Foreign Intermediaries, Domestic Firms and Agricultural Exports in Tanzania

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Despite various government initiatives, the performance of Tanzania's agricultural export sector has remained low in terms of export share in the international markets, which is hindering some national development goals. To improve the performance of the sector, various researchers have urged for enhancing the role of export intermediaries. However, in Tanzania, empirical investigation of the role of export intermediaries as a vehicle for improving export performance is still scanty. Thus, this study uses detailed customs transactions and firm-level annualized unbalanced panel data (2010-2020, covering 3,137 firms), to investigate the contribution of export intermediaries to the performance of the export sector in Tanzania. To this effect, the study first evaluates the export spillover effect from foreign intermediaries on the intensive margins of domestic direct exporters. Second, it examines the relationship among destination-specific market measures. Finally, it analyses the share of intermediated intensive margins of agricultural exports and explores the impact of foreign export intermediaries on the survival of domestic firms engaged in agricultural exports. Utilizing the Pseudo Poisson Maximum Likelihood technique on panel data, the study estimates the gravity model, whereby findings shows that foreign export intermediaries significantly and positively influence the intensive margins of domestically owned firms. This finding suggests that domestically owned firms' benefits from knowledge transfers from foreign entities. Furthermore, the findings show that export intermediaries are aligned with markets with weak institutions, significantly influencing the intensive margins of Tanzania's domestic direct agricultural exports. Further analysis, employing logit models and non-parametric approaches, demonstrates that the presence of foreign export intermediaries significantly enhances the survival odds of local firms. This positive influence extends to their chances of survival in foreign markets and increases the intensive margins of Tanzania's agricultural exports. The implication of these findings points to the need to promote foreign export intermediaries, for example a supportive regulatory environment and streamlined customs procedures. Strategies are necessary to support intermediaries in navigating challenging business environments, with vital collaboration between domestic firms and foreign intermediaries. Thus, to enhance export promotion through intermediaries, the study recommends establishment of collaborative platforms for connecting domestic producers with foreign intermediaries, invest in training programs for export intermediaries, and facilitating of partnerships between local firms and foreign intermediaries through targeted events, matchmaking platforms, and government-sponsored programs for enhanced survival and market participation. This study contributes to knowledge in the following areas: investigating empirically the role of export intermediaries in promoting Tanzania's agricultural exports, thereby adding to the scanty literature on that area; extending the gravity model by incorporating institutional aspects in the model; and tailoring the used methodology to the Tanzanian context.