

trols, can survive if it is bogged down by tremendous administrative problems. Although it is a little early to judge conclusively, there are signs that this program is almost unadministerable. In the first place, the processes of international investment are extremely complex. They involve foreign entities and foreign Government relationships. By their very nature these processes constitute a continuum over periods of years as distinguished from "stop and go," "in and out," moves which can safely be interrupted and turned on and off. As we will attempt to develop in discussing in more detail the structure of the control program, these characteristics of the foreign direct investment process, these complexities, these interrelationships make equitable, consistent, and reasonable administration almost impossible. And this difficulty is aggravated by the fact that the objectives of the program of controls are mixed, even partially contradictory, and are not exclusively tied to balance-of-payments considerations.

K. *Basic decision should be reevaluated.*—In the net, what is really needed is a reevaluation of the original basic policy decision. If Government is determined against that reevaluation, then clearly the structure of the control program itself must be thoroughly reevaluated and overhauled. Anything less than this will not only produce short and particularly long-range disadvantages to the public interest, but it may very well produce chaotic conditions in reference to the stream of business decisions which must go on. Those decisions, we should emphasize are not just cold, calculating, private decisions—they affect intercountry relationships, they affect employment here as well as abroad, they affect the balance of payments; in general, they affect the public interest.

CRITICISMS OF THE STRUCTURAL CONCEPT AND DETAILS OF THE CONTROL PROGRAM AND REGULATIONS

General theory of the structure of controls.—The building blocks for the control structure over U.S. direct investments are these: First, the controls are addressed to capital outflows, reinvestment, repatriation of earnings, and the reduction and repatriation of certain liquid foreign balances. Second, restrictions on investment and mandatory requirements as to repatriation are defined by formulas which in turn depend upon the direct investor's experience during prior base periods. The base periods selected are 1965–66 for capital transfers and limitations on liquid foreign balances and 1964 through 1966 for repatriation of earnings by affiliated foreign nationals. Third, the countries of the world are divided into three schedules, with each schedule of countries given different treatment under the control formulas. For schedule C, consisting primarily of Western Europe and South Africa, there is an absolute moratorium on capital transfers from the United States and the toughest requirement as to repatriation is applicable. Schedule B, given a somewhat more moderate treatment, includes Japan, Great Britain, Canada, Australia, and certain oil-producing countries. Schedule A, for all practical purposes, consists of the so-called developing countries and they receive within the control system the most generous treatment. In applying the controls the company is required