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Saman Kelegama: Top Sri Lanka economist with a mission

By W A Wijewardene

Jun 23, 2017 17:42 PM GMT+0530 | 0 Comment(s)



(Saman Kelegama, one of Sri Lanka's top economists passed away in Thailand. This interview, done by former Deputy Central Bank Governor W A Wijewardene, a colleague and friend, gives an insight to his brilliant academic career, research interests and thinking. It first appeared in Sri Lanka's Daily Mirror in 2011 as part of a series on eminent Sri Lankan economists. W.A. Wijewardena can be reached at waw1949@gmail.com)

The writer's first encounter with Dr Saman Kelegama was at an international conference held in Sri Lanka in early 1990s. He was one of the local resource persons who presented a paper at the conference. When the bearded young research officer from the fledgling Institute of Policy Studies of Sri Lanka, or IPS for short, took the podium to talk on Sri Lanka's trade liberalisation issues, the audience consisting of both local and foreign researchers and policy makers was enamoured by the clarity of arguments and the fluency in language of the young researcher.

He did not hesitate to point out the glaring mistakes made by Sri Lanka in sequencing its liberalisation measures. It was a time when criticising the country's economic liberalisation move was considered a heretic act and everyone was supposed to go by the accepted line of thinking. Yet the critical reviewer in Dr Saman Kelegama did not allow him to mince words.

Since then, the writer became a fan of Saman, the way he was addressed by his friends to give that distinctive personality to him from his economist-father who was known by his family name, Kelegama. The writer recalls following Saman's articles on numerous policy issues in learned journals, magazines and newspapers. He witnessed the step by step elevation of this young researcher into a matured top economist earning reputation and recognition in Sri Lanka as well as abroad. Over the years, he had jettisoned some of the old ideas he had held previously. Yet, one thing that had not changed in all these years is the short beard that he sports on his face marking his signature identity.

The research friendly IPS building

To learn more about this economist, I visit the Head Office of IPS, the modern multi-storeyed building that has come up recently in a serene location at the Independence Square in Colombo. At the entrance to the building, one is greeted by a long line of book shelves that display numerous publications of IPS. I stop there for a while to read the titles and names of authors. More than a half of the publications on display are either books authored by Saman or publications edited by him, some alone and some jointly with eminent international



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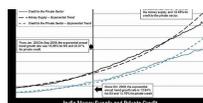
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economists. I am ushered to his executive meeting room by his secretary and seated comfortably in a chair till he arrives. The atmosphere in the room as well as the rest of the building is benign for nurturing one's intellectual creativity with its pin-drop silence, a super luxury again one can expect in the noisy commercial hub of Colombo.

Ambitions in natural sciences

Saman joins me soon and I ask him about his childhood. How did his father, that veteran economist, writer, educator, top policy maker and international civil servant, influence him to be an economist one day, an obvious legacy which a famous father could pass to his son?

"I didn't have an ambition to become an economist" Saman smiles and admits. "At the Royal College where I did my GCE Ordinary Level and Advanced Level, I studied in the science stream in Sinhala medium. For A Level, I did double maths, physics and chemistry. I wanted to be a natural scientist.

"At home of course it was pure economics world. We were frequently visited by the top economists of the country who were my father's friends. I recall visits by people like Dr Gamani Corea, Professor Indraratna, Dr Rasaputram, Dr Salgado and Dr Karunatilake.

"They talked on and on economic issues and that didn't interest me at all at that time. My father's library at home too contained basically books on economics and I recall sometimes spending my time just browsing through the titles. But I didn't take them seriously. So, after my A Level, I wanted to join a physical science faculty of a university and read for a degree in natural sciences."

Life in IIT Kanpur

Then, how did he become an economist? What was the deciding factor? I ask him.

