



Exploring the Nexus Between Governance Quality and Export Performance: Evidence from Tanzania in the EAC

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ABSTRACT:

This study investigates the relationship between Tanzania's governance quality and the performance of its exports to the EAC members. It is grounded in institution theory and transaction economics theory. Using quantitative panel data from Worldwide Governance Indicators and Tanzania's export performance from 1996 to 2023, the Poisson Pseudo-Maximum Likelihood (PPML) estimation method was used for the analysis. The results show that only political stability and regulatory quality are statistically significant and positively affect Tanzania's export performance among the six WGI indices. This implies an improvement in Tanzania's political stability and regulatory quality, substantially improves its export to EAC member states. Thus, policymakers should maintain a stable and predictable political system and streamline bureaucratic procedures to ensure immediate and tangible results in Tanzania's export volume growth.

Keywords: Governance Quality, Export Performance, East African Community, Gravity Model.

JEL Codes: F14, F15, O43

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1. INTRODUCTION

Traditional economics academicians focused on economic factors such as the determinants of economic growth and international trade. However, since the 1990s, new institutional economics has proposed that institutional quality plays a significant factor in a country's economic performance (Bah et al., 2021). This argument is driven by the premise that the business environment in which a firm operates significantly affects the overall performance of the whole economy and international trade (Martínez-Zarzoso & Márquez-Ramos, 2019). A plethora of studies have concurred that efficient institutions facilitate international trade by minimising transaction costs and mitigating uncertainties associated with international trade (Ali et al., 2022; Bah et al., 2021; Huyen et al., 2017; Martínez-Zarzoso & Márquez-Ramos, 2019; Nguyen & Wu, 2020a).

There is a plethora of governance quality definitions due to the lack of a definitive definition in the empirical literature and the complexities of institutions' perspectives across diverse country contexts (Rodríguez-Pose, 2013). Thus, this study adopts Kaufmann et al.'s (Kaufmann et al., 2004, 2009, 2011), which states that governance quality is the interplay between effectiveness, legitimacy, and overall outcomes within a governance system. This definition encapsulates the World Government Indicators (WGI): Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption (Kaufmann et al., 2003).

The strive for trade growth and economic prosperity were the major drivers for establishing the East African Community (EAC) in 2000, which was reinforced by the Common Market Protocol in 2010 (EAC Secretariat, 2021). The bloc comprises seven member states, Tanzania, Burundi, Kenya, Rwanda, South Sudan, Somalia, and Uganda, boasting a combined population of over 170 million. Tanzania's export growth to the EAC has been lagging compared to global trade despite a lucrative market and the support of Common Market agreements. For instance, in 2022, only about 21% of Tanzania's total exports ended up in an EAC member state, which accounts for merely 1.8% of its GDP. These figures are modest when there is free movement of goods, services, and capital within the region. In contrast, since 2010, Tanzania's exports to the EAC have grown by 2.9 percentage points, whereas global trade has grown by 68.5% (World Bank, 2024a).

Establishing an economic union requires institutions and the process of regional integration to reinforce each other mutually (Ojeaga et al., 2014). Thus, a push towards harmonising trade policies to boost trade should be as intense as developing regulatory frameworks (Schühly & Tenzer, 2017). Despite this, member states still experience institutional bottlenecks. Tanzania's WGIs show a mixed trajectory, with progress and setbacks in various government dimensions. Dimensions such as political stability and control of corruption have had the most notable growth of 91.5% and 54.4%, respectively. Also, Governance efficiency and Voice and accountability have modestly grown by 33.8% and 16.8%, respectively. In contrast, the rule of law and regulatory quality have significantly worsened (World Bank, 2023b).

Despite positive growth in some WGI dimensions, Tanzania still averages negative scores for all dimensions in the past ten years. Similarly, most EAC countries have negative values on all WGI dimensions. For example, Somalia and the Democratic Republic of Congo have the lowest scores, such as 2.184 in government effectiveness and -2.332 in rule of law. In contrast, the Democratic Republic of Congo has -1.651 and -1.674 in those categories, respectively. In contrast, Rwanda registers some of the highest values and is the only EAC country with positive

WGI values, such as 0.0699 in government effectiveness and 0.0043 in the rule of law. The WGI performance of Tanzania is above Uganda, Burundi, DRC, and Somalia, but it still trails behind Kenya and Rwanda (World Bank, 2023b).

