

in the capital-exporting countries. First, foreign governments are tending more and more to "screen" investments and to limit foreign investments to certain fields or types of operations. Very often official approval of a foreign investment is necessary before a foreign investor is permitted to remit earnings or to repatriate capital at the official rates of exchange appropriate for this purpose. Second, developing countries tend to favor private investment in which there is a certain proportion of local capital participation, and many of them have laws regulating not only the proportion of foreign ownership of domestic concerns, but also regulations with respect to the proportion of local labor that must be employed. They favor the maximum use of local supervisory and managerial personnel, and many companies operating abroad have found it advantageous, not only from the standpoint of public relations within the host country, but also from the standpoint of costs and profitability, to train local managers and supervisors to take over the positions of foreign personnel as soon as possible. In this way the supply of managerial and technical talent in the developing country is increased and in time tends to become diffused throughout the economy. Joint ventures where control and ownership are shared with local enterprise serve to mobilize domestic sources of capital and increase entrepreneurial talent. Although to some extent the capital resources of a developing country are increased by foreign investment, the most important benefits undoubtedly come from the transmission of ideas, skills, and organizing ability. It is these elements rather than the fact of foreign ownership that less-developed countries are seeking.

A third aspect of this emerging pattern of foreign investment is especially significant in large enterprises such as petroleum and mining. Where such enterprises have not been nationalized, they are certainly regarded as quasi-public in nature, and the day has passed when a mining or petroleum firm can obtain a large concession covering thousands of square miles within which it can create an industrial empire with little or no interference with its internal or foreign operations. For example, in the field of petroleum investment, which is the most important single category of U.S. private investment in the less-developed countries, host governments are making it increasingly clear that they want to participate more fully in both the management and the profits of petroleum production and in the marketing of the product. The resolutions of the Organization of Petroleum Exporting Countries (OPEC) at their second conference in Caracas, Venezuela, in January 1961 clearly indicated the determination of the governments of petroleum-producing countries to exercise a larger degree of control over production, pricing, and marketing.¹

These trends and attitudes of capital-importing countries do not necessarily mean a reduced role for foreign investment in their development programs. For example, in countries like Argentina and Mexico where the petroleum-producing industry has been nationalized, new forms of foreign private participation have been developed which reconcile the national interests of the host countries with the legitimate interests of foreign private enterprise. The number of U.S. firms employing joint ventures with foreign private enterprises is expand-

¹ See text of resolutions adopted by second (Caracas) OPEC conference, Platt's Oilgram News Service, Special Supplement, Feb. 21, 1961, p. 1.