

The legacy of Saman Kelegama

Comments /  68 Views / Thursday, 19 October 2017 00:00

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By Sanjay Kathuria

I first met Saman in the early 1990s in Delhi. Over the years, our paths diverged. When I re-engaged on South Asia with a stint in Bangladesh a few years ago, I ran into Saman again, as was inevitable if you worked in the region as an economist. We reconnected instantly, despite the long intervening period. This was easy to do with Saman—soft-spoken, affable, a gentleman to the core. He bore his considerable knowledge lightly.

Despite his premature passing away in June 2017, he left a rich and varied legacy behind him, which many others have described. I will confine myself here to discussing his insights on regional cooperation in South Asia, based on his public writings and my interactions with him.

Kicking off the SAES

Saman was a champion of deeper economic linkages within South Asia. He was also pragmatic.

Along with a few other regional champions, Saman, as the head of the Institute of Policy Studies in Colombo, helped to kick-start the South Asian Economic Summit, or SAES, in Colombo in 2008, to provide a high-profile forum for dialogue on topical issues, especially South Asian regional integration. It is remarkable that the SAES has endured, without any gap. I have attended many of these summits, starting with the sixth SAES in Colombo in 2013, and can testify that they have always produced energetic, sometimes contentious, debate. The fact that the policy and academic fraternity meet with unflinching regularity, despite on-and-off political tensions in the region, is testimony to its value.

Saman understood that Free Trade Agreements (FTAs) are not perfect. But they can be very useful, with the right framework and safeguards. He pointed out that many small countries have FTAs with larger countries. Examples include US-Singapore, US-Costa Rica, Australia-New Zealand, India-Singapore, etc.

Saman repeatedly stressed that Sri Lanka has been able to reap benefits from the India-Sri Lanka FTA (ISFTA), contrary to the general belief. His arguments were powerful: the import-export ratio for Sri Lanka improved from 10.3 in 2000 (the start of the ISFTA) to 6.6 in 2015; about 70% of Sri Lanka's exports to India get duty-free access under the FTA, but less than 10% of Sri Lanka's imports from India come under the FTA (since India provided "special and differential treatment" to Sri Lanka, as large countries often do in FTAs with smaller ones); looking at only the FTA part of India-Sri Lanka trade, Sri Lanka's exports and imports were almost balanced, and exports greater than imports in six of the 16 years since 2000; Sri Lanka was able to diversify its export base over the FTA period: it exported 505 products to India, prior to the FTA in 1999; by 2012, it was exporting 2100 products to India, including boats/ships, wires and cables, glass and glassware, apparel, woven fabric, etc.

Link between modern trade and investment

Modern trade is inextricably interlinked with investment. Saman exhorted his own country as well as the rest of South Asia to leverage this link. He pointed out that investment augments supply capacity and introduces new supply chains. Foreign Direct Investment (FDI) plays a critical role in this upgrading process and enables countries to link into regional and global value chains. Smaller countries like Sri Lanka can take advantage of the specialisation that is core to the concept of value chains—this will also help to overcome the disadvantage of small scale.

Many economies in South Asia, including Sri Lanka, orient most of their exports towards slow-growing Europe and North America. About 63% of Sri Lanka's exports go to these regions, while only 31% go to the dynamic economies of Asia. Changing this equation will be fundamental to Sri Lanka's future prospects. Saman recognised that economies such as China, India, Singapore, etc., would need to take up a growing share of Sri Lanka's exports, not only because of their large markets but also to attract much more FDI from their sophisticated manufacturing and services sectors. He therefore viewed deeper linkages with the larger economies of China, India, Singapore, etc., as opportunities rather than threats.

On trade within South Asia, he recognised that the achievements of the South Asia Free Trade Agreement (SAFTA) were "far from satisfactory", since most countries maintain very large "negative lists" of products that have been kept out of the preferential arrangements—and these are often those products where partner countries have strong comparative advantage. He therefore advocated for an inclusion of actively traded goods under preferences, a reduction of the negative list, and meaningful cooperation in services and investment, which would reinforce trade in goods, including through deeper cooperation in value chains.

South Asia owes Saman a debt of gratitude for being a tireless voice in support of deeper regional cooperation, a process that would enable each country in the region to capitalise on underexploited development opportunities. His legacy will be honored if not only Sri Lanka but also the rest of South Asia moves forward on some of the key elements of the regional cooperation agenda.

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