them, just as we would resent attempts on the part of other countries to change our legal and organizational structure of economic relationships.

Without necessarily depreciating the efforts of businessmen in the United States and abroad to formulate and obtain general acceptance of codes for the treatment of foreign investment, or the negotiation of bilateral or multilateral investment treaties, it must be recognized that for the reasons indicated above there are severe limitations on the use of such instruments for expanding the flow of private investment. This is not to say, of course, that efforts should not be continued to improve the climate for the flow of international capital by seeking formal agreements or understandings with governments for the avoidance of arbitrary and deliberately discriminatory actions which do not involve fundamental public policy issues, and for fair and prompt compensation in the event of expropriation of foreign property.

Despite the events in Cuba and the increasing Socialist sentiment in many of the less developed countries, there are growing indications in Latin America, and in India, Pakistan, and other Asian countries, of a desire to encourage foreign investment, and of an appreciation of its contributions to growth. Very often following the achievement of independence from colonial rule or following a left-wing revolution in a country which has been governed by a reactionary elite, or where foreign investors have wielded a large amount of economic and political power, the reaction has been to discourage and discriminate against foreign investment because it has become associated with the older political order. This was certainly the pattern in India as well as in a number of other countries immediately after they had won independence. However, after the revoluntionary fervor has died down and governments are faced with the serious business of developing their economies and making good on their promises to the people, they recognize the assistance that foreign private enterprise can provide, either in the private sector of their economies or perhaps in combination with government capital in the public sector. Although conditions in developing countries vary, we are witnessing the emergence of new attitudes on the part of the newly independent or nationalistic governments toward foreign private investment, and new patterns of relationships between foreign investors and the host countries.

Developing countries want to select the kinds of foreign investments that are made in their economies and they want to make sure that the activities of foreign enterprises are consistent with their national objectives. They do not want to see vast petroleum or mining or plantation empires created within their boundaries under the control of foreigners, and they want to see the benefits from the technical and managerial skills embodied in foreign investment diffused throughout their economies. They are also very much concerned about the balance-of-payments impact of foreign investments and want to make sure that, directly or indirectly, foreign investments make a contribution to their balance-of-payments position, either by providing substitutes for imports or additional foreign exchange from exports.

As a consequence of these and other attitudes, developing countries have adopted certain policies toward foreign enterprise which need to be taken into account by both private investors and governments