NEWS ROUND UP

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Contents

1-year moratorium for tourism sector from banks

The banking sector is likely to extend a one-year moratorium on capital and interest repayment of loans taken by the tourism businesses, if the move gets recommended by the sub-committee tasked with reviving the industry post-Easter Sunday attacks. The proposal is up for final approval by the Cabinet this week.

With occupancy crashing to a paltry 5% from 75% since the 21 April mayhem, the tourism industry has put forward multiple proposals to stay alive as well as pay the salaries of its staff. Among them is the moratorium on capital and interest repayments of loans taken by the registered tourism businesses for two years, but the Government is likely to limit it to one year, working capital at low interest rates (2% recommended by the industry but Government may offer it at 6% provided concessionary or grant schemes are available), a moratorium on loans and leases taken by hotel industry employees; and duty-free import of latest security equipment. Another key proposal is the deferment of 15% VAT, 2% Nation Building Levy and 1% Tourism Development Levy (amounting to an effective tax of 20%) on room rates till a full-scale recovery.

These requests are apart from lifting adverse travel advisories by tourist-generating countries, an immediate public relations campaign to stem negative global media coverage and an overall strengthening of the security situation.

Industry sources said that given the failure or lapses in security, the Government was obliged to extend its fullest support. Moratorium and related support, once approved, will require the Central Bank, which is also engaged in the tourism revival discussion, to issue relevant directives to the banking sector.

With 2.3 million arrivals, tourism accounts for 5% of the country's Gross Domestic Product (GDP), had earned $ 4.4 billion in foreign exchange last year and employs 400,000 directly and another 300,000 indirectly.

The specific financial support measures were ironed out on Friday during a meeting between State Minister of Finance Eran Wickramaratne and industry officials. This was after the industry had separate discussions with President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe early last week.

Sources told the Daily FT that finalised recommendations will be studied by the seven-member Cabinet sub-committee appointed to spearhead the revival of tourism industry, during their first meeting today at 3.00 p.m. at Temple Trees. After a thorough discussion, final measures will be tabled for approval at Tuesday's Cabinet meeting.

The members of the sub-committee are Tourism Development Minister John Amaratunga (Chairman), Transport and Civil Aviation Minister Arjuna Ranatunga, Finance Minister Mangala Samaraweera, Development Strategies and International Trade Minister Malik Samarawickrama, Internal and Home Affairs Minister Vajira Abeywardena, Minister of Primary Industries Daya Gamage and Economic Reforms and Public Distribution Non-Cabinet Minister Dr. Harsha de Silva. Tourism Ministry Secretary, heads of Sri Lanka Tourism Promotion Bureau,Tourism Development Authority, Conventions Bureau, and advisors to Minister Felix Rodrigo and Tourism Task Force member Dinesh Weerakkody will attend this crucial meeting as well.

The Easter Sunday terror attacks in Sri Lanka which killed over 250, including nearly 50 tourists and injured over 500, came just as the hospitality industry braced for the lean off-season when daily arrival averages 5,000 tourists. By last week this figure had plunged by 70% with daily arrivals amounting to 1,500 to 1,800.

Govt., industry await threat level clearance from security

Some viewed it as those with essential travel from the west or short-term tourists, whilst officials view it as an encouraging sign. The industry is also taking strength from the fact that for two weeks there had been no major incident since 21 April as the Armed Forces and policehave stepped up surveillance and cracked down on extremist elements or suspects.

The Government is awaiting a final assurance from the security forces that the extremist threat is fully under control, after which the aggressive PR campaign could take off leading to a return of tourists. In parallel, lobbying to lift the adverse travel advisories will be undertaken as well.

The tourism industry, with support from banks, are also expected to offer special deals to encourage more locals to patronise hotels for food and beverages.

Last week the industry met with airlines to map out a strategy to woo tourists by offering special combined packages at discounted rates.In the interim however, airlines are expected to scale down the number of flights till the conditions and demand improve.

Analysis by ForwardKeys, which forecasts future travel patterns by analysing over 17 million flight booking transactions a day, revealed cancellations of existing flight bookings surged 86.2% whilst new bookings fell away post-Easter Sunday attacks in Sri Lanka. It said forward bookings for July and August, which had been running 2.6% ahead of last year as of 20 April, fell 0.3% behind as of 23 April. Prior to the Easter atrocities, Sri Lanka's tourism industry was showing healthy growth with flight bookings in 2019 (1 Jan to 20 April) up 3.4%, it added.