"After A Level, I applied for an Indian Government Scholarship to study in a university in India. I was selected and got admission to the Indian Institute of Technology at Kanpur. IITs at that time were very famous for degree courses in science and technology subjects. Since I didn't want to be an engineer, I chose to do a special degree in mathematics"

"IIT Kanpur, commonly known as IITK, offered a special five year Master's Degree programme in Mathematics. Saman joined this programme because of his special interest in leaning mathematics and statistics. The programme was heavy, hectic and demanding. IITK, like other IITs followed a very stringent evaluation system and students who could not maintain the required Grade Point Average or GPA were requested to leave the university. Hence, it was really a battle between life and death for students to remain within the threshold of GPA and avoid being expelled from the university on account of poor performance.

"At IITK, we didn't have a social life. It was always studies, from residences to class rooms to libraries and back to residences. The only consolation was the long summer vacations which I used to travel back to Sri Lanka, by train to Chennai and then by air to Colombo" recalls Saman.

"Was the stipend paid by the Indian Government sufficient?" I ask him.

"Yes" he says. "That was more than sufficient. In fact I paid for my visits to Sri Lanka out of the savings I made.

"The food was cheap and I got used to those North Indian foods easily. We students didn't have other engagements except studies. So, I didn't feel the passage of time though it was long five years"

In addition to mathematics, statistics and econometrics courses, Saman followed courses in sociology areas too just to satisfy his curiosity in the subject.

"I was exposed to the dependency theory that was very popular at that time for the first time there" he says.

Though his major area of study was mathematics, he offered elective subjects like operational research, linear programming, and mathematical modelling in the final year.

How was his performance at the final exam? I ask him.

"I got through the MSc Degree in Mathematics with a first class honours" Saman whispers to me in a tone that expresses humility and modesty as if he does not want to reveal it to me

aloud.

"That was quite a feat, because you have to be above 8 points in your GPA out of a total of 10 points. Only a very few students were able to get that score"

The Oxford days

"How did you change from maths to economics?" I ask him.

"After I did my Master's in Mathematics at IITK in 1983, I immediately got an offer to follow a postgraduate degree programme in economics at the University of Oxford" he says.

"Since my first degree was in maths, I had to do a Master's degree in economics first. I completed it in 1985 and enrolled myself for the Doctoral Programme there in 1986"

How was his experience at Oxford? I start to wonder and ask him about them.

"Oxford was a memorable event in my life. They always upheld the freedom of thought and freedom of expression. What was encouraged was not to agree, but to dissent and disagree.

"It fostered a rich culture of debate and free dialogue. You can say anything to your professors who patiently listen to you and if you are correct, they would agree with you. If you are wrong, they would tell you in what way that you have been wrong. There was no attempt at imposing one's intellectual will on another. They believed that such freedom enjoyed by students leads to the development of human intellect and creativity"

What did Saman do for his doctoral thesis at Oxford? I ask him.

The researcher on trade policy

"I was always interested in trade and trade liberalisation issues" says Saman. "So I did research on 'Trade Liberalisation Issues in Sri Lanka' for my doctoral thesis under two eminent supervisors.

"One was Sudhir Anand, a professor at St Catherine's College of the Oxford University. He was a specialist on Sri Lanka and had done research on human development, poverty and inequity issues.

"The other was David Bevan at St John's College who had done his research on trade and macroeconomic policy. They were very helpful and at the same time very critical. I completed the thesis in 1990 and was awarded the DPhil Degree by Oxford in that year"

What were the main findings of his research? I ask him.

"I found that as far as timing is concerned, Sri Lanka did it correctly when it decided to liberalise the economy in 1977. If the country had postponed it for a few more years, then, the result would have been disastrous. But with regard to the sequencing of trade liberalisation, we cannot say the same. It was wrongly sequenced and had been done in a hurry without regard for institutional and regulatory issues and the adverse economic consequences that resulted from it.

"For instance, the sudden closure of the domestic industries due to the flood of goods from abroad created social tensions in the country because many had lost their livelihood due to that reason.

"There were no alternative employment opportunities or safety nets arranged for those people. That was a real catastrophe" he says.

Had this foresight been available to Sri Lanka's policy strategists in 1977, the country could have avoided the massive social costs it had to bear as a result of not properly sequencing the liberalisation move, I begin to contemplate.

