

The negative connotation associated with regional trading blocs does not seem as prevalent for regional investment blocs. The main concern is that of smaller countries being "frozen out" of foreign direct investment because of regional free trade agreements. For example, multinational enterprises may choose to invest in any country within a free trade area, such as the NAFTA, and service all the economies in the region from that one location. This could be seen either as a boon to a country within the region, if it is chosen as the location, or as a detriment if it is not. In any case, foreign direct investment seems to be considered almost universally desirable, and considerable effort is undertaken to attract it. The concern with regionalized international investment centres around competition among countries for its finite supply and how regional economic agreements affect locational decisions by investors.

*The purpose of this Paper is to determine whether economic blocs, measured in terms of actual trade and investment patterns, are emerging or growing.* It should be noted that the definition of a "bloc" is not identical to that of a regional integration agreement, since regional trade agreements can exist among countries which do not engage in high levels of intra-regional trade. For example, North America should not be assumed to be a regional trading bloc as soon as NAFTA was signed; if it was not a bloc, in practice, the day before NAFTA was ratified, it would not be considered a bloc the day after. The only indicator of the existence of a regional trading bloc is intra-regional trade. The economic, not the legal or policy-oriented, indicators are those used in this Paper to determine whether international economic relationships are becoming more regionalized.

This Paper investigates the formation of regional economic blocs and regionalization in the following sections. The first deals with general economic concepts such globalization and regionalization and seeks to find an adequate working definition of trading blocs, as separate from the theoretical or legal definitions of customs unions or free trade areas, etc.. In the next section, a survey familiarizes the reader with current ideas in the literature. Various concepts of "blocs" are examined using the different methodologies in the works reviewed. This review highlights the complexity of the investigation and the requirement of choosing the appropriate indicators to measure the existence of a specific definition of trading blocs. Then, an empirical study of intra-regional trade in the three regions of North America, Europe and Asia is undertaken. This study attempts to determine whether regional trading blocs are emerging or growing in these three areas, using a methodology specific to testing for the definition of trading blocs settled upon in this Paper. A study of international direct investment patterns, similar to that of international trade patterns, is undertaken next to determine whether there are increasingly regional patterns in international investment. In the last section, general conclusions and policy