

Should Lanka liberalize professional services?

By Arthur Wamanan - Jun 27, 2015



From left to right: Dr. Saman Kelegama, Dr. Ruwaiz Haniffa, Arjuna Herath, Ranel Wijesinha, Reyaz Mihular and Saliya Peiris | Pic by Chandana Wijesinghe

At a stage when Sri Lanka is at a transition period, politically, as well as economically, debates and discussions have commenced on where and how the country could focus to gain economic progression.

The post-election period during which the new government made several changes to the economic outlook, in terms of reviewing projects and the taxes through the interim budget, had seen a mixed response from the corporate sector.

Liberalization of Professional Services is one of the key aspects that is being looked at by the current regime, and that too has sparked compliments and criticism alike. A seminar titled 'Liberalization of Professional Services, Challenges and Opportunities, Risks and Safeguards' which was organized by CA Sri Lanka was held last week.

Executive Director, Institute of Policy Studies (IPS), Dr. Saman Kelegama in his keynote address at the seminar pointed out that there were shortages of manpower in several sectors in the country which needed to be filled. He stated that sectors such as medical, tourism, construction faced skill shortages.

According to Dr. Kelegama the health sector faces a shortage of 12,000 nurses, 600 radiographer, pharmacists and other technical workers and 7,000 doctors

while the tourism sector is short of 30,000 workers.

In addition, the construction sector has an annual requirement of 15,000 crafts workers although the current capacity to train them is 11,000.

He stated that Sri Lanka had been facing shortage of skilled labor ever since the liberalization of the economy in 1977 and listed out several reasons that attributed to this factor.

He stated that the increase in migration of skilled labor to other countries seeking higher wages was a key factor, while adding that changes in technology worldwide also played a crucial role in increasing this gap.

Further, it was also pointed out that Sri Lanka's education system had failed to produce the required skills over the years to fill the gap of skilled labor shortage in the country.

He, however, stated that Sri Lanka in the past had imported labor into the country due to several reasons. Speaking on the importation of unskilled labor, Dr. Kelegama pointed out that the importation of such labor was recorded during the British rule when workers from India were brought down to work on tea plantations.

In addition, he pointed out that Sri Lanka had imported skilled labor from Britain for construction purposes, administrative and for judicial services. "Skilled labor importation needs reconsidering in the present context of filling the skill gaps," he said.

He further stated that Sri Lanka could still import skilled labor under the present immigration laws and cited various examples where international schools employing foreign teachers who had specialized in certain subjects, and chefs who were specialized in particular types of dish.

However, he pointed out the need to expedite the process that enables the movement of professional labor. In his presentation, Dr. Kelegama stated that delays in instances such as visa processing should be addressed in order to

facilitate the movements of labor in the current context of globalization.

Dr. Kelegama further suggested that Sri Lanka still could consider liberalization through the General Agreement on Trade in Services (GATS), which is a treaty of the World Trade Organization (WTO).

“The advantage of GATS is that it becomes easier to attract foreign investment even without tax incentives because it gives predictability for investors. But to be effective, regulatory frameworks must be in place.”

The panel discussion, which followed the keynote speech, was moderated by former President of CA Sri Lanka and the Confederation of Asian and Pacific Accountants, Ranel Wijesinha. The participants were President, CA Sri Lanka, Arjuna Herath, Deputy President, Bar Association of Sri Lanka, Saliya Peiris, Managing Partner, KPMG, Reyaz Mihular, and immediate Past Secretary of the Sri Lanka Medical Association (SLMA), Dr. Ruwaiz Haniffa.

The discussion also focused on the much debated Comprehensive Economic Partnership Agreement (CEPA) that Sri Lanka and India hopes to sign.

The CEPA agreement in itself had triggered debates on whether it would result in India having an upper hand over Sri Lanka. An aspect that had been discussed is the movement of labor from one country to another and its pros and cons.

The seminar focused mainly on the importation of labor to Sri Lanka and the necessity of a proper regulatory framework that needed to be in place to accommodate the foreign workers, while safeguarding the local professionals.

Lack of a proper framework

One of the key concerns raised during the discussion was the need for the formulation of the necessary framework when going for agreements with other countries. Mihular at the discussion stated that the lack of a proper framework would create loopholes in terms of the quality of people coming into Sri Lanka for work. He stated that the framework should ensure that those who come into

the country needed to be of higher standards than Sri Lankans so that the latter could learn from them. "In order to do that, a proper accreditation process should be adopted," he said.

Speaking on the importance of a framework, Dr. Haniffa elaborated the situation that prevailed in the medical field where there was no follow up treatment for a patient who had been treated by a foreign doctor.

He pointed out that the Medical Ordinance was yet to be updated in order to address issues arising due to the absence of a proper framework. A concern that was raised in the discussion by Economist, Anushka Wijesinha, was that the formulation of a suitable framework was the focus of the discussions pertaining to the CEPA agreement, when it was initially mooted in the mid-2000s and added that Sri Lanka had not yet drafted a comprehensive framework ten years since the initial rounds of discussions.

Opposition from local professionals

A key factor which was discussed as an obstacle in liberalization of services is the opposition that comes from the local stakeholders, owing to the fear that their professions and their professional careers would be affected due to the influx of foreign workforce.

The panelists and the participants also pointed out the need for the drafting of proper regulations in a manner in which that it does not affect the local industries.

The discussion also saw an exchange of words when representatives of the Ceylon Chamber of Commerce (CCC) pointed out that the seminar was predominantly focusing on the challenges and issues faced, rather than the opportunities. However, the moderator ruled out the observation stating that opportunities too were looked upon.
