

If the LDCs are to mount a better investment program, a portion of their capital and "know-how" will have to come from the resources of the MDCs. It has become increasingly clear that governmental and multilateral aid, while essential, do not provide enough capital to support an adequate development program. If the gap between the requirements of development and the resources needed for this task is to be closed, foreign private investments in the LDCs will have to increase.

If private investment in the production of the less-developed countries is to be increased to the extent that would appear necessary to bring about self-reinforcing economic growth, two aspects of the problem stand clearly forth in need of examination--those negative factors presently inhibiting foreign investment and those positive measures which could be taken to encourage its incidence.

Fear probably plays the largest role in deterring what would otherwise be an increased flow of private foreign investment to the less developed countries--fear of foreign domination on the part of the host country, and on the part of the investor, fear of expropriation and non-transferability of earnings as well as erosion via inflation. With increased stability and confidence these fears appear to be dwindling.

As less developed countries recognize that the foreign private investor is essentially a citizen under their domain, subject to the same regulation as are domestic companies, and as the investor participates more fully as a corporate citizen of the host country, foreign domination seems ever more improbable. As the less-developed countries demonstrate that they are willing to honor contractual agreements, to accord non-discriminatory treatment to foreign investors, and to permit companies to repatriate profits the fears of private foreign investors will subside.

Yet such fears are still a controlling factor in many instances. A greater degree of frankness in the context of an objective dialogue among all interested parties must be developed to come to grips with the root problems underlying these fears.

There are a number of specific advantages that private foreign investment can bring to the economies of the LDCs.