

## **Sri Lanka's Potential Vegetable Export Flow and Its Determinants: The Gravity Model Approach**

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The vegetable sub-sector is the most important non-plantation aspect in Sri Lanka's agriculture next to rice. With the available resources and weather conditions, Sri Lanka is having a potential to expand vegetable production and exports contributing to raise national income and heal the trade deficit that suffer the economy over decades. The primary objective of the study is to analyze the macroeconomic nature of Sri Lanka's vegetable exports by assessing the impact of different factors influencing exports. The analysis has employed panel data of 80 partner countries for a 27 year period from 1990 to 2017. Gravity model, an ideal tool to analyze bilateral trade has been involved for the analysis in an augmented form. Results suggest that the economic sizes of Sri Lanka and its trading partners have a positive effect on vegetable exports. Increase in the partners' populations has an unexpected negative impact. That implies the incompatibility between Sri Lanka's vegetable products and the changing demand patterns of growing international markets. The geographical distance between the countries and tariff rates exert a negative effect as expected. Domestic fixed deposit interest rates and weather fluctuations are estimated to decrease the exports. International trade agreements between Sri Lanka and trade partners positively trigger exports. As the second step of the study, the export potential is estimated by the ratio between predicted and actual quantities of vegetable exports. Sri Lanka has exhausted trade potential to 50% of the countries and still, there is a good trade potential for 48.33% of countries. Countries with good trade potential are found in all the geographical regions except the Oceania region. As suggested by the outcome; product diversification, value addition, analyzing international demand behaviors and introducing modern cultural practices are feasible modifications to induce vegetables exports.

**Keywords:** *Export Potential, Gravity Model, Panel Data, Trade Deficit*