X_4 + \epsilon$$

Where; y = Export performance, β_0 = constant, $\beta_1 \dots \dots \beta_{5d}X_1$ = One-stop border point, X_2 = Transport Infrastructure, X_3 = Harmonization of standards, X_4 = Port infrastructure developments

From the above regression equation, it can be concluded that, holding One-stop border point, Transport infrastructure, Harmonisation of standards and port infrastructure developments constant, Export performance in Kenya amounts to -56.759 units of influence. Variances in One-stop border point would trigger an increase in export performance in Kenya by 0.278 units. Variances in Transport infrastructure would trigger an increase in Export performance in Kenya by 3.910 units. Variances in Harmonisation of export standards would trigger a decrease in export performance in Kenya by -0.502

units. Variances in port infrastructure developments would trigger an increase in export performance in Kenya by 9.625 units.

4.3.2 ANOVA

Table 4.3: Analysis of Variance (ANOVA) ANOVA^a
ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.172	4	.543	6.296	.034 ^b
	Residual	.431	5	.086		
	Total	2.603	9			

a. Dependent Variable: Exports

b. Predictors: (Constant), Port infrastructure developments, Harmonization of standards, One-stop border points, Transport infrastructure

Analysis of variance (ANOVA) is a method of testing the null hypothesis that several group means are equal in the population, by comparing the sample variance estimated from the group means to that estimated within the groups. Sum of squares measures the variability of a data set. Given our regression model on the sum of squares of 2.172, is bigger than residual of 0.431, we can conclude that our model sufficiently accounts for most of the variation on the dependent model, which means most of the variation on export performance in Kenya results from One-stop border points, Transport infrastructure, Harmonisation of standards and port infrastructure developments. We use the F statistic and significance level to measure if the regression model fits well. Pegging the significance level at 5%, the critical value was smaller than the calculated p ($2.4 < 6.296$) we see that One-stop border point, Transport infrastructure, Harmonisation of standards and port infrastructure developments significantly determine the levels of performance of exports in Kenya.

4.3.3 Model Summary

Table 4.4: Model Summary
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.913 ^a	.834	.702	.29365

a. Predictors: (Constant), Port infrastructure developments, Harmonization of standards, One-stop border point, Transport infrastructure

R is the correlation coefficient whose output shows the relationship between the study variables. R output of 0.913 indicated in the table above exhibits a strong positive relationship between the study variables. R Square shows the goodness of it that is how well the independent variable explains the dependent variable. Adjusted R square is the coefficient of determination which tells us the variation in the dependent variable due to the changes in the independent variable. R^2 of 0.834 implied that a variation of 83.4% on export performance in Kenya is determined by fluctuations in One-stop border point, Transport infrastructure, Harmonisation of standards and port infrastructure developments, at 95% confidence interval. 16.6% variations on export performance in Kenya are determined by variations of other variables outside this model. This is a good fit because it explains satisfactorily, between the variables. A good fit takes values between 0.75- 1.

4.4 Discussion of Research Findings

From the regression equation of $Y_i = -56.759 + 0.278X_1 + 3.910X_2 - 0.502X_3 + 9.625X_4 + \varepsilon$, it can be concluded that, holding One-stop border point, Transport infrastructure, Harmonisation of standards and port infrastructure developments constant, Export performance in Kenya amounts to -56.759 units of influence. Variances in One-stop border point would trigger an increase in export performance in Kenya by 0.278 units. Variances in Transport infrastructure would trigger an increase in Export performance in Kenya by 3.910 units. Variances in Harmonisation of export standards would trigger a decrease in export performance in Kenya by -0.502 units. Variances in port infrastructure developments would trigger an increase in export performance in Kenya by 9.625 units.

