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Export instability and economic growth the case of Tanzania

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There has been a widely-held notion, not empirically confirmed in all cases, that exports drive growth (export-led growth hypothesis) from which it is maintained that export instability would therefore be detrimental to growth. The objective of this study is to investigate the impact of overall export instability and agricultural export instability in particular, on economic growth in the case of Tanzania. Ordinary Least Squares (OLS) is used to estimate the specified equation. Time series data utilized range from 1968 to 2008 period. The empirical results show that, for total exports, the relationship between export instability and economic growth in Tanzania is not significant. However, using agriculture (rather than total) exports, the relationship is significant and negative. This finding is consistent with many other studies of LDCs where export instability is found to be detrimental to growth. This suggests that, given the importance of agriculture in Tanzania's export performance, there is a need for deliberate effort in managing instability of agricultural export earnings. Policy interventions for improving export diversification and easing of domestic supply constraints will ensure steady production. At the same time, attention has to be paid to product quality in order to strengthen the competitiveness of export products and so command good bargain in the world commodity markets. These measures will stabilize supply of agricultural exports and export earnings overtime.