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Economic Security and Political Governance Crisis in the Central African Republic

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Abstract

Nowadays the Central African Republic (CAR) is experiencing huge economic insecurity which mostly derives from the political governance crisis that the country has been continuously undergoing since its independence in 1960. This paper examines the relationship between political governance crisis and economic security in the country covering the period of 1996-2015, using two stage instrumental analysis and second order asymptotic tests.

The results show that political stability and absence of violence/terrorism, voice and accountability, proxies of political governance crisis played a different role on national income per capita, agricultural raw materials exports, agriculture value added, external balance on goods and services, food exports, food imports, foreign direct investment, GDP growth, GDP per capita growth, inflation, wage and salaried workers, industry value added, total natural resources rent and trade, proxies of economic security. The importance of sustainable political governance stability and the implementation of appropriate reforms at institutional level are a preconditions to economic security.

JEL Classification: A12; B22; C50; I 28; O55; P37

Keywords: Economic security, political governance crisis, two stage instrumental analysis, Second order asymptotic test, CAR

1. Introduction

Economic security is a concept that is increasingly used, but also under theorized in the political economy literature. In the last decades, attention has been put on concept of economic security linked to governance and the globalization (Zhengyi, 2004; Kahler, 2004).

Attention has been also directed towards non-military issues such as environment, economics, health and transnational crime to name a few, as well as calls to deepen the security agenda by moving away from previous areas of focus including national security, human security, food security, community security, societal security and global security (Intriligator and Coulomb, 2008; Lisk *et.al.*, 2015; Mun Tang, 2015; Thome *et.al.*, 2017).

Referring to the Contemporary thinking on economic security, the growing interest is mostly pointed towards macro-level of economic security which is considered much as a product of post -cold period. It therefore derives from the inspective shifts from geo-economics to economic competition.

Early post-cold war analyses on the subject considered the emerging geo-economics as the foundations of future economic systems. From the new conceptual approach to economic security, the pursuit of economic security broadly defines foreign economic policy objectives.

Becoming as one of the essential key issues in security matters, economic security took its place in ensuring the economic stability and development of societies and states, especially developing ones. . CAR is known as an unstable political governance country. This threat which continues to persist because of internal and external factors arises in the most diverse dimensions and regions of CAR. Firstly, the political governance crisis has concrete historical impact content in CAR. It demonstrates the country's current development stage, degree of the state fragility and the kind of political governance which exists. So, there is a need for concrete analysis for a concrete situation, which would help us to overcome dangers against economic security, their degree of importance, their degree of urgency and their interrelationships for better policies making.

Secondly, the nature of the political governance crisis occurred. CAR underwent civils wars, mutinies, series of coups d'états, confessional wars and continuous presence of foreign troops. Those factors mostly could be explained by the awareness of citizens and political leaders as compare to other African countries, represent a priority to establish economic security and dictate the need to take strong and sustainable measures against the different nature of corresponding threats.

Thirdly, the impact, significance and urgency to stabilize the economy is linked with the issues of political governance crisis, which affect the starting point of the development of CAR and its citizens. Therefore, the problem of CAR's political governance crisis has become uppermost in recent years.

Fourthly, for all the national and international mobilization around the political crisis in CAR, their specific decisions, reforms, policies are ultimately connected with the common trends in the

economic and social progress that have been highlighted into the context of economic and financial security as well as in the context of global political and economic relations. Fifthly, the political governance crisis in CAR unquestionably impacts the economic security in the national-state goals.

In the current age of Globalization, where political governance stability is extremely progressive, some states still have a flawed system of political governance. Unfortunately; CAR is one among these countries facing multifaceted and multi-layered challenges particularly at political level. In the light of the above, this paper complements the literature by embracing a quantitatively holistic approach to economy security with particular emphasis on political governance, rooted in promoting political stability, voice and accountability in CAR.

The aim of this paper is to examine the effect of political governance crisis on macroeconomic aggregates, by redefining economic security as a country's ability to promote macro-economic aggregates growth through a stable political governance and fair voice and accountability by and rule of law, and a government that acts effectively as a facilitator. It seeks to answer the following questions, how political governance through political stability/no violence" and voice and accountability affect macroeconomic aggregates? A subsequent issue to be addressed is the effect of institutional governance proxy of and rule of law on economic security in CAR.

This paper is structured as follows: section 2 presents the political concerns in CAR, section 3 presents the CAR economic crisis, section 4 reviews the literature on economic security, section 5 presents the methodology, section 6 discusses the outcomes of the estimates, while section 7 concludes with the main policy recommendations.

2. Political Governance Crisis in CAR

After the independence in 1960, the country witnessed a various change of power. Except the democratic election between Kolingba and Ange-Félix Patassé, in 1993-1994 and the election of Faustin Archange Touadéra in 2016¹, coups d'états and mutinies have rocked the daily life of the country.

