

eigners; and they want to see the benefits from the technical and managerial skills embodied in foreign investment diffused through their economy. They are also very much concerned about the balance-of-payments impact of foreign investments. Developing countries tend to favor private investment in which there is a certain proportion of local capital participation. They also favor the maximum use of local supervisory and managerial personnel. In heavy industry and in fields such as petroleum and mining, as well as in public utilities, foreign countries regard enterprises as quasi-public in nature and, in many cases, private enterprise is welcome only on the basis of some form of joint control and participation by the host government. Finally, it is suggested that U.S. firms operating abroad might view their role more in terms of entrepreneurs seeking to mobilize domestic resources while using foreign capital and skills as catalysts, rather than as creators of large industrial empires over which they will maintain indefinite 100 percent ownership and control.

The administration's loan and all-risk guaranty programs for giving special encouragement to private investors in countries where certain investments are essential to the development program but where the investor is confronted with unusual risks, constitute a positive approach to the achievement of public-private partnership in realizing our foreign policy objectives. Special encouragement should be given to joint ventures either initially or after the investment is made. Where Government loans contribute a large portion of the capital of the private investment abroad, the U.S. Government should liquidate its own capital contribution to the venture by the sale of debentures convertible into equity shares to local interests in the host country.

A major weakness in the administration's program for promoting direct private investment in the less developed countries is its failure to emphasize tax inducements. In the light of the many studies and reports of congressional committees and of private and governmental groups favoring tax inducements, such measures should be given a fair trial. In this connection, certain specific recommendations regarding tax inducements, including the enactment of a foreign business corporation law, have been made in part III of this study.