CHAPTER I

American Bank Relationships With Foreign Governments

Relationships between American banks and the governments and banking authorities of countries in which the former have established or are attempting to establish operations are shaped by motives stemming from quite disparate points of view. On the one hand, the banks are profit motivated, oriented toward aggressive competition with other financial institutions and, at least in their international transactions, have no great compulsion to shape their actions primarily to preserve cultural or national identities. On the other hand, governments as representatives of people with such values are motivated both by the general economic welfare of those people, the particular welfare of special groups in their society and less tangible considerations of preserving a feeling of national unity. The extent of cooperation obtained by American banks in their overseas activities thus depends on the degree to which there is a similarity of interest between the banks and foreign governments. Considering the potential differences that may exist, it is perhaps remarkable that American banking has expanded overseas to the extent that it has. This chapter focuses upon the unique characteristics of American overseas banking philosophy and the broad principles that motivate foreign countries in their attitudes toward U.S. banks.

THE PHILOSOPHY OF U.S. BANKING ABROAD

The philosophic attitude of U.S. banks toward international banking is shaped by the history of our country, its participation in world trade and investments and by the laws governing overseas banking.

The growth of world trade and investment since 1950, the regeneration of exchange and money markets in Western Europe since 1958 and competition in the field of domestic commercial banking have fostered the enlarged participation of U.S. banks in international activities by presenting opportunities for profitable service to clients. The swift economic recovery of industrial Europe and Japan since the war resulted in the dismantling of exchange controls and other barriers to trade and capital flows. This permitted resumption of international investment, including large-scale U.S. private direct investment abroad and sizable foreign investment in the United States. Although the possibility that nations might revert to the restrictive trade practices and exchange controls of the interwar and the immediate postwar years cannot be wholly ignored, the current emphasis is still on programs and policies aimed at further increasing the volume of trade and investment. It is against this background that the remarkable expansion of U.S. banks abroad must be seen.

There are many reasons why banks expand overseas. However, the basic motivation lying behind a bank's policies (as well as those