

## BANKING ON KNOWLEDGE

# Business opportunities prevail between Qatar and Sri Lanka

By Dr R Seetharaman

Sri Lanka has enjoyed close ties with Qatar, with over 120,000 Sri Lankans making up for close to 2.68mn population of Qatar. Diplomatic relation between Sri Lanka and Qatar persists since 1976. Sri Lanka has preferential and free trade agreements with India, Pakistan, Iran, Egypt, Singapore and Israel. Trade volume between Qatar and Sri Lanka stood only at \$52.5mn in 2016. In March 2015, His Highness Emir Sheikh Tamim bin Hamad al-Thani and Sri Lankan President Maithripala Sirisena witness the signing of an agreement in Colombo.

According to the Sri Lankan media, the two sides signed three agreements for co-operation in sports, youth affairs and media sectors.

The memorandums of understanding (MoU) for strengthening co-operation in the field of sports will focus on the development of sports for handicapped



persons and sports facilities. His Highness the Emir has pledged financial assistance to resolve the drinking water problem of the people in the north and east. In October 2017, a high-level trade delegation led by Qatar's Minister of Economy & Commerce Sheikh Ahmed bin Jassim

bin Mohamed al-Thani participated in the second Qatar-Sri Lanka Joint Committee for Economic, Commercial and Technical Cooperation commenced in Colombo.

In addition, there are 210 Lankan companies established in partnership with the Qatari side with a capital of \$12.5mn in 2017. The Sri Lankan trade minister also said while there were only 1,700 Qataris who visited Sri Lanka in 2016, there are still potential opportunities in the tourism sector considering that there are 28 flights a week linking the two countries. In a speech, Sheikh Ahmed said the forum serves as a bridge that links Qatar and Sri Lanka's private sectors and a platform that would promote the investments of Sri Lankan companies in Qatar.

Sri Lanka's economy grew by 3.3% in the third quarter of 2017, 4% in the second quarter of 2017, and 3.8% in the first quarter of 2017. IMF expects Sri Lanka to report GDP growth of 4.8%



and 4.9% during 2018 and respectively. Agriculture sector of the economy has been affected badly from the unfavourable dry weather conditions during the last 18 months resulting in severe drought in some areas while many districts in the other parts experienced floods and landslides due to heavy rains.

In September 2017, Sri Lanka's central bank has decided to maintain the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) at their current levels of 7.25% and 8.75%.

Loans and advances growth from till August 2017 (YOY basis) at 20.41%; and deposits growth till August 2017 (YOY basis) at 22.19%. Gross NPL ratio stood at 2.7% of total loans in the second

quarter of 2017. The Capital Adequacy Ratio stood at close to 15% during the second quarter of 2017. The return ratios like RoE and RoA stand at 18.2% and 1.4% for the Sri Lankan banks during second quarter of 2017. S&P Global Ratings affirmed the "B+" Foreign Currency LT credit rating of Sri Lanka on November 20, 2017.

At the same time, the rating agency revised outlook to stable from negative. Moody's however, has rated the Government of Sri Lanka as 'B1 negative'.

Sri Lanka's imports from Qatar have primarily been polymers of ethylene, 37% of Sri Lanka's exports to Qatar were bananas followed by food preparations, tea, and vegetables. Sri Lanka can support Qatar in food.

Qatar can continue to support in polymers when it plans to expand hydrocarbon sector. Sri Lanka is keen on seeking Qatari investment in tourism, power and health sectors, says Rajitha Senaratne, Minister of Health and Indigenous Medicine, who was on a two-day visit to the country in October 2016.

Discussions also focused on the tax relaxations introduced by the Sri Lankan government for foreign investors. Qatar can invest in Sri Lanka's major infrastructure projects via Public Private Partnership model. Qatar can invest in Sri Lanka's aviation and navigation sector. Bilateral relationships can be explored such as fruits and vegetables, spices, cereals, rice, boat building, fabrics, construction services, garments and information technology. There are business opportunities between Qatar and Sri Lanka.

■ Dr R Seetharaman is Group CEO of Doha Bank.