



THE INSTITUTION OF ENGINEERS, SRI LANKA

120/15, Wijerama Mawatha , Colombo - 07, Sri Lanka.

Tel : +94-11-2676205
+94-11-2698426, 2685490, 2699210

E-Mail : iesl@slt.lk

Fax : +94-11-2699202
Website : <http://www.iesl.lk>

President : +94-11-2676205

OUR REF : IESL/ ES/Gen/001

YOUR REF :

April 18, 2018

His Excellency The President Maithripala Sirisena
President of the Democratic Socialist Republic of Sri Lanka
Presidential Secretariat
Colombo 1.

Your Excellency,

**SIGNING OF FREE TRADE AGREEMENTS DISREGARDING
CONCERNS RAISED BY THE INSTITUTION OF ENGINEERS, SRI LANKA**

The Institution of Engineers, Sri Lanka (IESL) along with other professional bodies have been in dialogue with MoDSIT about FTAs especially on services trade liberalization aspects since 2016. As the apex body of the engineering profession, IESL participated in a few infrequent meetings with the interest of the country and the profession in mind. However, IESL with many other professional bodies was of the written opinion (Letter Ref: IESL/KL/2017/02) that necessary legal framework should be enacted to enter into such agreements with services trade liberalization and that the impacted professional bodies too should have direct input towards schedules and commitments.

Later we received information through public media that the Government of Sri Lanka has entered into SSLFTA. SSLFTA comes at a time when many such FTA s are in the pipeline as mentioned to us during the last meeting held at MoDSIT office on 27.10.2018.

It is our understanding now, that none of those requests by the professionals was in place at the time of signing SSLFTA, and GoSL is planning to ratify the agreement in the very near future.

We had no idea as to what services sectors would be liberalized, under what modes, etc. **In summary IESL requests the government to consider the following before entering into FTAs, as they would have irreparable adverse effects on the country and its citizens.**

- 1) Postpone the ratification of SSLFTA and probe into the possible ways of minimizing the damage and amending the schedules

- 2) To have a proper detailed consultation with IESL prior to any service sector liberalization where engineering related sectors are included.
- 3) Not to make statements about IESL participation when IESL has not participated in any consultative sessions on setting schedules / commitments for the already signed SSLFTA and the ongoing Sri Lanka-India ETCA or Sri Lanka - China FTA, etc.
- 4) To do a comprehensive feasibility study, a 'Strengths, Weaknesses, Opportunities & Threats' (SWOT) analysis and a Strategic Impact Assessment prior to any service liberalization agreements.

Here are some of our reasons for the above request

According to Singapore-Sri Lanka Free Trade Agreement (SSLFTA), according to Annex 7-A, Sri Lanka Schedule for Specific Commitments, the following service sectors have been liberalized.

- 1) Advisory and Consultative Engineering Services (CPC 86721)
- 2) Telecommunication Services (CPC 752)
- 3) Construction related services (CPC 51)
- 4) Computer related services (CPC 84)

Furthermore, all services listed under Environmental Services, CPC 9401, CPC 9402, CPC 9403, CPC 9404 and CPC 9405 for industrial establishments which have been included in the Sri Lankan schedule are also engineering related services. Therefore, a vast area of engineering services has been liberalized where presently Sri Lankan engineers are heavily involved in. With the large number of engineering graduates as well as newly established technology stream graduates passing out from universities, we believe that the emphasis should be given to make provisions for employing such graduates rather than allowing foreigners to come and practice engineering in Sri Lanka.

