

The conclusion reached concerning the effects of regional integration on world trade is that the evidence strongly suggests that the process of EC integration was beneficial to both the Community and its trading partners, i.e., it was trade creating. This was a result of substantial multilateral trade liberalization which might not have occurred without the emergence of the EC.<sup>36</sup> However, half the share of extra-EC trade is accounted for by trade with regional partners, the EFTA, Eastern Europe and southern neighbours.

● *Is Japan Creating a Yen Bloc in East Asia and the Pacific?*<sup>37</sup>

This study by Jeffrey Frankel addresses the question of whether a yen bloc is forming in Pacific Asia by examining trade and financial relationships. The author notes that the rapid outward-oriented growth of Japan, followed by the Asian NICs and some of the other ASEAN countries, is a remarkable trend in the world economy. But he states that when one asks whether a yen bloc is forming in East Asia, one is presumably asking something more than whether trade and financial flows among these countries are increasing in absolute terms. The share of intra-regional trade and finance must be higher, or increasing more rapidly, than would be predicted based only on such factors as the GDP or growth rates of the countries involved.

Frankel finds that most claims that an Asian trading bloc is forming are based on somewhat misleading figures. For example, he reports that the share of intra-regional trade for East Asia has increased from 33 per cent in 1980 to 37 per cent in 1989, and that this could be seen as an indication of a growing trading bloc. However, Frankel points out that the share of intra-regional trade in East Asia has not been increasing appreciably faster than that in North America, and has been increasing more slowly than that in Europe. So Frankel concludes that Asia, even though its output is growing at a pace outstripping both North America and Europe, is not becoming a bloc more rapidly.

In a more substantial examination of the statistics, Frankel finds that, if one allows for the rapid growth of East Asian economies in the 1980s, then it is likely that there has been no movement toward intra-regional bias. The author demonstrates that, even if there were no intra-regional trade bias, the observed intra-regional trade

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<sup>36</sup>Agriculture, however, was found to be the notable exception.

<sup>37</sup>This section derives from J. Frankel, *Is Japan Creating a Yen Bloc in East Asia and the Pacific?*, (preliminary draft November 1991) and J. Frankel, "Is a Yen Bloc Forming in Pacific Asia?" in *Finance and the International Economy: The AMEX Bank Review Prize Essays*, 1991.