But its lessons could be used for planning the country's future liberalisation moves to avoid or minimise the social costs involved.

"After you got your doctorate, didn't you think of staying back at Oxford and leading an academic career?" I ask him.

"No." he says emphatically. "I wanted to come back to Sri Lanka and develop my base here.

Besides, it was not that difficult to find a good and promising job in the country at that time after you have got a doctorate from Oxford"

I was sceptical of Saman's assessment because he was talking about 1990s when the job market in Sri Lanka had begun to get heated. Jobs were not aplenty in the country even for a fresh graduate from Oxford. I express my doubt to him.

IPS for a career

He starts clarifying the position to me.

"I was offered a job in the Central Bank at an appropriate level because the Bank had been hunting for talents from outside at that time. While the Bank's offer was on the table, the newly established Institute of Policy Studies bettered the Bank's offer by offering me a higher salary and prospects for quick career advancement in an international setting.

"I later came to know that it was Dr Gamani Corea, Chairman of IPS who had been instrumental in getting me to IPS. The position was just a research officer. But it offered me a chance to work with foreign experts and do research independently. I valued it more than the prestige I would have got at the Central Bank"

So, Dr Gamani Corea sealed Saman's fate at IPS. He made a lifelong career there rapidly moving up in its hierarchy.

How did his research programme at IPS go? I ask him.

"IPS had the support of the Dutch Government right from the beginning and there was an in-house research officer from the Netherlands to guide the Institute.

I could work with Howard Nicholas towards his last lap in IPS and later with David Dunham who was there from 1991 to 1999. We moved forward steadily and resolutely gaining recognition at home as well as abroad as an independent think tank" Saman says.

"What was your first job at IPS?" I asked him.

Studying privatisation issues

"The first job at IPS was looking at the issues of privatisation in Sri Lanka. Before 1977, Sri Lanka had established a large public sector and most of these public sector ventures which had the support of a closed economy could not survive in a competitive open economy.

"Having made losses continuously, these ventures had become a burden to the government because the government had to provide massive subsidies to them to keep them afloat. So, there was the necessity for looking at them from a new angle.

"Besides, this was an era in which the use of private sector talents for sustainable economic development and wealth creation had been recognised. So, we looked at the issues involved in privatising public sector businesses, legal, economic, ethical and financial and so on. We studied extensively the privatisation of the plantation sector which had been nationalised in early 1970s" Saman explains.

Saman's rise at IPS was very quick. In 1995, he became its Executive Director, the equivalent of a CEO of an organisation. Now he has the responsibility of building it as an independent think tank maintaining its objectivity in providing policy advice and thereby its credibility, reputation and recognition locally as well as globally.

At the same time, IPS had to intermingle with the domestic and regional economic profession as well so that it would not be viewed as an alien creature set by foreign donors.

How did he set about accomplishing this mission? I wondered.

The amalgamation of the two economic associations

"At that time, there were two professional bodies of economists in Sri Lanka. Instead of working for a common goal, they had become two rival organisations like two duopolies. But most of the economists of the country were members of both organisations.

"One was the age old Ceylon Economic Association revived as the Sri Lanka Economic Association, acronymed SLEA. The other was the Sri Lanka Association of Economists or SLAE which had been set up in mid 1980s as a rival association to the former.

"I became the President of the latter association, SLAE, in 1999 and found that apart from key office bearers and an interchange of two letters A and E in their acronyms, there was no difference between the two. So, I thought why not amalgamate the two and become one body dedicated to the advancement of the profession of economists in the country. As President of SLAE, that was my main job"

Saman accordingly approached the key person at the SLEA Dr Neville Karunatilaka and made the suggestion to him. "He was receptive to my suggestion" says Saman. "So we started working on the amalgamation of the two bodies and we became successful in doing so in 2000"

Saman became the Joint President of the newly merged body which decided to go by the old name of Sri Lanka Economic Association or SLEA in 2000 and held that post till 2001. In that year, he became the President of SLEA for its operational year 2001 – 03.

