

In the absence of necessary overall changes in policy the abuse of trade policy will only worsen the imbalances and the disorder in exchange markets. Trade policy is no substitute for macro policy. This audience is well aware of the effects, especially during the 1980's, of the exchange rate system on trading patterns and protectionist pressures. Further, the debt of the middle income countries, whose imports shrank by one-quarter over the 1981-86 period, contributed significantly to the U.S. trade deficit. If the multilateral trading system is to be rebuilt and strengthened, progress in multilateral surveillance and coordination of policy among major industrialized nations is necessary; so is the growth-with-adjustment strategy to address third world debt problems. But these conditions, though necessary, will not be sufficient in themselves. I don't intend to deal with such issues on their own since they have been well rehearsed by my predecessors and in many other places.

Yet -- and I fear this is not well understood by those who focus mainly on macro conditions and policies -- the "not sufficient" is as important as the "necessary". Indeed, the wellspring of protectionist pressures in the OECD, and the rise of the "new protectionism" since the