

support to their so-called "sunrise" industries. In some cases these practices are justified; in many other cases it is simply protectionism in disguise, preventing change or creating artificial advantage.

The effects of this neo-protectionism are felt not only in the subsidized industries, but in related industries as well, by increasing their costs and reducing their competitiveness. Cumulatively, they undermine the effectiveness of economic policies.

Each country's ability to generate growth and employment is eroded. Without economic growth, new market prospects dry up. Many countries have difficulty servicing and repaying heavy debts, increasing international financial instability in the process. These conditions, in turn, make it even more difficult to undertake the necessary changes in economic structure, and they give rise to demands for still more protection and subsidization. Thus, the cycle repeats itself over and over again.

DIRECTIONS, IMPEDIMENTS, AND LEADERSHIP

The heart of the matter is that interdependence is both the agent of structural change and the vehicle, transmitting its effects rapidly from one country to another. Domestic social and industrial policies which ignore this reality are damaging the international system and, eventually, the very countries that apply them.

We are in a new economic age and there are two issues before us: How nations restructure their own economies and how they will cooperate with others to advance their common interests. And the two issues are linked.

The principles which should guide the formulation of our respective economic policies are becoming clearer:

1. Governments should discourage the view that they can or should prevent economic change;
2. Governments should, in fact, facilitate change, through enhancing the climate for innovation and easing the pains of adaptation;