They started publishing its journal Sri Lanka Economic Journal, a quality journal carrying articles on economic issues and published twice a year.

The South Asia Economic Journal and the South Asia Economic Summit

In 2000, Saman ventured into another enterprise which was regional. The objective of this enterprise was to make IPS a regional body of economic research and policy.

"In 2000, we started publishing a regional journal called South Asia Economic Journal providing a window for South Asia experts to publish their research papers" Saman starts to describe his new venture. "This was a joint venture between IPS of Sri Lanka and Research and Information System for Developing Countries or RIS of India. The journal publishes refereed articles so that it represents a quality regional economic journal"

The first issue of South Asia Economic Journal was published in March 2000 (available at <http://sae.sagepub.com/content/1/1.toc>). Saman together with his Indian counterpart Nagesh Kumar wrote its first editorial.

The articles in the Journal authored by regional experts have covered a wide area of subjects: world and regional trade issues, problems relating to poverty and inequity in individual countries in the region, strategies for building good governance and foreign investment issues in the region. In addition, the Journal had included a book review section that had reviewed books that had been published on the economic issues relating to the region. The Journal which is published twice a year has released its latest in September 2011.

Publishing a quality economic journal is surely a value addition since it adds to the knowledge. But, does it help the countries in the region to solve their massive economic issues? I ask him.

"Another important step that we took in this regard is the setting up of the South Asia Economic Summit in 2008" Saman explains.

"This is similar to the world famous World Economic Forum or WEF based in Davos, Switzerland. It is a regional exercise and the first Summit was held in Colombo, Sri Lanka in 2008 followed by Summits in Delhi, India in 2009, Kathmandu in Nepal in 2010 and Dhaka in Bangladesh in 2011.

"The next Summit is to be held in Islamabad in Pakistan in 2012. The Summit provides a forum to exchange innovative ideas and policy options to tackle regional economic issues. In the first Summit in Colombo, we discussed the current status of the South Asia Free Trade Agreement and the way forward to make it a reality.

"We also discussed the trade facilitation in South Asia and the proposed free trade agreement between Sri Lanka and Pakistan. An important event in this Summit was the release of the ADB – UNCTAD Study on the Quantification of Benefits from Economic Cooperation in South Asia which provided the economic rationale for such a wide – spread economic cooperation among countries"

South Asia Migration Commission

In 2009, IPS led by Saman organised another path-breaking event in Colombo, this time, a dialogue under the South Asia Migration Commission, a policy recommending body set up to protect the rights of migrants and how economic migration could be integrated with the overall economic growth of a country.

The draft text of the Commission was discussed and finalised after considering the observations of the South Asian countries on migration issues.

"The text of our Commission had covered the economic benefits of migration and issues such as increasing the value of annual remittances flow to each member country and illegal migrant traffic which had been rampant in countries like Bangladesh, India, Nepal and Pakistan.

"The policies recommended by the Commission were to be used for taking remedial measures for migrants' issues at international forums like the Colombo Process and the Abu Dhabi Dialogue. The aim of the South Asia Migration Commission is to institutionalise scattered regional forums on migration under one umbrella organisation" says Saman.

Popular Myths on migration

Saman's interest in migration, remittances and development in South Asia led him to edit a publication containing country studies on migration and specific South Asian issues on the subject under the same title in 2011.

In his introduction to the volume, Saman has identified the increasing globalisation and subsequent integration of countries, economically, politically and socially, as the two most important reasons that have led to a massive migration flow to take place throughout the globe in the recent periods.

The migration flows have helped poor country workers to earn much higher wages in foreign exchange and send them back to their home countries to maintain their families and as savings for use in investment in small businesses and building houses.

Though people wish to migrate to other countries in increasing numbers, various impediments imposed by the governments in both the host and migrant worker supplying countries have caused to curtail these flows.