The congestion at the Bandaranaike International Airport owing to stepped-up security measures is expected to ease this week with more streamlined and convenient arrangements for departing and arriving passengers being implemented. (Daily FT)

In wake of deadly attacks, President vows stability before vote

President Maithripala Sirisena said on Saturday the security forces would "eradicate terrorism" following devastating suicide attacks on Easter Sunday and restore stability before a Presidential election due by year-end.

Sirisena also said in an interview he believed Islamic State was behind the 21 April attacks, which targeted churches and luxury hotels and killed more than 250 people including 42 foreign nationals.

The group has claimed responsibility. "Elections cannot be postponed, therefore before the elections, I will bring about stability and I will eradicate terrorism," Sirisena told Reuters.

The presidential vote is likely to take place between 10 November and 10 December and sources close to Sirisena have told Reuters that he would seek re-election.

"We have already identified all active members of the group and it's a case of arresting them now," Sirisena said, adding that there were a further 25 to 30 'active members' linked to the bombings still at large.

Sirisena said that all indications suggested Islamic State had been involved, adding: "It's crystal clear because after the attacks, the IS organisation made an announcement claiming responsibility for the bombings." Sri Lanka authorities have previously said that they suspect the attackers had international links, although the precise nature of those connections is not known.

Police have said two previously little-known groups – National Thawheedh Jamaath and Jammiyathul Millathu Ibrahim – carried out the bombings.

Sirisena said that intelligence services from eight countries, including the US Federal Bureau of Investigation and Interpol, were helping Sri Lanka with the investigation.

Local intelligence officials believe that Zahran Hashim, a radical Tamil-speaking preacher from the east of the Indian Ocean island nation, may have been a key player in plotting the bombings. Officials believe he was one of nine suicide bombers.

Sirisena said that the military and police have made huge progress with their investigations, but emphasised that more needs to be done.

"There are another 25-30 suspects still at large, but there is no information yet to say these suspects are suicide bombers." Scores of suspected Islamists have been arrested after the Easter attacks shattered the relative peace enjoyed by the multi-ethnic nation since the Civil War ended a decade ago.

Sri Lanka's security forces were on high alert amid intelligence reports that militants were likely to strike before the start of the Islamic holy month of Ramadan, due to begin on Monday.

The Government has banned women from wearing face veils under an emergency law that was put in place after the attacks.

"This is not a Sri Lanka issue, it's a global terrorist movement," Sirisena said. "Even advanced countries like the US, Russia, UK, Germany, India and Australia together haven't been able to completely eradicate this IS global terrorism menace." Sri Lanka's leaders, including the president, have come under heavy criticism for failing to heed warnings from Indian intelligence services – at least three in April alone – that an attack was imminent.

Sirisena denied he had knowledge of the warnings before he embarked on an overseas trip on 15 April.

"Had I known about this, I would have taken appropriate action, and not gone overseas," he said.

Critics said infighting between the President and Prime Minister Ranil Wickremesinghe had undermined the response to the militant threat. But Sirisena said he and the prime minister were cooperating on national security issues.

Sri Lanka's economy, already struggling with growth slipping to a 17-year low in 2018, has been dealt a "big blow" by the attacks, Sirisena said.

The tourism sector has grown rapidly in the last decade since the Government defeated the rebel Tamil Tigers. Around 2.5 million tourists visit the island nation each year.

"It's a big blow to the economy, as well as the tourism industry," Sirisena said. "For the economy to develop, it's important for tourism to return to where it was before the attacks." (Daily FT)

Private sector opposes SLPA tariff hike move

Eight leading private sector lobby groups are strongly opposing the unilateral decision by the Sri Lanka Ports Authority (SLPA) to increase port tariffs.

The Ceylon Chamber of Commerce, National Chamber of Exporters, Sri Lanka Apparel (JAAF), Sri Lanka Shippers Council, Ceylon Association of Shipping Agents, Sri Lanka Freight Forwarders Association, Association of Clearing and Forwarding Agents, and Ceylon Freight and Logistics Association, in a statement, said a joint consultative committee (JCC) which included the eight organisations as well as officials of the SLPA was established by the Ministry of Ports, Shipping and Southern Development to enable a consensus-driven mechanism to resolve issues relating to the tariff increase.

The concerns raised by the private sector at the JCC and through written proposals have not been adequately addressed, and has thereby rendered the envisaged consultative process a failure.

The opposition to the tariff hike is based on several reasons. Among them is the difficult operating environment that the trade is facing, the need to address existing inefficiencies in the Port operations to make Sri Lanka more competitive, and the disruption to existing contracts.

