

have been widely studied elsewhere and need no recital here. It is important, however, to note emphatically that intensive case study rarely turns up a situation in which the producer abroad could have continued to export as an alternative to producing locally abroad.

Moreover, an important fact often forgotten in discussions of what impels companies to produce abroad as against supplying foreign markets through exports is that there are no acceptable substitutes produced in the United States for much of U.S. production abroad. This is the case even in manufacturing, but is particularly clear in the case of the extractive industries which establish facilities abroad so as to gain sources of supply rather than new market, and applies also to trading companies, utilities, and other service enterprises that are limited to foreign sites by the nature of their operations. These nonmanufacturing instances have especially close relevance to the LDC's. Even in consumer goods, versions developed for the U.S. market are keyed to income levels and social positions more advanced than those prevailing in the LDC's.

As for new U.S. exports induced by investment abroad, it seems likely that the relationship between exports and local production is close, and is probably particularly strong in the case of LDC's. In 1964, for example, the ratio of U.S. exports shipped to Latin American manufacturing affiliates to sales revenues of these affiliates was 11 percent. The comparable ratio for Europe: 6 percent. The difference is some indication of how much more producers in LDC's must look abroad for their supplies than is the case for those in more developed countries. Comparably competitive sources of supplies and equipment are simply not at hand for the LDC producers, and this relative inflexibility in source has a widespread impact.

In the case of capital goods, for example, the technology necessary to produce the machines for making other machines, as well as machines for making final product, is not readily available in the LDC's. Thus in 1964 Latin America imported \$126 million of capital equipment from the United States; Europe imported only \$65 million, despite the much more rapid pace of U.S. investment in Europe—six times the rate in Latin America. Available figures also permit a corroborating examination of capital-equipment sources for foreign manufacturing subsidiaries. Latin American subsidiaries obtained half of the materials used in their manufacturing operations from the United States, European subsidiaries about a tenth.

Investment-induced exports appear generally more impressive than those hypothetically displaced, although the latter concededly raise an imponderable question. What might have been the level of U.S. product exports had there been no production abroad cannot be determined. But the question is largely idle; producers did not have the choice in the first place.

The often expressed anxiety that U.S. production abroad displaces exports on balance is not persuasive. For one thing, U.S. foreign direct investment alone now (mid-1967) totals more than \$55 billion, and accounts for possibly as much as \$115 billion in product deliveries. It is not credible that foreign countries would permit or could finance these deliveries as supplemental exports from U.S. facilities. Moreover, as noted already, this productive activity within foreign markets has in fact been accompanied by a vigorous growth of U.S. exports (7 percent annual average, 1950-66), the more vigorous in areas where