in the value of U.S. direct investments in the Middle East (mostly in petroleum) and another billion dollars in the low-income countries of Africa and Asia. Thus the increase in the value of U.S. direct investments in the low-income countries outside of Latin America constituted less than 10 percent of the total increase in U.S. direct investments during the postwar period. Moreover, if we exclude U.S. petroleum investments in the Middle East, less than 5 percent of total U.S. private investment is to be found in the critical areas of Asia and Africa. For example, at the end of 1960 the book value of U.S. private direct investment in India was only $159 million. It should also be mentioned that whereas nearly half of U.S. direct investments in the relatively high-income areas was in manufacturing, only 14 percent of our direct investment in the relatively low-income area was in manufacturing. Moreover, the vast bulk of U.S. investment in manufacturing in the low-income areas is in Latin America; outside of Latin America, U.S. direct investment in manufacturing in 1960 had a book value of less than $200 million.

The implications of this pattern of U.S. private investment for the achievement of our objectives in developing areas, particularly outside of the few relatively advanced countries in Latin America, are rather obvious. U.S. direct investment is simply not making an appreciable contribution to economic development in Africa and Asia outside of a handful of petroleum producing countries, and it can, and should, be making a larger contribution to economic development in Latin America.

2. What kind of private investment do developing countries want?

Before considering specific governmental measures for encouraging a larger flow of private investment to the less developed areas, we should review briefly the attitudes and concerns of the developing countries toward private foreign investment. In the first place, countries differ substantially with respect to the relative roles of private and public enterprise and to the role of the state in economic matters generally. It would be a mistake in our relations with developing countries to insist that they have the same economic structure as exists in the United States or Canada or Western Germany, although in some cases it may be appropriate to advise countries with respect to their laws relating to business enterprise when national policy issues are not at stake. We should accept the fact that in some countries railroads or electric power or even mining and petroleum and certain heavy industries, such as steel, may as a matter of policy be in the public sector of the economy or, if privately owned, be subject to regulations which go beyond those which exist in our own country. After all, we do have some publicly owned power and transportation facilities in the United States and many industries, such as agriculture and petroleum, are by no means free of governmental controls. Except in a few types of enterprises such as shipping, the United States does not discriminate against foreign enterprise, but again we cannot insist that every country adopt the same policies as we have in the United States or as generally exist in Western Europe. Over the years our own attitudes toward public ownership and regulations have changed as have those of other countries, and other countries are likely to resent attempts on the part of the industrialized countries to impose their own systems of business organization on