Even with a common market framework, Tanzania's lacklustre export performance within the EAC mirrors its weak WGI performance and that of most member states. It also raises essential questions about the interconnection between governance and export performance in the EAC. Also, the literature on the nexus between Governance quality and export performance in Africa is still in its infancy, with few and inconclusive studies (Alhassan & Payaslioglu, 2020; Bah et al., 2021; Bouchoucha & Benammou, 2020; Dankumo et al., 2020; Gammadigbe, 2021; Olalekan Oshota et al., 2022).

This study assesses the effects of Tanzania's governance quality on its export performance to the EAC member states. Providing fresh insights into how governance quality may shape a country's export performance.

2. LITERATURE REVIEW

2.1.Theoretical Literature

2.1.1. Institution theory

The institution theory creates a framework for understanding how an organisation behaves and operates based on the influence of the socioeconomic and cultural context in which the organisation is situated (W. R. Scott, 1996; W. R. Scott, 2008, 2013). The contexts are expressed as formal and informal rules within a society. The theory creates precedence that institutions are more than a compilation of rules and regulations; they include granular components such as beliefs, values and norms of the social context of the institution, which can influence the reasoning and operations of the organisation within the jurisdiction. DiMaggio and Powell (2000) Explained that every organisation has to follow the government's official rules and operate according to the acceptable norms of the surrounding local community.

The theory has three pillars influencing how and why an organisation operates: regulative structures, normative systems, and cultural cognitive frameworks (W. R. Scott, 2013). The regulatory structure consists of the official guidelines and legal frameworks set by the governing authorities to dictate organisational operations (North, 1990). When there is predictable, fair and consistent enforcement of these guidelines reduces uncertainties and risks for traders (Davis & DeWitt, 2021; Peng et al., 2009). The normative systems are made of the generally accepted ethical standards and values in a given society. This is considered the moral compass of an organisation's right ways of conduct. When these standards guide organisations, they gain the trust and acceptance of the society in which they operate (Cuervo-Cazurra, 2016; Doh et al., 2003).

Cultural cognitive focus is on the influence of people's deep beliefs, assumptions, and mindsets on the organisation's behaviour (Marano et al., 2017). These beliefs create an organisation's reputation and dictate how people interact with the organisation. When an organisation or country is believed to be reliable and ethical, it reduces uncertainties for stakeholders and makes interactions with the organisation feel secure (Meyer et al., 2009). Thus, institution quality, as explained by these pillars, dictates the performance of an organisation, and in the context of international trade, they determine the trade volumes in play (Rodrik, 2014).

2.1.2. Transaction Cost Economics (TCE) Theory

Transaction Cost Economics is a framework that helps uncover and understand the hidden or indirect costs incurred in an economic transaction. These hidden costs include intangible costs such as time invested in conducting due diligence, negotiating contracts, monitoring and legal proceedings of an agreement (Williamson, 1979, 1989). This theory was built upon the work of Coase's (1937) "The Nature of the Firm" argues that conducting business within a firm is cheaper than dealing with third parties, which raises costs such as supplier vetting, price negotiations, and making and following up on agreements. Williamson (1979, 1989) built on this by stating that transaction costs occur due to frequency, uncertainty, and asset specificity.

Thus, the theory suggests that governance quality reduces transaction costs by lowering international trade risks and uncertainty. This can be achieved by controlling corruption, a just legal system, and a predictable and reliable regulatory system (Dixit, 2009; Ketokivi & Mahoney, 2020). Countries and organisations with governance quality are associated with stability and lower hidden costs, creating trust favourable for economic engagements (Macher & Richman, 2008; Verbeke & Kano, 2013).