The beta coefficients indicated the relative importance of each of the independent variables (One-stop border point, Transport infrastructure, Harmonisation of standards and port infrastructure developments) in influencing the dependent variable export performance in Kenya. Port infrastructure developments was the most important factor influencing export performance in Kenya with a beta coefficient of 9.625 followed by Transport infrastructure 3.910, Harmonisation of standards -0.502 and One-stop border points at 0.278. The high beta coefficient for port infrastructure developments indicates export performance in Kenya is hugely affected by the container throughput. In conclusion, all these factors affect export performance in Kenya. This is in line with study by (Ashenafi, Kelifa, & Yodit, 2013) which indicated a strong and positive correlation between port infrastructure developments and export performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter illustrates a summary of the research findings, conclusions, recommendations and suggestion for further research.

5.2 Summary of the findings

The research findings indicated that trade facilitation had an influence on export performance in the study period. The co-relation findings indicated strong direct correlation linking the port infrastructure developments and export performance in the study period. The exports were also found to have strong positive relation to transport infrastructure. One-stop border point had weak direct correlation with exports while Harmonisation of standards had weak inverse correlation to export performance.

The research revealed an existence of a strong direct correlation linking port infrastructure developments to export performance in Kenya. This therefore meant that as port infrastructures are improved/ increased; the export performance were increasing. However, the co-relation between export performance in Kenya and One-stop border point was weak positive one. This translates to positive movements in One-stop borer movements as a result of increments in number of one-stop border points in Kenya.

5.3 Conclusions

The objective was to investigate the influence of trade facilitation on export performance in Kenya. The study variables were; One-stop border point, Transport infrastructure, Harmonisation of standards and port infrastructure developments constant from 2008 to 2017.

From the research findings, the study concluded that most of the trade facilitation variables had had positive correlation to export performance in Kenya during the study period. The relation between trade facilitation and export performance were observed to be high

throughout the study period. This is mainly contributed by the country's efforts to become a leading nations in terms of the exports in the East African region and in the African continent at large as witnessed by various projects to improve intra-regional trade with its neighboring nations. The researcher also concludes that the number taken to clear goods at border points has reduced over the years.

With regards to the Transport infrastructure, the conclusions are that time taken to export goods through road, railway or by air has been reducing yearly over the entire study period. The relationship however between harmonization of standards on export performance was negative hence it negatively impacted on export performance. Port infrastructure development on the other hand had a strong positive relationship with export performance. A recently approved World Bank project, the East Africa Trade and Transport Facilitation Project aims to expand regional trade in and from East Africa by providing more reliable and less-costly transport services in the region. The project's main activities are the implementation of community-based systems in Mombasa, elimination of the escort transit system in Kenya and of weighbridge delays, and simplification of transit systems (World Bank, 2015).

There are benefits attributed to the parameters: namely expected travel/dwell time and uncertainty along transport corridors, value of consignees' time for storage and inventory, and value of time for transportation equipment. The estimation assumes that the project will achieve: a 25% reduction in dwell time at Mombasa port; a 25% reduction in transit times through Kenya; a 40% reduction in domestic transit times through its borders; and a 66% reduction in border-clearance times at Malaba. Improvements in Mombasa and along the Kenyan portion of the Northern corridor are expected to accrue the lion's share of benefits; consequently Kenya is set to benefit most substantially from the project (KNBS, 2015).

A further benefits of trade facilitation on cost savings reveals that 40% of savings ensuing from reduced dwell time at Mombasa port can be attributed to a reduction in delays; 60% can be attributed to reduced uncertainty for shippers. Almost 90% of savings gained from

simplified transit procedures in Kenya will accrue to transport companies because of reduced delays (World customs organization, 2017).

This study concludes that for Kenya to achieve its set targets on export performance, the country should do more in an attempt to improve trade facilitation in the country that has huge potential to become a leading exporter not only in East and Central African region but in the African continent. The country should invest more on infrastructure in order to facilitate export in the country.

