

Name: Mapitiyage Kuloja Gamindi Peiris

Student ID: 201726019

Thesis Title: Impact of Infrastructure Investment on Trade: An Empirical Investigation for Sri Lanka

Abstract (400-600 words, within one page of A4 sheet):

The intention of this paper is to examine whether the investment of infrastructure development has contributed to the increase of export volume in Sri Lanka during the period of 1995-2015 which is characterized by two major economic policy regimes and upward and downward trends in the economy, i.e. business cycles. Export value is modelled with annual data of government investment on infrastructure (stock of public capital value), Gross Domestic Product (GDP), and air distances between two capital cities of the trading countries. In this paper, it has applied gravity model and investigated the impact of infrastructure investment on trade (exports) under two main versions: all country pair version and Sri Lanka version. In all country pair version, it has used empirical evidence of all country pair data from thirty countries (including 16 developing and 14 developed countries) for 15 years (2001-2015). Accordingly 13,050 country pair's export data have been employed under four categories (pairs of all countries, pairs of developing-all countries, pairs of developing-developing countries and pairs of developing-developed countries), and two main specifications (product of public capital stock and discrete public capital stock in reporter and partner countries). In Sri Lanka version, it has 870 observations of trade values between Sri Lanka and her forty trading partners, and it has three categories (pairs of Sri Lanka-all countries, pairs of Sri Lanka-developing countries and pairs of Sri Lanka-developed countries). The study finds that there is a positive effect of infrastructure investment on trade under both versions and the magnitude of the impact of infrastructure investment on trade is higher when it has relationships between countries which are having the same endowment, i.e. Sri Lanka to developing countries. Further, the contribution of GDP is very high on export values in almost all categories of both versions. In addition, it proved the negative effect of distance between countries on trade by providing negative but not much significant value in both versions.