

GLOBAL INTEGRATION AND NATIONAL INTERESTS: MANAGING CHANGE IN SRI LANKA

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The economic reform exercise that started in Sri Lanka in 1977 has gone through various phases over the last 30 years. With increasing global interactions more and more reforms in the domestic economy are required for the economy to be in partial or total harmony with global changes and to respond to new situations. Policy makers seem to know where to move the economy and what sort of reforms is needed for that purpose. However, implementing reforms or changes in the economy has been painfully slow. In other words, managing change has become an issue in the country.

PROBLEMS OF CHANGE: SOME EXAMPLES

It would be worthwhile to illustrate this by a few examples. One of the examples is the reforms in the education sector. They have not been fine-tuned to the growing needs of the economy. Education reforms have not taken place to the extent to serve the new demands of the labour market hence compelling the government to absorb 40,000 graduates. While, the private sector is considered the engine of growth the sector does not find the bulk of the output from the University system useful for their operations.

The private sector uses English as indispensable for recruitment and daily conduct of business affairs. Thus they have a tendency to reject well qualified domestic language trained graduates in favour of students with a fluent English background. It is difficult for a government to keep on saying to these graduates to stay in the job market until the private sector absorbs them. Even special programmes for such graduates such as the Tharuna Aruna programme had limited influence in reducing the waiting list of graduates (especially with Arts degrees). Thus education reforms should take place to produce employable graduates whether in the local languages or in the English language. Therefore change is a necessary requirement in the education system for the growing new demands but this change is slow to come.

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Another example related to jobs creation by the private sector is the type of labour laws governing job creation. Although the country has had nearly 30 years of an open economy it is still managing the open economy by using labour laws that were designed to suit a closed economy of the 1960s and 1970s. Most private sector companies are concerned about certain labour laws which are too rigid for managing enterprises in the open economy. Sometimes when there is excess competitive pressure some adjustment in the labour force needs to be done, however, if the labour laws (in this case, the Termination of Workmen Act) do not permit or hinder such adjustments the only option for the company sometimes is to lower the scale of its operation or to refrain from pursuing labour intensive methods of production. It is known that some companies resort to capital-intensive modes of production just to evade the hassles of having more labour in the firm, while some firms resort to sub-contracting arrangements to evade the negative implications of the labour laws. In the long run it is the employable people who suffer consequent to these techniques of the private sector. One cannot blame the private sector for doing this because it is the government that has not changed labour laws to suit the current situation.

Another example of delays in managing change is the electricity sector. As far back as the late 1990s the experts warned the government that the hydro-electricity sources were gradually diminishing and hence to meet the increasing future electricity demands the government should look at other low cost power generation methods such as bio-fuel, coal power, dendro, etc. However, in spite of these warnings no effective action was taken in this respect. Coal power sites were selected, feasibility studies were done, etc., but due to various protests the government kept on postponing the initiation of cheap electricity

generation, especially through coal power. When a crisis emerged in the mid-1990s with electricity cuts and black-outs the easiest route was taken in solving the problem via diesel oil power plants the costliest source of electricity generation. It became a habit thereafter of approving diesel power plants one after another so much so that it created a diesel power lobby which got together and discouraged the government from going for coal power projects. Today the country is 65 per cent diesel power dependent a pathetic situation for a country that depended 95 per cent on hydro power in the early 1990s.

It was another instance where managing change was a problem to the government. The respective governments did not have a strategy to buy-off opposition and go ahead with coal power generation.

MANAGING CHANGE: PRACTICAL PROBLEMS

Reverting to the key problem, i.e., change, in any change there are winners and losers. The winners are more in number but are scattered and not well organized. The losers are smaller in number but well organized (for example, via Trade Unions) and determined to resist change. They manipulate the print and electronic media with effortless ease and pursue their case very aggressively. Meanwhile, the potential winners of reforms remain silent. Most often the government is held to ransom by the losers and hence the government while recognizing that there is a need for change does not go ahead with reform and resort to various 'stop gap' methods to address the issue.

First, the government allows the status quo to continue while recognizing that there is an urgent need for change. Thus, it sometimes resorts to ad hoc measures for short-run management and most often these short term patch-up arrangements aggravate the

problem in the medium term. As mentioned the rapid approval of diesel power projects aggravated the power scenario from a different angle.

Second, it appoints another committee to look into the recommendations almost equivalent to re-inventing the wheel. This is especially so at the time of a change of government. The new Minister will appoint a Committee to look into the problem when there is already a report on the subject matter and for some unknown reason the existing report is considered not "our report". Basically by doing this what is done is buying time and hence if a pro-reformer asks what is happening in regard to the reform programme, the answer is that it is being looked into by a special committee.

Third, when the government knows that there are political difficulties with going ahead, it just allows the report to rest. This is just sitting on the issue assuming that with time there may emerge suitable conditions to go ahead with the programme or reforms. In other words, it assumes that time will take care of it. The best example of this is the Norochachalai Coal Power Plant. The authorities concerned sat over the issue for a very long time until the crisis aggravated and there was no other way out. It is better late than never but when it commenced the damage (in this case, high electricity rates) was already done.

