

Internationally, major shifts in comparative advantage among countries are being created by differential rates of technological advance and by the ready migration of technology to developing countries, where low labour costs and investment subsidies convey a competitive edge.

(translation)

Faced with kaleidoscopic change, societies have reacted in different ways, reflecting their national cultures and economic circumstances. While almost everyone in a given country gains a little from change in economic structures, there are a few who lose a lot. The losers tend to be more concentrated and identifiable than those who gain, and more capable of organizing governmental support and protection.

The tendency for governments to intervene has been re-inforced by expectations, built up especially over the 1970's, that big government will protect domestic interests from structural change. And, inevitably, the results of government interventions have not all been positive. No government has been able to resist fully the pressure to protect jobs and income in declining industries, such as the clothing industry in your country and ours.

(text)

The protectionist impulses of governments focus on trade because trade is relatively visible and easy to deal with. For example, if faced by a flood of imported shirts, -- and I guess I could add imported automobiles to be relevant to yesterday's discussion -- the source of the problem is clear, and the policy response is simple -- block, or slow, the flow. But the greatest job and income losses are often unrelated to trade. If changes in communications technology, for instance, are affecting the transportation sector, the employment impacts are difficult to identify and to deal with. Think, for instance, of the impact of satellite communications and of fiber-optics on the copper wire industry and on the mining of copper and of all the processes in between. Jobs are lost not because of the import of foreign goods but because of a new technology of fiber optics which is pushing copper aside.

So as the pressure of competition has mounted on vulnerable sectors, the more highly developed economies have begun to flee into high technology. Governments are providing subsidies and other