

**Determinants of Spice Exports from Sri Lanka, Gravity Model  
Approach**

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## ABSTRACT

Sri Lanka is very famous for production of valuable spices with unique and intrinsic quality characteristics, mainly due to existing favorable environmental conditions. Therefore it is going to be a pleasant advantage to Sri Lanka for encouragement of spice exports followed by increasing world demand for botanical flavors. Since the country's share for total spice exports is very low, it is important to identify plausible factors affecting to spice exports. Thus, the purpose of this study is to investigate the factors that determine spice exports from Sri Lanka. Cinnamon, Pepper, Ginger and Turmeric are the selected spices for the study, as they are produced abundantly over the island with high quality. Gravity model analysis was done for the panel data set that covers the period from 2003 to 2015. Importance of distance, populations, GDPs, trade openness ratios, Sri Lankan real effective exchange rates (REER) are used as factors which can affect on the exportation of Sri Lankan spices. The results of the study suggest that Sri Lankan GDP, Sri Lankan trade openness ratio and REER are the factors that affect the exportation of Ginger. Sri Lankan population and REER affect for the Turmeric exports. GDP of importing country is the only factor that affects exportation of Cinnamon. The exportation of pepper is affected by distance, GDP of Sri Lanka, trade openness ratio of Sri Lanka, Sri Lankan REER, GDP of importing country, trade openness ratio of importing country and population of importing country. Based on the results, it can be concluded that, size of the economy of both countries, population that proxies demand of the importing country, distance that proxies transportation cost and Sri Lankan REER are the major factors that affect significantly for exportation of selected spices from Sri Lanka.

Key Words: Gravity Model, Panel Data, International Trade, Sri Lankan Exports