

A note from the Editor

This issue marks a change in the leadership of the *Asia-Pacific Development Journal* as Mr. Raj Kumar, Chief of the Poverty and Development Division and Chief Editor of the *Journal*, is leaving to take new responsibilities at the Office of the Executive Secretary of ESCAP. Under Mr. Kumar's leadership since 2001, the *Journal* has shifted its focus to address emerging policy issues in the ESCAP region as a result of its greater integration into regional and global markets. The research papers examined the empirical validity of theoretical arguments, identified best practice examples and lessons learned, and thereby guided policymakers to understand and manage the process of globalization better. In another change, I have taken over the editorial role from Mr. Shahid Ahmed who retired from ESCAP at the end of 2004. It is with great appreciation that I acknowledge the contribution of these two colleagues to the *Journal*.

The papers presented in this edition address several concerns raised by ESCAP member countries in managing the process of globalization. The first paper examines how to increase the benefits of trade cooperation among countries in the ESCAP region. By analyzing the trends in trade performance of the member countries of the Association of Southeast Asian Nations (ASEAN) and the South Asian Association for Regional Cooperation (SAARC), the paper finds that there is a tremendous potential for increasing intraregional trade and export diversification efforts within the region by deepening cooperation. The paper argues that more needs to be done to realize this potential. It highlights the need to harmonize different subregional trade agreements, improve trade facilitation efforts, and pay more attention to the aspects of foreign investment, technology transfer and trade-related infrastructure development. While recommending that South Asian economies pursue further trade cooperation with other Asian countries to overcome their small market sizes and high trade barriers, the paper is emphatic that successful integration in the region may require larger countries to intensify their own trade liberalization efforts.

The second paper explores regional development schemes that may help integration among a group of developing and less developed countries. It argues that the success in creating more trade within the block depends to a large degree on socio-economic assistance programmes built into the schemes to support the weaker members. Four areas of assistance are explored: education, infrastructure, trade and public administration. The paper argues that socio-economic assistance would improve the overall development of the region, giving rise to more trade and investment opportunities within the trading block.

The third paper examines various forms of financial exclusion of the poor and disadvantaged social groups in the Asia-Pacific Economic Cooperation (APEC) community. It shows that financial exclusion is a problem not only limited to developing member economies but affecting all member economies. Significant numbers of population subgroups are excluded from accessing formal financial institutions in all

APEC member economies. The paper proposes microbanking, which provides a wide array of small-scale financial services including credit, savings, insurance and remittance services, as the best solution to address the financial exclusion problem.

The fourth and fifth papers focus on sectoral issues emerging as a result of deeper integration into regional and global markets. The first issue deals with the role of infrastructure in improving regional income levels in South Asia. The paper finds that cross-country differences in physical infrastructure endowments are partly responsible for the regional disparity in economic growth and income. In particular, transport, electricity, gas and water supply and communication facilities are found to have a significant impact on economic growth. The authors recommend that regional cooperation agreements should formulate comprehensive infrastructure policies to enhance interregional infrastructure networks. The second sectoral issue deals with the impact of international trade on the environment. Measuring India's environmental gains and losses from trade, the paper finds that trade liberalization has not led to pollution-intensive industrial development. In fact, the difference in factor abundance is a much stronger determinant of trade than pollution regulation differences. The paper suggests that too much emphasis on strict environmental regulations might lead to a loss of comparative advantage in trade, and promotes the export of dirtier goods.

This edition also includes two book reviews. *Economic Policy in Sri Lanka: Issues and Debates* presents an in-depth and timely analysis of the change in policy regimes and its impact on socio-economic developments in Sri Lanka over the past five decades. The book explores six areas where major policy reforms and rethinking took place: development strategy and ideology; macroeconomic policy; agriculture, industry and technology development; employment and labour; institutional and governance issues; and social welfare. The lessons learned in Sri Lanka, which went through both controlled and open economy policy regimes, would be useful to other developing economies. Finally, the study on implementing the Monterrey Consensus in the Asian and Pacific region, the theme topic for the sixty-first session of the Commission held in Bangkok, in May 2005, identifies that formidable challenges exist in sustaining the good economic performance enjoyed by developing countries in the Asian and Pacific region. Crucial among them is the ability to generate financial resources needed to achieve the Millennium Development Goals. In this respect, the study explores ways to develop capital markets in the region, promote South-South investment, increase aid flows and, most importantly, improve international trade prospects. It also underscores the need to have regional initiatives to increase the coherence of monetary, financial and trading systems and reduce vulnerability to financial crises.

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