2.2. Empirical Literature Review

The importance of governance quality on economic performance has been expanded in literature since North's pioneering work (1990). Since then, some studies have focused on the specific effect on export performance, with a majority associating good governance quality with high export performance. For example, Bah et al. (2021) found that political stability, regulatory quality, rule of law, control of corruption, and government effectiveness correlate with high export volumes among the 45 sub-Saharan countries assessed. Also, Soeng and Cuyvers (2018), discovered that Cambodia's exports performed better with the proper legal and regulatory framework, with the rule of law having the most profound effect. Similar results were found in the MENA region by Martínez-Zarzoso and Marquez-Ramos (2019), who discovered that bilateral trade improved with the improvement in regulatory quality and rule of law by the exporting country. However, the governance of the importing country was less significant. Two of the studies done in West Africa by Oshota et al. (2022) and Gammadigbe (2021) concur that political stability, rule of law, and control of corruption strengthened intra-regional trade and deepened economic integration.

In contrast, literature with opposing views, such as Dankumo et al.'s (2020) study, found corruption enhanced trade among countries with weak governance structures. Also, Yusuf et al. (2021) found that political stability and governance effectiveness hampered trade flows between Malaysia and African OIC member countries. Ali et al. (2022) uncovered that Pakistan's exports performed better with partner countries with lower governance quality, with factors such as corruption and poor regulatory quality of importing countries enhancing Pakistan's exports. These few opposing studies establish a precedent that the effect of governance quality on export performance is contextual-based.

3. METHODOLOGY

3.1. Research design

This study uses a quantitative panel data approach to examine the effects of governance quality on Tanzania's exports to the EAC. The study adopts this design because it allows for a

detailed examination of variation over time and individuals in governance quality and export performance (Soeng & Cuyvers, 2018).

3.2. Data collection and sources

The study uses quantitative secondary data from different reliable sources. The World Bank's Worldwide Governance Indicators (WGI) data bank for the governance indicators Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. Tanzania's export data was retrieved from the UN Comtrade, and population and GDP were retrieved from the World Bank's development indicators data bank. The data set created is a panel data set ranging from 1996 to 2023 for all variables and all the EAC member countries except South Sudan due to data unavailability.

3.3. Analytical techniques

The study used the gravity model augmented with the worldwide governance indicators and common market, similar to the studies of Dankumo et al. (2020), Ali et al. (2022) and Martínez-Zarzoso & Márquez-Ramos (2019). Due to trade data being commonly characterised by zero trade flows, the Poisson Pseudo-Maximum Likelihood (PPML) estimation method was chosen. Also, the PPML method works well with the gravity model's multiplicative structure due to its ability to deal with heteroskedasticity, ensuring robust and reliable results (Krisztin & Fischer, 2015; W. Martin & Pham, 2020; Mnasri & Nechi, 2019).

3.4. Model Specification

The basic form of the gravity model assumes that trade between two countries is directly related to a country's economic size and inversely related to the distance between them (De Benedictis & Taglioni, 2011). Exports from Tanzania (i) to an EAC trade partner (j) are explained by the countries' economic size (GDPs), geographical distances, and population. The basic form of the gravity model used in this study is:

$$X_{ij} = \alpha GDP_i^{\beta_1} GDP_j^{\beta_2} DIST_{ij}^{-\beta_3} POP_i^{\beta_4} POP_j^{\beta_5} \varepsilon_{ij}$$

X_{ij} represents the export volume from Tanzania (country i) to an EAC partner (country j). GDP_i and GDP_j are Tanzania's Gross Domestic Products and EAC partners. $DIST_{ij}$ is the geographical distance between Tanzania and the trading partner. POP_i and POP_j are the Population of Tanzania and the EAC partner, respectively, and ε_{ij} is the error term.