While developing countries are in a position to supply more unskilled or semi – skilled workers, the developed countries have favoured the migration of better educated and better skilled persons into their countries. Saman has argued that these barriers have led to the development of a sizable illegal market for migrant workers in many countries.

Quoting a UNDP study on the subject, he has said that about 50 million illegal migrant workers have been in the employ of agriculture, mining, construction and services sectors in many countries.

Compared to the legal workers, the service conditions of these illegal workers have been dismal and much to be desired.

"Many in developing countries oppose the migration of their skilled workers on the ground of what is known as brain drain" says Saman.

"The brain drain occurs if the human capital stock of a developing country declines as a result of the migration of its skilled and educated workers. It would weaken its economy and in extreme cases can lead even to a collapse of the economy. But this fear is counteracted by the development of a new concept called 'brain gain'.

This occurs when those who leave a developing country return after some time with knowledge, experience and money. Therefore, brain gain will not only compensate for the initial loss but also add something more to make it a real value addition. So, countries should have appropriate policies to encourage those who have left their motherlands to return after sometime. This requires the implementation of a positive brain gain policy by the respective governments"

What were the other achievements of IPS? I ask him.

The designer of Sri Lanka's Competitive Policy

"One area in which we have worked extensively is the designing of the competitive policy in the country".

Saman starts to explain to me.

"We worked in several key areas in this regard. One was the restrictive business practices. Another was monopolies and mergers. A third area was the consumer protection. Sri Lanka

had a Fair Trading Commission that tackled issues relating to mergers, monopolies and anti – competitive practices and that Commission had been in existence since 1987.

"We found that there was a necessity for a unified act to deal with consumer protection while following good business practices by corporate bodies. Our studies with the Law and Society Trust led to the repeal of the Fair Trading Commission Act and enactment of the Consumer Affairs Authority Act in 2003. In the new Act, mergers are permitted and become subject to investigation only if they become an anti – competitive act. So, businesses have freedom to operate as long as they do not resort to anti – competitive practices"

An expert on trade liberalisation

Saman has been a champion in sequential trade liberalisation. His doctoral dissertation was also on the trade liberalisation process in Sri Lanka. In the recent past, he was one of the architects of the proposed comprehensive economic partnership agreement or CEPA with India.

CEPA which was the product of a long drawn consultative process with business and industry people in both countries ran into a stormy weather when the local businessmen took to streets in an unprecedented manner forcing the government to shelve it temporarily.

I ask him about his experience with CEPA.

"CEPA was the logical evolution of the previous free trade agreement which Sri Lanka had with India" says Saman. "India being one of the fastest growing huge economies in the world, any preferential trade relationship with that country is beneficial to Sri Lanka because it opens up opportunities to Sri Lanka's trade and through trade, to its wealth creation. Many think that India is a big country and therefore a small country like Sri Lanka does not stand a chance to engage in trade to Sri Lanka's advantage.

They fear that India would swallow Sri Lanka. But what they forget is that international trade takes place not with countries but with individuals of equal size. If trading with a large country is a disadvantage, then, a small country like Singapore can never engage in trade with a large country like USA. But Singapore can engage in trade with that giant of a country on equal grounds because it is economic units that do trading and not countries"

But there is a fear among many that Sri Lanka's tiny and undeveloped export sector cannot do trading with India and cheaper Indian products would flood the country and swallow its economy. I ask him about that fear of Sri Lankans.

"To alleviate that fear, Special and Differential Treatment in favour of Sri Lanka is in-built to the agreement" he starts to explain "....there is a negative list that has been approved under the trade agreement.

India's negative list is relatively smaller in number than Sri Lanka's negative list. What we mean by a negative list is that the commodities listed in the negative list are not subject to preferential duty concessions. Sri Lanka's negative list is longer so that all those goods cannot come to Sri Lanka's market free of duty and so there is a protection for those goods"

How does the Indo Lanka Free Trade Agreement relate to CEPA? I ask him.

