

the region, when dynamic factors are taken into account. The narrow view that regionalization and globalization are pure substitutes is too simplified to be realistic in the context of the global economy.

Analysis of intra-regional trading relationships in this Paper leads to the conclusion that trading blocs, with the exception of Europe, are not yet prevalent in the global economy. Extra-regional trade is still an important part of international economic transactions. North America experienced an increase in regional trade integration between 1987 to 1993, but this change co-exists with a longer-term trend of declining integration. Although 1987 may be seen in the future as a turning point to increasingly regionally integrated trade patterns in North America, it is still too early to predict the efficacy of such observations. The North American data are, of course, dominated by the U.S., with Canada showing a much higher level of integration with the U.S. than vice versa. The data for Asia show a steady increase in intra-regional trade relative to total trade over the sample period 1960 to 1992, but Asia still engages heavily in extra-regional trade. Europe is the only region which exhibits strong characteristics of a trading bloc over time, with *both high and increasing* intra-regional trade shares.

Analysis of international direct investment data for the three regions indicates that, again, only Europe can be considered to display a definite intra-regional consolidation. Both the U.S. and Japan, although heavily involved in investing within their geographic regions, nevertheless have undertaken significant extra-regional direct investment. However, European investors have also made major commitments in North America. For example, the main holder of foreign direct investment stock in the U.S. is Europe, followed by Japan. Although there is evidence that intra-regional economic integration is occurring via cross-border direct investment, particularly for Europe, extra-regional integration is also being furthered through such investment.

Although it is a reality that the members of the triad possess unrivalled economic power, a country's (including Canada's) trade and investment policies should not be defensive, but should be determined by the tenets of economic efficiency and welfare maximization. Although the proximity to the economic powerhouse of the United States benefits Canada tremendously and our southern neighbour will remain a priority for policy makers, *exclusionary* regional policies should not be pursued. *Encouraging potential future trade and investment to and from different geographic areas based on their economic merits should remain the aim of competitive and liberal Canadian policies.* The benefits of regional integration must come from increased international competition, not protected markets. Otherwise, the potential benefits of integration, regional or global, will be undermined.