

associated with (and indeed effected by) large shifts in the direction of capital flows will be the norm, rather than the exception. A safety first approach to participation in the global economy is thus eminently warranted: embracing trade, which provides the main benefits of globalization, but treating capital flows with great caution, and paying close attention to the international alignment of trade and financial links. Moreover, since shifts in international capital markets may be predominantly in reaction to developments abroad, it would be unwise to interpret a surge of inflows as endorsement of sound structural policies or sudden outflows as an indictment thereof. Structural reforms should be considered on their merit, not as possible solutions to international financial pressure.