To account for the role of governance, the model is augmented by including World Governance Indicators (WGIs) such as Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. Also, the variables GDP, population and exports are converted to natural logarithms to help linearise the multiplicative relationship and typically stabilise the variance of the residuals. The extended model is specified as:

$$\ln X_{ijt} = \alpha + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{ij} + \beta_3 \ln DIST_{ij} + \beta_4 \ln POP_{it} + \beta_5 \ln POP_{jt} \\ + \sum_{k=1}^6 \delta_k WGI_{ikt} + \mu_t + \varepsilon_{ijt}$$

Where, WGI_{ikt} represent the governance indicators for Tanzania, respectively. μ_t captures time-specific effects to control for unobserved time-related factors.

The World Governance Indicators (WGIs) are all indicators explaining different aspects of the broader concept of governance quality. Thus, the variables are likely to exhibit high levels of inter-correlation. Given this strong inter-correlation, this paper will separate the indicators by analysing them in individual models. This approach helps to prevent multicollinearity issues in the regression analysis, which could otherwise compromise the statistical integrity of the findings.

Model 1: Control of corruption

$$\ln X_{ijt} = \alpha + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{ij} + \beta_3 \ln DIST_{ij} + \beta_4 \ln POP_{it} + \beta_5 \ln POP_{jt} + \delta_1 CC_{it} \\ + \mu_t + \varepsilon_{ijt}$$

Model 2: Government efficiency

$$\ln X_{ijt} = \alpha + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{ij} + \beta_3 \ln DIST_{ij} + \beta_4 \ln POP_{it} + \beta_5 \ln POP_{jt} + \delta_2 GE_{it} \\ + \mu_t + \varepsilon_{ijt}$$

Model 3: Political stability

$$\ln X_{ijt} = \alpha + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{ij} + \beta_3 \ln DIST_{ij} + \beta_4 \ln POP_{it} + \beta_5 \ln POP_{jt} + \delta_3 PS_{it} \\ + \mu_t + \varepsilon_{ijt}$$

Model 4: Rule of law

$$\ln X_{ijt} = \alpha + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{ij} + \beta_3 \ln DIST_{ij} + \beta_4 \ln POP_{it} + \beta_5 \ln POP_{jt} + \delta_4 RL_{it} \\ + \mu_t + \varepsilon_{ijt}$$

Model 5: Regulatory quality

$$\ln X_{ijt} = \alpha + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{ij} + \beta_3 \ln DIST_{ij} + \beta_4 \ln POP_{it} + \beta_5 \ln POP_{jt} + \delta_5 RQ_{it} \\ + \mu_t + \varepsilon_{ijt}$$

Model 6: Voice and accountability

$$\ln X_{ijt} = \alpha + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{ij} + \beta_3 \ln DIST_{ij} + \beta_4 \ln POP_{it} + \beta_5 \ln POP_{jt} + \delta_6 VA_{it} \\ + \mu_t + \varepsilon_{ijt}$$

Each model isolates a single governance indicator to evaluate its specific impact on Tanzania's export performance within the EAC, reducing the risk of multicollinearity and ensuring more reliable statistical analysis.

4. DATA ANALYSIS AND ROBUSTNESS CHECK

4.1. DATA ANALYSIS

4.1.1. Descriptive statistics

Table 1 shows the descriptive statistics of the study's variables of interest. The dependent variable, Tanzania's export to the seven EAC trading partners and member states, is converted into its natural logarithm. The independent variables GDP, population, and distance are also converted into their natural logarithms. The WGIs were constructed by Kaufmann et al. (2003), giving the country's score on the aggregate indicator in units of a standard normal distribution ranging from approximately -2.5 to 2.5. Similar to the work of Berden et al. (2014), our study standardises the WGI variables to a range between 0 and 100 to simplify the interpretation of the results.