The private sector representatives of the JCC are also disappointed that the assurances given by the SLPA to refund the excess tariffs already paid (when the hike was brought into effect from 1 January to 7 February) have not been implemented.

“We urge that the proposed tariff hike be stayed, permitting the private-public consultation process through the JCC to arrive at a suitable solution,” the eight private sector lobby groups said in their joint statement. (Daily FT)

Hambantota Int’l Port signs terminal service agreements with top players in shipping industry

Vehicle Carrier, Glovis Sun sailing under the Marshall Islands flag, helped the Hambantota International Port (HIP) to reach its highest discharge volumes to date, when 5,000 transshipment units were discharged in record time last month. The discharge operation was completed 22 hours prior to the expected time and the vessel was able to depart well before schedule the following day.

“The Glovis Sun was on a very tight schedule, therefore, the efficiency and quality service of the operation was an outstanding achievement for the port, especially on a vessel with such high volume,” said HIPG COO Tissa Wickramasinghe.

Eversince HIP initiated discussions for a TSA with Glovis and terms were agreed on, the Shipping Line’s volumes have been on the increase. By end 2018, Glovis was able to record their best year in terms of volume, with an outstanding number of vessels handled. Taking into account the port’s up to date equipment, expertise and service quality, the shipping line moved a lot of their high and heavy cargo via HIP. Following this success, a two year TSA between Glovis and HIP was signed in January this year.

“We are extremely happy with the services provided by Hambantota Port and after HIPG took over, facilities for RORO operations have been streamlined making it an attractive destination for transshipment. Hyundai Glovis, which mainly brings in vehicles from the East coast of India has seen a growth in volumes and with the safety standards in the port being maintained we believe that we can grow our business from HIP," says Lalindra Fernando, Director of Sharaf Shipping Agency, who are the local agents representing Hyundai Glovis.

A TSA with Norwegian Shipping Company, Hoegh Line, soon followed, with the agreement signed in February 2019. Strong in both European and Indian markets, Hoegh liners are especially known for the transportation of heavy vehicles. Since HIP came under the CMPort umbrella, Hoegh has rekindled their interest in the port, doing more than 10,000 units in 2018 – a marked increase from 6500 units in 2017. The Shipping Company has channelled 8000 units via HIP in the last six months alone, clear proof of the confidence and trust placed in the port.

In addition to Glovis and Hoegh, HIPG has signed contracts with another international player, for RORO business, bringing the Port closer to achieving its hub status for the Indian RORO market. (Daily FT)

What Sri Lanka can do to improve the credibility of its dollar soft-peg: Bellwether

Sri Lanka's Central Bank is forced to collect forex reserves to be able to pay off government debt when necessary and meet International Monetary Fund targets for the foreseeable future, which shows it has no choice but to operate a peg.

If that is the ground reality, the Central Bank has to shake off some of its practices that have destabilized the peg and undermined its credibility.

To avoid balance of payments crises forever and gain full control over the exchange rate, the Central Bank has to float the overnight interest rate.

However, if that is too radical, there are many things that it can do to somewhat limit the downside.

A currency peg breaks and weakens because of an incompatible interest rate, that is to say through various means, a central bank will print money via its discount windows, reverse repo auctions and most dangerously, through outright purchases of government securities to keep interest rates down, when credit demand picks up.

As of the second week of June, the Central Bank was conducting its monetary policy as best as it could, providing only overnight cash as close to the ceiling policy rate of 8.50 percent as possible through its reverse repo window and overnight auctions. It is easy to break the credibility of the peg, but it's difficult to restore.

In Sri Lanka, because the Central Bank buys dollar inflows from the government, and the Treasury does not sell them in the market, the rupee goes downhill fast and it's difficult to arrest it.

It may seem a bit unfair to jump on the banks after the shortage was created, but the Central Bank should discourage banks from coming to its windows, because that is where all the trouble starts

Reverse Repo Auction Money

Reverse repo money is a little more harmful than window money. The problem with all new money is that a commercial bank can use the new money to grant customer loans.

Because reverse repo auctions are conducted in the morning, and since banks get the money early, they can use it to fund the loan book.

The window money, on the other hand, is given late in the day and the window is only open for a short time. The window is really a lender of last resort, while a reverse repo auction is almost a lender of first resort since it is possible to fund a loan book with auction money.

As of the second week of June, the Central Bank had created Rs10-15 billion in cash shortage by getting rid of a part of its T-bill stock, and was funding money markets through overnight auctions.

