intra-firm trade between U.S. parents and overseas affiliates was modestly lower in the late 1980s compared to ten years earlier as a proportion of total U.S. exports and imports. With respect to trade between foreign parents and U.S.-based affiliates, the evidence is more mixed. Exports to the U.S. from Canadian and European parents in fact declined as a proportion of total U.S. imports. However, exports from Japanese and Korean firms to their affiliates did increase significantly their share of total U.S. imports following investments in the United States.[7]

Something of the same pattern can be detected perhaps in the doubling and tripling of the value of Japanese exports between 1985 and 1990 to Asian recipients of new Japanese investment (exports jumped from US$16.5 billion to US$47.6 billion during this period to Malaysia, Thailand, Korea and Taiwan).[8] Whether this represents a one-shot surge following major greenfield investments or the beginning of even greater intra-firm trade remains to be seen, but the U.S. experience would suggest that there may be no longer-term trend. Moreover, it is telling that we can identify some increase in intra-firm trade related to the U.S. market precisely with respect to Japanese and Korean companies for which strategic internationalization of production does not imply, as we shall explore further below, the creation of global, supra-national firms.

- The Investment Dynamic

If the results with respect to trade are somewhat ambivalent about the scope and speed of globalization, the impact of capital flows appears clearer. A growing number of countries are actively competing for direct foreign investment (FDI). During the second half of the 1980s, FDI grew at a rate exceeding both world output and trade in goods and services. Annual average outflow in the late 1970s was in the order of U.S. $35 billion, increasing by about 20% during the first part of the 1980s, not dramatic growth (see Table 4). But the average annual outflow lept by over 200% during 1985-89, and by a further 65% in 1990 (reaching U.S. $220 billion), before falling off in 1991. During the mid and late 1980s, FDI outflows expanded at three times the rate of world merchandise exports. It was a period particularly rich in mergers and acquisitions.

Moreover, the international pattern became more diffuse and complex, with the U.S. share of outward flows falling by two-thirds, and the share of Japan tripling. With respect to total world FDI stocks, the U.S. share fell significantly, that of Japan

[7] OECD, "Intra-firm Trade Study", TD/TC/WP(92)68/REV1, December 1992.

[8] IMF, Directory of Trade Statistics Yearbook, various years.