

Indeed, that other inheritance from the past -- the gross external imbalance in the OECD and the debt of the developing countries -- while macro in origin will require more than macro policy changes in the industrialized world and in the NIC's. It will also require unprecedented structural adaptation in both the OECD and the developing countries. Such structural adaptation is essential if world growth is to be sustained and the multilateral trading system preserved. The required switch in resources within the U.S. economy from domestic absorption into the export- and import-competing sector will entail massive sectoral and regional reallocation of the labour force. It will also demand historically unique levels of investment both from domestic and foreign sources. (It is worth noting that in the course of these adjustments investment flows may well dwarf trade flows yet no multilateral disciplines exist to improve predictability and resolve disputes.)

The opposite structural changes are needed in the surplus countries, Japan and Germany and also from the NIC's. Because of ever-closer linkage, the effect on the non-OECD world of these changes in external balances will also be very significant. The reason is clear: by mid-decade the U.S. was absorbing over half of Latin