It may seem a bit unfair to jump on the banks after the shortage was created, but the Central Bank should discourage banks from coming to its windows, because that is where all the trouble starts.

Easy Money

It is quite evident that some of Sri Lanka's domestic banks are far too easy with going to the window or participating in a reverse repo auction. Key foreign banks on the other hand usually have a little excess cash.

The behaviour of the foreign banks show that it is eminently possible to run a bank without running to the discount window all the time. The real pressure on the currency (in the absence of any outright Treasury bill purchases by the central bank) is triggered by the banks that run to the window too often and not currency dealers.

If a bank borrows from the window and lends to an importer – say Bank of Ceylon or People's Bank goes to the Central Bank's window and gives a loan to the Ceylon Petroleum Corporation – the pressure will fall directly on the rupee. Even if they do not, and the money is spent domestically by its customer, a part of it will end up in the forex market through some other bank.

The Central Bank should, therefore, discourage borrowings from its windows and curtail reverse repo auctions to the minimum, or abandon auctions altogether and only give money from the window. In an ideal world, window cash should be limited to intraday liquidity.

NOP Limits

At the moment, there are limits on bank dollar holdings in its books. These Net Open Position Limits have limited value. The entire focus on dollar holdings is misplaced.

Just because George Soros, or any other investor, had billions of dollars, he cannot hit Sri Lanka's rupee dollar exchange rate.

To hit the exchange rate, he has to get hold of some rupees first. Usually, a speculator will try to get ahold of some domestic currency by doing a currency swap. If there is only a limited amount of rupees available, the swap rate will hit the roof.

When a foreign speculator tries to hit a currency, they succeed because money comes from the discount window to do so and the rate does not go up too much.

This is why George Soros had to run from Hong Kong with his tail between his legs, as swap rates went up, while bigger countries collapsed. There is no true discount window at a currency board.

Once a dollar has been bought by a bank (for existing rupees), it matters little whether the dollar remains in the bank's books or is sold to buy a car or Mysore dhal. Just because there are two trillion or whatever volume of dollars floating around the world, it does not make the rupee weak.

The rupee also cannot become weak if an exporter borrows (existing) rupees and keeps dollars abroad. Of course, interest rates can go up.

Only if the credit is financed by the window does a problem come.

But the real problem with narrow NOP limits is their reducing forex market depth. Let's say on Tuesday there is big demand for dollars or inflows fall, or both. But because NOP limits are narrow, the market has no depth to absorb it. As a result, the rupee/dollar rate will tend to be excessively volatile and the Central Bank is forced to step in or operate a peg.

While it may be fine to have narrow NOP limits when overall credit from the banking system slows down and excess liquidity builds up (strong side of the peg or in hard peg parlance also known as the strong side of the convertibility undertaking), it is not possible to prop up a currency when credit picks up (the peg or currency is at the weak side of the convertibility undertaking) while also targeting a fixed policy rate by printing unlimited amounts of money.

But it makes very good sense for NOP limits to be tied to a bank's access to window cash. A bank that utilises the window for several days in a row should have its NOP limits cut or eliminated.

All of this will discourage banks from lending to customers without real deposits.

Discount Window Limits

It is not possible to guide an exchange rate (either to maintain a low inflation peg or to target a Real Effective Exchange Rate Index) without intervention. But, for any guiding to work, when the peg is on the weak side, the intervention has to be unsterilized, that is liquidity lost by dollar sales should not be replaced by the window.

Not even George Soros, who easily 'broke the Bank of England', could break a peg defended with unsterilized interventions. It is sterilized interventions that do not work. To be able to guide the exchange rate, sterilization of dollar sales has to be minimized to the lowest possible. Instead of NOP limits on the forex trading book, the central bank should slap limits on access to its discount windows.

Let's say, hypothetically, a bank is allowed to take printed money up to 5 percent of its capital at the ceiling policy rate, which was 8.50 percent from reverse repo windows or auctions. The next 5 percent of window cash should only be given at 9.0 percent. That way, banks can be encouraged to engage in more responsible lending.

It seems that there could be a daily liquidity variation of about 10 billion rupees in the banking system due to customers withdrawing cash. The first access limit should be set, keeping this in mind.

When such a limit is set, offenders like state banks who finance the Treasury overdraft with printed money should be a thing of the past.Several well-managed banks in Sri Lanka have internal limits on window borrowing. The Central Bank should examine these before setting the rules. It is a bit ironical that it is forex dealers of these banks, which do not pressure the currency, that get pulled up by the authorities because they usually have excess dollars and are blamed for 'speculative' trading. At first, fairly loose window access rules can be set, but they can be tightened over time.

