outward investment flows, and regional integration in the EC enhanced its already-strong FDI activity. As a result, the UNCTC re-characterized global FDI patterns as *tri-polar* for the 1990s. In recent years, the UNCTC finds that the U.S. has lost its dominant position to Japan in terms of outward flows, although it would take some years for Japan to build a rival DIA stock.[46] The report finds that the role of the triad in the world economy, as measured by FDI stock and flows, is dominant and that its role as a recipient of FDI increased during the 1980s.[47]

The UNCTC also finds that there was growth in intra-triad FDI that could, in part, be explained by heightened competition among increasingly global transnational corporations (TNCs), particularly in R&D-intensive industries. There was also evidence of TNCs building "regional core networks" around the triad. For example, in order to best serve strategic interests in both the EC and the U.S., as well as in Asia, Japanese TNCs were found to be building regionally-integrated, independently sustainable networks of overseas investments centred around a triad member.

The report examines the theoretical inter-linkages between trade and FDI, finding no obvious answer to the question of whether FDI is a substitute for, or a complement to, trade. For example, to the extent that FDI is a response to actual or expected trade barriers, it can be seen as a substitute for trade. At the same time, international production undertaken via FDI was considered to complement international trade to the extent that trade was either a component or an outgrowth of the international production strategies of TNCs. For example, there is substantial intra-firm trade within TNCs and, increasingly, the establishment of successful international operations involves trade by affiliates of TNCs operating in host countries and selling to third-country markets.[48] The report also finds that TNCs were responsible for a substantial share of world exports and imports. In the U.S., at least 80 per cent of the country's trade was undertaken by TNCs in 1988.[49]

The report cites several important policy implications of the emergence of a triad in FDI, the increasing importance of FDI as an engine of international economic

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[46]Also, inward FDI stock in Japan is very small.

[47]UNCTC, *op. cit.*, p. 35.

[48]For the case of intra-firm trade, for example, more than a third of U.S. trade represented intra-firm transactions between foreign affiliates and their parent corporations.

[49]This measure includes parent companies in the U.S., foreign affiliates of home-country TNCs, and U.S. affiliates of foreign TNCs.