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Abstract:

Multinational firms in a source country often expand or diversify their businesses by exporting to other destination countries. Institution has been identified in the literature to be important in affecting exports. This paper examines how contracting institutional strengths or weaknesses in source as well as destination countries influence export decisions of multinational firms. Our results show that competitive advantages of multinational firms in exports of both homogeneous and heterogeneous goods are eroded by weak contracting institutions in their source countries. We also find that weak contracting institutions in the destination countries exert significant negative impacts on heterogeneous exports but not on homogeneous exports.

Keywords:

Institution; Export Heterogeneity; International Trade.