Replace Term Repos with CB Securities

At the moment, the Central Bank's net foreign assets are not enough to cover its domestic reserve money. And it has also run out of Treasury bills to sterilize dollar purchases, though it has some bills after the money printing binge in April. This column warned in December that running out of T-bills and sterilizing dollar purchases represented a danger to the rupee, based on the experience of the last crisis (Sri Lanka's Central Bank should sell own securities in new credit cycle: Bellwether).

It said that terminating repo deals, which is also printing money, represented the latest danger to Sri Lanka's economic stability. There was no expectation that the warning would crystalize into reality as soon as March. In March, out of Rs122 billion of private credit, about Rs36.3 billion was Central Bank credit, some or most of which came from terminated repo deals. One way to get over the problem is to get 'special issue' Treasury bills from the finance ministry like the Reserve Bank of India. But for reasons that will be explained later in the column, it is better to issue Central Bank securities.

Reserve Cover

The Central Bank is due to amend its governing monetary law soon. It is generally understood that 'provisional advances', a type of open-ended 'window' with no securities and no interest that is open to the Treasury, will be closed.

When amending the monetary law, the existing balance should be converted to three month bills at a discount equal to the market interest rate. Over time these bills can also be sold down (or directly swapped for dollars from the Treasury) to accumulate dollars.

At the moment, net foreign assets of the Central Bank is only about 90 percent of the monetary base.

When the provisional advances are sold down, the NFA cover will go up. New dollar purchases should be sterilized by 6-month Central Bank securities, which have not been issued for some years.

For the foreseeable future, no Central Bank profit transfers should be made until net foreign assets grow to be about 115 percent of the monetary base at least. Reserves should be kept as far as possible in US Dollars. Assets in Euro or Yuan should be avoided as much as possible.

If significant volumes of reserve assets are in dollar currencies, the reserve cover may need to be increased to about 120 or 130 percent of the monetary base to take into account any cross currency risks. The monetary law act can also be amended to prevent the dollar backing for the monetary base to be 100 percent at a minimum.

To settle government debt, a revolving sinking fund can be built by future profit transfers of the Central Bank. The Central Bank should get out of all public debt activities and let the Treasury manage its own affairs. Measuring foreign reserves against stocks like short-term debt or exports are meaningless. It is beyond the scope of this column to explain why.

Tiered Window Access

In order to avoid balance of payments troubles in the future, liquidity window operations should be carried out only against CB securities. As a result, banks that need liquidity would be forced to carry CB securities in their portfolio, creating demand for them.

Only overnight liquidity should be provided. No term reverse repo, or auctions should be conducted in the morning. If necessary, liquidity could also be provided against any US government securities that banks have. No Sri Lanka dollar bonds should be allowed as security for window operations under any circumstances.

Since there would only be a finite volume of CB securities in issue, which banks can use to get liquidity, the Central Bank will not be able to provide an unlimited amount of liquidity and create balance of payments troubles (to sterilize interventions until large volumes of forex reserves are depleted).

For this arrangement to work well, policy rates have to be ideally floated. If not, the policy corridor should at least be widened from the current 7.25 percent and 8.50 percent to 5.00 and 10.00.

It must be understood that without a full float of the rates, it is not possible to absolutely fix the exchange rate. However, like in Singapore, it will be possible to control the exchange rate over the longer term.

Interest Rates

In seems increasingly likely that the 6.25 percent overnight rates seen in 2014 may not come back. But it is not necessary to have a rate cut to boost growth. When the credit cycle turns, economic activity picks up. Several factors will drive economic activity in the short term.

Business confidence is one. There seems to be some business confidence emerging after people meet Mangala Samaraweera and Eran Wickramaratne. On the negative side, a falling rupee will push up prices and kill purchasing power and economic activity.

Even in well-managed countries, interest rates have been moving up, but growth is also there. Singapore's short-term rates have been steadily moving up. Singapore also does not have a policy rate. It manages to grow without 'rate cuts'.

The three month Singapore swap offer rate (SOR), a key benchmark in the country, has steadily moved up over the past five years.

It can also be seen that the overnight volatility is very high due to the lack of a policy rate, but it does not lead to a hysterical rise in longer-term rates and may even be inverted at times.

