ing, and the long-cherished doctrine of 100-percent ownership and control of oversea investments is giving way to one in which a foreign firm, once established, will be transferred gradually to local investors and managers. Thus 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.

While we have been speaking principally of the attitudes of the poorer capital-importing countries of the world toward foreign investment, much the same applies to relatively rich countries such as Canada and Australia. Both of these countries have become increasingly concerned regarding the economic implications of vast aggregations of capital in their countries wholly owned and controlled from abroad. Although they are not asking U.S. and other foreign capital to go home, they are suggesting that both ownership and control, particularly of large firms such as General Motors-Holden, Ltd., of Australia, be shared with local enterprise.

In its efforts to promote the flow of private investment abroad, the U.S. Government should emphasize joint ventures and stimulate foreign investment activities of a large number of small- or medium-sized enterprises. A review of the loans to U.S. private enterprise abroad by the Development Loan Fund and the International Finance Corporation reveals that a large proportion of these loans have in fact gone to joint ventures. Firms given special incentives to go abroad in the form of loans and investment guaranties might well be encouraged by the U.S. Government to participate with local enterprise or to make available their securities to local investors. In the administration's new AID program, it is suggested that where substantial loan or guaranty support is provided by the U.S. Government in order to encourage private investment to go abroad, the U.S. Government should be able to participate in exceptionally high equity profits if they are earned. This problem might be dealt with in a manner similar to the practice of the International Finance Corporation in employing convertible debentures or profit-sharing securities in connection with loans or all-risk guaranties. The use of convertible debentures would provide a means by which the U.S. Government could sell shares in profitable U.S. enterprises abroad to investors in the host country. This would serve the purpose of increasing local private participation.

B. MEASURES FOR ENCOURAGING THE FLOW OF PRIVATE INVESTMENT TO LESS DEVELOPED AREAS

The reasons for the rather meager flow of U.S. foreign investment to the less-developed areas (other than to the extractive industries in certain countries) are not to be found simply in the political and commercial risks or in the general investment climate in these areas. Perhaps more basically, U.S. firms have not been attracted to these areas because of limited markets, and for the vast proportion of U.S. firms, the lack of familiarity with investment opportunities in these countries. Moreover, most firms have adequate outlets for their available capital in the United States and except for firms in the extractive industries which are generally on the lookout for raw materials that