5.4 Recommendations

5.4.1 Managerial Recommendations

Effective implementation of the current modernization programs is of paramount importance. The reform agenda must receive continuous high-level political support whose priorities are; automation of container tracking at the Mombasa port and development of a set of logistics indicators to benchmark reforms and progress. It's critical that the private sector occupy an important role in driving forward reform, as well as in some advisory capacity.

5.4.2 Policy Recommendations

Standards for export diversification. Kenya's expansion and diversification into horticulture has increased the attention given to meeting standards. These were of little importance in the past; traditional agricultural commodities' competitiveness is driven more by price and quality concerns than by standards-related measures. Yet, the "success story" of Kenya's fresh produce industry, and the government's and industry's response to the challenges posed by meeting food safety standards in international markets, illustrate how these can catalyze trade and redefine comparative advantage. To achieve these, the stakeholders should improve: Awareness raising on good agricultural practices, Improvements of environmental management in order to improve the quality standards in the horticultural sector.

5.4.3 Suggestions for further research

Access to finance remains a major obstacle to export development for micro, small and medium enterprises (MSMEs) and farmers. A crucial element of Kenya's export growth and diversification strategy must be to increase participation by smaller enterprises and small holder farmers in international trade. Small firms and smallholders face immense difficulties in obtaining credit, in accessing export-credit insurance and in securing letters of credit. To address these challenge of lack of access to finance by MSMEs, the government should develop a coherent national policy and strategy for micro- and small-business finance. Of particular importance would be the achievement of better coordination among regulators and the development of a common legislative and regulatory framework for different finance providers, which would simplify the flow of funds between them, and MSMEs.

To address the lack of access to political-risk insurance for productive transactions and cross-border trade among EAC countries, the countries in the community should develop a project to cover political risk for short-term trade transactions in seven countries, mainly members of COMESA. This will improve exports from participating countries to third countries; and imports of goods or capital from anywhere to a participating country, as long as the import is related to a productive activity.

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APPENDIX A: RAW DATA ON EXPORT AND TRADE FACILITATION

	Exports [Intra- regional trade]	OSBP [Time taken to clear goods at border points]	Transport infrastructure [Time taken to export goods]	Harmonisation of standards [Export cost]	Port Infrastructure development [Container throughput]
Year	(Billions)	(Hours)	(Hours)	\$ per container	
2008	5.0	8	24	2055	615733
2009	4.46	8	23	2055	618816
2010	5.17	7	22	2055	695500
2011	5.76	7	22	2055	770804
2012	6.13	7	22	2255	903,463
2013	5.86	6	21	2255	894,000
2014	6.11	6	21	2255	1,012,000
2015	5.91	5	20	2150	1,076,118
2016	5.69	4	20	2089	1,091,000
2017	5.75	3	20	2050	1,110,000

Source: KRA, World Customs Organization (WCO) and KNBS

APPENDIX B: SPSS DATA OUTPUT

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Exports	10	4.46	6.13	5.5840	.53778
OSBP	10	3.00	8.00	6.1000	1.66333
Transport infrastructure	10	1.30	1.38	1.3300	.02708
Harmonization of standards	10	3.313	3.530	3.35420	.064860
Port infrastructure developments	10	5.789	6.045	5.93370	.100231
Valid N (listwise)	10				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.913 ^a	.834	.702	.29365

a. Predictors: (Constant), Port infrastructure developments, Harmonization of standards, OSBP, Transport infrastructure

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.172	4	.543	6.296	.034 ^b
	Residual	.431	5	.086		
	Total	2.603	9			

a. Dependent Variable: Exports

b. Predictors: (Constant), Port infrastructure developments, Harmonization of standards, OSBP, Transport infrastructure

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-56.759	39.438		-1.439	.210
	OSBP	.278	.177	.860	1.570	.177
	Transport infrastructure	3.910	16.750	.197	.233	.825
	Harmonization of standards	-.502	2.791	-.063	-.180	.864
	Port infrastructure developments	9.625	2.916	1.794	3.301	.021

a. Dependent Variable: Exports