The Singapore Interbank Offered Rate has also been climbing. If rates do not fall back to 2014 levels in Singapore, with much better fiscal policy, may be there can be no expectations of rates falling to 6.0 percent levels in Sri Lanka either. Sri Lanka has several reasons for high interest rates: the main one is currency depreciation and inflation and the second one is the high reserve ratio.

It is possible to operate without a reserve ratio if necessary or with a reserve of about two percent, once more responsible lending and liquidity management develops at domestic banks. The third is the practice of selling excess dollars coming to the Treasury to the Central Bank, instead of to the market.

Credit Pick Up

The good news is that credit seems to be picking up. There can be no BOP problems if the economy is in the doldrums, absent capital flight. Unfortunately, there seems to be some.

If economic activity and credit picks up, the Central Bank will not be able to collect forex reserves at the rate it has been doing until January 2018. Already some UNP politicians, including Ravi Karunanayake, who helped create the 2015 BOP crisis with Arjuna Mahendran, is making noises about high interest rates.

Careful thought should be given to cutting rates, or narrowing the policy corridor. For one thing the US 'normalization' will have unforeseen effects on capital flows. US rates will also hit pegs with much more credibility than Sri Lanka's highly unstable peg.

The real pressure on the currency (in the absence of any outright Treasury bill purchases by the central bank) is triggered by the banks that run to the window too often and not currency dealers

If there is a peg, and its credibility is broken and the Central Bank tries to float the currency to avoid interventions, it is usual for the fall to overshoot 5 to 10 percent before the float takes hold and exporters are comfortable to sell.

If the currency floats fairly freely, it will also fall, when the US Dollar strengthens. All it takes is a couple of term reverse repo auctions to break the credibility of the peg.

But it is much more difficult to restore credibility. So care must be taken. For that reason, the Central Bank, at the first opportunity, should appreciate the currency and create a 'buffer' in the exchange rate, in case there is capital flight from time to time, when the US continues to raise rates. This has to be done even if tiered limits are set for window access. It also is a must if a bastardized peg in the form of a 'flexible exchange rate' is followed.

The Big NO-NO

The other big danger to the peg is the practice of selling Treasury dollars to the Central Bank. If the guided peg breaks and there is an attempt to float, this is an absolute no-no, even if liquidity is short. All Treasury dollars should be sold in the market for old rupees, not to the Central Bank for new rupees.

Excessively high interest rates are needed to correct currency pressure, because of this practice. Even after the most recent hike, the US rate is 2.0 percent. Sri Lanka's is a thumping 8.5 percent.

That should be more than enough to maintain a fair degree of credibility in the peg, if reverse repo auctions are abandoned and Treasury dollars are sold in the market.

There are many costs of currency instability, even in the short term.

The business of importers is disrupted. Exporters also waste time in speculating, instead of making longer-term plans. They may borrow to keep dollars out, crowding out other businesses. Everybody's business plans and costs budgets are disrupted, a bit like regime uncertainty.

The Central Bank is also having a tough time with President Sirisena taking pot shots at Prime Minister Wickremesinghe.

That is regime uncertainty with a vengeance.(Economy Next)

UK security minister pledges support to revive Sri Lanka tourism

The United Kingdom's Minister for Security and Economic Crime, Ben Wallace pledged support to revive Sri Lanka's tourism industry, badly hit by Easter Sunday's suicide bombings which killed over 250 people, including 8 British nationals.

"I have discussed our current travel advice and been clear that we hope to see the Sri Lankan tourism industry return to full strength," he was quoted as saying in a statement from the British high commission.

“We will do all we can to help the Sri Lankan authorities with this,” Wallace said after a two-day visit to Sri Lanka.

Wallace met President Maithripala Sirisena, Prime Minister Ranil Wickremasinghe, other government ministers, military and religious leaders, senior government officials and leading figures from the Sri Lankan tourism sector.

He discussed the impact on Sri Lanka of the attacks on three churches and three hotels carried out by Islamists extremists.

Wallace also discussed how to address the security threat, identify what further support the UK can provide and received an update on the ongoing investigations, the statement said.

He visited the Cinnamon Grand and Shangri-La Hotels, sites where British nationals were killed in the attacks and met hotel staff, and visited the St Anthony’s Church in Colombo, and laid wreaths at all three sites.

“The attack on innocent worshippers and tourists sought to sow division and hate and it must not be allowed to succeed,” Wallace said.

“In times like this friends support each other. I visited, on behalf of the UK government, to offer that support and stand in solidarity with the Sri Lankan people.” (Economy Next)