The key factor in this situation originated from national armed force (FACA)² and presidential guard's authors of continuous rearrangements through purges and recruitment campaigns, to maintain an ethnic orientation suitable to provide longer stay of president in power.³ In addition to that the significant delay in the payment of salaries to FACA⁴ with recurring threat in the country had tragic consequences on the behavior armed forces.

The years 1996 and 1997 were characterized by a spike in tension, caused by mutinies and repeated rebellions within FACA, where national instability to regularly was compensated by the intervention of French troops. The country is also characterized by several coups d'états. Elected as president in January 5, 1964, David Dacko was expelled during the night of December 31, 1965 by the

Lieutenant Jean Bédél Bokassa.⁵Supported and protected by French paratroopers David Dacko overthrew Bokassa. The collapse of Bokassa's dictatorship and the election in March 15, 1981, brought David Dacko back into power⁶.

General André Kolingba, chief of the army, conducted another coup on September 1, 1981. August 22, 1993 Félix Patasse was elected democratically but was overthrown by General François Bozizé who later was overthrown by Michel Am-Nondokro Djotodia in March 15, 2003⁷. During the reign of Djotodia, the conflict takes a whole new dimension. The conflict turns into religious violence between Christian communities and Muslim communities.

The exactions of soldiers of Seleka generated to the creation of anti-Balaka which led into a dramatic inter-confessional confrontation in Bangui and in the West of the country. Due to the ongoing conflict under the Djotodia administration, he resigned after The Economic Community of Central African States (CEEAC) summit on 10 January 2014 and Samba Panza⁸ was elected as the interim president.

In December 2015- February 2016 presidential election was held, Faustin-Archange Touadéra⁹ became the president of the country. With the regards to several coups d'état occurred in the country, some schools of thought show that France have also bears its part of responsibility in ongoing political crisis in CAR. Without the support of France, Jean-Bedel Bokassa would not have taken over in 1965 and made himself as emperor where he squandered lot states resources during its grandiose coronation and was later overthrown in 1979 by David Dacko with the help of France.

Internal crises through several threats also deepen seriously the security of the country. The lack of resources and the inaccessibility of some areas like Vakanga province results the weakened control from the central state, while promoting access to these regions by armed groups and arms trafficking from neighboring countries, Chad and South Sudan Which, contributes to the creation of tensions between the three countries, and to sub regional security issues that affect the CAR¹⁰.

The Zaraguinas or road blockers mainly in the West, Northwest, Northeast and Center, attack people by depriving them of their property with direct consequences on free movements of people and goods within the country as well as the supply shortages of goods which in long long-run affect the imports and exports. In addition to that poachers, because of a lack of borders enter in the country for poaching.

The management and control of former soldiers returning from exile is not very effective despite the government rehabilitation efforts, since a good number of them are not fully integrated. They are scattered throughout the territory and can easily be recruited for destabilization because of their precarious living conditions. Political crisis in CAR is inscribed in its history from independence and takes many forms despite the various condemnations of the international community and latter support, to the people and the government, the country has developed a culture of violence.

3. CAR Economic Crisis

Several reasons account for such attention to the political governance, most importantly to the fact that the political governance crisis has a paramount importance to the country's economic and national security. As the rest of the Central African Economic and Monetary Community, CAR has been hit by series of several shocks such as: decline in oil prices, refugee's flows and the political crisis that affects the macroeconomic indicators.

The Criminalization of the economy by this persistent political crisis has paralyzed the CAR's economy sold by the decline in certain activities such as trade, wage-earning, small trades, and transportation. Very high unemployment rate in cities are also added to this phenomenon.¹¹

Many sizable firms experienced losses from the looting and destruction that occurred in the late of 1990s; others have been inefficient or cease operations.¹²

The situation is worse in the agriculture sector in CAR in reference between the FAO Director-General José Graziano da Silva today and CAR President Faustin-Archange Touadéra. it was stated that years of conflict and political crisis have hampered agricultural activities on which nearly 75 percent of the country's population rely for food and income. Around 1.3 million people in the CAR have severely food insecurity.¹³

The report published by World Food Programme in 2014 on CAR shows that in the country food production has suffered a 58 percent drop of production average of the last five years before the crisis (2008-2012), despite favorable rainfall all along of the crop year, the harvest decreased by approximately 40 percent compared to the previous year due mainly to the crisis.

In the livestock sector, according to the same report of World Food Programme, the security context has severely affected the breeding. Looting and theft of crops and livestock constitute the second shock that affects households after insecurity. All transhumance corridors were disturbed by the presence of rebel groups limiting the mobility of the livestock and increased conflicts between pastoralists and farmers. From the same report published by World Food Programme in 2014, food products decreased by 26 percent from of 2012 and 25 percent compared to the average of last four years. The decline in imports is largely due to widespread insecurity and the transport that experience serious disturbances in main supply routes.

