

inflows into the U.S.. Some concern was expressed that NAFTA could divert U.S. outward investment from East Asia towards Mexico. The study also finds rapid growth in intra-regional investment within East Asia, with Japan and to a lesser extent the Asian NICs being the main sources. As with intra-regional trade, intra-regional investment in East Asia has grown much faster than in Europe. This has been both a cause and a result of rapid economic growth in the region and has taken place without any formal trade or integration agreement.

In general, the study finds that it is not possible to conclude from the evidence of changes in trade and investment flows that regionalization of the world economy is occurring. There has been a significant increase in intra-regional trade and investment, but this has been accompanied by increases in international (extra-regional) trade and investment. It is also impossible to determine whether the growth in regional trade and investment would not have taken place even if there had been no regional integration agreements. There has clearly been growth in regional trade in Asia, despite the lack of any formal trade agreement. This appears to be attributable to rapid economic growth, which would probably have played a similar role in promoting intra-regional trade and investment in Europe and North America even if there had been no new formal regional initiatives in these areas. Growth in regional trade was also attributed to shifting competitive positions and the evolving transfer of production from high to low cost countries in the regions. Natural economic factors seem to have played an important part in regional integration for the three regions.

3.3 Summing up

*In general, the literature achieves the broad consensus that the world is not rapidly becoming tri-polarized and closed to inter-regional economic relations, although the members of the triad do possess an unrivalled amount of economic power, both individually and collectively. It seems, however, that the extent of regionalization is not as pervasive, particularly in Asia and North America, as is popularly believed. Although substantial regionalization cannot be ignored, especially in Europe, so far the benefits have been found to outweigh the costs, i.e., globalization and multilateral trade liberalization have not been significantly hampered, and may even have been boosted, by regionalization. The conclusion that regionalization is, in fact, a natural economic process stemming from the pursuit of maximum efficiency, separate from *de jure* political agreements, is also important. The concern that various authors express over the trade and welfare effects of the potential formation of three large, powerful economic blocs, is mostly related to regional integration that is not efficient, i.e., a *de jure* process undertaken to the excessive and inefficient exclusion of other*