Table 1: Descriptive statistics

Variable	Obs	Mean	Std. dev.	Min	Max
Tanzania's Exports ($\ln x$)	150	17.17	2.13	10.71	20.49
Tanzania's Control of Corruption ($CCstd_{it}$)	150	38.76	3.56	33.18	45.43
Tanzania's Government efficiency ($GEstd_{it}$)	150	37.92	2.26	32.91	41.51
Tanzania's Political Stability ($PSstd_{it}$)	150	42.61	5.00	32.89	51.78
Tanzania's Regulatory Quality ($RQstd_{it}$)	150	39.80	2.03	36.21	42.93
Tanzania's Rule of Law ($RLstd_{it}$)	150	41.60	2.24	37.70	46.67
Tanzania's Voice and Accountability ($VAstd_{it}$)	150	42.70	3.89	35.10	47.38
Tanzania's GDP ($\ln GDP$)	150	24.31	0.45	23.48	24.98
Tanzania's Population ($\ln POP_{it}$)	150	17.65	0.22	17.25	18.01
Partners' GDP ($\ln GDP_{jt}$)	150	23.20	1.20	21.23	25.33
Partners' Population ($\ln POP_{jt}$)	150	16.91	0.81	15.62	18.48
Log of Distance ($\ln DST_{ijt}$)	150	7.37	0.24	6.97	7.73

4.1.2. Interpretation of Summary Statistics

Tanzania's export performance in the EAC, with the natural log transformation helping to normalise export data and reduce variance, has a mean value of 17.17. A standard deviation of about 2.13 indicates moderate variation in export levels over the observed periods. The governance indicators are scaled between 0 and 100, with a higher score implying a stronger governance position.

Tanzania's governance indicators depict a mixed trajectory of performance. Voice and accountability have the highest average of 42.7, with a moderate standard deviation of 3.9, indicating a moderate stretch of the indicator. Political stability has the second highest average of 42.61, but it has a relatively large standard deviation of 5, stretching from about 32.89 to almost 51.78, this wide gap depicts a variation in political conditions over time. The rule of law depicts similar means as the two highest at 41.6 but with a lower standard deviation of 2.24. Regulatory quality and control of corruption have similar means of 39.8 and 38.8, respectively,

with control of corruption with a relatively higher standard deviation. Governance efficiency is the least performing indicator, with a mean of 37.92, suggesting that Tanzania's institutional capacity for public services and policy implementation lags behind the rest.

4.2.The Poisson Pseudo-Maximum Likelihood (PPML) results

Table 2: The Poisson Pseudo-Maximum Likelihood (PPML) results

Regressor	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Control of Corruption	0.048 (0.012)					
Government efficiency		0.013 (0.029)				
Political Stability			0.021*** (0.056)			
Rule of Law				-0.018 (0.035)		
Regulatory Quality					0.051*** (0.018)	
Voice and Accountability						0.012 (0.021)
Tanzania's GDP	0.566*** (0.116)	0.584** (0.133)	0.486*** (0.112)	0.527*** (0.165)	0.464*** (0.112)	0.443*** (0.184)
Tanzania's Population	-0.862*** (0.245)	-0.915*** (0.314)	-0.736*** (0.256)	-0.810*** (0.340)	-0.628*** (0.253)	-0.626** (0.346)
Partner's GDP	-0.077*** (0.046)	-0.077*** (0.046)	-0.077** (0.046)	-0.077** (0.046)	-0.077** (0.046)	-0.077* (0.046)
Partner's Population	0.169*** (0.076)	0.169*** (0.076)	0.169*** (0.076)	0.169*** (0.076)	0.169*** (0.076)	0.169*** (0.076)
Distance	-0.393*** (0.120)	-0.393*** (0.120)	-0.394*** (0.120)	-0.393*** (0.120)	-0.393*** (0.120)	-0.393*** (0.120)
Common Market	0.027 (0.078)	0.018 (0.017)	0.021 (0.013)	0.021 (0.013)	0.031 (0.015)	0.019 (0.017)
Constant	6.158*** (2.117)	6.588*** (2.670)	5.777*** (2.290)	6.247*** (2.371)	4.283*** (2.281)	4.916*** (1.699)
Observations	150	150	150	150	150	150
Importer fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
R square	0.768	0.768	0.774	0.768	0.772	0.768

Robust standard error in parenthesis. ***p < 0.01, **p < 0.05, *p < 0.1.

