for which the Government would be willing to give special inducements (as against the ordinary inducements through the regular guarantee and loan programs), but such projects must be closely related to the development plan of the host country. In addition, special efforts must be made for locating investment opportunities which will make a significant contribution to the developing countries. Frequently it is not enough for our missions abroad simply to locate such opportunities and then make the results available to the business community generally. In some cases "feasibility studies" of particular industries are undertaken by contract with private organizations that would not benefit directly from the results of such studies. Under the new AID program it is proposed that authority be granted to the Government "to enter into contracts with prospective investors pursuant to which the U.S. Government would pay up to 50 percent of the cost of feasibility surveys to be undertaken by such prospective investors. Each contract would provide that if the project to be surveyed was not undertaken by the investor, within a specified period of time from the date of the initiation of the survey, all information, findings, samples, and other materials developed in the course of the survey would become the property of the U.S. Government." At this point the Government could make the information and other materials available in whatever manner it considered appropriate. This is certainly an important advance over the previous method of investigating investment opportunities; and since it is more in line with investment procedures of private companies, it would serve to enhance the interest of a larger number of U.S. investors in going abroad, particularly in the less developed areas.

Only time and experience will determine the extent to which the various approaches provided for in the administration's new AID program will induce a larger flow of private investment. But the basic approach of enlisting private enterprise in partnership with the Government in achieving our foreign policy objectives is a desirable one. Mainly what is lacking in the administration's new kit of tools for the selective promotion of private investment abroad is an effective tax incentive program.

C. IMPACT OF U.S. PRIVATE FOREIGN INVESTMENT ON THE U.S. ECONOMY

Considerable concern has been expressed regarding the effects of U.S. private investments abroad on domestic producers of competing products, and more recently on the U.S. balance of payments.[7] This is an exceedingly broad and complex problem, especially when looked at from the standpoint of our investment flow to the developed and the underdeveloped countries alike. Moreover, it is not possible to make a complete separation between private investment in the developed and the underdeveloped areas since many European subsidiaries of U.S. corporations reinvest a portion of their earnings in

[7] See, for example, "Foreign Investment Incentive Act of 1960," hearings before the Committee on Finance, U.S. Senate, 86th Cong., 2d sess., 1960, on H.R. 5; "Private Foreign Investment," hearings, Subcommittee on Foreign Trade Policy, House Committee on Ways and Means, December 1958; "Foreign Investment Incentive Act," hearings on H.R. 5, Committee on Ways and Means, July 1959; "The International Development and Security Act," hearings, House Committee on Foreign Affairs, 87th Cong., 1st sess., on H.R. 7372, pt. 2, June 1961, pp. 880 ff.; and "President's 1961 Tax Recommendations," hearings, House Committee on Ways and Means, 87th Cong., 1st sess., May and June 1961, pp. 27–40; 73–96; 260–272; and pp. 2587 ff.