Referring to the Annex 4, published by World Trade Organization (WTO), between 2005 and 2011, CAR exports declined slightly in nominal terms to US \$ 103.9 million. During the same period, imports increased overall by 15.9% to US \$ 214.7 million in 2011. Diamond which is the main product for export; in 2011, accounted for 60.7% of exports, compared with around 25% for wood.. however its total share of exports fell in favor, notably of China and Japan . In 2010, imports services have increased

significantly because of the liberalization of the service sector. Consequently, the deficit in the services balance widened further, from 91.1 million from US \$ in 2009 to US \$ 113 million in 2010. The deficit has remained almost at this level in 2011 and 2012.

The report on Environment of Private Investment in the CAR published by African Development Fund in 2012 show that the private sector is undermined due to the direct effect of political crisis explained by important role that played the public sector which offers nearly 80% of formal jobs. The weakness of the private sector is mostly related to the destruction of the private enterprises infrastructures during the period of armed conflicts in the country which has been translated into limited savings and investment capital capacity necessary for an integrated strategy aiming to progress the economy and the country development.

The mining sector accounted for a total of 7% of GDP in 2007 (USAID report on Central African Republic-property rights and resource governance, 2010), industry tax revenues were 9% and 11% of total tax revenues of the state in 2009 and 2010, respectively (Extractive Industries Transparency Initiative report , 2012). This decline is the result of political instability and other factors such as: interference of the authorities in the production and marketing of diamonds and massive fraud (facilitated by the difficulty of controlling country borders). CAR which mainly exports diamonds (which production was almost entirely interrupted in 2013, because of an embargo related to Kimberley Process Certification Scheme (KPCS) established in 2013, to prevent diamonds conflict areas from entering the mainstream rough diamond market. Between 2005 and 2011, exports of the country decreased slightly, to stand at 103.9 million US dollars.

Insecurity along the country's main transport corridors (the revenue lifelines of the country) remains a major challenge because of illegal roadblocks. In addition to that, the same report also stated that the insecurity has been aggravated by the inaccessibility of some parts of the country during the rainy season. The Northern provinces are completely cut off from the rest of the country that is the reason why tourists and timber companies have abandoned their operations.

All these factors show how the impact of the political governance crisis on Central African economy is severe and all these consequences can be felt on the evolution of growing share of the country's productivity demonstrated by the current economic situation as well as the human development index ranking¹⁴ and the rest of investigated macro-economic variables.

4. Literature Review

Economic security and measurement are complex from the neorealist conception of economic security and the statist to comprehensive security approach while political governance and its measurements are used in many in many different sub-disciplines of the social sciences which make the

concept seems to be that it reflects the societal need for new initiatives based upon the realization of growing societal interdependencies¹⁵.

The idea of economic security emerged from the research fields of politics and macroeconomics (Baldwin, 1997; Collins, 2013), which emphasized on state, family, region or individual as an object of economic security. Initially, economic security was related of the idea of protection of economic interests of an object of security. Economic security, in the framework of politics and global affairs, is the capability of nation-state to track its choice of strategies to grow the national economy in the way anticipated.

Historically, defeat of states has made defeaters rich by loot, entrance to new possessions and inflated trade by governing of the captured states 'economy in the today's multifaceted organisation of global trade, branded by multi-national treaties, joint inter-dependency and presence of natural possessions etc.

Through revising the experimental field and ideas of economic safety, it is too difficult to differentiate the experimental field of economics from the economic link. As stated by (Stankevičienė et.al.,2013), the definition of economic security can be conceptualized by its objectives, as an element of production stability based on the research of several authors such as: (Ratha et.al., 2011; Schroeder, 2008; Quer et.al., 2007). Further studies on the economic link economic security to other concepts and notions such as: inequality, income, infrastructure, health, education, social protection (Chong and Gradstein, 2004; Mamoon, 2012; Brinks, 2008).

Referring again to Nesadurai, which argued that state elites in East Asia have privileged economic growth and national economic welfare as critical values to be secured to prevent internal conflict and ensure political stability by providing useful empirical insights into the economic security problem, this approach will be used to discuss the impact of political governance crisis on economic security in CAR.

The idea of "governance" is not new. Nonetheless, it refers to different things to different persons; hence, we have to get our emphasis correct. The real meaning of the idea hinges on the degree of governance we are referring to, the objectives to be attained and the method being tracked. For instance World Bank's emphasis on governance replicates the universal push to political and economic liberalization. Such a governance style points out matters of bigger state-run receptiveness and answerability, and the effect of these issues on political firmness and economic progress.