4.2.1. Interpretation of the PPML regression

The coefficient of **political stability** is 0.021, statistically significant at 1%. This implies that a unit improvement in political stability correlates with a 2.1% increase in Tanzania's exports to the EAC. The **regulatory quality** coefficient is 0.051, statistically significant at 1%. This implies that a unit improvement in Regulatory quality correlates with a 5.1% increase in

Tanzania's exports to the EAC. The coefficients for **control of corruption, governance efficiency, and voice and accountability** are positive but statistically insignificant. The **Rule of law** has a negative coefficient but is also statistically insignificant. The statistically insignificant indices imply that these coefficients do not affect Tanzania's export performance in the EAC.

Tanzania's GDP coefficients range from 0.443 to 0.566, all highly significant at 1%. This implies that a 1% increase in Tanzania's GDP leads to a 44.3% to 56.6% increase in trade or related outcomes. Tanzania's population coefficient ranges from -0.862 to -0.626 and is highly significant at 1%; this implies that a percentage growth of **Tanzania's population** reduces Tanzania's export to the EAC by 86% to 62%. **Partner's GDP** coefficient is -0,077 across all models, and its significance varies from 1% to 10%. This implies that a percentage increase in the EAC partner's population reduces Tanzania's exports by 7.7%. The **partner population's** coefficient is 0.169 across all models; this implies that a percentage increase in the EAC partner's population results in a 16.9% growth in Tanzania's exports.

The **distance** coefficient ranges from -0.393 to -0.394 and is statistically significant at 1% across all models. This implies that a percentage increase in distance from Tanzania to an EAC partner reduces Tanzania's exports by approximately 40%. The **common market** dummy coefficients are statistically insignificant across all models. The **R-squared** Values Range from 0.768 to 0.774, implying a good fit. The models explain approximately 77% of the variation in Tanzania's export performance in the EAC.

4.2.2. Robustness Check

The worldwide governance indicators are six indices that all explain the umbrella term governance quality. Thus, these indicators are potentially highly correlated. To address this, the study created six different models for each indicator to avoid the risk of multicollinearity (Ali et al., 2022; Bah et al., 2021; Soeng & Cuyvers, 2018). The PPML method employed by the study warrants it from heteroscedasticity and the effects of zero trade flow models (Krisztin & Fischer, 2015; W. Martin & Pham, 2020; Mnasri & Nechi, 2019).

Table 3: Robustness check using Breusch-Pagan/Cook-Weisberg, White's Test and Wooldridge Test

Test	Test Statistic	p-Value	Interpretation
Breusch-Pagan/Cook-Weisberg	chi2(1) = 1.25	0.2634	No evidence of heteroskedasticity
White's Test	chi2(9) = 8.47	0.3875	No evidence of heteroskedasticity
Wooldridge Test for Autocorrelation	F(1, 117) = 1.23	0.2748	No evidence of serial correlation

The Breusch-Pagan/Cook-Weisberg and White tests were used to check the absence of heteroscedasticity. The null hypothesis could not be rejected for both tests, with p-values of 0.2634 and 0.3875, which are all above 5%. These p-values suggest no evidence of heteroscedasticity in the dataset, implying that the variance of the residuals is constant across observations. The Wooldridge test for autocorrelation was used to check for serial correlation in the data set. The p-value of 0.2748 means that the null hypothesis cannot be rejected. This

implies that the model's residuals are independent across time, thus affirming the robustness of the results against serial correlation.

5. DISCUSSION

Tanzania's **Control of corruption** shows an insignificant effect on trade volumes, The results imply that exporters are less sensitive to domestic anti-corruption efforts. Tanzania's **government efficiency** has a positive but insignificant impact on export performance. Despite the statistical insignificance, the finding echoes the work of Nguyen and Wu. (2020), who argued that efficient government operations reduce trade barriers by ensuring smooth policy implementation and service delivery. **Political stability** has positive and highly significant effects, with a 0.015 coefficient. This implies that a slight improvement in the political climate can encourage export activity by reducing uncertainty and risk for exporters. This is backed by the findings of Gani and Scrimgeour (2016) and Lin et al. (2020), who observed that political stability plays a crucial role in trade. **The rule of law** coefficient is negative and insignificant, suggesting no clear relationship between improvements (or deteriorations) in Tanzania's rule of law indicators and export levels. **Regulatory quality** has a significant positive effect, reinforcing that well-structured regulations facilitate trade flows (Yushi & Borojo, 2019). **Voice and accountability** are statistically insignificant.

