

## **UAE-Sri Lanka Economic Relations: A growing partnership**

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A high level trade mission from the UAE, headed by Sheikha Lubna Bint Khalid Al Qasimi, Minister-Foreign Trade in the UAE arrived in Sri Lanka yesterday. A business forum and one-to-one meetings between the government as well as private sector companies will take place today. Mirror Business spoke to Dr. Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka, on the current economic ties between the UAE and Sri Lanka.

**Q:** How important is the UAE as an economic partner for Sri Lanka?

**A:** I would say that the most important economic partner for Sri Lanka in the Gulf region is the UAE. In the entire Gulf region, the UAE is the largest export market for Sri Lanka. It is the largest source of imports to Sri Lanka, and the largest investor in Sri Lanka. The UAE is also home for a large number of Sri Lanka expatriate workers, although it is not the host for the largest number of workers among Gulf countries. The number of tourists from the UAE visiting Sri Lanka is also on the increase and since 2010, the UAE has become the largest tourist supplier among the Gulf countries to Sri Lanka.

**Q:** Can you give some numbers to what you are saying?

**A:** The trade between Sri Lanka and the UAE exceeded US\$ 570 million in 2010. Sri Lankan exports to UAE amounted to US\$ 246 million while Sri Lanka imports from the UAE amounted to US\$ 324 million. The trade balance is also improving in favour of Sri Lanka. For instance, in 2007, there was a US\$ 161 million deficit and it has reduced to US\$ 78 million in 2010. Accumulated UAE investments in Sri Lanka amount to a little over US\$ 100 million, creating about 9, 000 jobs in those investment-related projects. There are about 238,000 Sri Lankan workers in the UAE – 90% of them are unskilled, 6% skilled, and 4% professionals. On average, during the last two years, about 40,000 Sri Lankan workers per annum have been migrating to the UAE. Sri Lanka has the fourth largest expatriate community in the UAE. The tourist arrivals from the UAE amounted to 9,825 in 2010, more than Saudi Arabia (9,301) which accounted for the largest tourist arrivals from the Gulf since 2005. The data available for the first three quarters for 2011 shows the UAE acquiring the top position among Gulf nations, for tourist arrivals in Sri Lanka continues with 12,540 arrivals (compared to 11,265 arrivals from Saudi Arabia).

**Q:** What are Sri Lanka's main exports and imports to/from the UAE?

**A:** The main Sri Lankan exports to the UAE are tea, natural rubber, coconut oil, desiccated coconut, copra, cashew nuts, essential oils, fruits and vegetables, processed food, sea food,

rubber products and toys. Tea accounts for nearly 60% of Sri Lankan exports to the UAE. Crude oil, gas oil and lubricants are major imports from the UAE to Sri Lanka, accounting for nearly 25% of imports, and the other major imports are urea, lentils, iron and steel, machinery and parts.

**Q:** What are the key investments from the UAE in Sri Lanka?

**A:** The UAE ranks among the 10 top investors in Sri Lanka. The UAE was the third largest investor in Sri Lanka in 2010 with US\$ 66 million, which was 12% of the 2010 FDI. The UAE based Mohammed Galadari Group after initially investing in a large hotel project in Sri Lanka (1980s) is currently looking at two tourism projects in Kalpitiya islands. The Emirates group that had partial ownership and full management of SriLankan Airlines during 1988-2008, is now looking at a US\$ 1 billion hotel project. In 2008, the Al Futtaim Group invested in AMW (Associated Motorways) company by purchasing 71% of its shares, and in 2009, the UAE company, Etisalat acquired 100% stake in 'TIGO Sri Lanka' for US\$ 207 million. The Heraymila Group invested in the Colombo Stock Market and formed a stock broking company. They have also other investments in Sri Lanka. Al Ghurair Foods, part of the Dubai-based group, own a stake in Serendib Flour Mills. The Al Ghazi Group is exploring new sectors for investments such as tractors, and Arab Orient Insurance, a subsidiary of Al Fluttaim, is planning to set up an insurance firm in Sri Lanka. In fact, there are about 15 joint ventures in Sri Lanka with the UAE investment. A draft agreement on investment promotion and protection presented by Sri Lanka is now being studied for implementation.