Asongu and Nwachukwu (2016), in the Principal Component Analysis considered six indicators to represent political governance, economic governance and institutional governance. Political governance is considered as (a composition of political stability, voice and accountability) is the election and replacement of political leaders, economic governance (consisting of government effectiveness and regulation quality) is the formulation and implementation of policies that deliver public commodities,

while institutional governance (entailing corruption-control and the rule of law) is the respect by citizens and the State of institutions that govern interactions between them.

As we know, the chaotic economy status already reveals the chaotic economic governance issues and efforts to create an enabling environment and strategic measures and reforms are wasted because the political governance context is not favorable and economic security requires a stable political and institutional renewal environment.

5. Methodology, Data Source and Sample Frame

This study used secondary time series data covering the period of 1996-2016 . The two stage instrumental analysis and second order asymptotic tests were applied to to examine the relationship between political governance crisis and economic.

Taking into the consideration, the different measurement of economic security which may determine within the country, the choice of our variables is carefully done based on the previous literature, the CAR's economic own characteristics, the cycle of political governance crisis consequences on the economy (see section 3) and the adequacy of data to be sought. Thus, interest has been put in 13 macroeconomics ¹⁶aggregates such as: net national income per capita, agricultural raw materials exports, agriculture value added, and external balance on goods and services, food exports, food imports, foreign direct investment, GDP growth, GDP per capita Growth, inflation, wage and salaried workers, industry value added, total natural resources rent and trade in CAR as proxies of economy security retrieved from World development indicators.

For the case of crisis in terms of governance in CAR, in our analysis, we accord an importance to (Asongu and Nwachukwu, 2016a) discussion on political governance, institutional governance institutional governance¹⁷. The data are collected from the Worldwide Governance Indicators (WGI).

The net national income can be easily linked to life evaluation in CAR. It captures also an alarming share of economic growth on productivity growth, health and the ability of the Central African citizens to contribute to the development of their communities, regions and the economy as whole.

The Agricultural raw materials export, foreign direct investment, agriculture value added, industry value added normally could impact positively the economy performance, in broadly sense the economic security. They open door to opportunity from government self-financing and the reduction of external loans, very crucial for economic growth. For the case of external balance on goods and services, is also an important factor contributing to economic security. Higher will be the exports, higher will be its impacts on economy. In addition, it helps us to understand the current stage of local industries development.

The country benefits also from natural resources rents which the management was alternated with severe and several political governance crisis could have a negative impact on the income distribution

with in turn affect negatively the wage and salaried workers and poverty increases. We expected all the proxies of political governance crisis to have a negative and significant relationship with proxies of economic security which are under our investigation. Based on the discussion below, our basic economic security equation would look like:

$$ES_t = f(\text{Political, Institutional}).....(1)$$

In order to avoid the issues of multicollinearity, the model specification of each economic security proxy contain the same instituional governance proxy with the different proxy of political governance crisis. In another terms, the proxies of political governance crisis are entered separately in the regression model to enhance the explanatory power with each proxy of economic security. Economic governance is not taken into account in our study, because it implies double effects meaning that economic affects economic. Explicitly , The models employed are as follows :