"CEPA is a mere extension of the Free Trade Agreement to investment and services as well. But many have expressed the fear that it is simply a wholesale selling of Sri Lanka's services sector to India which is not true. When India has made a deep opening of its services sector, Sri Lanka has opened its services sector to India very cautiously and in a limited way.

"For instance, India has agreed to open 80 sub sectors upfront while Sri Lanka would do so only in the case of 20 such sub sectors. The movement of professionals under CEPA is strictly linked to investment and there is no room for free movement of professionals between the two countries.

"For a limited number, the movement of professionals has been de-linked to investment by India and it has, therefore, opened many areas for Sri Lankans to work in India. Sri Lanka will extend this concession to Indians only in the case of two sectors, that is, the IT sector and the maritime sector"

Trade liberalisation leads to poverty reduction

In a publication jointly edited by Saman with two other Sri Lankan born economists of

international reputation, Jayatileke S Bandara and Prema-Chandra Athukorala and published under the title Trade Liberalisation and Poverty in South Asia in 2011, the trio in their introduction to the volume have identified a criss-crossed trade liberalisation system in Sri Lanka since its independence from the British in 1948. Accordingly, Sri Lanka had a liberal trade regime during 1948-55 followed by a consolidation of controls during 1956-67.

Then, there was a partial trade liberalisation during 1968-69 followed by a reversal of earlier liberalisations made by the country with a further tightening of controls during 1970-77. The period from 1977 has seen a gradual opening up of the economy in larger measures. The result has been, according to the three authors, an acceleration of economic growth from 4.4% during 1960-80 to 4.7% during 1980-2000 and further to 5.2% during 2000-8.

Responding to this growth momentum, the headcount poverty, that is, counting those who earn less than US\$ 1.25 a day as poor people, has also declined from 31% in 1981 to 10.3% in 2005.

The trio drawing on the research published in the volume on Sri Lanka have concluded that the open economy policy pursued by the country during the past two decades "has clearly demonstrated that an outward-oriented policy regime can yield a superior industrial outcome compared to a closed economy regime, even under severe strains of political instability and macroeconomic instability".

The popular economics columnist

Saman had to take forward his father's legacy as an economic columnist as well. His father wrote a very popular economics column to a Sunday Newspaper under the pen name of Kanes. After his untimely demise, Saman continued the column now under a different pen name, The Economist, which became even more popular among the students and practitioners of economics and also the general readers. The articles he wrote to this newspaper, has been published as an anthology under the title "Contemporary Economic Issues: Sri Lanka in the Global Context" by the Sri Lanka Economic Association in 2006.

Saman has made available his expertise to many policy initiatives in the country. He led the Task Force for Small and Medium Enterprise Sector Development Programme as its chairman producing its SME whitepaper in 2002. Based on its recommendations, the National Enterprise Development Authority was set up in 2006 catering to the needs of SME entrepreneurs. He also served as a member of the Human Resource Development Council, Board of Investments, Public Enterprise Reform Commission, Industrialisation Commission, Industrial Task Force, Presidential Taxation Commission, and Presidential Committee on Regional Plantation Companies. He was also a member of the National Economic Council which functioned under the Chairmanship of the President of the Republic.

What are his plans for the future? I ask him.

The Mission: making IPS a regional centre of excellence

"Now we have our permanent building for IPS, I want to make it a regional research centre of excellence on economic policy matters. This is the dream of myself as well as those dedicated researchers who work with me at IPS. Once this dream is realised, then my mission as a policy researcher is fully accomplished" he says showing his resoluteness in going behind targets but demonstrating a tone of humbleness when he says it in public.

What about his family? I finally ask him.

"My wife Eranthika, a biology graduate but now a full time housewife, is my strength. She handles all the household matters alone releasing me for my professional work. Without her, I couldn't have done what I have done. My son, Chandana, is studying for his A Level and daughter Jayathri for her O Level. I have given them freedom to pursue their own career paths and therefore they may not necessarily end up as economists".

The professional family man reveals to me. I wonder whether it is the end of the family legacy of producing reputed economists. But it may be too early to make that judgment.



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