

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.

Moreover, the processes of globalization and regionalization involve competition not only among firms but also among *policy systems*. As the world economy becomes more integrated, Canada's policy systems, including macroeconomic and social policies, will need to be competitive and coherent in order to attract investment from increasingly "global" multinational corporations, including those currently based in Canada.

Finally, it should be noted that the idea of powerful economic blocs dominating a polarized world is not new. At this time, when the world is still dealing with the effects of the dissolution of one of the most insular trading blocs in modern history, the Soviet Union and the COMECON, it is important to remember that economic systems are not static. It was not long ago that the popular literature was examining