We also wish to note that when carrying out discussions before entering into such agreements, the Institution of Engineers, Sri Lanka (IESL) had not been consulted as stated in the newspapers by the Hon. Minister, Malik Samarawickrama. In whatever the discussions claimed to have been made, we were not a party and therefore views of the engineers have not been expressed at the meetings claimed to have been conducted by the Ministry of Development Strategies and International Trade (MoDSIT). IESL was well represented by our senior members at all meetings that were called by MoDSIT in 2016 and 2017. However, those meetings were on the changes to be done to strengthen the local legal framework before signing FTAs. However, the signing of the SSFTA and the ratification in parliament is happening before the legal framework has been finalized. IESL has made several requests in writing from the MoDSIT to have a meeting with the Ministry officials to explain the concerns of IESL on the liberalization of services, but we

were not given an opportunity to express our views to the Ministry. If Agreements are entered into, liberalizing the practice of engineering trade free-handedly without any consultation with the IESL, there is going to be a great danger of unemployment of engineers passing out from the universities in Sri Lanka. In addition, there is a great danger of losing the cream of our youth, after spending billions of Sri Lankan tax payers' money and loans from the World Bank and other funding agencies, as the brain drain of young, capable engineers who will be unemployed or underpaid here, will be grabbed by the developed countries.

Furthermore, as correctly pointed by the local and foreign media, Sri Lanka is facing many disadvantages by these Free trade Agreements, as no scientific studies have been done before carrying out any negotiations with the foreign parties. The IESL wish to bring the following weaknesses regarding the outcome of the FTA signed between Sri Lanka and Singapore.

- 1) As per the Singapore Ministry of Trade & Industry (MTI), 80% of the tariff lines are made free for Singapore in the Sri Lankan schedule, while, in return, out of the tariff lines liberalized, 99% of the items in the Singapore tariff schedule are ones already enjoying zero-tariff even prior to the agreement.
- 2) As per the Singapore MTI, the resultant loss of annual tariff revenue for Sri Lanka due to the SSLFTA is \$10 million.
- 3) As per the Singapore MTI, goods originated in other countries with a minimal processing in Singapore can be exported to Sri Lanka through SSLFTA due to its weak Rule of Origin (ROO) criteria.
- 4) Lack of proper immigration & emigration policy prevailing in Sri Lanka would result in uncontrollable inflows related to service sector liberalization.
- 5) The loosely defined term 'national' includes Permanent Residence (PR) holders of Singapore, in addition to Singapore citizens, while the same term 'national' is referred only to the citizens in the case of Sri Lanka (Chapter 1, page1-2 in SSLFTA). Thus Sri Lanka will have to allow not only Singapore citizens, but also the millions of other foreign nationals holding Singaporean PR to be treated equally.
- 6) In the Singapore Schedule of Specific Commitments (Annex 7-B) many protective exclusion clauses included; e.g. Sri Lankan service providers have to comply with additional qualification requirements & procedures, recognition of qualifications in regulated sectors, technical standards & license requirements, additional examinations including language examinations etc. when they need to offer services in Singapore territory as per Schedule 7-B point no.5. However, in Sri Lanka Schedule (7-A) there are no such exclusions for the service providers from Singapore. This clearly is a disadvantage to our Engineers seeking employment in Singapore under the FTA, while our engineering jobs in Sri Lanka are not

protected from free access to Singapore citizens as well as millions of foreigners who have obtained Singapore permanent residency (PR) under the FTA.

In fact, entering into trade agreements with countries having wider negative trade balances with us (e.g. India, Singapore, China etc.) can be detrimental to our economy. Lack of proper in-house legal and policy safeguards is a great disadvantage and Sri Lanka should be equipped with adequate legal mechanism before entering into WTO based treaties.

We wish that you will consider the above requests and concerns positively and take immediate action by postponing the ratification of SSLFTA and study possible ways of minimizing the damage to Sri Lanka and to the professionals.

Yours in the Service of Sri Lanka

THE INSTITUTION OF ENGINEERS, SRI LANKA

Eng. (Professor) Mrs. Niranjanie Ratnayake
PRESIDENT

CC. : Hon. Ranil Wickramasinghe
Prime Minister of the Democratic Socialist Republic of Sri Lanka

Hon. Malik Samarawickrama
Minister of Development Strategies and International Trade