$$ANI_{1i} = \alpha_i + \beta_1 PS + \beta_2 RL + \varepsilon_{1i} \quad 2$$

$$ANI_{2i} = \alpha_i + \beta_1 VA + \beta_2 RL + \varepsilon_{2i}$$

$$ARM_{1i} = \alpha_i + \beta_1 PS + \beta_2 RL + \varepsilon_{1i} \quad 3$$

$$ARM_{2i} = \alpha_i + \beta_1 VA + \beta_2 RL + \varepsilon_{2i}$$

$$AVA_{1i} = \alpha_i + \beta_1 PS + \beta_2 RL + \varepsilon_{1i} \quad 4$$

$$AVA_{2i} = \alpha_i + \beta_1 VA + \beta_2 RL + \varepsilon_{2i}$$

$$EGBS_{1i} = \alpha_i + \beta_1 PS + \beta_2 RL + \varepsilon_{1i} \quad 5$$

$$EGBS_{2i} = \alpha_i + \beta_1 VA + \beta_2 RL + \varepsilon_{2i}$$

$$FEX_{1i} = \alpha_i + \beta_1 PS + \beta_2 RL + \varepsilon_{1i} \quad 6$$

$$FEX_{2i} = \alpha_i + \beta_1 VA + \beta_2 RL + \varepsilon_{2i}$$

$$FIM_{1i} = \alpha_i + \beta_1 PS + \beta_2 RL + \varepsilon_{1i} \quad 7$$

$$FIM_{2i} = \alpha_i + \beta_1 VA + \beta_2 RL + \varepsilon_{2i}$$

$$FDI_{1i} = \alpha_i + \beta_1 PS + \beta_2 RL + \varepsilon_{1i} \quad 8$$

$$FDI_{2i} = \alpha_i + \beta_1 VA + \beta_2 RL + \varepsilon_{2i}$$

$$GR_{1i} = \alpha_i + \beta_1 PS + \beta_2 RL + \varepsilon_{1i} \quad 9$$

$$GR_{2i} = \alpha_i + \beta_1 VA + \beta_2 RL + \varepsilon_{2i}$$

$$\begin{aligned} \text{GPC}_{1i} &= \alpha_1 + \beta_1 \text{PS} + \beta_2 \text{RL} + \varepsilon_{1i} \\ \text{GPC}_{2i} &= \alpha_1 + \beta_1 \text{VA} + \beta_2 \text{RL} + \varepsilon_{2i} \end{aligned} \quad 10$$

$$\begin{aligned} \text{WSB}_{1i} &= \alpha_1 + \beta_1 \text{PS} + \beta_2 \text{RL} + \varepsilon_{1i} \\ \text{WSB}_{2i} &= \alpha_1 + \beta_1 \text{VA} + \beta_2 \text{RL} + \varepsilon_{2i} \end{aligned} \quad 11$$

$$\begin{aligned} \text{IVA}_{1i} &= \alpha_1 + \beta_1 \text{PS} + \beta_2 \text{RL} + \varepsilon_{1i} \\ \text{IVA}_{2i} &= \alpha_1 + \beta_1 \text{VA} + \beta_2 \text{RL} + \varepsilon_{2i} \end{aligned} \quad 12$$

$$\begin{aligned} \text{NRS}_{1i} &= \alpha_1 + \beta_1 \text{PS} + \beta_2 \text{RL} + \varepsilon_{1i} \\ \text{NRS}_{2i} &= \alpha_1 + \beta_1 \text{VA} + \beta_2 \text{RL} + \varepsilon_{2i} \end{aligned} \quad 13$$

$$\begin{aligned} \text{TRAD}_{1i} &= \alpha_1 + \beta_1 \text{PS} + \beta_2 \text{RL} + \varepsilon_{1i} \\ \text{TRAD}_{2i} &= \alpha_1 + \beta_1 \text{PS} + \beta_2 \text{RL} + \varepsilon_{2i} \end{aligned} \quad 14$$

Where:

PS: political stability and absence of violence/terrorism rating from -2.5 to 2.5. (-2.5 weak, 2.5 strong).

VA: Voice and accountability rating from -2.5 to 2.5. (-2.5 weak, 2.5 strong).

RL: Rule of law rating from -2.5 to 2.5. (-2.5 weak, 2.5 strong).

ANI: Adjusted net national income per capita (current US\$)

ARM: Agricultural raw materials exports (% of merchandise exports)

AVA: Agriculture, value added (% of GDP)

EGBS: External balance on goods and services (% of GDP)

FEX: Food exports (% of merchandise exports)

FIM: Food imports (% of merchandise imports)

FDI: Foreign direct investment, net inflows (% of GDP)

GR: GDP growth (annual %)

WSB= Wage and salaried workers, total (% of total employment)

GPC: GDP per capita growth (annual %)

IVA: Industry, value added (annual % growth)

NRS: Total natural resources rents (% of GDP)

TRAD: Trade (% of GDP)

ε_i = the random error term

At the left side of the equation, the variables are proxies of economic security in CAR. At the right side of the equation: PS and VA, RL are respectively the measures of political and institutional governance.¹⁸ More specifically, the first stage of institutional governance is as follows:

$$\text{Institutional}_i = \sigma_i + \zeta_i RL + \varepsilon_{i,i} \quad 15$$

6. Results and Discussions

Below are given Tables of results from two stages regression analyses, followed by the discussions of subject matter:

Table 1: two stages regression, for ANI, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	-192.0821	-3.825493	0.0024***
RL	-8.778588	-0.103502	0.9193
C	-7.524833	110.3263	0.9467
n		15	
R ²		0.6099	
F		6.663175	
VA	-174.9575	-1.318718	0.2119
RL	-12.88696	-0.008568	0.9331
C	121.7636	0.823484	0.4263
N		15	
R ²		0.24385	
F		1.935024	

Table 2: two stages regression for ARM, PS, VA the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	-15.75661	-1.171438	0.2597
RL	-5.881380	-0.253752	0.8031
C	1.064849	0.035674	0.9720
n		18	
R ²		0.135	
F		1.171158	
VA	-9.498025	-0.316321	0.7561
RL	-13.19900	-0.452620	0.6573
c	7.537490	0.246990	0.8083
n		18	
R ²		0.0621	
F		0.497366	

Table 3: two stages regression AVA, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	0.659435	0.223186	0.8264
RL	9.207931	1.808551	0.0906*
C	67.08543	8.871757	0.0000
n		18	
R ²		0.250983	
F		2.513118	
VA	-5.234191	-0.844328	0.4118
RL	13.34911	2.217235	0.0425**
C	66.26016	10.5187	0.0000
n		18	
R ²		0.282591	
F		2.954285	

