conceded the regulation of domestic economic life – competition policy, for example, or farm income stability – to be strictly within the purview of national governments as long as this regulation did not involve overt discrimination between domestic and foreign products except as provided by the GATT-sanctioned border regime.

Few of these assumptions remain valid today, but policy has not kept pace with these changes. Trade in goods, while it has grown at an astounding rate over the past forty years (twice as fast as production and now constituting about twenty percent of world production) is now less important than international investment and capital flows and exchanges of knowledge and technology as instruments of international economic integration. The value of world trade in goods – in real terms about five times larger than its value in 1950 – is now but a small fraction of the annual value of capital movements. Fully a fifth of the value of world trade now consists of services, and a further proportion involves services imbedded in goods. Most major currencies now float freely and their values are adjusted constantly and instantaneously. The IMF has been transformed from an instrument for regulating currency values and balances of payment to that of banker and economic advisor to the third world. Regional trade agreements have become major forums for reducing trade barriers, negotiating rules and settling disputes. GATT is in danger of becoming a residual negotiating forum, providing the systemic glue that holds various regional arrangements together and consolidating the experience and experiments of regional negotiations. [6]

6 Sylvia Ostry in *Governments and Corporations in a Shrinking World* (New York: Council on Foreign Relations, 1990) has argued that the trade, financial and technological links that now draw national economies together have dramatically changed the policy context for transnational corporations, governments and international institutions. John Dunning in his work on international investment and the role of the state argues for greater convergence of micro-economic policies within the nation-state to complement the increasing convergence of macro-economic policies among nations. See "Governments and Multinational Enterprises: From Confrontation to Co-operation?" *Millenium*, vol. 20, no 2 (Summer, 1991), pp. 225-244. Robert Reich, Michael Porter and Kenichi Ohmae, the gurus of globalization, have each added their own, sometimes conflicting, insights to this phenomenon. In *The Work of Nations* (New York: Alfred A. Knopf, 1991), Reich makes a persuasive case that the assumptions which underpin much of our thinking about the organization and conduct of the international economy is seriously outdated, making much of the analysis backing up policy discussion and international negotiation suspect. Some of the analysis that follows has been much influenced by his work. In *The Competitive Advantage of Nations* (New York: The Free Press, 1990), Porter argues the importance of attaining the necessary critical mass at the national level for strategic industries if countries are to prosper in the highly competitive circumstances of the 1990s. In *The Borderless World: Power and Strategy in the Interlinked World Economy* (New York: Harper Business, 1990), Ohmae contends that neither products nor corporations have a nationality. Government insistence that they do, through various national and international laws, institutions and policies, will only frustrate the development of competitive industries.