The economic variables included in the model further explain the dynamics of export performance. **Tanzania's GDP** consistently shows a strong positive correlation with exports across all models, affirming the role of economic size in enhancing export capacity. In contrast, **Tanzania's population** has a negative impact on exports across all models, likely reflecting the internal demand that limits the availability of goods for export (Habiyaremye & Ziesemer, 2012). For partner countries, **GDP** exhibits a marginally negative effect on Tanzania's exports, which might indicate that wealthier countries are more self-sufficient and, thus, less dependent on imports (Wassénus et al., 2023). However, the population of partner countries positively influences trade flows, suggesting that larger markets in these countries attract exports from Tanzania.

Distance has a negative effect on Tanzania's exports across all models, reaffirming the traditional gravity model insight that geographic proximity enhances trade (Baier et al., 2018). The **common market** dummy variable is insignificant across all models, this might suggest that mere membership in a regional bloc is insufficient without deeper governance harmonisation and policy reforms (Lawrence, 2000).

6. CONCLUSIONS & RECOMMENDATIONS

6.1. Conclusion

The study's findings show that only political stability and regulatory quality significantly affect Tanzania's export performance in the EAC. Political stability's positive effect implies that even minor improvements in the political climate can mitigate investor uncertainties, stimulating export activity. Also, regulatory quality improvements, with efficient legal frameworks and transparent regulatory processes, stimulate Tanzania's exports to the EAC. In contrast, the rest of the WGI, including government efficiency, control of corruption, rule of law, and voice and accountability, display statistical insignificance. This indicates that

exporters in Tanzania are less sensitive to these specific governance indicators when deciding on trade engagements. These results imply that developmental reforms dedicated towards a stable political environment and streamlining regulations offer the most immediate benefits for Tanzania's export growth.

Tanzania's GDP shows a consistently positive and significant effect, reinforcing the expected notion of domestic economic size boosting a country's exports. Tanzania's population has a negative impact, indicating high domestic demand that constrains the export surplus. Trading partners' GDP consistently negatively affects Tanzania's exports; this may indicate the self-sufficiency of wealthy countries. The population of the importing country has a positive impact, displaying a growth in market demand. Distance has negative effects across all models, as expected by gravity-model predictions. The common market dummy is found to be statistically insignificant across all models. This reflects that belonging to a regional block does not automatically translate to trade growth if governance harmonisation and political reforms are lacking.

6.2.Recommendations

The significance of Political stability displays the need to maintain a stable and predictable political system. Policymakers can achieve this by incentivising measures promoting inclusive dialogue, conflict mitigation, and transparent electoral processes, reducing uncertainties for exporters and investors. Also, streamlining bureaucratic procedures, improving policy clarity, and ensuring consistent enforcement of regulations will likely boost exports, as proven by the significant positive effects of regulatory quality. This is because these initiatives will likely lower transaction costs, a crucial factor for exporters. Although other governance dimensions are shown to be statistically insignificant, it does not outright dismiss their importance or contextual effects on export performance. Thus, initiatives should be aimed at holistic reinforcing of governance quality performance, which will eventually translate into tangible trade benefits.

The study reveals that the population of trading partners increases demand for Tanzania's exports, while wealthy countries have less demand. Policymakers should encourage exporters to diversify into niche products or speciality goods not produced by partner countries. They should also prioritise creating bilateral relations with less self-sufficient countries to boost exports. The results suggest that Tanzania's population crowds export volumes. Policies should be aimed at improving domestic production, such as enhancing infrastructures, advancements in technology adoption, personal training, and support for export-oriented sectors. To unlock the benefits of the EAC and common market, policymakers should focus on harmonising regulatory standards, pushing to eliminate non-tariff barriers, and collaborating on improving infrastructures to open up trade networks in the bloc.

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