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True son of Sri Lanka: Gamani Corea: 1925-2013

By Saman Kelegama

View(s):

Gamani Corea, a distinguished Sri Lankan economist passed away on November 2, two days short of his 88th birthday. With his passing away, the well-known first generation of post-independence economists of Sri Lanka have almost faded away. Corea distinguished himself not only in domestic economic policy affairs but also in international diplomacy and policy. It is worth revisiting his contribution in both these areas.

Domestic Civil Servant

After schooling at Royal College, Colombo, and graduating from the Oxbridge Universities in the UK, Corea joined the Central Bank of Ceylon in 1950 with the first batch of young recruits. In 1952, he was seconded to the newly formed Planning Secretariat where he soon became its Director and played a key role in the preparation of the 6-Year Plan of the government. Thereafter, he was appointed the Secretary of the Planning Council formed in 1956 and was instrumental in preparing the first 10-Year Plan of Ceylon: 1959-1968. Corea collaborated closely with Prof. Mahalonabis, a distinguished Indian



Dr. Gamani Corea

Statistician in preparing the National Plan. He also interacted with a number of reputed visiting economists such as John Kenneth Galbraith, Oscar Lang, John and Ursula Hicks, Gunnar Myrdal, Nicholas Kaldor, and Joan Robinson who advised on planning. The 10-Year Plan became a strong reference document for the subsequent plans that were prepared by the Ministry of Finance and Planning.

In 1960, Corea returned to the Central Bank and worked there as the Director of Economic Research till 1965. It was during this time, in 1963, that Corea first met Raul Prebisch (renowned Latin American economist) at a meeting in Geneva. Prebisch subsequently invited Corea to New York to join the team involved in the preparation of the World Conference on Development, which later became known as UNCTAD-I. Prebisch became the first Secretary General of UNCTAD and Corea made a mark in the UNCTAD fora as an articulate spokesman and as a skillful negotiator for Sri Lanka and Third World countries.

In 1965, his career took a new turn – the new Prime Minister, Dudley Senanayake, appointed him as the Permanent Secretary of the newly created Ministry of Planning and Economic Affairs. In this position, which was under the direct purview of the Prime Minister, Corea virtually became the sole architect of economic policies of the nation during 1965-1970. Three noteworthy contributions of Corea during this period were: (a) reversing the cut in US assistance to Sri Lanka (under the Hickenlooper Amendment); (b) establishing the aid consortium to implement a recovery programme, and (c) partial liberalization of the economy and implementing the dual exchange rate system.

The strategy of the then government was to mobilize aid to address the growing foreign exchange shortages in the economy and for this purpose, Sri Lanka had to get the US back on its good books as the US had stopped aid to Sri Lanka after the takeover of US oil companies in the early 1960s without compensation. This problem had to be fixed before approaching other donors for aid which task Corea tactfully handled and succeeded.

With the aid donors in place, the IMF insisted on devaluation of the currency to promote exports and reduce imports to ensure the stability and sustainability of foreign reserves. Corea was of the view that with the decline in commodity prices in the global market, the expected export gains from the devaluation would be less than expected. Moreover, the government wanted to have the import substitution industries and a 'food drive' in the economy with the additional foreign exchange mobilized via the aid consortium. Thus, import liberalization was initiated largely as

an aid to import substitution by way of ensuring the availability of imported machinery and inputs for domestic industry and agriculture. Hence, what emerged was a compromised policy of import substitution and export promotion and accordingly, Corea was instrumental in setting up the multiple exchange rate system in 1968. It was the first time in Sri Lanka that the exchange rate was deliberately used as a policy tool for export promotion in Sri Lanka. The IMF, though not totally satisfied with the half-hearted attempt, diplomatically referred to this move as “the wrong step in the right direction”.

In 1970, with the change of government, Corea went back to the Central Bank as the Deputy Governor, but decided to resign from the Bank shortly afterwards to undertake various UN assignments, notably chairing the conference setting up the UN Environment Programme. In 1973, he became the Sri Lankan Ambassador to the European Union in Belgium – a position that set the stage for him to build up an effective network in the UNCTAD circles.

International Civil Servant

In 1974, Corea was elected to the prestigious position of the Secretary General of UNCTAD, a position he held for 11 years till 1984. To quote the former Minister of Foreign Affairs of Sri Lanka, Lakshman Kadirgamar: “Within weeks of his assuming office, it became clear that he was going to wield significant influence on the development of international economic affairs. His public presentations and speeches were fluent, clear, and elegantly phrased. They drew the admiration of the entire global economic community. They certainly made all the Asian delegations, indeed all Third World delegations extremely proud because in Gamani Corea they had found a man who walked tall, stood his ground and was more than a match for his interlocutors from the developed countries”.

Under Corea’s leadership, UNCTAD became a hive of intellectual activity. A stream of studies on a wide range of subjects touching almost every conceivable aspect of international trade and commerce – banking, insurance, shipping, the transfer of technology, restrictive business practices, commodities, and so on were issued from the UNCTAD Secretariat. The codes of restrictive business practices, multi-modal transport, linear conferences, the charter on rights and duties of states, the cancellation of debt by poor countries, the concept of Generalized System of Preferences (GSP) were all achievements of UNCTAD via a dialogue with developed countries. Corea was instrumental in introducing the Integrated Programme for Commodities – commonly known as the Corea Plan – which according to Professor Sydney Dell “was among the finest of his achievements.”

