

AN ANALYSIS OF THE AGGREGATE SUPPLY AND DEMAND FACTORS WHICH INFLUENCE EXPORT PERFORMANCE IN TANZANIA

By

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Abstract

The objectives of this research are to assess the relative importance of aggregate supply and demand factors in influencing the agricultural export performance in Tanzania, to analyse the effects different trade regimes may have on the export performance and to suggest both domestic production and export policies that could lead to an improvement in export performance. Improving the agricultural export performance in Tanzania is important as increased export earnings can lead to increased national income and provide foreign exchange for the import needs of the domestic economy.

In this study export performance of the sector, over the period 1962 to 1992, is measured in terms of real export growth rate and a time series regression model is applied in the analysis. The model was developed by Love (1984) and Athukorala (1991) and is based on the theory developed by Kravis (1970). The independent variables are world demand, representing the aggregate demand factors, and competitiveness and diversification, representing the aggregate supply factors prevailing within the country. To examine the effects of different trade regimes a dummy variable was introduced in the model.

It was found that both world market conditions and internal supply factors are significant in influencing the export performance in Tanzania. However, export earnings were found to be more sensitive to internal policies implying that export earnings can be increased through the proper choice of internal policies. Diversification appears to have had a major role in raising the level of earnings for the sector. For the case of trade regimes, a shift in policies towards a more liberal regime appears to have allowed for a movement of resources towards more diversification but has not lead to an improvement in competitiveness in traditional exports of coffee, cotton and sisal.

On the basis of these findings it is suggested that the government should pay particular attention to implementing internal policies so as to ensure that production units improve their efficiency and ability to meet international competition. Moreover, diversification policies should be designed to allow for the effective use of underutilised resources. Furthermore, care should be taken in the implementation of liberalisation policies to allow for greater flexibility in line with changing world market conditions.

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