Because of the difficulty in amalgamating data from different domestic sources, France, Germany, the Netherlands and the UK were chosen to represent separately the European region. Tables 4-7 report the results for these countries. Overall, it is evident that Europe itself is the largest home and host of these European countries' international investment, with the exception of the UK partially due to its strong historical ties with North America. It is noted that the proportion of the stock of direct investment abroad held in Asia by the European countries has remained relatively constant between 1987 and 1992, weaker than even the slight growth seen in the proportion of the stocks held by the U.S. in Asia. North America seems to have been losing its proportion of European DIA, while Europe's proportion has been growing substantially. Examining FDI leads to much the same results. The highest proportion of FDI in the sample countries, with the exception of the UK, comes from Europe, and this proportion has been increasing. Increased FDI from Japan has pushed the proportion of the stock held by Asia in Europe up, but it is still small. *In general, it can be concluded that Europe's intra-regional investment patterns match its intra-regional trade patterns and that there is significant intra-regional investment within the European region.*

5.4 Measuring integration: Some limits

Like trade, international investment is only one measure of international economic integration. Also, like trade, although the intra-regional shares in FDI and DIA stocks can show what amount of investment undertaken is intra-regional, they do not really measure the extent of economic integration. For example, a country may have a high percentage of its FDI coming from one source, e.g., from the U.S., but FDI is relatively unimportant compared to the size of the host country's economy. In this case, although the one home economy accounts for a high percentage of all FDI in the host economy, the amount of FDI in the host economy, measured as a percentage of its GDP for example, is so low that there is no substantive economic integration. If total FDI is large relative to the size of the economy, then the country could be said to be more internationally integrated with the source country. Therefore, it is possible to have little economic integration with countries with which DIA stock is high and, on the other hand, to be highly integrated with countries in which DIA stock is low. In order for international direct investment to signal economic integration, the countries must have a significant percentage of their FDI stock from the source with which they are supposedly integrated *and a high ratio of FDI to GDP.*