Recognizing the fact that developing countries wield little influence individually and find it difficult to protect their interests, Corea has done more than most in promoting efforts to strengthen the bargaining power and negotiating capacity of developing countries as a group. It was one of Corea's many strengths as Secretary General of UNCTAD that he never became cynical or embittered about the North-South deadlock that he faced continually, and always retained confidence in the power of persuasion and in the ultimate victory of reason over unreason. These efforts did not stop when he ceased to be Secretary General of UNCTAD. In the 1990s, the report of the Non-Aligned Movement's Expert Group on Third World Debt, which he chaired, was important in influencing the decision to establish the Highly Indebted Poor Countries (HIPC) initiative. In 1986, Corea was offered a Visiting Fellowship at Corpus Christie College, Cambridge to work on a book on UNCTAD, which finally came out in 1992 titled: *Taming Commodity Markets: The Integrated Programme and the Common Fund at UNCTAD*. Corea acknowledged in the book that the new international climate does not favour commodity price stabilization. But he made a strong case for it by arguing that despite industrialization and diversification of exports, most developing countries were crucially dependent on commodities for a substantial part of their foreign exchange earnings. Thus, the instability and downward trend in commodity prices continues to be the underlying reason for underdevelopment. A central theme in Corea's thinking was that developing and developed countries should cooperate in ensuring the stabilization and strengthening of commodity prices, as this is in the long run interest of global economic management.

In the 1990s, he made important contributions to the analysis of the emerging global economic system from the perspective of developing countries and worked assiduously to assist developing countries define a common platform. He also put his energies into consolidating the position of the South on these matters by working with the South Commission, the South Centre, the Non-Aligned Movement, and indirectly with the Group of 77. In recognition of his lead role in developing country concerns, he was appointed as the Chairman of the South Centre in 2002 after the death of Julius Nyrere – the former President of Tanzania.

Economist and Scholar

From 1950 to the mid-1970s, Corea made a number of scholarly contributions to academic journals. He was in fact one of the first contributors to the *Ceylon Economist* – the first post-independent economic journal of Sri Lanka. Later, he made contributions to the *Marga Quarterly Journal* during the early seventies. Corea's doctoral dissertation which he did under the supervision of Lady Ursula Hicks at Oxford (1953) was published by the Marga Institute in 1975. The book

titled 'Instability of an Export Economy' clearly demonstrates his early thinking regarding developing trends in the world market and the need for caution by developing countries in aggressively promoting exports.

Back in Sri Lanka (mid-1980s and 1990s) saw Corea's involvement as the Chancellor of the Open University, Chairman of both the Institute of Policy Studies of Sri Lanka (1989-2006) and Marga Institute, President of the Sri Lanka Economic Association (1985-1991) and the National Academy of Sciences, Board Member of the Bandaranaike Centre for International Studies, etc. He became a regular contributor to local journals such as the Sri Lanka Economic Journal and Economic Review (People's Bank). He was also a recipient of the first Deshamanya Award (1987), Shahabdeen Award (1994) and Visva Prasadini (1996). In his Memoirs, Corea states: "All these events and occurrences made me feel that despite the absence of any official role, I was helping in various ways to contribute to events and developments in Sri Lanka" (p.460). Corea was a much sought after speaker in public gatherings and was in the limelight articulating his long-held views – effortlessly holding the attention of an audience with his remarkable memory, clarity of thought, imaginative ideas and dry wit. Some of Corea's views on various subjects are worth highlighting. In regard to industrialization he always argued for some degree of protectionism stating that it is not only the infant industry argument that one should look at but also the fact that most developing countries are "infant economies". Corea did not believe in the textbook case for the invisible hand of the market, nor did he advocate full-scale state intervention in an economy. Corea often used the parallel of the colonial economy in Sri Lanka where there was no intervention and markets were free to operate but industrialization hardly took place.

Corea did not believe in the so-called "level playing field", stating that under such a field "the stronger team will keep winning year after year". He always believed in an international regulation mechanism under which the disadvantaged initial conditions of the developing countries in developmental efforts are explicitly taken into account. He referred frequently to globalization and liberalization as a 'fast express train' that everyone has been requested to get into to be carried to new heights, and if they do not get in, they would be left behind and marginalized. He viewed the current policy prescriptions to developing countries as a "do-it-yourself kit", a self-help apparatus, with emphasis almost exclusively on domestic policy, soft-peddalling and underplaying the external economic environment.

Mentor and Friend

Many of the senior officials of the Ministry of Planning and the Central Bank of Sri Lanka were Corea's protégés. Many economists at the Sri Lanka Economic Association, Institute of Policy Studies of Sri Lanka, and the Marga Institute also grew up under Corea's guidance and leadership. Corea was a simple unassuming gentleman and interacted with people from all walks of life. He never boasted about his achievements. Twice he was invited to take the portfolio of Ministry of Finance and Planning – first, by Prime Minister, Dudley Senanayake in 1965 at the time of forming the Cabinet and second, by President J.R. Jayawardene when Ronnie De Mel left the government over political differences in 1987. On both occasions he refused to take the offer. Perhaps his shying away from politics had much to do with his own domestic experience both at the Planning Ministry and the Central Bank where he was treated indifferently with the change of governments. Some of these “official exiles” are well explained in his Memoirs published by the Gamani Corea Foundation in 2008(<http://www.island.lk/2008/08/31/features3.html>)

Corea belonged to a rare breed of professionals. As said by President Mahinda Rajapaksa “his career was a trail of excellence that can hardly be matched” and said by Prime Minister, Manmohan Singh “his work and thinking in the area of economic development were of immense significance not only for Sri Lanka, but also for developing countries around the world”. He was a great son of Sri Lanka. May his soul rest in peace.

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