But most often it is seen that the government mis-reads the strength of the losers. In the case of Norochchalai for example, both contenders of the 2005 Presidential election played it safe saying that they will not go ahead and it needs to be further studied, and so on. But after the Presidential election, the President made a clear statement (January 2006) that come what may he is going ahead with the Norochchalai project and a Chinese party was brought in to undertake it. A few

months after this decision was announced, local government elections were held (March 2006) and the people of Norochchalai also got the chance to vote. If the people of Norochchalai were so vehemently opposed to the project, these polls were the best opportunity to show their protest. At the elections the ruling party won handsomely without any difficulty even with some of its coalition partner parties contesting separately. It clearly showed that the whole protest and the large amount of losers from the project were highly exaggerated. The fact that the protestors are very vocal and are able to get the media behind them made the government feel that it was a strong force against change or reform, which however was not in reality the case.

Why is there opposition to change in contemporary Sri Lanka? This is partly due to mishandling of the reforms in the past. Several mistakes have been made in the past that has made a mark on the stakeholders. First, was resorting to reform without addressing in-house matters, which in other words meant exposing the country to global forces without addressing the institutional and regulatory issues in the country -- sometimes called 'behind the border' problems. If the economy is exposed more to the global forces of competition without addressing the 'behind the border' problems the consequences can be quite disastrous with many people forming adverse opinions about economic reform. Thus in a country like Sri Lanka, it is not prudent to implement reform and change in the system on a hurried basis or 'shock therapy' basis because there are many factors 'behind the border' related to supply, regulations, and institutions that first need to be addressed before implementing reform.

Mishandling of the reforms in the past has also revived the slogan of "preserving national interests" and this in turn has

increased resistance to change. If equity and human considerations are totally overlooked in the reform process the stakeholders perceive that the profit motive and corporate interests are going to be the key determinants of the sector's future. In some instances, this fear has proved to be the case. When this is the case it is always easy to play the national interest card even if it does not mean much on a particular reform issue such as in the case of education or the power sector.

Thus, managing a reform process is crucial if the country is to go ahead with change. The losers protest needs to be minimized and accommodated. For such management, dialogue on reform and marketing the reform programme are important factors. Needless to say, for any changes to take place there has to be support and acceptance of such changes. Even in socialism it was said those days that radical transformation of the economy cannot be done unless the level of social consciousness is high. Thus all reforms must start with clear objectives and the merits of reforms have to be popularized. Then the politicians must be lobbied to accept such changes.

Making changes in a new system is easier than in an older well entrenched set up. In other words, making changes in a country with old systems in place like that of Sri Lanka will be more difficult than in a new country like Singapore. For instance, H.M. Oliver (1957: i) {'Economic Opinion and Policy in Ceylon', Duke University Commonwealth-Studies Centre, Cambridge University Press, London} noted: "Ceylon reacquired its independence only in 1948, after being under European rule for nearly five centuries. Its civilization is old and hence probably more resistant to change than would be a younger and less integrated culture". Thus in a country like Sri Lanka, abrupt changes in broad strategy or in detailed components of a given strategy

require considerable support and understanding by the population. This is not primarily because of the power of those who profit from possible rents, but rather because the community's history, institutions, and organizations create a milieu in which change that affects deeply rooted views and practices cannot be seen as either appropriate or necessary. It then takes some event of some magnitude to convince the population and the government that new directions are necessary and possible.

ROLE OF PROFESSIONALS

Whatever government is in power in Sri Lanka it needs assistance in managing change from the experts because currently the policy-making process is basically the result of day-to-day ad hoc measures. Planning and innovations are rarely taken into consideration by the key policy makers who are basically reacting to the emerging situations and problems. It is also the case that sometimes the technocrats tend to cater to the whims and fancies of the politicians just to be on their good books and for the sake of their own survival. It is here that the professionals have a role. They can be a strong force in assisting the government in managing change.

In a democratic set-up, the government has to get the people behind it to go ahead with reform or change. This can only be done by addressing the fears and aspirations of the losers of reform and those who stand on behalf of the losers. These fears can only be addressed by a dialogue with the stakeholders preparing them to the new scenario. In this process articles in the media both print and electronic can go a long way in gradually diluting the opposition. Here the professionals can play a major role, i.e., articulating the need for reform and advising the government on how to meet opposition arguments and manage change. "One size fit

all" tool kits no longer work in Sri Lanka, thus the country has to look at "international best practices" to come up with its own package for such management.

Today it is observed that the Sinhala and Tamil media are still dominated by writers who argue against change even though the debate is more open in the English media. Outdated ideas are still articulated very passionately using the so-called national interest, past failures, profit motive and labour exploitation and so on. These gain a lot of credibility in the absence of an alternative view in favour of change and especially in the vernacular media.

In most countries there is what is called a 'second track' with regard to managing

change. It is here that the professionals should act together as a pressure group to taking Sri Lanka forward. If not the country will remain as one Minister said "the sick man of South Asia" or as one economist stated "a case of missed opportunities" for the next decade. Some of the leads that Sri Lanka possess in terms of high attainments in basic living standards or as the pioneer of economic liberalization in South Asia will be things of the past well overtaken by other countries who are much more underdeveloped than Sri Lanka today. The country will be still struggling to manage change. The professionals have to ensure that this does not happen and this is the challenge for them to make a contribution to take Sri Lanka forward to the 21st century.