

integration and the inter-linkages between trade and FDI. The UNCTC finds that, despite the trend towards economic integration, the individual country remained the most important arena for policy-making in investment. The opening of regional borders to economic competition, however, puts competitive pressure on the national policy systems that regulate economic activity. The report cautions that a wide range of policies, including environmental and social policies, may face increasing pressures to change as a result of integration with countries with different policy frameworks. Over the long-term, measures taken in the areas of trade and technology, which can significantly affect the competitiveness of a country, were considered likely to have as much, if not more, impact on the behaviour of TNCs than policies that directly encourage or discourage investment. The general conclusion is that integration might lead not only to competition among firms, but also to competition among *policy systems*.⁵⁰

- *OECD Study on Regional Integration*⁵¹

This 1993 OECD document examines the extent of total regional integration, an important part of which is economic integration. It finds that regional integration appears to have contributed to a steady increase in intra-EC trade from 51 per cent in 1963 to 61 per cent in 1973, followed by stagnation and decline to 58 per cent in 1983 and a subsequent resurgence to 62 per cent in 1990. The study concludes that the EC has resulted in a progressive increase in the importance of intra-regional trade, but this has not prevented the growth in imports from third countries, with the important exception of agriculture. When integration is looked at for the whole of Europe, i.e., including the EFTA, the central and East European countries and other neighbouring countries, the study concludes that there have been no major changes in the share of intra-regional trade over a ten-year period.

Investigating FDI, the study finds that faster growth in intra-regional investment has gone hand-in-hand with faster growth in investment between regions. Intra-regional investment quadrupled within the EC over the period 1985-89, in response to the credibility of the single market programme. But European investment in North America also quadrupled over the same period and grew dramatically in Asia, though from a lower base. Intra-regional investment increased for North America in recent years, but North America has also become a net recipient of FDI as a result of massive

⁵⁰UNCTC, *op. cit.*, p. 85.

⁵¹This section outlines the relevant parts of OECD, *Study on Regional Integration*, TD/TC(93)15, November 1993.