Table 4: EGBS, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	4.868962	1.183907	0.2549
RL	8.200262	1.57131	0.2653
C	10.72827	1.175493	0.2581
n		18	
R ²		0.270666	
F		2.783350	
VA	-3.669470	-0.400125	0.6947
RL	14.95883	-1.679530	0.1138
C	8.0777890	9.321297	0.3998
n		18	
R ²		0.210937	
F		2.004943	

Table 5: two stages regression FEX, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	2.781490	1.523810	0.0879*
RL	3.493862	1.330603	0.2032
C	11.98501	3.544188	0.0029
N		18	
R ²		0.404703	
F		5.098763	
VA	7.861069	2.631634	0.0189***
RL	0.574336	2.901071	0.8457
C	11.45110	3.771571	0.018
N		18	
R ²		0.502273	
F		7.568487	

Table 6: two stages regression FIM, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	-13.14268	-2.117460	0.0513**
RL	15.23222	1.424190	0.1749
c	22.67230	1.646024	0.1205
n		18	
R ²		0.236557	
F		2.323919	
VA	-27.65166	-2.066693	0.0565**
RL	22.56331	1.736422	0.1030
c	26.12944	1.921392	0.0739
n		18	
R ²		0.228142	
F		2.216815	

Table 7: two stages regression FDI, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	-1.586660	-1.431832	0.1727
RL	2.203875	1.154167	0.2665
C	2.000908	0.813663	0.4286
n		18	
R ²		0.132748	
F		1.148008	
VA	-2.111911	-0.853836	0.4066
RL	2.253833	0.938250	0.3630
C	2.538993	1.009931	0.3285
n		18	
R ²		0.059906	
F		0.477930	

Table 8: two stages regression GR, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	12.58515	1.911525	0.0752*
RL	-1.303856	-0.114928	0.9100
c	19.96933	1.366767	0.1918
n		18	
R ²		0.236262	
F		2.320120	
VA	12.54779	0.814617	0.4280
RL	1.162330	0.077699	0.9391
c	15.28753	0.976460	0.3443
n		18	
R ²		0.090457	
F		0.745899	

Table 9: two stages regression GPC, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	11.57984	1.759303	0.0989*
RL	-2.722203	-0.240012	0.8136
C	14.72813	1.008312	0.3293
n		18	
R ²		0.196575	
F		1.835031	
VA	10.94960	0.718544	0.4835
RL	-0.047265	-0.003194	0.9975
C	10.36166	0.668984	0.5137
n		18	
R ²		0.063044	
F		0.504643	

Table 10: two stages regression WSW, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	0.463537	0.291130	0.7749
RL	6.318315	2.302914	0.0360**
C	40.05340	11.33578	0.0000
n		18	
R ²		0.352802	
F		4.088421	
VA	-2.723360	-0.812925	0.4290
RL	8.578346	2.636614	0.0187***
c	39.56738	11.62020	0.0000
n		18	
R2		0.376610	
F		4.530985	

Table 11: two stages regression IVA, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	3.306452	0.576681	0.5727
RL	1.373678	9.879913	0.8913
C	7.716036	0.606424	0.5533
n		18	
R ²		0.037462	
F		0.291904	
VA	6.275709	0.509333	0.6179
RL	-0.007004	-0.000585	0.9995
C	6.779255	0.541317	0.5962
n		18	
R2		0.032849	
F		0.254734	

Table 12: two stages regression NRS, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	0.735425	0.492082	0.6298
RL	-2.998934	-1.164500	0.2624
c	7.948600	2.396616	0.0300
n		18	
R ²		0.083651	
F		0.684654	
VA	2.804809	0.891107	0.3869
RL	-4.265464	-1.395374	0.1832
c	7.878934	2.462777	0.0264
n		18	
R ²		0.115673	
F		0.981025	

Table 13: two stages regression TRAD, PS, VA and the rest of the variables

Variable	Coefficient	t-Statistic	Prob.
PS	7.482074	1.727908	0.1045
RL	-3.742577	-0.501583	0.6232
C	46.93148	4.883960	0.0002
n		18	
R ²		0.411292	
F		2.362365	
VA	22.00475	8.429132	0.0197***
RL	-12.18080	-1.487959	0.1575
C	45.57983	5.320114	0.0001
n		18	
R ²		0.319595	
F		3.522854	

Table 13: two stages regression TRAD, PS, VA and the rest of the variables

Table 14: Relevance of instruments			
	Cragg and Donald test	Anderson-Rubin test	Hansen or Sargan
Equation 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14	Cragg-Donald F-stat unavailable due to no endogenous regressors in equation	-	-

Source: table 1-13, Author's computation using Eviews 9.5, Notes: Significant at: *10, **5, ***1 percent level

For our analysis, we have estimated 13 equations. Each equation has two regressions which take into account each proxy of political governance, while the proxy of institutional governance remained the same.

