

THE DEVELOPMENT ISSUE STRIKES ME AS POTENTIALLY EQUALLY IMPORTANT, NOT SIMPLY IN THE GATT CONTEXT, BUT IN THE FUTURE EVOLUTION OF THE FUND/BANK APPROACH TO DEBT, SINCE IT TOUCHES DIRECTLY ON THE WILLINGNESS OR ABILITY OF DEBTOR GOVERNMENTS TO UNDERTAKE DIFFICULT MEDIUM-TERM STRUCTURAL ADJUSTMENT PROGRAMMES AND OVER TIME TO SHIFT, AS THEY MUST DO, AWAY FROM BANK TO EQUITY FLOWS AS A SOURCE OF CAPITAL. IN THIS CONTEXT AN EXCELLENT EXAMPLE OF THE INTERRELATIONSHIP AMONG THE DEBT-DEVELOPMENT-TRADE ISSUES IS THE PROBLEM OF THE SERIOUS INADEQUACY OF FINANCIAL MARKETS IN THE LATIN AMERICAN DEBTOR COUNTRIES, PERHAPS THE PRIME STRUCTURAL IMPEDIMENT TO RESTORATION OF CREDITWORTHINESS AND GROWTH. THESE SHALLOW AND INEFFICIENT MARKETS ARE "THE LEGACY OF FOUR DECADES OF GOVERNMENT PARTICIPATION IN, AND REGULATION OF, FINANCIAL INTERMEDIATION."⁽²⁾ WHILE THE IMPACT OF THESE DEFICIENCIES WERE, IN EFFECT, MASKED DURING THE 1970'S AS THESE COUNTRIES WERE EASILY ABLE TO BORROW AT LOW OR EVEN NEGATIVE INTEREST RATES FROM COMMERCIAL BANKS SUCH IS OBVIOUSLY NOT THE CASE TODAY OR FOR THE FORESEEABLE FUTURE. IMPROVED FINANCIAL MARKETS ARE A SINE QUA NON FOR MOBILISING DOMESTIC SAVINGS, IMPROVING THE EFFICIENCY OF DOMESTIC INVESTMENT AND SECURING NEW CAPITAL AND THE REPATRIATION OF FLIGHT CAPITAL. YET NO TRACE OF THIS