It is evident from Table 2 that Canada is highly integrated with the U.S., both as a home and host country, although decreasingly so. The highest percentage of both outward and inward direct investment stocks of Canada is with the other North American countries, with Europe second and Asia a distant third. Although Canada has been increasing its outward stock in Europe and Asia, as a percentage of the total, North America still holds almost 60 per cent of all Canadian direct investment abroad. Europe and the dynamic new markets of Asia, however, are becoming an increasingly important new location and source of international investment for Canada, as the share of U.S. FDI declines.

It is evident from the cases of the U.S. and Canada that inter-regional investment is prevalent and is a growing trend. Although for the case of Canada, the size and proximity of the U.S. ensures strong economic integration both in investment and trade, the reverse is not true for the U.S., the bulk of whose investment is in Europe and whose stock of investment in North America as a percentage of the total has shrunk over the 10 year period considered in this section. Although it is not accurate to say that this means there has been decreased relative economic integration, because the size of the Canadian and Mexican economies are small relative to the collective size of the economies of Europe and Asia, *U.S. direct investment strategies have not excluded extra-regional partners.*

Japan, although the single largest investor in South and East Asia, only had 15 per cent of its total outward stock in Asia in 1992 (Table 3). A full 44 per cent was in North America, mostly the U.S.. Japan has held an increasing proportion of its investment stock in North America and Europe since 1982 and a decreasing proportion in Asia. This, however, does not indicate that Japan is not closely tied to Asia through investment and does not hold a significant amount of economic influence in the area. It simply does not require the same amount of direct investment stock in the smaller Asian economies to achieve a considerable amount of economic integration. A much larger stock would need to be held in the larger economies of the U.S. and the EU in order for Japan to hold a significant amount of their total investment stock or for this stock to be significant relative to GDP. As far as the small level of FDI stock held by foreign countries in Japan is concerned, North America is the leader. It is interesting that, in both the cases of the U.S. and Japan, one geographic region is both the largest recipient and source of international direct investment. For the U.S., that region was Europe; for Japan it was North America. Again, *for Japan, as for the U.S., extra-regional investment is a prominent part of Japanese economic activities.*