The results from table 1 show a negative and significant impact of PS, while PS and RL impact positively when ANI is considered as proxy of economic security. Moreover, VA and RL have a negative relationship with ANI. This negative coefficient of PS and VA confirmed the negative role played by political governance crisis on this proxy of economic security. The results of table 2 show both negative and non-significant impact of political and institutional governance on ARM.

When AVA is considered as proxy of economic security (table 3), institutional governance appears to be statistically significant, while PS is not statistically significant but have a positive impact on AVA, however VA is not statistically significant but have negative impact on AVA. Similar case has been observed, in table 4 when EGBS is considered as proxy of economic security, PS is not statistically significant but have a positive relationship while VA is not statistically significant but have a negative impact.

In table 5, both regressions of regressions of PS and VA affect positively and significantly FEX, while RL is not significant but have a positive impact. Similar also for FIM in table 6. In the table 7, the impact of PS and VA are not statistically significant but have negative impact on FDI, while RL in both regressions affect positively the FDI. This implies that political stability plays an important role on FDI attractiveness and conflict have a negative effect on FDI. This results line up with the findings of (Obwona, 2006; Mijiyawa, 2015; Ezeoha and Okereke Ugwu, 2015). In addition the result implies also that countries with strong democratic institutions are better able to absorb the positive spillovers from FDI (Malikane and Chitambara, 2017).

In the table 8, The influence of PS appears to be positive and statistically significant while VA has no significance impact on GR. In table 9, PS impacts positively and significantly GPC while RL is not significant but has a negative impact in the regression 1, while in the regression 2, it impacts negatively and significantly GPC.

In table 10, RL in both regressions affect positively and significantly WSB while PS and VA are not statistically significant but have positive effects on WSB. In the table 11, PS and RL in the regression 1 are statistically significant but have a positive impact on IVA, while in the regression 2, VA have a positive impact and RL is statistically significant but have a negative impact on IVA.

In the table 12, in both regressions, RL is statistically significant but have negative impact on NRS. The results are consistent with the evidence from the literature, especially with regard to weak rule of law impact in natural resources sector (Busse and Groning, 2010). However, in the both regressions

PS and VA are not statistically significant but have a positive impact on NRS . Similar case has been observed in table 13 with RL statistically significant but have negative impact in both regressions.

Most of the coefficients reported in the table 1 to 13 are high which indicates an unquestionably effect played by governance crisis on economic security in CAR. Moreover, the results show that all the instruments seem to work quite well for the outcome based on each economy security proxies related to each governance crisis proxies with high R^2 and F-statistic confirmed that instruments significantly explain the variation of economic security.

For the goodness of our model, the second order asymptotic tests are carried out to avoid the problem of endogeneity. Cragg and Donald (1993) critical values to reject 2SLS bias; Anderson-Rubin test of joint significance of endogenous regressor for relevance of instruments; Hansen or Sargan over identification test statistics for endogeneity; have been conducted.

The result of Cragg-Donald F-stat is unavailable due to no endogenous regressor in the equation and the regressor endogeneity tests cannot be performed (No endogenous regressor), which confirmed that the 2 SLS analysis doesn't suffer from any problem of endogeneity added to that no presence of 2 SLS bias, which is seen to approximate to 0 in all the equations where each proxy of governance crisis is regressor, confirmed the superiority of the model to simple OLS in all the model specifications.

The overall results demonstrated the mixed role played by different proxy of political governance crisis on net national income per capita, agricultural raw materials exports, agriculture value added, and external balance on goods and services, food exports, food imports, foreign direct investment, GDP growth, GDP per capita Growth, inflation, wage and salaried workers, industry value added, total natural resources rent and trade as proxy of economic security.

The findings supported the view of (Helen and Nesadurai, 2004) who argued economic security depends on the particular circumstances which different states and societies find themselves in. Moreover, this study support also the view of (Buzan, et.al., 1998) who argued that the query of economic security worries the connection between the political structure of chaos and the economic structure of the market and dodge integration of security and economy into a sole logical concept. In terms iof governance, the work supported the importance to improve governance well as to eliminate socio-political violence , while governance institutions must be modernized and ugraded (Anyanwu , 2006).

7. Conclusion

This paper examines the links between economic security and crisis in terms of governance in CAR using two using two stage instrumental analysis and second order asymptotic tests spanning from the period 1996-2015.

