

to decline. Of the G-7, only in the U.S. has the relative importance of imports increased consistently since 1970, but slowly and from a low traditional level. Once again, the increasing internationalization trend was clearer among the other economies listed in Table 3B, although with some indication of tapering off in the late 1980s in some of them. If anything, the increasing insertion of economies in international trade appears to hold more clearly for smaller countries, including new entrants that have banked heavily and successfully on trade over the past 20 years.

- Intra-industry and Intra-firm Trade

The rationalization of production facilities on a wider international basis is a dynamic element underpinning the greater flow of production across borders. Intermediate goods imported as inputs are playing a more important role than previously. Dynamic intra-industry trade defines much of the production process related to such internationalized industries, as computers, textiles and apparel, non-ferrous metals, communications/semiconductors, aerospace, and motor vehicles. The ratio of goods sourced abroad to goods sourced domestically increased steadily from the early 1970s. This ratio increased in Canada, the U.S., Japan, Germany, France and the UK (the subject of a recent OECD study). Nonetheless, this trend needs careful interpretation.

Canada's ratio increased from 33% to 50% of domestic sourcing, but this trade in intermediate goods is heavily centred on firms based in the U.S., i.e., it is very regionalized. Now accounting for 35%-40% of domestic sourcing levels, the regional dimension of increased trade in intermediate goods is also evident, although not as strongly in relative terms, in Germany, France and the U.K. (the transatlantic connection with U.S.-based firms remains important). There is considerable intra-industry trade between the U.S. and Japan, although in different industries (e.g., U.S. aerospace and wood exports to Japan; Japanese motor vehicle inputs and computer components to the U.S.). But the importance of this trans-Pacific dynamic in intermediate product trade is less fundamental to date than it may appear at first blush: these are precisely the two countries (of those surveyed) where the ratio of imported inputs to domestic sourcing is smallest (increasing from 5% to only 7% in Japan since the early 1970s; from 7% to 12% in the U.S.). There is a trend, but to date it is hardly indicative of a quantitative leap into global integration.⁶

Nor is there clear evidence of a trend with respect to a related phenomenon: intra-firm trade between a parent company and affiliates abroad as a driving force behind globalization. The best available material is from the U.S. market. If anything,

⁶ OECD, "International Sourcing of Intermediate Inputs", DSTI/STII/IND(92)1, March 1992.