**Q:** What about tourism with the UAE?

**A:** The Gulf region supplies about 40,000 tourists per annum to Sri Lanka (based on 2010 and 2011 data), out of which about 11,000 come from the UAE (average data for 2010-2011). With the end of the North/East war and the good air connectivity Sri Lanka has with the UAE via Emirates, Etihad, SriLankan Airlines, and Mihin Air, there is a good opening for Sri Lanka to attract more tourists from the UAE. On the other hand, the UAE is gradually becoming an important holiday destination for upper middle class Sri Lankans and there is an increase in tourist flows from Sri Lanka to the UAE. Partly, this choice is influenced by the large number of Sri Lankan professionals working in the UAE inviting their friends and relatives for short holidays and partly by new attractions in Dubai, Abu Dhabi, and other cities, like shopping malls, desert safaris, cricket tournaments in Sharjah, Grand Prix, Ferrari World, etc.

**Q:** How important is the UAE as an aid donor for Sri Lanka?

**A:** The UAE has a per capita income of US\$ 50,000 compared to Sri Lanka's US\$ 2,400 (2010 data). Thus, the UAE is in a position to assist emerging economies like that of Sri Lanka. The UAE is not a bilateral donor to Sri Lanka but indirectly through the OPEC Fund (the UAE is a member of OPEC) it has made its contribution to Sri Lanka's development projects. Currently, the OPEC Fund has contributed to a road development project (jointly with ADB) and Kalu Ganga Project.

The UAE has continuously been a major contributor of emergency relief to regions affected by conflict and natural disasters in the developing world. The UAE government has contributed to

several humanitarian projects in Sri Lanka during the recent past – construction of an orphanage, schools, and housing schools in the East. The UAE-based charitable organisations such as Red Crescent, Khalifa Bin Zayed Al-Nahyan, and Al-Muktoum contributed to tsunami and flood relief, and Dar-al-Ber Society supported rehabilitation of thousand children.

**Q:** How is the government-to-government bilateral cooperation on economic matters?

The Sri Lanka Mission in Abu Dhabi was the first mission opened by Sri Lanka in the Gulf region. The Sri Lankan government is making a concerted effort to strengthen economic links with the UAE. A Joint Commission was initiated in mid-2009 to enhance the frequency of meetings between the officials of both countries. There is a Ceylon Tea Promotion Centre in Dubai, a Joint Business Council, etc. all of which play a role in strengthening economic ties between the two countries. Sri Lanka and the UAE are both members of: (a) Indian Ocean Rim Association for Regional Cooperation, (b) Asian Cooperation Dialogue, and (c) Asia-Middle East Dialogue (AMED). In these forums, government officials, ministers, and sometimes members of the private sector and academia of both countries get an opportunity to network and have discussions on contemporary economic issues. Sri Lanka has supported the UAE internationally, for instance, the UAE's bid to host the Secretariat for the International Renewable Energy Agency (IRENA) in Abu Dhabi in October 2010, the UAE's candidature for membership of the Board of Governors for the International Agency for Atomic Energy (IAEA) in Vienna in September 2010, membership of the International Civil Aviation Organisation (ICAO) in Montreal, Canada in October 2010, and membership of the Radio Regulations Board of the International Telecommunication Union in Mexico in October 2010.

**Q:** What are the prospects for the UAE-Sri Lanka economic relations?

**A:** With the increased signs of a double dip recession in the Western world, the UAE investors are now increasingly looking at the growing Asian region. Thus, a large amount of investment from the UAE is now flowing to Asia, and Sri Lanka should position itself to attract some of this investment.

The UAE has also become a trading hub with large transit trade going through the country. It is because of such trade that the UAE has become the largest trading partner of India with close to US\$ 67 billion trade in 2010/2011, which is larger than India-China trade, which is close to US\$ 60 billion. A small country like the UAE has become the largest trading partner to India due to the large amount of transit trade taking place in the UAE. Sri Lanka is also in a position to use the UAE for more trading and increase the current US\$ 0.5 billion trade to about US\$ 2 billion in the next two to three years. Although the UAE is geographically a small country, Sri Lanka's trading and investment links with the UAE are stronger than any other Gulf nation and these links have to be further strengthened in the coming years.

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