The results show that political stability and absence of violence/terrorism, voice and accountability proxies of political governance crisis impacted in different manner the proxies of economic security such as: on net national income per capita, agricultural raw materials exports, agriculture value added, and external balance on goods and services, food exports, food imports, foreign direct investment, GDP growth, GDP per capita Growth, inflation, wage and salaried workers, industry value added, total natural resources rent and trade as proxy of economic security.

The findings line up with the work of (Zhengyi, 2004) who stipulated that, economic security has its particular salience in individual countries where national institutional adjustment or adaptation becomes increasingly significant to each country to govern in the interests of economic security as well as the study of (Helen and Nesadurai, 2004) who argued that an appropriate national, regional and global institutions can function as mechanisms of governance in the interests of economic security.

Considering the more critical geo-politics location of the country, the negative impact of political governance crisis on economic security found in this study, there is a need of appropriate policies at national and regional level which emphasize on political stability, good institution and the way that Central African States citizens in particular CAR citizens participated in selecting the government by putting accent on the freedom of expression, association and a free media.

Therefore, the solution to the negative relationship between political governance crisis and economic security requires not only CAR's government power in its policy towards political governance threats, but the building of electorate confidence for the purpose of an appropriate institutional implementation.

¹ André Kolingba was the fourth president of CAR (1981-1993). He overthrew President David Dacko in 1981 and was ousted from power by Ange-Félix Patassé in a democratic election in 1993. Ange-Félix Patassé was president of CAR from 1993-2003. During his reign, three mutinies were against his government (1996-1997). He was overthrown by François Bozizé in 2003. Archange Touadéra was elected president of CAR in 2016 following the election. He got victory during the second round, with 62% of the votes against 37.7% of his opponent Anicet-Georges Dologuélé.

² Central African Armed Forces, in French Forces armées centrafricaines (FACA) are the armed forces of the CAR. It was created in 1960.

³ International Crisis Group, op. cit., p. 8.

⁴ Boubacar N'Ddiaye, beyond demobilization: challenges and opportunities for Security Sector Reform in the CAR, MDRP working paper n° 2, mai 2007, p. 7

⁵ On December 31, 1965, Jean-Bédél Bokassa used his position as supreme military to overthrow Dacko; he declared himself president of CAR on January.1, 1966. He was president of the CAR (1966-1976) and self-styled emperor of Central African Empire (1976-1979). Jean Bédél Bokassa died on November 3, 1996.

⁶Le David Dacko was elected in the first round with 50.23% ahead Ange Félix Patassé (38.11%) and Henri Maidou (3.23%); see Gaudusson of Jean Du Bois, Conac Gerard and Christine Desouches, pp.183.

⁷Michel Am-Nondokro Djotodia is a was the President of the Central African Republic from 2013 to 2014. Due to the escalating violence in the country; he was ultimately pressured into resigning by regional leaders on 10 January 2014.

⁸Catherine Samba-Panza was interim President of the Central African Republic from 2014 to 2016. She was the first woman to hold the post of head of state in that country, as well as the eighth woman in Africa to do so.

⁹Faustin-Archange Touadéra is Central African Politician and academic who has been President of the Central African Republic since March 2016.

¹⁰ International Crisis Group, Tchad : vers le retour de la guerre ? Rapport Afrique n° 111, 1er juin 2006, p. 22-23 : Xavier Zeebroek, Pamphile Sebahara et Federico Santopinto, Darfour, Tchad, Centrafrique : des processus de paix à l'épreuve du feu, Note d'Analyse du GRIP, 12/02/2008.

¹¹According the trading economic website, unemployment Rate in CAR increased to 6.87 percent in 2016 from 6.76 percent in 2015. Unemployment Rate in CAR averaged 6.73 percent from 1991 until 2016, reaching an all-time high of 6.87 percent in 2016 and a record low of 6.21 percent in 2013.

¹² and Business Guide Volume 1 Strategic and Practical Information, pp 35.

¹³ Available at: <http://www.fao.org/news/story/en/item/411091/icode/>.

¹⁴ According the emergency Belgium ¹⁴CAR is ranked 185th out of 187 countries, above only the Democratic Republic of the Congo and Niger. Same index demonstrates that population of the CAR face a dismal life expectancy of only 48 years, compared to the world average life expectancy, which is 71.5 years. CAR's HDI for 2015 is 0.352.

¹⁵ Jan Kooiman (1999) Social-Political Governance, Public Management an International Journal of Research and Theory, 1:1, 67-92.

¹⁶ We have also employed all these 13 variables as dependent variable to avoid controversial and much criticized upon within country.

¹⁷ Asongu, S.A, Jacinta C., Nwachukwu (2017) Fighting Capital Flight in Africa: Evidence from Bundling and Unbundling Governance, Journal of Industry, Competition and Trade, (2017) 17:305–323.

¹⁸ See worldwide indicators , available at : <http://info.worldbank.org/governance/wgi/index.aspx#home>

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